



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 19 September 2012

13984/12

**PE 417
BUDGET 36
INST 539
JAI 625**

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 17 and 18 September 2012

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

Item 1 on the agenda

Adoption of agenda

and

Item 2 on the agenda

Chair's announcements

Mr THEURER noted that the agenda had been adopted and informed Members that he had met the President of the European Council, Mr VAN ROMPUY, on the morning of 17 September 2012, and had raised the issue of the Council discharge. Although the European Council was not directly involved in the Council discharge, Mr THEURER had reminded Mr VAN ROMPUY of the concerns linked to the Member States' management of EU funds. According to Mr THEURER, Member States' agreement to deliver annual reports and political statements of assurance may be helpful for granting the Council discharge.

Voting time

Item 4 on the agenda

Special Report No 3/2012 (Discharge 2011) - 'Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?'

CONT/7/09095

Rapporteur: Mr GEIER (S&D)

- Adoption of draft report

The report was adopted, as amended, with 21 votes in favour and 1 against.

Item 5 on the agenda

Financing, management and monitoring of the CAP

CONT/7/07541

Rapporteur for the opinion: Ms IVANOVA (PPE)

Rapporteur for the responsible committee (AGRI): Mr LA VIA (PPE)

- Adoption of draft opinion

The opinion was adopted, as amended, with 20 votes in favour and 2 against.

Item 6 on the agenda

Support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

CONT/7/07534

Rapporteur for the opinion: Mr DEUTSCH (PPE, HU)

Rapporteur for the responsible committee (AGRI): Mr CAPOULAS SANTOS (S&D)

- Adoption of draft opinion

The opinion was adopted, as amended, with 20 votes in favour and 2 against.

End of voting time

Item 7 on the agenda

Interim report in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure (2011/0177(APP))

CONT/7/09789

Rapporteur for the opinion: Mr MULDER (ALDE, NL)

Rapporteur for the responsible committee (BUDG): Mr KALFIN (S&D)
Mr BÖGE (PPE)

- Consideration of draft opinion

Mr MULDER recalled the Commission's pledge to make the reports provided for in the interinstitutional agreements available for previous financial years. He pointed out that, according to the new rules of the Financial Regulation, some of the reports from the Member States should be published. He wanted the Commission to propose that Member States delivering national

statements of assurance that would be checked by their national court of auditors as well as by the European Court of Auditors should be subject to simplified controls by the Commission. Mr KALFIN (S&D, BG), rapporteur for the BUDG committee, agreed with Mr MULDER's approach and stated that it was the right moment to address this matter, with a view to the extraordinary meeting of the European Council to be held in November on the MFF.

Calendar:

Deadline for tabling amendments: **21 September 2012, 12.00**

Item 8 on the agenda

Protocol to eliminate illicit trade in tobacco products to the World Health Organisation Framework Convention on Tobacco Control (FCTC)

CONT/7/10054

- Exchange of views

The representatives of OLAF - lead negotiator for the Commission - informed the CONT committee about the last round of negotiations conducted in Geneva. They highlighted in particular the efforts that had been made to align standards in non-EU countries, in sectors such as: the requirement for a licence to manufacture tobacco products, due diligence when selling tobacco products (requiring buyers to show an identity card), sales on the internet, duty-free sales and criminal offences and extraditions. They told Mr GEIER that the EU Member States would not need to do much in order to comply with the protocol standards, as many provisions were already applicable in the EU. They pointed out that cigarette smuggling represented a loss in revenue of about EUR 10 billion per annum for the EU and its Member States.

Item 9 on the agenda

Hercule III programme to promote activities in the field of the protection of the European Union's financial interests

CONT/7/08304

Rapporteur: Ms IVANOVA (PPE, BG)

- Consideration of working document

Mr CVIKL, member of the Court of Auditors responsible for this dossier, presented the Court's opinion on a Proposal for a Regulation of the European Parliament and of the Council on the Hercule III programme. He broadly summarised the Court's opinion delivered on 7 July 2012¹ and spoke in particular about the General Observations section, concerning the financial implications of the Commission proposal, under which EUR 44.8 million were allocated to the fight against

¹ OJ C 201, of 7 July 2012, p. 1

organised fraud, including financing technical equipment. He stressed that the Court's opinion stated that the co-financing rate for the technical equipment component should remain at 50%, in order to ensure that EU and national interests in the purchase of equipment are evenly balanced.

Ms IVANOVA, rapporteur, who presented her two working documents on the subject, expressed her support for the Court's findings and called for improved coordination between Member States and the Commission. She also addressed the issue of the percentage of the budget devoted to technical assistance and criticised the amounts spent on the purchase of scanners by Member States, as their effectiveness had not been proved. She also referred to the overlap between the Hercule programme and other programmes and the lack of transparency when financing programmes in third countries.

The Commission representative told Mr GEIER that the Hercule programme was based on Article 325 TFEU, which provided that combatting fraud was the joint responsibility of the EU and its Member States and therefore a task which was thus not exclusively incumbent on MS.

Item 10 on the agenda

Hearing on "How to improve the capacity of the future Hercule III programme (2014-2020) to promote activities in the field of the protection of the EU's financial interests?"

CONT/7/10052

Rapporteur: Ms IVANOVA (PPE)

Several experts took part in this hearing. They presented their experience in fighting cigarette smuggling and commented on the impact of the Hercule programme in this field.

The discussion focussed mainly on the importance of the co-financing provided by the Hercule programme's envelope, the criteria to be adopted in order to better allocate the funds available and the need for improved cooperation between the various competent Commission services, other bodies (such as Eurojust) and the MS' authorities.

Ms GRÄSSLE (EPP, DE) said that staff costs should be also eligible under the Hercule III programme. Furthermore, she asked the Commission for clear figures on how much money each MS receives in application of the tobacco agreements and for information on how this money is used by the MS. The Commission replied that it would provide a breakdown of the money received by the MS and itself.

Item 11 on the agenda

Joint Meeting of BUDG and CONT (Rule 51) of Tuesday, 18 September 2012

CONT/7/10060

- Financial rules applicable to the annual budget of the Union
CONT/7/09548
Consideration and adoption

At the joint CONT and BUDG meeting on 18 September 2012, the two committees endorsed the compromise reached on the Financial Regulation, with a view to a first reading agreement. The vote showed a majority of 42 votes in favour and 1 against. Mr THEURER (ALDE, DE), chair, congratulated the two rapporteurs, Ms GRÄSSLE (EPP, DE) and Mr RIVELLINI (EPP, IT). The vote in plenary is scheduled for 23 October 2012 in Strasbourg.

Item 12 on the agenda

Direct payments to farmers under support schemes within the framework of the CAP

CONT/7/07520

Rapporteur for the opinion: Ms HOHLMEIER (PPE, DE)

Rapporteur for the responsible committee (AGRI): Mr CAPOULAS SANTOS (S&D)

- Adoption of draft opinion

The vote was postponed.

Item 13 on the agenda

Study on "How do national parliaments supervise and control their own budgets? Practice and experiences from selected Member States"

CONT/7/07895

Rapporteur: Mr GERBRANDY (ALDE)

- Presentation of the study and exchange of views

The study¹ by Blomeyer & Sanz addressed the discharge procedure in the European Parliament and compared it with the discharges in ten Member States and in Canada. The main findings concerning the Parliament's discharge procedure concerned Parliament's internal audit report, as it was not made public. For the sake of transparency, the consultants advised that it should be made public. Moreover, in their view, the European Court of Auditors' report was too institutional in nature and should be coupled with an external audit report. Mr GERBRANDY (ALDE, NL) welcomed the

¹ The study can be found at the following links:
<http://www.ipolnet.ep.parl.union.eu/ipolnet/cms/poldeptd/pid/1517#98>) and, once finalised after the presentation in committee, on the Parliament's studies page
<http://www.europarl.europa.eu/studies>.

study and agreed that the European Parliament should 'open its windows' to a more democratic control. The experts told Ms GRÄSSLE that the present institutional control of the EP budget discharge procedure did not involve any analysis of the expenses in relation to the aims being pursued. This situation was common to most Member States' budgetary discharge and in some cases it was even difficult to obtain information on how the discharge procedure itself was carried out.

Item 14 on the agenda

CONT delegation to the harbours of Antwerp and Rotterdam (19 and 20 September 2012)

CONT/7/08062

Rapporteur: Ms IVANOVA (PPE)

- Exchange of views on the preparation of the delegation

The rapporteur explained that the visit was expected to cast more light on the customs controls carried out in the two ports, which are major contributors to the EU budget. Simplification rules that had been introduced in the last few years had led to a reduction in the expected revenues. The Commission representative explained that a request by the Antwerp port for reimbursement of EUR 120 million was being rejected by the Commission until certified accounts had been presented by the Belgian authorities. According to the Commission representatives, simplification needed to be coupled with enhanced post clearance controls.

Item 15 on the agenda

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

CONT/7/08060

Rapporteur: Mr VAUGHAN (S&D)

- Presentation of the report on the delegation

Mr VAUGHAN, rapporteur, recalled that Spain was one of the most important beneficiaries of EU funds. For the period 2007- 2013, it had received more than EUR 35 billion.

During the programming period 2000-2006, DG REGIO had detected serious deficiencies in management and control systems. In conclusion, a total of EUR 2 600 000 000 had been considered irregular and corrected by being withdrawn from payment declarations. As a consequence, the European Parliament's Budgetary Control Committee had decided to send a fact-finding delegation in order to learn more about the implementation of EU funds in Spain. Mr VAUGHAN reported back from the visit to Spain. The Commission representative assured the CONT committee of the progress achieved by Spain in managing the programmes and considered that there were no longer systemic risks to be

corrected. Replying to a question by Ms AYALA SENDER, the Commission representative (DG REGI) acknowledged that Spanish audit authorities had confirmed that all corrections had been made and that problems still existed with two agencies. As for DG EMPL, the other Commission representative acknowledged a considerable improvement compared with previous years. Mr VAUGHAN acknowledged the improvements but considered that there was still room for further improvement.

Item 16 on the agenda
Coordinators' meeting

This item was discussed in camera.

Item 17 on the agenda
Any other business

No other business was discussed.

Item 18 on the agenda
Next meeting(s)

- 26 September 2012, 9.00 – 12.30 and 15.00 – 18.30 (Brussels)
- 27 September 2012, 9.00 – 12.30 (Brussels)