Council of the European Union

Brussels, 11 February 2016
(OR. en)

5583/1/16
REV 1

FIN 57
PE-L 3

NOTE

From:	Budget Committee
To:	Permanent Representatives Committee/Council
Subject:	Discharge to be given to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2014 – *Draft Council recommendation*

1. At a series of meetings in January and February 2016, with representatives of the Commission and the European Court of Auditors in attendance, the Budget Committee examined the Court's annual report concerning the financial year 2014[1].

2. The annual report contains assessments of the reliability of the consolidated accounts of the EU and the legality and regularity of the underlying transactions for the revenue and expenditure side of the EU budget, which form the basis for the Court's Statement of Assurance (DAS)[2].

[1] OJ C 373, 10.11.2015, p. 1.
[2] "Déclaration d'assurance".

3. For the year 2014, the Court gave a favourable assessment in respect of the EU annual accounts, "Revenue" and payments for "Administration"; for all other areas, the Court qualified its assessment.

4. The Budget Committee has reached an agreement on a draft Council 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 2014. The text is set out in Addendum 1 to this note.

5. In accordance with the conclusions of the ECOFIN Council meeting on 8 May 2000[1], the Council's preparatory bodies responsible for monitoring the areas covered by the Court's special reports have been able at this stage to examine special reports mentioned by the Court in its annual reports, under the procedure established by the Permanent Representatives Committee. As a result of those proceedings, the Council has adopted conclusions concerning these special reports[2].

6. In accordance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002[3], and in particular Article 208(2) thereof, and the Financial Regulation of each body, the Council is required to draw up recommendations to the European Parliament on a discharge to be given to the bodies set up under the TFEU and the Euratom Treaty and which have legal personality and receive contributions charged to the budget. These draft recommendations are submitted for adoption by the Council as a separate "A" item[4].

---

1 Doc. 7515/00 FIN 127 + COR 1.

2 Docs. 5688/15, 9146/15, 6784/15, 7282/15, 7292/15, 8319/15, 8331/15, 9140/15, 9134/15, 9135/15 + COR 1, 9136/15, 9143/15, 10104/15, 12747/15, 13420/15, 14034/15, 14193/15, 14194/15, 14640/15, 15260/15 and 15265/15.

3 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

4 Doc. 5584/16 ADD 1 FIN 58 PE-L 4.

7. Furthermore, in accordance with Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes[1], and in particular Article 14(3) thereof, and Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003[2], and in particular Article 66, first paragraph, thereof, the Council is required to draw up recommendations to the European Parliament on a discharge to be given to the executive agencies. These draft recommendations are also submitted for adoption by the Council as a separate "A" item[3].

8. Moreover, in accordance with the relevant establishing acts and, as for the European Joint Undertaking for ITER and the Development of Fusion Energy and SESAR Joint Undertaking, also in accordance with Article 208(2) of Regulation (EU, Euratom) No 966/2012, the Council is required to draw up recommendations to the European Parliament on a discharge to be given to the joint undertakings. These draft recommendations are also submitted for adoption by the Council as a separate "A" item[4].

---

1 OJ L 11, 16.1.2003, p. 1.
2 OJ L 297, 22.9.2004, p. 6.
3 Doc. 5585/16 ADD 1 FIN 59 PE-L 5.
4 Doc. 5587/16 ADD 1 FIN 60 PE-L 6.

9. The Permanent Representatives Committee is asked to advise the Council to:

– adopt the Council 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 2014 as set out in Addendum 1;

– approve the general comments accompanying the recommendation, as contained in the ANNEX to the same Addendum 1;

– instruct the President of the Council to have the above Council recommendation, together with the comments accompanying it, forwarded to the European Parliament, and to approve the draft letter in ANNEX 2 to that effect;

– enter in its minutes the joint statement by Sweden and the United Kingdom recorded in ANNEX 1.

ANNEX 1

Joint statement by Sweden and the United Kingdom on discharge of the 2014 EU budget

With reference to:

- the European Court of Auditors' annual report on the implementation of the EU budget concerning the financial year 2014;
- discharge to be given to the Commission in respect of the implementation of the EU budget for 2014;
- draft Council 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 2014;

The United Kingdom and Sweden:

Strongly regret that, for the 21st consecutive year, the European Court of Auditors has been unable to grant an unqualified Statement of Assurance on the EU budget as a whole and that the overall error rate for expenditure remains significantly above the acceptable 2 % threshold, with only a marginal reduction on last year at 4.4 %;

Highlight the importance of an independent EU-level audit of EU funds and very much welcome the new approach of the European Court of Auditors on performance audit as set out in the 2014 annual report, while regretting the discouraging conclusions from this audit;

Welcome a discussion on how the EU-budget can be designed to better support overall political priorities, generate results and react to unforeseen challenges, and welcomes the Commission's "Budget for Results" initiative in this regard;

Encourage the Commission and the Court to cooperate in identifying practical, operational and measurable targets for EU programmes, primarily through EU-level objectives and partnership agreements, which can translate the EU's political priorities into productive outcomes; together with the most suitable and effective system for measuring performance against such targets;

Point to the fact that the levels of error vary considerably between different expenditure areas and that this calls for a clear focus by the Commission and the Court on areas with high risk of significant errors, with a view to improving rather than necessarily adding more controls;

Strongly urge the Commission and Member States to identify further opportunities to simplify the complex rules and regulatory framework governing EU budget expenditure in order to improve compliance, as well as focussing on ex-ante controls rather than solely ex-post controls in order to help get payments right first time;

Given the large delays in launching the programmes in the 2014-2020 programming period, stress the importance of the Commission and Member States issuing timely and comprehensive guidance and training to ensure correct interpretation of requirements, and urge the Commission toward greater cooperation with Member States to understand and address the underlying causes of systemic and repeated errors;

Regret the Court's assessment that the error rate could have been considerably lower if Member State authorities had made better use of the available information to prevent, detect and correct errors before declaring the expenditure to the Commission;

Disagree with the Commission's proposal to introduce further alternative, multiannual error rates which risk detracting from the Court's independent methodology for estimating the level of error in the EU budget;

Strongly urge the Commission to preserve the unanimously agreed payment ceilings, in particular by: maintaining fiscal discipline in relation to commitments; effectively de-committing unused appropriations in order to make room for new priorities and programmes; increasing transparency by providing long-term forecasts, and ensuring a balance between commitments and payments; and

Draw attention to the Court's recommendation that the Commission should reinforce efforts to reduce excessive cash balances in financial instruments, given that more than €14 bn in unutilised funds remains locked within such instruments, which could be used for more urgent needs and priorities.

ANNEX 2

DRAFT LETTER

from : President of the Council

to : President of the European Parliament

Sir,

In accordance with Article 319(1) of the Treaty on the Functioning of the European Union, I am forwarding under separate cover[1] the Council recommendation of 12 February 2016 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 2014.

[Complimentary close].

---

[1] Doc. 5583/1/16 REV 1 FIN 57 PE-L 3 + 5583/16 ADD 1 FIN 57 PE-L 3.