

Eoin O'SHEA
Member of the Court



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Correspondence 4.7
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EUROPEAN COURT OF AUDITORS

Luxembourg, 10 November 2011

Mr John McGuinness T.D.
Chairman
Public Accounts Committee
Dáil Éireann
Kildare St
Dublin 2
Ireland



Dear Chairman,

I am pleased to enclose a copy of the European Court of Auditors' Annual Report covering the European Union's 2010 budget. The report was published today.

The report details EU revenue and spending of c. EUR 122 billion and shows that Ireland was a net beneficiary from the EU in the amount of €676 million (2009 €407m), contributing €1,394 million and receiving €2,070 million.

The Report shows a strong performance in Ireland's management of its financial obligations towards the European Union. The report contains no negative spending or income references to Ireland and none of the examples of inappropriate spending relate to Ireland.

If I can be of assistance, please don't hesitate to contact me.

My very best wishes.

Yours sincerely,

Eoin O'Shea



EUROPEAN COURT OF AUDITORS

2010 Annual Report

*Statement by Mr Eoin O'Shea, Member of the Court
November 10th, 2011*

Statement from Eoin O'Shea

"The Court found that the EU's accounts give a true and fair view of the Union's finances. The Court has signed-off on the EU's 2010 accounts.

Ireland is still a net beneficiary in the amount of EUR 676 million, receiving EUR 2,070 million and contributing EUR 1,394 million. In 2010, 83% of Ireland's EU receipts related to Agriculture.

The Report shows a strong performance in Ireland's management of its financial relationship with the European Union. There are no negative spending or income references to Ireland and none of the examples of inappropriate spending relate to Ireland.

For the 2011 financial year, the EU's accounts will include information on Ireland's borrowings from the European Union under the EU/IMF programme".

Overview of the Report

The European Court of Auditors published its Annual Report on the European Union's 2010 accounts today. The Report concerns EU revenue and spending of some €122 billion.

The Court found that the accounts give a true and fair view of the EU's finances. The Court has, therefore, signed-off on the EU's 2010 accounts, as it has done for the previous 17 years. The Court has deemed the EU's accounts "reliable" for the 4th consecutive year.

However, the Court has included an "emphasis of matter" paragraph in its statement on the reliability of the EU's 2010 accounts to draw readers' attention to a change in EU accounting policy in respect of pre-financing of financial engineering instruments. This change resulted in a restatement of the EU's 2009 accounts. The value of the restatement in 2009 was EUR 2,448 million.

As well as providing a view of the accuracy of the EU's book keeping, the Court also reports on whether monies were spent according to the rules. Overall, the Court estimates that 3.7% of the value of EU payments in 2010 were not spent according to the rules – a slight increase on the 2009 figure of 3.3%. The Court found the spending rules were materially breached in the case of agriculture (2.3%) and cohesion (7.7%). A material spending breach happens where the total money value of the breach is greater than 2% of the amount being audited. Agricultural spending breaches remained similar to the previous year, while Cohesion spending breaches increased compared to 2009.

Examples of Inappropriate Matters Identified

The Court does not publish all of the examples of inappropriate items identified during its audits. Some are, however, detailed for illustrative purposes. The following are examples of breaches identified by the Court:

Page 48 – Calculation of UK Correction

The Court detected an error in the Commission's calculation of the UK correction, resulting in an excessive correction granted to the United Kingdom of EUR 189 million.

Page 79 (example 3.1) – Butter (Member states not mentioned)

In a scheme to provide food aid, a business swapped milk and cheese for intervention butter.

What happened to the milk and cheese?

The milk and cheese went, properly, to the persons who need it.

What happened to the butter?

The business should have sold the butter it received in another market but instead transferred it "to the border of the second member state where the EU control documents were cleared. The bulk of the butter, however, was not unloaded but immediately transported back to the original Member State where it was offered for sale on the domestic market."

Page 84 (example 3.3) – Sugar (France)

In France, a sugar factory availed of the EU sugar reform scheme whereby sugar quota may be abandoned in return for a capital payment. "However immediately before applying for the aid, the beneficiary had applied for upgrading the production capacity of this facility from 72,000 to 93,500 tonnes and his request had been approved. However the actual production of the plant had never exceeded 60,000 tonnes. The increase in capacity was artificially created to obtain the higher rate of aid of EUR 625 euros/tonne for a quantity of at least 21,500 tonnes. In addition, 10% of this aid was paid to growers who had never delivered sugar beet to this facility".

Ireland

In 2010, Ireland was a net beneficiary from the EU in the amount of €676 million. Ireland contributed €1,394 million but received €2,070 million, of which 83% (€1,718 Million) related to Agriculture.

Irish References in the Annual Report

There are no negative spending or income references to Ireland in the Court's 2010 report. None of the examples of inappropriate spending in the Report relate to Ireland.

In 2009, Ireland was listed as having the highest number of VAT reservations in the EU. This situation improved significantly during 2010. There were 17 Irish reservations listed as at the end of 2009 and just 10 at the end of 2010.

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