# Discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2016: performance, financial management and control

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PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2016, as part of the 2016 discharge procedure: **performance, financial management and control**.

**Legal reminder**: the consolidated annual accounts of the European Union for the year 2016 have been prepared on the basis of the information presented by the institutions and bodies under Article 148(2) of the Financial Regulation applicable to the general budget of the European Union.

The document focuses on the performance, financial management and control of the EU's accounts in general.

**Performance**: implementing robust performance frameworks is essential for ensuring a strong focus on results, EU added value and sound management of EU programmes. The Commission is committed to ensuring that the EU budget achieves better outcomes for citizens and that supports the political priorities. To ensure resources are allocated to priorities and that every action brings high performance and added value, the Commission implements its EU Budget Focused on Results initiative. Building on the 2014–2020 performance framework, **it promotes a better balance between compliance and performance**.

The 2014-2020 performance frameworks have been included as a new compulsory element and as a key pillar of the increased result orientation of this programming period. It foresees the establishment of clear and measureable objectives, indicators and targets as well as monitoring, reporting and evaluation arrangements.

**Financial management**: the main element of EU financial reporting is the Integrated Financial Reporting Package (IFRP) of the EU which comprises the consolidated annual accounts of the EU and other reports accompanying the accounts, i.e. the Annual Management and Performance Report for the budget and the report on the follow-up to the discharge. The Annual Management and Performance Report for the EU budget provides a comprehensive overview on the performance, management and protection of the EU budget. It explains how the EU budget supports the European Union's political priorities, the results achieved with the EU budget, and the role the Commission plays in ensuring and promoting the highest standards of budgetary and financial management.

The IFRP provides the public with a comprehensive view of the financial and operational situation of the EU each year.

The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from both an accrual accounting and budgetary perspective. These accounts do not comprise the annual accounts of Member States.

The consolidated annual accounts of the EU consist of two separate but linked parts:

- the consolidated financial statements; and
- the reports on implementation of the budget, which provide an aggregated record of budget implementation.

**Controls**: the European Court of Auditors (the Court) is the external auditor of the EU institutions (and bodies). The Court's mission is to contribute to improving EU financial management, promote accountability and transparency, and act as the independent guardian of the financial interests of the citizens of the EU. The Court's role as the **EU's independent external auditor** is to check that EU funds are correctly accounted for, are raised and spent in accordance with the relevant rules and regulations and have achieved value for money.

The EU's annual accounts and its resource management are audited by the Court, which, as part of its activities, draws up for the EP and the Council:

- an annual report on the activities financed from the general budget, detailing its observations on the annual accounts and underlying transactions;
- an opinion, based on its audits and given in the annual report in the form of a statement of assurance;
- the reliability of the accounts and the legality and regularity of the underlying transactions;
- special reports covering specific areas.

**Discharge**: the **final step of a budget lifecycle** is the discharge of the budget for a given financial year. A discharge is given to the Commission and all other EU institutions and bodies. The discharge represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "**releases**" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The European Parliament is the discharge authority within the EU. This means that following the audit and finalisation of the annual accounts it falls to the Council to recommend and then to the European Parliament to give a discharge to the Commission and other EU bodies for implementing the EU budget for a given financial year. This decision is based on an examination of the annual accounts, the Commission's annual management and performance report for the budget, the annual report, the audit opinion and special reports of the Court, and replies of the Commission to questions and further information requests.

This discharge procedure may produce three outcomes:

- the granting,
- postponement,
- or the refusal of the discharge.