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Contents

Page

I *Information*

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Special report No 1/88 on national and Community systems and procedures relating to the management of the European Social Fund accompanied by the replies of the Commission

1

I

(Information)

COURT OF AUDITORS

SPECIAL REPORT No 1/88

on

national and Community systems and procedures relating to
the management of the European Social Fund accompanied by the replies of the Commission
(88/C 126/01)

(Observations pursuant to Article 206a (4) of the EEC Treaty)

TABLE OF CONTENTS

	Paragraph Reference
1. Introduction	1.1 — 1.19
Object, scope and method of preparation of the report	1.1 — 1.4
Description of the European Social Fund (ESF)	1.5 — 1.19
Principal regulations and decisions	1.5
Tasks, objectives and measures	1.6 — 1.13
Implementation	1.14 — 1.19
2. Preparatory procedures regarding regulations, decisions and guidelines for the management of the ESF	2.1 — 2.8
Observations	2.2 — 2.8
3. Management procedures within the ESF Directorate	3.1 — 3.31
Observations	3.3 — 3.31
Admissibility criteria	3.3
Eligibility criteria	3.4 — 3.8
Priority criteria	3.9 — 3.13
Interpretation of the legislation	3.14
Documentary evidence	3.15 — 3.17
Late explanation of the criteria for granting aid	3.18
Processing of aid applications by the Fund's staff	3.19 — 3.21
Processing of applications for final payment by the Fund's staff	3.22 — 3.27
Assessment of the operations	3.28 — 3.30
Administrative organization	3.31
4. Management procedures in the Member States	4.1 — 4.22
Observations	4.2 — 4.22
Submission of applications for aid and payment to the ESF	4.2 — 4.5
The 'organization for which assistance is requested'	4.6 — 4.11
The final recipient of the payment	4.12 — 4.15

Guarantee by the Member States of the successful completion of the operations	4.16 — 4.17
Certification	4.18 — 4.22
5. Conclusions	5.1 — 5.5
Main weaknesses noted	5.1 — 5.4
Possibilities for improvement	5.5
	Pages
The Commission's replies	19 — 24

1. INTRODUCTION

Object, scope and method of preparation of the report

1.1. The object of this report is to carry out a systematic evaluation of both Community and national procedures as they affect the management of assistance and payment applications. Evaluation of Community procedures alone is of limited value in the field of ESF management; the procedures naturally carry over into the Member States, since certain responsibilities, such as for the collection of aid and payment applications and for processing and guaranteeing or certifying the applications, lie with the Member States. National and Community procedures together form an indivisible whole and a critical analysis of one set of procedures inevitably involves some analysis of the other.

1.2. The inquiry was planned as follows:

- (a) it was based on an examination (which is carried out regularly) of the procedures applied within the departments of the Fund. These procedures relate to the processing of payment and assistance applications, on-the-spot checks, assessment of approved operations and administrative organization;
- (b) visits were also made to all the Member States of the Community, with the exception of Spain and Portugal — where such an examination would have been premature — in order to identify the systems and procedures set up within the framework of the ESF. The latter are mainly concerned with action taken by the national authorities responsible for forwarding payment and aid applications to the ESF, the principle types of organization and applications for aid, certification and control systems and financial flows;

(c) finally, the respective strengths and weaknesses were examined on the basis of a procedural review.

1.3. In accordance with the above plan, the first part of the inquiry took place between the last quarter of 1981 and the first quarter of 1984. It was possible to evaluate systems and procedures followed under the previous Fund ⁽¹⁾ and to study some 200 files and sub-files relating to aid applications and payments.

1.4. It was essential that the results obtained in this way should be updated to take account of numerous changes which have occurred in both the Member States and the Community as a result of the entry into force of the new Fund on 23 October 1983 ⁽²⁾. A second inquiry took place during the last four months of 1986. Like the initial inquiry, this one was also based on a continuous review of procedures in the departments of the Fund and a further series of visits was made to the same Member States. The inquiry was also based on an audit of approximately 1 000 aid applications which had been approved since 1984 and 170 final payments made in 1986 against approvals granted in 1984; the audit took place either on the premises of the Commission or in the Member States.

Description of the European Social Fund (ESF)

Principal regulations and decisions

1.5. The present Fund took effect on 23 October 1983. It is governed by:

- (a) Council Decision 83/516/EEC of 17 October 1983 ⁽²⁾ on the tasks of the European Social Fund;

⁽¹⁾ The footnotes appear together at the end of the report.

- (b) Council Decision 85/568/EEC of 20 December 1985 ⁽³⁾ amending, on account of the accession of Spain and Portugal, Decision 83/516/EEC concerning the tasks of the ESF;
- (c) Council Regulation (EEC) No 2950/83 of 17 October 1983 ⁽⁴⁾ implementing Decision 83/516/EEC concerning the tasks of the ESF;
- (d) Council Regulation (EEC) No 3823/85 of 20 December 1985 ⁽⁵⁾ amending, on account of the accession of Spain and Portugal, Regulation (EEC) No 2950/83 implementing Decision 83/516/EEC concerning the tasks of the ESF;
- (e) Council Regulation (EEC) No 3824/85 of 20 December 1985 ⁽⁶⁾ amending, with a view to extending it to cover the self-employed, Regulation (EEC) No 2950/83 implementing Decision 83/516/EEC concerning the tasks of the ESF;
- (f) Commission Decision 83/673/EEC of 22 December 1983 ⁽⁷⁾ concerning the management of the ESF;
- (g) the Commission guidelines for the management of the ESF ^(8 to 12).

Tasks, objectives and measures

1.6. Council Decision 83/516/EEC defines the tasks of the ESF, namely:

- (a) 'the Fund must become a more active instrument to promote employment policies';
- (b) 'the task of the Fund is to participate (...) in the financing of vocational training, the promotion of employment and geographical mobility';
- (c) 'the Fund (...) must, taking due account of the principle of Community solidarity, contribute as effectively and as consistently as possible to the solution of the most serious problems and in particular the fight against unemployment, including structural underemployment and the promotion of employment amongst the groups most affected'.

In this context, the same Decision ⁽¹³⁾ states that, 'The Fund shall assist in the implementation of policies designed to equip the workforce with the skills required for stable employment and to generate employment opportunities. It shall in particular contribute to the socio-vocational

insertion and integration (...) of disadvantaged workers, to the adaptation of the workforce to labour-market developments and to technological change and to the reduction of regional imbalances in the labour market'.

1.7. As regards the social groups concerned, the ESF is designed to 'promote employment for young people under the age of 25' (at least 75 % of the appropriations available), 'in particular those whose chances of employment are especially poor, in particular because of a lack of vocational training or inadequate training and those who are long-term unemployed' ⁽¹⁴⁾. The Fund also aims 'to promote employment for the following persons over the age of 25:

- (a) unemployed people, who are threatened with unemployment or who are underemployed and in particular the long-term unemployed;
- (b) women who wish to return to work;
- (c) handicapped people who are capable of working in the open labour market;
- (d) migrant workers who move or have moved within the Community or become residents in the Community to take up work, together with the members of their families;
- (e) people who are employed particularly in small or medium-sized undertakings and who require retraining with a view to the introduction of new technology or the improvement of management techniques in those undertakings' ⁽¹⁵⁾.

'Fund assistance may also be granted for people to be engaged as instructors, vocational-guidance or placement experts or development agents' ⁽¹⁶⁾.

1.8. As with the former Fund, the only line of action open to the present Fund is to subsidize operations set up in the Member States and (jointly) financed by the public sector. 'The Fund participates in the financing of operations concerning ⁽¹⁷⁾:

- (a) vocational training and guidance;
- (b) recruitment and wage subsidies;
- (c) resettlement and socio-vocational integration in connection with geographical mobility;
- (d) services and technical advice concerned with job creation.'

Aid is granted 'at the rate of 50 % of eligible expenditure⁽¹⁸⁾ without, however, exceeding the amount of the financial contribution of the public authorities of the Member State concerned'⁽¹⁹⁾.

1.9. In accordance with Decision 83/516/EEC, 44,5 % of the appropriations available for general measures⁽²⁰⁾ are reserved for operations to assist 'regions where there is an especially serious and prolonged imbalance in employment'⁽²¹⁾ (the term 'less-favoured regions', which is taken from the budget, will be used in the rest of the report); the regions in question are Greece, the French overseas departments, Ireland, the Italian *Mezzogiorno*, Northern Ireland, the autonomous regions of Andalusia, the Canary Islands, Castile-Leon, Castile-La-Mancha, Extremadura, Galicia, Murcia and the enclaves of Ceuta and Melilla in Spain and the whole of Portugal⁽²¹⁾. According to the same Decision, the remaining appropriations are to be concentrated on operations for promoting employment in other areas of high and long-term unemployment and/or industrial and sectoral restructuring⁽²¹⁾. Finally, in the case of operations to benefit less-favoured regions, Fund assistance is increased by 10 %⁽²²⁾.

1.10. The criteria for determining eligibility of operations submitted for ESF funding cover social group, type of operation, type of expenditure and the distinction between less-favoured regions and other regions, and are dealt with in paragraphs 1.3 — 1.5 respectively.

1.11. For the short term, certain activities which benefit priority social groups qualify for ESF assistance; in some cases the social groups and the activities which concern them are not subject to any regional limitation; in others

they must be confined either to the less-favoured regions, or to a group of regions including areas of high and long-term unemployment and/or industrial or sectoral restructuring, in addition to the less-favoured regions⁽²³⁾. These priorities are defined in the guidelines for the management of the ESF^(8 to 12). Decision 83/516/EEC states that⁽²⁴⁾ the guidelines for management of the ESF are to be reviewed annually by the Commission during the first quarter of each financial year; the new guidelines relating to the three years following that financial year apply to approval decisions for the following financial year. They are to take into account the need to promote the harmonious development of the Community and are to reflect Community priorities as defined by the Council and in particular the action programmes in the area of employment and vocational training. The Commission is required to forward the guidelines⁽²⁵⁾, drawn up in close consultation with the Member States, to the European Parliament and the Council — after first submitting them to the Committee of the Fund for its opinion — and to take account of any views expressed by the European Parliament.

1.12. The budget, an example of which is given in *Table 1*, also represents a relatively short-term option and the European Parliament has the last word here, since the expenditure concerned is non-compulsory expenditure. The only power vested in Parliament in this context is the power to determine the global volume of the annual budget. In effect, it is unable to modify the management guidelines for any given financial year, as they are fixed at the beginning of the previous financial year, whereas the budget is fixed at the end of the same year. Thus the procedures which derive from this division of powers between the institutions make it impossible for Parliament, which has the final say at budgetary level, to correct the criteria underlying the draft budget.

Table 1: ESF budget 1986

Heading General measures in favour of	Article	Commitment appropriations		Payment appropriations	
		Amount (ECU)	%	Amount (ECU)	%
Young people under 25 + less-favoured regions	6000	709 950 000	29,95	518 050 000	25,48
Other regions	6001	1 064 875 000	44,92	817 110 000	40,20
Persons aged 25 and over + less-favoured regions	6010	190 950 000	8,05	159 010 000	7,82
Other regions	6011	286 325 000	12,08	199 260 000	9,80
Specific measures	610	118 400 000	5,00	48 140 000	2,36
Measures committed before 1984	607	—		134 630 000	6,62
Measures committed before 1984	608	—		155 730 000	7,66
Measures committed before 1984	609	—		1 070 000	0,06
Total		2 370 500 000	100,00	2 033 000 000	100,00

1.13. Where the appropriations available against certain budget items are not sufficient to finance all the priority applications which are eligible, a reduction is made for each budget item concerned. The reduction applied in respect of the budget items for less-favoured regions (6000 and 6010) has always been 'linear', i.e. identical for all the less-favoured regions: the rate of reduction is derived from the ratio of the volume of appropriations available against the budget item concerned to the number of priority applications eligible for assistance under that same item. For the financial years 1984 and 1985, the respective reductions applied to the two budget items for general operations in favour of 'other regions' (6001 and 6011) were weighted. Since the approval decision for the financial year 1986 was taken, the reduction applied to these two items has also been linear.

Implementation

1.14. As regards the planning of the granting of the aid:

- (a) the Member States submit applications for assistance on the basis of a new form, which was published in Annex 1 to Decision 83/673/EEC, giving the name of the 'organization for which assistance is requested' ⁽²⁶⁾ and of the 'beneficiary' ⁽²⁷⁾, as the two entities are not always identical;
- (b) applications for assistance are processed by ESF staff;
- (c) the Commission submits applications for aid to the ESF Committee for consideration ⁽²⁸⁾ and approves them if they fulfil the conditions laid down in the relevant rules and decisions; each global amount approved per budget article and per Member State as the result of application of the linear reduction is distributed between the eligible priority applications, after consultation of the Member States.

1.15. As regards payments:

- (a) an advance of 50 % of the aid granted for general operations ⁽²⁰⁾ is paid on the date on which the operation is expected to start. Where this date is anterior to the date of the approval decision, payment is effected immediately after approval. In the case of specific operations ⁽²⁹⁾, the approval of an application for aid results in the payment of an initial advance of 30 % of the aid granted. A second advance of not more than 30 % may be paid as soon as the Member State concerned has certified that half the operation has been completed;
- (b) applications for final payment must be submitted on the form published in Annex 2 to Decision 83/673/

EEC, including *inter alia* a description of the contents and results and a breakdown of actual expenditure and of the financing of the operation;

- (c) applications for final payment are processed by the staff of the ESF, who carry out on-the-spot checks where appropriate.

1.16. As regards the on-the-spot checks:

- (a) the Member States ensure that the Commission has access to the information necessary to enable it to appraise both the aims and content of applications as well as the progress, financing and results of operations. They are also required to make available to the Commission the material justifying the certification of the accuracy of the facts and accounts in payment claims and provide the Commission with any assistance necessary to carry out checks. The Commission must give the Member State due notice of checks. Representatives of the Member State may participate in such checks. At the request of the Commission and with the agreement of the relevant Member State, checks may be carried out by the competent authorities of that State. Representatives of the Commission may participate in such checks ⁽³⁰⁾;
- (b) 'without prejudice to any controls carried out by the Member States the Commission may make on-the-spot checks. Checks on the content of a payment claim may be made by representative sampling. Before making a check, the Commission shall determine the sample size in advance, in cooperation with the Member State concerned, with reference to the physical and technical aspects of the operation concerned. To the extent that the sample check leads to a reduction, this shall be applied proportionally to the whole of the amount claimed, once the Member State has had an opportunity to submit its comments' ⁽³¹⁾.

1.17. As regards organization, the ESF Directorate consisted, until October 1987, of four divisions whose responsibilities were defined on a sectoral basis. In November 1987 the Commission carried out a reorganization of the ESF's divisions. They now comprise five divisions, one of which has responsibility for administrative matters, whilst the others deal with individual files on a geographical basis.

1.18. As each Member State has its own administrative structure, the Member States retain full responsibility for the following activities:

- (a) submission of applications for ESF aid using the prescribed form;
- (b) regrouping of applications for assistance, where necessary;

- (c) submission of applications for final payment using the prescribed form; certification of applications for final payment, including identification and verification of the reasons for eligibility;
- (d) management of jointly financed activities or activities eligible for reimbursement;
- (e) occasionally, payment to the order of the organizations which are the ultimate beneficiaries of payments.

1.19. National management of the ESF involves a number of bodies:

- (a) the national administrations responsible for submission of applications for aid and payment;
- (b) the central or local authorities responsible for certification;
- (c) the organizations 'for which assistance is requested' ⁽²⁶⁾;
- (d) the 'beneficiaries' ⁽²⁷⁾ for ESF purposes (the primary recipient);
- (e) the public organizations providing all or part of the finance for operations;
- (f) the organizations which carry out the operations;
- (g) the final beneficiaries:
 - (i) where the aid from the Fund is in the form of reimbursement (of not more than 50 %) of public expenditure, the ultimate recipient of ESF assistance is a public organization, or a quasi-autonomous non-governmental organization. The organization carries out the operations itself, or subsidizes operations carried out by other organizations, which, in this case, do not receive the ESF aid;
 - (ii) in cases which are jointly financed in addition to receiving national aid, the final beneficiary of the ESF aid is the organization carrying out the operation, which, in most cases, is a private organization;

(h) the audit bodies.

Many organizations combine several of the features listed under (c) to (g).

2. PREPARATORY PROCEDURES REGARDING REGULATIONS, DECISIONS AND GUIDELINES FOR THE MANAGEMENT OF THE ESF

2.1. The regulations, and some of the decisions, fall within the Council's sphere of competence, other decisions and the guidelines for management of the ESF are the responsibility of the Commission, although subject to consultation of the ESF Committee.

Observations

2.2. In this area, choices are not always based on analyses of needs and problems, proposals for alternative policies or evaluation of current or completed policies. For example, under the old Fund the widening of policies (new regulations, new aspects incorporated into the guidelines) or adjustments in this sphere (amendment of the guidelines) were not always clearly based on systematic cost/benefit analyses; preparatory studies and pilot projects did result in regulations and guidelines being drawn up, but all too rarely. In the same way, the most recent reform of the Fund, which is essentially based on measures which were generally already in existence and jointly financed by the ESF within the framework of the previous Fund ⁽³²⁾, did not incorporate sufficiently significant evaluations of the efficiency and effectiveness of these measures.

2.3. The first guidelines for management of the present Fund (1984 to 1986) refer explicitly to the Community objectives for employment and vocational training, which have been defined in several Council resolutions ⁽⁸⁾. The Court considers that these initial guidelines are based on 'generalist' knowledge of:

- (a) the operations carried out in the Member States;
- (b) the economic and social situation in the Community;
- (c) the imbalances existing within the Community, particularly in the field of employment, which affect certain social groups in particular (young people, the long-term unemployed, women, migrants, handicapped people);

- (d) the resources available for remedying the situation ('new technologies', small and medium-sized undertakings, restructuring of enterprises, development agents, local initiatives, creation of undertakings).

It may be said that there was no prior cost/benefit analysis of the measures which were adopted, or of possible alternative measures, nor was there any systematic examination of the operations which were subsidized under the old Fund. The annual amendments to the guidelines (1985-1987, 1986-1988, 1987-1989) are not based on any analysis of the effectiveness of the policies pursued, but are the result of the effort made by the Commission to limit the number of operations regarded as priority operations, by putting the emphasis on greater precision and/or improved effectiveness (for example, setting minimum periods for training, a minimum percentage of the staff which has to be affected by any priority restructuring of an enterprise, priority forms of employment qualifying for recruitment subsidies).

2.4. The only instrument which the Community has used or uses is the subsidy for operations set up in the Member States for vocational training, and to a lesser extent, recruitment. The subsidy, which is contingent upon the government granting aid for an amount which is at least equivalent, consists — in the main — of reimbursement of expenditure incurred by public organizations. From the point of view of effectiveness, other instruments could have been, or might be, envisaged, such as Community subsidies for training schemes carried out without any government aid by enterprises in the private sector, as well as intensive coordination of investment, training, employment and research schemes. Likewise, a similar search for effectiveness provided the justification for the proposal — which was not adopted — put forward by the Commission when it envisaged financing the services provided by development agents even if they were not eligible under vocational training schemes.

2.5. The objectives are expressed in very general terms, at all levels. For instance, in the case of the present Fund, the objectives set out in the Council and Commission Regulations and Decisions are of a general nature and the guidelines themselves do not always provide a strict definition of eligibility and priority. Despite the ESF's attempt to tighten up the guidelines, which in some cases has resulted in an improved definition of target groups, objectives and operations, a whole series of selection criteria are still not explicit enough and some of the guidelines overlap.

2.6. There is no common definition of a whole series of concepts which are fundamental to the management of the Fund (in particular the concepts of 'unemployed', 'threat of unemployment', 'under-employed', 'handicapped', 'migrant worker', 'small and medium-sized undertakings' and 'vocational training') so that reference could be made only to the various national definitions.

2.7. The aim of making reductions is to bring the volume of available appropriations and the volume of applications for assistance into balance. At the initial stage, a rate of reduction is calculated for each budget article, taking into account the quantities of appropriations and the total of applications for aid concerning each article. At a second stage, there are consultations between each Member State and the Commission, resulting in the application of a reduction article by article: either on a linear basis over all projects, or by assigning the reduction to the projects of a restricted number of organizations. The consultations also take more account of the financial situation of the organizations receiving aid payments than of notions of effectiveness, such as recruitment or the adequacy of training in relation to the labour market. In addition, the reduction procedure increases still further the fragmentation of the aid that is granted.

2.8. Finally, whereas under the previous Fund the financing of a project — whether annual, multi-annual or straddling two financial years — was the object of a single decision, under the present Fund the finance decision has to be viewed in the context of the budgetary year and relates to annual tranches of projects. Consequently, supporting documents have to be supplied only for the parts of an operation which have been carried out during the budgetary year in question, which often makes it impossible to give any opinion as to whether the financial management of projects is sound overall.

3. MANAGEMENT PROCEDURES WITHIN THE ESF DIRECTORATE

3.1. The review of these procedures, for both the new and the old Fund, was carried out on the basis of Regulations, Decisions and communications published in the *Official Journal of the Communities*, internal minutes and/or notes sent to the Member States (but not published officially). The less formal procedures were examined with the assistance of the competent officials concerned. The remainder of the review consisted of scrutiny of files.

3.2. These procedures are fundamentally concerned with the criteria for assessing whether individual approval and payment decisions were correctly taken, the proper processing of assistance and payment applications, record-keeping and the evaluation of jointly financed operations.

Observations

Admissibility criteria

3.3. When considering whether applications for assistance are admissible, the Fund's staff⁽³³⁾ check that purely formal requirements have been met, i.e. that the proper forms have been used, that they have been officially signed and that the deadline for submission has been respected. On the other hand, important information concerning the actual substance of the projects, such as calculation methods, employment prospects or the investments envisaged are not requested as a matter of course.

Eligibility criteria

3.4. The eligibility of assistance and payment applications depends on whether the operations are covered by the Decisions^(2 and 7) and are in accordance with the Regulation⁽⁴⁾ and essentially concerns the type of operation, the social groups and expenditure, financing, the distinction between less-favoured regions and other regions and compliance with estimates.

3.5. A full list of the types of eligible and non-eligible expenditure has never been drawn up. As a result, there has been, and still is, relative uncertainty as to the eligibility or otherwise of certain expenditure, at the level of Community external control, as well as at Member State level.

3.6. There was found to be a lack of adequate definitions of certain criteria. In the sphere of expenditure, this is true of the relationship between costs for non-teaching staff and those for teaching staff, even if some Member States have developed a restrictive approach towards administrative expenditure. According to the Commission⁽³⁴⁾, the ratio 'is not a condition of eligibility under the rules in force. A good many training measures require the services of more non-teaching staff than teachers (e.g. in intensive courses or in installing and maintaining special equipment)'. The Commission also says that⁽³⁵⁾ 'there is no provision for imposing a uniform standard, because it is not the Fund's task to reduce the diversity of vocational training systems'. The distinction between teaching staff expenditure and expenditure on administrative staff which was in the request for final payment under the previous Fund⁽³⁶⁾ has moreover not been included in the application form for final payment under the present Fund⁽³⁷⁾. Similarly, there are no Community rules (for example, determining a maximum eligible amount) concerning consultants' charges on the one hand and the relationship between

expenditure on preparing courses⁽³⁸⁾ and operating and management expenditure relating to the same courses⁽³⁹⁾ on the other. According to the Commission, its staff, in cooperation with the competent authorities of the Member States, endeavour not to meet expenditure which is excessively high with Fund aid⁽⁴⁰⁾.

3.7. As regards depreciation and renting and leasing, the Community principles are still too vague, especially in the light of present-day technological developments:

(a) depreciation is on a historical cost basis and must be compatible with national legislation defining the type of goods which qualify for depreciation, the period during which they may be depreciated and the circumstances under which it is permitted. This rule implies, *inter alia*, that if there is no provision for depreciation under national legislation, which is the case with certain public bodies in several of the Member States, the Commission is unable to finance the depreciation, since the Member State makes no contribution to it itself. The Court finds that this rule, which moreover shows scant concern for the Community as a single entity, gives rise to exceptions: on the one hand, the Commission approves depreciation plans put forward by national authorities and, on the other, it finances accelerated depreciation in the less-favoured regions, for which there is no provision under national legislation; and finally, applications for aid submitted by France provide for depreciation of non-perishable capital goods only in cases where the purchase value of the goods is more than FF 2 000. This practice is not based on national legislation and has been simply carried over from the previous Fund;

(b) similarly, the principles governing leasing and renting are too vague. The Commission considers that Fund assistance towards leasing expenses should not exceed the amount of the corresponding tranche of depreciation; the latter amount also provides a benchmark for assessing expenditure on rent⁽⁴⁰⁾.

3.8. The Commission's attitude towards discrepancies between estimates and final costs (as regards the content, duration, number of trainees, target group and results in terms of placement expenditure) is not clear:

(a) it does not press the Member States to supply explanations of discrepancies, even where the form makes provision for a comparison between estimates and out-turn and an explanation of any discrepancy, especially as regards forecast expenditure and actual costs⁽⁴¹⁾;

- (b) although the Commission maintains that a reduction in the number of persons involved would result in a proportional reduction in ESF assistance, based on the average forecast expenditure per person as stated in the application, and a reduction in the number of persons, accompanied by an increase in the average forecast expenditure, may be allowed within the limits approved by the ESF, provided that the variation in the average expenditure is justified ⁽⁴²⁾, no practical provisions have been made in this connection;
- (c) it is not very clear, either, how the Commission takes overheads into account where there is a discrepancy between forecast expenditure and actual costs; on the one hand, it maintains that it accepts overheads for training qualified staff (e.g. in computer applications) and not for basic training ⁽⁴³⁾; on the other, where the out-turn is less than expected, the ESF is prepared to agree to a less than proportional reduction in overheads-related payments, whereas the payment of variable costs is proportional; the distribution between variable costs and overheads should, however, not diverge from the estimates by more than 5 % to 10 % ⁽⁴⁴⁾; finally, on account of the official breakdown of expenditure ⁽⁴⁵⁾, the distinction between overheads and variable costs cannot be made directly; it was moreover found that there were many cases where the out-turn had been less than forecast and no reduction had been made.

Priority criteria ⁽⁴⁶⁾

3.9. The concept of 'prospects for stable employment' which appears in several guidelines, is a very difficult criterion to apply. The Commission itself says that employment prospects cannot really be assessed arithmetically ⁽⁴⁷⁾. It also admits that it has not been entirely satisfied with empirical application of this criterion, based on organizers' statements, knowledge of the labour market and the results of similar initiatives taken in the past ⁽⁴⁸⁾. For this reason, the Commission's staff also try to make use of macroeconomic-type estimates of the number of jobs available in Community countries each year ⁽⁴⁸⁾, which is an indicator of how realistic the global employment prospects quoted by each Member State are. Nevertheless, it is a very long way from micro-forecasts of employment prospects per vocational training project to macro-forecasts of the number of jobs available.

3.10. The 'new technologies' to which some guidelines refer ^(8 to 12) have not been identified precisely; furthermore, the Commission only began to define the minimum proportion of 'new technologies' in the operations qualifying for ESF assistance from the end of the financial year 1986.

3.11. The term 'undertaking employing less than 500 workers', which appears in some guidelines, is not defined specifically. In cases where the undertaking is a company, it is not clear whether the above term refers to the company itself, or whether the concept is to be widened to include any parent company ⁽⁴⁹⁾.

3.12. As regards schemes benefiting women, neither published nor internal texts provide sufficient details for the application of the criterion of 'under-representation of women in employment'.

3.13. Despite attempts towards greater precision, the innovatory nature of specific operations ⁽³³⁾ continues to be a difficult criterion to apply.

Interpretation of the legislation

3.14. Given that the guidelines drawn up during consultations with the Member States are often too general, the Commission is constantly obliged to make them more specific. It makes use, however, of its discretionary power to depart from the official legislation and the Court has not been able to determine whether these case-related adjustments are consistent with equal treatment of all the problems. This is the case of the 'professional training measures to promote the employment of young people under 25 years of age whose qualifications have proved, by experience, to be inadequate or inadapted and which are intended, amongst other things, to facilitate the introduction of new technologies' ⁽⁵⁰⁾: the Commission in fact considered that it was able to allow 'the very frequent absence of any information regarding the training element in new technologies' ⁽⁵¹⁾. In this case, the Commission agrees to take into consideration measures which have a considerable potential to create new jobs, such as the training of young people for the setting-up of cooperatives or for the professions ⁽⁵²⁾. The same applies when the Commission limits recruitment subsidies in certain areas to 'economic' or 'productive' jobs ⁽⁵³⁾, whereas the guidelines concerned ⁽⁵⁴⁾ do not specify any limit.

Documentary evidence

3.15. Under the preceding Fund, the Commission showed some interest in the national controls. For a start, the aid application form contained a heading asking the applicant to state the procedures and timetables for the national controls applied and to specify any quality controls on the operations and controls of administrative and financial management; in addition, the application form for final payment required the 'organizations for which assistance is requested' to provide a description of the various

qualitative and financial controls which had been carried out by independent organizations during the implementation of the operations. In most cases, however, the ESF was prepared to accept a mere list of controls which could theoretically have been applied to the operations (applications for assistance) or which had actually taken place (applications for final payment). Under the present Fund, the application forms for assistance or final payment no longer even contain a heading relating to the national controls. It would, however, be desirable to stipulate the type of control on which certification of the factual and accounting accuracy of the applications for final payment should be based, or which should cover the estimates contained in the applications for assistance, or at least request information on the present system for checking the estimates of expenditure and the operations planned, the actual expenditure and the operations carried out.

3.16. The Commission is reluctant to explain, in concrete terms, the expression 'calculation methods' in connection with the estimates of expenditure⁽⁵⁵⁾. The same is true of expressions contained in the applications for final payment, such as 'the calculation procedures to be indicated and the items of expenditure making up the amounts of expenditure incurred'⁽⁵⁶⁾, or again 'the analysis of the various amounts of actual expenditure to be supplied separately'⁽⁵⁷⁾. In reply to the Court's questions concerning the degree of precision desirable for the calculation methods, the Commission explained that the calculation methods presented were aimed at the following:

- (a) with regard to the aid applications:
 - (i) providing the means to compare the estimated expenditure and the actual expenditure and to follow the evolution of costs in the case of a single beneficiary; within this context it is essential to lay down the bases for understanding and reconstituting the amounts⁽⁴³⁾;
 - (ii) or providing the means to assess how reasonable the cost/number ratio of the beneficiaries is⁽³³⁾;
- (b) with regard to the applications for final payment, the aim is to have, on the one hand, information which is most typical of the costs of each type of operation, and, on the other hand, information on the way in which each amount of expenditure was formed. The information to be developed in this analysis is based on each application for payment and is not predetermined⁽⁴⁰⁾.

The Commission first disclosed information on the calculation methods for the 1986 applications for assistance at a meeting of the representatives of the ESF and the Member States⁽⁵³⁾ and this was prior to the transmission of aid applications: 'The departments accept that the figures given by the Member State are only estimates. Neverthe-

less, they consider that these estimates should be serious, i.e. that they should be based on the most accurate data (staff concerned, amount of the allowances, number of hours, months, etc.). The departments consider that it is essential to weight this data properly when drawing up the application and indicate clearly the calculation formula utilized in order to be able to compare the draft budget with the actual expenditure incurred and to be able to justify any differences. In any event, the levels of depreciation, for example, should be in strict compliance with the national provisions'. In practice, these instructions have often been ineffective.

3.17. With regard to the report on the implementation of the operation, in respect, more particularly, of the content and the outcome of the operation⁽⁵⁸⁾, the Commission expressly requests that 'at least the content of the programme, the number of participants, the hours per week, the number of weeks, the number of persons who finished during the period in question and the number of persons who have found a job should be indicated'. There is no specimen implementation report. It is therefore clear that this request for information is rather vague, especially in the case of major applications, covering either several activities of one organization or the activities of various bodies. Moreover, with regard to operations which, according to the definition of the academic year, cover two consecutive financial years, the 'organization for which assistance is requested' is only required to justify that part which received aid. The ESF therefore only has partial information (or possibly none at all) in respect of the effectiveness of the operation in terms of employment and investment. This is a step backwards as compared with the previous Fund, where the Commission financed activities totally on their own merit and not on the basis of expenditure limited to the financial year, irrespective of the implementation of the activities to which they relate⁽⁵⁹⁾.

Late explanation of the criteria for granting aid

3.18. The 'notes' attached to the draft approval documents for applications for aid from the ESF for the financial years 1984, 1985 and 1986 were drawn up practically on completion of the processing of the requests for aid and specified the criteria for approval as they emerged from the processing procedure. They should have been drawn up before this procedure was initiated. Only the guidelines for the 1986-1988 period — thus directly concerning the applications for assistance relating to the financial year 1986 — were stipulated beforehand, to a certain extent, during an information meeting for the representatives of the Member States held in Brussels in July 1985⁽⁵³⁾.

Processing of aid applications by the Fund's staff

3.19. This processing is carried out almost entirely on the basis of files. However, it only provides limited opportunities for checks since the only stipulation is that the application forms (Annex 1 of the Decision (7)) should contain brief descriptions of the operation, beneficiaries and employment prospects and references to the legal, regulatory and administrative provisions of the Member State on the basis of which the operation is to be financed and will be carried out, a breakdown of estimated expenditure according to a standard plan, the calculation methods and the information used to obtain the amounts given and the sources of financing and the amounts involved.

3.20. Whilst examining the aid applications, the Court noted deficiencies in the information contained in the applications approved by the Commission, which indicates that they had not been properly processed. Many individual approval decisions were, and continue to be, based on information which has proved to be inadequate, especially as regards the description of the operations, compliance with the respective guidelines, job prospects and calculation methods.

3.21. According to the individual case, this poses problems of admissibility, eligibility, or priority in respect of aid applications of this kind that have been approved. Moreover, such applications are not treated equally: those which precisely state the calculation methods provide information which helps to eliminate the non-eligible amounts, whereas in the case of applications which do not contain precise information of this kind the non-eligible amounts to some extent escape detection (60). Obviously, the absence of any reaction during processing to the inadequacy of the information in the files is partly due to the fact that certain criteria relating to admissibility, eligibility and priority are imprecise.

Processing of applications for final payment by the Fund's staff

3.22. Applications for final payment, like aid applications, are mainly processed on the basis of files, on-the-spot visits being rather rare.

3.23. Nevertheless, this form of examination, once again, only provides limited control possibilities. The application form for final payment need only contain data of a similar kind to those provided in the application forms for aid, i.e. a brief description of the actual content of the operation and the results in terms of employment; a breakdown of actual expenditure according to the same plan; a separate analysis of the various amounts; an explanation of the differences between estimates and actual costs and the

financing sources and amounts. The organization for which the payment is requested (61) is exempted from the obligation to submit other supporting documents, such as accounting documents, an actual implementation report and reports on the checks carried out by other authorities. For this reason, on-the-spot checking should play a significant role. However, the reports received indicate that the number of on-the-spot checks covered — and continues to cover — only a tiny proportion of the applications for final payment. Moreover, the number of checks is stagnating while the number of applications for final payment is continuing to grow under the new Fund.

3.24. The insufficiency of the number of checks is all the more regrettable as the approach adopted has proved to be an adequate one. The fact is that most of the inspections concerned the eligibility and priority of the applications for final payment and the purpose of such inspections was always to assess the reliability of the application systems set up. In some cases, the visit was concerned with the contents of major recent projects which had not yet given rise to applications for final payment and whether or not they complied with the Regulations and guidelines.

3.25. In 1982 and 1983, the Financial Controller took over from the administrative departments and the authorizing officer the responsibility for examining the systems and carrying out inspections and carried out more checks than the ESF departments. The Financial Controller did not continue along this path during 1984 and 1985, and carried out almost no visits independently of the ESF departments.

3.26. The Commission only rarely applies the new provision relating to the on-the-spot checking of the content of applications for final payment, i.e. adjusting the total amount requested downwards by a coefficient resulting from a representative sample (31).

3.27. On the basis of an examination of the files for final payments made against approvals granted under the present Fund, the Court noted the same type of shortcoming as for the applications for assistance: the information available in the applications for final payment is not always sufficient to enable the officials processing the application to form an opinion as to the eligibility of the expenditure and/or the priority to be accorded to the operations and to the target groups of beneficiaries.

Assessment of the operations

3.28. The Commission has rarely made use of the means at its disposal (62). Indeed, apart from the specific measures (29), there were very few applications for assistance with a view to examining the effectiveness of the projects in respect of which assistance had been requested or granted. Moreover, the Commission put off (63) taking

initiatives of its own under Article 5(3) of Decision 83/516/EEC (2).

3.29. In 1985, the Fund embarked upon an assessment of activities that had been approved within the framework of usually major national, regional and local measures.

3.30. This operation gave rise to about 20 on-the-spot visits during the second half of 1985 and at the beginning of 1986 (64). According to the inspection reports sent by the Commission to the Court and concerning visits to Belgium, the Federal Republic of Germany, Greece, France and Ireland, the assessment covered the content of vocational training activities for young people (objectives, methods and organization of activities), effectiveness in terms of qualifications obtained, actual chances of employment in a stable job and the taking-on of trainees, the impact in terms of reducing long-term unemployment, and the limits of these activities and observance of Community rules. The conclusions were published in the fourteenth annual report on the activities of the ESF (financial year 1985). In the Court's opinion, this assessment activity is essential. It should be undertaken more systematically and extensively by the Fund's departments and should be based on a similarly systematic collation of the results of assessments made at the national authorities' initiative which, moreover, the Commission has every interest in encouraging.

Administrative organization

3.31. The Fund is having to cope with an exceptional increase in the number of files to be dealt with, the aid applications having increased from 3 500 in 1984 to almost 9 000 in 1987. This increase is such as to oblige the Commission to give fresh thought both to staff and computer resources and, in particular, to the procedures available to it and the reforms necessary for such a situation, in order to limit the number of files and ensure that they are properly managed.

4. MANAGEMENT PROCEDURES IN THE MEMBER STATES

4.1. An inventory of these procedures was carried out, on the one hand, at the Commission on the basis of files, and on the other hand, during audit visits directly aimed at either the inspection of files or the identification of procedures at the level of the central authorities, the 'organizations for which assistance is requested' and the recipient bodies. The inventory within the Member States was mainly carried out in two stages: first of all, from the last quarter of 1981 until the first quarter of 1983 for the

former Fund, and then during the last four months of 1986 for the present Fund.

Observations

Submission of applications for aid and payment to the ESF

4.2. Decision 83/673/EEC states merely that 'the Member States shall submit the applications for assistance and payment'. There is a list of national authorities which are responsible for the submission of the applications for aid and payment for the Member States and enjoy sole authority for relations with the ESF (65). These national administrations, which are appointed by the Member States, are part of the local ministry of labour (or employment).

4.3. An on-the-spot examination carried out in all the Member States (except for Spain and Portugal) produced certain conclusions in respect of the normal control responsibilities of these national administrations:

- (a) in general, the composition of the departments responsible for submitting the applications for assistance and payment varies greatly, ranging from a single person to a division; in six Member States they take the form of full-blown administrative units;
- (b) in the case of six Member States, authority to certify the factual and accounting accuracy of all the applications for advances and final payments is delegated to this section; in the case of the four other Member States, it only certifies a part of the applications, since other bodies — often regional authorities — are responsible for certifying the requests which concern themselves;
- (c) in three cases this section manages the ESF files itself and makes the necessary payments; a fourth section does nothing more than make the payments;
- (d) most of the sections do not carry out any on-the-spot checks; this omission is sometimes justified by a lack of authority to make on-the-spot checks;
- (e) in their relations with the recipient organizations, most of the sections confine themselves to the transmission of Community forms; one section has drawn up more detailed national forms both for the applications for

assistance and the applications for final payment and another solely for the applications for final payment;

- (f) most of the sections base their official certification on the internal certification of other administrations; one of them systematically calls upon the processing departments to examine the applications for assistance and payment;
- (g) during their processing of the applications, the sections do not usually take account of the accounting and internal control systems of the 'organizations for which assistance is requested' and the recipient organizations.

4.4. This examination also covered the positions adopted by these administrations when called upon to interpret certain Community rules which are not very explicit or not official enough, on the one hand, and to make up for a lack of Community rules for certain aspects, on the other hand.

4.5. Different attitudes were often noted. The Commission therefore needs to finalize new Community concepts where these are lacking, take steps to make certain existing Community rules more precise and improve the reliability of the applications for assistance and payment sent by the Member States.

The 'organization for which assistance is requested' (26)

4.6. This organization plays an important role in the management of the files, also from the Commission's point of view (40). It may be noted that the organization has the following characteristics:

- (a) it draws up the applications for assistance and final payment and collects the information required for this purpose;
- (b) it may effect transfers, within the same approval and on condition that the following types of approved expenditure are met:
 - (i) between types of expenditure by one and the same organization;
 - (ii) between organizations (if it has drawn up and submitted a single request for aid on behalf of several organizations);
 - (iii) between regions with the same priority (40);

(c) similarly, it may replace, within the same approval, an operation which has not been implemented by another operation and thus, where necessary, one organization by another, provided it observes:

- (i) the types of expenditure approved;
 - (ii) the category of persons for whom aid is granted;
 - (iii) the item of the guidelines to which the approval refers (40);
- (d) the Commission departments sometimes discuss aid applications that concern it with this body when the latter is called upon to take part in discussions of the same matters between the Commission and the national authorities.

4.7. This power to manage the file does not, however, mean that it is an administrator in its own right, able to guarantee in all cases, on behalf of the ESF, the eligibility, priority and successful completion of the operations.

4.8. 'The organization for which assistance is requested' may only guarantee the above-mentioned aspects if the application for assistance concerns operations in respect of which it is fully responsible for the financial management. The various operations submitted on an occasion of this kind in an application for assistance may generally be described as consistent as regards their objectives, the operations implemented in order to achieve such objectives, the checks to be carried out and the implementation report to be drawn up.

4.9. It cannot really guarantee eligibility, priority and sound management if its only role in the management of the operations concerned by the applications for assistance is to carry out a check in respect of its financial contribution. It is even more difficult when it does not itself make a financial contribution to the cost of the operations.

4.10. One specific case is that of 'organizations for which assistance is requested' which bring together the operations of several public or private organizations in one and the same application for assistance. Sometimes the only things these operations have in common are the area of priority, the general category of persons and the general type of operation and they encounter widely differing social situations. The groupings concerned may differ sometimes as regards their objectives and the operations likely to achieve them, the checks they are required to carry out and the implementation reports that are to be drawn up.

4.11. Some 'organizations for which assistance is requested' — grouping together either their own measures or the measures implemented by independent bodies —

supply inadequate data both for the applications for assistance and for final payment, only giving a basic description of the content and financing of the measures, as forecasted and implemented.

The final recipient of the payment

4.12. When an application for assistance is submitted, the Member State, in accordance with Regulation (EEC) No 2950/83, designates the recipient of the payments as well as the 'organization for which assistance is requested', if the latter is not the recipient of the payments ⁽⁶⁶⁾.

4.13. Where several public bodies are involved, the Regulation allows the ESF repayment to be the responsibility of one single public body. It is therefore legally possible, thanks to the ESF returns, for certain organizations to replenish their budget with more funds than they allocated to projects eligible under the ESF; this practice, which was already in existence under the old Fund in respect of some cases, was not subject to any rules.

4.14. It was noted that in the case of certain countries, the ESF, in practice, paid the amounts owing to a central body (the 'Agence centrale comptable du Trésor' for France, the 'Bundeskasse' for the Federal Republic of Germany, the Bank of Greece for Greece and the Paymaster General Account for the United Kingdom), whereas in the case of the other Member States the payments are made to the final beneficiaries ⁽⁶⁷⁾. In the first case, the payments are subject to the national procedures in respect of budgetary allocation, commitment, authorization and payment, carry-over, financial control and, where necessary, prior approval by the relevant supreme national audit institution. This leads to quite considerable delays in the payments to the final recipients.

4.15. Payments from the ESF to the final beneficiaries, via the 'organization for which assistance is requested', which group together the activities of several independent recipient bodies, give rise to the following problems:

- (a) Community funds are immobilized when the 'organization for which assistance is requested' receives an automatic advance and does not pass it on to the individual organizations until each one of the latter proves that its operation has begun;
- (b) another problem is that of delays in receipts of revenue which are sometimes imposed upon final recipients of ESF aid who submit their applications for payment to the 'organization for which assistance is requested' promptly; the delays in the payment of ESF aid to such final recipients are thus brought about either by the fact that other final recipients who are part of the same

group for the purposes of the approval submit their applications late or because the 'organization for which assistance is requested' is not managing its file efficiently.

Guarantee by the Member States ⁽⁶⁸⁾ of the successful completion of the operations

4.16. There is no Commission legislation stipulating the content of this guarantee. There are thus several interpretations, such as, for example:

- (a) the public authority guaranteeing the successful completion of the measures makes the repayments which the final recipient of the aid payment was not able to effect;
- (b) the national public authority certifies that it will check, using the administrative resources at its disposal, whether the application for payment complies with the legislation and will undertake to monitor the implementation of the measure, warn the Commission of any discrepancies in relation to the estimates and of any measure against 'the organization for which assistance is requested', and take all steps necessary to recover the sums to be repaid.

4.17. Nor is there any official reply to the question as to whether the central government should take the place of any totally independent regional public authorities, which, having guaranteed the successful completion of the measures, have refused to make the repayments that a final beneficiary of ESF assistance had been unable to make.

Certification

4.18. The principle of certification has been laid down as follows: 'the Member State shall certify the accuracy of the facts and accounts in payment claims' ⁽⁶⁹⁾. Certification covers the actual implementation of the operations, on the one hand, and the entry in the accounts and the accuracy of the expenditure and revenue shown, on the other hand. It concerns the application for final payment for all approvals and the application for a second advance for the specific measures ⁽⁷⁰⁾. The drawing-up of the application procedures is the sole responsibility of the Member States.

4.19. Analysis of the procedures for processing the applications for payment of advances and final payment, on the one hand, and, on the other hand, of the procedures for submitting the applications for aid and payment to the

ESF, has shown that the national administrations responsible for submitting the applications are not always the only authorities responsible for the official certification (Belgium, Denmark, Italy). There are sometimes, therefore, several levels of certification (in the Federal Republic of Germany and France).

4.20. The sections responsible, in the Member States, for submitting the applications for aid and payment to the ESF (cf. paragraph 4.3) — and thus for a final examination of them — are not ordinarily in a position to ensure that ESF expenditure is systematically monitored. These sections usually work on the basis of records, since they do not generally have the opportunity to carry out on-the-spot checks, or do not make any on-the-spot visits. When there is a series of certifications, one after the other, the administrations responsible for the official certification do not always have the administrative resources to target the controls pertaining to the various levels of certification.

4.21. At the level of the 'organizations for which assistance is requested' — in particular, in the case of large organizations — the absence of a complete system of checking (on the basis of records and on the spot) as regards eligibility under the ESF and the application of priorities is sometimes noted.

4.22. In general, there is no recording system specific to the ESF operations at the recipient organizations; in most of the cases, factors which are eligible under the ESF (recipients, categories and amounts of expenditure etc.) are singled out *ex post facto* and the financial information contained in the accounts (directly chargeable costs, allocation of common expenses on the basis of certain distribution criteria, calculation of depreciation not provided for by the accounting system, etc.) has to be extracted from the available data.

5. CONCLUSIONS

Main weaknesses noted

5.1. There is still some considerable ground to be covered before the Fund becomes an effective financial instrument, enjoying dynamic management and control.

5.2. As regards the preparation procedures concerning Regulations, Decisions and guidelines for the management of the ESF, the following shortcomings were established:

- (a) the choices made when the Decisions relating to the intervention of the previous Fund in favour of various social groups ⁽¹⁾ were taken, or when the present Fund was adopted, were not based on cost-benefit analyses of the current policy alternatives or on an analysis of the projects implemented within the context of the policy laid down;
 - (b) the choice of multiple objectives — either permanent or short term — in view of the reduced volume of ESF appropriations ('4 % of the total public expenditure of the Member States relating to all aspects of aid or social assistance') ⁽⁷¹⁾ can only result in a thin sprinkling of financial resources over the whole range of objectives which is not very effective;
 - (c) recruitment, or the suitability of vocational training for the employment market, are not always the main criteria for selecting measures;
 - (d) the Community develops hardly any activities of its own and only participates by granting financial aid to vocational training and recruitment measures set up in the Member States and subsidized by the public authorities to an extent which is at least equal to the Community's financial contributions. These measures have thus usually already been taken care of by the national systems;
 - (e) the system set up involves the processing of too many files, so much so that it becomes almost impossible to manage them properly.
- 5.3. The following weaknesses in the management at Community level should also be mentioned:
- (a) the excessively imprecise nature of the criteria governing admissibility, eligibility and priority contained in the implementing rules;
 - (b) the absence of a common approach for a series of concepts in the area of employment;
 - (c) the excessive formality of the processing procedure adopted by the ESF departments for applications for assistance and payment;
 - (d) the absence of any systematic assessment of the projects cofinanced by the ESF;
 - (e) the inadequacy of the system of on-the-spot checking carried out by the Commission departments, which instead rely on certification by the Member States.

5.4. On account of such deficiencies in the Commission's management, whatever its policy, it is impossible to root out certain weaknesses in the Member States' operations. Thus the following shortcomings, in particular, were noted at national level:

- (a) absence of specific checking, by the Member State, specifically responsible for monitoring expenditure incurred under the projects approved by the Fund;
- (b) differing interpretations by the Member States of certain Community rules, which are, moreover, not very explicit;
- (c) the national certification procedures are heterogeneous, opaque and unreliable.

Possibilities for improvement

5.5. Without prejudice to the provisions which may be adopted with regard to the tasks assigned to the structural Funds and the coordination of their activities ⁽⁷²⁾, it would be possible, in the short term, to turn the ESF into a more effective financial instrument which would be easier to monitor if:

- (a) the Commission, within the framework of the guidelines for the management of the Fund, realigned its objectives, so as to finance a distinctly smaller number of operations whilst keeping the volume of aid at its present levels;
- (b) the admissibility of the applications was subject to rules which made it possible to reject any application that was insufficiently justified;
- (c) the criteria for eligibility and priority were made clear and precise and were strictly applied;
- (d) precise instructions on the information to be supplied on the composition of each amount of expenditure were sent to the Member States;
- (e) the Commission's powers of control were fully and systematically used and provided with sanctions which were effectively imposed;
- (f) penalties were applied to organizations which, with the aim of obtaining cash facilities by means of the payment of an advance, blatantly overstated their estimated expenditure;
- (g) the types of control which should accompany the national certification procedure were stipulated.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 10 March 1988.

For the Court of Auditors

Marcel MART

President

(1) The following Regulations and Decisions, which governed the former Fund, have been formally abrogated but are still applicable to measures in respect of which an application had been submitted before 1.10.1983:
 Council Decision 71/66/EEC of 1 February 1971, OJ No L 28, 4.2.1971, p. 15.
 Council Decision 77/801/EEC of 20 December 1977, OJ No L 337, 27.12.1977, p. 8.
 Council Regulation (EEC) No 2396/71 of 8 November 1971, OJ No L 249, 10.11.1971, p. 54.
 Council Regulation (EEC) No 2893/77 of 20 December 1977, OJ No L 337, 27.12.1977, p. 1.
 Council Regulation (EEC) No 858/72 of 24 April 1972, OJ No L 101, 28.4.1972, p. 3.
 Council Regulation (EEC) No 2894/77 of 20 December 1977, OJ No L 337, 27.12.1977, p.5.

Commission Decision 78/742/EEC of 27 June 1978, OJ No L 248, 11.9.1978, p. 1.
 Commission Decision 81/979/EEC of 10 January 1981, OJ No L 360, 15.12.1981, p. 34.
 Commission Decision 78/706/EEC of 27 July 1978, OJ No L 238, 30.8.1978, p. 20.
 Council Regulation (EEC) No 3039/78 of 18 December 1978, OJ No L 361, 23.12.1978, p. 3.
 Council Regulation (EEC) No 2895/77 of 20 December 1977, OJ No L 337, 27.12.1977, p. 7.
 Council Decision 72/428/EEC of 19 December 1972, OJ No L 291, 28.12.1972, p. 158.
 Council Decision 77/802/EEC of 20 December 1977, OJ No L 337, 27.12.1977, p. 10.
 Council Decision 76/206/EEC of 9 February 1976, OJ No L 39, 14.2.1976, p. 39

- Council Decision 77/803/EEC of 20 December 1977, OJ No L 337, 27.12.1977, p. 12.
 Council Decision 75/459/EEC of 22 July 1975, OJ No L 199, 30.7.1975, p. 36.
 Council Decision 78/1036/EEC of 18 December 1978, OJ No L 374, 30.12.1978, p. 37.
 Council Decision 77/804/EEC of 20 December 1977, OJ No L 337, 27.12.1977, p. 14.
- (2) Decision 83/516/EEC of 17 October 1983, OJ No L 289, 22.10.1983, p. 38.
 (3) Decision 85/568/EEC of 20 December 1985, OJ No L 370, 31.12.1985, p. 40.
 (4) Regulation (EEC) No 2950/83 of 17 October 1983, OJ No L 289, 22.10.1983, p. 1.
 (5) Regulation (EEC) No 3823/85 of 20 December 1985, OJ No L 370, 31.12.1985, p. 23.
 (6) Regulation (EEC) No 3824/85 of 20 December 1985, OJ No L 370, 31.12.1985, p. 25.
 (7) Decision 83/673/EEC of 22 December 1983, OJ No L 377 of 31.12.1983, p. 1.
 (8) Communication 84/C 5/02 from the Commission concerning the guidelines for the management of the ESF for the financial years 1984 to 1986, OJ No C 5, 10.1.1984, p. 2.
 (9) Communication 84/C 126/03 from the Commission concerning the guidelines for the management of the ESF for the financial years 1985 to 1987, OJ No C 126, 12.5.1984, p. 3.
 (10) Commission Decision 85/261/EEC concerning the guidelines for the management of the ESF for the financial years 1986 to 1988, OJ No L 133, 22.5.1985, p. 26.
 (11) Commission Decision 86/221/EEC concerning the guidelines for the management of the ESF for the financial years 1987 to 1989, OJ No L 153, 7.6.1986, p. 59.
 (12) Commission Decision 87/329/EEC concerning the guidelines for management of the ESF for the financial years 1988 to 1990, OJ No L 167, 26.6.1987, p. 56.
 (13) Article 1, paragraph 1, of the Decision (2).
 (14) Article 4, paragraph 1, of the Decision (2).
 (15) Article 4, paragraph 2, of the Decision (2).
 (16) Article 4, paragraph 3, of the Decision (2).
 (17) Article 1, paragraph 2, of the Decision (2).
 (18) In the case of specific operations which are intended to appraise the effectiveness of the projects for which Fund aid has been granted, and only in this case, the aid covers all the eligible expenditure.
 (19) Article 5, paragraph 1, of the Decision (2).
 (20) General measures are defined in Article 3, paragraph 1, of the Decision (2); in accordance with Article 7, paragraph 2 of the Decision (2), the appropriations provided for this purpose in the Fund may not be less, each year, than 95 % of all available appropriations
 (21) Article 1 of the Decision (3);
 (22) Article 5, paragraph 2, of the Decision (2)
 Article 1, paragraph 2, of the Regulation (5)
 (23) Article 7, paragraph 3, of the Decision (2).
 (24) Article 6, paragraph 1, of the Decision (2).
 (25) Article 6, paragraph 2, of the Decision (2).
 (26) Section 3 of Annex 1 to the Decision (7).
 (27) Section 20 of Annex 1 to the Decision (7).
 (28) Decision 83/517/EEC of 17 October 1983, OJ No L 289, 22.10.1983, Article 1, paragraph 1, p. 42.
 (29) Specific measures are defined in Article 3, paragraph 2, of the Decision (2); the appropriations provided in the Fund for this purpose must not be higher in any one year than 5 % of all the appropriations available (Article 7, paragraph 2, of the Decision (2)).
 (30) Article 7, paragraphs 3, 4 and 5 of the Regulation (4).
 (31) Article 7, paragraphs 1 and 2 of the Regulation (4).
 (32) Mainly a reorganization of the former measures, with the accent on new aspects and new priorities.
- (33) Minutes of the meeting of 19.11.1985 between officials of the Commission and the Court concerning applications for aid in 1985.
 (34) Annual Report of the Court of Auditors concerning the financial year 1983: the Commission's reply to paragraph 8.22(c).
 (35) Reply by the Commission, dated 14.12.1984, to the sector letter of 31 August 1984 on Community procedures in the area of the ESF, p. 4.
 (36) Annex 2 to Commission Decision 81/979/EEC of 10 January 1981, OJ No L 360, 15.12.1981, p. 34.
 (37) Annex 2 to the Decision (7).
 (38) Paragraph 15.2 of Annex 1 to the Decision (7).
 (39) Paragraph 15.3 of Annex 1 to the Decision (7).
 (40) Reply by the Commission dated 9.6.1986 to a Court questionnaire of 7.2.1986 concerning applications for final payment.
 (41) Paragraph 11.2 of Annex 2 to the Decision (7).
 (42) Minutes of the meeting of 21 and 22 March 1985 between Commission officials and representatives of national administrations on the submission of applications for payment, p. 6.
 (43) Reply to a Court questionnaire of 7.12.1984 on the implementation of the new Fund.
 (44) Minutes of the meeting of 15 March 1985 between the Financial Controller and the management of the ESF on eligible expenditure and the submission of applications for payment.
 (45) Paragraph 15 of Annex 1 and paragraph 14 of Annex 2 to the Decision (7).
 (46) The criteria governing priority concern the extent to which the operations comply with the guidelines for management of the ESF (8 to 12).
 (47) Reply by the Commission dated 20.9.1985 to the sector letter of 4.7.1985 concerning approval Decisions during 1984.
 (48) Notes annexed to the document approving applications for aid for the financial year 1986, p.9.
 (49) Sector letter of 23.1.1987.
 (50) Section C2 of the guidelines for 1984-1986 (8).
 (51) Notes annexed to the document approving applications for aid for the financial year 1984, p. 9.
 (52) Comments annexed to the document approving applications for aid for the financial year 1985, p. 8.
 (53) Minutes of the information meeting held in Brussels on 11.7.1985 for the implementation of the ESF guidelines for the period 1986-1988 (10).
 (54) Paragraph 2.3 of the guidelines for 1986-88 (10).
 (55) Section 15 of Annex 1 to the Decision (7).
 (56) Paragraph 11.2 of Annex 2 to the Decision (7).
 (57) Paragraph 14 of Annex 2 to the Decision (7).
 (58) Paragraph 11.1 of Annex 2 to the Decision (7).
 (59) In the case of operations that straddle two consecutive financial years, there is also the problem of whether or not they are successfully completed, as well as the question of guaranteeing the financing. The fact is that there is not necessarily a guarantee that the financing will be monitored: because of the frequent changes of guideline, that part of the operation that is implemented during year n + 1 may well no longer be able to receive ESF aid. An operation which has been cofinanced as regards its first part might be interrupted and thus rendered quite ineffectual.
 (60) Paragraph 8.16 (b) of the Annual Report of the Court of Auditors concerning the financial year 1985, OJ No C 321, 15.12.1986.
 (61) Section 3 of Annex 2 to the Decision (7).
 (62) The Commission has several alternative ways of financing assessments:

- (a) the option of financing projects which are innovatory in nature (Article 3 (2) of the Decision (2)), which, according to the guidelines for the management of the ESF for the periods 1984 to 1986 and 1985 to 1987, must involve assessment;
 - (b) the option of accompanying aid granted to general measures with additional aid intended to finance an examination of the effectiveness of the measures (8 to 9);
 - (c) the option of financing applications for aid with a view to examining the effectiveness of the projects which have been granted Fund aid (Article 3 (2) of the Decision (2)).
 - (d) Commission initiatives aimed at examining the effectiveness of projects which have been granted Fund aid; in this latter case, the aid covers all the eligible expenditure (Article 5, paragraph 3, of the Decision (2)).
- (63) Thirteenth ESF activity report, for the financial year 1984, document COM(85) 508 of 17.10.1985, p. 94.
- (64) Fourteenth ESF activity report, for the financial year 1985, document COM(86) 583 of 10.11.1986, paragraph 1.3, p. 113.
- (65) Chapter 4 of the manual for the management of the ESF of 2.6.1986.
- (66) Article 5, paragraph 5, of the Regulation (4).
- (67) There was no change in this respect when the old Fund was superseded by the present one.
- (68) In accordance with Article 2, paragraph 2 of the Decision (2) and section 21 of the aid application form, Annex 1 to the Decision (7).
- (69) Article 5, paragraph 4, of the Regulation (4).
- (70) As regards the application for final payment: paragraph 18 of Annex 2 to the Decision (7); as regards the application for the second payment: paragraph 9 of Annex 3 to the Decision (7).
- (71) European Parliament debates: No 2-350/239 of 12.3.1987, speech by Mr Marin in the debate on the management of the ESF for the financial years 1988 to 1990.
- (72) Proposal for a Council Regulation No 87/C 245/04 of 4.8.1987, OJ No C 245, p. 3.

THE COMMISSION'S REPLIES

Introduction

For some time now, the Commission has been considering how the structural Funds could be made more effective. As regards the ESF in particular, this objective has been pursued first of all by an extremely rigorous type of day-to-day management which has produced the following results:

- a significant reduction in the 'burden of the past'. In two years (1986 and 1987), the Commission has managed to settle around 97 % of the 'burden of the past' recorded on 1 January 1986 (i.e. 2 804.1 million ECU of the 2 890.6 million ECU remaining to be settled at the time). With these results, the objectives pursued may be considered to have been achieved in practical terms;
- the implementation of the budget has improved considerably. The management of payment appropriations with a 88.41 % utilization rate may be considered satisfactory for 1986 (1). The position is even better for 1987 (98.6 % utilization rate for these appropriations). In 1987, commitment appropriations were also used in a satisfactory way (98.8 %).

With the same aim of making the ESF more effective, the Commission decided recently, while carrying out a reorganization, to strengthen the departments more specifically responsible for management, accounting and controls. However, a fundamental change concerning the selection of applications for assistance, follow-up and controls as well as the various rules and deadlines governing the Funds, can be effected only in the framework of the reform of the structural Funds initiated by the Community in accordance with Article 130 D of the EEC Treaty.

To this end, a comprehensive proposal has already been submitted to the Council for adoption. It is based on four indissociable key ideas which will henceforth guide structural measures taken by the Community, particularly through the ESF:

- concentration of operations on a limited number of objectives;

(1) The footnotes appear together at the end of the replies.

- increase in funds for structural measures;
- establishment of a new method of Community action based on the three principles of complementarity with national measures, partnership and programming;
- simplification and harmonization of management rules which will be facilitated by, among other things, better coordination and ex-post evaluation of operations.

These key ideas, which already meet some of the criticisms of the Court of Auditors, will be incorporated in the regulations implementing the comprehensive proposal. The ESF will be the subject of an implementing regulation; it will also be covered by the regulation on ways of coordinating the Funds.

It is not possible at present to forecast the content of the ESF implementing regulation in so far as the comprehensive proposal has not yet been adopted by the Council. Wherever necessary, however, the replies to the observations made by the Court of Auditors indicate the points which require special attention in the course of the reform, so that the solutions to be adopted are absolutely consistent with the principles and objectives of the reform.

1. INTRODUCTION

Description of the European Social Fund (ESF)

1.12. It should be emphasized that the guidelines, for which the Commission has sole responsibility, are adopted after the opinion of the ESF Committee has been obtained and any views expressed by the Parliament have been taken into account (2). Moreover, their aim, having regard to the preliminary draft budget, is to indicate to organizers the

priorities to be adopted by the Commission when examining the applications that the Member States must submit by 21 October.

Implementation

1.17. The reorganization decided on by the Commission in November 1987 meets a desire for improved management and control and corresponds to the efficiency objectives that the Commission is, moreover, pursuing in connection with the reform of the structural Funds.

1.18 (b) Member States may group applications for assistance subject to the provisions of Article 2 (1) to (4) of Decision 83/673/EEC ⁽³⁾, which lays down the conditions for the grouping of applications.

2. PREPARATORY PROCEDURES REGARDING REGULATIONS, DECISIONS AND GUIDELINES FOR THE MANAGEMENT OF THE ESF ⁽⁴⁾

Observations

2.2 and 2.3. The Commission takes note of the observations of the Court of Auditors on this point but points out that the procedures applied conform to the regulations in force. Accordingly, the needs to be met are those identified and expressed at the various stages of the procedure by the institutions involved.

The priorities are determined on the basis of the social policy requirements expressed by policymakers at Community level. Moreover, as the Court of Auditors observes, the Commission is endeavouring to limit the number of operations accorded priority 'by putting the emphasis on greater precision and/or improved effectiveness'.

It should be pointed out, moreover, that Article 6 of the proposal for a regulation ⁽⁵⁾ on the tasks of the structural Funds lays down that Community action will be the subject of an ex-ante and ex-post assessment in order to gauge the effectiveness of structural operations.

2.4. The Social Fund is not simply an instrument for reimbursing expenditure incurred by public organizations. Although it is true that public authorities take account of repayments of appropriations from the ESF in drawing up their budgets, it should be emphasized that not only do these appropriations enable more funds to be made available to carry out more operations but also some measures would not get under way without ESF assistance.

As regards the suggestion by the Court of Auditors that Community subsidies be granted directly to private undertakings without any national government aid, the Commission feels that this would be feasible provided that a suitable administrative infrastructure existed throughout the Community.

Experience hitherto has shown that except in the case of specific operations, the principle of cofinancing is the most likely to produce the conditions for sound financial management. Where national resources can be used as well, the result is better management and more effective controls.

Moreover, Article 1 of the new Commission proposal on the reform of the Funds concentrates Fund operations on five fundamental objectives ⁽⁵⁾.

As regards the suggestion that the Commission should pursue intensive coordination of investment, training, employment and research schemes, this is already being done within the Commission through the creation of appropriate structures.

Moreover, the Commission is examining the possibility of modified rates of intervention in order to exploit to the full the potential for effective action in the Community.

2.5. In its comprehensive proposal based on Article 130 D of the Single Act and in the proposals which it will have to draw up in connection with the revision of the operational rules planned for the end of 1988 at the latest, the Commission is planning to propose limited and specific objectives.

2.6. Common definitions which involve harmonization work in the Council are not planned at this stage. Reform of the structural funds will make it easier to resolve this problem.

Nevertheless, the Commission is already seeking at every opportunity, within the limit of the current legal framework, to harmonize the application of definitions from the point of view of their effects. For example, the concept of small and medium-sized undertakings is restricted to those

with fewer than 500 employees. Similarly, there is a Community definition of the concept of long term unemployment. The Commission is pursuing its efforts in this connection.

2.7. The linear reduction is applied in accordance with the criteria last defined in point 1.7 of the Annex to Commission Decision 87/329/EEC of 29 April 1987 (6). One of the stated criteria is that in the application of the reduction, preference will be given to operations particularly dependent on fund assistance for their implementation (point 1.7.3).

2.8. The Commission is aware of the disadvantages of the system of financing general operations for periods of up to 12 months within the budget year. However, the present system, accompanied by binding deadlines for the submission of applications for the final payment, has since 1984 facilitated first the calculation and then the re-utilization of a mass of appropriations which each year are refunded by the Member States (before the entry into force of the present rules, these refunded amounts were cancelled). As regards the future, the Commission considers in particular that a system of financing of the type in force before 1984 should be avoided insofar as multiannual projects eventually became very complex because of modifications and very difficult to manage. The programme by programme approach provided for under the reform of the structural funds should enable an annual budget decision to be made confirming or revising a previous multiannual decision taken under a programme.

Observations

Admissibility criteria

3.3. No examination of admissibility can, initially, consist of more than a process of checking whether formal requirements have been met. The Commission will extend this examination to ensure, when applications are checked, that the forms have been completed in full in accordance with the requirements of Article 1 (2) of Decision 83/673/EEC (7).

Eligibility criteria

3.5. The Commission points out that a list of eligible and non-eligible expenditure is used regularly in accordance

with Article 1 of Regulation (EEC) No 1950/83 (8). This list may be supplemented under the reform of the structural funds currently underway.

3.6. The Commission shares the concern of the Court of Auditors and will examine the possibility of laying down rules in this connection. However, it does not underestimate the difficulty of this task, in view of the differences between the Member States.

3.7. As regards depreciation, renting and leasing, the instructions to be applied by the departments as regards the assessment of expenditure refer to the laws of the Member States.

3.8. The Commission is planning to specify by means of appropriate norms what evidence explaining discrepancies will have to be provided by the Member States and will be acceptable in connection with applications for final payment. It should also be noted that the ESF departments are currently studying ways of drawing up a classification of costs which could serve as a reference.

Priority criteria

3.9. Individual programme management could in future be the solution to the problem of the gap between macro and micro-economic forecasts.

3.10. On this point, the Commission can only reaffirm what it has already stated in its replies to the annual report of the Court of Auditors on 1985 (cf. 8.16c), namely that it is neither possible nor desirable to attempt to draw up a list of new technologies, since it is a concept which by its nature is developing all the time, and not always in the same way throughout the Community.

3.11. In the case of undertakings which are companies, the principle generally applied is to refer to the number of employees in the unit which is legally separate from the parent company.

3.12. The question of whether an operation to promote the employment of women should be accorded a priority rating is assessed on the basis of a whole range of particulars; it is not felt to be desirable at this stage to draw up a list of such particulars which would apply throughout the Community, whatever the regions, groups of women and levels of skills concerned, as the Commission had stated in its reply to the report of the Court of Auditors on the 1985 financial year (point 8.28).

Interpretation of the legislation

3.14. The condition relating to the new technologies was a very general one as regards the 1984 guidelines. Subsequently (i.e. for 1986), this condition was given specific effect with the requirement of a minimum of 40 hours to be spent on the new technologies in any vocational training operations.

Moreover, the Commission felt that as regards the 1986/88 guidelines, the recruitment subsidy implied the idea of economic and productive jobs.

Documentary evidence

3.15. The Commission is aware of the problems raised by certification. These problems are being examined as part of the process of setting up a system of checks aimed at determining, through sampling, the effectiveness of national controls.

3.16. In 1987 the Commission sent a reminder to the Member States calling on them to ensure that applications for assistance and applications for final payment indicated the method used to calculate each category of expenditure. In any event, where the calculation methods have not been indicated, the Commission has generally assessed whether the expenditure submitted is justified by reference to average costs or similar operations.

As indicated in point 3.8, the ESF officials are studying ways of drawing up a classification of costs which could serve as a reference.

The information to be provided by the Member States must, in any event, give a picture of the planned expenditure in terms of number of persons to be trained, types and amount of anticipated expenditure, duration of courses.

3.17. Sometimes, applications for final payment presented on behalf of bodies whose activities are generally well-known to the public and the Commission do not contain enough details concerning the implementation report. In such cases, the Commission normally requests further information and considers pointing out again to the Member States, *vis-à-vis* these bodies, that it is necessary to provide more details in the applications for final payment. This concern of the Court of Auditors will be taken into account in the reform of the Funds.

Late explanation of the criteria for granting aid

3.18. The objective of the notes is to explain the way in which the Commission has carried out the examination of applications for assistance.

Processing of aid applications by the Fund's staff

3.19. The fact that processing is carried out almost entirely on the basis of files is due to the very large number of files to be processed by a limited number of staff within very short deadlines. With the reform of the Funds, management problems should be resolved through increased computerization, a classification of costs and standardization of procedures. Adopting the approach of management on a programme by programme basis will enable the number of projects to be restricted and organization on a geographical basis should improve the efficiency of the departments.

Pending this, the Fund's staff have already implemented a computer system which now provides indices such as:

- the average cost per hour, project, point in the guidelines, beneficiary, Member State,
- the utilization of appropriations allocated to each organization in previous years for similar operations.

3.20 and 3.21. The Commission endeavours to ensure that the principle of equal treatment is observed with the aid of a control list which is used in the processing of applications for assistance and applications for final payment for all files and by all its officials for each point in the guidelines. Moreover, the Commission will take any appropriate action to ensure that Member States submit forms which are completed in full.

Processing of applications for final payment by the Fund's staff

3.22 – 3.25. The Commission is endeavouring to increase as far as possible the number of on-the-spot inspections within the limits of the funds available, among other things by setting up mixed control teams (DG V — DG XX). Moreover, a specific sector will be made responsible for coordinating on-the-spot checks. The Commission is planning to step up this sector of ESF activities by providing the necessary funds.

As regards the independent role of Financial Control to which the Court of Auditors refers, the Commission points out that this had a very specific objective which has now been achieved and which concerned the first audit of national management and control systems.

3.26. The proportional reduction referred to in Article 7 (2) of Regulation (EEC) No 2950/83 is applied where at all possible.

3.27. Where the information contained in applications for final payment is not sufficient from the point of view of the processing requirements, the Commission normally asks for further information.

Assessment of the operations

3.28 – 3.30. As part of the reform of the Funds, Article 6 of the proposal for a regulation on the tasks of the structural Funds ⁽⁵⁾ sets out the ways in which Community operations will be monitored and assessed.

Administrative organization

3.31. On the question of organization, the Commission has already taken measures which have helped to ease the burden of the past and have improved the implementation of the budget. Management on a programme-by-programme basis should greatly limit the number of applications.

4. MANAGEMENT PROCEDURES IN THE MEMBER STATES

Observations

Submission of applications for aid and payment to the ESF

4.2. As far as the reform is concerned, the need to have proper coordination structures at national level will have to be stressed.

4.5. The Commission organizes information meetings with the representatives of the national governments in question. The aim of these meetings is to avoid, as far as possible, different interpretations of certain rules.

The 'organization for which assistance is requested'

4.6 – 4.11. The interlocutor of the ESF authorities is the Member State with as intermediary the competent department that it has nominated within the national public administration. The management powers of these organizations are not determined by the Commission. However, they may not take initiatives (beyond their specific management powers) which are the responsibility of the national public authorities.

The Commission has already noted and commented on, in connection with another chapter in the special report, the Court of Auditors observation that certain applications for assistance and applications for final payment are inadequately documented. The Commission therefore refers the reader to the replies already given above (cf. point 3.3).

The final recipient of the payment

4.12 – 4.15. As regards the delays in the payments to final recipients, the Commission has already drawn the attention of the national governments to this point.

It has moreover already requested the Member States to provide it periodically with lists showing the periods of time taken to make payments to final recipients.

Moreover, the Commission notes the observations of the Court of Auditors regarding the advantages that could be obtained by certain organizations through the system of payment and is planning to examine this aspect of the functioning of the ESF.

Guarantee by the Member States of the successful completion of the operations

4.16 and 4.17. It has always been understood that the provision whereby the Member State guarantees the successful completion of operations also covers the obligation to make repayments as regards the point of its responsibility. *Vis-à-vis* the Community, it is the Member State which has a legal personality by virtue of the provisions in force.

Certification

4.18 – 4.22. The Commission is aware of the problems of reliability presented by the practice of certifications. These problems could be resolved by, among other things, setting up a coherent system of on-the-spot inspections whereby the Community departments would ensure that the certifications given were proper and make any reductions that were necessary.

The Commission also points out that the Member States have already been requested to provide a description of their national certification system, as well as of inspections carried out by national control teams.

5. CONCLUSIONS

Main weaknesses noted

5.1 – 5.5. The Commission shares the Court of Auditors' desire to make the management of the ESF more effective.

To this end, it has already taken the necessary measures, from an organizational point of view, to ensure that more staff and resources are available for administration and inspections. From this point of view, results have already been achieved, as set out in detail in the introduction. It should be pointed out moreover, that the Commission has just decided to set up an anti-fraud unit and that in this connection a cell will be established in DG V. It should however be stressed that in any event, most of the changes regarding the definition of objectives and their implementation on the basis of new rules could result from the current reform of the structural Funds.

Pending this, the Commission would mention the measures already taken in a number of areas:

- (a) a handbook for the use of the departments concerned which gives an interpretation of the rules and criteria for the management of the ESF,
- (b) improvement of the computer system which now provides data on the average hourly cost of training and the previous use of appropriations by the recipients.
- (c) the agreement made with Member States concerning the description of their certification system and notification of the results of inspections carried out by national authorities.

(1) Cf. working document EP 119.140 of 19.1.1988.

(2) Cf. Article 6 (2) of Decision 83/516/EEC.

(3) OJ No L 377, 31.12.1983.

(4) The guidelines for the management of the Fund constitute a legal act of the Commission belonging to the category of Decisions (since 1986).

(5) Comprehensive proposal COM(87)376 final.

(6) OJ No L 167, 26.6.1987.

(7) OJ No L 377, 31.12.1983.

(8) OJ No L 289, 22.10.1983.