## Basic information

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| **2015/2154(DEC)**<br>DEC - Discharge procedure | Procedure completed |
| 2014 discharge: EU general budget, European Commission and executive agencies<br>**Subject**<br>8.70.03.04 2014 discharge | |

## Key players

European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| CONT Budgetary Control | DLABAJOVÁ Martina (ALDE) | 11/09/2015 |
| | Shadow rapporteur<br>ZELLER Joachim (PPE)<br>PIRINSKI Georgi (S&D)<br>VISTISEN Anders (ECR)<br>DE JONG Dennis (GUE/NGL)<br>STAES Bart (Verts/ALE)<br>VALLI Marco (EFDD)<br>ALIOT Louis (ENF) | |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| AFET Foreign Affairs | PREDA Cristian Dan (PPE) | 15/09/2015 |
| DEVE Development | FRUNZULICĂ Doru-Claudian (S&D) | 16/12/2015 |
| INTA International Trade | The committee decided not to give an opinion. | |
| BUDG Budgets | The committee decided not to give an opinion. | |
| ECON Economic and Monetary Affairs | The committee decided not to give an opinion. | |

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|---|---|---|---|
| EMPL | Employment and Social Affairs | CASA David (PPE) | 09/09/2015 |
| ENVI | Environment, Public Health and Food Safety | LA VIA Giovanni (PPE) | 01/10/2015 |
| ITRE | Industry, Research and Energy | The committee decided not to give an opinion. | |
| IMCO | Internal Market and Consumer Protection | The committee decided not to give an opinion. | |
| TRAN | Transport and Tourism | SALINI Massimiliano (PPE) | 20/10/2015 |
| REGI | Regional Development | MALETIĆ Ivana (PPE) | 17/09/2015 |
| AGRI | Agriculture and Rural Development | SZANYI Tibor (S&D) | 23/09/2015 |
| PECH | Fisheries | FERREIRA João (GUE/NGL) | 01/10/2015 |
| CULT | Culture and Education | TOOM Jana (ALDE) | 14/09/2015 |
| JURI | Legal Affairs | The committee decided not to give an opinion. | |
| LIBE | Civil Liberties, Justice and Home Affairs | MACOVEI Monica (ECR) | 19/11/2015 |
| AFCO | Constitutional Affairs | The committee decided not to give an opinion. | |
| FEMM | Women's Rights and Gender Equality | MATERA Barbara (PPE) | 13/10/2015 |
| PETI | Petitions | The committee decided not to give an opinion. | |

Council of the European Union

| Council configuration | Meetings | Date |
|---|---|---|
| Economic and Financial Affairs ECOFIN | 3435 | 2015-12-08 |
| Economic and Financial Affairs ECOFIN | 3445 | 2016-02-12 |

European

| Commission DG | Commissioner |
|---|---|

| | | |
|---|---|---|
| Commission | Budget | GEORGIEVA Kristalina |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 23/07/2015 | Non-legislative basic document published | COM(2015)0377 | Summary |
| 05/10/2015 | Committee referral announced in Parliament | | |
| 08/12/2015 | Debate in Council | | |
| 07/04/2016 | Vote in committee | | |
| 13/04/2016 | Committee report tabled for plenary | A8-0140/2016 | Summary |
| 27/04/2016 | Debate in Parliament | | |
| 28/04/2016 | Decision by Parliament | T8-0147/2016 | Summary |
| 28/04/2016 | Results of vote in Parliament | | |
| 28/04/2016 | End of procedure in Parliament | | |
| 14/09/2016 | Final act published in Official Journal | | |

## Technical information

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|---|---|
| **Procedure reference** | 2015/2154(DEC) |
| **Procedure type** | DEC - Discharge procedure |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | CONT/8/04002 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee opinion | PECH | PE571.470 | 14/01/2016 | |
| Committee opinion | ENVI | PE571.776 | 25/01/2016 | |
| Committee opinion | AGRI | PE569.495 | 29/01/2016 | |
| Committee opinion | FEMM | PE571.787 | 29/01/2016 | |
| Committee draft report | | PE569.795 | 08/02/2016 | |
| Committee opinion | EMPL | PE571.661 | 08/02/2016 | |
| Committee opinion | AFET | PE571.791 | 16/02/2016 | |
| Committee opinion | REGI | PE571.676 | 17/02/2016 | |

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|---|---|---|---|---|
| Committee opinion | TRAN | PE572.938 | 17/02/2016 | |
| Committee opinion | CULT | PE572.998 | 17/02/2016 | |
| Committee opinion | DEVE | PE573.174 | 19/02/2016 | |
| Committee opinion | LIBE | PE575.100 | 19/02/2016 | |
| Amendments tabled in committee | | PE576.920 | 07/03/2016 | |
| Committee report tabled for plenary, single reading | | A8-0140/2016 | 13/04/2016 | Summary |
| Text adopted by Parliament, single reading | | T8-0147/2016 | 28/04/2016 | Summary |

**Council of the EU**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Supplementary non-legislative basic document | 05585/2016 | 27/01/2016 | Summary |
| Supplementary non-legislative basic document | 05583/2016 | 02/02/2016 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Supplementary non-legislative basic document | COM(2015)0376 | 23/07/2015 | Summary |
| Non-legislative basic document | COM(2015)0377 | 23/07/2015 | Summary |
| Document attached to the procedure | COM(2015)0441 | 15/09/2015 | Summary |
| Document attached to the procedure | SWD(2015)0170 | 16/09/2015 | |
| Commission document (COM) | COM(2015)0503 | 08/10/2015 | Summary |
| Document attached to the procedure | COM(2015)0505 | 08/10/2015 | Summary |
| Document attached to the procedure | SWD(2015)0194 | 09/10/2015 | Summary |
| Document attached to the procedure | SWD(2015)0195 | 09/10/2015 | Summary |
| Document attached to the procedure | COM(2016)0112 | 26/02/2016 | Summary |
| Document attached to the procedure | SWD(2016)0048 | 29/02/2016 | |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| | | N8-0096/2015 | | |

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|---|---|---|---|---|
| CofA | Court of Auditors: opinion, report | OJ C 373 10.11.2015, p. 0001 | 10/09/2015 | |
| CofA | Court of Auditors: opinion, report | N8-0153/2015<br>OJ C 373 10.11.2015, p. 0001 | 10/09/2015 | Summary |

| Additional information | | |
|---|---|---|
| **Source** | **Document** | **Date** |
| European Commission | EUR-Lex | |

| Final act | |
|---|---|
| Budget 2016/1460<br>OJ L 246 14.09.2016, p. 0025 | Summary |

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 28/04/2016 - Final act

PURPOSE: to grant discharge to the European Commission for the financial year 2014.

NON LEGISLATIVE ACT: Decision (EU, Euratom) 2016/1460 of the European Parliament on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section III — Commission and executive agencies.

CONTENT: with the present decision, the European Parliament grants discharge to the Commission for the implementation of its budget for the financial year 2014.

In its resolution attached to the Decision on discharge, the European Parliament deplored that payments have been materially affected by error due to the partial effectiveness of the supervisory and control systems.

Although it welcomed the fact that the Court delivered a favourable opinion on the reliability of the accounts for 2014, Parliament deplored that the payments were affected by an error rate of most likely 4.4 % well above the 2 % ceiling. It stated that the highest levels of error were identified in spending in favour of economic, social and territorial cohesion and competitiveness for growth and jobs.

Meanwhile Parliament stated that it considered the discharge process not exclusively as it is related to the particular year, but as a continuous process.

If in the past, the discharge procedure verified whether funds were legally and regularly spent, Parliament stated that as of now, verifications should monitor whether policy goals have been achieved, appropriate results reached and the principles of sound financial management and a ‘performance culture’ respected.

It underlined that the main objective of the Union budget is to benefit Union citizens and, in parallel, to protect the Union’s financial interests and comply with the obligations and objectives laid down in the Treaties. The benefits consist in support oriented towards development and current priorities compatible with the economic policy context and economic performance, also taking into account the necessary flexibility to cope with new situations that may arise and with emergencies.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 10/09/2015

PURPOSE: presentation of the Annual report of the Court of Auditors on the implementation of the budget concerning the financial year 2014.

CONTENT: the Court of Auditors published its 38th annual report on the implementation of the general budget of the Union for the year 2014.

This report follows a two-part structure:

- the first part contains the statement of assurance and a summary of the results of the audit on the reliability of accounts and on the regularity of transactions;
- the second part presents the findings on budgetary and financial management.

The statement of assurance (DAS) concerning the reliability of the EU's annual accounts and the legality and regularity of transactions is the central element of this report.

**DAS**: expenditure recorded in 2014 under the multi-annual financial framework headings 1 to 4, covering operational spending, is materially affected by error. The estimated level of error, which measures the level of irregularity in transactions, for payments in 2014 is **4.4%.** It remains persistently above the materiality threshold of 2%. The Court noted that the EU accounts for 2014 were correctly prepared in accordance with international standards and present a true and fair view. It was, once again, able to give a clean opinion on their reliability. However, it gave an **adverse opinion on the regularity of payments**.

It concluded that revenue underlying the accounts for the year ended 31 December 2014 is legal and regular in all material respects.

**Overall results of the DAS**:

The EU accounts for 2014 were correctly prepared in accordance with international standards and present a true and fair view. We were therefore able, once again, to give a clean opinion on their reliability. However, we gave an adverse opinion on the regularity of payments.

**Payment issues**: the estimated level of error, which measures the level of irregularity, for 2014 payments is 4.4 %, close to that of 2013 (4.5 %) and persistently above the materiality threshold of 2 %. The Court found the same estimated level of error (4.6 %), under shared management with the Member States and for expenditure managed directly by the Commission. The highest levels of error were found in spending under:

- economic, social and territorial cohesion (5.7 %);
- competitiveness for growth and jobs (5.6 %).

The Court stressed that there is a clear relationship between expenditure types and levels of error. The estimated level of error for cost reimbursement schemes (5.5 %), where the EU reimburses eligible costs for eligible activities on the basis of cost declarations made by beneficiaries, is double that for entitlement programmes (2.7 %), where payments are made on meeting conditions rather than reimbursing costs.

**Corrective measures**: corrective action by authorities in the Member States and by the Commission had a positive impact on the estimated level of error. Without this action, the overall estimated level of error would have been 5.5 %. There is further scope for the Commission to improve its assessment of risk and the impact of corrective actions. The Court noted that if the Commission, authorities in the Member States or independent auditors had made use of all information available to them, they could have prevented, or detected and corrected a significant proportion of the errors before these were made.

**RAL**: amounts of RAL to be paid in the current and future years remain at a very high level. It is essential for the Commission to take measures to deal with this persistent problem. For some Member States the backlog of unused funds represents a significant share of overall government spending.

**Europe 2020**: the Court noted that the periods of the 10-year Europe 2020 strategy and the EU's 7-year budgetary cycles (2007-2013 and 2014-2020) are not aligned. Member States give inadequate attention to Europe 2020 achievements in partnership agreements and programmes. Both issues limit the Commission's ability to monitor and report on performance and the contribution of the EU budget to Europe 2020.

**Mid-term review of the MFF**: the upcoming mid-term review of the 2014-2020 multiannual financial framework is a key point in the management of EU spending. It is important that the Commission analyses the areas of persistently high levels of error as soon as possible and assesses opportunities for reducing this while strengthening the focus on performance in spending

**Other characteristics of the Court's audit report**: in the 2013 and 2012 annual reports, the Court reported an estimated level of error of 4.7% and 4.8% respectively for the EU budget as a whole. The comparable estimated levels of error for 2013 and 2012, presented in the 2014 annual report are 0.2 and 0.3 percentage points lower because we have updated the way we quantify serious infringements of public procurement rules.

Overall, the Court noted that **reimbursement spending was most affected by error**. The correct calculation of payments to recipients of funding often depends on information provided by the recipients themselves. This is especially significant in the area of reimbursement activities. EU spending by programme expenditure type includes the following errors:

- for reimbursement expenditure, the estimated level of error is 5.5% (2013: 5.6%). Typical errors in this area include ineligible costs contained in the cost claims, ineligible projects, activities and beneficiaries, and serious infringement of public procurement rules;
- for entitlement programmes, the estimated level of error is 2.7% (2013: 3%), with typical errors including **over-declarations by farmers of agricultural areas** and administrative errors affecting payments to farmers.

Furthermore, the report noted that there is scope for further improvement in the Commission's assessment of risk and impact of corrective actions.

The Court insisted on:

- the need for EU money to be spent in line with the principles of sound financial management: economy, efficiency and effectiveness;
- the aim to implement programmes by applying a performance culture and by focusing on the optimal use of resources.

The Commission is called upon to make appropriate proposals to the legislator to:

- better align the EU strategy and the MFF (this would help to ensure that adequate and effective monitoring and reporting arrangements are in place for future EU strategies);

- propose to the legislator that the performance framework is based, as far as possible, on common result indicators.

**Analysis of budgetary implementation by groups of expenditure and recommendations from the Court**:

- **Competitiveness for growth and jobs (€13 billion)**: in this area, almost 90% of spending is in the form of grants to private and public beneficiaries. In the area of research and innovation, the report found the same type and range of errors that we were detected throughout the course of the audit of FP7: incorrectly calculated personnel costs; other ineligible direct costs such as unsubstantiated costs for travel or equipment; as well as ineligible indirect costs based on erroneous overhead rates or including costs categories not linked to the project. The Commission is called upon, along with national authorities and independent auditors, to use all the relevant information available to prevent, or detect and correct errors before reimbursement.
- **Economic, social and territorial cohesion (€55.7 billion)**: this spending area comprises two parts: regional and urban policy which accounts for 80%; and employment and social affairs which covers the remaining 20%. The main source of error for the spending on economic, social and territorial cohesion as a whole continues to be **infringement of public procurement rules**, accounting for nearly half of the estimated level of error. This is followed by the inclusion of ineligible expenditure in the beneficiaries' cost declarations, infringement of state aid rules and the selection of ineligible projects. The impact of errors varies between these two spending areas. Cases of serious failure to comply with public procurement rules that were identified include, for example, unjustified direct award of contracts, additional works or services, unlawful exclusion of bidders, as well as cases of conflict of interest and discriminatory selection criteria. In particular, checks on state aid done by audit authorities were inadequate for nearly a third of the examined operational programmes. This is why the Court recommended the Commission to further strengthen the control system for audit authorities, ensuring adequate checks of compliance with state aid and public procurement rules. Managing authorities and intermediate bodies in Member States should intensify their efforts to address weaknesses in 'first level checks'. Member States should extend the use of the simplified cost options for projects exceeding €50 000.
- **Natural resources (€57.5 billion)**: this spending area covers the common agricultural policy (CAP), common fisheries policy (CFP) and environmental measures. As regards agriculture, many of the errors identified are the result of inaccurate or ineligible claims by beneficiaries, with the most frequent being the over-declaration of agricultural land surface or ineligible parcels of land. Having a reliable and up-to-date Land Parcel Identification System database (LPIS) can help to reduce such errors. For rural development, environment, climate action and fisheries, the main reasons for errors in this spending area were ineligibility of the beneficiary, activity, project and/or expenditure, or non-compliance with agri-environment commitments to use agricultural production methods compatible with protection of the environment, landscape and natural resources. The Council recommended that for EAGF, Member States should make further efforts to include reliable and updated information in their LPIS database and to use all the information available to avoid payments for ineligible land.
- **Global Europe (€7.4 billion)**: this spending area covers expenditure in the fields of foreign policy, support to EU candidate and potential candidate countries, as well as development assistance and humanitarian aid to developing and neighbouring countries (with the exception of the European Development Funds). Expenditure is dispersed throughout more than 150 countries, using a broad range of cooperation instruments and delivery methods. Spending is implemented directly by Commission directorates-general, either from their headquarters in Brussels, by EU delegations in recipient countries, or jointly with international organisation. The majority of errors identified from audits involve ineligible expenditure claimed by final beneficiaries, particularly expenditure incurred outside the eligibility period, inclusion of ineligible taxes, non-compliance with the rule of origin, and indirect costs wrongly charged as direct costs. Other errors found related to the acceptance and clearance of payment by the Commission for services, works or supplies that had not yet been incurred by the beneficiary. The Commission was recommended to set up and implement internal control procedures to ensure that pre-financing payments are cleared on the basis of **actual incurred expenditure**.
- **Administration (€8.8 billion)**: this heading covers the expenditure of EU institutions and other bodies. It also includes payments to the European Schools. Spending on human resources (salaries, allowances and pensions) accounts for about 60 % of the total. Expenditure on buildings, equipment, energy, communications and information technology accounts for the remainder. Overall, the examination of systems did not reveal any significant weaknesses. However, the European Parliament is called upon to reinforce the controls concerning the reimbursement of costs by European political parties to their affiliated organisations as well as for public procurement by the political parties.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 27/01/2016 - Supplementary non-legislative basic document

In accordance with Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes, and in particular Article 14(3) thereof, and Commission Regulation (EC) No 1653/2004 on a standard financial regulation for the executive agencies, the Council is required to draw up recommendations to the European Parliament on a discharge to be given to the executive agencies.

At its meetings on 7 and 27 January 2016, the Budget Committee examined the six specific annual reports of the European Court of Auditors related to executive agencies.

Having examined the revenue and expenditure accounts for the financial year 2014 and the balance sheet as at 31 December 2014 of the Executive Agencies Education, as well as the Court of Auditors' report on the annual accounts of the Agencies for the financial year 2014, accompanied by their respective replies to the Court's observations, the Council recommended the European Parliament to give discharge to the directors of the Agencies in respect of the implementation of the 2014 budget.

It considered however that the observations in the Court of Auditors' report in relation to the financial year 2014 call for comments by the Council which do not call into question the granting of the discharge.

The recommendations of the Council may be summarised as follows:

- as regards the **Education, Audiovisual and Culture Executive Agency**, the Council called on the Executive Agency to continue improving its financial programming and monitoring of the budget implementation in order to reduce the level of commitments carried over to the next financial year to the strict minimum, in line with the budgetary principle of annuality;
- as regards the **Executive Agency for SMEs**, the Council noted with concern that at the end of 2013 the budgetary needs of the Executive Agency were overestimated and that a large part of the appropriations carried over from 2013 were cancelled in 2014. It urged the Executive Agency to improve its financial programming and to improve its monitoring of the budget implementation, in order to reduce the level of commitments carried over to the next financial year to the strict minimum;
- as regards the **Executive Agency for Health and Consumers**, the Council noted that a high level of commitment appropriations was carried over to 2015 and it encouraged the Executive Agency to continue improving its financial programming and monitoring of the budget implementation, in order to reduce the level of commitment appropriations carried over to the following financial year to the strict minimum;
- as regards the **Innovation and Networks Executive Agency**, the Council called on the Executive Agency to further improve its financial programming and budget implementation in order to reduce the level of carry-overs of appropriations to the following budgetary year to the strict minimum, in line with the budgetary principle of annuality;
- as regards the **European Research Council Executive Agency**, the Council regretted that the Court found weaknesses in the Executive Agency's asset management and urged the Executive Agency to take appropriate action with a view to keeping the Assets Register up to date, formalising the inventory procedures and providing sufficiently detailed information in the Executive Agency's guidelines on the capitalisation of internally developed intangible assets to ensure that a consistent approach is used.

Lastly, as regards the Research Executive Agency, no comment was made by the Council.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 02/02/2016 - Supplementary non-legislative basic document

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 319 thereof, the Council approved the recommendation concerning 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 2014.

**Detailed analysis of expenditure**:

- revenue amounted to EUR 143 940 117 720.62;
- expenditure disbursed from appropriations amounted to **-EUR 141 192 864 094.11**;
- cancelled payment appropriations (including earmarked revenue) carried over from year n-1 amounted to EUR 361 699 207.50;
- appropriations for payments carried over to year n+1 amounted to -EUR 1 781 565 358.20;
- EFTA payment appropriations carried over from year n-1 amounted to -EUR 5 526 599.22;
- the balance of exchange-rate differences amounted to EUR 109 930 505.17;
- the positive budget balance amounted to EUR 1 431 791 381.76;
- cancelled payment appropriations for the financial year amounted to EUR 25 227 460.62;
- EUR 1 304 124 840.15 (98.10 %) of the EUR 1 329 352 300.77 in appropriations for payments carried over to year n have been used.

Based on the observations in the report by the Court of Auditors, the Council recommended the European Parliament to give a discharge to the Commission in respect of the implementation of the budget of the European Union for the financial year 2014. However, the Council has issued a series of comments in regard to budgetary implementation which will need to be fully taken into account when granting the discharge.

**DAS**: the Council welcomed the favourable opinion given by the Court on the reliability of the accounts for the financial year 2014. It welcomed the fact that the Commission has made notable improvements in the presentation of the accounts and encouraged it to ensure that the high quality of the accounts is maintained in the coming years, while taking into account the Court's observations on issues affecting the accounts, most notably the level of information on financial instruments under shared management.

The Council is pleased to note that EU budget revenue, which comprises own resources and other revenue, was legal and regular. However, it was concerned that **most spending continued to be affected by a material level of error.** The estimated **level of error** reported by the Court for payments as a whole was **4.4%** which remains well above the Court's materiality threshold of 2 % for all policy areas, except the expenditure area “Administration”.

The Council encouraged the Commission to continue to ensure **strict supervision** and to further strengthen its cooperation with Member States and to continue to provide appropriate and consistent guidance to national managing and audit authorities, in order to bring down the estimated level of error in Union spending. It called upon Member States to **continue cooperating with the Commission** and to prioritise increasing the quality – rather than the quantity – of first level checks in order to prevent or detect and correct errors before declaring costs to the Commission. In this context, the Council highlighted the obligation deriving from the Financial Regulation to identify weaknesses in control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action, such as **improvement of the control systems**.

**Financial corrections**: the Council called upon the Commission and Member States to undertake further actions aiming at strengthening the quality of management and control systems and making them more efficient, with special emphasis on first level checks. The Council also reiterated the need to apply **financial corrections and recoveries**, rigorously in line with the relevant rules, in order to protect the EU budget.

**Public procurement**: the Council highlighted the Court's finding that non-compliance with public procurement rules remains a major source of errors, affecting all spending areas. It encouraged the Commission to aim at further simplification and together with Member States to further strengthen their efforts to prevent errors in public procurement and to effectively carry out measures set up in the 2013 Commission Action Plan on public procurement.

**Budgetary and financial management**: the Council noted the Court's observation that 2014 was the year with the **second highest level of payments**, while the level of unpaid payment claims at the end of the year increased, and that most payments made in 2014 were related to the previous MFF (2007-2013). Furthermore, it also noted that although Member States contributions were consistent with the own resources decision, the level of payments was, as in 2013, higher than the MFF ceiling, due to carry-overs and assigned revenue.

**RAL**: the Council noted the Court's assessment that the level of outstanding commitments (RAL) **decreased**, although temporarily as a result of the reprogramming of unused 2014 commitments in the later years. It called on the Commission to continue monitoring the evolution of the amounts of outstanding commitments, by heading and by programme on a regular basis, and to settle or decommit them in a timely manner and in line with the relevant rules.

It recalled its request to the Commission to provide the budgetary authority with a long term cash flow forecast in order to better match payments and funds available with needs with a view to, inter alia, prevent the possible build-up of an excessive backlog. The Council stressed the Court's view that the high level of outstanding commitments requires a longer term perspective, and called on the Commission to prepare and publish annually a **long term forecast** covering budgetary ceilings, estimated payments obligations and needs until the end of the current MFF, capacity constraints and potential decommitments.

**Getting results from the EU budget**: the Council welcomed the Court's approach in evaluating results of EU spending. It considered the assessment of performance to be an important element in the annual evaluation of the sound financial management of EU funds. It supported the Court's recommendation to reinforce the focus on results in the partnership agreements and programmes, with a view to achieving coherence of the EU actions.

**Revenue**: the Council noted with satisfaction the Court's conclusion that the revenue part of the budget was not affected by material error, that the underlying transactions were found free from error and that the examined systems were assessed as being overall effective. It supported the Court's recommendation to the Commission to continue its work on a common revision policy, aiming at establishing a regular and harmonised timetable for major revisions to the GNI-based contributions.

The Council analysed each **budget area** and made the following comments:

- **Competitiveness for growth and jobs**: the Council regretted that the estimated level of error reported by the Court for payments in this policy area increased by 1.6 percentage points to 5.6 % in 2014. It strongly encouraged the Commission to take into consideration the Court's observation that Horizon 2020 is designed to attract greater participation from SMEs and new entrants. It also encouraged the Commission and other bodies implementing Horizon 2020 to use all means of simplification available to them under this programme.
- **Economic, Social and Territorial cohesion**: the Council regretted that the estimated level of error reported by the Court for payments in this policy area increased by 0.4 percentage points to 5.7% in 2014, remaining well above the materiality threshold of 2%. It encouraged Member States to take full advantage of the new 2014-2020 legal framework in order to improve the management of EU spending, and to use the new **simplification** provisions, and expects a positive impact on the estimated level of error for future spending.
- **Economic, social and territorial cohesion**: the Council regretted that the estimated level of error reported by the Court for payments in this policy area increased by 0.4 percentage points to 5.7% in 2014. It encouraged Member States to take full advantage of the new 2014-2020 legal framework in order to improve the management of EU spending, and to use the new **simplification** provisions, and expects a positive impact on the estimated level of error for future spending. The Council also strongly invited Member States to avoid additional layers of complexity and/or administrative burden while establishing the eligibility criteria for EU funding. As regards **regional and urban policy**, it regretted that the estimated level of error reported by the Court for payments in this area remains high. The major source of errors for this policy area remains non-compliance with public procurement rules, followed by errors caused by breaches of eligibility rules, and errors related to the infringement of state aid rules. It urged the Commission to continue applying suspensions and interruptions of payments whenever significant deficiencies in the functioning of management and control systems are identified, including, where appropriate, the use of **net-financial corrections**, in accordance with the relevant rules. As regards **employment and social affairs,** the Council pointed out with concern that the main sources of error in this policy area continued to be the declaration of ineligible projects and the reimbursement of ineligible or inaccurately declared costs. It called on the Commission to continue reducing the administrative burden in this area.
- **Natural resources**: the Council noted that the estimated level of error reported by the Court for payments in the "Natural Resources" policy area decreased by 0.8 percentage points to 3.6 % in 2014, but regretted that payments were affected by material error. It agreed with the Court's recommendation that Member States make further efforts to improve the quality of the Land Parcel Identification System (LPIS) and continue their efforts to ensure the reliability and completeness of data. As regards **market and direct support**, the Council that most of the quantifiable errors detected by the Court related to the **overstated number of eligible hectares**. It called upon the Member States concerned to improve the quality of information contained in the LPIS databases, including the size and eligibility of agricultural land, notably of permanent pasture. Regarding **rural development, environment, climate action and fisheries**, the Council encouraged the Commission to make sure that the Member States concerned improve the action plans for reducing the rural development estimated level of error;
- **Global Europe**: the Council regretted that the estimated level of error reported by the Court for payments in the "Global Europe" policy area has increased by 0.6 percentage points to 2.7 % in 2014. It encouraged the Commission to pursue its efforts to reduce the estimated level of error in a cost-effective manner. It noted that the Court detected errors in the clearing of pre-financing expenditure by the Directorate-General for Neighbourhood and Enlargement (DG NEAR, formerly DG ELARG). It noted with concern that the Court found that some controls to prevent ineligible expenditure for grant contracts in the Directorate-General for International Development and Cooperation (EuropeAid) failed. It stressed the importance of a full and swift implementation of the recommendations made by the Court to the Commission.
- **Administration**: the Council welcomed the fact that, as in previous years, the administrative and related expenditure of the institutions and bodies of the EU remained free from material error and that the estimated level of error reported by the Court for this policy area decreased to 0.5 %.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 13/04/2016 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Martina DLABAJOVÁ (ALDE, CZ) and recommended that Parliament grant the Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, and also grant discharge to the Directors of the Education, Audiovisual and Culture Executive Agency, the Executive Agency for Small and Medium-sized Enterprises, the Consumers, Health, Agriculture and Food Executive Agency, the European Research Council Executive Agency and the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) in respect of the implementation of their respective Agencies' budgets for the financial year 2014.

The committee recommended that Parliament close the accounts of the general budget of the Union for 2014.

The report recalled that the 2014 discharge procedure covers a year in which two programing periods coincide and that in many cases recorded spending is related to 2007-2013 programing period.

**Strategy and mission: continuity and innovation**: Members noted the need to respect the existing discharge principles and new aspects and principles in the latest MFF. They considered that the main innovation in the discharge´s content should consist in striking an improved balance between on the one hand the formal and procedural matters of the Union budget´s utilisation, and on the other performance-based and results-oriented approaches, while taking into account absorption capacity utilisation.

**Strengthening the Commission's monitoring role**: Members deplored the fact that for 21 years in a row, **payments have been materially affected by error** due to the partial effectiveness of the supervisory and control systems.

**I. The Court of Auditors' Statement of Assurance:**

- **Accounts and legality and regularity of revenue – clean opinions:** Members noted the Court of Auditors' conclusion that the consolidated accounts of the Union present fairly, in all material respects, financial position of the Union on 31 December 2014. They expressed concern nonetheless that for the 21st year in a row, the financial supervisory and control systems examined were only partially effective in ensuring the legality and regularity of payments underlying the accounts
- **Legality and regularity of payments – adverse opinion:** Members took note of the opinions of the Court of Auditors on the legality and regularity of the transactions underlying the accounts.

**Error rates**: Members noted the adverse opinion of the Court of Auditors on payment appropriations, in respect of which the overall error rate was 4.4 % but with no specific error rate concerning fisheries. They called for fisheries to be dealt with separately and not merged with agriculture, in order to guarantee greater transparency in the area of fisheries. The **highest levels of error** were identified in spending in favour economic, social and territorial cohesion (5.7%) and competitiveness for growth and jobs (5.6%). On the other hand, administrative expenditures are connected with the lowest estimates of identified error (0.5%).

**Corrective measures**: the report noted that if the corrective measures taken by the Member States and the Commission had not been applied to the payments audited by the Court, the overall estimated level of error would have been 5.5% rather than 4.4%. It urged therefore the Commission, authorities in the Member States or independent auditors to use all information available to prevent, detect and correct possible errors.

**Shared management**: Members stressed that for the operational expenditure the estimated level of error for spending under shared management with the Member States amounts to 4.6 % (2013: 4.9%) which remains at a very high level. They are worried that for the other forms of operational spending where the Commission has a leading role, the estimated level of error has rocketed up to 4.6%.

**II. Budgetary implementation by policy area – measures to be taken**: Members discussed budgetary implementation and made the following observations:

- **Revenue**: the committee underlined that, until changes are made to the Union's own-resources system, a GNI parameter is a key factor behind the revenue issue of the Union budget and stressed that a correct and objective measure of that is therefore a key issue, the only serious one regarding the revenue topic under the current Union budget´s architecture and that it is very important to have reliable and flexible databases for calculating Member States´ contributions. The Commission is therefore called upon to declare that GNI data submitted by Member States are reliable and their contributions therefore correct. The report recalled that in 2014, updates to GNI data led to adjustments to Member States' contributions of an unprecedented size, amounting to EUR 9.813 billion. The revenue side is not affected by material errors.
- **Competitiveness for growth and jobs**: the Commission is called upon to adopt a set of measures to reduce the relatively high error rate in this area, improve data and information management to analyse also very advanced R&D&I projects and test their real impact against the potential of Horizon 2020.
- **Economic, social and territorial cohesion**: Members called on the Commission to provide the Member States with stronger incentives to boost the use of innovative financial instruments in their regional policy, while taking into consideration lessons learnt from the period 2007-2013 in order to avoid blocking funds in financial instruments.
- **Migration and Refugees**: Members stated that the Union funds involved in migration policy should be the subject to control and audits on the basis of performance indicators. They underlined the need to improve coordination amongst Member States in the area of migration. They noted the funds allocated to migration and external-border management in 2014 and asked the Court to consider preparing a special report focusing on the effectiveness of these funds.
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**Administration**: Members noted that this very specific area relates to the expenditure of Union institutions and other bodies, and that the Commission in many cases plays here a role of a service provider for the others. They requested that all Union institutions and agencies should publish, on an annual basis, information about senior officials who have left the Union administration, as well as a list of conflicts of interest. They demanded that all those Union institutions and agencies that have not yet done so urgently adopt internal rules on **whistle-blowing.**

- **OLAF**: the committee stressed that Member States are not following up alleged cases of fraud affecting the financial interests of the Union as submitted to them by OLAF. However, in 2014, significant steps were taken by OLAF to enhance the Commission´s and the Member States´ protection of Union financial interests by completion of the priority actions of the multi-annual anti-fraud strategy.

**Getting results from the Union budget**: Members noted that the key principle for the 2014 Commission discharge is the **soundness of financial flows** and real programmes and projects behind them, in light of an assessment of the optimal utilisation of Union funds in all respects.

They welcomed the fact that the structure and content of the Court of Auditors' 2014 annual report follows the headings of the MFF and places **greater emphasis on performance and results**.

However, they are aware that the move to an increased level of performance auditing **cannot be done in a single step**, as it is only once the basic legal acts and the budget are drafted with the intention to align policy objectives with qualitative indicators or to produce measurable results that performance audits can move forward.

Members pointed out, nevertheless, that the **objectives and the budget for results must be geared to the objectives laid down in the Treaties**, the Europe 2020 Strategy and sectoral and cohesion policies and must be sufficiently flexible so that it can be adapted to emergency situations that may arise, such as the economic crisis and/or the refugee crisis.

They noted that 2014 was a **zero year of absorption** for some programmes, funds and instruments of the 2014-2020 MFF due to the late adoption of the relevant regulations and the resulting late approval of secondary legislation and programming documents.

Members recalled that the 2014-2020 MFF is the first to make fewer budgetary means available than its predecessors and that pressure on the payment ceilings is much greater than in previous MFFs.

Lastly, Members considered that a results-oriented budget requires strong, solid and **commonly agreed performance indicators**.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 28/04/2016 - Text adopted by Parliament, single reading

The European Parliament decided to grant discharge to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2014, and also grant discharge to the Directors of the Education, Audiovisual and Culture Executive Agency, the Executive Agency for Small and Medium-sized Enterprises, the Consumers, Health, Agriculture and Food Executive Agency, the European Research Council Executive Agency and the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) in respect of the implementation of their respective Agencies' budgets for the financial year 2014.

Parliament approved the closure of the accounts of the general budget of the European Union for the financial year 2014.

It confirmed its position in a resolution adopted by 504 votes to 114, with 3 abstentions, which forms an integral part of the decision on discharge.

Parliament recalled that the 2014 discharge procedure covers a year in which two programing periods coincide and that in many cases recorded spending is related to 2007-2013 programing period.

**Strategy and mission: continuity and innovation**: Parliament noted the need to respect the existing discharge principles and new aspects and principles in the latest MFF. It considered that the main innovation in the discharge´s content should consist in striking an improved balance between on the one hand the formal and procedural matters of the Union budget´s utilisation, and on the other performance-based and results-oriented approaches, while taking into account absorption capacity utilisation.

**Strengthening the Commission's monitoring role**: Parliament deplored the fact that for 21 years in a row, **payments have been materially affected by error** due to the partial effectiveness of the supervisory and control systems.

**I. Statement of Assurance (DAS):**

**Accounts and legality and regularity of revenue – clean opinions**: Parliament noted the Court of Auditors' conclusion that the consolidated accounts of the Union present fairly, in all material respects, financial position of the Union on 31 December 2014. It expressed concern nonetheless that for the 21st year in a row, the financial supervisory and control systems examined were only partially effective in ensuring the legality and regularity of payments underlying the accounts

**Legality and regularity of payments – adverse opinion**: Members took note of the opinions of the Court of Auditors on the legality and regularity of the transactions underlying the accounts.

**Error rates**: Parliament noted the adverse opinion of the Court of Auditors on payment appropriations, in respect of which the overall error rate was 4.4 % but with no specific error rate concerning fisheries. It recalled that the most likely error rate for payments was estimated in the financial year 2013 at

4.7 %, in the financial year 2012 at 4.8 % and in the financial year 2011 at 3.9 %. Among particular items, the **highest levels of error** were identified in spending in favour of economic, social and territorial cohesion (5.7 %) and competitiveness for growth and jobs (5.6 %). On the other hand, administrative expenditures are connected with the lowest estimates of identified error (0.5 %).

**Corrective measures**: Parliament noted that if the corrective measures taken by the Member States and the Commission had not been applied to the payments audited by the Court, the overall estimated level of error would have been 5.5% rather than 4.4%. It urged therefore the Commission, authorities in the Member States or independent auditors to use all information available to prevent, detect and correct possible errors.

**Shared management**: Parliament stressed that for the operational expenditure the estimated level of error for spending under shared management with the Member States amounts to 4.6 % (2013: 4.9%) which remains at a very high level. It is worried that for the other forms of operational spending where the Commission has a leading role, the estimated level of error has rocketed up to 4.6% compared to 3.7 % in 2013.

**ITER**: Parliament insisted to receive from the Commission, by June 2016, an update on a long term project schedule and associated costs for ITER in preparation of budgetary decisions for the following year. It recalled that for 2016 payment appropriation at a level of almost EUR 475 million have been set aside for ITER.

**II. Budgetary implementation by policy area – measures to be taken**: Parliament discussed budgetary implementation and made the following observations:

- **Revenue**: Parliament underlined that, until changes are made to the Union's own-resources system, a GNI parameter is a key factor behind the revenue issue of the Union budget and stressed that a correct and objective measure of that is therefore a key issue, the only serious one regarding the revenue topic under the current Union budget´s architecture and that it is very important to have reliable and flexible databases for calculating Member States´ contributions. The Commission is therefore called upon to declare that GNI data submitted by Member States are reliable and their contributions therefore correct. The report recalled that in 2014, updates to GNI data led to adjustments to Member States' contributions of an unprecedented size, amounting to EUR 9.813 billion. The revenue side is not affected by material errors.
- **Competitiveness for growth and jobs**: the Commission is called upon to adopt a set of measures to reduce the relatively high error rate in this area, improve data and information management to analyse also very advanced R&D&I projects and test their real impact against the potential of Horizon 2020.
- **Economic, social and territorial cohesion**: Parliament called on the Commission to provide the Member States with stronger incentives to boost the use of innovative financial instruments in their regional policy, while taking into consideration lessons learnt from the period 2007-2013 in order to avoid blocking funds in financial instruments. As regards regional policy, the Commission regretted that the sources of errors have remained the same, essentially the non-compliance with the rules on public procurement, claiming ineligible cost and infringement of state-aid rules.
- **Economic, social and territorial cohesion**: Parliament stressed that under the ESF the most common types of eligibility issues detected are the following: expenditure declared outside the eligibility period (Czech Republic, Germany), overcharged salaries (Germany, Finland, Poland Portugal), costs not related to the project (the Netherlands, Poland, Portugal), non-compliance with national eligibility rules (Poland) and revenue not deducted (Austria).
- **Global Europe**: Parliament recalled that it requested that the Commission present the measures taken to improve the **performance of Union delegations** as regards financial planning and resource allocations, financial administration and auditing. The Commission should follow the Court's recommendation to set up and implement internal control procedures to ensure that re-financing payments are based on actual expenditure, and to strengthen the ex-ante controls for grant contracts, including the use of risk-based planning and systematic follow-up visits. It should also reflect the current and sharply changing set of priorities to provide efficient Union financial support to follow not only the territorial aspects (Ukraine, Turkey, Western Balkan, Eastern Partnership countries among others), but simultaneously also the thematic ones.
- **Migration and Refugees**: Parliament stated that the Union funds involved in migration policy should be the subject to control and audits on the basis of performance indicators. It underlined the need to improve coordination amongst Member States in the area of migration. It pointed to the **ongoing migration crisis** and underlined the need to address it with a coherent Union solution. It noted the funds allocated to migration and external-border management in 2014 and asked the Court to consider preparing a quick, special report on the effectiveness of these funds, drawing conclusions to be reflected in the ongoing process of upgrading the Union migration and border control policy.
- **Administration**: Parliament noted that this very specific area relates to the expenditure of Union institutions and other bodies, and that the Commission in many cases plays here a role of a service provider for the others. It requested that all Union institutions and agencies should publish, on an annual basis, information about senior officials who have left the Union administration, as well as a list of conflicts of interest. It demanded that all those Union institutions and agencies that have not yet done so urgently adopt internal rules on **whistle-blowing.**

**OLAF**: Parliament stressed that Member States are not following up alleged cases of fraud affecting the financial interests of the Union as submitted to them by OLAF. However, in 2014, significant steps were taken by OLAF to enhance the Commission´s and the Member States´ protection of Union financial interests by completion of the priority actions of the multi-annual anti-fraud strategy. It urged OLAF to implement the recommendations on the direct participation of the Director General in investigations.

**Getting results from the Union budget**: Parliament noted that the key principle for the 2014 Commission discharge is the **soundness of financial flows** and real programmes and projects behind them, in light of an assessment of the optimal utilisation of Union funds in all respects.

It welcomed the fact that the structure and content of the Court of Auditors' 2014 annual report follows the headings of the MFF and places **greater emphasis on performance and results**.

However, it is aware that the move to an increased level of performance auditing **cannot be done in a single step**, as it is only once the basic legal acts and the budget are drafted with the intention to align policy objectives with qualitative indicators or to produce measurable results that performance audits can move forward.

Parliament pointed out, nevertheless, that the **objectives and the budget for results must be geared to the objectives laid down in the Treaties**, the Europe 2020 Strategy and sectoral and cohesion policies and must be sufficiently flexible so that it can be adapted to emergency situations that may

arise, such as the economic crisis and/or the refugee crisis. It noted that 2014 was a **zero year of absorption** for some programmes, funds and instruments of the 2014-2020 MFF due to the late adoption of the relevant regulations and the resulting late approval of secondary legislation and programming documents.

Parliament recalled that the 2014-2020 MFF is the first to make fewer budgetary means available than its predecessors and that pressure on the payment ceilings is much greater than in previous MFFs.

Lastly, Parliament considered that a results-oriented budget requires strong, solid and **commonly agreed performance indicators**.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 15/09/2015 - Document attached to the procedure

PURPOSE: to present the annual report to the Discharge Authority on internal audits carried out in 2014.

CONTENT: this report is to inform the Discharge Authority of the work carried out by the Commission's Internal Audit Service (IAS), as required by Article 99(5) of the Financial Regulation. It is based on the report drawn up by the Commission's Internal Auditor under Article 99(3) of the Regulation, regarding IAS audit- and consulting reports completed in 20141 on Commission Directorates-General (DGs), Services and Executive Agencies.

In line with its legal base it contains a summary of the number and type of internal audits carried out, the recommendations and the action taken on those recommendations.

**Scope of the report**: the IAS's mission is to contribute to sound management in the European Commission by auditing internal management and control systems to assess their effectiveness with a view to achieving on-going improvements.

The IAS performs its work in accordance with the Financial Regulation and the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.

The IAS does not audit Member States' systems of control over the Commission's funds. Such audits, which reach down to the level of individual beneficiaries, are carried out by Member States' internal auditors, national Audit Authorities, other individual Commission DGs and the European Court of Auditors (ECA). The IAS does, however, audit measures taken by the Commission services to **supervise and audit bodies in Member States, and other bodies which are responsible for disbursing EU funds**, such as the United Nations.

As provided for in the Financial Regulation, the IAS can carry out these duties on the spot, including in the Member States.

**Implementation of the 2014 audit plan**: by the cut-off date of 31 January 2015, the implementation of the 2014 audit plan reached its target of 100% of planned engagements for audits in the Commission, Services and Executive Agencies.

The IAS completed 105 reports (compared to 87 in 2013 and 89 in 2012) including 31 audits, 67 follow-ups, 5 limited reviews, one dedicated IT risk assessment and one management letter.

In 2014, the IAS issued 127 new recommendations (of which 50 very important and 77 important). Two recommendations rated 'important' were not accepted by management and another two recommendations rated 'very important' only partially.

Action plans for all accepted recommendations were assessed as **satisfactory** by the IAS.

Auditees reported that 78% of accepted recommendations issued between 2010 and 2014 were implemented by the start of 2015. Out of all recommendations rated 'very important' or 'critical' and issued in the period 2010-2014, 17 very important recommendations (2%) were overdue by more than six months. **No critical recommendation is outstanding**.

The APC was regularly informed of very important recommendations overdue by more than six months and reminded services of their responsibility to implement, where necessary.

The total number of accepted recommendations issued during 2010-2014 for which the IAS had conducted follow-up audits by the end of 2014, amounts to 640. The IAS follow-up work confirmed that recommendations were being implemented satisfactorily, contributing to the improvement of control systems in the audited services. The IAS closed 95% of the recommendations followed-up during this period.

The accompanying Staff Working Document provides more detailed information on acceptance rates for new recommendations and the implementation of recommendations relating to the period 2010-2014.

The Commission report reviews each of the recommendations made by the IAS, the specific Directorates-General (DGs) concerned.

**Conclusion**: the implementation of action plans drawn up in response to IAS audits this year and in the past contributes to the steady improvement of the Commission's internal control framework.

The IAS will conduct follow-up audits on the execution of action plans that will be examined by the Audit Progress Committee, which will inform the College as appropriate.

The IAS will continue to focus on financial, compliance and IT audits and will step up its activities in performance auditing.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 23/07/2015 - Supplementary non-legislative basic document

Pursuant to the Financial Regulation, the Commission presented a paper on the certification of the accounts of the European Union for the financial year 2014.

The paper proposes a consolidated overview of the financial statements of the EU budget with indicative tables outlining heading by heading expenditure as well as indicative and explanatory notes to the consolidated accounts.

The document presents in particular:

- the budget sheet (assets - liabilities);
- a statement of financial performance;
- cashflow statement;
- the statement of changes in net assets of the budget.

The second part of the paper focuses on the implementation of the budget, in particular a detailed overview of the **implementation of EU expenditure by policy**, highlighting the link between the budget resources and the actual expenditure.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 09/10/2015 - Document attached to the procedure

**FOLLOW-UP TO 2013 DISCHARGE – REPLIES TO REQUESTS FROM THE COUNCIL**

This Commission Staff Working Paper completes the Report from the Commission to the Council on the Follow-up to the 2013 Discharge.

An overview of these replies can be found in COM(2015)0505 (please refer to the summary of the document in question).

The working paper presents in detail the answers to 75 specific requests made by the Council in the comments accompanying its Recommendation on the 2013 Discharge.

Most of these requests were classified according to the following chapters:

- Agriculture: Market and Direct Support
- Rural Development, Environment, Fisheries and Health
- Regional Policy, Energy and Transport
- Employment and Social Affairs
- External Relations, Aid and Enlargement
- Research and Other Internal Policies
- Administrative and Other Expenditure

The document also highlights specific issues such as **budget performance issues** as well as the implementing actions in the framework of the EDFs.

For each of these chapters, the Commission responds point by point to the requests of the Council and proposes a framework of appropriate measures, if necessary.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 08/10/2015 - Document attached to the procedure

PURPOSE: presentation of measures taken by the Commission to protect the EU budget.

CONTENT: this Communication seeks to describe the **functioning of the preventive and corrective mechanisms foreseen in the legislation and the actions taken by the Commission services to protect the EU budget** from illegal or irregular expenditure. It also provides a best estimate of the figures resulting from their use and indicates how Member States are involved and impacted.

**A complementary document to the discharge procedure**: this Communication is prepared annually following a specific request by the European Parliament in the context of the 2011 discharge procedure and is therefore addressed to this institution, as well as to the Council and to the European Court of Auditors (ECA). It complements the information included in the 2014 EU annual accounts, the 2014 Commission's Synthesis Report, and the relevant parts of the Annual Activity Reports of the Directorates General concerned.

**Level of errors and financial corrections**: the ECA provides in its annual report a statement of assurance on the legality and regularity of transactions underlying the EU annual accounts, as well as observations and statistics on the material level of error in the payments underlying the accounts. The importance of financial corrections and recoveries is particularly highlighted when considering their multi-annual character. This is duly reflected in the Annual Activity Reports which provide detailed information on both error rates and financial corrections and recoveries. A complementary assessment of both gives an indication of the final impact on the EU financial interests as regards irregular payments to beneficiaries and represents a key indicator for assessing how supervisory and control systems manage the risks relating to the legality and regularity of operations financed by the EU budget.

The significant work of both the Commission and the Member States to manage the risks relating to the legality and regularity of operations financed by the EU budget is performed in accordance with the Treaty on the Functioning of the European Union (TFEU), the Financial Regulation, its Rules of Application and the various sector-specific legal texts.

**Protection of the EU budget**: the Commission protects the EU budget, i.e. EU spending, from undue or irregular expenditure via two main methods:

1. Preventive actions;
2. Corrective mechanisms (primarily financial corrections imposed on Member States but also recoveries from recipients of EU payments).

**The primary objective of financial corrections and recoveries is to ensure that EU funds are used in accordance with the legal framework**.

Under shared management, **Member States** (and not the Commission) **are primarily responsible for identifying and recovering from beneficiaries amounts unduly paid**. Given the control framework, the complexity of the corrective mechanisms and procedures, as well as the multi-annual character of programmes, the results (i.e. financial corrections and recoveries) are generally implemented after the related weaknesses or irregularities are identified and payments are made.

In order to ensure the cost-effectiveness of control systems, one of the main work streams on which the services of the Commission will work during the mandate of the College is to rationalise and streamline controls and reallocate resources to controls deemed most appropriate for managing legality and regularity risks within the regulatory framework.

For shared management, the main objective is to improve the effectiveness of Member States' control systems.

This Communication focuses primarily on the results of the Commission's supervisory role, but also provides information on Member States' controls.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 08/10/2015 - Document attached to the procedure

**FOLLOW-UP TO THE 2013 COMMISSION DISCHARGE: FOLLOW-UP ON THE EUROPEAN PARLIAMENT AND COUNCIL RECOMMENDATIONS**

***Preliminary comments***: this is the Commission's report to the European Parliament (EP) and the Council on the follow-up to the EP discharge resolutions and the Council Recommendation for the 2013 financial year, pursuant to Article 319(3) of the Treaty on the Functioning of the European Union (TFEU).

It is the first report presented by the Commission which took up office on 1.11.2014. The Commission has thoroughly examined the concerns expressed by the EP and Council in the 2013 discharge.

In the Parliament's general discharge resolution, a certain number of issues such as necessary improvements in **shared management, simplification, performance** as well as other specific points are highlighted. These requests have been extensively discussed during the discharge procedure, in particular with the rapporteur and the Members of the Budgetary Control Committee (CONT).

The Council recommendation also contains important issues related to the need of improvements in shared management, simplification and performance.

The present communication takes into account this commitment whilst updating, where necessary, the situation as far as further actions have been taken so far. It is accompanied by two Commission Staff Working Documents containing replies to 319 EP and 75 Council specific discharge requests ( *please refer to Commission Staff Working Documents SWD(2015)0194 and 0195*).

CONTENT: the report focuses on the binding commitments highlighted by the European Parliament in its general discharge resolutions.

The Commission agrees to start new actions on 139 requests (115 from the EP and 24 from the Council). It considers that for 218 requests (168 from the EP and 50 from the Council), the required action has already been taken or is on-going, though in some cases the results of the actions will need to be assessed. Finally, for reasons related to the existing legal and budgetary framework or its institutional role or prerogatives, the Commission cannot accept 37 requests (36 from the EP and 1 from the Council). A detailed justification is provided in the two Commission staff working documents mentioned above.

The Commission’s replies to requests from the European Parliament and the Council may be summarised as follows:

**Shared management**: the Commission has been working towards an effective "single audit chain" which is a leitmotiv of a large part of the resolution. In this context the main sources for the assurance of the Commission that resources have been used in accordance with the legal framework and principles of sound financial management are the results of its own audit work, audits of the European Court of Auditors (ECA) and reports provided by OLAF, as well as information presented by national authorities, in particular the audit opinions and control statistics on error rates transmitted as part of the annual control reports and the national system audits provided throughout the year.

One important aspect of the single audit is the **management declaration** which introduces a reinforced mandatory reporting for Member States, signed by the Directors / heads of the agencies or bodies. However, the issuance of a national declaration (Article 59(1) FR) could constitute another important element of the single audit.

On the request to submit a recommendation to promote the use of such national declarations the Commission, whilst endorsing the recommendations of the Interinstitutional Working Group, would like to stress that other actions constitute a more appropriate way to promote their use, like including information in public documents such as the AARs of the Commission, collection of best practices, information sessions in the relevant fora or **promotion of the national declarations** vis-à-vis the Ministers of Finance, National Parliaments and Supreme Audit Institutions. As for the EP request to publish national declarations, annual summaries and management declarations, the Commission underlines that it has not he right to publish such documents.

**As regards the reliability of the information provided by Member States**, the Commission is of the opinion that the credibility of AARs is not undermined by the lack of reliability of some of the first level checks performed by Member States. For its assurance, the Commission takes into account the results from the work of all these levels of control as well as the results from the ECA audit work and the OLAF investigations.

**Simplification**: the Commission recalled that the legal framework for 2014-2020 provides a basis for further simplification by introducing measures like the reduced number of programmes, the alignment of the provisions between European Structural Investment Funds and other EU instruments, the reinforcement of simplified cost options (SCO) or the introduction of Joint Action Plans and the reduction of audit burden in line with the principle of proportionality.

In the area of Agriculture and Rural Development, the new legal framework includes simplification elements such as the small farmers' scheme or standard costs and lump sum payments in rural development. Moreover, some of the elements introduced by the co-legislators in the course of the legislative procedure have added complexity to the Commission's initial proposals.

As far as Cohesion Policy is concerned, wide ranges of simplification opportunities have been offered to Member States which they must now take up while avoiding 'gold-plating'.

Therefore, simplification helps focus effort on achieving projects and programmes results.

**Performance**: the European Parliament requests that the Management Plan of the Directors-General should have a limited number of targets on which they report in their Annual Activity Reports (AAR). The Commission underlines that

2013 AARs contained the progress in achieving milestones and long-term targets defined in the 2013 management plans and also included a summary of evaluations and performance audits carried out.

**OLAF**: lastly, Parliament’s requests in this domain mainly concern the relations between OLAF and its Supervisory Committee (SC). The Commission can assure the EP that these are duly considered. In particular, as regards the **independence of the Supervisory Committee**, in line with Regulation 883 /2013, OLAF has undertaken, to the extent possible, measures to guarantee the independent functioning and the financial autonomy of the SC and its budget.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 09/10/2015 - Document attached to the procedure

**FOLLOW-UP TO 2013 DISCHARGE – REPLIES TO REQUESTS FROM THE EUROPEAN PARLIAMENT**

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament on the Follow-up to the 2013.

An overview of these replies can be found in COM(2015)0505 (please refer to the summary of the document in question).

The working paper presents in detail the answers to 319 specific requests made by the European Parliament in its Resolution forming an integral part of its Decisions on the 2013 Discharge.

Most of these requests were classified according to the following chapters:

- the Court of Auditors of Statement of Assurance;
- revenue and own resources of the EU budget;
- agriculture;
- regional Policy, transport and energy;
- employment and social affairs;

- external relations;
- research policies and other internal policies;
- OLAF;
- administration.

The document also highlights specific issues such as **budget performance** issues (in terms of results) and the issue of **tobacco smuggling**.

For each of these chapters, the Commission responds point by point to the requests of the European Parliament and proposes a framework of appropriate measures, if necessary.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 26/02/2016 - Document attached to the procedure

This report concerns the Member States' Replies to the European Court of Auditors' 2014 Annual Report.

Three main themes have been identified in this year’s report:

- measuring performance results;
- types of quantifiable errors – infringements of state aid and public procurement rules;
- sound financial management.

The report is also accompanied by a Staff Working Document which comprises Member States' technical replies to the themes identified in 2014.

**Key features of the ECA 2014 report**: for the 2014 annual report, the Court has updated its audit approach and the structure of the report. The main change to its approach is the quantification of serious infringements of public procurement rules and the corresponding adjustment of 2013 and 2012 figures in order to ensure comparability of results.

The new structure of the report reflects the 2014-2020 Multiannual Financial Framework (MFF) headings.

**Results of the Court's audit for 2014**: the results of the Court's audit for 2014 stated that **the accounts were not affected by material misstatements** and therefore it issued a **clean opinion** on the reliability of the accounts, as it has done since 2007.

For **expenditure**, the Court found an **estimated level of error for 2014 payments of 4.4%** close to the 2013 level of 4.5%. Apart from MFF heading 5 (Administration), expenditure for all remaining headings was affected by material error. For Competiveness, Cohesion and Global Europe the estimated levels of error were 5.6%, 5.7% and 2.7% respectively, all representing an increase on equivalent results in 2013.

However, for Natural Resources the estimated level of error was 3.6% a decrease on the equivalent results for 2013.

Cohesion was the biggest contributor to the overall error rate followed by Natural Resources, Competiveness and Global Europe.

The Court's report also identified two types of expenditure programmes - **entitlement programmes and cost reimbursement schemes** - which involve distinct patterns of risk. According to the report, eligibility errors in cost reimbursement schemes dominate the errors detected for 2014. Errors in the cost reimbursement category include mostly serious infringements of **public procurement rules** during tendering and contract implementation.

For entitlement programmes typical errors include **over declarations by farmers and administrative errors** affecting payments to farmers

**Member States' replies to the identifies errors**: this report demonstrated a continued commitment to sound financial management by:

- actively promoting the use of SCOs,
- improving management verifications,
- reporting on financial instruments.

According to many Member States, procurement issues are also being tackled by aligning national and EU legislation. In cases where weaknesses are found in training programmes, increases in on-the-spot checks and recoveries of amounts, are among the measures undertaken to remedy deficiencies in public procurement as attested by the Czech Republic, Croatia, Belgium, Finland and Germany.

The replies from Member States this year also indicate that there is a **growing awareness of the need to create an effective performance culture and to focus on results**.

Nearly all Member States reported using indicators - common and specific- across the funds, at national and regional level to measure performance.

Nevertheless **low implementation levels** of programmes could mean that meaningful data on performance may not be provided in term for the 2017 MFF mid-term review. More meaningful data is likely to be available in line with performance frameworks of many programmes scheduled for 2018 or 2019.

# 2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 23/07/2015 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2014, as part of the 2014 discharge procedure.

Analysis of the accounts of the EU Institutions: **Section III - European Commission**.

**Legal reminder**: the consolidated annual accounts of the European Union for the year 2014 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.

**(1) Purpose**: the document helps to bring insight into the EU budget mechanism and **the way in which the budget has been managed and spent in 2014** , including the different expenses of the European institutions. It should be recalled that only the Commission budget contains administrative appropriations and operating appropriations. **The other Institutions have only administrative appropriations.**

The document also presents the different financial actors involved in the budget process (accounting officers, internal officers and authorising officers) and recalls their respective roles in the context of the tasks of sound financial management.

Amongst the other legal elements relating to the implementation of the EU budget presented in this document, the paper focuses on the following issues:

- accounting principles applicable to the management of EU spending (business continuity, consistency of accounting methods, comparability of information ...);
- consolidation methods of figures for all major controlled entities (the consolidated financial statements of the EU comprise all significant controlled entities –institutions, organisations and agencies);
- the recognition of financial assets in the EU (tangible and intangible assets, financial assets and other miscellaneous investments);
- the way in which EU public expenditure is committed and spent, including pre-financing (cash advances intended for the benefit of an EU organ);
- the means of recovery following irregularities detected;
- the performance indicators in the framework of the financial implementation;
- the modus operandi of the accounting system;
- the audit process followed by the European Parliament's granting of the discharge.

**Discharge procedure**: the final control is the discharge of the budget for a given financial year. 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 from its responsibility for management of a given budget** by marking the end of that budget's existence. When granting discharge, Parliament may make observations which it considers important and often recommends the Commission and the other institutions to **take actions concerning these matters.**

The document also details specific expenditure of the institutions, in particular: (i) pensions of former Members and officials of institutions; (ii) joint sickness insurance scheme and (iii) buildings.

The document also presents a series of tables and detailed technical indicators on (i) the balance sheet; (ii) the economic outturn account; (iii) cashflow tables; (iv) technical annexes concerning the financial statements.

**(2) Balance sheet of financial implementation**: **achievements and difficulties in implementation**: in addition to legal aspects regarding the way in which the Union’s expenditures are implemented, the document highlights the difficulties relating to the management and execution of certain of the Union’s expenditures:

The document provides an overview of the correction of errors and irregularities discovered in 2014. Financial corrections and recoveries made at source totalling EUR 782 million – Agriculture EUR 6 million, Cohesion EUR 494 million, internal policies EUR 207 million, external policies EUR 71 million and administration EUR 4 million.

The document also focuses on preventive mechanisms of the Commission to **protect the EU budget**. Under direct management, preventive actions include checks made by the responsible services on eligibility of expenditure being claimed by beneficiaries. These ex-ante controls are embedded in the programmes’ management processes and are intended to provide reasonable assurance on the legality and regularity of expenditure being paid. The Commission services can also provide guidance, particularly on contractual issues, with the aim of ensuring a sound and efficient management of funding and therefore a lower risk of irregularities.

Risk management policies have also been put into place to ensure the correct management of risks when using the financial instruments.

**RAL (budgetary commitments made, payments still pending)**: the budgetary RAL ("Reste à Liquider")) is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. At 31 December 2014, the budgetary RAL amounted to EUR 189.585 billion (a significant decrease since 2013: EUR 222.4 billion).

**(3) Implementation of the budget for the 2014 financial year**: the document also comprises a series of annexes containing figures, the most important of which relates to budgetary implementation.

The year 2014 was the first year of the new programming period 2014-2020.

**(a) table on the implementation of commitment appropriations by heading**:

- Sustainable growth: EUR 63.98 billion;
- Preservation and management of natural resources: EUR 59.2 billion;
- Citizenship, freedom, security and justice: EUR 2.17 billion;
- EU as a global player: EUR 8.3 billion;
- Administration: EUR 8.4 billion;

Total commitments: EUR 142.69 billion (including special instruments).

**(b) table on the execution of payment appropriations by heading**:

- Sustainable growth: EUR 65.86 billion;
- Preservation and management of natural resources: EUR 55.9 billion;
- Citizenship, freedom, security and justice: EUR 1.66 billion;
- EU as a global player: EUR 6.2 billion;
- Administration: EUR 8.4 billion;

Total payments: EUR 139.03 billion (including special instruments).

(**c) budget implementation – conclusions**: lastly, the document provides details on the implementation of the budget in more political terms.

For **commitments**, the final adopted budget for commitments was implemented at a 76% level in the first year of the new programming period mostly because of the delay in the adoption of the operational programmes for the funds under shared management. Modifications via amending budgets were negligible apart from the mobilisation of the European Union Solidarity Fund for EUR 127 million.

**Payment appropriations** were, after a cut of EUR 556 million to the Draft Budget 2014 (including Amending Letters 1 and 2). This meant a decrease of 6 % (EUR 9 billion) compared to the final adopted budget for 2013. This initial level of appropriations left a margin of only EUR 711 million below the MFF ceiling. The ceiling of payments for this first year of the new programming period was set exceptionally low, i.e. more than EUR 8 billion below 2013 and EUR 6 billion below 2015 level. It was clear from the outset that in view of the amount of outstanding commitments, **the heavy pressure on payments** would continue throughout 2014 with a need to revise the amount of appropriations required and very active management of the budget.

**The net reinforcement of payment appropriations** of operational budget lines via amending budgets amounted to EUR 3.599 billion. This brought at year-end the level of payment appropriations above the ceiling of the MFF through recourse to the Contingency Margin, and the new and last-resort Special Instrument to react to unforeseen circumstances.

The total implementation of final budget payment appropriations was **EUR 137.136 billion** (compared to EUR 142.883 billion in 2013).