Basic information

2017/2136(DEC) DEC - Discharge procedure	Procedure completed
2016 discharge: EU general budget, European Commission and executive agencies **Subject** 8.70.03.06 2016 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	ZELLER Joachim (PPE)	31/08/2017
	Shadow rapporteur AYALA SENDER Inés (S&D) CZARNECKI Ryszard (ECR) DLABAJOVÁ Martina (ALDE) FLANAGAN Luke Ming (GUE/NGL) TARAND Indrek (Verts/ALE) VALLI Marco (EFDD) JALKH Jean-François (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	PREDA Cristian Dan (PPE)	14/09/2017
DEVE Development	FRUNZULICĂ Doru-Claudian (S&D)	21/11/2017
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	ROLIN Claude (PPE)	03/10/2017
ENVI	Environment, Public Health and Food Safety	VĂLEAN Adina (PPE)	31/08/2017
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	DE MONTE Isabella (S&D)	13/09/2017
REGI	Regional Development	MIHAYLOVA Iskra (ALDE)	10/10/2017
AGRI	Agriculture and Rural Development	KADENBACH Karin (S&D)	11/07/2017
PECH	Fisheries	CADEC Alain (PPE)	25/09/2017
CULT	Culture and Education	ZDROJEWSKI Bogdan Andrzej (PPE)	04/09/2017
JURI	Legal Affairs	The committee decided not to give an opinion.	
LIBE	Civil Liberties, Justice and Home Affairs	CHRYSOGONOS Kostas (GUE/NGL)	19/10/2017
AFCO	Constitutional Affairs	The committee decided not to give an opinion.	
FEMM	Women's Rights and Gender Equality	MATERA Barbara (PPE)	16/10/2017
PETI	Petitions	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Budget	OETTINGER Günther

Key events

Date	Event	Reference	Summary
26/06/2017	Non-legislative basic document published	COM(2017)0365	Summary
13/09/2017	Committee referral announced in Parliament		
26/03/2018	Vote in committee		
04/04/2018	Committee report tabled for plenary	A8-0137/2018	Summary
18/04/2018	Decision by Parliament	T8-0121/2018	Summary
18/04/2018	Results of vote in Parliament		
18/04/2018	Debate in Parliament		
18/04/2018	End of procedure in Parliament		
03/10/2018	Final act published in Official Journal		

Technical information

Procedure reference	2017/2136(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/10601

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	EMPL	PE612.086	24/01/2018	
Committee opinion	AGRI	PE612.259	24/01/2018	
Committee opinion	ENVI	PE612.233	25/01/2018	
Committee opinion	CULT	PE613.438	26/01/2018	
Committee opinion	AFET	PE612.251	31/01/2018	
Committee draft report		PE612.402	31/01/2018	
Committee opinion	DEVE	PE612.390	02/02/2018	
Committee opinion	FEMM	PE613.483	02/02/2018	
Committee opinion	LIBE	PE615.187	07/02/2018	
Committee opinion	TRAN	PE613.327	20/02/2018	
Committee opinion	REGI	PE615.430	21/02/2018	

Amendments tabled in committee		PE618.333	01/03/2018	
Amendments tabled in committee		PE619.088	01/03/2018	
Committee opinion	PECH	PE613.408	02/03/2018	
Committee report tabled for plenary, single reading		A8-0137/2018	04/04/2018	Summary
Text adopted by Parliament, single reading		T8-0121/2018	18/04/2018	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05940/2018	09/02/2018	Summary
Supplementary non-legislative basic document	05942/2018	09/02/2018	Summary

European Commission

Document type	Reference	Date	Summary
Document attached to the procedure	COM(2017)0362	26/06/2017	Summary
Non-legislative basic document	COM(2017)0365	26/06/2017	Summary
Document attached to the procedure	COM(2017)0379	10/07/2017	Summary
Document attached to the procedure	COM(2017)0497	15/09/2017	Summary
Document attached to the procedure	SWD(2017)0306	15/09/2017	Summary
Document attached to the procedure	COM(2018)0117	28/02/2018	Summary
Document attached to the procedure	SWD(2018)0061	01/03/2018	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0008/2018 OJ C 322 28.09.2017, p. 0001	13/07/2017	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Budget 2018/1313
OJ L 248 03.10.2018, p. 0027 Summary

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 15/09/2017 - Document attached to the procedure

PURPOSE: presentation of a report on the internal audits carried out in 2016 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 2016 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 2016 - 31 January 2017 are included in this report. Recommendations implemented after the cut-off date of 31 January 2017 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 2016 audit plan: by the cut-off date of 31 January 2017, the implementation of the updated 2016 audit plan reached its target of 100% of planned engagements for audits in the Commission's Directorates-General, Services and Executive Agencies.

154 engagements (including audits, follow-ups, reviews and one consulting assignment) were finalised.

The 2016 initial plan contained 67 audit engagements and limited reviews which were planned to be finalised by the cut-off date of 31 January 2017 and 34 audits which were planned to start before this cut-off date and to be finalised in 2017. The plan was updated at mid-year.

Overall, the IAS considers that the state of play regarding the implementation of audit recommendations is satisfactory and comparable to previous reporting periods. It indicates that the Commission services are diligent in implementing the very important recommendations, hence mitigating the risks identified. Nevertheless, and even though there is no recurrent outstanding issue or a specific service concerned, attention has to be paid to the individual recommendations rated very important which are long overdue, i.e. more than six months. A dedicated report was established and sent to the Audit Progress Committee, a summary of which is provided in the SWD accompanying this report.

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 2016 as part of its 2016-2018 strategic audit plan.

These audits addressed a number of aspects related to performance:

- several IAS audits focused on performance management and measurement and revealed that **significant improvements are still necessary** to enhance the maturity of the DGs performance management and measurement mechanisms. This confirms last year's conclusion which emphasised the need to take further steps at both corporate and DG level to improve the quality of objectives and indicators;
- the European Court of Auditors also highlighted deficiencies in performance management and measurement in its annual report and in its special reports;
- the Common Audit Service (CAS) in the Common Support Centre (CSC) needs to make significant efforts to increase the maturity of its internal processes, thus ensuring that it will achieve the objectives of the FP7 ex-post audit strategy, and that it will be prepared for the challenges brought by the H2020 ex-post audit strategy;
- other IAS audits in the areas of a**nti-fraud activities** for traditional own resources, managing and sharing data on agro-environmental-climate issues, better regulation and ex-post audits by the common audit service showed that further steps are necessary to increase the overall performance of these processes.

In line with its methodology and best practice, the IAS approached performance in an **indirect way**, i.e. whether and how management have set up control systems intended to **assess and provide assurance on 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 adequate frameworks and performance measurement tools, key indicators and monitoring systems which means that **SMART objectives and benchmarks** have first to be established at Commission level, in order to dissociate, to the extent possible, the Commission's specific contribution from those of other **major key players** who contribute to the implementation and achievement of EU funds' objectives (Member States, Regions, Third Countries, International Organisations 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. Particular attention, which led to reservations in the annual activity report of the DG concerned, was drawn in the limited conclusions to: (i) DG CLIMA with regard to the delay observed in the implementation of one very important IT security related recommendation (on the management of the security of the EU ETS IT system), which exposes the DG to the risk of security breaches; (ii) DG DEVCO with regard to the combined effect of three open very important recommendations issued in the context of the audit on the management of the African Peace Facility;
- **on the Commission's financial management**: as in the previous editions, **the overall opinion is qualified** with regard to the reservations made in the Authorising Officers' by Delegation Declarations of Assurance. Given the magnitude of financial corrections and recoveries of the past and assuming that corrections in future years 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 one 'emphasis of matter' which relates to the **supervision strategies regarding third parties implementing policies and programmes**.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 15/09/2017 - Document attached to the procedure

This Commission staff working document concerns the internal audit engagements finalised by the IAS in 2016.

It contains the objective and scope, key findings and the critical and very important recommendations of the IAS engagements which were part of the 2016 IAS audit plan (cut-off date for the exercise: 31 January 2017).

The information contained in this document reflects the state of play when the audit engagements were finalised.

The document contains a summary of the IAS follow-up engagements in the period from 1 February 2016 to 31 January 2017 and provides a summarised overview of the 18 long overdue very important recommendations as at 31 January 2017.

For in-depth details on the audits and the follow-ups, please refer to the working document.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 09/02/2018 - 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 16 and 30 January, and 8 February 2018, 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 2016 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 2016.

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 financial year to the minimum strictly necessary, in line with the budgetary principle of annuality.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 09/02/2018 - Supplementary non-legislative basic document

Having regard to Article 319 (1) of the Treaty on the Functioning of the European Union (TFEU), the Council approved a **recommendation on the discharge to be given to the Commission** in respect of the implementation of the general budget of the European Union for the financial year 2016.

Detailed analysis of expenditure:

- revenue amounted to EUR 144 716 765 816.23;
- expenditure disbursed from appropriations amounted to EUR 135 180 335 947.92;
- cancelled payment appropriations (including earmarked revenue) carried over from year n-1 amounted to EUR 1 304 221 566.46;
- appropriations for payments carried over to year n+1 amounted to EUR 1 651 142 565.23;
- the positive budget balance amounted to EUR 6 404 567 996.26;
- cancelled payment appropriations for the financial year amounted to EUR 62 856 186.60;
- EUR 1 236 042 148.87 (95.16 %) of the EUR 1 298 898 335.47 in appropriations for payments carried over to year n have been used.

Based on the observations in the Court's report, the Council recommends that the **European Parliament give a discharge to the Commission** in respect of the implementation of the budget of the European Union for the financial year 2016.

Statement of assurance: the Council welcomes the gradual reduction of the overall estimated level of error reported by the Court (from 4.4 % in 2014 and 3.8 % in 2015 to 3.1 % in 2016), taking note that about half of the 2016 expenditure is free from material error. It regrets that the estimated level of error reported by the Court for payments is still above the materiality threshold.

The Council welcomes the fact that for the first time since the Court started providing a statement of assurance in 1994, the Court gives a **qualified opinion, rather than an adverse one**, on the legality and regularity of payments underlying the accounts based on the material but not pervasive estimated level of error. It welcomes the clean opinion given by the Court on the reliability of the annual accounts of the European Union for the financial year 2016.

Stressing the importance of **financial corrections and recoveries** for the protection of the EU budget, the Council called on the Commission to continue, where appropriate, the implementation of all available corrective measures. The Council encourages the Court and the Commission to continue working 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.

Budget and financial management: the Council called on the Commission to:

- improve its **capacity to anticipate and predict expected needs** thereby limiting, when possible, the recourse to amending budgets or the mobilisation of special instruments in full compliance with the legal framework;
- anticipate an orderly disbursement of payments in order to avoid any shortage of appropriations;
- continue the monitoring of this matter and the presentation of a long-term and transparent forecast, including needs and potential decommitments, and to ensure an orderly balance between commitment and payment appropriations;
- closely monitor their development and the associated **financial risk** due to long-term liabilities, guarantees and legal obligations;
- establish a comprehensive reporting structure on the use of funds tackling the **refugee and migration crisis**;
- improve the **transparency, simplicity and accountability** of all the EU budgetary instruments.

Getting results: the Council acknowledges that setting a solid performance framework within the EU institutions and Member States contributes to the sound financial management of EU funds and to the reliable evaluation of the functioning of the programmes under the current MFF. It aligns with the Court's recommendation on the need to **streamline performance reporting and** encourage the Commission to improve its reporting capacity on performance.

Revenue: the Council notes with satisfaction that in 2016 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 examined GNI- and VAT-based own resources systems were assessed as being effective. However, the Council recalled that accurate GNI figures are essential for a fair distribution of the contributions between Member States.

Competitiveness for growth and employment: the Council welcomes the fact that the estimated level of error reported by the Court for payments in this policy area steadily decreased in the last years (5.6 % in 2014, 4.4 % in 2015 and 4.1 % in 2016). However, the Council regrets that the estimated level of error remains well above the materiality threshold of 2 %.

The Commission is called on to continue its efforts to **address the causes of error** with a particular focus on the programmes that are subject to persistently high error levels.

The Council takes note of the Court's analysis that the **root causes for most errors** are the misinterpretation of complex eligibility rules, in particular, under the Seventh Research Framework Programme.

In that regard, the Council supports the Court's recommendation for the Commission to **further streamline the Horizon 2020 rules and procedures** by extending the use of simplified cost options.

Economic, social and territorial cohesion: the Council welcomes the fact that the estimated level of error reported by the Court for payments in this policy area steadily decreased in the last years (5.7 % in 2014, 5.2 % in 2015 and 4.8 % in 2016). However, the Council regrets that the estimated level of error remains significantly above the materiality threshold of 2 %.

The Council underlines that simplification of state aid rules, broader use of simplified cost options, improvement of use of public procurement rules and modifications of the design of the 2014-2020 programmes should lead to a further decrease of error rates in coming years.

The Council calls on the Commission and Member States' authorities to make additional efforts to ensure the regularity and sound financial management of EU funds, to **take full advantage of all possibilities of simplification** and to avoid unnecessary layers of complexity or administrative burden that do not add value to the results set to be achieved.

The Council urges the Commission to follow up on the cases of errors identified by the Court, to set up an integrated monitoring system covering both preventive and corrective measures taking into account the principle of proportionality, and to strengthen cooperation within the Commission, as well as with Member States.

Natural resources: the Council welcomes the fact that the estimated level of error reported by the Court for payments in the "Natural Resources" policy area steadily decreased in the last years (3.6 % in 2014, 2.9 % in 2015 and 2.5 % in 2016). However, the Council regrets that the estimated level of error remains above the materiality threshold of 2 %.

The Council notes that the Court and the Commission acknowledge the improvements on the **Land Parcel Identification System** (LPIS) as the biggest factor for the reduction of the error levels. It calls upon Member States to continuously update the information contained in the LPIS databases, while keeping an appropriate balance between the administrative costs and the benefit resulting from the controls.

As regards **rural development**, the Council called on the Commission to continue its support to Member States to take all necessary actions to prevent, detect and correct errors, while keeping an appropriate balance between the administrative costs and the benefit resulting from the controls.

The Commission should provide **guidance** and disseminate best practices among national authorities to ensure that their checks identify links between applicants and other stakeholders involved in the supported projects.

Security and citizenship: the Council encourages the Court to consider **increasing its audit scope** in this policy area to a representative sample in order to provide an error rate, recommendations and performance information for next years. Given the increased spending in the area of Asylum, Migration and Integration Fund and the Internal Security Fund, the time is ripe to increase the audit intensity accordingly.

Global Europe: the Council welcomes the fact that the estimated level of error reported by the Court for payments in the "Global Europe" policy area decreased by 0.7 percentage points to 2.1 % in 2016. The Council takes note that the estimated level of error remains very close to the materiality threshold of 2 %.

The Council notes that the Court detected some **control weaknesses** in the Commission's systems at the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) and at the Directorate-General for International Development and Cooperation (DG DEVCO) which led to the acceptance of ineligible costs. The Council welcomes the Court's recommendations in this respect.

Administration: the Council notes with satisfaction that the estimated level of error reported by the Court for payments in the "Administration" policy area further decreased by 0.6 percentage points to 0.2 % in 2016, well below the materiality threshold of 2 %.

The Council also regrets the Court's observation in relation to the **management of funds within the European Parliament** and more particularly to the control of allocations for political groups. It underlines that respect of the principle of transparency is instrumental to the Union's accountability towards its citizens and the importance of strengthening the control framework and providing better guidance to the political groups through reinforced monitoring of the application of the rules of the Financial Regulation.

The Council regrets that not all the EU institutions, bodies and agencies have achieved the **5 % reduction** of posts in the establishment plan by the end of 2017 and urges these institutions, bodies and agencies to carry out the remaining reduction as soon as possible in order to achieve this target fully.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 28/02/2018 - Document attached to the procedure

The Commission report summaries the **Member States' replies** to the European Court of Auditors' (ECA) 2016 annual report.

For the first time since 1994, **ECA issued a qualified (rather than an adverse) opinion** on the regularity of the transactions underlying the 2016 accounts. This reflects an important improvement in the management of EU finances.

A significant part of the 2016 expenditure audited by the **ECA was not affected by a material level of error** and there was a sustained improvement in the estimated level of error in payments made from the EU budget over the past three years: from 4.4 % in 2014, to 3.8 % in 2015 and 3.1 % in 2016.

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

Member States were also invited to reply to a questionnaire focusing on three main themes: (1) Compliance with rules and regulations (2) Reporting on performance (3) Follow-up of ECA recommendations.

1) Compliance with rules and regulations: the vast majority of the Member States agreed with the most **common error classes** identified by ECA in the two major EU shared management spending areas (common agricultural policy and economic, social and territorial cohesion policy). They also mostly confirmed the relative importance of error types identified by ECA.

Some Member States also indicated **other types of error** they frequently encounter in these policy fields, cost overruns, failure to provide evidence of compliance with the market price, double financing of projects and the breach of sound financial management.

Concerning the relative importance of error categories, many Member States (e.g. Bulgaria, Czech Republic, Estonia, Ireland) reported that infringements of **public procurement rules** continue to be the most important deficiency type.

They demonstrate a **continued commitment by Member States to sound financial management** through the use of Simplified Cost Options (SCOs), improved management verifications and efforts to streamline administrative procedures, and strong willingness to follow up on deficiencies found by external auditors and endorsed by national authorities.

In the area of public procurement, Member States tackled issues by offering **tailor-made training programmes and the sharing of best practices** using online networking facilities, and by making expert advice widely available.

The replies show that Member States are in line with the conclusions of the High Level Group on Simplification for the beneficiaries of the European Structural and Investment Funds (ESI Funds) which found that **simplicity and flexibility are key** to ensuring the success of ESI Funds investments in Europe and of Cohesion Policy after 2020.

2) Performance of the EU budget: in the area of performance management, the ECA has found that the Commission makes available a lot of information in comparison to other countries or international organisations.

The replies received from Member States demonstrated that they are aware of the need to have a **performance framework in place** in the 2014-2020 programming period to ensure that resources are allocated to priorities that bring an added value to actions financed through the EU budget.

Member States replied that they rely on a **wide range of data sources** for performance information, including national statistical offices.

Almost all Member States mentioned a **national IT system** operated by the implementing authorities for the management of operational programmes under shared management. In agriculture, the Land Parcel Identification System (LPIS) operated by the paying agencies was mentioned most frequently in this category.

It transpired from the replies from many Member States that they envisage the establishment of an **integrated electronic funds management system**, compliant in design with the relevant EU and national legislations, as the most important preventive means to ensure data quality in both policy areas.

Another such commonly mentioned preventive measure was the establishment of manuals for administrative checks to be conducted by managing authorities and intermediate bodies. Among corrective and detective measures cited, the most important type appeared to be the first level management verifications (involving a proper segregation of duties and the observance of the four-eyes principle).

The Commission will continue working with Member States to improve information on performance data.

3) Follow-up of ECA recommendations: each year ECA examines how the Commission follows up on the recommendations issued by ECA to the Commission. This year's analysis of 108 recommendations published between 2010 and 2013 showed that the **Commission implemented 90 recommendations** fully or in most respects. The ECA found that just six recommendations had not been implemented at all (of which one was not initially accepted by the Commission).

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 26/06/2017 - Document attached to the procedure

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

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

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

This Commission document concerns the **certification and the 'signing off' of the EU's consolidated accounts for the year 2016 by the Accounting Officer of the Commission**.

It comprises the balance sheet, the statement of financial performance and the cashflow statement.

The Accounting Officer of the Commission stated that she has obtained from the authorising officers, who certified its reliability, all the information necessary for the production of the accounts that show the European Commission's assets and liabilities and the budgetary implementation.

She thereby certified that she has a reasonable assurance that **the accounts present fairly, in all material aspects, the financial position**, the results of the operations and the cash flow of the European Commission.

The document recalled that on 29 March 2017 the United Kingdom formally announced its intention to leave the European Union, thus activating Article 50 of the Treaty on European Union. In accordance with this article as well as the European Council guidelines on the financial agreement and negotiating directives provided by the Council, the EU shall conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal.

At the time of the signing of these accounts, the negotiation process has just begun. Therefore, there is **no impact on the financial position of the Commission at 31 December 2016**.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 10/07/2017 - Document attached to the procedure

PURPOSE: presentation of a Commission report to the European Parliament and the Council concerns the follow-up to the discharge for the 2015 financial year.

CONTENT: as a reminder, discharge is the process by which the European Parliament and Council scrutinise the implementation of the EU budget and hold the Commission accountable for its financial management. The Annual report and special reports of the European Court of Auditors are key inputs along with the Commission's own reporting on the EU accounts as well as the management and performance of the EU budget.

It is a **continuous process** which provides an opportunity to learn from the past to improve future EU spending.

On 27 April 2017, the European Parliament – on a recommendation by the Council – granted the Commission discharge for the financial year 2015. The discharge procedure for the financial year 2015 was characterised by a fruitful interinstitutional exchange of views on how to improve the management of EU funds for the benefit of the EU citizens.

During the closing debate in the European Parliament in April 2017, the key actors from the European Parliament and the Council supported a **stronger focus on results**, confirming that achieving results with the EU budget is as important as ensuring that formal rules are complied with. This is fully in line with the Commission's initiative 'EU Budget Focused on Results' which aims at strengthening the systematic focus upon performance and results, while making it easier for citizens and stakeholders to understand the objectives and impacts of the EU budget.

In order to provide faster feedback on the key priorities of the European Parliament and the Council, the Commission decided this year to proceed with this follow-up report already in July.

This report follows up on the key requests made by the European Parliament and the Council in the discharge and is part of the EU Budget Integrated Financial Reporting Package 2016. It focuses in particular on:

- the future of EU finances;
- budgetary and financial management;
- getting results from the Union budget;
- the management of the African Peace Facility.

The detailed replies to the specific discharge requests made by the European Parliament and Council, including requests made in relation to special reports of the European Court of Auditors also covered by the 2015 discharge procedure, will be published at a later stage.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 26/06/2017 - Non-legislative basic document

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

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

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

Consolidated annual accounts of the EU: this Commission document concerns the EU's consolidated accounts for the year 2016 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 European Parliament is the discharge authority within the EU. The **discharge** represents the **final step** of a budget lifecycle. It is 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.

(2) Implementation of the European Commission's budget for the financial year 2016: the document also comprises a series of annexes containing figures, the most important of which relates to budgetary implementation.

As regards the **budgetary implementation of the Commission**, according to the document, expenses were, being EUR 144.5 billion, at a much lower level than last year (2015: EUR 155.9 billion). A decrease of EUR 3.7 billion was noted for the European Regional Development Fund (ERDF) and Cohesion Fund (CF), which was due to less expenses incurred relating to the previous programming period (20072013) combined with the slow start of the implementation of the programming period 2014-2020. For the same reason expenses under European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments also decreased by EUR 3.7 billion.

The main expense items (EUR 102.8 billion) are transfer payments under the shared management mode. The main funds are: the European Agricultural Guarantee Fund (EAGF), the EAFRD and other rural development instruments, ERDF and CF and the European Social Fund (ESF). In the financial year 2016 these made up almost 71.1 % of total expenses.

Pre-financing: the total pre-financing (excluding other advances to Member States and contributions to the trust funds Bekou and Africa) on the EU balance sheet amounts to EUR 41.6 billion (2015: EUR 40 billion), almost all of which relates to Commission activities. Some 64 % 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).

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 2016, the total financial corrections and recoveries confirmed amounted to EUR 3 777 million.

Macro-economic environment: the macro-economic environment of the EU has an impact on the ability of EU Member states to meet their funding obligations towards the EU institutions and bodies and thus on the ability of the EU to continue implementing EU policies. There is a high degree of uncertainty surrounding the global economic outlook at present. This comes after an already difficult 2016, in which the European economy had to cope with numerous international and domestic challenges including the **lowest pace of global and trade growth since 2009**, **geopolitical tensions, terrorist attacks in several Member States, stressed banking sectors, UK's vote to leave the EU**, and a mounting backlash against globalisation. So far though, the European economy has proved to be resilient and has stayed the course of economic growth and job creation. EU GDP growth rose towards the end of 2016 and looks to have maintained its momentum into 2017.

Overall, after 1.7 % in 2016, euro area GDP growth is set to ease somewhat this year to 1.6 % and then pick up slightly to 1.8 % in 2018.

Budget implementation in 2016 in figures:

- **the outstanding commitments** (RAL) by the end of the year increased significantly to reach EUR 238.8 billion. The increase of over EUR 21 billion compared to 2015 was twice as high from what was initially expected due to the widened gap between implemented commitments and payments (stemming from amending budget 4/2016 as well as the end-of-year under-implementation);
- **the budget surplus amounts** to EUR 6.4 billion and arises primarily from the expenditure side, due to the under-implementation mainly in heading 1b (EUR 4.9 billion). The origin of surplus on the revenue side is mainly due to important revenues on fines and slightly lower own resources (+EUR 1.7 billion). An exchange rate loss of EUR 173 million lowers the final result.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 03/10/2018 - Final act

PURPOSE: to grant discharge to the European Commission for the financial year 2016.

NON-LEGISLATIVE ACT: Decision (EU, Euratom) 2018/1313 of the European Parliament on discharge in respect of the implementation of the general budget of the European Union for the financial year 2016, Section III — Commission.

CONTENT: the European Parliament decided to **grant discharge** to the Commission for the implementation of its budget for the financial year 2016.

This decision is accompanied by a resolution of the European Parliament containing the observations which form an integral part of the discharge decision in respect of the implementation of the general budget of the European Union for the financial year 2016 (*please refer to the summary dated 18.4.2018*).

In this resolution, Parliament called on the Member States to **align the Union's policy objectives and financial cycles, the legislative period of the Parliament and the mandate of the Commission**. It insisted that the Union budget, as a consequence of the 'budget focused on results initiative', be presented according to the Union's political objectives for the MFF.

The Commission is invited to:

- commit itself to fundamentally reviewing the young farmers' and greening schemes for the next MFF;
- speed up the delivery of cohesion policy programmes and related payments with a view to reducing the length of the implementation period, initially, to year n+2;
- fulfil the original 20 % spending target in integrating climate action into the various Union spending programmes;
- improve transparency of migration policy, for trust funds and for the external assistance management reports, regularly providing all data at its disposal;
- speed up the preparation of the Union accounts, to ensure that reliable information from Member States on shared management spending is obtained in a more timely manner and to present the management's view on Union spending earlier and together with the accounts, with the view to adopting a discharge decision in year n+1.

The resolution stressed the need to establish an independent disclosure, advice and referral body in order to help whistleblowers use the right channels to disclose information on possible irregularities.

Parliament also regretted that, for the 23rd consecutive year, payments are **materially affected by error** due to the fact that management and control systems are only partially effective in ensuring sound financial management and timely payments.

It invited the Commission to:

- take into account the growth in outstanding commitments in its forecast of payment appropriations for the next MFF, in order to help ensure an orderly balance between commitment and payment appropriations;
- to make proposals to the Parliament and the Council, ensuring a consistent approach to the issue of whether or not special instruments are counted within the ceilings for payment appropriations in the MFF.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 13/07/2017

PURPOSE: presentation of the Annual report of the Court of Auditors on the implementation of the budget concerning the financial year 2016.

CONTENT: the Court of Auditors published its 40th annual report on the implementation of the general budget of the Union for the year 2016. This report follows a five-part structure:

- the statement of assurance (DAS) and a summary of the results of our audit on the reliability of accounts and the regularity of transactions;
- the analysis of budgetary and financial management;
- the Commission's performance reporting framework;
- the findings on EU revenue;
- the presentation of the main headings of the current multiannual financial framework (MFF), the results of the testing of the regularity of transactions.

1) Statement of assurance: for 2016, the Court expresses a **qualified opinion** (rather than an unfavourable opinion) on the regularity of the transactions underlying the 2016 accounts, which demonstrates a remarkable improvement in the financial management of the EU. The main conclusions of the Court are as follows:

- the **revenues** were free from material errors;
- the level of error in overall expenditure is estimated at **3.1%.** It was 3.8% in 2015 and 4.4% in 2014;
- the errors were mainly limited to **cost reimbursement payments** (e.g. 'rural development, environment, climate action and fisheries', 'economic, social and territorial cohesion'), for which the level of error is estimated at **4.8%;**
- for **entitlement payments** (e.g. direct aid to farmers, 'administration', student and research grants, agri-environmental measures), the level of error is estimated at 1.3%, which is below the threshold of meaning of 2%.

The Court concludes that **payments for 2016 are legal and regular**, with the exception of those based on the cost reimbursement payments. It believes that the EU accounts present a true and fair view of the EU's financial position.

Main observations of the Court of Auditors in relation to the DAS:

Corrective measures: the Court points out that the 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 1.2 % higher.

Management: this has a limited impact on error levels. Thus, the estimated level of error for shared management expenditure and that calculated for all other types of operational expenditure are almost identical in 2016. The highest error levels were for the 'Cohesion' headings (which are part of shared management) and 'Competitiveness' (managed directly by the Commission and indirectly through the entities in charge).

Fraud: in 2016, the Court found **eleven instances** of suspected fraud in the approximately 1 000 transactions that we audited for our statement of assurance and for other performance and/or compliance audits (2015: 12). These cases were forwarded to OLAF, along with five other cases brought to our attention by the public. 'Cohesion' was the biggest contributor to our estimated level of error for 2016, followed by 'Natural resources', 'Competitiveness' and 'Global Europe'.

2) Budgetary and financial management: the main risk and challenges for the future budgets are highlighted:

Amounts to be paid in future years: in 2016, the EU made fewer payments than initially planned. This was mainly due to significant delays in the start of disbursements from many of the 2014-2020 multi-annual Financial Framework (MFF) programmes under shared management, in particular the European Structural and Investment (ESI) funds in the areas of cohesion and rural development. As a result, the amounts to be paid in future years have reached an all-time high of about EUR 238.8 billion. **Clearing this backlog and avoiding a new one** to form should be priorities when planning the MFF for the period beyond 2020.

Difficulties in absorbing some of the available EU funds: given the sizeable commitment appropriations still available under the 2014-2020 MFF, Member States where ESI funds represent significant percentage of general government expenditure may find it difficult to identify sufficient high-quality projects on which to spend the available EU funds or to provide co-financing.

Lack of flexibility to deal with unforeseen events: the EU also has a number of budgetary instruments to deal flexibly with emergency situations. These instruments have been used increasingly in recent years, for instance to address the refugee crisis. Given the payment delays for many of the 2014-2020 MFF programmes, the Court believes that there is a risk that spending ceilings may be exhausted through normal expenditure in the coming years. This would leave less room for the much-needed flexibility in the EU budget to respond to unexpected events.

Complexity of EU funding arrangements: driven by the need to find additional funds to tackle new challenges (such as the financial crisis, climate action, **migration and refugee crisis** and boosting investment in the EU), funding arrangements have evolved greatly over the years. As a result the number of entities and instruments involved in financing the implementation of EU policies and programmes has increased considerably. This makes it more difficult to manage, audit and report on EU spending effectively, or to obtain a comprehensive overview.

The Court recommends that the Commission put more **emphasis on performance** by: (i) balancing performance reporting better; (ii) presenting clearly, in its main performance reports, information on the main challenges encountered in obtaining the results; (iii) making its performance reports more accessible; and (iv) better demonstrate that evaluation results are well used.

3) Analysis of budgetary implementation for the main MFF headings:

- *Competitiveness for growth and jobs*: in 2016, expenditure subject to audit in this area was **EUR 15.2 billion**. Research and innovation expenditure, which accounted in 2016 for 59 % of spending under this sub-heading, is made through the Seventh Framework Programme for Research and Development 2007-2013 (FP7) and Horizon 2020, the framework programme for 2014-2020. The Court considered that the **level of error amounted to 4.1%.** Most of the errors are related to the reimbursement of ineligible personnel costs, other ineligible direct costs (e.g. travel and equipment costs not related to the project) or ineligible indirect costs declared by beneficiaries. The Court recommended: (i) streamlining the Horizon 2020 rules and procedures by making greater use of simplified cost options (such as unit costs, lump sums, flat-rate financing and prices) in the revised Financial Regulation; (ii) reducing the time taken to close ex-post audits and improve internal processes for planning, monitoring and reporting of audits.

- *Economic, social and territorial cohesion*: in 2016, expenditure subject to audit in this area was **EUR 35.7 billion**. Expenditure comprises two main parts: (i) EU regional and urban policy, which together accounted for 76% of cohesion expenditure in 2016; (ii) the Employment and Social Affairs policy area, which accounted for 21% of cohesion expenditure in 2016. The Court considered that the **level of error amounted to 4.8%.** The principal sources of error in spending on 'Economic, social and territorial cohesion' as a whole are the inclusion of ineligible costs in beneficiaries' declarations, the selection of ineligible projects, activities or beneficiaries, and the infringement of public procurement legislation. Several Member States had difficulties in using all of their allocations. The Court recommends: (i) paying particular attention to areas in which there is a higher risk of ineligible expenditure or of the disclosure of inaccurate information that may lead to an over-reimbursement when closing the 2007-2013 programmes; (ii) strengthening the programme focus on performance and simplify the mechanism for payments.

- *Natural resources*: this heading covers the Common Agricultural Policy (CAP), the Common Fisheries Policy (CFP) and environmental measures. In 2016, expenditure subject to audit in this area was **EUR 57.9 billion**. With regard to rural development, the environment, climate action and fisheries, the Court identified ineligible beneficiaries, activities, projects and expenditure items, but also errors relating to ineligible land and overstated eligible hectares. Expenditure under this heading is affected by a **significant level of error (2.5%).**

The Court recommends reviewing the approach taken by paying agencies to classify and update land categories in their LPIS and to perform the required cross-checks, in order to reduce the risk of error in the greening payment. Guidance should be given to national authorities to ensure that their checks identify links between applicants and other stakeholders involved in the supported projects.

- *Security and citizenship*: the expenditure subject to audit in this area was EUR 2.4 billion. The Commission and the Member States have made **very slow progress** with payments under shared management from AMIF and the ISF. By the end of the 2015 financial year, no payments at all had been cleared by the Commission for 15 Member States. The Court also identified a number of weaknesses for SOLID, AMIF and the ISF that may delay the implementation of these funds, impair the Commission's assessment of Member State systems.

- *Global Europe*: for 2016, expenditure subject to audit in this area was **EUR 8.3 billion**, with spending disbursed across more than 150 countries. The **estimated error rate** is 2.1%. 37% of the estimated error is attributable to expenditure for which essential supporting documentation was not provided. Other important types of error include expenditure that either has not been incurred or is ineligible. DG NEAR commissioned a study to assess the 'Residual Error Rate' (RER) in expenditure in this area. The Court recommends: (i) working together with the audit authorities in pre-accession beneficiary countries to improve their competence; (ii) developing risk indices; (iii) properly disclosing the scope of the RER study and the estimated lower and upper error limits in its next annual activity report.

- *Administration*: expenditure subject to audit of all EU institutions and other bodies was **EUR 9.4 billion**. Staff-related expenditure (such as salaries, pensions and allowances) accounted for about 60 % of the total. The remainder was spent on buildings, equipment, energy, communications and information technology. The examination of systems **did not reveal any significant weaknesses** overall. However, the Court recommends that the European Parliament reviews its framework for monitoring the implementation of budget appropriations allocated to political groups. It should also provide better guidance to political groups and monitor more effectively how they apply the rules for authorising and settling expenditure, and how they carry out procurement procedures.

It should be noted this year's analysis of follow-up concluded on 108 recommendations issued to the Commission between 2010 and 2013. The Court notes that the **Commission implemented 90 recommendations fully or in most respects**. Even recommendations that the Commission initially did not accept were in most cases implemented.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 04/04/2018 - 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 2016, 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 2016.

The committee recommended that Parliament **close the accounts** of the general budget of the Union for 2016.

Budget, programming periods and political priorities: Members insisted that the Union budget, as a consequence of the "budget focused on results initiative", be presented according to the Union´s political objectives for the MFF. In the light of the post-2020 MFF, the Union budget should be a **true European added value budget**, aimed for common Union objectives promoting sustainable economic and social development of the whole Union.

They expressed the need to establish an **independent disclosure, advice and referral body** in order to help whistleblowers use the right channels to disclose information on possible irregularities while protecting their confidentiality and offering needed support and advice.

Some of the main priorities highlighted concern, *inter alia*:

- reviewing the young farmers' and greening schemes for the next MFF;
- provide the Parliament and the Court with more balanced reporting, by including in its performance reports more transparent information on challenges, pitfalls and failures;
- speed up the delivery of cohesion policy programmes and related payments;
- improve the transparency of **migration** policy financing and to actively monitor public procurement procedures when they are held in emergency situations;

Members noted with concern that the Commission uses two sets of objectives and indicators to measure the performance of its services and of spending programmes with hardly any cross-references, which **hampers comparability** between different types of performance documents. They regretted the virtual non-existence of usable and efficient impact and outcome indicators to measure, and to distribute information about, the performance of Union expenditure.

Budgetary and financial management: Members pointed out that the delays in the implementation of programmes in the first three years of the current MFF due to the late adoption of the 2014-2020 MFF and considerable novelties introduced for the 2014-2020 period which caused administrative difficulties despite efforts at simplification, led to the transfer of commitment appropriations from 2014, mainly to 2015 and 2016, and to low payments in 2016 (and implementation of the Union budget at 7 % in 2014-2016 period of the current MFF).

2017 was, however, the first year when the implementation of ESIF programmes accelerated. They expect that this trend will continue in 2018 and 2019.

Members regretted the **lack of the unity of the Union budget**, and fully shared the Court's concern as regards the complexity of the Union budget. They fear that despite the extensive use of special instruments (the Emergency Aid reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the Flexibility Instrument) and margins, the amounts left may **not be sufficient** to fund unexpected events that may still occur before 2020.

They noted with concern that a **record level of outstanding commitments** has been created, reaching by the end of 2016 an all-time high of EUR 238 billion, 72 % higher than in 2007 and equivalent to 2.9 years of payments compared to 2.2 years in 2007. This has increased the amounts owed by the Union and thus the financial exposure of the Union budget. They fear, however, that a **backlog of payments** may develop towards the end of the current MFF and in the first few years of the next MFF.

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

- **Accounts and legality and regularity of revenue**: Members welcomed the fact that the Court has given a **clean opinion** on the reliability of the accounts for 2016 and that the revenue was **free from material error** in 2016. The commitments underlying the accounts for the year ended 31 December 2016 were legal and regular in all material respects.
- **Legality and regularity of payments**: Members noted with satisfaction that for the **first time in 23 years**, the Court has issued a **qualified (rather than an adverse) opinion** on the legality and regularity of the payments underlying the accounts, which means that in the Court's view, there has been an **important improvement** in the management of Union finances. However, they regretted that for the 23rd year in a row, payments are materially affected by error because of the fact that the management and control systems are only partially effective at ensuring sound financial management and timely payment.

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 DG R&I to follow up the recommendations of the Internal Audit Service (IAS) which found weaknesses in ensuring a consistent project monitoring approach across the Horizon 2020 implementing bodies.

Economic, social and territorial cohesion: Members are pleased that the employment rate in 2016 reached again the 2008 pre-crisis level of 71%, but the situation varies markedly across the Union and this rate is well below the Europe 2020 target of 75%. They noted with concern that unemployment rates still remain too high, in particular among **young people** and long-term unemployed.

Members noted with regret that one of the main sources of expenditure-related errors under the heading 'Economic, social and territorial cohesion' continues to be **breaches of the rules on public procurement**. They pointed out that serious breaches of the rules on public procurement include the direct award of additional contracts or additional works or services for which no justification is given, the illegal exclusion of bidders, conflicts of interest and discriminatory selection criteria. Projects using the simplified cost options are less error-prone than reimbursements of actual costs.

Member States and the Commission are urged to pay more attention, under the post 2020 financial period, to:

- creating EU added-value with cohesion policy;
- building stronger coordination between cohesion, economic governance and the European semester;
- devising a system which allows concentration of cohesion funding on regions which need it most;
- drafting a single set of rules for structural funds;
- faster implementation of programmes and projects;
- the geographic and social balance to ensure that investments are made where they are most needed.

Global Europe: Members are deeply concerned by the fact that according to the Court, DG NEAR auditors have detected weaknesses in the indirect management of the second instrument of preaccession assistance (IPA II), more specifically, at the audit authorities of three IPA II beneficiary countries - Albania, Turkey and Serbia.

On migration, Members called on DG HOME to consider defining, in cooperation with DG DEVCO and DG NEAR, a key performance indicator related to the elimination of the underlying and root causes of irregular migration. They also called on the Commission to:

- regroup the budget lines financing migration policy under a single heading with a view to enhancing transparency;
- define specific strategies with EU support teams to ensure the safety of women and accompanied minors at hotspots;
- provide an estimated cost paid per migrant or applicant for asylum country by country.

Administration: Members stressed the importance of finding a solution to the problem of the excessive, and in many cases abusive, billing of the **medical expenses** of the staff and members of the Parliament in some Member States. They called on the Commission to seek solutions to this problem.

Members also regretted that after more than 15 years there is still **no sound financial management system** in place for European schools.

2016 discharge: EU general budget, European Commission and executive agencies

2017/2136(DEC) - 18/04/2018 - Text adopted by Parliament, single reading

The European Parliament decided by 426 votes to 255, with 12 abstentions, to **grant the Commission discharge** in respect of the implementation of the general budget of the European Union for the financial year 2016, and also to 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 2016.

Budget, programming periods and political priorities: Parliament called for the alignment of the Union's policy objectives and financial cycles, the legislative period of the Parliament and the mandate of the Commission. It stressed that the Union's budget must be **results-based**. In the light of the post-2020 MFF, the Union budget should be a true **European added value budget**, aimed at achieving common Union objectives of promoting sustainable economic and social development of the whole Union.

Members emphasised the need to establish an independent body with sufficient budgetary resources to support **whistleblowers** wishing to disclose information on possible irregularities negatively impacting on the Union's financial interests, while ensuring their confidentiality is protected.

The **main priorities** should among other things be to:

- review the young farmers' and greening schemes in light of the Court of Auditors' conclusions;
- provide the Parliament and the Court with more balanced reporting, by including in its performance reports more transparent information on challenges, pitfalls and failures;
- fulfil the original 20% spending target in integrating climate action into the various Union spending programmes
- speed up the delivery of cohesion policy programmes and related payments;
- improve the transparency of migration policy financing and to actively monitor public procurement procedures when they are held in emergency situations

Parliament was concerned that the Commission uses two sets of objectives and indicators to measure the performance of its services and of spending programmes. It regretted the **virtual non-existence of usable and efficient impact and outcome indicators** to measure, and to distribute information about, the performance of Union expenditure.

Budgetary and financial management: Members pointed out that the delays in the implementation of programmes in the first three years of the current MFF due to the late adoption of the 2014-2020 MFF and the considerable novelties introduced for the 2014-2020 period which caused administrative difficulties **despite efforts at simplification**, led to the transfer of commitment appropriations from 2014, mainly to 2015 and 2016, and to low payments in 2016 (and implementation of the Union budget at 7% in 2014-2016 period of the current MFF).

2017 was, however, the first year when the implementation of ESIF programmes accelerated. They expect this trend to continue in 2018 and 2019. Sufficient levels of payment and appropriations for commitments should be provided in order for implementation to proceed smoothly.

Members regretted the **lack of unity of the Union budget**, and fully shared the Court's concern as regards the complexity of the Union budget. They feared that despite **the extensive use of special instruments** (the Emergency Aid reserve, the European Union Solidarity Fund, the European Globalisation Adjustment Fund and the Flexibility Instrument) and margins, the amounts left may not be sufficient to fund unexpected events that may still occur before 2020.

There is a record level of **outstanding commitments** which reached by the end of 2016 — an all-time high of EUR 238 billion, 72 % higher than in 2007 and equivalent to 2.9 years of payments compared to 2.2 years in 2007. This has increased the amounts owed by the Union and thus the financial exposure of the Union budget. They fear, however, that a **backlog of payments** may develop towards the end of the current MFF and in the first few years of the next MFF. Parliament called on the Commission to take into account the growth in outstanding commitments in its forecast of payment appropriations for the next MFF.

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

- ***Accounts and legality and regularity of revenue:*** Members welcomed the fact that the Court has given a clean opinion on the reliability of the accounts for 2016 and that the revenue was free from material error in 2016. The commitments underlying the accounts for the year ended 31 December 2016 were legal and regular in all material respects.

- ***Legality and regularity of payments:*** Members noted with satisfaction that for the first time in 23 years, the Court has issued a qualified (rather than an adverse) opinion on the legality and regularity of the payments underlying the accounts, which means that in the Court's view, there has been an **important improvement** in the management of Union finances.

Members welcomed the reduced error rate in regard to payments – according to the Court of Auditors' report, the **error rate of 3.1%** was the lowest in the last ten years. However, they regretted that, for the 23rd year in a row, payments are materially affected by error because of the fact that the **management and control systems** are only partially effective at ensuring sound financial management and timely payment.

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

- ***Competitiveness for growth and jobs:*** the **error rate of 4.1%** estimated by the Court is composed of 44% of ineligible direct personnel costs, 12% of ineligible other direct costs, 16% of indirect costs and 16% of ineligible projects or beneficiaries. Members called on DG R&I to follow up the recommendations of the Internal Audit Service (IAS) which found weaknesses in ensuring a consistent project monitoring approach across the Horizon 2020 implementing bodies.

Highlighting that 14,39% of the budget was implemented via **financial instruments**, Members called on DG R&I to report to Parliament's competent committee on its supervision strategy for financial instruments.

- ***Economic, social and territorial cohesion:*** Parliament pointed out that the errors in cohesion contributed to **43 %** of the overall estimated level of error of 3,1 %; 42 % of the errors were caused by ineligible costs included in expenditure declarations, 30% relate to **serious failure to respect public procurement rules**, and 28 % relate to ineligible projects, activities or beneficiaries.

In the context of the post-2020 financial period, Parliament calls on the Member States and the Commission to:

- create EU added-value with cohesion policy;
- build stronger coordination between cohesion, economic governance and the European semester;
- devise a system which allows concentration of cohesion funding on regions which need it most;
- draft a single set of rules for structural funds and implement the single audit principle;
- implement programmes and projects more rapidly;
- take into account the need for greater simplification;
- ensure geographic and social balance so that investments are made where they are most needed.

- ***Natural resources:*** the level of error for the natural resources chapter as a whole is 2.5% (compared with 2.9% in 2015 and 3.6% in 2014). Members expressed their concern with the fact that, according to the Court of Auditors, **greening** is unlikely to provide significant benefits for the environment and the climate and the fact that support for young farmers is not based on a sound needs assessment and is not even always provided to young farmers in need.

Parliament invites the Commission to:

- define a new key performance objective for the next MFF, accompanied with outcome and impact indicators, aiming at mitigating the income inequalities between farmers;
- prepare and develop, for the next CAP reform, a complete intervention logic for Union environmental and climate-related action regarding agriculture.

- Europe in the world: expenditures presenting an estimated material level of error of 2.1% (compared with 2.8% in 2015 and 2.7% in 2014). While they welcomed the positive trend of the falling rate of error in this area of activity, Members remain concerned by the fact that weaknesses were detected in the indirect management of the second instrument of pre-accession assistance (IPA II), more specifically, at the audit authorities of **three IPA II beneficiary countries** - Albania, Turkey and Serbia.

Parliament considers it essential to be able to **suspend** pre-accession funding where pre-accession countries violate human rights and stressed that **trust funds** should be established only when their use is justified.

On **migration**, Members suggested consideration be given to defining a **key performance indicator** related to the elimination of the underlying causes of irregular migration. They also called on the Commission to:

- regroup the budget lines financing migration policy under a single heading with a view to enhancing transparency;
- define specific strategies with EU support teams to ensure the safety of women and accompanied minors at hotspots;
- take the necessary measures to provide adequate reception facilities in Greece and Italy;
- provide an estimated cost paid per migrant or applicant for asylum country by country;
- step up the checks carried out on funds for refugees.

- Administration: Parliament noted that the institutions collectively cut the number of posts in the establishment plan by **4%** over the period from 2013 to 2017 and the number of staff by 1.4% over the same period. Members stressed the importance of having a strong European civil service, able to respond to the challenges faced by the Union and of providing this service with all the necessary legal and budgetary resources.

Lastly, Parliament welcomed the fact that the Commission responded to its call to review the **code of conduct for Commissioners** by the end of 2017, including by defining what constitutes a conflict of interest as well as introducing criteria for assessing the compatibility of post-office employment and extending the cooling off period to three years for the President of the Commission.