2017 discharge: EU general budget, European Commission

2018/2166(DEC) - 11/02/2019 - Supplementary non-legislative basic document

The Council approved a draft recommendation on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2017.

According to the revenue and expenditure account for the 2017 financial year:

- the revenue for the financial year amounted to EUR 139 691 411 177.11

- expenditure disbursed from appropriations for the financial year amounted to EUR 135 763 957 598.31

- cancelled payment appropriations (including earmarked revenue) carried over from year n-1 amounted to EUR 1 409 873 556.99

- the appropriations for payments carried over to year n+1 amounted to EUR 1 792 466 135.54

- the EFTA payment appropriations carried over from year n-1 amounted to EUR 3 504 182.26

- the balance of exchange-rate differences amounted to EUR -166 431 469.32

- the positive budgetary balance amounted to EUR 555 542 325.09.

Based on the observations contained in the report by the Court of Auditors, the Council called on the European Parliament to grant discharge to the Commission in respect of its budget implementation for the financial year 2017.

However, it considered that budget implementation required a series of comments from the Council which should be fully taken into account by the Commission.

Statement of assurance

The Council welcomed the significant decrease of the estimated level of error reported by the Court (from 3.8 % in 2015 and 3.1 % in 2016 to 2.4 % in 2017) but regretted that the estimated level of error is still above the materiality threshold of 2 %.

The Council welcomed the fact that for the second year in a row the Court gives a qualified opinion, rather than an adverse one, on the legality and regularity of payments and took note of the fact that the entitlement-based payments, which constitute the majority of EU budget spending, are free from material error and that the material error was mainly confined to the reimbursement-based spending. It also welcomed the improvement in the estimated level of error for reimbursement-based payments (from 4.8 % in 2016 to 3.7 % in 2017).

The Council appreciated previous efforts and actions undertaken by the Commission and the Member States to implement the Court's recommendations and encouraged the Member States and the Commission to continue these efforts. In addition, it encouraged further simplification of funding rules and implementation procedures in the Member States, expecting that these measures will have a positive impact on the estimated level of error.

Financial and budgetary management

Taking note of the significant level of outstanding budgetary commitments (RAL) reached in 2017, the Council called on the Commission to continuously improve both payment estimates and monitoring mechanisms in order to manage this risk.

The Commission is called on to: (i) provide an overview of the total value of contingent liabilities, together with an analysis of their possible impact on the budget and of the way risk-exposure can be mitigated; (ii) provide more information about the situation of financial instruments for the 2007-2013 programming period. The Council urged the Member States and the Commission to intensify their efforts to accelerate the implementation of the available resources from the European Structural and Investment (ESI) Funds.

Getting results from the budget

The Council welcomed the increased focus on performance in the internal culture of the Commission. It aligned itself with the Court's recommendation addressed to the Commission on the need to include up-to-date performance information in performance reporting on progress made towards achieving targets and to streamline indicators on the performance of the EU budget, focusing only on indicators relevant for measuring results directly attributable to activities financed by the budget.

Revenue

The Council noted with satisfaction that in 2017 the revenue part of the budget was not affected by material error. It supports the Court's recommendations made to the Commission: (i) to improve by the end of 2020 its monitoring of import flows and to act promptly to ensure that due amounts of TOR are made available; (ii) to improve, by the end of 2019, the existing control framework and better document its application on the verification of Member States' calculations of the Weighted Average Rate.

Competitiveness for growth and jobs

The Council regretted that the estimated level of error (4.2% in 2017 and 4.1 % in 2016) remains significantly above 2 % and urged the Commission to continue its efforts to reach an error rate below the materiality threshold.

The Commission is called on to continue its efforts to address the causes of error with a particular focus on the programmes subject to persistently high error levels and to strengthen its efforts to fully implement the measures already taken in this respect.

The root causes for most errors are the misinterpretation of complex eligibility rules, in particular under the research and innovation programmes and the Connecting Europe Facility (CEF).

The Council recommended: (i) extend simplifications introduced for the Horizon 2020 programme; (ii) reinforce communication and intensify its efforts towards providing beneficiaries with proper guidance on eligibility issues; (iii) swiftly finalise its actions to address the weaknesses identified by its Internal Audit Service (IAS) in the Education, Audiovisual and Culture Executive Agency's (EACEA) Erasmus+ grant management procedure.

Economic, social and territorial cohesion

The estimated level of error reported by the Court for payments has decreased for the fourth year in a row to 3.0% in 2017. The Council regretted, however, that the estimated level of error remains above the materiality threshold of 2 %. The amount of audited expenditure was EUR 8.0 billion in 2017, significantly lower than in previous years.

The Council called for additional efforts from managing authorities and the Commission to tackle the problem of weaknesses related to the regularity of the expenditure. It urged the Commission to improve its annual activity reports and in this context also refers to the Court's observation on the necessity to have reliable residual error rates reported by audit authorities and information available that refers exclusively to eligible expenditure at closure (i.e. without advances).

Lastly, the Council noted with concern that many performance measurement systems lack result indicators at project level, which makes it difficult to assess a project's overall contribution to specific operational programme objectives.

Natural resources

The Council welcomed the fact that the estimated level of error reported by the Court for payments under this policy area has steadily decreased in the last years (3.6 % in 2014, 2.9 % in 2015, 2.5 % in 2016 and 2.4% in 2017). However, it regretted that the estimated level of error remains above the materiality threshold of 2 % in particular as regards rural development, environment, climate action and fisheries.

The Council noted that the Court and the Commission acknowledge that the Land Parcel Identification System (LPIS) makes a significant contribution to preventing and reducing the levels of error. It also noted the Court's finding that the paying agencies continued to accurately identify the eligible areas. It called upon the Member States to instruct their paying agencies to generalise the preliminary cross-checks on direct aid applications.

It welcomed the fact that the corrective measures applied by the Commission and the Member States when it considered that the work of a certification body was not reliable.

The Council advocated the gradual availability of the demand for geospatial support in all Member States for area payments and investment projects in the field of rural development. It invited the Commission to take into account in its guidance that Member States need clear rules to verify and evaluate simplified cost options (SCOs) and to clarify the roles of paying agencies and certification bodies in this respect.

Security and citizenship

The Council regretted that due to the relatively low level of payments in this policy area (around 2% of the EU total) the Court has not estimated an error rate.

Taking into account the increased payments of national programmes, in particular as regards the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF), the Council urged the Court to enhance its audit scope and approach to a representative sample in order to provide an error rate and performance information for the coming years.

Global Europe

The Council called on the Court to examine possibilities to resume providing for the coming years an estimated level of error that allows year-on-year comparison.

It welcomed the assessment of performance aspects with a review of output and results conducted by the Court in this policy area. It noted that all samples had clear and relevant performance indicators. It also welcomed the Court's recommendations, including on possible improvements to the Residual Error Rate studies, and called on the Commission to swiftly implement them effectively.

Administration

The Council welcomed the fact that the administrative and related expenditure of the EU institutions remained, as in previous years, free from material error with an estimated level of error of 0.5 %, which while being well below the materiality threshold is higher by 0.3 percentage points compared to the Court's findings for 2016 (0.2 %). It also noted with satisfaction that no serious weaknesses were identified by the Court in the supervisory and control systems and in the examined annual activity reports.

As in previous years, there is a small number of errors relating to staff costs and some weaknesses in the Office for Administration and Payment of individual entitlements' (PMO) management of family allowances. The Council called on the Commission to improve its procedures to avoid errors related to staff expenditure.