

Chapter 6 Central Government

European Union – Financial Transactions 2008

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6.1 The budget of the European Union is financed by own resources and some additional receipts. Own resources comprise

- the proceeds of customs duties, agricultural duties and sugar levies less a retention of 25% to cover collection costs (16% of total EU revenue)
- a VAT-based own resource under which an annually agreed percentage is levied on the VAT base of all member states (16% of total revenue)
- an own resource based on gross national income (GNI¹⁴) under which the same percentage is levied on each member state's GNI in accordance with EU rules (67% of total revenue)
- other receipts into the EU budget including interest, refunds and any surplus carried over from the previous year. (1% of total revenue).

6.2 The Irish contribution to the EU budget for 2008 was €1.6 billion. The component elements of this total are shown in Figure 16.

Figure 16 Ireland's Contribution to EU Budget 2008

Contribution Element	2008 Determination Base ^a	Amount €000
Traditional Own Resources	75% of total received into Exchequer	201,697
VAT-based Contribution	0.3311% of established VAT base	260,066
GNI-based Contribution	0.6440% of established GNI	983,931
UK Correction Mechanism ^b		141,015
Total		1,586,709

Notes:

- a The rates presented for the VAT and GNI based contributions are those agreed at the beginning of the budget year. These can alter during the year as amending budgets are agreed.
- b Since 1985, the UK has received a partial refund of its EU budget contributions. The refund is financed by contributions from all other member states in proportion to their national percentage of EU GNI.

6.3 The payments to the EU budget over the past five years are set out in Figure 17.

Figure 17 Ireland's Contribution to EU Budget 2004 - 2008

Year	Annual Payment €bn
2004	1.2
2005	1.5
2006	1.5
2007	1.6
2008	1.6
Total 2004-2008	7.4

Source: Department of Finance

6.4 The EU has made payments to Ireland in each of the past five years as set out in Figure 18.

¹⁴ GNI is GDP less primary income payable by resident units to non-resident units plus primary income receivable by resident units from the rest of the world.

Figure 18 Ireland's Receipts from EU Budget Funds 2004-2008

Year	Annual Receipts
	€bn
2004	2.6
2005	2.4
2006	2.2
2007	2.1
2008	2.1
Total 2004-2008	11.4

Source: Department of Finance

6.5 The receipts of €2.1 billion from the EU in 2008 were sourced from particular EU Funds and Programmes as specified in Figure 19. The foregoing 2008 receipts were applied by Ireland in the following fashion

▪ Amounts voted by Dáil Éireann	€467,600,000
▪ Central Fund Payments	€129,900,000
▪ Paid directly to Implementation Agencies and Beneficiaries	€1,464,000,000

Figure 19 Ireland's 2008 Receipts by Source

Source of EU Receipts	Amount €000	Application of EU Funds		
		Votes	Central Fund	Direct ^a
		€000	€000	€000
European Regional Development Fund (ERDF) ^b	127,700		127,700 ^c	
European Agricultural Guarantee Fund (EAGF)	1,450,300			1,450,300 ^d
European Agricultural Fund for Rural Development (EAFRD)	355,000	355,000		
European Agricultural Guarantee and Guidance Fund (EAGGF) – Guidance	9,000	9,000		
European Social Fund (ESF) ^b	79,900	79,900		
Cohesion Fund (CF)	—	—	—	—
Other	39,600	23,700	2,200	13,700
Total	2,061,500	467,600	129,900	1,464,000

Source: Department of Finance

Notes:

- a These receipts are held separately from State or Voted funds and paid to recipients on behalf of the EU.
- b Included in the above are receipts from the Programme for Peace and Reconciliation of €9.1 million and €5.3 million respectively.
- c Included in the ERDF figure is €14.2 million in advances from the EU Commission for programmes under the 2007-2013 Multi-Annual Financial Framework for the operation of the EU Budget as adopted by the European Council in June 2007. This money is held in a suspense account until the allocation of funds begins in a programme.
- d The principal components are Single Farm Payments (€1.3 billion) and Sugar Restructuring Payments (€149 million).

6.6 The €39.6 million in Other EU Receipts set out in Figure 19 is comprised of the funds detailed in Figure 20.

Figure 20 Estimated EU Receipts from Other Sources

Source of Other EU Receipts	Amount €000	Application of EU Funds		
		Votes €000	Central Fund €000	Direct €000
Financial Instrument for Fisheries Guidance (FIFG)	11,500	11,500		
Fisheries Protection/ Conservation and Management of Fisheries	1,200	1,200		
European Fisheries Fund (EFF)	2,900	2,900		
Veterinary Fund	8,100	8,100		
Education Programmes	12,800			12,800
EEA/TENs/Other	2,200		2,200	
CSO – Eurostat Receipts	400			400
LIFE +	500			500
Total	39,600	23,700	2,200	13,700

Source: Department of Finance

Ineligible Expenditure and Financial Corrections

6.7 On checking of claims submitted there is the possibility of loss to the Exchequer arising from audit results. Where it is concluded (by Commission and ECA auditors) that ineligible expenditure has been included in a claim for EU funds, such amounts may be disallowed by the Commission. In addition, financial corrections may be imposed by the Commission as a result of internal control weaknesses found during audit. These may be specifically quantified corrections relating to an individual operation, extrapolated corrections where the irregularity is assumed to have occurred more widely throughout a measure or programme, or flat rate corrections where the outcome of a control breach is not quantifiable.

Audit of EU Funds

6.8 The application of EU Funds is the subject of audit by specially established control units, by the audit services of the EU Commission, the European Court of Audit (ECA) and by my Office.

Control Units

6.9 Audit authorities known as Financial Control Units have been established in the Departments of Finance and Enterprise, Trade and Employment, while a dedicated control unit within the Internal Audit Unit of the Department of Agriculture, Fisheries and Food undertakes the function for forestry and fishery programmes. Each audit authority is an independent unit that provides the EU Commission with an annual opinion on the functioning of systems of control and on the legality and regularity of expenditure. The audit authority follows an audit strategy previously notified to the Commission, and provides annual reports of its audit findings including any shortcomings in management and control.

6.10 The common agricultural policy funds – EAFRD and EAGF – are administered by the Department of Agriculture, Fisheries and Food. Management assurance on the effectiveness of controls is informed by the work of the Internal Audit Unit of the Department. A firm of commercial auditors, appointed periodically following a public tendering process, provides an independent annual certificate and report on internal controls to the EU Commission.

Audits by EU Commission

6.11 Audit services from the EU Commission carry out a number of audits annually in Member States on EU funded schemes and related controls.

European Court of Auditors

6.12 The ECA is required to give an annual statement of assurance (an audit opinion) on the reliability of the Accounts of the European Union and of the legality and regularity of the transactions underlying those accounts. In carrying out those functions, ECA staff visit Member States to review management structures, test systems of control and to examine in detail a sample of applications submitted in support of payments to final beneficiaries. Liaison arrangements provide for ECA visits to Ireland to be organised by the Office of the Comptroller and Auditor General and all correspondence including the ECA audit findings and management responses are addressed to the Comptroller and Auditor General for transmission to the audited body. Following consultation with the certifying authority, the findings are incorporated into the annual report of the ECA.

Audit by the Comptroller and Auditor General

6.13 Where a Department or State Body audited by the Comptroller and Auditor General is in receipt of EU funds, the receipt and application of the funds are audited in like manner to national funds and to all other transactions by that body. Audit planning has regard to the audit tasks undertaken by others including the ECA and the certifying body for agricultural supports. Audit work includes testing of compliance with national rules that have been transposed from EU Directives and Regulations. However, the transposition process is outside of the remit of the audit.