



Brussels, 17 February 2020
(OR. en)

5760/1/20
REV 1

FIN 58
PE-L 4

NOTE

From: Budget Committee

To: Permanent Representatives Committee/Council

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 2018
– *Adoption*

1. The Budget Committee examined the Court's annual report concerning the financial year 2018¹ in January and February 2020.
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)².
3. The Court concluded that the revenue for the financial year 2018 is legal and regular and free from material error.

¹ OJ C 340, 8.10.2019.

² "Déclaration d'assurance".

4. The Court qualified its opinion on the legality and regularity of expenditure after finding that high-risk expenditure (mainly spending on a reimbursement basis, which is subject to complex rules) is materially affected by error, whereas expenditure mainly made on an entitlement basis and subject to less complex rules is not materially affected by error. Overall, the Court considered that the estimated level of error is not pervasive.
5. On 6 February 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 2018. The text is set out in Addendum 1 to this note.
6. In accordance with Regulation (EU, Euratom) 2018/1046³, 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" item⁴.

³ 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).

⁴ Doc. 5761/20 ADD 1.

7. Furthermore, in accordance with Council Regulation (EC) No 58/2003⁵ 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 1653/2004⁶ 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" item⁷.
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" item⁸.
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 2018 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 ANNEX 2 to that effect.

⁵ OJ L 11, 16.1.2003, p. 1

⁶ OJ L 297, 22.9.2004, p. 6.

⁷ Doc. 5762/20 ADD 1.

⁸ Doc. 5763/20 ADD 1.

**Joint statement by Sweden and the Netherlands on
discharge of the 2018 EU budget**

With reference to:

- the European Court of Auditors' annual report on the implementation of the EU budget concerning the financial year 2018;
- discharge to be given to the Commission in respect of the implementation of the EU budget for 2018;
- 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 2018;

Sweden and the Netherlands:

Regret that the estimated level of error reported by the Court continues to be above the materiality threshold of 2 % and increased in 2018 compared to 2017, from 2 % to 2 %;

Regret that for the 25th consecutive year, the European Court of Auditors has been unable to grant a qualified 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 some areas, 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 (4.5 %) 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;

Are concerned about the shortcomings of the audit authorities which were detected by the Court. Audit authorities' work play a critical part in ensuring the regularity of the financial spending. Therefore, we encourage all actors involved in the management and control of EU budget implementation to further improve their work in order to obtain, along with simplification of funding rules and implementation procedures both at EU level and in the Member States, a positive impact on the estimated level of error;

Regret that the estimated level of error reported by the Court in the cohesion area has increased significantly from 3.0 % last year to 5.0 % this year and remains well above the 2.0 % materiality threshold. We note that the audited expenditure has increased from EUR 8,0 bln in 2017 to EUR 23,6 bln in 2018. However, since the risk of error is high for this expenditure subject, the amount seems relatively low with regard to the total level of payments of EUR 54,5 bln and could increase based on a risk analysis;

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.

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 cover¹ the Council recommendation of 18 February 2020 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 2018.

[Complimentary close].

¹ Doc. 5760/1/20 REV 1 + 5760/20 ADD 1 + 5760/20 ADD 1 COR 1.