European Parliament

Discharge for 2017 budget – European Commission and executive agencies

During the March II plenary session, the European Parliament is expected to decide whether to grant discharge for the 2017 financial year to the different institutions and bodies of the European Union (EU). The debate will start with the report covering the European Commission (plus six executive agencies), which manages the biggest share of the EU general budget. Separate discharge is granted to the Commission concerning the management of the European Development Funds (EDFs), because the EDFs are not part of the general budget of the EU but based on intergovernmental agreement. The Committee on Budgetary Control (CONT) has recommended that the plenary should grant the Commission and all six executive agencies discharge for 2017, and also to grant discharge in respect of the implementation of the operations of the 8th, 9th, 10th and 11th EDFs in that year.

Discharge procedure

The **Council** and the **European Parliament** form the two arms of the budgetary authority, responsible for jointly agreeing the budget. But it is up to Parliament to grant, postpone or ultimately refuse discharge, after the Council has delivered its recommendation. The discharge decision is accompanied by a series of recommendations aimed at improving financial management.

The **European Commission** prepares the draft budget and is ultimately responsible for its correct implementation. The **European Court of Auditors** (ECA) acts as the independent assessor of all the EU's accounts. Every year, the ECA prepares an annual report on the implementation of the budget, a key element in the discharge procedure. The ECA checks the legality and regularity of spending, and assesses the achievement of objectives. The ECA also prepares special reports focuses on specific areas of expenditure.

European Court of Auditors' 2017 annual report

In 2017, the European Commission's spending totalled €137.4 billion (around €270 for every EU citizen) while revenue corresponded to €139.7 billion. The spending corresponds to 2.0 % of total general government spending of the EU Member States, and 0.9 % of EU gross national income (GNI). Although most of the expenditure was not materially affected by error, errors above the accepted tolerance persist in three of the four audited chapters (competitiveness: 4.2 %; cohesion: 3.0 %, and natural resources: 2.4 %). However these problems were not pervasive so the ECA gave a qualified opinion, for the second year in a row. This represents an improvement in financial management compared to previous years, during which the ECA had given adverse opinions for every year since 1994. The ECA noted that EU Member States find it challenging to use the available resources from European structural and investment funds. Consequently, the amounts to be paid in future years have reached a new record sum of about €267.3 billion.

The ECA declared the EU accounts reliable. Revenue was free from material error. The estimated level of error that affects spending as a whole (2.4 % in 2017) fell closer to the materiality threshold of 2 % (it was 3.8 % in 2015 and 3.1 % in 2016). The 'errors' correspond to the ECA's estimate of the money that should not have been paid out because it was not used in accordance with the applicable rules and regulations.

The results of the 2017 audit confirm previous ECA findings: the manner in which expenditure is disbursed has an impact on the risk of error. The ECA again observed that errors mainly concern cost reimbursement payments (estimated level of error: 3.7 %, down from 4.8 % in 2016). In case of entitlement payments (i.e. payments made once conditions are met), the level of error is below the materiality level of 2 %.

In 2017, the expenditure of the European Development Funds (EDFs) amounted to €3.5 billion. In the view of the ECA, the revenue side is legal and regular in all material respects. The expenditure recorded in 2017 under the 8th, 9th, 10th and 11th EDFs is materially affected by error at an estimated level of 4.5 %, which represents an increase compared to 3.3 % in 2016.

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Council recommendations

The Council recommends granting discharge to the Commission and to all six executive agencies for the execution of the 2017 budget.

The Council acknowledges the findings of the ECA, as specified in the latter's annual report, and encourages the ECA to ensure a high level of information and detail by spending area. In the Council's view, there is a need to ensure stability, continuity and comparability between years and policy areas. The Council reiterates the increasing political importance of expenditure under headings 3 (Security and citizenship) and 4 (Global Europe) and invites the ECA to provide error rates for these spending areas in the future. The Council also stresses the need to ensure comparability between years within each policy area.

The Council welcomes the significant decrease in the estimated level of error reported by the ECA, but regrets that it is still above the materiality threshold of 2 %. The Council stresses that simplification of legislation should remain a top priority in the reduction in error rates. Concerning the significant level of outstanding budgetary commitments reached in 2017, the Council urges the Commission to continually improve both payment estimates and monitoring mechanisms in order to manage this risk, to anticipate an orderly disbursement of payments and to ensure predictability of national contributions.

Committee on Budgetary Control's position

On 20 February 2019, the Committee on Budgetary Control (CONT committee) adopted its report, which proposes to grant discharge to the Commission and to all six executive agencies.

CONT notes that estimates of the level of irregular spending issued by individual directorates-general (DGs) of the Commission are not based on a consistent methodology. The concepts of 'residual error rate, reported error rate, error rate at payment, error rate detected in the year, net residual error rate, weighted average error rate, error rate at closure or common representative error rate' used in the annual activity reports of the DGs and the annual management and performance report could be confusing.

In the part dedicated to conflicts of interest, the rule of law, fight against fraud and corruption, CONT warns against undermining the trust of Union citizens in the proper management of Union taxpayers' money. CONT calls on the Commission to ensure that a zero-tolerance policy applies regarding any breach of EU law, as well as conflicts of interest.

CONT calls on the Commission to enforce the EP's resolution on the situation in Hungary and the Commission recommendations regarding the rule of law in Poland. It also mentions European Anti-Fraud Office (OLAF) investigations in Hungary and alarming shortcomings revealed in Slovakia, especially in the context of the murder of the investigative journalist, Ján Kuciak, together with his partner. CONT also regrets that despite multiple previous warnings from the European Parliament, the Commission has reacted to the case of the Prime Minister of the Czech Republic only after the complaint raised against him by Transparency International Czech Republic. CONT calls on the Commission to investigate fully this conflict of interests and recalls Parliament's resolution of December 2018 in this regard.

The report is also critical of the Commission's reaction to the concerns raised over the procedure of appointing the current Secretary-General of the Commission. It considers them 'evasive, defensive and legalistic, demonstrating a lack of sensitivity for the importance European citizens attach to transparent, fair and open recruitment procedures'.

A separate CONT report proposes to grant discharge in respect of the implementation of the 8th, 9th, 10th and 11th EDFs in 2017.

DIscharge procedure reports; Committee responsible: CONT;
2018/2166(DEC); Rapporteur: Inés Ayala Sender (S&D, Spain); 2018/2177(DEC); Rapporteur: Marco Valli (EFDD, Italy).