



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 06 May 2012

10916/12

**PE 247
BUDGET 17
INST 391
GAF 10
JAI 396**

NOTE

from: General Secretariat of the Council
to: delegations

Subject: Summary of the meeting of the European Parliament **Committee on Budgetary control (CONT)**, held in Brussels on 29 and 30 May 2012

The meeting was chaired by Mr THEURER (ALDE, DE).

Item 5 on the agenda

Financial rules applicable to the annual budget of the Union

CONT/7/09548

Rapporteur: Ms GRÄSSLE (PPE, DE)

Co-rapporteur Mr RIVELLINI (PPE, IT)

- Exchange of views

Ms GRÄSSLE, after announcing that a political trilogue would take place on 1 June 2012, regretted that the Council Presidency would have a very limited margin in the mandate to address the divergences still remaining between the EP and the Council on the file. She mentioned in particular shared management, the provisions on financial instruments (FI), the EU trust funds, provisional twelfths and the purchase of buildings through loans. Mr THEURER (ALDE, DE), Chair, highlighted the need for FI to allow effective scrutiny and a clear chain of responsibility. Ms AYALA SENDER (S&D, ES) recalled that negotiations had been ongoing for seven months, with 16 trilogues, and asked whether an agreement was likely in the near future, given the link between the file and multiannual programming. She also asked what results had already been achieved. Mr AUDY (EPP, FR) asked the rapporteur to prepare a document to monitor progress in

the trilogues. Ms IVANOVA (EPP, BG) asked about the earmarking of the tobacco funds. Ms GRÄSSLE emphasised the high complexity of the file and recalled that 308 amendments had been tabled. She then listed what had been already achieved, in particular in harmonising Member States' accounting systems with the EU's, financial corrections and recoveries, for which a definition had been introduced for the first time, indirect fund management, and the general breakthrough in terms of transparency. She told Ms IVANOVA that earmarking the tobacco funds was necessary, as money from tobacco companies that had been fined for not combating the smuggling of their products should be used to counter the phenomenon. Mr RIVELLINI underlined the difficult task of negotiating with the Council, in particular on FI, but considered that progress had been made and considered that an agreement might be reached in September 2012. Mr GEIER (S&D, DE) expressed his confidence that the political trilogue might overcome some technical difficulties and considered that, if the EP accepted the Council proposal to address issues such as recoveries when negotiating the MFF, the Council may accept the EP requests on shared management. Mr THEURER concluded that the time had come to deliver, by concentrating on the actual text of the draft Regulation, even if this might not be satisfactory for everybody in the EP.

Item 6 on the agenda

Special report No 12/2011 (2011 discharge): Do EU measures contribute to adapting the capacity of EU fishing fleets to available fishing opportunities?

CONT/7/08662

Rapporteur: Ms ANDREASEN (EFD, UK)

Opinions: PECH – Mr MILANA (S&D, IT)

- Consideration of draft report in the presence of the Member of the European Court of Auditors responsible, Mr LAZAROU

Ms ANDREASEN stated that the report would be part of the 2011 discharge procedure. In her view, the report demonstrated in particular that the Commission did not have well-defined targets to reduce overcapacity, that the fishing fleet register was not correctly updated and that selection criteria for fishing vessels decommissioning were not well targeted. The Commission representative provided some answers and acknowledged, in particular, that investments on board a fishing vessel that increase its ability to catch fish should not be eligible for European Fisheries Fund financing. In his view, a semantic error in some languages made this ineligibility unclear in some Member States. The Commission adopted an action programme to address the issue and clarify the meaning of the provision. Mr LAZAROU said he had nothing to add to the contribution he had already given on the subject at a previous CONT Committee meeting.

Deadline for tabling amendments: 4 June 2012, 12.00.

Item 7 on the agenda

Special Report No 2/2012: Financial instruments for SMEs co-financed by the European Regional Development Fund

CONT/7/09094

Rapporteur: Mr RIVELLINI (PPE, IT)

Opinions: ECON – ITRE – REGI –

- Consideration of draft report

The rapporteur highlighted some of the special report's key findings concerning, in particular, significant shortcomings in the effectiveness and efficiency of measures, such as SME financing gap assessments, a lack of significant leverage from the private sector, and the definition of the multiplier effect. He also announced a number of amendments concerning SME access to financing, regional-policy objectives, reducing administrative burdens, and greater accountability.

Mr SARVAMAA (EPP, FI) agreed that administrative burdens had to be reduced but warned against total deregulation. The Commission representative highlighted that measuring leverage was key for financial instruments, but considered that results should be compared taking into account differences in the development of regions. In his view, national resources should be part of the multiplier effect. He considered that delays could be overcome by standardised instruments and that financial instruments should be designed taking into account geographical constraints, and disagreed with a nationwide approach. The representative of the Court of Auditors expressed some contrasting views on the multiplier effect, in particular as far as national cofinancing was concerned.

Item 15 on the agenda

CONT delegation to Spain (19, 20 and 21 June 2012)

CONT/7/08060

Head of the delegation: Mr Vaughan (S&D, UK)

- Exchange of views on the preparation of the delegation

The Committee briefly addressed two main issues: the composition of the delegation and places to visit in Spain (three cohesion regions). As for the composition of the delegation, Mr THEURER clarified that members and substitute members of the CONT Committee could take part together with MEPs who were nationals of the MS to be visited.

Item 16 on the agenda

The reform of the European Anti-Fraud Office (OLAF)

CONT/7/06265

Rapporteur: Ms GRÄSSLE (PPE, DE)

- Exchange of views

Ms GRÄSSLE considered the margin of the Presidency's negotiating mandate too narrow and listed some 25 points on which negotiations were still ongoing. She mentioned in particular procedural guarantees, the internal advisory and control procedure (legality check), the procedural code, which OLAF and the Council were opposed to laying down under codecision, and announced a possible solution allowing the EP to be informed of any change in the document. She also raised the issue of a "*de minimis*" rule: when internal measures can provide more appropriate follow-up, transmission of the information to the national authorities may be avoided. She concluded with reference to a number of political issues still open concerning the access to information in database prior to the opening of internal or external investigations, which should make life easier for OLAF, role and mandate of the supervisory committee and the appointment of its members, the difficult negotiations on Article 7b, concerning the review adviser, whereby the EP was in favour of strengthening the role of the supervisory authority, and access to MEPs' offices. She considered that an agreement might not be reached under the Danish Presidency. Ms AYALA SENDER stressed the importance of OLAF independence and considered that it should not be an instrument in the hands of the Commission. She also highlighted the role of the supervisory committee as a counterweight to OLAF powers.

The Commission representative agreed with the rapporteur on the procedural guarantees. Concerning the review adviser, he considered that its role should be clearly separated from that of the supervisory committee. In his view, the procedural code should be approved by the Director-General alone, and he welcomed the *de minimis* proposal as a viable compromise. He was confident the text could be finalised under the Danish Presidency.

Item 18 on the agenda

Hearing on "the Future Role of the European Court of Auditors: Challenges ahead and possible reform"

CONT/7/06136

Rapporteur: Ms AYALA SENDER

In her introductory remarks, Ms AYALA SENDER recalled the complex structure of the European Court of Auditors (ECA) and its role in assuring citizens' trust in the EU.

Mr CALDEIRA, President of the ECA, after recalling the ECA's role in promoting public accountability, highlighted the challenges that the ECA would face under the new Financial Regulation, which would alter the financial management risk landscape (in particular through the increased use of financial instruments, national conditionality of EU funding and the new chain of accountability). Other challenges related to the ECA's role with respect to the non-financial instruments and financial instruments outside the EU budget. Mr CALDEIRA considered that some challenges might not be met without a Treaty change (composition, appointment procedure and the collegial nature of the ECA), but recalled that some reforms were permitted under the current legal framework, and mentioned new decision-making procedures based on chambers of five to six members rather than the full college. Mr CALDEIRA told Ms AYALA SENDER, who had inquired about relations between the ECA and the supreme audit institutions (SAIs), that two networks were already in place dealing with fiscal measures and statistics. He welcomed the proposal of Ms IVANOVA (EPP, BG) to enhance cooperation with the CONT Committee, and was open to evaluate its specific form. To Mr BALČYTIS (S&D, LT), who wondered whether ECB could be audited, Mr CALDEIRA replied that the operational efficiency of ECB was audited by the ECA, pursuant to the Treaty.

Mr KARLSSON, former President of the ECA, considered that the crisis should lead to a broadening of the ECA's role, which could be enhanced by including monitoring of the efficiency and efficacy of EU spending, rather than devoting resources to providing a declaration of assurance. In his view, the system being introduced by the new Financial Regulation should be sufficient to allow this, without further Treaty changes. He also suggested a change in the structure of the ECA, consisting of one auditor-general and a small board, which would require new Treaty provisions concerning its appointment. Mr KARLSSON agreed with Ms ANDREASEN (EFD, UK) that the ECA should not take part in the European Semester, given its political nature, but considered that it should audit the way the procedure was carried out, in particular to make a responsible audit of revenues, and emphasised the need for a common audit concept amongst MS. He told Mr RÜBIG (EPP, AT) that auditing rating agencies was outside the ECA's remit given their purely commercial nature.

Ms FLIZOT, senior lecturer at Paris X University, referred to early debates concerning the composition of the ECA and the possibility of reducing the number of its members. On the basis of a comparative analysis with national courts of auditors, she underlined the heterogeneous approach of different MS as regards collegiality. She considered that collegiality helped to ensure not only

independence but also quality and a uniform approach, and recalled that a decrease in the number of ECA Members would not solve other governance problems, such as the compatibility of IT information systems, the simplification of procedures or flexibility. Ms GRÄSSLE (EPP, DE) asked what could be done on the basis of the current legal framework, and Ms FLIZOT replied that internal governance might provide for better balance of ECA chambers. Ms FLIZOT told Mr KALFIN (S&D, BG), who thought that political experience should be left out of the profile of ECA Members, that this did not reflect the situation in certain national courts.

Ms PETRUŠKEVIČIENĖ, former Member of the ECA, elaborated further on the profile of Members of the ECA. She acknowledged that the requirements set out by Article 286 of the TFEU had not given rise to particular problems, but considered that recent reforms in decision-making at the ECA, in particular through chambers, made it relevant to reconsider the profile of Members. In her view, beside the Treaty provisions, two other sets of provisions should come into consideration, namely ECA implementing rules and the code of conduct. She expressed the opinion that the latter set of rules had not been sufficiently applied to define the ECA Member profile, which should comply with ethical guidelines requiring integrity, collegiality and accountability. She considered two qualities as essential for ECA candidate members: having dealt with audit and being used to work in team (to Mr KALFIN). Moreover, as for the Treaty provisions, she considered that the mandate should not be renewable, but increased from six to nine years, for independence and experience's sake. She also insisted on the need for the respect of gender balance.

Ms KALJULAIID, Member of the ECA, emphasised the Court's mandate as established by the Treaty, which, in her view, did not only consist of obligations – like the DAS – but ensured considerable room for manoeuvre for the ECA to carry out its mission. Concerning DAS, she recalled that, in order to provide meaningful results, the ECA had been consistent in following the EU spending down to the level of the final recipient, so that DAS costed roughly 50% of the audit capacity of the ECA. In addition, since DAS was an annual indicator, multi-annual spending schemes were difficult to be assessed. Moreover, DAS was not intended to directly assess effectiveness, efficiency and economy. She warned against formalistic checkings and welcomed the ECA new approach as it did for SFM by adding a new chapter into the 2010 annual report, which will focus expressly performance issues. Ms AYALA SENDER asked about "life after DAS", and Ms GRÄSSLE expressed some doubts thereon, to which Ms KALJULAIID called upon the CONT Committee to prevent the current system to suffocate the incoming one.

Mr MUIS, former Internal Auditor of the European Commission, considered that although the room for manoeuvre provided by the ECA mandate could allow to go beyond focus on legality and regularity of spending, there was a lack of resources, because of the cost of DAS. He considered that the ECA should become part of the solution, and concentrate on efficiency, effectiveness and economy of EU spending. This should be made possible by the new financial architecture. He considered that National declarations of assurance from MS would be key in moving away from DAS. He told Ms AYALA SENDER that such national declarations would not replace ECA auditing, but complement it.

Mr CALDEIRA concluded by saying that there was indeed life after DAS and that the ECA wanted to focus on performance in its annual report. He looked forward to the adoption of the new Financial Regulation, which would provide sufficient assurance through a complete chain of accountability, at all levels. In his view, the ECA should deliver a report concerning the new risk landscape.

Item 8 on the agenda

Special Report No 16/2011 (discharge 2011) - "EU Financial assistance for the decommissioning of nuclear plants in Bulgaria, Lithuania and Slovakia: Achievements and Future Challenges"

CONT/7/08851

Rapporteur: Mr Marinescu (PPE)

Opinions: ITRE – Decision: no opinion

- Adoption of draft report

The vote on this Item was postponed.

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

The following reports were adopted, as amended:

Item 4 on the agenda

Support from the European Regional Development Fund to the "European territorial cooperation" goal

CONT/7/07460

Rapporteur for opinion: Georgios Stavrakakis (S&D)

Responsible: REGI – Riikka Manner (ALDE)

- Adoption of draft opinion

Item 9 on the agenda

EU Programme for Social Change and Innovation

CONT/7/07513

Rapporteur for opinion: Jens Geier (S&D)
Responsible: EMPL – Jutta Steinruck (S&D)

- Adoption of draft opinion

Item 10 on the agenda

European Globalisation Adjustment Fund (2014 - 2020)

CONT/7/07505

Rapporteur for opinion: Jorgo Chatzimarkakis (ALDE)
Responsible: EMPL – Marian Harkin (ALDE)

- Adoption of draft opinion

Item 11 on the agenda

European Social Fund and repeal of Regulation (EC) No 1081/2006

CONT/7/07497

Rapporteur for opinion: Cătălin Sorin Ivan (S&D)
Responsible: EMPL – Elisabeth Morin-Chartier (PPE)

- Adoption of draft opinion

Item 12 on the agenda

Common provisions on European Funds and repealing Regulation (EC) No 1083/2006

CONT/7/07489

***I 2011/0276(COD)COM(2011)0615 – C7-0335/2011

Rapporteur for opinion: Mr Vaughan (S&D)
Responsible: REGI – Ms Krehl (S&D)
Lambert van Nistelrooij (PPE)

- Adoption of draft opinion

Item 13 on the agenda

2013 Budget - Mandate for Trilogue

CONT/7/08810

Rapporteur for opinion: Mr Fjellner (PPE)
Responsible: BUDG – Giovanni La Via (PPE)

- Adoption of draft opinion

Item 14 on the agenda

Innovative financial instruments in the context of the next Multiannual Financial Framework

CONT/7/08884

Rapporteur for opinion: Iliana Ivanova (PPE)
Responsible: BUDG – Eider Gardiazábal Rubial (S&D)

- Adoption of draft opinion

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

Item 20 on the agenda

Next meeting(s)

4 June 2012, 15.00-18.30 (Brussels)
18 June 2012, 15.00- 18.30 (Brussels)
19 June 2012, 9.00-12.30 (Brussels)