

**15th Annual Meeting of European Financial Control  
Authorities of Structural and Cohesion Funds  
"The Homologues Group"**

**Warsaw 25 September 2006**

Authorities,

Ladies and Gentlemen,

It is a great pleasure for me to open this meeting. For the first time since the accession of May 2004 the annual meeting of the financial control authorities is taking place in a new Member State, which happens to be my own. I would also like to welcome the representatives of the Court of Auditors and the Commission's services, including OLAF.

I welcome the representatives from all 25 Member States, the acceding countries of Romania and Bulgaria, and the European Court of Auditors. I sincerely hope that you will all enjoy your stay in Warsaw. I would also like to thank my compatriots and hosts, Minister Piotr Soroczyński and Director Adam Rogowski and his team for the organisation of this event and for the excellent cooperation with the Commission.

Why are we here today?

I believe that this meeting offers us a unique opportunity to exchange experiences and good practices. The Commission is very receptive to take on board your good advices on the best ways to implement our policy effectively. I know that you, as representatives of national audit institutions, are taking up the challenge of checking the sound use of EU funding in your

countries. And I wish to thank you for your commitment to make this policy a successful one. This is a common responsibility. The Commission will do its part. What is the Commission doing?

We continue efforts to strengthen internal accountability. We have improved the reports from our Directors-General. They are open and frank about problems in their areas. In the Commission, we will work on the corporate culture. “Managing risks” does not mean paralysis, blame culture and reluctance to take responsibility. It means the opposite. Also, piling on new rules does not solve such problems. What is needed is empowerment, simplification, and trust, or effective “soft controls”.

How can the system work?

We are about to start a new programming period for structural and cohesion funds. The legislation was adopted before the summer and the Member States are now in the process of finalising their National Strategic Reference Framework, and the underlying Operational Programmes. The Commission is following this preparation very closely, and let me say that we praise the good cooperation with the national authorities.

In the case of cohesion policy, however, the identification of good programmes is not a sufficient condition for its success. We need to ensure its value added and, above all, we need to ensure that the funds are spent properly.

Already the current legislation provides for the instruments to allow this. But this will be enhanced in the future programming period, through specific tools, such as agreed audit strategies; or annual audit declarations.

Again, to achieve this, the cooperation of all relevant actors is essential. My role of Commissioner for Regional Policy brings me to regions and places in every corner of Europe. There, I have the

opportunity to discuss with national, regional and local authorities. The priorities can vary from one place to another, but the objectives are the same, to invest and create opportunities for the people.

One of the more explicit contributions to improve the effectiveness of European policies is the Commission "Action Plan towards an Integrated Internal Control Framework", which sets out the concrete measures promoted by the Commission through which we hope to make progress toward a positive declaration of assurance.

What is the Action Plan adopted by the Commission earlier this year?

In a nutshell, it proposes concrete measures around four themes: simplification and common control principles; management declarations and audit assurance; single audit approach: sharing results and prioritising cost-benefit; sector-specific gaps. One of the main input for this Action Plan comes from the single audit approach, also championed by the Court of Auditors' itself, which states that the sharing of audit and control data is a key to improving the targeting of audit and control efforts.

Out of the concrete measures included in this Action Plan, I would like to single out three, which I find essential: the tolerable risk of error, the cost of controls, and the Contracts of Confidence.

The Commission agrees with the European Court of Auditors that the budget authority should provide an indication as to what risk of error is acceptable in Structural Fund expenditure (and for other policy areas), taking into account the nature of the errors and the cost of controls to prevent them. The European Parliament itself organised a very useful workshop on the theme in July this year to open the debate. The Commission will shortly start to collect data

on the cost of controls from Member States as the basis for contributing to the discussion.

I also consider the finalisation of “Contracts of confidence” as an important step in providing audit assurance on an annual basis.

I am particularly glad to inform you that this morning I will be signing the first of these contracts of confidence, with the authorities of Wales for the European Regional Development Fund. I believe that this will be the first of a series of other contracts of the same kind, and I know that some Member States have already expressed the intention to complete the process without delay. I personally commend this initiative to you, as it is a concrete manifestation of the Single Audit approach, which is the reason why we are here today.

What are our challenges ahead?

As you know, the Commission has every year to obtain a discharge for its execution of the budget from the budget authority, and the main basis for the discharge process is the European Court of Auditor’s Annual Report and the DAS – Declaration d’Assurance.

In this context, let me say that Over the past year, I have had various meetings with the Court of Auditors. This has allowed me to have frank debates on subjects of common interest. I will continue my dialogue with the Court, as I will continue to discuss with the other Institutions. There are some issues, however, on which the Court and the Commission still have different views. For instance, the value of the Annual Activity Reports and the annual declarations of the Director-Generals: I believe that these AAR should represent one of the main basis for the Court’s declaration. Furthermore, I firmly believe that the focus should be on the quality and efficiency of the control systems in place.

The multi-annual perspective of cohesion programmes is another matter of contention. The Court takes the view that as the Treaty requires it to report on the situation it finds regarding the legality and regularity of the underlying transactions in a given year, it cannot take account of subsequent corrections.

Let me emphasise the Commission's view on this. The financial correction mechanism is precisely the way it can, as a last resort, fulfil its supervisory role. I very much hope that it will be possible through continued dialogue with the Court to reach a common view.

Although more transparent and open communication between the Commission and the Court will not get us a positive DAS, mutual understanding serves to improve relations and that can only be beneficial for both sides.

The current legal framework already provides the conditions for good management, both in the Commission and in the Member States. Today, there are Member States that have substantially reached the standards required. Whilst the new regulations strengthen the control provisions in some areas and should therefore facilitate our task of control and audit, we have to maintain the focus on the current programmes up to their closure in 2009 and 2010, to see that risks are being adequately managed and that reasonable assurance can be provided. The management of the Structural Funds has come a very long way over the past 11 years since the Court began issuing its annual statement of assurance. But there is still some way to go to achieve consistently throughout all regions the required standards. And the ultimate goal is to demonstrate our accountability to the European citizen, showing that taxpayers' money is being invested to best effect, to improve the welfare of our citizens.

Today I am honoured to be here and to participate by assisting in the opening of the conference because I am more than aware of the importance of your roles and responsibilities. The start of a new period with a new control framework provides the opportunity and motivation for all partners in shared management to collaborate more effectively. This an ideal forum to continue discussing and promoting issues which can contribute to an improved quality of financial management and control, and closer collaboration on all issues of audit activity with the Commission, the Council and the other Institutions.

Back in November 2005, the Council refused to accept the introduction of the provision on high level declarations on the legality and regularity of the operations: I wish to thank the Member States that did support this proposal in that respect.

I very much hope that the collaboration and exchange of ideas during the next two days will foster these elements and therefore contribute to this important process. From the agenda of this meeting I can see that the topics are of great interest and I regret not being able to stay for the duration of the meeting. The colleagues from the Commission will be ready to respond to your queries. The challenge is ahead of us and your role will be very important, and probably more difficult in the future.

That is why I would personally commend you for your continuous efforts in carrying out your audit activity. I very much hope that the effectiveness of your work will mean that my future appearances in front of the budgetary control committee of the European Parliament could become less daunting.

Thank you for your attention. I wish you a successful meeting.