



Report on the National Declaration 2015

*Opinion on the Netherlands' report on the use of European funds
under shared management*

2015



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The original report *Rapport bij de Nationale verklaring 2015; Oordeel bij de verantwoording van de lidstaat Nederland over de Europese fondsen in gedeeld beheer* was adopted on 19 May 2015 and presented to the Dutch House of Representative on 20 May 2015.

Contents

Executive summary	3
1 The 2015 National Declaration	7
1.1 Background information on the National Declaration	7
1.1.1 Public accountability for the use of EU funds	7
1.1.2 Added value of the National Declaration	9
1.2 EU funds in the National Declaration	12
1.3 Scope of the National Declaration 2015	17
1.3.1 Effectiveness and efficiency	17
1.3.2 Contributions	18
1.3.3 European Territorial Cooperation	19
1.4 Open data	19
2 The Netherlands Court of Audit’s opinion on the National Declaration 2015	21
2.1 Introduction	21
2.2 Opinion on the assertion on the quality of management and control systems	22
2.2.1 General picture of the functioning of management and control systems	22
2.2.2 Agricultural funds (EAGF and EAFRD)	23
2.2.3 European Regional Development Fund (ERDF)	24
2.2.4 European Social Fund (ESF)	25
2.2.5 European Fisheries Fund (EFF)	25
2.2.6 Migration funds (ERF, RF, EBF and EIF)	26
2.3 Opinion on the assertion on financial transactions	26
2.3.1 Agricultural funds (EAGF and EAFRD)	27
2.3.2 European Regional Development Fund (ERDF)	28
2.3.3 European Social Fund (ESF)	29
2.3.4 European Fisheries Fund (EFF)	30
2.3.5 Migration funds (ERF, RF, EBF and EIF)	32
2.4 Opinion on preparation	32
2.5 Review of the Central Government Audit Service’s audit	32
3 Government response and Court of Audit afterword	34
3.1 Government response	34
3.2 Court of Audit’s afterword	38
4 Appendix 1: Summary of conclusions, recommendations and points for improvement	39
5 Bibliography	44

Executive summary

National Declaration

The Dutch government issues the National Declaration to account to the European Commission and the Dutch House of Representatives for the management and regularity of European grants subject to shared management by the Netherlands and the European Commission. Like Denmark and Sweden, the Netherlands sets a good example by issuing an annual, voluntary declaration. This helps the parliaments of these three member states to hold the responsible ministers to account for the management of EU grants and improvements in management practices.

All EU member states submit compulsory accounting documents to the European Commission each year. One such document is an annual summary of audit findings on the regularity of the use of EU funds in the member states. Unlike the annual summaries, however, the National Declaration has a political, public and overarching character. It is therefore a more useful and accessible document than an annual summary.

The Netherlands involves its citizens in EU policy and expenditure through such initiatives as the Europa om de hoek ('Europe round the corner') website. This website provides information on projects cofinanced by the EU. The Ministry of Finance is currently exploring ways of making more information publicly available in accordance with the open data concept.

The European Commission funds EU grants from the contributions it receives from the member states. The National Declaration does not include information on the management of contributions made to the EU. This means that it does not, for example, report on the additional net contribution of €642.7 million the Netherlands made to the EU in the autumn of 2014. We believe that the National Declaration should also consider the management of these contributions. It would then account for both the member state's receipts from the EU (in the form of grants) and its payments to the EU (in the form of contributions).

The National Declaration also does not contain any information on whether EU grants contribute to the achievement of policy goals or on the efficiency of their use. Such information is becoming more important, however, as the EU institutions are increasing their focus on results in the 2014-2020 programming period.

The National Declaration does not consider the management of EU grants spent to improve cooperation among member states. In the case of the Meuse-Rhine Euroregion programme, responsibility for management and control has been delegated to authorities in the Netherlands and the Dutch Minister of Economic Affairs bears overall responsibility. We therefore suggest that the Meuse-Rhine Euroregion programme also be covered by the National Declaration. We see no insurmountable obstacles to this.

The management and control systems in place for smaller funds in the Netherlands must meet the same standards as those in place for funds in other countries that receive far higher grants. The European Commission contributes towards the management costs. We suggest that the ministers and state secretaries responsible for the new funds in the 2014-2020 programming period demonstrate whether this contribution is adequate to cover expenditure on the management systems.

National Declaration 2015

The National Declaration 2015 considers grants awarded from nine EU funds:

- agricultural funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD);
- structural funds: the European Regional Development Fund (ERDF) and the European Social Fund (ESF);
- the European Fisheries Fund (EFF);
- migration funds: the European Refugee Fund (ERF), the European Return Fund (RF), the European External Borders Fund (EBF) and the European Integration Fund (EIF).

In the Netherlands, the management of these funds is the responsibility of the State Secretary for Economic Affairs (in the case of the EAGF, EAFRD, ERDF and EFF), the State Secretary for Social Affairs and Employment (ESF), the Minister of Social Affairs and Employment (EIF) and the State Secretary for Security and Justice (ERF, RF and EBF). The Minister of Finance draws up the National Declaration on the government's behalf each year. To this end, the Central Government Audit Service uses less than 1% of the FTEs necessary to carry out the compulsory checks on EU funds each year. The Netherlands Court of Audit expresses an opinion on the National Declaration to the Dutch parliament each year, which the Minister of Finance then submits to the EU.

In our opinion, the assertions made in the National Declaration 2015 regarding the functioning of management and control systems and the regularity of financial transactions are sound. The assertion on financial transactions relates to net declared expenditures and receipts of €1,751.7 million. Grants allocated by the EU account for €1,275.8 million of this amount. The declaration also covers amounts receivable from beneficiaries of EU funding of €102.9 million in total. Furthermore, in our opinion the National Declaration 2015 was prepared in a sound manner. Without prejudicing our opinion, we would draw attention to the following points for improvement in the respective funds.

Fund	Amount declared (in € million)	EU contribution (in € million)	Main conclusions	Specific conclusions/ Points for improvement
Agricultural funds (EAGF and EAFRD)	819.8 for EAGF 111.1 for EAFRD	819.8 for EAGF 111.1 for EAFRD	Management and control systems function adequately. Percentage of irregularities less than 2% (overall).	Administrative checks in respect of EAGF need strengthening. Percentage of irregularities in respect of EAFRD is higher than 2%.
ERDF (North, East, South and West)	380.2	157.3	Management and control systems function adequately. Percentage of irregularities less than 2% (overall).	Despite improvements in management verifications, percentage of irregularities in respect of ERDF West is still higher than 2%.
ESF	391.0	160.4	Management and control systems function adequately. Percentage of irregularities higher than 2%.	Percentage of irregularities in respect of ESF is higher than 2%.
EFF	28.2	13.5	Management and control systems function partially. Percentage of irregularities considerably higher than 2%.	Shortcomings in managing authority's systems, particularly in management verifications. Percentage of irregularities in respect of EFF is considerably higher than 2%, with many remaining uncertainties. Potential loss of EU contributions to fisheries projects due in part to excessively high error rate. Uncertainties regarding accuracy and completeness of receivables. Mediation process open to further improvement.
Migration funds (ERF, RF, EBF and EIF)	21.4	13.7	Management and control systems function adequately. Percentage of irregularities less than 2%.	No significant points for improvement.

The recommendations stemming from the main points for improvement are presented in the body of the report and in annex 1. The points for improvement arising from our audit are explained in further detail on the Dutch section of our website.

Government response and Court of Audit's afterword

We received the government's response to our draft report from the Minister of Finance on 13 May 2015. The government appreciates the Court of Audit's opinion on the National Declaration 2015 and will continue to focus on the correct use of EU funds in order to retain the current, positive picture. We are pleased the government endorses the purpose and substance of the recommendations arising from our opinion on the National Declaration and that it is planning to take concrete measures to make improvements where necessary (see chapter 2 and the summary in annexe 1 to the report).

Chapter 2 summarises our assessment of the management and control systems in place for the funds. This is based on the method used for the structural funds. The government believes we are creating an additional form of assessment that is not properly explained and may lead to confusion. Our summary, however, is not an additional form of assessment but a means of clearly presenting the management and control systems, given that readers may be confused by the many different regulations. We have made clear that our assessment was based on the method used to assess the structural funds, and refer to explanatory notes on our website for each fund.

On account of the cross-border nature of the Meuse-Rhine Euroregion programme, the government is not intending to act on our suggestion to examine how it could be included in the National Declaration. Regarding the clarification of the management costs incurred for smaller funds, the government notes that the funds will be restructured to bring the costs more closely into line with expenditures.

The government is unfortunately not planning to act on our recommendation to include Dutch contributions to the EU budget in the National Declaration and refers to the position on this matter that it adopted earlier (see section 1.3.2) and the fact that the final net impact of the additional contribution depends on changes in other member states. We would again emphasise that the inclusion of contributions to the EU would make the National Declaration a more complete accounting document. We believe that this would also improve understanding of the system used to compute additional contributions, thus preventing their coming as a surprise in the future.

I The 2015 National Declaration

I.I Background information on the National Declaration

I.I.I Public accountability for the use of EU funds

The National Declaration is the document issued by the government every year in which it accounts for the management of EU grants in the Netherlands and explains whether the money has been used in a lawful manner, i.e. in accordance with rules and regulations. The grants in question are spent in accordance with a system of shared management under which they are managed jointly by the member state and the European Commission.¹

Clear public accountability is important for the exercise of democratic control by parliament and citizens. After all, clear public accountability enables the public to see what EU funds have been spent on. The European Commission and the member states can use reliable reporting and audit information to manage the implementation of EU policies. Parliaments can use the National Declaration to call upon the responsible ministers to make carefully targeted and timed improvements to the way in which EU grants are managed.

As one of the few member states preparing a National Declaration on a voluntary basis (see box), the Netherlands sets a good example to the rest of Europe each year. The Minister of Finance compiles the National Declaration each year on the Dutch government's behalf, for both the European Commission and the Dutch parliament.

Contents of Dutch National Declaration

The National Declaration is a statement on:

- the functioning of management and control systems (under EU law, the various funds have their own names for this type of system, all of which come with their own assessment and valuation criteria);
- the legality, regularity, accuracy and completeness of the expenditures and receipts disclosed in the consolidation statement in which the actual financial figures are stated;
- the legality, regularity, accuracy and completeness of amounts receivable as disclosed in the consolidation statement in which the financial positions are stated.

Each year, the Netherlands Court of Audit presents its opinion on the National Declaration to the Dutch parliament. The Minister of Finance then passes on this opinion to the EU.

Alongside the voluntary National Declaration, currently produced only by Sweden and Denmark in addition to the Netherlands, the member states also submit other, compulsory accounting documents to the European Commission. These are set out in the following figure.²

¹ In addition to grants under shared management, certain EU grants are also allocated directly by the European Commission (under a system known as 'direct management'). These grants are not covered by the National Declaration.

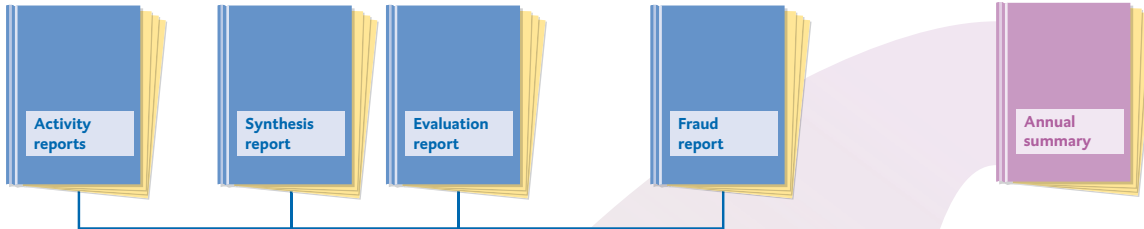
² Source: *EU Trend Report 2015* (Netherlands Court of Audit, 2015a).

Reporting and audit: who does what?

European Commission

The European Commission prepares accounting documents and audit reports every year.

- The policy DGs issue activity reports.
- The European Commission publishes an overarching synthesis report on the activity reports, as well as an evaluation report reviewing the policy pursued during the past year.
- OLAF (the European Anti-Fraud Office) publishes its own report on irregularities and cases of fraud in the member states.



All member states: annual summary

All EU member states are obliged to submit an annual summary to the European Commission. This is a document containing a list of audits (and their findings) of the regularity of the use of EU funds in the member states.

European Court of Auditors

An important audit report is published in Luxembourg every year. This is the annual report of the European Court of Auditors, which assesses the regularity of EU revenue and expenditure.



Three member states: National Declaration

Only three member states, i.e. the Netherlands, Denmark and Sweden, drew up a voluntary National Declaration to supplement their annual summaries.

The National Declaration is a statement in which a member state renders account for the use of EU funds it has received.

If all EU member states prepared a National Declaration, this would enhance the quality of their reports on the spending of EU funds.



1.1.2 Added value of the National Declaration

We believe that the National Declarations add considerable value to both the annual summaries of audit findings on the ‘regular’ use of EU funds and – in the new programming period – the management declarations, i.e. annual statements issued by managing authorities on the regular use of EU funds. The main reason for this is that the National Declaration is an opinion for which the government of an EU member state takes responsibility. Secondly, as it presents an overarching opinion on the regularity of the grant revenue received by the country in question and does not report on individual funds, it is a more useful and accessible document than an annual summary. The third reason is that, unlike annual summaries and management declarations, National Declarations are public documents that every EU citizen and any member of an EU parliament is free to read.³

If the European Commission and the European Court of Auditors were able to rely more on national accounts and audits performed by national audit offices as well as the assurance generated by these audits, they could restrict the scope of their own audits. Our publication entitled *EU Trend Report 2015* (Netherlands Court of Audit, 2015a) contains a detailed discussion not just of initiatives taken by the European Parliament and the Dutch House of Representatives to improve reporting information on EU funds, but also of the role that the National Declaration could potentially play in this respect. As we demonstrated in the *EU Trend Report 2015*, the preparation of a National Declaration is not something that would necessarily take up a great deal of time and energy.

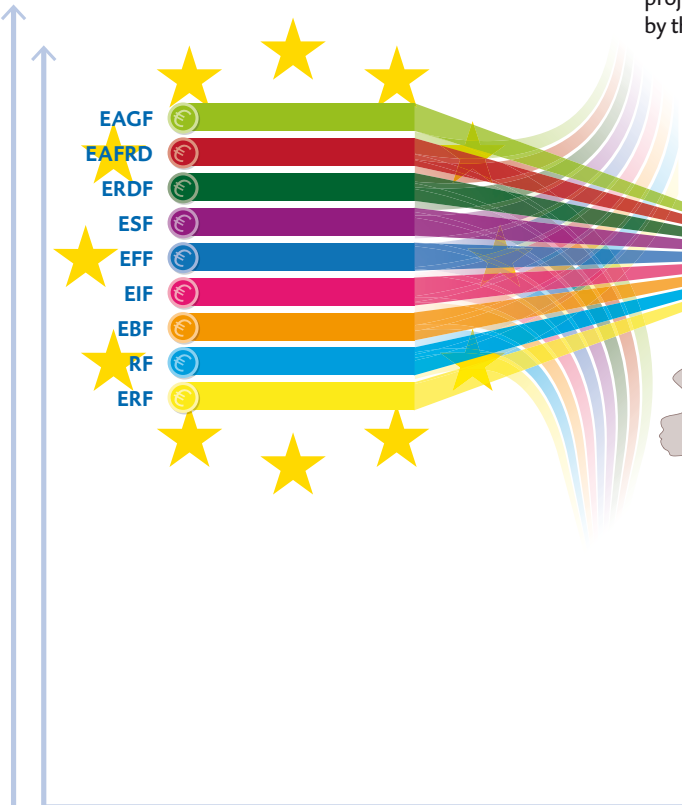
The following figure illustrates the added value of a National Declaration.

³ Certain EU member states, including the Netherlands, voluntarily publish their annual summaries.

Added value of National Declaration compared with annual summary

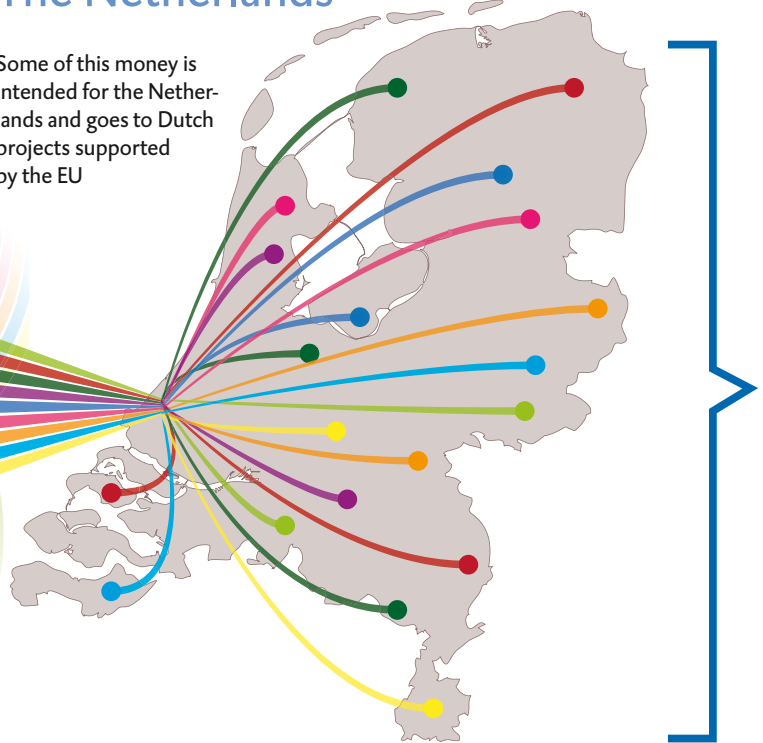
EU

Brussels distributes grants over the member states



The Netherlands

Some of this money is intended for the Netherlands and goes to Dutch projects supported by the EU

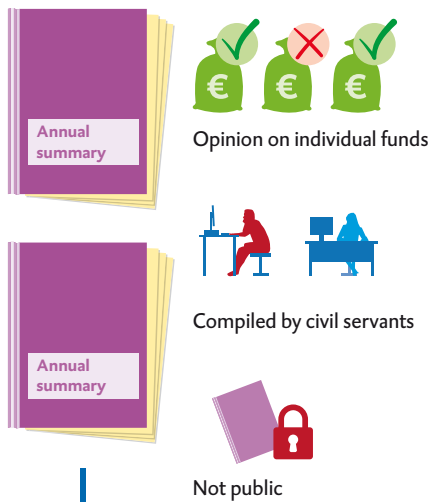


A National Declaration has a number of advantages over an annual summary in its present form and is not necessarily much more expensive to produce.

Compulsory for all member states: reporting in the form of annual summaries

In order to show that EU grants have been spent in a regular manner, both the Netherlands and all other EU member states currently produce **annual summaries** of spending from each fund.

Characteristic features of the annual summary



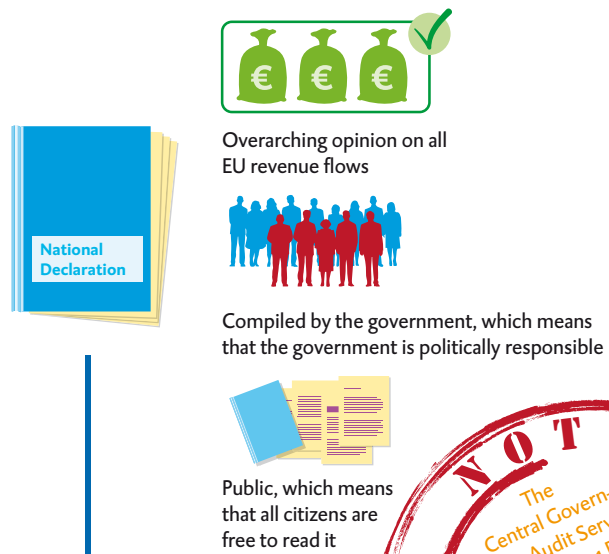
Prepared by ministries

Means of accounting to the EU

Not compulsory at present: reporting in the form of a National Declaration

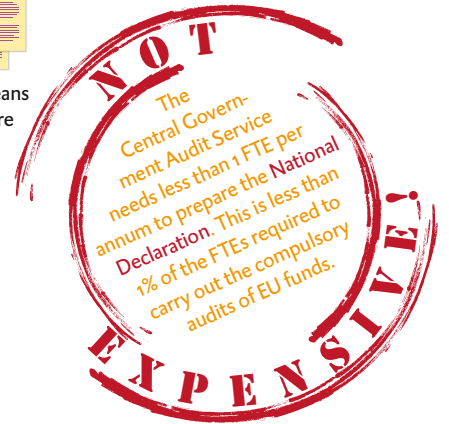
The Dutch government takes political responsibility for the regularity of the use of all EU funds by issuing a **National Declaration**. Unfortunately, only a small minority of EU member states do this.

Characteristic features of the National Declaration



Prepared by the Minister of Finance on behalf of the government

Means of accounting to the EU



1.2 EU funds in the National Declaration

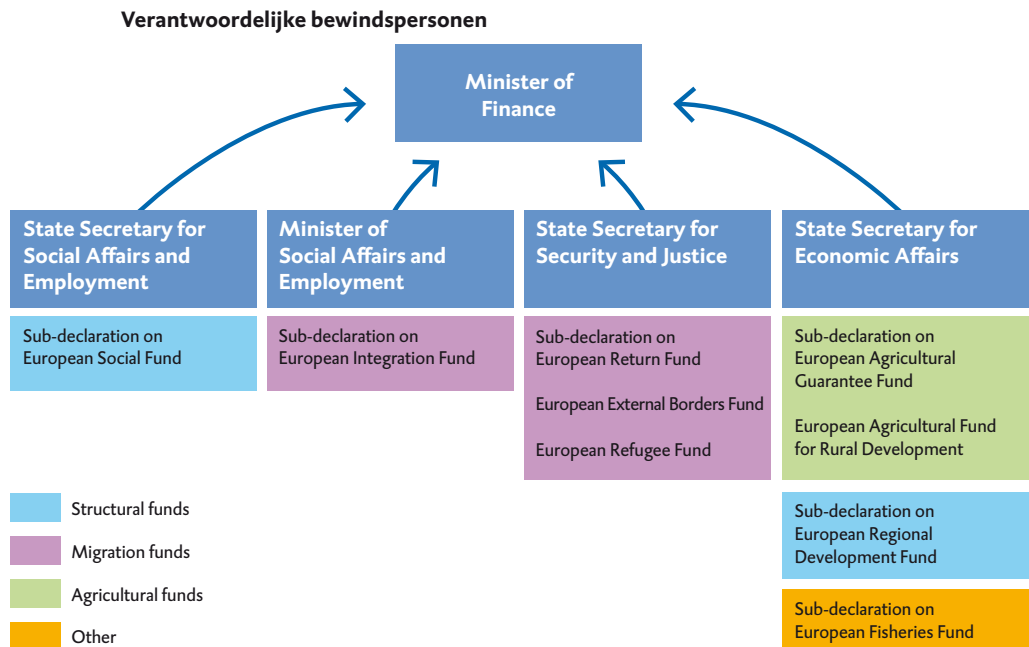
The Dutch National Declaration 2015 considers nine EU funds under shared management:

- agricultural funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD);
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- the European Fisheries Fund (EFF);
- migration funds: the European Refugee Fund (ERF), the European Return Fund (RF), the European External Borders Fund (EBF) and the European Integration Fund (EIF).

The National Declaration considers the balance of expenditures and receipts claimed (or ‘declared’)⁴ from the European Commission in relation to each fund. The sum total is €1,751.7 million, and the relative share of this amount accounted for by grants allocated by the EU is €1,275.8 million.⁵

The declaration also covers amounts receivable from beneficiaries of EU grants (i.e. mandatory refunds, worth €102.9 million in total).⁶ The vast majority of these relate to the EAGF (€96.1 million) and the ERDF (€6.1 million).⁷

The nine funds under shared management considered in the National Declaration 2015 are under the responsibility of several ministers and state secretaries. The Minister of Finance compiles the National Declaration from sub-declarations issued by the ministers and state secretaries concerned, as shown in the following figure.



The period covered by the National Declaration varies from one fund to another, as does the nature of the accounting document on which the Declaration is based, i.e. an annual report, financial statements, etc. This stems from the fact that the European Commission has drawn up different regulations for each fund.

4 The remainder of this report refers simply to ‘declared expenditures’.

5 The member state declares eligible expenditure, less receipts (consisting mainly of adjustments to previously declared items of expenditure) to the European Commission. In the case of all funds with the exception of agricultural funds, the European Commission pays a percentage of the declared expenditure from the relevant fund. This is known as an EU or European grant. In the case of the agricultural funds, the EU grant is the same as the amount of declared expenditure.

6 The National Declaration states that the amounts receivable in relation to the EFF are not accurate and complete.

7 In the case of the migration funds, the Dutch government has decided not to include any receivables in the National Declaration with effect from this year. This is because the Dutch National Declaration now uses a new, harmonised definition of the term ‘receivable’. The following definition is now used for the purpose of the National Declaration: a refund qualifies as a ‘receivable’ if ‘it is capable of affecting the financial position of the Netherlands as an EU member state vis-à-vis the European Commission’.

As far as the agricultural funds are concerned, the National Declaration 2015 is based on the financial statements for 2014, which cover the period starting on 16 October 2013 and ending on 15 October 2014. In the case of the ERDF, the ESF and the EFF,⁸ the National Declaration is based on the 2013 annual report, which relates to the 2013 calendar year. In the case of the migration funds, the National Declaration is based on a document covering the period from 1 November 2011 to 30 June 2013.

The European Commission has set aside budgets (some of them multi-annual) for the funds for the programming period from 2007 to the end of 2013, with the exception of the budgets for the European Agricultural Guarantee Fund (EAGF), for which annual budgets are set for each member state (known as 'national maximums'). Due to EU regulations and budgeting systems, the period during which expenditure may be declared extends for a number of years after the end of the programming period.⁹

A brief summary of the funds, their objects, accounting period and financial value (including budget spending) follows below.¹⁰ See the Dutch section of our website (www.rekenkamer.nl) for more detailed information on each fund.

>>>

In other words, the member state might have to repay the amount in question to the European Commission if it proves impossible to collect the debt from the beneficiary. The only funds affected by this new definition are the migration funds, which as a result no longer involve any receivables.

8

In the case of the EFF, the accounting period for expenditure is the 2013 calendar year, whereas the accounting period for the management and control systems runs from 1 July 2013 to 30 June 2014.

9

For most funds, this period ends on 31 December 2015. All expenditure claims must have been checked by 31 March 2017 at the latest. In the case of the migration funds, the 2013 annual programme runs until 30 June 2015 and all expenditure claims must have been submitted and checked by 31 March 2016 at the latest.

10

In the case of the multi-annual funds, expenses have now been declared for five of the seven years of the programming period.

EAGF



€ Financial value as stated in National Declaration 2015



Object

To offer food security to European citizens and price and income stability to European farmers

Used to support projects aimed at

- Direct income support
- Grants for joint marketing by producer organisations
- Market interventions



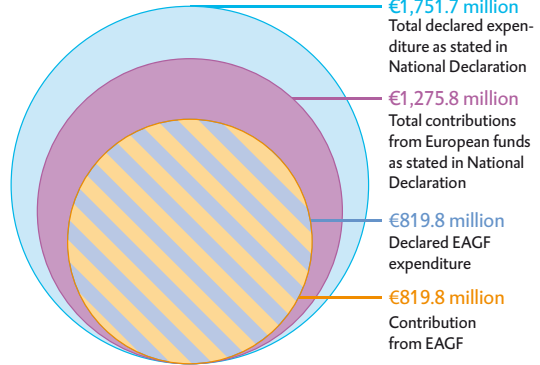
EA

Responsible for spending of EAGF budget in the Netherlands

State Secretary for Economic Affairs

Size of European budget for 2007-2013: €6.8 billion

(Cumulative depletion as stated in National Declaration 2015: not applicable)



At the start of the 2007-2013 programming period, the Dutch government was unaware of the size of the budget, i.e. €6.8 billion. The European Commission releases an annual budget for each member state during the course of the programming period.

EAFRD



€ Financial value as stated in National Declaration 2015



Object

To foster rural development in EU member states and facilitate the implementation of national rural development policies

Used to support projects aimed at

- Improving the competitiveness of the agricultural and forestry sectors
- Improving the environment and landscape
- Enhancing the quality of life in rural areas and diversifying the rural economy



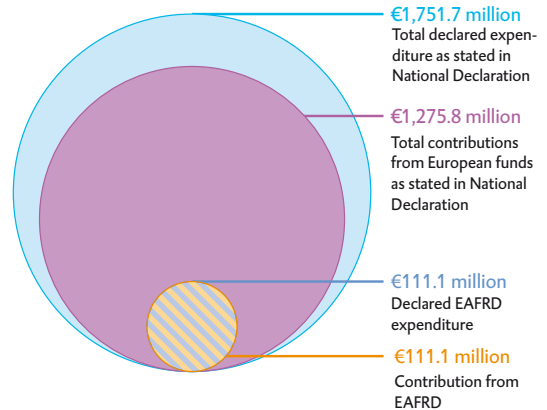
EA

Responsible for spending of EAGF budget in the Netherlands

State Secretary for Economic Affairs

Size of European budget for 2007-2013: €593.2 million

(Cumulative depletion as stated in National Declaration 2015: €518.7 million)



ERDF



€ Financial value as stated in National Declaration 2015



Object

To reduce the main imbalances between European regions

Used to support projects aimed at

- Producing long-term improvements in employment and competitiveness in the European regions
- Fostering territorial cooperation in the EU
- Speeding up convergence between the less developed member states and regions and the other member states and regions



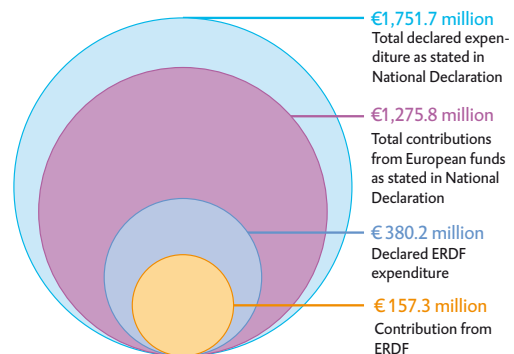
EA

Responsible for spending of ERDF budget in the Netherlands

State Secretary for Economic Affairs

Size of European budget for 2007-2013: €830.0 million

(Cumulative depletion as stated in National Declaration 2015: €570.7 million)



ESF



€ Financial value as stated in National Declaration 2015



Object

To promote employment in the EU member states



Used to support projects aimed at

- Boosting the supply of labour
- Promoting an inclusive labour market in which all people are able to participate in accordance with their capacity
- Enhancing worker versatility; investing in human capital

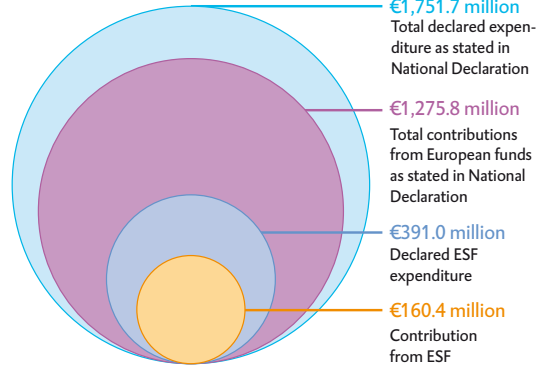


SAE

Responsible for spending of ESF budget in the Netherlands

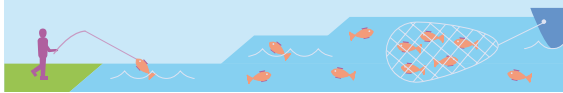
State Secretary for Social Affairs and Employment

Size of European budget for 2007-2013: €830.0 million
(Cumulative depletion as stated in National Declaration 2015: €512.6 million)



European Social Fund (ESF)

EFF



€ Financial value as stated in National Declaration 2015



Object

To promote the preservation and the sustainable management of the sea's natural resources



Used to support projects aimed at

- Easing the pressure on fish stocks
- Promoting the sustainable development of inland water fisheries
- Supporting the development of financially viable businesses in the fisheries sector

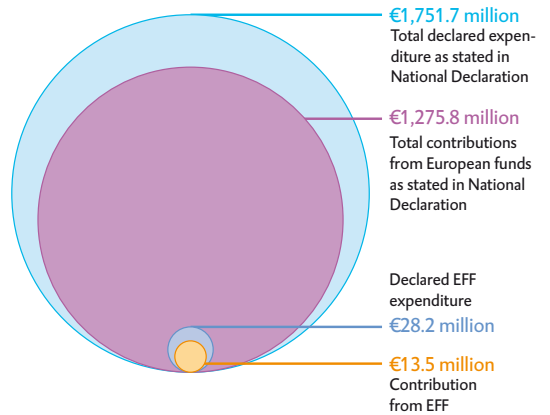


EA

Responsible for spending of EFF budget in the Netherlands

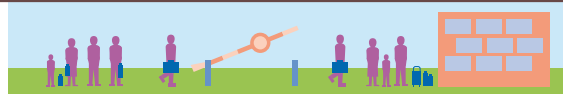
State Secretary for Economic Affairs

Size of European budget for 2007-2013: €48.6 million
(Cumulative depletion as stated in National Declaration 2015: €32.3 million)



European Fisheries Fund (EFF)

ERF



€ Financial value as stated in National Declaration 2015



Object

To fund projects involving the reception and integration of asylum-seekers and refugees



Used to support projects aimed at

- Drafting reception and asylum procedures
- The integration of refugees
- Enhancing the capacity of the EU member states to develop an asylum policy
- Rehousing refugees
- Transferring asylum-seekers and refugees from one member state to another

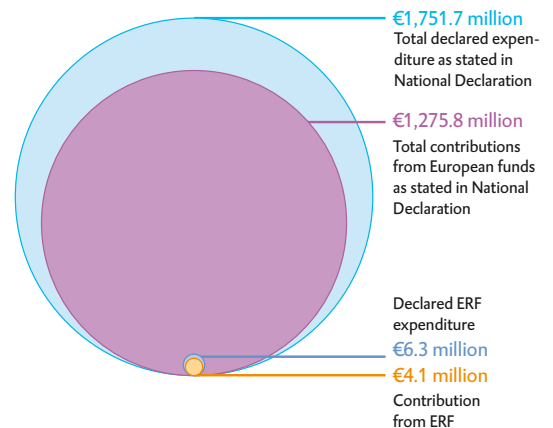


SJ

Responsible for spending of ERF budget in the Netherlands

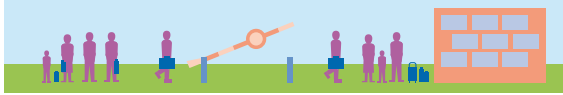
State Secretary for Security and Justice

Size of European budget for 2007-2013: €20.9 million
(Cumulative depletion as stated in National Declaration 2015: €13.6 million)



European Refugee Fund (ERF)

RF



€ Financial value as stated in National Declaration 2015

**Object**

To assist migrants who are unwilling or unable to stay in the Netherlands, to return to their home countries

Used to support projects aimed at

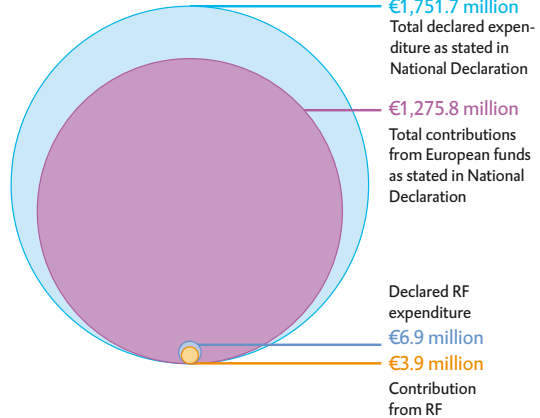
- Improving the organisation of the return process
- Enhancing cooperation between member states on the return process
- Fostering the effective and uniform enforcement of common return standards

**Responsible for spending of RF budget in the Netherlands**

State Secretary for Security and Justice

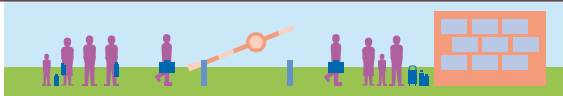
Size of European budget for 2007-2013: €32.0 million

(Cumulative depletion as stated in National Declaration 2015: €9.3 million)



European Return Fund (RF)

EBF



€ Financial value as stated in National Declaration 2015

**Object**

To manage the external borders with the aid of customs, border controls and visa policies, and also to promote the respectful, dignified treatment of those illegally crossing the external borders

Used to support projects aimed at

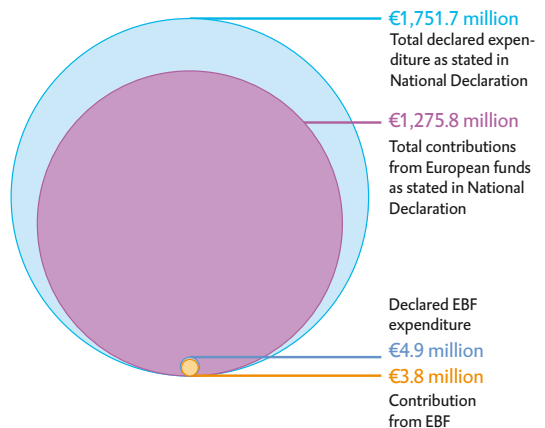
- Efficient external border controls
- The respectful and dignified management of flows of people at the external borders in order to maintain a high level of protection and at the same time to ensure a smooth border crossing in accordance with the terms of the Schengen agreements
- The uniform application of Community law on the crossing of borders

**Responsible for spending of EBF budget in the Netherlands**

State Secretary for Security and Justice

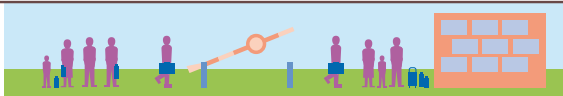
Size of European budget for 2007-2013: €35.2 million

(Cumulative depletion as stated in National Declaration 2015: €10.5 million)



European External Borders Fund (EBF)

EIF



€ Financial value as stated in National Declaration 2015

**Object**

To foster a common European policy on the reception and integration of immigrants to the EU

Used to support projects aimed at

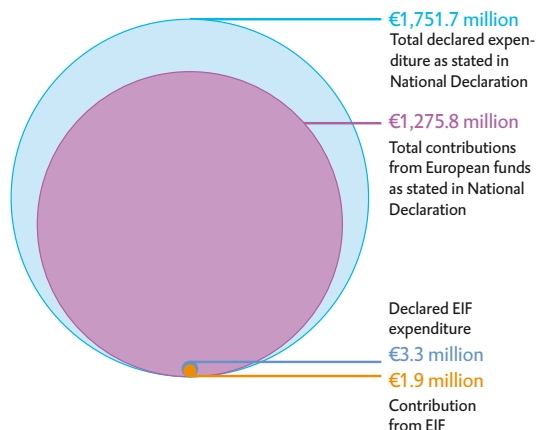
- Simplifying and supporting admission procedures
- The integration of newcomers from non-EU countries
- The capacity of EU member states to develop, implement, monitor and evaluate integration policies

**Responsible for spending of EIF budget in the Netherlands**

Minister of Social Affairs and Employment

Size of European budget for 2007-2013: €18.9 million

(Cumulative depletion as stated in National Declaration 2015: €7.3 million)



European Integration Fund (EIF)

It is absolutely vital, in relation to all multi-annual funds (i.e. all funds except the EAGF) that EU grant allocations (also known as ‘budget depletion’) are spent in good time. The authorities responsible for managing the structural funds (i.e. the ERDF and the ESF) devote a great deal of attention to ensuring that grants are spent (or the budget depleted) in good time. Under Community law, a certain percentage of the grants allocated (or ‘committed’) need to be declared within two years. If this is not done, the member state in question automatically loses part of its EU funding (the money in question is ‘decommitted’). This requirement could potentially cause a problem in relation to the EFF: due to delays in the use of funds by beneficiaries coupled with the late declaration of expenditure to the European Commission, the Netherlands stands to forfeit several million euros worth of EU contributions towards allocated fisheries projects (see section 2.3.4). To date, declarations for the ERDF and the ESF have been submitted in good time every year.

In the case of the migration funds, the authorities responsible for managing the programmes have concentrated on ensuring that the annual reports are submitted in good time. The late submission of annual reports may result in ‘decommitment’. This year, the managing authorities submitted their annual reports before the deadline set by the European Commission¹¹ The level of budget depletion is low in relation to the migration funds. This is partly because there are not enough high-quality projects to make full use of the EU grants allocated to the migration funds.

Last year’s report discussed the administrative burden in relation to relatively small funds. The Netherlands is obliged to use a management system for these funds that meets the same standards as those in place in other countries that receive far higher grants from the funds in question. The European Commission has earmarked a special sum in Technical Assistance to cover the cost of management and control systems. We suggest that the ministers and state secretaries responsible for the new migration and security funds, and also the new European Maritime and Fisheries Fund (EMFF), i.e. the State Secretary for Security and Justice, the Minister of Social Affairs and Employment and the State Secretary for Economic Affairs, make clear for the 2014-2020 programming period whether the Technical Assistance is sufficient to cover expenditure on the management system.

1.3 Scope of the National Declaration 2015

The National Declaration 2015 is a statement about the management and regularity of EU grants subject to shared management. It is **not** a statement about the effectiveness and efficiency of the use made of EU funds, of Dutch contributions to the EU, or of the grants for European Territorial Cooperation, although we do believe there are opportunities for extending the scope of the National Declaration to include this aspect. We will explain our thoughts in more detail below.

1.3.1 Effectiveness and efficiency

Accounting for the reliability and regularity of the way in which grants are spent is vital for good public administration. Effectiveness and efficiency are two other criteria: do the grants help in achieving policy goals and are they managed efficiently? These are issues on which the government does not provide any information in the National Declaration, as it takes the view that virtually all the reports published on these aspects (such as evaluations and reviews) are public documents that may be freely consulted on the internet (Netherlands Court of Audit, 2014b).

¹¹

Migration funds are obliged to spend their grants during the ‘annual instalment period’. Any grants not spent by the end of the annual instalment period, i.e. 30 June, are forfeited.

The EU institutions are planning to focus more on results during the new programming period (2014-2020). For example, the allocation of grants from the European structural and investment funds (ESIF) will depend partly on the degree to which such grant allocations assist the member states in question to achieve their Europe 2020 targets¹² (Netherlands Court of Audit, 2015a). Against this background, information on effectiveness and efficiency in the new programming period is set to become a more important aspect of reporting on the way in which EU grants are spent. In our *Report on the National Declaration 2014* (Netherlands Court of Audit, 2014b), we described the type of information the Minister of Finance can use for this purpose. Our *EU Trend Report 2015* (Netherlands Court of Audit, 2015a) examines the effectiveness of projects financed by grants from a number of different funds. Based on our audit of a small number of projects, we concluded that, once the selection stage had been completed, effectiveness no longer played a role, i.e. the managing authorities did not have much information on the impact achieved by the projects in question. Moreover, a number of the projects we audited might well have been performed even if no EU grant had been allocated.

1.3.2 Contributions

The European Commission funds the EU grants from its 'own resources', i.e. the contributions from the member states. These own resources consist of a GNI-based (gross national income) contribution, a VAT-based contribution, customs duties on imports and agricultural levies.¹³ The Dutch government accounts for its own contributions in the annual report published by the Ministry of Foreign Affairs.

In our Regularity Audit for 2014 (see our website, www.rekenkamer.nl), we reported that there were no irregularities in the Dutch EU contribution. This finding was based partly on our audit of the accounting documents for the import duties and the additional net contribution of €642.7 million imposed on the Netherlands in 2014 as a result of a review of European macro-economic data.¹⁴ Nonetheless, we also made a number of critical comments about the underlying management and control structure. We would also like to stress that the government could have known that an additional net contribution was to be imposed. As well as the European measures favoured by the government, national measures will also need to be taken in order to prevent future surprises.

We have already recommended in previous publications that these contributions should be included in the National Declaration (Netherlands Court of Audit 2014b, 2015a), as is already the custom in Denmark. Were this to be the case, the result would be a comprehensive set of EU accounts for each member state, stating both receipts from the EU (in the form of grants) and payments to the EU (in the form of contributions). We believe that, if the National Declaration included information on retrospective adjustments to past contributions, this would enhance understanding of the complex EU budgetary processes.

Although improved reporting and audit procedures will not necessarily prevent the imposition of additional contributions, they will enable the government to set aside resources in good time to cover their cost. In February 2014, the Minister of Finance told the House of Representatives that he was unwilling to include contributions in the National Declaration because they did not fall under the system of shared management, because the source data were not reliable enough and, as a consequence, other member states might find it more difficult to follow suit of their own accord (Minister of Finance, 2014).

12

The EU has set targets for the year 2020 in five areas: employment; innovation; education; poverty and social exclusion; and climate change and energy.

13

The EU member states receive a 25% 'collection cost' payment to cover the cost of collecting the agricultural levies and import duties.

14

Letter of 28 October 2014 from the Minister of Finance (ref. BFB 2014-11979M).

We do not regard these arguments as convincing reasons for not including the import duties and agricultural levies in the National Declaration and thus aligning national financial reporting with European financial reporting.

1.3.3 European Territorial Cooperation

As well as receiving grants for programmes within its own national borders, the Netherlands also receives an ERDF grant for what are known as ‘Interreg’ programmes. These are programmes listed under objective 3 of the ERDF (European Territorial Cooperation) involving a number of member states cooperating with each other. The programmes in which the Netherlands is involved are the Meuse-Rhine Euroregion Operational Programme, the Netherlands-Germany Operational Programme, the Flanders-Netherlands Operational Programme, the Two Seas Operational Programme, the Northwest Europe Operational Programme and the North Sea Region Operational Programme.

The National Declaration does not report on the shared management of the above programmes. This is because various foreign authorities (i.e. managing, certifying and audit authorities) are responsible for the management and control of the majority of these Interreg programmes. There is one exception, though: Dutch authorities are responsible for these tasks in relation to the Meuse-Rhine Euroregion programme. The Minister of Economic Affairs carries member-state responsibility for the Meuse-Rhine Euroregion programme (Minister of Economic Affairs, Agriculture and Innovation, 2012). For this reason, we propose that the government looks into the possibility of including the Meuse-Rhine Euroregion programme in the National Declaration. We see no insurmountable obstacles to this.

The Meuse-Rhine Euroregion programme

The aim of the Meuse-Rhine Euroregion programme is to foster the development of the region in economic, spatial and social terms. Borders should no longer be barriers. The Meuse-Rhine Euroregion programme is a cross-border partnership between regions saddling the borders of Germany, Belgium and the Netherlands. The designated managing and audit authorities for this programme are based in the Netherlands. Eligible costs of €144 million have been budgeted for the 2007-2013 programming period, €72 million of which are to be funded from the ERDF. At the end of 2013, the central government contributed almost €1.0 million to this programme; the contribution was charged to the national budget, more specifically to the budget for the Ministry of Economic Affairs (i.e. budget chapter XIII).

In addition to receiving grants from the ERDF, most of the territorial programmes in which the Netherlands is taking part are also funded from the national budget. The ministers concerned report each year, in their ministry annual reports, on the management and use of these funds. This means that the Central Government Audit Service is responsible for auditing the accounts for these funds, and that they also fall within the scope of the Court of Audit’s annual regularity audit.

1.4 Open data¹⁵

Keen as it is to promote greater transparency in the public sector and to involve citizens more closely in policy-making, the government has launched various initiatives to this end, including an Open Government Action Plan (Ministry of the Interior and Kingdom Relations, 2013). The ‘open data’ concept is a useful tool in this connection. The Ministry of Finance is currently investigating the possibilities for

15

As defined in our *Open Data Trend Report*, the term ‘open data’ as used in relation to the government means data which:

1. are paid for and produced with public funds in or for the purpose of performing a public service;
2. are public;
3. are free of copyright or other third-party rights;
4. are computer-readable and preferably comply with open standards (i.e. are available in XML or CSV format rather than as PDFs); and
5. are available for reuse without restrictions such as the payment of a fee or compulsory registration (Netherlands Court of Audit, 2014a).

giving the general public access to the data on which the National Declaration is based; the Ministry wishes to ascertain whether this would be an improvement on the data currently available.

The government uses websites such as the *Europa om de hoek* ('Europe round the corner') website (among other means) to inform the general public about EU policy and expenditure. The *Europa om de hoek* website describes, in relation to the majority of funds under shared management, which projects received how much money in the form of EU grants and Dutch public and private cofinance. The information provided on the website includes the total value of the grants and cofinance allocated to each project. As such, these websites form a good starting point for further studies of the opportunities for providing more detailed information.

2 The Netherlands Court of Audit's opinion on the National Declaration 2015

2.1 Introduction

We have examined the National Declaration 2015 (including the associated consolidation statements)¹⁶ and have expressed an opinion on it. The European Regulations set different requirements for the management and control of, and the accounts for, each fund. This means that the National Declaration must be tailored to each fund and that, in some cases, the information provided varies from one fund to another.

Our opinion relates to three aspects of the National Declaration 2015:

- the assertion on the systems in place for the management and control of the EU funds (section 2.2);
- the assertion on the legality, regularity, accuracy and completeness of financial transactions down to the level of the final beneficiary (section 2.3);
- the preparation of the National Declaration and the underlying sub-declarations with the related consolidation statements (section 2.4).

In the case of the first two opinions, we also list a number of conclusions, recommendations and points for improvement in relation to each fund. Relatively serious points for improvements are presented as recommendations and relatively minor points for improvement are presented simply as 'points for improvement'. We have decided to report only on exceptions. In other words, beyond our general opinions and conclusions, we report only on those points where improvements are needed and not specifically on processes that we have found to be functioning well.

In order to reach an opinion on the management and control system and the financial transactions, our own audit activities in relation to each fund were based on a risk assessment. Since the object and scope of our audit coincided largely with those of the audits performed by the Central Government Audit Service, we also made use of the latter's audit findings after reviewing these. We report on our main findings of our review of the Central Government Audit Service's audit in section 2.4.

For the purpose of reaching an opinion on the preparation of the National Declaration, we conducted our own assessment of the preparation of the sub-declarations by the Ministry of Economic Affairs, the Ministry of Social Affairs and Employment and the Ministry of Security and Justice, as well as the preparation of the National Declaration by the Ministry of Finance. In doing so, we made use of the assurance reports issued by the Central Government Audit Service on each sub-declaration.

¹⁶

The associated consolidation statements are accounting documents presenting the balance of actual expenditures and receipts and the outstanding receivables for each EU fund.

2.2 Opinion on the assertion on the quality of management and control systems

Opinion

In our opinion, the assertion made in the National Declaration 2015 is sound with regard to the functioning of the management and control systems and the measures in place in the Netherlands for the financial transactions¹⁷ relating to the EU funds accounted for in the National Declaration 2015.

Without prejudice to our positive opinion on the assertion made in the National Declaration 2015 on the functioning of management and control systems, there are still certain points for improvement. In this section we present an overall picture of the functioning of the management and control systems and the main conclusions, recommendations and other comments for each fund. See the Dutch section of our website (www.rekenkamer.nl) for more detailed information on each fund.

2.2.1 General picture of the functioning of management and control systems

We examined the functioning of the management and control systems used by the main actors. These are as follows (for more detailed information, see the information provided on each fund on the Dutch section of our website):

- **Paying agency** (agricultural funds): the body responsible for making payments on behalf of the European Commission.
- **Managing authority or responsible authority** (other funds): the body designated by the member state as being responsible for the management of the operational programme.¹⁸
- **Certifying authority** (other funds): the body designated by the member state as being responsible for certifying eligible costs (listed in expenditure declarations, which are sent to the European Commission as enclosures with payment requests).

The following figure presents a general picture of the functioning of the management and control systems in the period under review. Owing to differences in the European Commission's regulations, there are certain differences in the organisational structure and titles of the actors, and also in the assessment system (see box). Despite these differences, we sought to present an overall picture of the functioning of the management and control systems. To this end, we made use of the system used for the structural funds (i.e. the ERDF and the ESF) and the EFF, doing our best to convert the scores for the agricultural funds as reported to the European Commission by the Central Government Audit Service, and the audit findings on the migration funds, into figures that are consistent with this system. For further information on the scores and the scoring methods prescribed for each fund, see the detailed information given on each fund on the Dutch section of our website.

The following figure shows that the management and control systems used for all the funds, with the exception of the EFF, are functioning adequately, but that certain improvements are needed in relation to the majority of funds. We found that the best performing managing authorities were those for the ERDF North and the ERDF East: their systems work well and only minor improvements are required. The management and control system used by the managing authority for the EFF, on the other hand, works only partially and is in need of major improvements.

The figure is followed by more detailed information on the situation at each fund.

¹⁷

These transactions consist of expenditures and receipts (notably adjustments made to past items of expenditure) netted as a single balance, and receivables.

¹⁸

An operational programme is the form in which member states operationalise an EU fund.

Agricultural funds		
	Paying agency	
EAGF	●	
EAFRD	●	

Structural funds/EFF		
	Managing authority	Certifying authority
ERDF North	●	●
East	●	●
South	●	●
West	●	●
ESF	●	●
EFF	●	●

Migration funds		
	Responsible authority	Certifying authority
EIF	●	●
EBF	●	●
RF	●	●
ERF	●	●

- system works well, only minor improvements needed
- system works, some improvements needed
- system works only partially, major improvements needed
- system does not work

2.2.2 Agricultural funds (EAGF and EAFRD)

We conclude on the basis of our audit that the management and control systems we reviewed for the agricultural funds, i.e. the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), functioned adequately during the 2014 agricultural year, i.e. from 16 October 2013 to 15 October 2014.

Having said this, we recommend that administrative checks of EAFRD grants to government bodies and civil-society organisations be tightened up. This recommendation is explained in further detail below.

We would draw particular attention to the need for ensuring that the inspection statistics for the Provincial Agri-Environmental Management Subsidy Scheme based on inspections performed by the Netherlands Food and Consumer Product Safety Authority are consistent both with the payments made and the amounts declared to the European Commission. Further information can be found in the background documents on the two agricultural funds available on the Dutch section of our website at www.rekenkamer.nl.

Administrative checks of EAFRD grants need to be tightened up

The EAFRD is used by the European Union as a tool for investing in the quality of rural areas. EAFRD grants are made on condition that they are cofinanced by national governments. Some EAFRD grants are allocated to projects performed by government bodies and civil-society organisations. These are extremely wide-ranging in nature and are aimed at strengthening the various functions performed by rural areas, such as nature preservation, environmental protection and recreation (see box).

Examples of projects cofinanced by EAFRD grants in 2014

One project in the province of Flevoland is designed to turn two wooded areas in the province (known as the *Horsterwold* and the *Oostvaarderswold* woods) into more attractive recreation areas and also more suitable as ecological transit zones for large cattle. Another project, in the province of Noord-Holland, is designed to improve the water system (thanks to the construction of culverts, weirs and a pumping station, and by widening watercourses), with the ultimate aim of enhancing the region's agricultural value and production capacity.

As the paying agency for the agricultural funds, the Netherlands Enterprise Agency (RVO) is responsible for making grant payments from the EAFRD in accordance with European regulations. In order to determine whether grants have indeed been paid in compliance with European regulations, the RVO performs administrative checks of grant applications and requests for payments (whether in full or in part). In the case of project grants for government bodies and civil-society organisations, the administrative checks have been weakened compared with previous years. The following are examples of administrative checks that have been weakened:

- checks aimed at ascertaining whether prescribed tendering procedures have been followed (examples include projects in relation to which insufficient documentation is available in order to check whether the regulations on tendering procedures have been observed, and checklists that have not yet been adjusted to the Public Procurement Act 2012);
- checks aimed at ascertaining whether costs are reasonable (these checks are not always traceable);
- checks of the allocation formula used for projects that only qualify in part for an EU grant (in some cases, no check is performed of the method of apportionment used).

There will be a higher risk of irregularities if no further action is taken.

We urge the State Secretary for Economic Affairs to ensure that the RVO takes action to tighten up its administrative checks, and to monitor the effect of this action.

2.2.3 European Regional Development Fund (ERDF)

On the basis of our audit, we conclude that the management and control systems we reviewed for the ERDF functioned adequately in the 2013 calendar year. Having said this, the percentage of irregularities in the expenditures declared by the ERDF West managing authority (one of the four managing authorities for the ERDF) was higher than the 2% maximum limit (see the conclusion on financial transactions in section 2.3.2).

While we do not make any recommendations about the management and control systems, there are a number of areas in which improvements are needed:

- the management verifications performed by the ERDF West managing authority;
- the systems used by the managing authorities, particularly the computerised information systems;¹⁹
- the systems used by the certifying authority (for recording and performing certifications).

Further information can be found in the background documents on the ERDF on the Dutch section of our website at www.rekenkamer.nl.

2.2.4 European Social Fund (ESF)

On the basis of our audit, we conclude that the management and control systems reviewed for the ESF functioned adequately in the 2013 calendar year. Having said this, the percentage of irregularities in the declared expenditures was higher than the 2% maximum limit (see the conclusion on financial transactions in section 2.3.2).

We do not to make any recommendations or suggest any points of improvement in relation to the management and control systems.

2.2.5 European Fisheries Fund (EFF)

On the basis of our audit, we conclude that the management and control systems reviewed for the EFF functioned only partially in the 2013-2014 review period. Substantial improvements are needed. This problem has been evident for several years now. Improvements are needed in a number of key requirements relating to the managing authority,²⁰ notably in the management verifications (see box below). Our recommendation is explained in detail below.

We also wish to draw attention to a number of points for improvement in the systems used by the certifying authority (in particular in relation to certification work and the recording of receivables). Further information can be found in the background documents on the EFF on the Dutch section of our website at www.rekenkamer.nl.

Shortcomings in the systems used by the managing authority, particularly in management verifications

As in previous years, there were shortcomings in the systems used by the managing authority, particularly in relation to management verifications (see box).²¹

Management verifications

Management verifications are the main prerequisites (or 'key requirements') of the managing authority's management and control systems. The managing authority assesses the regularity of the expense claims submitted by project beneficiaries. This involves making two types of checks: administrative checks of the progress reports submitted by beneficiaries, and *in situ* audits of the expenditure declared by beneficiaries. In the latter case, the managing authority might check, for example, whether a beneficiary's accounts are in order, whether sufficient documentary evidence is available for all expense claims, whether tendering procedures have been followed correctly and whether the beneficiary has complied with the publicity requirements. Approved costs are listed in expenditure declarations which are then submitted to the European Commission once they have been certified by the certifying authority (which in doing so performs a second regularity check).

19

We wish to point out that the audit authority decided (for good reasons) to perform a 'light system audit' at the ERDF North and East managing authority. This meant that it did not carry out any procedural tests and also did not reassess all key requirements.

20

The managing authority is the Animal Agrochains and Animal Welfare Department of the Ministry of Economic Affairs. The conclusion also affects the RVO as the intermediate body. The intermediate body operates on behalf and under the responsibility of the EFF's managing authority. The remainder of this report refers simply to the 'managing authority' in relation to the EFF.

21

The scores for this review period were lower than for the previous review period. Four of the seven key requirements were found to be working only partially and in need of major improvements (i.e. a score of 3).

22

These are draft findings (October 2014). The report has not been finalised yet and the managing authority is contesting a number of the draft findings. In a letter dated February 2015, the European Commission stated that there were serious shortcomings in the management and control system (see section 2.3.5).

23

The proposed improvements are summarised in the notes on the National Declaration: a review of all grant applications on the basis of adjusted checklists the completeness of which has been verified; administrative checks of all payment requests, with requests for interim payments and for the final settlement of grant declarations henceforth both being examined to the same level of detail; where possible, improvements in critical aspects of computer systems currently in use; and the implementation of all the recommendations made by the audit authority in the form of the adoption of all the various improvements (i.e. plan of action, reassessments and implementation plan).

24

These transactions consist of expenditures and receipts (notably adjustments made to past items of expenditure) netted as a single balance, and receivables. The auditing gap in relation to the auditing of receivables that we reported on last year has now been rectified.

Despite the finding of the audit authority that there has been a slight improvement in the management verifications compared with the situation in the previous review period, substantial shortcomings remain. Among the points raised by the audit authority are a failure to check (verifiably) whether beneficiaries comply with the principles of good financial management adopted by the European Commission, long lead times in solving and communicating on problems of interpretation, and the superficial way in which advance payments and finalised grants, as well as the costs included in such payments, are assessed. Substantial improvements are also required in relation to three other key requirements that the management and control systems are expected to meet. For example, when projects are selected for grant support, the managing authority does not state whether the beneficiary's administrative and operational capacity complies with the grant conditions. As a further point, partly because of a reorganisation, there has been a slackening of management attention for computer systems (e.g. for data security). A lack of investment and adjustments also means that not enough attention has been paid to structural shortcomings in the grant information system. Finally, it usually takes a long time before shortcomings revealed by audits are rectified.

The European Commission performed an audit in the Netherlands in 2014 that again revealed a number of shortcomings, particularly in the management verifications.²²

In part because of the shortcomings in the systems, an excessive number of irregularities have arisen in the declared expenditures (see section 2.3.4). The managing authority drew up a plan of action²³ in the summer of 2014, which the audit authority approved in principle in September 2014. The managing authority then began making a number of improvements, which required the deployment of additional staff. The improvements have not yet had a noticeable impact on the error rate. The improvements are designed to bring the error rate in the financial accounts for the entire period from 2007 to 2013 below 2%. The audit authority is planning to assess the impact of the improvements in 2015.

We urge the State Secretary for Economic Affairs to oversee the effective and rapid implementation of the necessary improvements in all aspects of the managing authority's management and control systems, particularly in the management verifications.

2.2.6

Migration funds (ERF, RF, EBF and EIF)

On the basis of our audit, we conclude that the management and control systems reviewed for the migration funds, i.e. the European Refugee Fund (ERF), the European Return Fund (RF), the European External Borders Fund (EBF) and the European Integration Fund (EIF) functioned adequately during the period under review.

We do not make any recommendations or suggest any points of improvement in relation to the management and control systems.

2.3

Opinion on the assertion on financial transactions

Opinion

In our opinion, the assertion made in the National Declaration 2015 on financial transactions²⁴ down to the level of beneficiaries of European funds is sound.

Without prejudice to our positive opinion on the assertion made on the financial transactions in the National Declaration 2015, we would nonetheless like to refer to the situation regarding receivables at the ESF.²⁵ According to the National Declaration 2015 (which reports the balance as at 31 March 2014, based on the data available at that time), these receivables are worth €168,000. The notes on the National Declaration 2015 (posted on the Ministry of Finance's website) make clear that, after adjustment for various changes occurring after 31 March 2014, the actual balance is in fact €1,705,350 (balance as at 31 March 2014, based on the data available at the end of 2014). We also wish to draw attention to a number of points for improvement in relation to the financial transactions. In the following section we present our main conclusions, recommendations and points for improvement for each fund. See the Dutch section of our website (www.rekenkamer.nl) for more detailed information on each fund.

2.3.1 Agricultural funds (EAGF and EAFRD)

We conclude on the basis of our audit that the percentage of irregularities in relation to the declared expenditures for the agricultural funds, i.e. the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), during the 2014 agricultural year, i.e. from 16 October 2013 to 15 October 2014, remained on aggregate below the 2% threshold.

Having said this, we urge the government to reduce the number of irregularities in relation to EAFRD grants. This recommendation is explained in detail below.

We should also like to mention the following points for improvement:

- ensuring that claims for the refund of grant payments are presented to beneficiaries in good time;
- speeding up the dissemination of inspection results (this is a problem that we have been warning about for some time now);
- further improving the checks of the accreditation of plant growers' associations;
- the effectiveness of certain aspects of the quality assurance system used by the Netherlands Food and Consumer Product Safety Authority.

Further information on the above points is provided in the explanatory notes on the agricultural funds on the Dutch section of our website (www.rekenkamer.nl).

Error rate at EAFRD is higher than 2%

The Netherlands Enterprise Agency (RVO) is responsible for making grant payments from the EAFRD. These include investment grants, information-sharing grants and research grants for businesses, project grants for government bodies and civil-society organisations, and soil-bound support for agricultural businesses for agricultural nature conservation and countryside stewardship. The Netherlands Food and Consumer Product Safety Authority carries out on the spot checks on behalf of the RVO to check whether beneficiaries are complying with the terms and conditions under which the grants were awarded. The Authority ascertains, for example, whether the investments and projects to which funding was allocated have indeed been made or performed, as the case may be, and if so, whether the investments and projects were completed on schedule and whether the relevant requirements for agricultural nature conservation have been met. The latter means, for example, ensuring that farmers comply with obligations to mow grassland (in relation to organic meadows, see box below) or not to mow grassland (in order to protect grassland habitats for ground-nesting birds, for example).

²⁵

We also refer to footnote 7, stating that the Dutch National Declaration now uses a new, harmonised definition of the term 'receivable'. This has led to the redefinition of the term as used by the migration funds, as a result of which the migration funds are no longer deemed to hold any receivables.

Example of mowing requirements in relation to organic meadows

Meadow management is no longer a common aspect of modern agricultural techniques. Because good meadow management can help to preserve endangered plant species and, providing that certain conditions are met, promote biodiversity, EAFRD grants are used to encourage farmers to practise meadow management. The main characteristics of meadow management are the absence of fertilizers in combination with the practice of mowing at least once a year, removing the cut material and, where necessary, introducing cattle to graze after mowing.

Random checks by the Netherlands Food and Consumer Product Safety Authority have shown that the error rate in relation to investment and project grants is 4.3% (compared with 10.78% last year), and that the error rate in relation to soil-bound support is 6.3% (compared with 5.19% last year).

Both the Dutch provincial councils and the Netherlands Food and Consumer Product Safety Authority have already taken action to prevent irregularities in relation to soil-bound support: the grant regulations on agricultural nature conservation and countryside stewardship have been adjusted and the application procedure for payments for less-favoured areas has also been amended.²⁶ These are long-term improvements, however, the effects of which will be felt only by farmers submitting new grant applications.

The irregularities in relation to investment and project grants concern projects and investments that we found either were not completed or were not completed on schedule. The Netherlands Food and Consumer Product Safety Authority also drew attention to this type of irregularity last year. No improvements have been planned, either this year or last year, to rectify the irregularities in relation to investment and project grants as the RVO believes that the problems are one-off incidents. However, after two successive years in which the same type of irregularities have occurred, we believe that these can no longer be classified as 'incidents'. Despite the fact that no improvements have been planned (partly as a result of European Commission requirements), more intensive checks have nonetheless been carried out of the regularity of grant applications.

We urge the State Secretary for Economic Affairs to ensure that the Netherlands Enterprise Agency (RVO) analyses the causes of the irregularities affecting investment and project grants, and establishes whether the number of irregularities can be reduced by stepping up the number of on the spot checks.

2.3.2 European Regional Development Fund (ERDF)

We conclude on the basis of our audit that the percentage of irregularities in relation to the declared expenditures for the ERDF in the Netherlands (i.e. for all four operational programmes) during the 2013 calendar year remained below the 2% threshold. Having said this, we wish to point out that the percentage of irregularities at the ERDF West managing authority was just above the threshold, at 2.34%.

We urge the government to reduce the number of irregularities in relation to the ERDF West operational programme. This recommendation is explained in detail below.

Improvements are needed in the following two areas:

- further improving the mediation process, i.e. seeking high-level legal advice in the event of a dispute about the findings of the audit authority;
- tightening up the requirements for the eligibility of costs.

Further information on the above points is provided in the explanatory notes on the ERDF on the Dutch section of our website (www.rekenkamer.nl).

²⁶

A 'payment for a less-favoured area' is a form of financial compensation paid to managers of farming land in areas where the physical conditions are unfavourable.

Error rate for the ERDF West remains over 2%, despite improved management verifications

The error rate for the ERDF West operational programme was well above the 2% limit last year, at 6.86%. As a result, a sanction in the form of an interruption of payments was imposed on the ERDF West managing authority. The European Commission again imposed a temporary interruption on payments on the ERDF West managing authority this year, on account of the error rate exceeding the maximum limit. The error rate was 2.34%, a figure that was subsequently reduced to 1.06% at the end of 2014 after a number of adjustments had been made. The ERDF West managing authority has presented a plan of action for improving the management verifications; this has now been approved by the European Commission. In theory, the measures outlined in the plan should be enough to minimise the risk of future payment applications containing errors. The audit authority is planning to assess the impact of the improvements in 2015.

We urge the State Secretary for Economic Affairs to ensure that the improved management verifications are strictly enforced (notably by tightening up the controls exercised by the managing authority) and also that the expenditures declared to the European Commission are based on sufficiently reliable data, so as to minimise the risk of the error rate exceeding the stipulated maximum level.

2.3.3 European Social Fund (ESF)

We conclude on the basis of our audit that the percentage of irregularities in relation to the declared expenditures for the ESF during the 2013 calendar year exceeded the 2% threshold, at 4.64%.

We urge the government to reduce the number of irregularities in relation to the ESF. This recommendation is explained in detail below.

Error rate for the ESF is over 2%

Despite management and control systems that generally speaking operate adequately, the maximum percentage of irregularities in the payment applications for 2013 totals 4.64%, well above the 2% limit. The regulations governing the European structural funds allow for the (gross) percentage of irregularities to be reduced by making an ‘additional correction’ (i.e. a write-down) before the figure for the payment applications is finalised, thereby lowering the net error rate. In this particular case, the gross percentage of irregularities was reduced to a net rate of 1.99%. The main cause of the maximum gross percentage of irregularities lies in a number of major projects. Irregularities of approximately €5.8 million in declared expenditures were discovered in relation to two projects. For the time being, it is unclear whether these are intentional. For this reason, the audit authority decided, after consulting the European Commission, to classify all the expenditures declared for the projects in question as irregular. In one of the projects, the same participants and invoices cropped up in more than one sub-project. The other project involves the provision of certain services by an educational institution which the Education Inspectorate found had not been fully completed. Both projects are subject to ongoing investigations, which should provide definitive answers about the nature of the irregularities. The managing authority is conducting an inquiry in 2015 into duplicate invoice declarations and the double-counting of participants. The controls exercised by the managing authority will henceforth also take account of reports issued by the Education Inspectorate. If it subsequently proves that certain expenditures declared for these projects in 2013 qualify for grant support either in full or in part, the gross error rate may end up as being lower than 4.64%.

A third project was another contributor to the (too) high error rate. The finding here was that a sum of €0.8 million was declared in respect of training courses that had not yet been accredited. The managing authority and the audit authority then uncovered a similar situation in relation to yet another project (worth €1.8 million). The managing authority has adjusted its working methods so that, when performing its management verifications, it now makes use of the public information distributed by the Education Inspectorate.

We urge the State Secretary for Social Affairs and Employment to:

- oversee the effective and rapid introduction of reviews by the managing authority of reports issued by the Education Inspectorate, and to ensure that the managing authority carries out careful checks of any possible double declarations;
- establish, in doing so, whether more attention needs to be paid to preventing and detecting the abuse and misuse of grants;
- ensure that, when management verifications are carried out, account is taken as a matter of routine of public information such as the inspection reports issued by the Education Inspectorate.

27

Some of these potential irregularities are errors that the managing authority has disputed; a number of these (worth €3.0 million) have been submitted for mediation. The remainder are the subject of an ongoing investigation into a project about which there are doubts as to whether the project costs (totalling €2.7 million) qualify for EU support. This is the same project about which there was also uncertainty last year. A clear answer should be forthcoming in 2015 as to whether the project costs are eligible for EU funding and should therefore be classified as regular.

28

Moreover, a new, European Commission-approved method was used for the first time on a large scale this year. This involves not including errors in the error rate if expenditures have been 'overrealised' (higher than planned), i.e. the errors in question are cancelled out by an undeclared expenditure buffer. The adoption of this method meant that €3.0 million in errors were not taken into account in calculating the error rate.

2.3.4 European Fisheries Fund (EFF)

We conclude on the basis of our audit that the percentage of irregularities in relation to the declared expenditures for the EFF during the 2013 calendar year again well exceeded the 2% threshold.

Moreover, there is considerable uncertainty about the regularity of part of the declared expenditures.

We urge the government to reduce the number of irregularities in relation to the EFF, to prevent the loss of EU funds for investments in the fisheries, to ensure that a full and accurate record is kept of all receivables and to further improve the mediation process. These recommendations are explained in detail below.

Error rate for the EFF is well over 2%, with many remaining uncertainties; the excessively high rate may lead to the loss of EU funding for fisheries projects

The percentage of irregularities in the payment applications for 2013 totals 10.4% (representing a figure of €3.3 million), well above the 2% EU limit. Apart from these confirmed irregularities, there is also a much bigger amount in the form of declared expenditures the regularity of which has yet to be confirmed, i.e. €5.7 million.²⁷ These uncertainties are due primarily to findings that have been submitted to mediation. Unlike the situation with the other funds, the European Commission has agreed that findings submitted to mediation do not need to be included when calculating the percentage of irregularities.²⁸ In other words, although the error rate stands provisionally at over 10%, it is likely to turn out to be higher in practice. For example, last year's provisional error rate was 3.34% (with €7.3 million worth of uncertainties); this was later adjusted to 21.92%. Many of the errors are procedural errors (see box).

Examples of procedural errors at the EFF

The high error rate does not simply mean that beneficiaries have been claiming costs they are not entitled to claim. Many of the irregularities stem from procedural errors, i.e. instances in which the audit authority decides that the managing authority has wrongly accepted certain items of expenditure and included these in a declaration submitted to the European Commission. For example, certain costs included in a declaration have been confirmed as having been incurred and paid, but not yet as being eligible costs. Another example would be costs that have been accepted but which were not incurred during the project period. A final example of a procedural error is an incomplete project file: certain essential pieces of documentary evidence are missing, thus preventing the audit authority from deciding whether the eligibility, regularity and efficiency of all costs have actually been assessed.

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With the exception of a single payment application for a negligible amount, which the European Commission had imposed as an obligation.

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Under the 'n+2 rule', the managing authority is required to declare expenditures in a payment application made to the European Commission, within two years of the allocation of grants to beneficiaries (i.e. 'commitment'). Decommitment follows automatically if the managing authority fails to meet this deadline. This means that the Netherlands loses out on EU funding. In other words, the first potential decommitment for 2012 would be for a total of €5.3 million. The managing authority is trying to prevent the decommitment by lodging an objection (on the grounds that there are too many doubts about the audit findings of the audit authority and the European Commission). The European Commission made a provisional ruling in February 2015, quashing the objection as unfounded. The managing authority has decided to appeal against this ruling.

31

It has not yet been decided whether all the (uncontested) findings of the audit authority should be stated as withdrawals (i.e. adjustments made to the next payment application) or receivables (pending recoveries, i.e. amounts owing from project beneficiaries).

In February 2015, the European Commission decided to extend the payment interruption imposed as a result of the findings of the previous audit period. The European Commission identified serious shortcomings in the management and control systems. Payments may be suspended if the shortcomings are not remedied, which may lead to beneficiaries forfeiting their rights to EU grant commitments. As the irregularities in the declared expenditures have been above the maximum limit for a number of years now, the managing authority decided not to submit any payment applications to the European Commission in 2014²⁹ and instead to concentrate on improving the situation, notably with regard to the management verifications. The managing authority is hoping to clear the backlog of declared expenditures in 2015 and 2016. If the European Commission decides to stick firmly to the rules, this will mean that ongoing fisheries projects will lose out on €5.3 million worth of the EU grant allocations (out of a total budget of €48.6 million). This is the result of the principle of automatic 'decommitment', by which the EU proportion of grant allocations lapses if declarations are not submitted in good time.³⁰

We urge the State Secretary for Economic Affairs:

- in line with the recommendation made in section 2.2.5 in relation to management and control systems, to oversee the effective and rapid implementation of the necessary improvements in all aspects of the managing authority's management and control system, particularly in the vital management verifications, with a view to reducing the error rate;
- ensure that any uncertainties are rapidly resolved;
- ensure that sufficient expenditures (the regularity of which has been properly assessed) are declared in 2015 and 2016, so as to prevent any further losses of EU grants allocated to fisheries projects.

Uncertainty about the accuracy and completeness of receivables

The Central Government Audit Service was not able to provide assurance on the reliability (i.e. the accuracy and completeness) of the amounts owing from project beneficiaries. Due to the current practice at the managing authority,³¹ the certifying authority (i.e. the RVO) is not able to confirm that the receivables are complete. Moreover, the net figure for the receivables as at the end of 2013 proved to be wrong, as they had already expired.

We urge the State Secretary for Economic Affairs to ensure that the managing authority and the certifying authority make clear arrangements about the definition and registration of receivables, so that the reliability of the receivables may henceforth be confirmed.

Mediation process open to further improvement

There have been frequent disagreements between the managing authority and the audit authority about the interpretation of regulations affecting the EFF. In the event of a dispute, the managing authority is entitled to take the case to an independent mediator. Whatever the latter's ruling, the audit authority still reaches its own judgment on the matter. We found last year that frequent use had been made of mediation in 2013. In order to prevent delays, we recommended that mediation be used with prudence and at an early stage, and that the principle of hearing both sides of the argument be applied as a prerequisite.³²

A substantial number of findings – albeit fewer than in the previous year – were again submitted for mediation in 2014. Partly on account of the uncertainties stemming from the contested findings, the audit authority was again only able to calculate a provisional error rate.

We urge the State Secretary for Economic Affairs:

- to continue to ensure that mediation is used with prudence and at an early stage, by seeking to minimise any differences of interpretation about rules and regulations and by resolving any such disputes as quickly as possible;
- to ensure that requests for mediation are dealt with quickly;
- to ensure that the error rate for the EFF is calculated in the same way as for the structural funds (i.e. by also including findings submitted for mediation), so that comparisons can be made of the error rates at the EU funds.

2.3.5 Migration funds (ERF, RF, EBF and EIF)

We conclude on the basis of our audit that the percentage of irregularities in relation to the declared expenditures for the migration funds for the 2011 annual programme in all cases remained below the 2% threshold. In this light, we are not making any recommendations or raising any points for improvement in relation to the financial transactions concerning these funds.

2.4 Opinion on preparation

Opinion

In our opinion, the National Declaration 2015, as issued by the Minister of Finance on the government's behalf, was on the whole prepared in a sound manner.

We have no further comments to make about this opinion.

2.5 Review of the Central Government Audit Service's audit

The Central Government Audit Service is the audit authority for the ERDF, ESF, EFF and migration funds and the certifying authority for the agricultural funds.³³ We carry out reviews in order to ascertain whether we can rely on the findings of the Central Government Audit Service in forming our own opinion. We examine how the Central Government Audit Service checked the legality, regularity, accuracy and completeness of the financial transactions at all the funds, down to the level of the final beneficiary, and also seek to ascertain whether we regard its audits as being adequate. We review the audits performed by the Central Government Audit Service, attending some of them *in situ*.

³²

All cases submitted for mediation in 2013 were heard in the spring and summer of 2014. It is clear from the adjusted error rate for the previous audit period (which was amended from 3.34% to 21.92%) that the audit authority has decided that the vast majority of the cases submitted for mediation should be classified as errors.

³³

In the regulations for the agricultural funds, the European Commission uses the term 'certifying authority' rather than 'audit authority', which it uses for the other funds.

Our conclusion is that we can rely on the findings of the Central Government Audit Service in its capacities as an audit authority and a certifying authority. We would like to see, however, the further harmonisation and standardisation of similar audit procedures performed by the Service in relation to the various funds, where possible (for example, the compilation of audit files and the performance of internal reviews or quality controls).

Regarding the audit of the ERDF, where we noted improvements in both the planning and the performance of the audit activities, we wish to draw the Service's attention to:

- the adequate planning of audit procedures and staff deployment, notably to the need to start and complete project audits on time;
- better, uniform digital audit files;
- a uniform internal review of audit files.

In relation to the audit of the EFF, which we found to be adequate, we wish to draw the Service's attention to the need to produce timely reports on project audits,³⁴ so that the managing authority has sufficient time to respond to the findings.

34

The main need is to stagger the sending of draft reports for the managing authority to comment on. In the current situation, many draft reports were sent during a brief period in the fourth quarter of 2014.

3 Government response and Court of Audit afterword

We received the Minister of Finance's response to our report on the government's behalf on 13 May 2015. The Minister of Finance also responded on behalf of the Minister of Social Affairs and Employment, the Minister of Foreign Affairs, the State Secretary for Economic Affairs, the State Secretary for Social Affairs and Employment and the State Secretary for Security and Justice. The full text of the Minister's letter is reproduced in section 3.1, followed by our own afterword in section 3.2. The Minister's letter is also available for inspection on the Dutch section of our website (www.rekenkamer.nl).

3.1 Government response

"I hereby present the government's response to your report on the National Declaration 2015, which we received from you on 21 April. In conjunction with your opinion, the National Declaration gives both the Dutch House of Representatives and the European Commission additional assurance about the quality of the financial management and the regularity of the use made of EU funds in the Netherlands. Together, the two documents give a clear account of the expenditure of EU funds under shared management in the Netherlands.

As you know, I have argued forcefully in Europe in favour of greater transparency in accounting for the spending of EU funds. In embracing the voluntary publication of a National Declaration as a reporting tool, the new European Commissioner for the EU Budget, Vice-President Georgieva, has demonstrated her support for this.

The government appreciates the opinion expressed by the Netherlands Court of Audit on the National Declaration 2015 and will continue to do its utmost to ensure that EU funds are put to proper use in order to retain the current positive picture. At the same time, the government will also be making specific improvements in areas where these are needed, as explained below. My letter concludes with a detailed response to a number of specific comments in your report.

Review of systems used by the agricultural and migration funds

As was the case last year, the Court of Audit reviews the systems at the agricultural and migration funds in the same way as the structural funds. In doing so, the Court creates a divergent situation. The fact is that the migration and agricultural funds are subject to different EU regulations as apply to the structural funds, the latter being those on which the audit authority bases its own review of the systems (the outcome of which is incorporated in the National Declaration). If the Court of Audit paints a different picture in its report on the National Declaration, the result is an extra form of assessment. The use of different review methods may also be confusing to outsiders, particularly as the Court of Audit does not explain its own method.

Response to recommendations

European Agricultural Fund for Rural Development (EAFRD)

1st recommendation: ensure that the RVO takes action to tighten up its administrative checks, and monitor the effect of this action.

The government accepts this recommendation. The paying agency, i.e. the Netherlands Enterprise Agency (RVO), has already tightened up the process of administrative checks. The RVO has adjusted the checking procedures and associated checklists for tendering procedures, the allocation of costs to eligible activities, and the application and registration of the requisite discounts, among other things. The RVO has devised a system of progress checks, progress meetings and regular management reports to monitor the impact of these improvements.

2nd recommendation: ensure that the RVO analyses the causes of the irregularities affecting investment and project grants, and establishes whether the number of irregularities can be reduced by stepping up the number of inspections.

The government accepts this recommendation. As we have already reported to the House of Representatives,³⁵ the detection of certain causes has already prompted the RVO to decide of its own accord to make two changes that should reduce the number of errors. Firstly, it has decided to pare down the measures in the rural development programme for 2014-2020 (POP3). Secondly, it has decided that agri-environmental management should be performed by collectives. The RVO is also giving more attention to the regulations on tendering procedures, for example by educating potential grant applicants. Alongside these measures, the RVO is also planning to intensify the checks of grant applications. The Central Government Audit Service should be able to make clear in future reports whether the measures have worked.

European Fisheries Fund (EFF)

3rd recommendation: oversee the effective and rapid implementation of the necessary improvements in all aspects of the managing authority's management and control system, particularly in the management verifications.

The government accepts this recommendation. Following the interruption of payments in 2014, the managing authority drew up and implemented an action plan containing measures designed to improve the management verifications. The House of Representatives was recently informed about these problems and the action taken to solve them.³⁶ The RVO screens all audit files in order to detect and remedy errors. The managing authority has also instructed a firm of accountants to carry out a review so as to ascertain whether the financial corrections have been implemented correctly. If everything goes to plan, the review should be completed by the end of June 2015. The Ministry of Economic Affairs is overseeing the effective and rapid implementation of the necessary measures, by making use of the existing framework for consultation with the RVO.

4th recommendation: oversee the effective and rapid implementation of the necessary improvements in all aspects of the managing authority's management and control system, particularly in the vital management verifications, with a view to reducing the error rate; ensure that any uncertainties are rapidly resolved; ensure that sufficient expenditures (the regularity of which has been properly assessed) are declared in 2015 and 2016, so as to prevent any further losses of EU grants allocated to fisheries projects.

³⁵ Parliamentary papers 28625-233: Response to a special report issued by the European Court of Auditors entitled 'Errors in rural development spending: what are the causes, and how are they being addressed?' (10 April 2015).

³⁶ Letter to Parliament on the quarterly report on the Common Fisheries Policy published on 12 May 2015.

The government accepts these recommendations. The managing authority has already drawn up and implemented an action plan with measures designed to improve the management verifications. The aim of the plan is to reduce the high error rate and to ensure that any uncertainties are resolved swiftly, with the ultimate objective of avoiding financial adjustments and hence the loss of EU grants. If everything goes to plan, the measures in the plan of action should have been implemented by the end of June 2015, thus reducing the risk of further losses of EU funding.

5th recommendation: ensure that the managing authority and the certifying authority make clear arrangements about the definition and registration of receivables, so that the reliability of the receivables may henceforth be confirmed.

The government accepts this recommendation and will ensure that the parties concerned make clear arrangements in the near future. The certifying authority will be reviewing its assessment lists of receivables by 30 June of this year and will in doing so make arrangements for the enforcement of EU regulations. The managing authorities of the EU funds concerned will then be invited to comment on the instructions and arrangements.

6th recommendation: continue to ensure that mediation is used with prudence and at an early stage, by seeking to minimise any differences of interpretation about rules and regulations and by resolving any such disputes as quickly as possible; ensure that requests for mediation are dealt with quickly; ensure that the error rate for the EFF is calculated in the same way as for the structural funds (i.e. by also including findings submitted for mediation), so that comparisons can be made of the error rates at the EU funds.

The government agrees with the Court of Audit that mediation is a tool that should preferably be used only when it is needed. Further action will need to be taken to minimise the differences of interpretation during routine meetings between the parties concerned (i.e. the process of hearing both sides of the argument between the managing authority and the audit authority), so that the latter are less inclined to submit cases to mediation. At the same time, mediation can help to improve the regularity of accounting documents. Mediation requests will be dealt with as quickly as possible, by means of effective preparations, by grouping requests and by dealing with cases at a single sitting attended by all parties concerned.

I have the following to state about your recommendation concerning the method of calculating the error rate. The method used to calculate the error rate for the EFF complies with current EU regulations. Although the audit authority has held talks with the European Commission about these regulations, the European Commission does not see any need to adjust the system for the current period. However, the system used for the structural funds will be adjusted for the 2014-2020 programming period, which means that the problem will not arise in the future.

European Regional Development Fund (ERDF)

7th recommendation: ensure that the improved management verifications are strictly enforced (notably by tightening up the controls exercised by the managing authority) and also that the expenditures declared to the European Commission are based on sufficiently reliable data, so as to minimise the risk of the error rate exceeding the stipulated maximum level.

The managing authorities are strictly enforcing the improved management verifications, which they are seeking to improve on an ongoing basis. As a result, the error rate at the managing authority for the ERDF West has been reduced from 6.86% in the National Declaration 2014 (covering the 2012 financial year) to 2.34% in the

National Declaration 2015 (covering the 2013 financial year). The same managing authority also further improved the management verifications in 2014, notably by tightening up the administrative checks of declarations of eligible costs from grant applicants.

European Social Fund (ESF)

8th recommendation: oversee the effective and rapid introduction of reviews by the managing authority of reports issued by the Education Inspectorate, and ensure that the managing authority carries out careful checks of any possible double declarations; establish, in doing so, whether more attention needs to be paid to preventing and detecting the abuse and misuse of grants; ensure that, when management verifications are carried out, account is taken as a matter of routine of public information such as the inspection reports issued by the Education Inspectorate.

The government accepts these recommendations, insofar as adequate action has not already been taken. The National Declaration already provides clarity about the causes of the errors and the action taken to remedy them. The audit authority also confirms that the SZW Agency has taken adequate action in relation to the management verifications so as to guarantee that the above risks will not materialise in future declarations to the European Commission. This action includes taking account of public information distributed by third parties (such as the reports issued by the Education Inspectorate) and establishing links between projects.

The need to prevent and detect abuse and misuse figures prominently on the managing authority's agenda. Alongside intensive checks, risk analyses are key here. These make use of signals and information obtained from public sources, insofar as they are available and are relevant to the checks. Designing regulations so as to minimise the risk of abuse and misuse is another contributory factor. The SZW Agency performs assessments of the risk of abuse and misuse to this end.

Response to suggestions

In addition to making recommendations, the Court of Audit also makes a number of suggestions to the government.

Inclusion of Dutch EU contributions in National Declaration and timely formation of provisions to cover future financial commitments

The government responds at this point to our suggestion to include information on EU contributions in the National Declaration and to the recommendation made in our 2014 regularity audit of the Ministry of Foreign Affairs to set aside funds in good time to cover future financial commitments.³⁷

The government recently wrote at length to the House of Representatives explaining why it decided not to include information on Dutch contributions to the EU budget in the National Declaration (Parliamentary Papers II, 2013-2014 session, 33523, no. 12). The government does not see any need to change its position on this matter. The government will not be taking up the Court of Audit's suggestion to include in the National Declaration any retrospective adjustments of EU contributions for previous years, as in the case of the additional net contribution imposed on the Netherlands in 2014.

Although it is possible to foresee the contingency of an additional gross contribution as a result of changes in statistical data (such as a review of sources), the net impact of an additional contribution depends in practice on changes in the GNI of other member states. Without data on the adjustment of the GNI figures for other member states, it

37
Recommendation made in our 2014 regularity audit of the Ministry of Foreign Affairs: set aside funds in good time to cover future financial commitments, as soon as this is necessitated by changes in statistical data.

is not possible to calculate the exact scale of the additional contribution to be imposed on the Netherlands. The same applies to the size of a provision to cover future financial commitments. The standard budgetary process can take account of any relevant changes in the statistical data.

Meuse-Rhine Euroregion programme

When the National Declaration was compiled, it was decided after full consideration not to include information on the Meuse-Rhine Euroregion programme, a cross-border partnership between regions saddling the borders of Germany, Belgium and the Netherlands. The National Declaration reports exclusively on spending under share management for which the Netherlands as an EU member state has its own responsibility. It should be emphasised that the Meuse-Rhine Euroregion programme is included in the Annual Summary.

Information on management costs of small funds

The size of many funds will be changing in the 2014-2020 programming period. For example, the new European Maritime and Fisheries Fund (EMFF) will be twice the size of the current European Fisheries Fund (EFF). The migration funds are also set to be restructured and converted into two considerably larger funds. This means that the management costs of the system will be brought more closely into line with the level of grant spending.

I would like to close by thanking you, on behalf of the government, for the efforts you have personally devoted to the National Declaration in recent years.”

3.2 Court of Audit's afterword

We are pleased the government endorses the purpose and substance of the recommendations arising from our opinion on the National Declaration 2015 and that it is either planning to take or has already taken action to make improvements where these are needed.

Chapter 2 summarises our review of the management and control systems in place for the funds. This is based on the method used for the structural funds. The government believes we are creating an additional form of assessment that is not properly explained and may lead to confusion. Our summary, however, is not an additional form of assessment, but a means of clearly presenting the management and control systems, given that readers may be confused by the many different regulations that apply. We have made clear that our assessment was based on the method used to assess the structural funds, and refer to explanatory notes on our website for each fund.

The government is unfortunately not planning to act on our recommendation to include Dutch contributions to the EU budget in the National Declaration. We would again emphasise that the inclusion of Dutch contributions to the EU would make the National Declaration a more complete accounting document. We believe that this would also improve understanding of the system used to compute additional contributions and thus prevent their coming as a surprise in the future.

Appendix I Summary of conclusions, recommendations and points for improvement

Conclusions, recommendations, government response and Court of Audit afterword

Conclusion	Recommendation	Government response	Court of Audit afterword
Functioning of management and control systems			
<i>Agricultural funds (EAGF and EAFRD)</i>			
Administrative checks at the EAFRD need to be improved.	State Secretary for Economic Affairs: ensure that the RVO takes action to tighten up its administrative checks, and monitor the effect of this action.	The State Secretary for Economic Affairs accepts the recommendation. As the paying agency, the RVO has tightened up the process of administrative checks.	
<i>ERDF</i>			
N.a.	N.a.		
<i>ESF</i>			
N.a.	N.a.		
<i>EFF</i>			
Shortcomings in managing authority's systems, particularly in relation to management verifications.*	State Secretary for Economic Affairs: oversee the effective and rapid implementation of the necessary improvements in all aspects of the managing authority's management and control system, particularly in the management verifications.	The State Secretary for Economic Affairs accepts the recommendation. Audit files are screened and subjected to external review. The Ministry of Economic Affairs is overseeing the effective and rapid implementation of this recommendation by the RVO.	
<i>Migration funds</i>			
N.a.	N.a.		
Legality, regularity, accuracy and completeness of financial transactions			
<i>Agricultural funds (EAGF and EAFRD)</i>			
Error rate at the EAFRD is higher than 2%.*	State Secretary for Economic Affairs: ensure that the RVO analyses the causes of the irregularities affecting EAFRD investment and project grants, and establishes whether the number of irregularities can be reduced by stepping up the number of on the spot checks.	The State Secretary for Economic Affairs accepts the recommendation. Action has already been taken, such as the decision to reduce the number of measures and to have collectives take responsibility for agri-environmental management. The RVO will also tighten up controls. The Central Government Audit Service should be able to make clear in future reports whether the measures taken have been sufficient.	

ERDF			
<p>Despite improvements in management verifications, the error rate for the ERDF West remains higher than 2%.*</p>	<p>State Secretary for Economic Affairs: ensure that the improved management verifications are strictly enforced (notably by tightening up the controls exercised by the managing authority) and also that the expenditures declared to the European Commission are based on sufficiently reliable data, so as to minimise the risk of the error rate exceeding the stipulated maximum level.</p>	<p>The managing authorities are strictly enforcing the improved management verifications, which they are seeking to improve on an ongoing basis.</p>	
ESF			
<p>Error rate at the ESF is higher than 2%.</p>	<p>State Secretary for Social Affairs and Employment: oversee the effective and rapid introduction of reviews by the managing authority of reports issued by the Education Inspectorate, and ensure that the managing authority carries out careful checks of any possible double declarations.</p> <p>Establish, in doing so, whether more attention needs to be paid to preventing and detecting the abuse and misuse of grants.</p> <p>Ensure that, when management verifications are carried out, account is taken as a matter of routine of public information such as the inspection reports issued by the Education Inspectorate.</p>	<p>The government accepts these recommendations, insofar as adequate action has not already been taken. The State Secretary for Social Affairs and Employment believes that adequate action has already been taken. Use is now made of reports issued by the Education Inspectorate in order to detect errors at an early stage. Establishing links between projects prevents double declarations.</p>	

EFF			
Error rate at the EFF is well above 2%, with many remaining uncertainties;* the high error rate raises the likelihood of EU grants for fisheries projects being lost.	State Secretary for Economic Affairs: oversee the effective and rapid implementation of the necessary improvements in all aspects of the managing authority's management and control system, particularly in the vital management verifications, with a view to reducing the error rate. Ensure that any uncertainties are rapidly resolved. Ensure that sufficient expenditures (the regularity of which has been properly assessed) are declared in 2015 and 2016, so as to prevent any further losses of EU grants allocated to fisheries projects.	The State Secretary for Economic Affairs accepts the recommendation. The excessively high error rate is caused by shortcomings in the management and control system. The managing authority has prepared and is currently implementing an action plan that is designed to reduce the error rate.	
Uncertainty about the accuracy and completeness of receivables.	State Secretary for Economic Affairs: ensure that the managing authority and the certifying authority make clear arrangements about the definition and registration of receivables, so that the reliability of the receivables may henceforth be confirmed.	The State Secretary for Economic Affairs accepts the recommendation. He will ensure that the parties concerned make clear arrangements in the near future.	
Mediation process is open to improvement.*	State Secretary for Economic Affairs: continue to ensure that mediation is used with prudence and at an early stage, by seeking to minimise any differences of interpretation about rules and regulations and by resolving any such disputes as quickly as possible. Ensure that requests for mediation are dealt with quickly. Ensure that the error rate for the EFF is calculated in the same way as for the structural funds (i.e. by also including findings submitted for mediation), so that comparisons can be made of the error rates at the EU funds.	The State Secretary for Economic Affairs agrees with the Court of Audit that mediation is a tool that should preferably be used as little as possible. The system used for the structural funds will be followed in the 2014-2020 programming period, which means that the problem will not arise any longer.	
Migration funds			
N.a.	N.a.		

* Similar conclusion drawn in our report on the National Declaration 2014 (Netherlands Court of Audit, 2014b).

Points for improvement

Functioning of management and control systems
<p><i>Agricultural funds (EAGF and EAFRD):</i></p> <ul style="list-style-type: none"> • Ensure that the inspection statistics based on the spot checks are consistent with the payments made and the amounts declared to the European Commission.
<p><i>ERDF:</i></p> <ul style="list-style-type: none"> • Remaining points for improvement in the management verifications performed by the managing authority for the ERDF West.* • Other points for improvement in the systems used by the managing authority, notably in relation to computerised information systems.* • Points for improvements in the systems used by the certifying authority (for recording and performing certifications).*
<p><i>ESF: N.a.</i></p>
<p><i>EFF:</i></p> <p>Various points for improvements in the systems used by the certifying authority.*</p>
<p><i>Migrations funds: N.a.</i></p>
Legality, regularity, accuracy and completeness of financial transactions
<p><i>Agricultural funds (EAGF and EAFRD):</i></p> <ul style="list-style-type: none"> • Ensure that claims for the refund of grant payments are presented to beneficiaries in good time.* • Speed up the dissemination of the spot checks results.* • Further improve the checks of the accreditation of plant growers' associations. • Certain aspects of the quality assurance system used by the Netherlands Food and Consumer Product Safety Authority are not effective.
<p><i>ERDF:</i></p> <ul style="list-style-type: none"> • Further improve the mediation process.* • Tighten up the requirements for the eligibility of costs.*
<p><i>ESF: N.a.</i></p>
<p><i>EFF: N.a.</i></p>
<p><i>Migration funds: N.a.</i></p>

* Similar conclusion drawn in our report on the National Declaration 2014 (Netherlands Court of Audit, 2014b).

Action taken on conclusions and recommendations in our previous report

Conclusion	Recommendation
Functioning of management and control systems	
<i>Agricultural funds (EAGF and EAFRD)</i>	
N.a.	N.a.
ERDF	
N.a.	N.a.
ESF	
N.a.	N.a.
EFF	
N.a.	N.a.
<i>Migration funds</i>	
Substantial improvements in supervisory and finalisation work necessary, especially in relation to the EBF.	Monitor impact of improvement measures already taken and take further measures if necessary.
Backlog in submission of annual reports reduced but not eliminated.	Ensure timely compliance with plans to prepare annual reports and take further measures if necessary.
Not enough attention paid to management of receivables	Transfer receivables management to the SZW Agency and ensure that receivables are settled on time.
Legality, regularity, accuracy and completeness of financial transactions	
<i>General</i>	
Amounts receivable not adequately audited.	The Central Government Audit Service should audit the receivables in sub-declarations each year and report on them in its audit report on the consolidation statement.
<i>Agricultural funds (EAGF and EAFRD)</i>	
N.a.	N.a.
ERDF	
N.a.	N.a.
ESF	
N.a.	N.a.
EFF	
N.a.	N.a.
<i>Migration funds</i>	
Error rate for EBF well over 2%.	Monitor impact of improvement measures already taken and take further measures if necessary.

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