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NOTE

from: General Secretariat of the Council
to: Delegations

Subject: Summary record of the meeting of the European Parliament **Committee on Budgetary Control (CONT)**, held in Brussels on 23 and 24 February 2015

At its meeting on 24 February 2015, CONT held a debate on the Council and European Council discharge. The rapporteur suggested postponing discharge to Council until all questions had been answered. All MEPs who took the floor called for a solution, but were uncertain on the way forward. The chair, Ms GRÄßLE (EPP, DE), recalled that the EP legal service was not supportive of an action before the ECJ as envisaged by S&D and GUE speakers and thought that a proposal for a treaty change should be tabled instead. Ms GRÄßLE was disappointed about the resistance offered by the Council in the fight against fraud by means of criminal law, but considered that codecision was the only way forward.

The meeting was chaired by Ms GRÄßLE (EPP, DE).

1. 2013 Discharges: Presentation of the Council recommendations by Jānis Reirs, Minister of Finance of the Republic of Latvia (Latvian Presidency of the EU), in the presence of the Member of the European Commission responsible for Research, Science and Innovation, Carlos Moedas

Minister REIRS, while welcoming the ECA's clear opinion on the reliability of the annual accounts, commitments and revenue, stated that in its Recommendation the Council had expressed its disappointment with the audit results in all policy areas except administration, given the extent of the error rate, which was estimated at 4.7%. The Council remained concerned that the supervisory and control systems remained only partially effective and reiterated the need for the Commission to strengthen its cooperation with Member States. Minister REIRS made it clear that errors were neither fraud nor necessarily a waste of EU money and pointed out that better controls rather than more controls were needed to strike the right balance between the risk of errors and the cost of controls. Improving the national administrative and control structures was key to addressing the error rate. The Council also called on the Commission to provide MS with proper guidance on the new public procurement directive. Moreover, it felt that the new programming instruments, which simplified administrative procedures, would help to reduce the error rate in the future.

Mr MOEDAS, the Commissioner responsible for Research, Science and Innovation, welcomed the recommendation, as it acknowledged progress and achievements.

He agreed with many of the positions expressed by the Presidency, and in particular agreed that the new programming instruments were an opportunity to improve the quality of spending. He nevertheless stressed that the role of national authorities was key.

Minister REIRS told Ms GRÄBLE, rapporteur, that naming and shaming individual MS would not help to reduce the error rate, as MS were different and could not be easily compared to one another; in reply to Mr VAUGHAN (S&D, UK), he considered the exchange of good practices between MS, and technical assistance from the Commission, to be more useful. He told Ms AYALA SENDER (S&D, ES) that the future programming period would focus more on results than on absorption capacity. Concerning the issue of outstanding payments, he announced that the results of the Monti Group would be discussed in a conference to be organised in the spring of 2016 and invited the EP to take an active role in it.

In response to a question put by Mr THEURER (ALDE, DE) on the Council discharge, he stated that the ECA had not made serious comments to the Council, which indeed had nothing to hide, and that discharge to the Commission encompassed that to the Council, pursuant to Article 319 TFEU. He told Ms AYALA SENDER that both the EP and the Council should have access to the same information. The Council was ready to enter negotiations on a modus vivendi that was mentioned in the EP resolution of October 2014. Ms GRÄßLE considered that this should not entail unacceptable controls by the Council of the EP.

As for national management declarations, he said that the Council had taken a negative position, in keeping with the opinion of the ECA. Mr LAZAROU, member of the ECA, endorsed this statement and added that national declarations were not useful in defining responsibilities as the Treaties currently stand.

2. Discharge 2013: EU general budget - European Commission

Ms GRÄßLE, rapporteur, pointed in particular to the unreliability of the first level checks performed by MS in shared management, and of the data communicated. She also expressed reservations concerning the way Member States' contributions out of the GNI had been calculated. Commissioner MOEDAS, on behalf of Commissioner GEORGIEVA, announced that all questions put by the EP were being answered in writing and that Ms GEORGIEVA would discuss them at the next CONT meeting on 23 March 2015. More generally, he underlined that:

- interruptions and corrections had been stepped up: in cohesion policy, 265 cases had been opened for a total amount of EUR 5 billion;
- control had been strengthened in the shared management system;
- performance and added value remained key priorities for better spending;
- simplification was mainstreamed to reduce the administrative burden;
- budgetary discipline was applied to address the shortage of resources; in this context he assured MEPs of the trustworthiness of the statistical data.

3. Discharge 2013: EU general budget - 8th, 9th and 10th EDFs

Ms DLABAJOVÁ (ALDE, CZ), rapporteur, recommended that the strategies and priorities of future EDF activities be precisely defined and that a system of financial instruments be built on that basis, respecting the principles of efficiency and transparency. She regretted that the EDFs had not been included in the financial rules applicable to the general budget of the European Union.

Deadline for tabling amendments: 5 March 2015.

4. Discharge 2013: EU general budget - European Parliament

Mr PARGNEAUX (S&D, FR), rapporteur, pointed to some shortcomings in the EP administration and in particular expressed concern that the number of local assistants employed per Member had varied greatly - between zero and 43 in 2013 - and asked for the enhancement of recruitment procedures for local assistants. The practice of making cash payments for the reimbursement of costs to visitor groups was a “high risk concern”. Information offices should prioritise the use of videoconferences. He also called on the Commission for a joint management of the House of European History. On a more positive note he welcomed the setting up of the new security and research departments, the reform of the assistants' recruitment policy (that no longer allowed hiring family members) and the paperless policy.

Ms GERBRANDY (ALDE, NL) called for a more stringent follow up to last year's resolution and spoke against an increase of the secretarial allowance for Members, since in his view this had a negative impact on the EP's reputation with citizens.

Ms GRÄBLE supported the increase of the secretarial allowance, which she considered necessary for the daily activity of a committed MEP. Mr PARGNEAUX agreed that euro-scepticism was increasing amongst citizens, but felt that this was more a result of the economic crisis and that EU institutions should take a proactive stance.

***** Electronic vote *****

5. Annual Report 2013 on the Protection of the EU's Financial Interests - Fight against fraud

Rapporteur: Mr PIRINSKI (S&D, BG)

The report was adopted, as amended, with 27 votes in favour (unanimity).

6. The fruit and vegetables sector since the 2007 reform

Rapporteur for the opinion: Ms PITERA (PPE, PL)

The report was adopted, as amended, with 25 votes in favour and two against.

7. Prospects for the EU dairy sector - Review of the implementation of the dairy package

Rapporteur for the opinion: Mr SARVAMAA (PPE, FI)

The report was adopted, as amended, with 26 votes in favour and one abstention.

***** End of electronic vote *****

8. Discharge 2013: EU general budget

- **Council and European Council**
- **European External Action Service**
- **Court of Justice**
- **Court of Auditors**
- **Economic and Social Committee**
- **Committee of the Regions**
- **European Ombudsman**
- **European Data Protection Supervisor**

On the Council: Mr CZARNECKI (ECR, PL), rapporteur, suggested postponing discharge until the Council had replied to the questions put by the EP, in particular concerning its buildings policy.

Mr DEUTSCH (EPP, HU) described the situation as "tragi-comic" and considered that any solution was better than the non-solution of postponing discharge. In his view the Council's behaviour was problematic: patience was needed.

Mr GEIER (S&D, DE), considered that a broad agreement should be found within the EP to bring the Council before the ECJ. His position was supported by Ms KARI (GUE/NGL, DK). Ms AYALA SENDER (S&D, ES) felt that the situation with the Council was desperate and considered that not granting discharge to the Council without any consequence for the latter made the EP appear useless in the eyes of citizens.

Ms GRÄBLE (EPP, DE), chair, recalled that the EP legal service was not in favour of taking the Council before the ECJ and felt that a patient approach towards the Council was needed. She stressed that the Council proposal for a gentlemen's agreement was unacceptable as the EP could not possibly be controlled by the Council. She recalled that all other institutions had agreed to be submitted to the EP's control. Since the Council was the only institution that could not accept an interpretation of Article 319 TFEU in the new context of the Lisbon Treaty, a Treaty change was needed. Tabling a proposal for a Treaty change was a precondition for further dialogue with Council. Mr CZARNECKI (ECR, PL) wondered how long the EP could wait without appearing naive.

On the EEAS: the rapporteur pointed to a top-heavy staff structure and to the need for a better geographical balance. Building and logistical aspects were also problematic. In his view, the role of the special representatives remained to be clarified. Mr DEUTSCH agreed with the rapporteur and added that staff allowances should be mainstreamed. He also inquired about the cooperation with Olaf. Ms AYALA SENDER, supported by Ms KARY (GUE/NGL, DK), stated that the report should not meddle with policy areas that fell into the competence of the AFET committee. The representative of the EEAS recalled that a Memorandum of Understanding had been signed with Olaf. He disagreed that a geographical balance issue existed, as clearly stated by Ms MOGHERINI in her speech at CONT on 26 January 2015¹. He disagreed that an allowance issue existed and invited Mr DEUTSCH to a bilateral clarification.

ECA: the rapporteur stressed that the focus should be on the quality of reporting rather than its quantity. He also called for a geographical balance of staff. Mr GEIER complained that agencies were requested by ECA to pay for external audits that he felt should have been carried out by the ECA itself.

As for the other institutions, some members pointed in particular to the too generous policy on official cars at the ECJ.

¹ 5836/15

9. Report on discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2013: performance, financial management and control

- **Agency for the Cooperation of Energy Regulators**
- **Office of the Body of European Regulators for Electronic Communications (BEREC)**
- **Translation Centre for the Bodies of the European Union**
- **European Centre for the Development of Vocational Training CEDEFOP**
- **European Police College**
- **European Aviation Safety Agency**
- **European Asylum Support Office**
- **European Banking Authority**
- **European Centre for Disease Prevention and Control**
- **European Chemicals Agency**
- **European Environment Agency**
- **European Fisheries Control Agency**
- **European Food Safety Authority**
- **European Institute for Gender Equality (EIGE)**
- **European Insurance and Occupational Pensions Authority**
- **European Institute of Innovation and Technology (EIT)**
- **European Medicines Agency**
- **European Monitoring Centre for Drugs and Drug Addiction**
- **European Maritime Safety Agency**
- **European Network and Information Security Agency (ENISA)**
- **Railway Agency**
- **European Securities and Markets Authority**
- **European Training Foundation**
- **European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice**
- **European Agency for Safety and Health at Work**
- **Euratom Supply Agency**

- **European Foundation for the Improvement of Living and Working Conditions**
- **EUROJUST**
- **European Police Office (Europol)**
- **European Union Agency for Fundamental Rights**
- **FRONTEX**
- **European GNSS Supervisory Authority**

Mr CZARNECKI (ECR, PL), rapporteur, recalled that - out of 32 Agencies - EIT and FRONTEX had received a qualified opinion from the ECA. ECA's findings on EIT concerned in particular inappropriate audit certificates, error rates and public procurements.

Frontex had introduced a new certification system in June 2013. Although operations under the new system could not be audited, the rapporteur suggested granting discharge to the agency.

As for horizontal issues involving other agencies, he mentioned in particular the problem of carry-overs.

Mr ZDECHOVSKY (EPP, CZ) welcomed the report, and invited the rapporteur to also address the issue of conflict of interest (in particular for the cases of EFSA and EMA). In his view some agencies should be merged or tasks recentralised within the Commission. Mr VAUGHAN added that the number of agencies was too high and felt that Member States favoured this result by distributing agencies' seats across Europe. This implied more spending for buildings and logistics. Mr JAVOR (Greens/ALE, HU) pointed to the thorny issue of seat agreements still pending conclusion with the host Member States.

Transparency issues, geographical balance of staff and visibility of the agencies were also raised. Mr ALI (ALDE, BG) called on Frontex to provide expertise to MS on the external borders when dealing with immigration flows and refugees.

The representative of the agencies told Mr ZDECHOVSKY that a recent survey on conflict of interest had showed encouraging figures (88% of the agencies had a policy in place to address conflict of interest). Moreover, 61% of the agencies had implemented the relevant policies. Synergies amongst agencies and with the Commission were being actively sought after. He acknowledged that more efforts were needed to convince some MS to conclude a seat agreement.

The representative of EIT provided CONT with a detailed brief on actions taken to address shortcomings. The representative of the Commission considered that action taken by Frontex would enable a non-qualified opinion under the next audit exercise.

10. Discharge 2013: Joint Undertakings

- **ARTEMIS - Embedded computing systems**
- **Clean Sky - Aeronautics and Environment**
- **European Nanoelectronics Initiative Advisory Council - ENIAC**
- **FCH - Fuel Cells and Hydrogen**
- **IMI - Innovative Medicines**
- **ITER - Fusion energy**
- **SESAR - Safety of air navigation**

Mr CZARNECKI (ECR, PL) rapporteur, pointed out that Artemis and ENIAC JUs had been served with a qualified opinion. Action was taken by the JUs to address the shortcomings. Mr VISTISEN (ECR, DK), rapporteur for ITER and SESAR, briefly pointed to the complexity of the problems faced by ITER in drafting its work plan against a credible timetable; he expressed trust that work was on good track. Mr MARINESCU (EPP, RO) considered that discharge should be postponed to JU, such as ARTEMIS, that had received a qualified opinion for three years in a row.

11. Proposal for a regulation of the European Parliament and of the Council on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013

Ms GRÄBLE announced that Mr THEURER, rapporteur, could not attend the meeting. In his draft report the rapporteur had considered that audit should extend to all the funds for strategic investment and not only to the funds from the EU budget. Actions should not be detrimental to projects financed under the MFF. Return and profitability of projects needed to be ensured. Projects had to be selected in a transparent way. Ms GRÄBLE endorsed the views of the rapporteur. Mr LAZAROU, member of the ECA, said that an opinion would be issued by the ECA in good time for the CONT deliberation.

12. Exchange of views on "Behind the most likely error rate - statistical methods applied for the ECA statement of assurance", in the presence of Mr LAZAROU, Member of the European Court of Auditors

The ECA representative gave a technical presentation of the statistical approach to the sampling of the error rate. Ms GRÄBLE regretted that no new CONT members attended the presentation, which had been specifically tailored for them. Mr LAZAROU told Ms GRÄBLE that differences in the ECA and Commission approaches were not dramatic and that they would be further reduced as both institutions were seeking common ground on methodology.

13. Protecting the European Union's financial interests: Towards performance-based controls of Common Agricultural Policy

Mr SARVAMAA (PPE, FI), rapporteur, expressed his concern that the new scheme would fail to provide a simplification for farmers and would rather create an extra layer of bureaucracy. He quoted the ECA, which also found that the new arrangements remained complex, in particular for cross compliance. Green direct payments would also be difficult to calculate. In his view, simplification would only result from a more performance-based control system. In order to achieve a real simplification in controls the initiative report would explore different options. A hearing with Commissioner HOGAN had been scheduled for the CONT meeting on 24 March 2015. The representative of the Commission expressed great interest in the findings of the report. He rejected criticism of the risk-based system of controls, saying that while this would lead to detecting many errors, MS would be able to address them promptly within the shared management regime.

14. Fight against fraud to the Union's financial interests by means of criminal law - 2012/0193(COD)

Ms GRÄBLE informed CONT members about the ongoing trilogues with the Council. She expressed disappointment with the Council approach, since the latter kept renegotiating elements that had already been agreed upon. She regretted the resistance of the Council to harmonising the Justice area and felt that this would affect the credibility of the EU as a single market. Despite what she considered as an attempt by the Council to play down the whole negotiation on the new scheme, codecision was the only way to reach credible and long-lasting harmonisation. Neither she nor Mr LOPEZ AGUILAR (S&D, ES) were ready to give in.

15. Any other business

No other business was discussed.

16. Next meetings

- 23 March 2015, 15.00 – 18.30 (Brussels)
 - 24 March 2015, 9.00 – 12.30 and 15.00 – 18.30 (Brussels)
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