

Brussels, 13 February 2015
(OR. en)

5303/1/15
REV 1

FIN 25
PE-L 2

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 2013 - <i>Draft Council recommendation</i>

1. At a series of meetings in January 2015, 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 2013¹.
2. The annual report contains assessments of the reliability of the Commission's accounts, the regularity of the underlying transactions, the effectiveness of the supervisory and control systems and the reliability of the Commission's annual activity reports 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 398, 12.11.2014, p. 1.

² "Déclaration d'assurance".

3. For the year 2013, the Court gave a favourable assessment in respect of the EU annual accounts, "Revenue", commitments for all policy groups and payments for "Administrative and related expenditure"; 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 2013. 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 2000¹, 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 reports².
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 1605/2002³, 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" item⁴.

¹ Doc. 7515/00 FIN 127 + COR 1.

² Docs. 6987/14, 7099/14 + COR 1, 8301/14, 8565/14, 8598/1/14 REV 1, 9787/14, 9778/14, 10745/14, 11254/14, 13856/14, 13616/14, 13938/14, 14681/14, 14820/14, 15384/14, 15537/14, 15563/14, 15564/14 + COR 1 + COR 2, 15565/14 and 16332/14.

³ OJ L 298, 26.10.2012, p. 1.

⁴ Doc. 5304/15 ADD 1 FIN 26 PE-L 3.

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 programmes¹, 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 58/2003², 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" item³.
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 966/2012⁴, 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" item⁵.

¹ OJ L 11, 16.1.2003, p. 1.

² OJ L 297, 22.9.2004, p. 6.

³ Doc. 5305/15 ADD 1 FIN 27 PE-L 4.

⁴ 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).

⁵ Doc. 5306/14 ADD 1 FIN 28 PE-L 5.

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 2013 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 the ANNEX 2 to that effect.
- enter in its minutes the joint statement by the Netherlands, Sweden and the United Kingdom recorded in ANNEX 1.

Joint Statement by the Netherlands, Sweden and United Kingdom
on discharge of the 2013 EU budget

"With reference to:

- the European Court of Auditors' annual report on the implementation of the EU budget in 2013;
- discharge to be given to the Commission in respect of the implementation of the EU budget in 2013;
- draft Council recommendations on discharge of the EU budget in 2013;

the United Kingdom, the Netherlands and Sweden:

- strongly regret that, for the twentieth 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, standing virtually stable at 4.7%;
- reiterate the necessity of a significant reduction in the error rate noting that the credibility of EU expenditure is reliant on improvements to financial management by all those involved in the deployment and use of EU budget funds;
- expect that the Juncker Commission will take proactive steps to improve procedures in order to reduce the error rates compared to the last programming period;
- again highlight the importance of an independent EU-level audit of EU funds and support the work of the European Court of Auditors;
- strongly urge the Commission and Member States to identify more opportunities to simplify the complex rules and regulatory framework governing EU budget expenditure in order to improve compliance, recognising that the rules must be understood and applied by a number of organisations and individuals with varying levels of experience of EU regulation;
- 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 better and address the underlying causes of systemic and repeated errors;

- recognise that approximately 80 percent of the EU budget is spent under the system of ‘shared management’ and reiterate the importance of Member States accepting responsibility for maintaining - and where necessary improving - effective and efficient control mechanisms to manage EU funds at a national level while factoring in the necessary balance between the costs and benefits of controls;
- regret the Court's assessment that the error rate could have been considerably lower if Member States' authorities had made better use of the available information to prevent, detect and correct errors before declaring the expenditure to the Commission. Adequate accountability on every level is extremely important, noting that Member State authorities should take immediate action to correct errors promptly.
- welcome steps taken by the Commission and the Court to increase the level of country-specific information in its reporting, while stressing the need for comparable and more readily available overviews of Member State performance, financial corrections and error rates per fund per year.
- urge the Commission to continue to apply financial corrections and recoveries in accordance with existing rules;
- strongly urge the Commission to keep commitments under control to create a balance between commitments and payments to avoid jeopardising the agreed payment ceilings;
- draw attention to the Court's recommendation that the Commission should look critically at the flow of payments towards financial instruments and urge the Commission to report more clearly about the added value of these instruments;
- note with disappointment the Court's findings that investments from the EU budget are often without EU-added value and urge the Commission to take action towards a more results-oriented implementation of the funds. Effective monitoring of performance should be a high priority for Member States and for the Commission.
- strongly support the European Court of Auditors’ calls for the performance of EU budget funds to be better assessed and monitored to ensure that programmes and projects financed by the EU budget achieve the desired outcomes and represent added value, and welcome the European Court of Auditors’ landscape review on risks to financial management of the EU budget."

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 cover¹ the Council recommendation of 17 February 2015 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 2013.

[Complimentary close].

¹ Doc. 5303/15 FIN 25 PE-L 2 + ADD 1.