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from: General Secretariat of the Council
to: Delegations
Subject : Plenary Session of the European Parliament, 10 May 2012
Joint debate: 2010 discharge

Mr Fjellener (EPP, SE) rapporteur for the discharge of Section III, Commission, recalled that for the seventeenth year the Court of Auditors had not been able to grant an unqualified statement of assurance. He therefore urged the Commission to provide an adequate response regarding four main areas of budget implementation, namely financial engineering, the annual activity report, prefinancing and cohesion. Concerning the latter, he underlined the importance of the supervisory role of the Commission.

Mr Ehrenhauser (NI, AT), rapporteur for the 8th, 9th and 10th European Development Funds (EDF), regretted that the opportunity to include EDF in the EU budget had again been missed. He stressed the high error rate affecting the management of the fund and regretted that the budgetary support issue had not yet been resolved. He asked the Commission to provide the EP with information about the implementation of the electronic management system by EU delegations.

Mr Geier (S&D, DE), who replaced Ms Ayala Sender (S&D, ES) as rapporteur for the discharge of the other Institutions, welcomed the Danish Presidency and highlighted the importance of the Council Presidency in the debate. After recalling that the report suggested granting discharge to the other institutions, he regretted that this would not be the case for the Council, as it had not yet replied to the questions put by the EP. He acknowledged the Council proposal for an inter-institutional agreement (IIA) to overcome the stalemate, but considered that the proposal from the Council General Secretary was not endorsed by a political mandate from the Council. He added that his group's approach was open to exploring the proposal for an IIA, but excluded the possibility of reciprocity being accepted by the EP. The Council, he explained, could not investigate the EP's internal system, as that would allow MS officials to challenge representatives of the citizens. As for the Economic and Social Committee, he said that the report proposed to grant discharge, despite some doubts in the area of staff appointments.

Ms Macovei (EPP, RO), rapporteur for the agencies' discharge, announced a postponement of the discharge for three agencies: the European Food Security Agency (EFSA), the European Medicines Agency (EMA) and the European Environment Agency. Conflict- of- interest issues were behind the postponement of the granting of discharge to EFSA and EMA, while the Environment Agency also raised some public procurement concerns.

Mr Liberadzki (S&D, PL), rapporteur for the European Parliament discharge, recalled the CoA's three findings, namely payments for visitors groups, public procurement and staff management. He recalled that the Parliament had raised other concerns with its Secretary- General, in particular security issues, the stress on higher productivity, especially in translation, the assessment of travel agencies in terms of the quality of their work and the general concern for savings: he quoted in particular the proposal to abolish the journalism prize.

On behalf of the Council, Mr Wammen, Danish Minister for European Affairs, delivered the speech in Annex I.

Mr Šemeta, Commissioner responsible for Taxation and Customs Union, Audit and Anti-Fraud, delivered the speech in Annex II.

Mr Silva Caldeira, President of the Court of Auditors, delivered the speech in Annex III.

Contributions on behalf of the Political Groups

Ms Ivanova (EPP, BG) considered that three areas were still problematic in the discharge process, namely public procurement, security and the timely delivery of internal audit reports to the CoA. She agreed with Mr Fjellner that shared management and financial instruments remained an issue to be addressed and that appropriate tools needed to be put in place to ensure a better assessment procedure. According to her, financial assistance also needed a clearer accountability check.

Ms Herczog (S&D, HU) invited the EP not to engage in turf war over agencies. She recalled that they had been established only after in-depth examination to find out whether they were needed. As they accounted for about 0,5% of the EU budget, she concluded that lengthy and expensive investigations should be avoided, as their audit should not be disproportionate to their limited budgetary share. Concerning conflicts of interest, she acknowledged that revolving doors could be a problem, because of the limited number of specialists in each Agency's remit. Nevertheless, she excluded the possibility of the problem being resolved by not granting discharge.

Mr Mulder (ALDE, NL) acknowledged some improvement in the discharge results, but recalled that for the seventeenth time the CoA had not granted a statement of assurance. He also regretted that annual summaries from Member States were still not provided, despite the provision in Article 44 of the Inter-institutional Agreement of 2006.

Mr Staes (Greens, BE) insisted that transparency was key in the discharge procedure. He recalled the conflict of interest of Ms Bánáti, chairwoman of the management board of EFSA. While welcoming her resignation, he considered that clear rules were needed for appointments in all the agencies. In his view, the EMA and the Environment agency had also problems with conflicts of interest.

Ms Češková (ECR, CZ) announced the opposition of her group to granting discharge, given the lack of a positive statement of assurance by the CoA.

Ms Andreasen (EFD, UK) recalled that the findings of the CoA highlighted an increase of the error rate from 3,3 to 3,7 % and complained that more money was to be put into cohesion, despite the high error rate in this area of EU spending. She referred to the issue of the Council discharge as a small "political play".

Mr Søndergaard (GUE/NGL, DK), after referring to the EP as the only directly-elected institution, advocated an exclusive role for the EP in scrutinising the EU budget. He criticised the Council approach in invoking a gentlemen's agreement dating back to the seventies, that, according to him, was a unilateral declaration of the Council.

Mr Hartong (NI, NL) asked for more transparency and control, and praised Ms Macovei for her report.

Contributions from other MEPs

Many of the forty MEPs who took the floor endorsed the opinions expressed on behalf of the political groups. In general, MEPs from the opinion committees welcomed the discharge of the relevant Agencies. In particular, Ms Haug (S&D, DE), from the ENVI Committee, supported by Mr Gerbrandy (ALDE, NL), considered that the Agencies' discharge could not be a rubber-stamping exercise, but regretted the climate of suspicion and distrust of the present discharge, in particular as far as the Environmental Agency was concerned. Mr Geier recalled that this was also the case for EMA, which, according to him, had the strictest provisions in the EU on conflict of interest.

According to Mr Bové (Greens, FR) conflicts of interest in agencies were a key issue that had to be addressed with clearer rules. Mr Öry (EPP, HU), from the EMPL Committee, called for closer cooperation between the main committee and the opinion committees. Ms Matera (EPP, IT), supported by Mr Gustafsson (GUE, SE) and Ms Morkunaite (EPP, LT), spoke against a merger of the European Institute for Gender Equality and the European Union Agency for Fundamental Rights. Ms Sommer (EPP, DE), from the LIBE Committee, highlighted the high standard of management in Europol and Eurojust. Mr Berman (S&D, NL), from the DEVE Committee, regretted that the EDF remained outside the EU budget and wondered how the power of scrutiny could be given to the EP. Mr Bradbourne (ECR, UK) considered that a budgetary control commissioner was needed. Mr Czarnecki (ECR, PL) supported him and suggested that the Croatia enlargement could be an opportunity, if an extra portfolio was needed.

Mr Theurer (ALDE, DE) and Ms Grässle (EPP, DE) contested the notion of reciprocity in the discharge procedure. Ms Grässle, in particular, considered that an interpretation of Articles 319 and 335 of the Treaty was needed. She recalled that some suggestions had been put forward when discussing the Financial Regulation and it was now for the Council to comment on it. Mr Theurer added that no reciprocity is foreseen by the treaties and that it was for the EP to control all expenses, as the EP has to protect the citizens' rights.

Mr Wammen, in his closing remarks, highlighted the fact that the Council proposal for a "memorandum of understanding" for cooperation between the Parliament and the Council during the annual discharge was not an ultimatum and needed to be negotiated between the two Institutions. He invited therefore the EP to set up a negotiating team. He recalled that European taxpayers expected effective and sustainable cooperation on the part of the EU institutions in order to keep control of the EU's costs.

Mr Šemeta told Mr van de Camp (EPP, NL) that the Commission was monitoring SIS I and SIS II. As for EDF, he told Mr Schmidt (ALDE, SE) that the fund would remain outside the EU budget for the 2013-2020 MFF, but that the Commission might reconsider this for the next period. He agreed with Mr Bové about the need for a coherent policy to prevent conflict of interests. As for the financial assistance mechanisms, he recalled that the CoA would be represented by a member in the board of auditors of the new European Stability Mechanism.

In his concluding remarks, Mr Fjellner stressed his serious concern for shared management and made it clear that his proposal to grant discharge to the Commission was based mainly on the attitude shown by the Commission in suspending and recalling payments whenever needed. The three other rapporteurs focused their final remarks on agencies. Mr Ehrenhauser emphasised that conflict of interest was a horizontal issue for all the Agencies and told Mr Geier that postponement of discharge was a way to urge them to address conflict of interest. According to Mr Geier, this was not the point. Agencies were not able to change their regulatory framework. He looked forward to the CoA report to launch a discussion on conflict of interest. Ms Macovei insisted that testing for conflict of interest was a valid approach in discharge, as such a conflict could distort the allocation of resources. At the same time, she called on the Commission and the Member States to avoid such conflicts when making appointments in the Agencies, in order to allow them to work properly.

Speech of Mr Wammen, Danish Minister for European Affairs

Madam President, I am very pleased to be able to participate today in this very important debate on the correct implementation of the EU budget. I would like to take this opportunity to thank Mr Geier and the rest of this House for its very warm reception of the Danish Presidency.

Let me start by stressing the particular importance which the Council attaches to the proper spending of EU appropriations. This applies especially in times of economic and financial crisis, when many Member States have to cut their national budgets and keep their expenditure under strict control, and when European citizens and taxpayers pay even closer attention to the correct use of public funds, not only at the national but also at the European level.

On 28 February my colleague Minister Vestager was in the European Parliament's Committee on Budgetary Control to present the Council's recommendation to give a discharge to the Commission in respect of the implementation of the budget for 2010. On that occasion she was able to participate in a very interesting and fruitful debate on the implementation of the EU budget, which concentrated in particular on its implementation under shared management by the Commission and Member States.

It again became evident that the European Parliament and the Council share the same concerns. We therefore both addressed the fact that a large share of payments from the EU budget is still materially affected by error, and we both follow the overall aim of attaining an unqualified audit opinion from the European Court of Auditors. In that context I would like to mention that Minister Vestager has informed her colleagues in Ecofin about the issues raised by the Committee on Budgetary Control during the debate.

I can only repeat what was said in February. The Council would like to see more progress in the financial management and control of EU funds. It encouraged the Commission to fully assume its responsibility in the implementation of the budget, to reinforce its supervision and control structures and to strengthen its cooperation with and its guidance to Member State authorities.

The Council recalls in this context the importance of recoveries and financial corrections which are an essential element in protecting the Union's financial interest and in improving the management of EU funds. Payment should be interrupted and suspended whenever significant deficiencies are identified and until corrective action is fully implemented. Unduly paid amounts should be recovered without delay and full transparency in the implementation of corrective action must be ensured.

I can assure you that the Council Presidency will make all possible efforts to make progress on this issue and I have noted that many of the Council's priorities are also those of the European Parliament; I therefore count on your cooperation and support. We can improve the situation if all actors – the European Parliament, Council, Commission and Member States – work constructively together towards the sound financial management and an efficient control of EU funds.

The ongoing negotiations and the revision of the Financial Regulation are a perfect opportunity to improve and simplify procedures, and to reasonably strengthen supervision and control without creating any excessive administrative burden.

Finally, I have to say a few words on the disagreement between the European Parliament and the Council on the discharge procedure between our institutions. The Council is of the opinion that it is important to find a durable solution to this recurring problem and that this solution should be based on three principles: accountability, transparency and reciprocity.

Therefore, the Council has made a proposal to the European Parliament on the discharge procedure, and the Council has asked the European Parliament to appoint a formal delegation to discuss this proposal and to solve the outstanding issues.

The Danish Presidency looks forward to the continuing informal dialogue between our institutions on this issue, which we hope can pave the way to solving our disagreements. I welcome therefore this debate today and I am looking forward to a very constructive cooperation with the Commission, the European Parliament, the Member States and the Council.

Speech of M Šemeta, Commissioner in charge Taxation and Customs Union, Audit and Anti-Fraud

Madam President, first of all let me start by thanking you for the constructive and fruitful work achieved over the last few months. The Commission has been in close contact with your rapporteur and your colleagues on the Committee on Budgetary Control to discuss all kinds of issues related to the sound financial management of the main EU programmes.

Six Members of the Commission and the Secretary-General of the Commission participated in very lively discharge hearings. This intense dialogue between the institutions demonstrates the importance, but also the complexity, of the matters which we have to deal with. The Commission appreciated very much this trustful and good cooperation and I am looking forward to continuing to work with you on the topics we have discussed.

The rapporteur mentioned four priority actions for the Commission and I would like to stress that the Commission is fully aware of your concerns and your expectations vis-à-vis the Commission, but also vis-à-vis other financial actors.

I would like to highlight the implementation of financial engineering instruments as one example where the Commission has proactively taken into account the outcome of the discussions we had. Following the Commission's proposal, Member States have to provide more focused and detailed reports on the implementation of these instruments. As a consequence, by the end of the year, we should have all necessary information to hand to provide you with an analysis per Member State and a comprehensive evaluation of the use of financial engineering instruments. But more has been done. In anticipation of the need for closer monitoring, the Commission proposal for the next programming period already envisages enhanced monitoring and control mechanisms for those financial instruments.

Apart from the priority actions highlighted by the rapporteur, the discharge report includes many more requests to the Commission. They are all being analysed and will be followed up. A comprehensive report on the follow-up to the discharge requests and on the concrete actions taken will be issued later this year, together with the evaluation report required under Article 318 of the Treaty.

I consider the effective implementation of these recommendations to be of the utmost importance in addressing the weaknesses identified in the implementation of the EU budget. We have discussed the role of Member States in the implementation of the EU budget many times already. Member States have a crucial role when it comes to the operational implementation of EU programmes and projects. The authorities of the Member States are paying out, and controlling on the spot, some 80% of the EU budget to final beneficiaries.

There is no doubt that the Commission will continue to assume its final responsibility for the correct implementation of the EU budget, in accordance with the Treaty. But to reduce the error rate under shared management, we do need the Member States' cooperation and commitment to assuming their responsibility as the first-level financial actors in direct contact with the final beneficiaries.

As the last Annual Report from the Court of Auditors has revealed, Member States' authorities did not detect and correct many errors, even though they had the necessary information available. Further work on effective – but also proportionate – supervisory and monitoring mechanisms in the current period and for the future is therefore necessary.

The Commission appreciates your support in further developing these mechanisms and improving the implementation procedures at Member State level. The provision of reliable and complete financial information and audit data by the Member States is one example of an area where improvements are necessary. We can see some progress in this regard, but this is not yet satisfactory.

This is why the Commission will, from now on, transmit the annual summaries of the Member States with an analysis of their content to the Committee on Budgetary Control, in accordance with Article 319 of the Treaty. Where appropriate, the Commission will make recommendations to the national authorities on how to further improve this reporting instrument so they can contribute better to the Commission's assurance process. The discharge authority will be informed about these recommendations.

However, their publication remains subject to the conditions set in the legislation on public access to the EU institutions' documents.

In this context, I would like to recall the importance of introducing a management declaration of assurance, which the Commission has proposed in the revision of the Financial Regulation. This would be an important building block towards an improved assurance chain between the management and control bodies in the Member States and the Commission services. Here as well, in the negotiations on the Financial Regulation, the Commission is on the side of Parliament to ensure the highest level of transparency and accountability from the Member States. We have, moreover, proposed introducing political accountability through the possibility of submitting national declarations of assurance. Provided that Member States' national declarations respect necessary conditions, the Commission will, as an incentive, take those declarations into account in the establishment of its own audit strategy.

As regards the European Development Fund, we welcome the Parliament's recommendations. The area of external aid is by nature a risky and complex one. An error level of 3.4 % is limited but remains a source of concern for both this House and the Commission. We will take all necessary actions to further improve the EDF's financial management, securing the effectiveness and sustainability of the EU's support, which is badly needed by the ACP countries.

This discharge procedure provided valuable input for the negotiations on the next financial period. Several new measures included in our proposals for the next generation of EU spending programmes were inspired by the European Court of Auditors and the discharge authority.

The Commission will demonstrate its firm commitment to achieving all possible improvements. The discharge report on which you will vote is a clear road map for actions to be taken by the Commission and the other financial actors.

Speech of Mr da Silva Caldeira, President of the European Court of Auditors

Madam President, I am honoured to be the first President of the European Court of Auditors to be invited to address Parliament at this stage in the discharge procedure.

The discharge procedure is essential for European Union public accountability. It helps provide citizens with assurance as to what European funds were spent on, whether they were used correctly, and what was achieved with them. The primary responsibility for answering these questions lies with those responsible for managing European funds: the Commission and the relevant national authorities. They need to put in place systems capable of doing so.

The Court's role is to provide independent assessments of the quality of their financial management and reporting systems. For the financial year 2010 the Court concluded that the European Union accounts prepared by the Commission do provide a reliable picture of what European Union funds were spent on. We noted, however, that the Commission does not yet provide a complete and reliable set of information on whether European Union funds have been correctly raised and spent.

On the basis of our own audit testing, the Court concluded that revenue and commitments underlying the European Union accounts were legal and regular in all material respects. In contrast to this, payments underlying these accounts were affected by material error with an estimated error rate of 3.7% overall. As in previous years, the area most prone to error was cohesion. We also concluded that systems were only partly effective overall and that there continued to be risks in the other areas of expenditure, which need to be managed and disclosed.

The Court recommended that due account should be taken of these risks when revising the legislative instrument for the next programming period. In particular, the Court stressed that reforms should focus on both reducing errors and improving the results we achieve with the funds of the European Union.

It is also important to ensure there is adequate provision for transparency. The Commission's reporting on results achieved needs to be improved. In particular, we emphasised the need to set smart objectives and milestones for the new programming period. This is a point we also stressed in our recent opinions on the new legislative proposals governing the main areas of expenditure for the period 2014 to 2020.

In the discharge decision on the 2009 financial year, this Parliament invited the Court to present an opinion on the evaluation report required by the Lisbon Treaty. This report was delivered in February this year by the Commission and we will issue an opinion shortly. The Court believes that this first evaluation report represents an initial step in the right direction and provides Parliament, the Council and the Commission with an opportunity to discuss and agree how it can be made useful to the discharge authority as an instrument for European Union transparency and accountability.

The Court believes that an effective discharge procedure is essential for the European Union's accountability and we are fully committed to working with Parliament and the other partners in this process to achieve that goal each year.