



Brussels, 11 February 2019  
(OR. en)

5824/1/19  
REV 1

FIN 72  
PE-L 3

#### NOTE

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From: Budget Committee

To: Permanent Representatives Committee/Council

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Subject: 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 2017

– *Adoption*

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1. The Budget Committee examined the Court's annual report concerning the financial year 2017<sup>1</sup> in January 2019.
2. The annual report contains an assessment of the reliability of the consolidated accounts of the EU and the legality and regularity of the underlying transactions for the revenue and expenditure side of the EU budget, which form the basis for the Court's Statement of Assurance (DAS)<sup>2</sup>.
3. The Court concluded that the revenue and the payments based on an entitlement basis underlying the accounts for the financial year 2017 are legal and regular in all material respects.

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<sup>1</sup> OJ C 357, 4.10.2018.

<sup>2</sup> "Déclaration d'assurance".

4. The Court qualified its opinion on the legality and regularity of payments underlying the accounts of the expenditure covering spending on a reimbursement basis, materially affected by error. As payments made on an entitlement basis are on the contrary not affected by a material level of error, the Court considered that the estimated level of error is not pervasive.
5. On 31 January 2019, the Budget Committee 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 2017. The text is set out in Addendum 1 to this note.
6. In accordance with Regulation (EU, Euratom) 2018/1046<sup>3</sup>, and in particular Article 70(4) thereof, and the Financial Regulations 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" item<sup>4</sup>.
7. Furthermore, in accordance with Council Regulation (EC) No 58/2003<sup>5</sup> of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes, and in particular Article 14(3) thereof, and Commission Regulation (EC) No 1653/2004<sup>6</sup> of 21 September 2004, on a "standard financial regulation" for the executive agencies 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" item<sup>7</sup>.

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<sup>3</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013 (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

<sup>4</sup> Doc. 5825/19 ADD 1.

<sup>5</sup> OJ L 11, 16.1.2003, p. 1

<sup>6</sup> OJ L 297, 22.9.2004, p. 6.

<sup>7</sup> Doc. 5826/19 ADD 1.

8. Moreover, in accordance with the relevant establishing acts and Article 70(4) of Regulation (EU, Euratom) 2018/1046, 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" item<sup>8</sup>.
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 2017 as set out in Addendum 1;
  - approve the general comments accompanying the recommendation, as contained in the ANNEX to the same Addendum 1;
  - enter in its minutes the joint statement by Sweden and the Netherlands recorded in ANNEX 1;
  - instruct the President of the Council to have the above mentioned 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.

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<sup>8</sup> Doc. 5827/19 ADD 1.

**Joint statement by Sweden and the Netherlands**  
**on discharge of the 2017 EU budget**

With reference to the:

- European Court of Auditors' annual report on the implementation of the EU budget concerning the financial year 2017;
- discharge to be given to the Commission in respect of the implementation of the EU budget for 2017;
- 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 2017;

**Sweden and the Netherlands:**

Appreciate that the overall estimated level of error has improved compared to last year, and that a qualified statement, rather than an adverse one, has been made by the European Court of Auditors regarding the legality and regularity of payments underlying the accounts;

Regret that for the 24th 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 error rate for expenditure remains above the acceptable 2 % threshold;

Regret that, for years, the implementation of the EU budget is not according to standards agreed upon. We cannot applaud marginal improvements in the overall error rate, while a large sum of the EU budget remains prone to high levels of error;

Highlight the difference between the estimated level of error for reimbursement payments (3.7 %) and entitlement expenditures (below 2 %) and stress that the reduction of error rates for reimbursement payments must be a top priority. The large difference in error rates highlights the need to reform the management of the EU budget, including by implementing less complex funding rules and by focusing more on results;

Regard with concern the higher number and impact of errors found in the transactions audited for the 2014-2020 period than for those audited for 2007-2013 and the fact that financial instruments contributed most to the level of error;

Note that audit authorities' work is a critical part of the new assurance and control framework for ensuring the regularity of Cohesion spending. Therefore, we should be cautious in drawing conclusions on a trend as 2017 is a pilot year given the new audit methodologies and relatively low level of accepted expenditure. As the expenditure subject to the Court's audit was less than past years, due to the low level of accepted expenditure in 2017, it is likely to rise in 2018. We therefore, urge the Commission to take further steps in order to achieve a significant reduction of the estimated error rate;

Urge the Commission to continue efforts to increase the focus on results and results-based management. To ensure trust and legitimacy it is essential that the EU-budget efficiently delivers true value to EU-citizens. Ongoing MFF discussions need to consider how the EU-budget can be re-designed to better support overall political priorities, generate results and react to unforeseen challenges;

Strongly urge the Commission and Member States to identify further opportunities to simplify the complex rules and regulatory framework governing EU budget expenditure and delivery systems for shared management in order to improve compliance, as well as focussing on first level controls in order to help get payments right the first time. Simpler, more transparent and more predictable regulation is essential to ensure effective and correct management of EU-funds;

Invite the Commission and Member States to increase efforts to promote transparency and reliability of audits, in view of developments aiming at the application of the principle of cross reliance; and to make Member States' annual control reports publicly available;

Urge the Commission to reduce the financial exposure of the EU budget, both in relation to outstanding commitments and contingent liabilities and calls on the Commission to follow the Court's recommendation to provide an overview of the total value of contingent liabilities, including the closure of financial instruments for the 2007-2013, together with an analysis of their possible impact on the budget and of the way risk-exposure can be mitigated;

Strongly urge the Commission to adhere to the unanimously agreed payment ceilings, in particular by: maintaining fiscal discipline in relation to commitments; effectively de-committing unused appropriations; increasing transparency by providing long-term forecasts, and ensuring a balance between commitments and payments.

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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 cover<sup>1</sup> the Council recommendation of 12 February 2019 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 2017.

[Complimentary close].

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<sup>1</sup> Doc. 5824/19 REV 1 + 5824/19 ADD 1.