Basic information

2016/2151(DEC) DEC - Discharge procedure	Procedure completed
2015 discharge: EU general budget, European Commission and executive agencies **Subject** 8.70.03.05 2015 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	ZELLER Joachim (PPE)	08/08/2016
	Shadow rapporteur LIBERADZKI Bogusław (S&D) CZARNECKI Ryszard (ECR) DLABAJOVÁ Martina (ALDE) FLANAGAN Luke Ming (GUE/NGL) STAES Bart (Verts/ALE) VALLI Marco (EFDD) JALKH Jean-François (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	BALČYTIS Zigmantas (S&D)	08/09/2016
DEVE Development	RÜBIG Paul (PPE)	07/09/2016
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.	

EMPL	Employment and Social Affairs	HARKIN Marian (ALDE)	09/09/2016
ENVI	Environment, Public Health and Food Safety	LA VIA Giovanni (PPE)	31/08/2016
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	DELLI Karima (Verts/ALE)	14/09/2016
REGI	Regional Development	MIHAYLOVA Iskra (ALDE)	08/09/2016
AGRI	Agriculture and Rural Development	JAHR Peter (PPE)	14/09/2016
PECH	Fisheries	CADEC Alain (PPE)	11/10/2016
CULT	Culture and Education	COSTA Silvia (S&D)	05/09/2016
JURI	Legal Affairs	The committee decided not to give an opinion.	
LIBE	Civil Liberties, Justice and Home Affairs	JEŽEK Petr (ALDE)	12/10/2016
AFCO	Constitutional Affairs	The committee decided not to give an opinion.	
FEMM	Women's Rights and Gender Equality	DĂNCILĂ Viorica (S&D)	11/10/2016
PETI	Petitions	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3520	2017-02-21

European Commission

Commission DG	Commissioner
Budget	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
11/07/2016	Non-legislative basic document published	COM(2016)0475	Summary
04/10/2016	Committee referral announced in Parliament		
23/03/2017	Vote in committee		
31/03/2017	Committee report tabled for plenary	A8-0150/2017	Summary
26/04/2017	Debate in Parliament		
27/04/2017	Decision by Parliament	T8-0143/2017	Summary
27/04/2017	Results of vote in Parliament		
27/04/2017	End of procedure in Parliament		
29/09/2017	Final act published in Official Journal		

Technical information

Procedure reference	2016/2151(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/07174

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	CULT	PE593.854	25/01/2017	
Committee opinion	REGI	PE593.973	25/01/2017	
Committee opinion	AGRI	PE592.130	27/01/2017	
Committee opinion	PECH	PE592.309	27/01/2017	
Committee opinion	FEMM	PE593.956	27/01/2017	
Committee opinion	EMPL	PE592.088	31/01/2017	
Committee opinion	ENVI	PE592.297	31/01/2017	
Committee opinion	AFET	PE594.060	02/02/2017	
Committee draft report		PE593.832	08/02/2017	

Committee opinion	LIBE	PE595.387	15/02/2017	
Committee opinion	TRAN	PE595.617	01/03/2017	
Committee opinion	DEVE	PE597.490	06/03/2017	
Amendments tabled in committee		PE600.919	10/03/2017	
Committee report tabled for plenary, single reading		A8-0150/2017	31/03/2017	Summary
Text adopted by Parliament, single reading		T8-0143/2017	27/04/2017	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05874/2017	07/02/2017	Summary
Supplementary non-legislative basic document	05876/2017	17/02/2017	Summary

European Commission

Document type	Reference	Date	Summary
Document attached to the procedure	COM(2016)0474	11/07/2016	
Non-legislative basic document	COM(2016)0475	11/07/2016	Summary
Document attached to the procedure	COM(2016)0628	30/09/2016	Summary
Document attached to the procedure	SWD(2016)0322	30/09/2016	
Document attached to the procedure	COM(2016)0674	17/10/2016	Summary
Document attached to the procedure	SWD(2016)0338	18/10/2016	Summary
Document attached to the procedure	SWD(2016)0339	18/10/2016	Summary
Commission document (COM)	COM(2017)0120	27/02/2017	Summary
Commission document (COM)	COM(2017)0124	28/02/2017	Summary
Commission working document (SWD)	SWD(2017)0101	28/02/2017	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0074/2016 OJ C 375 13.10.2016, p. 0001	14/07/2016	Summary

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

Final act	
Budget 2017/1606 OJ L 252 29.09.2017, p. 0026	Summary

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 11/07/2016 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2015, as part of the 2015 discharge procedure.

Analysis of the accounts of the EU Institutions: **European Commission**.

Legal reminder: the consolidated annual accounts of the European Union for the year 2015 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) Governance and budgetary principles: the organisational governance of the EU consists of institutions, agencies and other EU bodies. The main institutions in the sense of being responsible for drafting policies and taking decisions are the EP, the European Council, the Council and **the Commission**.

The EU Budget finances a wide range of policies and programmes throughout the EU. In accordance with the priorities set by the European Parliament and the Council in the Multiannual Financial Framework (MFF), the Commission carries out specific programmes, activities and projects in the field.

The budget is prepared by the Commission and usually agreed in mid-December by the Parliament and the Council, based on the procedure of Art. 314 TFEU.

According to the principle of budget equilibrium, the total revenue must equal total expenditure (payment appropriations) for a given financial year.

EU revenues: the EU has two main categories of funding: own resources revenues and sundry revenues. Own resources can be divided into traditional own resources (such as custom levies), the own resource based on value added tax (VAT) and the resource based on gross national income (GNI). Sundry revenues arising from the activities of the EU (e.g. competition fines) normally represent less than 10 % of total revenue. Own resources revenue make up the vast majority of EU funding.

Expenditure of the EU institutions: the EU's operational expenditure of these institutions takes different forms, depending on how the money is paid out and managed.

From 2014 onwards, the Commission classifies its expenditure as follows:

- **Direct management**: the budget is implemented directly by the Commission services.
- **Indirect management**: the Commission confers tasks of implementation of the budget to bodies of EU law or national law, such as the EU agencies.
- **Shared management**: under this method of budget implementation tasks are delegated to Member States. About 80 % of the expenditure falls under this management mode covering such areas as agricultural spending and structural actions.

Consolidated annual accounts of the EU: this Commission document concerns the EU's consolidated accounts for the year 2015 and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It also presents the accounting principles applicable to the European budget (in particular, consolidation).

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.

Audit and discharge: the EU's annual accounts and resource management are audited by the European Court of Auditors, its external auditor, which as part of its activities draws up for the European Parliament and the Council:

- an annual report on the activities financed from the general budget, detailing its observations on the annual accounts and underlying transactions;
- an opinion, based on its audits and given in the annual report in the form of a statement of assurance, on (i) the reliability of the accounts and (ii) the legality and regularity of the underlying transactions involving both revenue collected from taxable persons and payments to final beneficiaries.

The discharge represents the political aspect of the external control of budget implementation and is **the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission (and other EU bodies) from its responsibility for management of a given budget** by marking the end of that budget's existence. This discharge procedure may produce three outcomes: (i) the granting; (ii) postponement; (iii) or the refusal of the discharge.

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) Implementation of the budget for the 2015 financial year: the document also comprises a series of annexes containing figures, the most important of which relates to budgetary implementation.

The document noted that in 2015 the Commission's budget was EUR 177.2 million (total payments in 2015 with an implementation rate of 97.76%).

As regards the **budgetary implementation of the Commission**, according to the document, expenses were, of EUR 155.9 billion, at a lower level than last year (2014: EUR 165.3 billion). A decrease of EUR 4.6 billion was noted for the European Regional Development Fund (ERDF) and Cohesion Fund (CF), which was due to the slow start of the implementation of the programming period 2014-2020. Expenses under the European Social Fund (ESF) fell by EUR 2.8 billion due to fewer cost claims submitted for the 2007-2013 multiannual financial framework period.

The main all of which relates to Commission activities. Some 70 % of the Commission's pre-financing concerns shared management, which means that the implementation of the budget is delegated to Member States (the Commission retains a supervisory role). The most significant pre-financing amount under shared management mode relates to ERDF & CF. The long-term pre-financing has increased by EUR expense items (EUR 112.4 billion) are transfer payments under the shared management mode. The main funds are: the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments, ERDF and CF and the ESF. In the financial year 2015 these made up almost 71 % of total expenses.

Overall, the expenses incurred under direct and indirect management made up about 14 % of total expenses (EUR 22 billion).

Pre-financing: the total pre-financing (excluding other advances to Member States and contributions to trust funds) on the EU balance sheet amounts to EUR 40 billion (2014: EUR 45 billion), almost 12.6 billion related to the new MFF while short-term pre-financing fell by EUR 17.7 billion.

Leverage effect: the significance and volume of financial instruments financed by the EU budget under direct and indirect management increases from year to year. The basic concept behind this approach, in contrast to the traditional method of budget implementation by giving grants and subsidies, is that for each euro spent from the budget via financial instruments, the final beneficiary receives more than EUR 1 as financial support due to the **leverage effect**. This intelligent use of the EU budget aims at maximising the impact of the funds available.

Financial corrections and recoveries: in 2015, the total financial corrections and recoveries implemented amounted to EUR 3 853 million (2014: EUR 3 285 million). The implementation of financial corrections and recoveries may take a number of years mainly due to instalment or deferral decisions granted to Member States under the agricultural policy. Under the Cohesion policy the legal framework foresees the implementation at or after the closure of the programming period.

Managing the refugee crisis: in the second half of 2015, the European Commission has worked for a swift, coordinated European response to the risks and uncertainties related to the refugee crisis, tabling a series of proposals designed to equip Member States with the tools necessary to better manage the large number of arrivals. From tripling the presence at sea; through a new system of emergency solidarity to relocate asylum seekers from the most affected countries; via an unprecedented mobilisation of the EU budget of over EUR 10 billion to address the refugee crisis and assist the countries most affected; all the way to an ambitious proposal for a new European Border and Coast Guard, the European Union is bolstering Europe's asylum and migration policy to deal with the new challenges it is facing.

Despite these measures taken, uncertainty surrounding the strong inflow of asylum seekers and its economic impact remains high.

As a first and immediate step, the Commission reinforced funding for the years 2015 and 2016 of Frontex, Europol and EASO (EUR 170 million) and has increased financial contributions to the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF) from initially EUR 2 billion to EUR 3.7 billion. Immediate financial support for activities related to the refugee crisis outside the EU led to an increase in Humanitarian aid (EUR 2.2 billion), the creation of the EU Trust Fund for Syria (EUR 500 million), the creation of the EU Emergency Trust Fund for Africa (EUR 1.8 billion), the creation of the refugee facility in Turkey (EUR 1 billion) and other measures relating to security and boarder control (EUR 300 million), counter terrorism (EUR 100 million) and to the return of displaced persons and refugees (EUR 280 million).

In total, the measures taken in 2015 bring the overall package (future budgets) to assist European farmers to about EUR 500 million.

Budget implementation in 2015 in figures:

- **surplus of EUR 1.3 billion**: this surplus mainly comes from the revenue side, in particular the revision of VAT and GNI in 2014, including payments by Member States made in 2015.
- **expenditure**: payment appropriations of the final budget adopted, excluding special instruments, amounted to EUR 141.1 billion, which is 1.6% more than in 2014. The total amount of payments reached EUR 145.2 billion (against EUR 142.5 billion in 2014);
- **RAL commitments**: commitment appropriations available amount to EUR 181.3 billion were executed at an overall level of 97.7% - the outstanding commitments (the "RAL") have increased from EUR 189.6 billion at the end 2014 to EUR 217.7 billion at the end 2015. This increase reflects the intensification of the implementation of the new programming period.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 30/09/2016 - Document attached to the procedure

PURPOSE: presentation of a report on the internal audits carried out in 2015 in the framework of the discharge procedure.

CONTENT: this report is to inform the European Parliament and Council 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 that Regulation, regarding IAS audit- and consulting reports completed in 2015 on Commission Directorates-General, 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. The audit reports finalised in the period 1 February 2015 - 31 January 2016 are included in this report. Recommendations implemented after the cut-off date of 31 January 2016 are not considered.

Scope of the report: the mission of the Internal Audit Service is to provide to the Commission independent, objective assurance and consulting services designed to add value and improve the operations of the Commission. Its tasks include assessing and making appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- effectively communicating risk and control information to appropriate areas of the organisation.

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).

Implementation of the 2015 audit plan: by the cut-off date of 31 January 2016, the implementation of the 2015 audit plan reached its target of 100% of planned engagements for audits in the Commission, Services and Executive Agencies.

139 engagements (including audits, follow-ups, limited reviews, risk assessments and one management letter) were finalised.

The increase in number of engagements finalised by the IAS in 2015 compared to previous years is mainly due to the **centralisation of the internal audit function**. In 2015, the IAS received 60 new posts which it has gradually been filling. As a result, the audit plan included new engagements in line with the increased availability of capacity. The 2016 final audit plan contains 101 audit engagements (excl. follow-up engagements), of which 67 are planned to be finalised in 2016.

Methodology: in response to the Commission's move towards an enhanced performance-based culture and greater focus on value for money, the IAS continued to carry out performance audits and audits which include important performance elements (comprehensive audits) in 2015 as part of its 2013-2015 strategic audit plan.

These audits addressed a number of aspects related to performance:

- DGs and Services are faced with a growing pressure on financial and human resources while at the same time they need to demonstrate that they are delivering on their objectives and achieving value for money. The IAS focused on (1) how DGs and Services manage, monitor and report on the specific objectives which are under their control and can be achieved through their outputs and actions, (2) the use of their internal resources and (3) how they evaluate the benefits of their internal processes and controls;
- the 2014-2020 Multi-annual Financial Framework places more emphasis on the achievement of results and new provisions in the legal bases introduced mechanisms which aim at strengthening the performance frameworks of the 2014-2020 spending programmes.

In line with its methodology and best practice, the IAS approached performance in an **indirect way**, i.e. an assessment of whether and how management has set up systems intended to **measure the performance** (efficiency and effectiveness) of its activities. Through this approach, the IAS aims at ensuring that, in the first instance, DGs and Services have established performance frameworks including performance measurement tools, (i. e. key indicators) and monitoring systems which means that objectives and **SMART benchmarks** have first to be established at Commission level, in order to dissociate, to the extent possible, the Commission's specific objectives and performance from those of the spending programmes, the achievement of which also depends on other **major key players**, particularly when EU programmes are implemented under shared and indirect management (Member States, Regions, etc.).

Overall opinion: the IAS considered that the implementation of action plans drawn up in response to its audits this year and in the past **contributes to the steady improvement of the Commission's internal control framework**:

- on internal controls, the IAS conclusion on the state of internal control is **limited to the management and control systems** which were subject to an audit and does not cover those which had not been audited by the IAS or the IAC in the past three years;
- as regards the budgetary management of the Commission, the overall opinion is qualified with regard to the reservations made in the Authorising Officers' by Delegation Declarations of Assurance. In arriving at this opinion, the IAS considered the combined impact of amounts estimated to be at risk as disclosed in the Annual Activity Reports of the DG/Service concerned in the light of the corrective capacity as evidenced by financial corrections and recoveries of the past. Given the magnitude of financial corrections and recoveries of the past and assuming that corrections on 2015 payments will be made at a comparable level, the **EU Budget is adequately protected as a whole** (not necessarily individual policy areas) and **over time** (sometimes several years later).

Without further qualifying the opinion, the internal auditor added three ‘emphases of matter’ which relate to:

- control strategies in the research area for the 2014-2020 programmes,
- supervision strategies regarding third parties implementing policies and programmes,
- nuclear decommissioning and waste management programme in JRC.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 17/10/2016 - Document attached to the procedure

PURPOSE: presentation of a report on the follow-up to the requests made by the European Parliament in its discharge resolutions and the Council in its recommendation for the year 2014.

CONTENT: the discharge for the financial year 2014 was marked by the alignment of the most involved European Institutions – European Parliament, Council, European Court of Auditors, Commission - on the **importance of focusing on the performance of the EU budget**.

In the discharge proceedings, a new balance was thus struck between issues relating to the results delivered by the EU budget and issues concerning the formal compliance with rules.

In 2015, **progress was made** on the 'Budget Focused on Results' (BFOR) initiative in relation to inter alia developing a conceptual framework, reinforcing programme statements in the annual budget, and upgrading the Commission's Strategic Planning and Programming cycle.

The work continues in 2016 with e.g. meetings of the expert group on performance based budgeting, a streamlining of reporting on both performance and compliance issues in the new Annual Management and Performance Report, and the review of the Financial Regulation.

Also the European Court of Auditors stressed the need for a **revised balance between performance and compliance issues**, calling for a 'wholly new approach to investment and spending' when it published its Annual report concerning the 2014 financial year. It invited EU decision-makers, EU legislators and financial managers to ensure that EU funds are spent in line with strategic priorities and achieve the intended results.

These issues were discussed extensively during the discharge proceedings in the Parliament as well as in the Council.

Parliament’s report on discharge of the Commission emphasised the need to ensure "continuity and innovation" in the discharge. In addition to increasing the focus on performance issues, it reacted to the Commission's follow-up of requests made by the EP in past discharge proceedings. Evidence was given of the Commission's formal commitments to implement fully and timely a series of actions and measures related to the issues identified.

The present report takes into account these commitments whilst updating, where relevant, the situation by providing an **overview of further actions taken up to now**. It is accompanied by two Commission staff working documents containing replies to 350 Parliament and 57 Council specific discharge requests.

The Commission agrees to start new actions on 100 requests (88 from the Parliament and 12 from the Council). It considers that for requests 272 (227 from the Parliament and 45 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. Lastly, for reasons related to the existing legal and budgetary framework or its institutional role or prerogatives, the Commission cannot accept 35 requests from the Parliament.

Other issues may be summarised as follows:

Budgetary performance: the Commission is firmly committed to: a) seeking a financial programming with adequate budgetary means for longer term policy priorities; and b) implement the legislative framework put in place by the Parliament and the Council in order to improve reporting on the contribution of the ESI Funds to the achievement of the Union's strategy for smart, sustainable and inclusive growth.

Furthermore, Parliament called on the Commission to improve its reporting on performance issues. The Commission has presented the new Annual Management and Performance Report for the 2015 EU Budget which provides a comprehensive overview of how the EU budget supports the Union's political priorities and the role the Commission plays in fostering a culture of performance as well as in ensuring and promoting the highest standards of budgetary management. The report is an important contribution by the Commission to the annual budgetary discharge process.

"Focus, speed and results" are the guiding principles of a number of initiatives, which fall into four different areas as illustrated in the new Annual Management and Performance Report. This approach shows the Commission's commitment to streamline reporting on the performance of the budget.

The 'Budget Focused on Results' (BFOR) initiative strives for continuous progress in this area. Specific improvements were already introduced during 2015 in the Commission's strategic planning and programming cycle as well as in the budgetary procedure. These changes enhance performance planning, monitoring and reporting for all programmes.

Addressing the level of error: in response to the request by both the Parliament and the Council to apply strictly Article 32(5) of the Financial Regulation, the Commission will carry out analyses of "areas of persistently high levels of errors" and report on the root causes and on measures taken to address them, while ensuring cost-effectiveness of controls. In this respect, the Commission is committed to continue **close coordination with the Member States and other entities entrusted with the implementation of the EU budget**, to identify areas where concerted action is necessary or is considered likely to be beneficial. Preventive action such as providing guidance to Member States or suspending/interrupting funds will be taken when appropriate.

As requested by the Parliament and the Council, the Commission, in cooperation with Member States, will continue to use all information available to prevent, detect and correct possible errors.

Parliament has requested the Commission to assess for each policy domain and for the Union budget as a whole, the level of error remaining after corrective measures, while taking into account the multi-annual nature of programmes. The Commission followed up on this request by presenting its best estimate of the so-called "amount at risk at closure" for each policy area and for the budget as a whole. It carries out **consistency checks** on Member States' data such as control statistics for CAP spending, and the annual financial corrections statements for all Member States and operational programmes in the areas of Cohesion policy.

Pressure on the budget: Parliament requested the assessment of all flexibility provisions of the MFF and measures to overcome insufficient absorption capacity. In this regard, the Commission has presented a payment forecast assessing the sustainability of the current ceilings and including the estimate of de-commitments and the evolution of RAL until the end of the current MFF.

As for the CAP, the EAFRD provides Member States with pre-financing for implementation of their 2014-2020 programmes. For the programming period 2014-2020, the Commission increased by one year the time period during which Member States have to implement budgetary commitments. Currently, the N+3 rule applies, which means that Member States have 4 years to implement EAFRD funds. This new rule will enhance utilisation of funds by Member States.

Concerning Cohesion Policy, the Commission took the initiative to tackle absorption problems in a flexible way, creating the Task Force for Better Implementation. This Task Force has agreed action plans, ensuring an exchange of experience and good practices. It has supported some Member States into looking at the situation of their programmes and into actively searching for solutions to some of the challenges faced, while continuing to ensure strict compliance with the applicable rules.

The Commission will be able to assess the full impact of the Task Force on Member States' use of the 2007-2013 budgetary allocations after the closure of all relevant programmes. For the 2014-2020 period, all national authorities are strongly encouraged to jump start programme implementation.

Lastly, the report focused on more specific issues such as:

- the management of external assistance with regard to the refugee crisis;
- internal management within OLAF and the concern of the protection of whistleblowers;
- the tobacco agreement and the specific follow-up by the Commission on the fight against illegal tobacco trade (such as "cheap whites").

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 17/02/2017 - Supplementary non-legislative basic document

In accordance with Article 319(1) of the Treaty on the Functioning of the European Union (TFEU), the Council approved a recommendation concerning discharge to be given to the Commission in respect of the implementation of the budget of the European Union for the financial year 2015.

Detailed analysis of expenditure:

- revenue amounted to EUR 146 623 630 294.45;
- expenditure disbursed from appropriations amounted to **-EUR 143 484 740 003.31**;
- cancelled payment appropriations (including earmarked revenue) carried over from year n-1 amounted to EUR 675 429 004.31;
- appropriations for payments carried over to year n+1 amounted to -EUR 1 294 470 333.92;
- EFTA payment appropriations carried over from year n-1 amounted to -EUR 4 428 001.55;
- the balance of exchange-rate differences amounted to EUR 182 315 866.64;
- the positive budget balance amounted to EUR 1 346 878 818.00;
- cancelled payment appropriations for the financial year amounted to EUR 28 585 352.01;
- EUR 1 758 506 605.41 (98.4 %) of the EUR 1 787 091 957.42 in appropriations for payments carried over to year n have been used.

Based on the observations contained in the Court of Auditors reports, 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 2015.

However, the Council 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 Court's annual report and Statement of Assurance (DAS) on the implementation of the EU budget for 2015, as well as the favourable opinion given by the Court on the reliability of the annual accounts. It regretted, however, that the overall estimated level of error reported by the Court for 2015 payments stood at **3.8 %**, even though relatively lower than in 2014 (4.4 %) and that all spending areas, bar "Administration", continued to be affected by a material level of error.

In general, the Council appreciated the efforts and actions taken by the Commission and Member States to implement the Court's recommendations and it encouraged the Commission to continue to ensuring **strict supervision** of expenditure in order to **reduce the estimated level of error** across the Union's spending.

Financial corrections: the Council considered that financial corrections and recoveries are important instruments for the protection of the EU budget. It called on the Commission to continue, where appropriate, the implementation of all **available corrective measures**. It is aware of the multiannual nature of financial corrections and assesses its overall impact on the protection of the EU budget in that context. Therefore, it encouraged the Court and the Commission to work together in order to converge their approaches in the evaluation of the impact of financial correction on the estimated amount at risk at closure and to provide comparable data.

Public procurement: the Council noted with satisfaction the Court's finding that non-compliance with public procurement rules decreased relative to preceding years reflecting the efforts made by the Commission and Member States to address weaknesses in this area.

"Single Audit": the Council encouraged the Court, the Commission and Member States to improve the timely exchange of information on sufficiently and continuously reliable audit results with a view to an efficient application of the principle of "Single Audit". It stressed the need to facilitate the exchange and disclosure of the relevant and available information and to **build on reliable controls already undertaken instead of adding additional layers of control**.

RAL and payment appropriations: the Council noted the Court's observation that so far, 2015 was the year with the highest level of commitments due to the late adoption of operational programmes and the transfer of commitments from 2014. It also noted the increase in the level of outstanding commitments RAL ("*Reste à Liquider*"). 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.

The Council recalled its request to the Commission to provide the budgetary authority with a long term cash flow forecast, in order to avoid a possible build-up of outstanding unpaid claims and to improve the predictability of national contributions. It called on the Commission to prepare and publish on an annual basis a long **term and transparent forecast** covering budgetary ceilings, estimated payments obligations and needs until the end of the current MFF.

It emphasised the need to provide, on a regular basis, clear, exhaustive, transparent and timely information about the needs for payment appropriations and the availability of funds in the annual budget.

Getting results from the EU budget: the Council called on the Commission to continue its efforts in providing consistent and coherent measurements of performance at all levels of management of the programmes in order to enable their meaningful assessment against the objectives set. It stressed the need, in this regard, to assess performance in order to make the results of EU interventions more evident.

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 tested were found to be free from error, and that the systems for traditional own resources were assessed as being overall effective. However, in connection with the own resources, the Council noted with concern the shortcomings identified by the Court in the management of their accounting.

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

- **competitiveness for growth and jobs**: the Council appreciated that the errors that could have been prevented or detected and corrected by using all available information dropped from 2.8 % in 2014 to 0.6 % in 2015. However, it showed concern about the relative importance of certain quantified errors, which have a significant impact on the overall estimated level of error and called on the Commission to analyse the causes and take action to avoid such errors in the future;
- **economic, social and territorial cohesion**: the Council noted that errors made by managing authorities and intermediate bodies in Member States contributed to another 0.6 percentage points to the estimated level of error in this chapter.
- The Council took note of the Court's observations on the increased probability of greater delays in the implementation of the 2014-2020 programmes compared to the 2007-2013 programmes. It regretted the Court's observation that several attempts aimed at simplification in recent years have had only a limited impact on the regularity of transactions while, at the same time, increased levels of control have caused significant additional administrative burden on national administrations and beneficiaries. It invited the Commission and Member States to intensify their efforts in addressing those weaknesses by taking into account all available information and supporting documentation;
- **natural resources**: the Council encouraged Member States to take full advantage of the new 2014-2020 legal framework in order to improve the management of EU spending and thereby to lower the risk of error and the Commission to provide appropriate and consistent training and guidance to assist in the implementation of new programmes. It underlined the high level of error detected by the Court in the administrative processing of aid applications by national authorities, contributing for 0.6 percentage points to the estimated level of error. It called upon the Commission to continue to systematically request and closely monitor action plans by Member States aiming at remedying the situation and to continue to **apply reductions and suspension of payments and financial corrections when necessary**, in line with the conformity clearance procedures. It stated that the errors which contribute most to the estimated level of error related to the **non-compliance with either the eligibility requirements, the public procurement rules or the agri-environmental commitments**;

- **global Europe and security and citizenship**: the Council took note that the estimated level of error reported by the Court for 2015 payments in the "Global Europe" policy area stood at 2.8 %, representing an increase of 0.1 percentage points compared to 2014. It welcomed the fact that, for the first time, the Court has included in its Annual Report an analysis of the "Security and Citizenship" policies. It encouraged the Court to consider increasing its audit scope in this area in order to assess, in particular, the effectiveness of the Asylum, Migration, and Integration Fund and of the Internal Security Fund and to provide a deeper analysis of this policy area;
- **administration**: lastly, the Council welcomed the fact that, as in previous years, the administrative and related expenditure of the EU institutions remained free from material error with an estimated level of error of 0.6 %, which is well below the materiality threshold.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 07/02/2017 - 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 a series of meetings on 16 and 31 January and 2 February 2017, the Budget Committee examined the specific reports drawn up by the European Court of Auditors on the annual accounts of the executive agencies. Having examined the revenue and expenditure accounts for the financial year 2015 and the balance sheets of all the executive agencies as well as the Court of Auditors' report on the annual accounts of the agencies together with their respective replies, the Council considered it appropriate to recommend to the European Parliament to give discharge to the Directors of each agency as regards the implementation of their respective budgets for 2015.

However, it considered that the observations contained in the Court of Auditors' report called for a number of comments from the Council which do not call into question the granting of discharge.

The Council called on all the executive agencies to improve their financial programming and monitoring of the budget implementation in order to reduce the level of committed appropriations carried over to the following year to the strict minimum necessary and to limit carry-overs in duly justified cases, in line with the budgetary principle of annuality.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 27/04/2017 - Final act

PURPOSE: to grant discharge to the European Commission for the financial year 2015.

NON-LEGISLATIVE ACT: Decision (EU, Euratom) 2017/1606 of the European Parliament on discharge in respect of the implementation of the general budget of the European Union for the financial year 2015, Section III Commission.

CONTENT: with the present decision, the European Parliament grants discharge to the Commission for the implementation of its budget for the financial year 2015.

In its resolution attached to the Decision on discharge, the European Parliament recalled that in 2015 the budget of the Union had to support the achievement of the objectives of two different long-term political programmes:

- the Europe 2020 Strategy on the one hand; and
- the 10 political priorities set out by President Juncker on the other hand, while also responding to a number of crisis situations: refugees, insecurity in Europe and its neighbourhood, financial instability in Greece and the economic impact of the Russian ban exports, as well as the prolonged impact of the financial crisis and its structural consequences of unemployment, poverty and inequality.

Parliament also noted that Union policies may have different short-, medium- and long-term objectives, whose realisation cannot necessarily be determined by a single multiannual financial framework. In its opinion, consideration needs to be given to a **new balance** between political agenda setting, policy implementation and financial framework needs.

Parliament welcomed Commissioner Oettinger's intention to bring the various shadow budgets, in the long run, back under the roof of the Union budget. It considered that this would hugely increase democratic accountability. The Commission is called on to prepare a communication on this issue before November 2017.

Parliament deeply regretted that for the 22nd year in a row payments are materially affected by error because of the fact that the supervisory and control systems are only partially effective.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 27/02/2017 - Document attached to the procedure

This document comprises the Member States' Replies to the European Court of Auditors' 2015 Annual Report.

It concentrates on three main themes:

- regularity of transactions in the major EU spending areas in shared management with a particular focus on root causes of errors;
- performance of the EU budget and performance at project level in shared management;
- follow-up of the Court's recommendations to Member States.

This report provides a summary of the Member States' replies. It is accompanied by a staff working document, which presents the Member States' replies in more detail.

1. Root causes of errors and actions addressing errors: the report established list of 192 examples of main root causes of legality and regularity errors in the EU expenditure. The examples were based on findings made by the Court and the Commission as well as reservations formulated in the annual activity reports of the relevant Directorates-General of the Commission over a two-year period.

Main root causes of errors were found in the CAP and Cohesion policy.

The analysis shows that the causes most commonly identified by the Member States are:

- **the complexity of implementing rules**: Member States have gained practical experience with opportunities for simplification. However, **further simplification is needed**, considering in particular reduction of administrative burden and efficiency of controls at **reasonable cost.** For CAP and cohesion policy, the sufficient knowledge in applying procurement and State aid rules remains a problem, and for the CAP only – the complex eligibility rules;
- **the prevention and correction of errors**: for cohesion policy in particular, Member States called for further improvement of the systems and promoting good practices;
- **the prevention of errors**: Member States stated that the preventive and corrective capacity of errors should be strengthened and that IT functionalities should enhance the efficiency of controls. Risk analysis techniques should contribute to better target controls and resources.

2. Performance of the EU budget: Member States' mind-sets are changing towards **focus on results as they make efforts to introduce performance frameworks**. This ensures that EU programmes and projects have an impact in many different ways and on multiple levels. However, ensuring consistency in the performance-related terminology remains a challenge. Some Member States called for a clear set of indicators at project level.

Overall Member States put the monitoring of result-oriented systems in a larger perspective by referring to *ex ante* evaluations for the purposes of preparing partnership agreements and operational programmes and/or to other evaluations, studies and impact assessments that are foreseen for the period 2014-2020.

3. Follow-up of the Court's recommendation to Member States: Member States almost unanimously replied that they have established systems for the follow-up of Court’s recommendations formulated in its annual and special reports. Some Member States explained that the Court’s and the Commission’s recommendations are monitored by the competent authorities for the management of the EU funds, including certification bodies and audit bodies. However, follow-up processes vary between Member States.

Conclusion: the Commission is committed to continue working closely with the Member States towards **lower levels of error**, improved financial management and value added of the EU budget.

Member States demonstrated in their replies that they are aware of the main root causes of the errors and are committed to continue working to ensure effectively functioning management and control systems. They addressed root causes of errors by using various simplification opportunities and strengthening their preventive and corrective capacity, notably on the basis of lessons learned, enhanced IT technologies, data mining tools, and risk management techniques. Member States also implement action plans, if needed, on which they regularly report to the Commission.

In general, the replies confirmed that the Member States:

- apply a multiannual control and audit cycle, and that corrective measures can be implemented until the closure of the programming period;
- considered that it is not possible to avoid minor errors at reasonable costs;
- are committed to ensuring a link between EU political priorities of smart, sustainable and inclusive growth and national priorities;
- strengthen their framework performance and that they focus more on results;
- are committed to follow-up the Court’s recommendations but wide variations in the follow-up systems and processes exist.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 28/02/2017 - Document attached to the procedure

The present Communication provides a **thorough analysis of the root causes of errors in the context of the implementation of the EU budget** and the actions taken, in line with Article 32(5) of the Financial Regulation. It responds to the requests of the European Parliament and the Council to present a report on persistently high levels of error and their root causes.

The Communication is based on information available to the Commission mostly covering payments for the 2007 - 2013 programming period.

Shared management- shared responsibility: whereas the Commission is ultimately responsible for the implementation of the EU budget, around 80% of expenditure is actually executed directly by Member States under shared management. This is so notably for the Common Agricultural Policy and Structural and Investment Funds. The remaining 20% of the EU budget is implemented under direct or indirect management, via third parties, notably European or international financial institutions.

After careful examination of the reliability of the work carried out by external auditors, the Commission applies the "**Single Audit**" concept whereby each level of control builds on the preceding one. It establishes a series of reports on the implementation of the budget and provides a comprehensive overview based on the information available to it.

Thanks to this robust system of controls at various levels, **financial management has significantly improved in the course of the last decade**. The constant scrutiny by the European Parliament, the Council and the Court resulted in an **increased professionalisation of the entire chain of control of the EU funds** from the Commission to Member States' authorities, Third Countries and International Organisations.

Declining errors: in line with improvements in the financial management, the results of both the Commission and the Court indicate that the levels of error are declining. These annual estimates went from double digit rates for some policy areas (particularly 'Cohesion') before 2009 to considerably lower levels at present - below 5% in most policy areas and close to or even below 2% in some domains. Moreover, estimated error rates vary greatly depending on the policy area and the aid scheme.

Despite the progress made, the **Court has not issued a positive Statement of Assurance** until now as the annual estimated error rate has **not yet fallen below the materiality threshold of 2%.**

These improvements, illustrated by the reduction of the error rate, have required a very significant investment in terms of public sector controls. This explains the growing requests from public authorities and final beneficiaries to improve the proportionality and cost-efficiency of the legal and administrative framework. Not more, but better controls should be carried out.

Root causes of errors: in order to target action in this area, thorough analyses are carried out of the actual root causes of errors.

The analysis noted that over the years the most common error types were:

- ineligible expenditure items;
- ineligible beneficiaries/projects/implementation periods;
- breach of public procurement and State aid rules;
- insufficient reliable documentation to back expenditure declarations;
- incorrect declaration of eligible areas in the field of agriculture.

The Commission continuously takes actions, both preventive (such as interruptions and suspensions of payments) and corrective (financial corrections and recoveries), to address the root causes and the impact of persistently high levels of error.

The DGs implement targeted measures in order to strengthen the management and control systems at national, European and international levels. In addition, the Commission coordinates a network of Member State experts on Internal Control allowing for the identification and sharing of good practice to improve general public sector governance systems.

In the field of fraud prevention and detection, the European Anti-Fraud Office (OLAF) and the Commission services responsible for shared management cooperate with Member States through workshops, seminars, training and elaboration of practical guidance documents.

The present Communication examines the different MFF Headings are examined in the light of the existence of persistently high levels of errors, their root causes and the remedial actions taken by the Commission services responsible.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 18/10/2016 - Document attached to the procedure

FOLLOW-UP TO 2014 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 2014 Discharge.

An overview of these replies can be found in COM(2016)0674 (*please refer to the summary of the document in question*).

The working paper presents in detail the answers to 57 specific requests made by the Council in the comments accompanying its Recommendation on the 2014 Discharge.

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

- the statement of assurance and supporting information;
- budgetary and financial management issues;
- budget performance;
- revenue;
- heading on competitiveness for growth and jobs;
- heading on economic, social and territorial cohesion;
- heading on natural resources.

The document also highlighted 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.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 18/10/2016 - Document attached to the procedure

FOLLOW-UP TO 2014 COMMISSION 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 2014 discharge.

An overview of these replies can be found in COM(2016)06745 (*please refer to the summary of the document in question*).

The working paper presents in detail the answers to 350 specific requests made by the European Parliament in its Resolution forming an integral part of its Decisions on the 2014 Discharge.

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

- Commission commitments with regard to discharge priorities;
- the Court's statement of assurance;
- general budgetary and financial management;
- **budgetary performance**;
- **evaluation and analysis of the main results of 2014 Union budget**: (i) competitiveness for growth and jobs; (ii) economic, social and territorial cohesion; (iii) natural resources; (iv) global Europe; (v) administration (including the agencies).

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.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 31/03/2017 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Joachim ZELLER (EPP, DE) recommending the Parliament to **grant the Commission discharge** in respect of the implementation of the general budget of the European Union for the financial year 2015, and also grant discharge to the Directors of the Education, Audio-visual 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 in respect of the implementation of their respective Agencies' budgets for the financial year 2015.

The committee recommended that Parliament **close the accounts** of the general budget of the Union for 2015.

Members stated that Europe is facing a crisis of confidence in its institutions and Parliament must be particularly rigorous when scrutinising the accounts of the Commission. They stated that Parliament must have a strong engagement towards Union citizens' concerns about where the Union budget is spent and how the Union protects their interests.

Budget, programming periods and political priorities: Members noted that the seven year duration of the current Multiannual Financial Framework (MFF) is not synchronised with the five year mandates of the Parliament and the Commission, and that this also creates **discrepancies between the budget for the financial year and its discharge**. They considered that this is one of the causes of a major deficiency of the Union political governance since the Parliament and the Commission are bound by previous agreements on political objectives and finances which could create the impression that the European elections are irrelevant in this context.

They endorsed the Court's position on a mid-term review of the MFF and called for:

- a rolling budgeting programme with a five years planning horizon, clause(s) of revision by objectives and policies and rolling evaluation programme;
-

- determining the duration of programmes and schemes on policy needs rather basing it on the length of the financial planning period.

They called on the Commission to make greater use of the opportunities regarding the **performance reserve within the existing legal framework**, in order to create a genuine financial stimulus to effectively improve financial management.

The Commission is also requested to orient its priorities towards the successful achievement of the Europe 2020 Strategy by using the instruments of the European Semester.

Members regretted **shadow budgets**. These are numerous financial mechanisms supporting Union policies are **not directly financed by the Union budget** or recorded in the Union balance sheet: these include the European Financial Stability Facility, the European Stability Mechanism, the Single Resolution Mechanism and the European Investment Fund linked to the European Investment Bank (EIB).

They regretted that the increasing use of such financial instruments, and also the financial instruments in shared management (the financial engineering instruments), poses higher risks not just for the EU budget remaining a credible instrument and sufficient for both current and future objectives, but also for **accountability** and the coordination of Union policies and operations.

Budgetary and financial management: Members regretted that the backlogs in the use of 2007-2013 Structural Funds are significant and noted that by the end of 2015, payment of 10 % of the total **EUR 446.2 billion** allocated to all approved operational programmes (OPs) was still outstanding. They noted with concern that five Member States (Czech Republic, Italy, Spain, Poland and Romania) and principle beneficiaries accounted for more than half of the unused commitment appropriations for Structural Funds that have not led to payments for the programming period 2007-2013. They feared that the forthcoming MFF might start with an unprecedented high level of "RAL" which might endanger the management of the EU budget in the first years.

I. The Court of Auditors' Statement of Assurance (DAS):

- **Accounts and legality and regularity of revenue**: Members welcomed the fact that the Court gives a **clean opinion** on the reliability of the accounts for 2015 and that the commitments underlying the accounts for the year ended 31 December 2015 are legal and regular in all material respects.
- **Legality and regularity of payments – adverse opinion**: Members deeply regretted that that for the 22nd year in a row payments are materially affected by error because of the fact that the supervisory and control systems are only partially effective. They stressed that even if the situation has improved in recent years the most likely error rate is still significantly above the materiality threshold of 2%.
- **Getting results from the Union budget**: Members called on the Commission to better evaluate in its next performance reports the outputs and the outcomes of all policies and to clearly and synthetically show the **contribution of European policies to EU objectives** and to evaluate their respective contribution to the Europe 2020 targets. They regretted that the Court found that the current setup does not enable the Commission to monitor and report separately the spending and performance of research and development (R&D) and innovation within Horizon 2020. They called on the Commission to present, in its future performance reports, the contribution of Horizon 2020 to Europe 2020 in a clear and exhaustive way.

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

- **Competitiveness for growth and jobs**: Members called on the Member States to make an extra effort with the view to meeting the target of 3 % GDP being invested in research; this would boost excellence and innovation. They also called on it to examine the possibility of proposing a **science covenant at local, regional and national level**, building on the dynamic already created by the Covenant of Mayors and called on the Member states and the Parliament to make an effort through the Union budget too.
- **Economic, social and territorial cohesion**: Members stressed that errors in direct support area were nearly all due to an **overstated number of eligible hectares** and pointed out that in rural development, half of the errors were caused by the ineligibility of the beneficiary or project, 28% by procurement issues, and 8% by infringements to agri-environmental commitments. They stated that direct payments do not fully play their role as a safety net mechanism for stabilising farm income, particularly for smaller farms, given that the current unbalanced distribution of payments leads to 20% of all farms in the EU receiving 80% of all direct payments. They considered that larger farms do not necessarily need the same degree of support for stabilising farm incomes as smaller farms and that that capping the direct payments, as initially proposed by the European Commissions and endorsed by the European Parliament, could deliver sufficient financial resources to **make the CAP fairer**.
- **Global Europe**: Members called on DG DEVCO and DG NEAR to enhance the quality of expenditure verifications contracted by beneficiaries.
- **Migration and security**: Members expressed concern over checks carried out on funds for refugees, which are frequently allocated by the Member States in emergencies in ways that do not comply with the rules in force. They regarded it essential that the Commission introduce more rigorous checks, including with a view to ensuring that the human rights of refugees and asylum seekers are upheld.
- **Administration**: Members emphasised that **geographical balance**, namely the relationship between staff nationality and the size of Member States, should still remain an important element of resources management particularly with respect to the Member States that have acceded to the Union since 2004.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 27/04/2017 - Text adopted by Parliament, single reading

The European Parliament decided by 466 votes to 173, with 11 abstentions, to **grant the Commission discharge** in respect of the implementation of the general budget of the European Union for the financial year 2015, and also grant discharge to the Directors of the Education, Audio-visual 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 in respect of the implementation of their respective Agencies' budgets for the financial year 2015.

The vote on the decision on discharge covers the closure of the accounts (in accordance with Annex IV, Article 5 (1) (a) to Parliament's Rules of Procedure).

Parliament stated that Europe is facing a crisis of confidence in its institutions and Parliament must be particularly rigorous when scrutinising the accounts of the Commission. It stated that it must have a strong engagement towards Union citizens' concerns about where the Union budget is spent and how the Union protects their interests.

Budget, programming periods and political priorities: Parliament noted that the seven year duration of the current Multiannual Financial Framework (MFF) is not synchronised with the five year mandates of the Parliament and the Commission, and that this also creates **discrepancies between the budget for the financial year and its discharge**. It considered that this is one of the causes of a major deficiency of the Union political governance since the Parliament and the Commission are bound by previous agreements on political objectives and finances which could create the impression that the European elections are irrelevant in this context.

It endorsed the Court's position on a mid-term review of the MFF and called for:

- a rolling budgeting programme with a five years planning horizon, clause(s) of revision by objectives and policies and rolling evaluation programme;
- determining the duration of programmes and schemes on policy needs rather basing it on the length of the financial planning period.

It called on the Commission to make greater use of the opportunities regarding the **performance reserve within the existing legal framework**, in order to create a genuine financial stimulus to effectively improve financial management.

The Commission is also requested to orient its priorities towards the successful achievement of the Europe 2020 Strategy by using the instruments of the European Semester.

Parliament regretted **shadow budgets**. These are numerous financial mechanisms supporting Union policies are **not directly financed by the Union budget** or recorded in the Union balance sheet: these include the European Financial Stability Facility, the European Stability Mechanism, the Single Resolution Mechanism and the European Investment Fund linked to the European Investment Bank (EIB).

It regretted that the increasing use of such financial instruments, and also the financial instruments in shared management (the financial engineering instruments), poses higher risks not just for the EU budget remaining a credible instrument and sufficient for both current and future objectives, but also for **accountability** and the coordination of Union policies and operations.

Budgetary and financial management: Parliament regretted that the backlogs in the use of 2007-2013 Structural Funds are significant and noted that by the end of 2015, payment of 10 % of the total **EUR 446.2 billion** allocated to all approved operational programmes (OPs) was still outstanding. It noted with concern that five Member States (Czech Republic, Italy, Spain, Poland and Romania) and principle beneficiaries accounted for more than half of the unused commitment appropriations for Structural Funds that have not led to payments for the programming period 2007-2013. It feared that the forthcoming MFF might start with an unprecedented high level of "RAL" which might endanger the management of the EU budget in the first years.

Climate-related spending: Parliament expressed concern that in 2015 the share of the climate-related spending of the Union budget was only 17.3 % in 2015 and was only 17.6 % on average for the period 2014-2016, while the objective was to reach, at least, 20% over the financial period. It pointed out that the 20% climate-related spending was decided before the Paris agreement. It is convinced that further efforts should be made in order to make the Union budget even more climate-friendly. To this effect, the revision of the Multiannual Financial Framework shall create an excellent opportunity to ensure that the 20% target of spending on climate-related actions is reached and to provide for a possible increase of this threshold in line with the EU's international commitments taken during the COP 21.

I. The Court of Auditors' Statement of Assurance (DAS):

- **Accounts and legality and regularity of revenue**: Parliament welcomed the fact that the Court gives a **clean opinion** on the reliability of the accounts for 2015 and that the commitments underlying the accounts for the year ended 31 December 2015 are legal and regular in all material respects.
- **Legality and regularity of payments – adverse opinion**: Parliament deeply regretted that that for the 22nd year in a row payments are materially affected by error because of the fact that the supervisory and control systems are only partially effective. It stressed that even if the situation has improved in recent years the most likely error rate is still significantly above the materiality threshold of 2%.
- **Getting results from the Union budget**: Parliament called on the Commission to better evaluate in its next performance reports the outputs and the outcomes of all policies and to clearly and synthetically show the **contribution of European policies to EU objectives** and to evaluate their respective contribution to the Europe 2020 targets. It regretted that the Court found that the current setup does not enable the Commission to monitor and report separately the spending and performance of research and development (R&D) and innovation within Horizon 2020. It called on the Commission to present, in its future performance reports, the contribution of Horizon 2020 to Europe 2020 in a clear and exhaustive way.

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

Parliament's main recommendations adopted in plenary by 482 votes to 154 and 14 abstentions are as follows:

Competitiveness for growth and jobs: Parliament called on the Member States to make an extra effort with the view to meeting the target of 3 % GDP being invested in research; this would boost excellence and innovation. It also called on it to examine the possibility of proposing a **science covenant at**

local, regional and national level, building on the dynamic already created by the Covenant of Mayors and called on the Member states and the Parliament to make an effort through the Union budget too.

Economic, social and territorial cohesion: Parliament stressed that errors in direct support area were nearly all due to an **overstated number of eligible hectares** and pointed out that in rural development, half of the errors were caused by the ineligibility of the beneficiary or project, 28% by procurement issues, and 8% by infringements to agri-environmental commitments. It stated that **direct payments do not fully play their role as a safety net mechanism for stabilising farm income**, particularly for smaller farms, given that the current unbalanced distribution of payments leads to 20% of all farms in the EU receiving 80% of all direct payments. It considered that larger farms do not necessarily need the same degree of support for stabilising farm incomes as smaller farms and that that capping the direct payments, as initially proposed by the European Commissions and endorsed by the European Parliament, could deliver sufficient financial resources to **make the CAP fairer**.

Global Europe: Parliament called on DG DEVCO and DG NEAR to enhance the quality of expenditure verifications contracted by beneficiaries.

Migration and security: Parliament expressed concern over checks carried out on funds for refugees, which are frequently allocated by the Member States in emergencies in ways that do not comply with the rules in force. It regarded it essential that the Commission introduce more rigorous checks, including with a view to ensuring that the human rights of refugees and asylum seekers are upheld.

Administration: Parliament emphasised that **geographical balance**, namely the relationship between staff nationality and the size of Member States, should still remain an important element of resources management particularly with respect to the Member States that have acceded to the Union since 2004. Lastly, it found it unacceptable that Member State representatives continue to grant discharge to the European schools, although the Commission, which pays 58% of the annual budget, and the Court advise against it.

2015 discharge: EU general budget, European Commission and executive agencies

2016/2151(DEC) - 14/07/2016 - Court of Auditors: opinion, report

PURPOSE: presentation of the Annual report of the Court of Auditors on the implementation of the budget concerning the financial year 2015.

CONTENT: the Court of Auditors published its 39th annual report on the implementation of the general budget of the Union for the year 2015.

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: the Court concluded that the consolidated accounts of the European Union for the year ended 31 December 2015 **present fairly**, in all material respects, the financial position of the Union as at 31 December 2015, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with the Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.

Revenue: revenue underlying the accounts for the year ended 31 December 2015 is legal and regular in all material respects.

Expenditure: **expenditure recorded in 2015 is materially affected by error**. The estimated level of error for payments underlying the accounts is 3.8 % Progress can be seen in this regard compared to previous years but remain persistently above the materiality threshold of 2 %.

Management mode has a limited impact on level of error. The same estimated level of error under shared management with the Member States (4.0 %) is found and for expenditure managed directly by the Commission (3.9 %).

The highest levels of error were found in spending under:

- economic, social and territorial cohesion (5.2 %);
- competitiveness for growth and jobs (4.4 %).

Key findings and messages to the Court's DAS: other comment made by the Court may be summarised as follows:

- 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: (i) for reimbursement expenditure, the estimated level of error is 5.2 % (2014: 5.5 %); (ii) 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; (iii) for entitlement programmes, the estimated level of error is 1.9 % (2014: 2.7 %), with typical errors including small over-declarations by farmers of agricultural areas.

- 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, our overall estimated level of error would have been 4.3 %. Although steps have been taken by the Commission to improve

its assessment of risk and the impact of corrective actions, there is still scope for improvement. 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 the related payments were made.

- Payments: amounts to be paid in the current and future years remain at a very high level. However, the Commission has not produced a cash flow forecast covering the next 7 to 10 years. Such a forecast would enable stakeholders to anticipate future payment requirements and budgetary priorities.

- Financial instruments: the increasing use of financial instruments, not directly funded by the EU budget nor audited by us, poses higher risks for accountability and the coordination of EU policies and operations.

- Performance based budget: the Court noted that there has been some progress in the indicators used by the Commission to measure performance, but shortcomings remain. Management objectives also need to be better developed at the level of the Commission's directorates-general.

- Horizon 2020: although there have been improvements when compared to the Seventh Framework Programme, the Commission is still limited in its ability to monitor and report on the performance of the programme. The links between the Commission's 10 new political priorities and Europe 2020 /Horizon 2020's strategic framework need further clarification.

- Follow-up of Commission recommendations: despite an overall reasonable level of awareness of our recommendations to Member States, there is a wide variation in the level of formal follow-up and, as a result, only moderate evidence of changes in national policy and practice.

Analysis of budgetary implementation by groups of expenditure and recommendations from the Court: expenditure that did not fulfil the necessary conditions to be charged to EU-funded projects continues to make the greatest contribution to the overall estimated level of error (ineligible costs included in cost claims: 42 % of the overall estimated level of error). Two other major contributors to the estimated level of error were incorrect declarations of area by farmers (19 %) and ineligible projects/activities or beneficiaries (16 %). Serious errors in public procurement (11 %) contributed considerably less when compared with 2014.

- **Competitiveness for growth and jobs** (€14.5 billion): the estimated level of error in spending on 'Competitiveness for growth and jobs' remains relatively higher than other spending areas. Much of the expenditure is made on a cost reimbursement basis and most of the errors were related to the reimbursement of ineligible personnel or indirect costs declared by beneficiaries.
- **Economic, social and territorial cohesion** (€53.9 billion): the expenditure for 'Economic, social and territorial cohesion policy' is the second largest in the EU budget and has the highest estimated level of error. This makes it the biggest contributor to the overall estimated level of error (half of the total). Almost all of the expenditure takes the form of cost reimbursement. Ineligible expenditure in the beneficiaries' cost declarations and the selection of ineligible projects, activities or beneficiaries contribute to three-quarters of the estimated level of error for 2015 for this spending area. Errors due to the infringement of public procurement rules represent one-seventh.
- **Natural resources** (€58.6 billion): 'Natural resources' has the largest share of the EU budget and also contributes significantly to the overall estimated level of error due to its high estimated level of error for 2015 (nearly a third of the total). **Overstated claims of agricultural areas** were the highest contributor to the estimated level of error in this spending area (more than half). Errors related to ineligible beneficiaries, activities or expenditure contributed to one-fifth. The European Agricultural Guarantee Fund (EAGF) accounts for more than three-quarters of expenditure under 'Natural resources' but is significantly less affected by error (2.2 %) than rural development (5.3 %). The latter is characterised by higher levels of error in investment spending, where agricultural businesses are subsidised on the basis of reimbursement of eligible spending.
- **Global Europe** (€6.9 billion): for 'Global Europe', the Commission's acceptance of payments for works, services or supplies that had not been delivered, together with ineligible costs reimbursed by the Commission account for two-thirds of the total estimated level of error. The most frequent type of error identified by the Court's audit work was ineligible expenditure claimed by final beneficiaries. This involves spending on activities not covered by contracts or incurred outside the eligibility period. 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, or for which the beneficiary could not provide us with supporting documentation to justify the expenditure.
- **Security and citizenship** (€2.1 billion): nearly a third of the spending is done through decentralised agencies which the Court reports on separately in our specific annual reports for agencies. The Court identified limitations in the Commission's assessments of Member States' management and control systems for the 2007-2013 SOLID programme ('Solidarity and Management of Migration Flows'). Furthermore, the Commission performed relatively few ex post audits in Member States on programmes it considered to be low risk. However, this reduces the reliability of Member States expenditure for the SOLID programme.
- **Administration** (€9 billion): administrative expenditure had the lowest estimated level of error (0.6 %) and was free from material error.

Recommendations from the Court: lastly, to conclude its annual report, the Court noted that there has been a noteworthy decrease in the estimated level of error for 'Economic, social and territorial cohesion'; 'Competitiveness for growth and jobs' and 'Natural resources'. Slightly higher levels of error than in 2014 were detected for 'Global Europe' and 'Administration'.