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DRAFT REPORT

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies
(2014/2075(DEC))

Committee on Budgetary Control

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the Commission’s report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission communication of 11 June 2014 entitled ‘Synthesis of the Commission’s management achievements in 2013’ (COM(2014)0342),
- having regard to the Commission’s annual evaluation report on the Union’s finances based on the results achieved (COM(2014)0383) and to the accompanying Commission staff working documents (SWD(2014)0200, SWD(2014)0201),
- having regard to the Commission’s annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors’ annual report on the implementation of the budget for the financial year 2013, together with the institutions’ replies³, and to the Court of Auditors’ special reports,
- having regard to the statement of assurance⁴ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council’s recommendation of ... on discharge to be given to the Commission in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 398, 12.11.2014, p. 1.

⁴ OJ C 403, 13.11.2014, p. 128.

- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹,
 - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants the Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2013 / Postpones its decision on granting the Commission discharge in respect of the implementation of the general budget of the European Union for the financial year 2013;
 2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies, and in its resolution of ... on the Court of auditors' special reports in the context of the Commission discharge for the financial year 2013³;
 3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Council, the Commission, the Court of Justice of the European Union, the Court of Auditors and the European Investment Bank, and to the national parliaments and the national and regional audit institutions of the Member States, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ Texts adopted of that date, P8_TA(2015)0000.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Education, Audiovisual and Culture Executive Agency for the financial year 2013 (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the final annual accounts of the Education, Audiovisual and Culture Executive Agency for the financial year 2013³,
- having regard to the Commission's report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors' report on the annual accounts of the Education, Audiovisual and Culture Executive Agency for the financial year 2013, together with the Agency's replies⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 408, 15.11.2014, p. 39.

⁴ OJ C 442, 10.12.2014, p. 67.

⁵ OJ C 403, 13.11.2014, p. 128.

- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹,
 - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes⁴, and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Decision 2009/336/EC of 20 April 2009 on the creation of the Education, Audiovisual and Culture Executive Agency for the management of Community action in the fields of education, audiovisual and culture in application of Council Regulation (EC) No 58/2003⁵,
 - having regard to Commission Implementing Decision 2013/776/EU of 18 December 2013 establishing the ‘Education, Audiovisual and Culture Executive Agency’ and repealing Decision 2009/336/EC⁶,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants the Director of the Education, Audiovisual and Culture Executive Agency discharge in respect of the implementation of the Agency’s budget for the financial year 2013 / Postpones its decision on granting the Director of the Education, Audiovisual and Culture Executive Agency discharge in respect of the implementation of the

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

⁴ OJ L 297, 22.9.2004, p. 6.

⁵ OJ L 101, 21.4.2009, p. 26.

⁶ OJ L 343, 19.12.2013, p. 46.

Agency's budget for the financial year 2013;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;
3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Education, Audiovisual and Culture Executive Agency, the Council, the Commission, the Court of Justice of the European Union and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

3. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Executive Agency for Small and Medium-sized Enterprises (formerly the Executive Agency for Competitiveness and Innovation) for the financial year 2013 (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the final annual accounts of the Executive Agency for Small and Medium-sized Enterprises (formerly the Executive Agency for Competitiveness and Innovation) for the financial year 2013³,
- having regard to the Commission’s report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission’s annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors’ report on the annual accounts of the Executive Agency for Small and Medium-sized Enterprises (formerly the Executive Agency for Competitiveness and Innovation) for the financial year 2013, together with the Agency’s replies⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council’s recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 408, 15.11.2014, p. 6.

⁴ OJ C 442, 10.12.2014, p. 74.

⁵ OJ C 403, 13.11.2014, p. 128.

- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹,
 - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes⁴, and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Decision 2004/20/EC of 23 December 2003 setting up an executive agency, the "Intelligent Energy Executive Agency", to manage Community action in the field of energy in application of Council Regulation (EC) No 58/2003⁵,
 - having regard to Commission Implementing Decision 2013/771/EU of 17 December 2013 establishing the 'Executive Agency for Small and Medium-sized Enterprises' and repealing Decisions 2004/20/EC and 2007/372/EC⁶,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants the Director of the Executive Agency for Small and Medium-sized Enterprises (formerly the Executive Agency for Competitiveness and Innovation) discharge in

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

⁴ OJ L 297, 22.9.2004, p. 6.

⁵ OJ L 5, 9.1.2004, p. 85.

⁶ OJ L 341, 18.12.2013, p. 73.

respect of the implementation of the Agency's budget for the financial year 2013 / Postpones its decision on granting the Director of the Executive Agency for Small and Medium-sized Enterprises (formerly the Executive Agency for Competitiveness and Innovation) discharge in respect of the implementation of the Agency's budget for the financial year 2013;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;
3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Executive Agency for Small and Medium-sized Enterprises (formerly the Executive Agency for Competitiveness and Innovation), the Council, the Commission, the Court of Justice of the European Union and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

4. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Consumers, Health, Agriculture and Food Executive Agency (formerly the Executive Agency for Health and Consumers) for the financial year 2013 (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the final annual accounts of the Consumers, Health, Agriculture and Food Executive Agency (formerly the Executive Agency for Health and Consumers) for the financial year 2013³,
- having regard to the Commission's report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors' report on the annual accounts of the Consumers, Health, Agriculture and Food Executive Agency (formerly the Executive Agency for Health and Consumers) for the financial year 2013, together with the Agency's replies⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 408, 15.11.2014, p. 5.

⁴ OJ C 442, 10.12.2014, p. 83.

⁵ OJ C 403, 13.11.2014, p. 128.

Community,

- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹,
 - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes⁴, and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Decision 2004/858/EC of 15 December 2004 setting up an executive agency, the "Executive Agency for the Public Health Programme" for the management of Community action in the field of public health pursuant to Council Regulation (EC) No 58/2003⁵,
 - having regard to Commission Implementing Decision 2013/770/EU of 17 December 2013 establishing the Consumers, Health and Food Executive Agency and repealing Decision 2004/858/EC⁶,
 - having regard to Commission Implementing Decision 2014/927/EU of 17 December 2014 amending Implementing Decision 2013/770/EU in order to transform the 'Consumers, Health and Food Executive Agency' into the 'Consumers, Health, Agriculture and Food Executive Agency'⁷,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

⁴ OJ L 297, 22.9.2004, p. 6.

⁵ OJ L 369, 16.12.2004, p. 73.

⁶ OJ L 341, 18.12.2013, p. 69.

⁷ OJ L 363, 18.12.2014, p. 183

the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;

1. Grants the Director of the Consumers, Health, Agriculture and Food Executive Agency (formerly the Executive Agency for Health and Consumers) discharge in respect of the implementation of the Agency's budget for the financial year 2013 / Postpones its decision on granting the Director of the Consumers, Health, Agriculture and Food Executive Agency (formerly the Executive Agency for Health and Consumers) discharge in respect of the implementation of the Agency's budget for the financial year 2013;
2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;
3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Consumers, Health, Agriculture and Food Executive Agency (formerly the Executive Agency for Health and Consumers), the Council, the Commission, the Court of Justice of the European Union and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

5. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European Research Council Executive Agency for the financial year 2013 (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the final annual accounts of the European Research Council Executive Agency for the financial year 2013,
- having regard to the Commission's report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors' report on the annual accounts of the European Research Council Executive Agency for the financial year 2013, together with the Agency's replies³,
- having regard to the statement of assurance⁴ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 442, 10.12.2014, p. 240.

⁴ OJ C 403, 13.11.2014, p. 128.

the Financial Regulation applicable to the general budget of the European Communities¹,

- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes⁴, and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Decision 2008/37/EC of 14 December 2007 setting up the European Research Council Executive Agency for the management of the specific Community programme Ideas in the field of frontier research in application of Council Regulation (EC) No 58/2003⁵,
 - having regard to Commission Implementing Decision 2013/779/EU of 17 December 2013 establishing the European Research Council Executive Agency and repealing Decision 2008/37/EC⁶,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants the Director of the European Research Council Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2013 / Postpones its decision on granting the Director of the European Research Council Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2013;

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

⁴ OJ L 297, 22.9.2004, p. 6.

⁵ OJ L 9, 12.1.2008, p. 15.

⁶ OJ L 346, 20.12.2013, p. 58.

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;
3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the European Research Council Executive Agency, the Council, the Commission, the Court of Justice of the European Union and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

6. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Research Executive Agency for the financial year 2013 (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the final annual accounts of the Research Executive Agency for the financial year 2013³,
- having regard to the Commission's report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors' report on the annual accounts of the Research Executive Agency for the financial year 2013, together with the Agency's replies⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 408, 15.11.2014, p. 40.

⁴ OJ C 442, 10.12.2014, p. 351.

⁵ OJ C 403, 13.11.2014, p. 128.

the Financial Regulation applicable to the general budget of the European Communities¹,

- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes⁴, and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Decision 2008/46/EC of 14 December setting up the Research Executive Agency for the management of certain areas of the specific Community programmes People, Capacities and Cooperation in the field of research in application of Council Regulation (EC) No 58/2003⁵,
 - having regard to Commission Implementing Decision 2013/778/EU of 13 December 2013 establishing the Research Executive Agency and repealing Decision 2008/46/EC⁶,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants the Director of the Research Executive Agency discharge in relation to the implementation of the Agency's budget for the financial year 2013 / Postpones its decision on granting the Director of the Research Executive Agency discharge in respect of the implementation of the Agency's budget for the financial year 2013;
 2. Sets out its observations in the resolution forming an integral part of the decisions on

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

⁴ OJ L 297, 22.9.2004, p. 6.

⁵ OJ L 11, 15.1.2008, p. 9.

⁶ OJ L 346, 20.12.2013, p. 54.

discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;

3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Research Executive Agency, the Council, the Commission, the Court of Justice of the European Union and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

7. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) for the financial year 2013 (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the final annual accounts of the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) for the financial year 2013³,
- having regard to the Commission's report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors' report on the annual accounts of the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) for the financial year 2013, together with the Agency's replies⁴,
- having regard to the statement of assurance⁵ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 408, 15.11.2014, p. 41.

⁴ OJ C 442, 10.12.2014, p. 358.

⁵ OJ C 403, 13.11.2014, p. 128.

Community,

- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹,
 - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(3) thereof,
 - having regard to Commission Regulation (EC) No 1653/2004 of 21 September 2004 on a standard financial regulation for the executive agencies pursuant to Council Regulation (EC) No 58/2003 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes⁴, and in particular the first and second paragraphs of Article 66 thereof,
 - having regard to Commission Decision 2007/60/EC of 26 October 2006 establishing the Trans-European Transport Network Executive Agency pursuant to Council Regulation (EC) No 58/2003⁵,
 - having regard to Commission Implementing Decision 2013/801/EU of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC⁶,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, under Article 17(1) of the Treaty on European Union, the Commission is to execute the budget and manage programmes and is to do so, pursuant to Article 317 of the Treaty on the Functioning of the European Union, in cooperation with the Member States, on its own responsibility, having regard to the principles of sound financial management;
1. Grants the Director of the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) discharge in respect of the implementation of the Agency's budget for the financial year 2013 / Postpones its

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

⁴ OJ L 297, 22.9.2004, p. 6.

⁵ OJ L 32, 6.2.2007, p. 88.

⁶ OJ L 352, 24.12.2013, p. 65.

decision on granting the Director of the Trans-European Transport Network Executive Agency (formerly the Trans-European Transport Network Executive Agency) discharge in respect of the implementation of the Agency's budget for the financial year 2013;

2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;
3. Instructs its President to forward this decision, the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and the resolution forming an integral part of those decisions, to the Director of the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency), the Council, the Commission, the Court of Justice of the European Union and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

8. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the general budget of the European Union for the financial year 2013, Section III – Commission (2014/2075(DEC))

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2013¹,
- having regard to the consolidated annual accounts of the European Union for the financial year 2013 (COM(2014)0510 – C8-0140/2014)²,
- having regard to the Commission’s report on the follow-up to the discharge for the 2012 financial year (COM(2014)0607), and to the accompanying Commission staff working documents (SWD(2014)0285, SWD(2014)0286),
- having regard to the Commission communication of 11 June 2014 entitled ‘Synthesis of the Commission’s management achievements in 2013’ (COM(2014)0342)
- having regard to the Commission’s annual evaluation report on the Union’s finances based on the results achieved (COM(2014)0383) and to the accompanying Commission staff working documents (SWD(2014)0200, SWD(2014)0201),
- having regard to the Commission’s annual report to the discharge authority on internal audits carried out in 2013 (COM(2014)0615), and to the accompanying Commission staff working document (SWD(2014)0293),
- having regard to the Court of Auditors’ annual report on the implementation of the budget for the financial year 2013, together with the institutions’ replies³, and to the Court of Auditors’ special reports,
- having regard to the statement of assurance⁴ as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council’s recommendation of ... on discharge to be given to the Commission in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to the Council’s recommendation of ... on discharge to be given to the executive agencies in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),

¹ OJ L 66, 8.3.2013.

² OJ C 403, 13.11.2014, p. 1.

³ OJ C 398, 12.11.2014, p. 1..

⁴ OJ C 403, 13.11.2014, p. 128.

- having regard to Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
 - having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹,
 - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002², and in particular Articles 62, 164, 165 and 166 thereof,
 - having regard to Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes³, and in particular Article 14(2) and (3) thereof,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
1. Approves the closure of the accounts of the general budget of the European Union for the financial year 2013 / Postpones the closure of the accounts of the general budget of the European Union for the financial year 2013;
 2. Sets out its observations in the resolution forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies;
 3. Instructs its President to forward this decision to the Council, the Commission, the Court of Justice of the European Union, the Court of Auditors and the European Investment Bank, and to the national parliaments and the national and regional audit institutions of the Member States, and to arrange for its publication in the *Official Journal of the European Union* (L series).

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 298, 26.10.2012, p. 1.

³ OJ L 11, 16.1.2003, p. 1.

9. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of the decisions on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission and executive agencies (2014/2075(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2013, Section III – Commission,
 - having regard to its decisions on discharge in respect of the implementation of the budgets of the executive agencies for the financial year 2013,
 - having regard to Rule 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A8-0000/2015),
- A. whereas, for the 20th time in succession, the Court of Auditors was unable to grant a positive statement of assurance regarding the legality and regularity of the payments underlying the accounts, which risks eroding the legitimacy of Union spending and policies;
- B. whereas, in a situation of scarce resources, greater importance should be attached to the need to observe budgetary discipline and to use funds economically;
- C. whereas the Commission is the ultimate responsible of the implementation of the Union budget while the Member States have to sincerely cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management;
- D. whereas it is crucial that, under shared management of funds, the data communicated by the Member States are fair and accurate;
- E. whereas the interinstitutional dialog foreseen in Article 318 TFUE should be the opportunity to stimulate a new culture of performance inside the Commission;

Shared management: Deficiencies in the Commission's and Member States' management

Reservations in agriculture and rural development

1. Cannot politically ensure that the control procedures put in place in the Commission and the Member States give the necessary guarantees concerning the legality and regularity of all the underlying transactions in agriculture and rural development as demonstrated

by the following reservations issued by the Director General of DG AGRI in its annual activity report of 31 March 2014:

- ABB02 - Market Measures: EUR 198,3 million at risk; 7 aid schemes in 9 Member States with 11 elements of reservation: Poland EUR 77,6 million, Spain EUR 54 million, France EUR 32,4 million, Netherlands EUR 16,4 million, UK EUR 8,5 million, Italy EUR 5 million, Czech Republic EUR 2 million, Austria EUR 1,9 million, Sweden EUR 0,5 million;
- ABB 03 - Direct payments: EUR 652 million at risk; 20 paying agencies comprising 6 Member States concerned: Spain (15 out of 17 paying agencies) EUR 153 million, France EUR 203,4 million, UK PRA England EUR 118 million, Greece EUR 117,8 million, Hungary EUR 36,6 million, Portugal EUR 28 million;
- ABB 04 - Rural development expenditure: EUR 599 million at risk; 31 paying agencies comprising 19 Member States concerned: Belgium, Bulgaria (EUR 56,8 million), Cyprus, Germany (Bayern, Brandenburg), Denmark, Spain (Andalucia, Asturias, Castilla la Mancha, Castilla y León, FOGGA Galicia, Madrid), Finland, France (ODARC, ASP (EUR 70,3 million)), UK (SGRPID Scotland, RPA England), Greece, Ireland, Italy (AGEA (EUR 52,6 million), AGREA Emilia-Romagna, OPR Lombardy, OPPAB Bolzano, ARCEA Calabria), Luxemburg, Netherlands, Poland (EUR 56,7 million), Portugal (EUR 51,7 million), Romania (EUR 138,9 million) and Sweden;
- ABB 05: EUR 2,6 million at risk - IPARD expenditure for Turkey;

Reservations in regional policy

2. Cannot politically ensure that the control procedures put in place in the Commission and the Member States give the necessary guarantees concerning the legality and regularity of all underlying transactions in regional policy as demonstrated by the reservations issued by the Director General of DG REGIO in its annual activity report of 31 March 2014; 73 of 322 programmes have been put under reservations as a consequence of partially reliable management and control system (compared to 85 of 317 OPs in 2012); the interim payments made to those 2007-2013 programmes under reservation equal EUR 6 035,5 million; the Commission estimated the amount at risk at EUR 440,2 million;

Reservations in Employment and social affairs

3. Cannot politically ensure that the control procedures put in place in the Commission and the Member States give the necessary guarantees concerning the legality and regularity of all the underlying transactions in employment and social affairs as demonstrated by the reservations issued by the Director General of DG EMPL in its annual activity report on 31 March 2014; its annual activity report contains a reservation relating to payments made for the 2007-2013 programming period for an amount at risk of EUR 123,2 million in 2013; these reservations covered 36 of 118 the European Social Funds (ESF) Operational Programmes (compared to 27 out of 117 OPs in 2012):

The Court of Auditors' Statement of Assurance

Accounts and legality and regularity of revenue – clean opinions

4. Welcomes the fact that the annual accounts of the Union for the financial year 2013 present fairly, and in all material respects, the position of the Union as of 31 December 2013 and notes with satisfaction that revenue underlying the accounts for the year ended 31 December 2013 is legal and regular in all material respects;

Reservation as regards Gross National Income (GNI) contributions

5. Issues a reservation concerning the way Member States GNI contributions have been calculated due to the deficiencies¹ as regards the Commission's verification of data;

Legality and regularity of commitments – clean opinion

6. Notes with satisfaction that the commitments underlying the accounts for the year ended 31 December 2013 are legal and regular in all material respects;

Legality and regularity of payments – adverse opinion

7. Deeply regrets that payments remain, for the twentieth year in a row, materially affected by error;
8. Understands that the basis for the adverse opinion of the Court of Auditors is the conclusion that the supervisory and control systems are only partially effective and that, as a result, payments are affected by a most likely error rate of 4,7 %;
9. Recalls that the most likely error rate for payments in the 2012 financial year was estimated at 4,8 %, in the 2011 financial year 2011 at 3,9 %, in the 2010 financial year at 3,7 % and in the 2009 financial year at 3,3 %; notes that the Court of Auditors' annual reports therefore show a steady upward trend since 2009;

Financial corrections and recoveries

10. Notes that the financial corrections reported as implemented in 2013 dropped from EUR 3,7 billion in 2012 to EUR 2,5 billion in 2013 and recalls that the high financial correction in 2012 was mainly due to a single EUR 1,8 billion correction in Spain rectifying structural funds expenditures during the period 2000-2006;
11. Notes that this decrease was partially compensated by an increase of recoveries implemented: from EUR 0,7 billion to EUR 0,9 billion;
12. Points out that the average amount of financial corrections and recoveries implemented for 2009-2013 was EUR 2,7 billion which represents 2,1% of the average amount of payments from the Union budget in that period and that according to the Commission, the abovementioned trend can be explained by the closure of the programming period

¹ See Court of Auditors' Special Report No 11/2013, point 93 to 97.

2000-2006¹; notes in particular that for cohesion policy, four-fifths of corrections made during the years 2007 to 2013 relate to operational programmes for earlier periods²;

13. Considers furthermore that those measures have still a limited impact on the Union budget since more than 40% of the financial corrections implemented in 2013 are not considered as assigned revenue³ but may be used by the same Member States having caused these corrections in cohesion policy;
14. Notes that approximately 1 % of the financial corrections implemented in 2013 involved a net reduction of Union funding to the programme and the Member State concerned in cohesion policy;
15. Notes with concern that the abovementioned Commission communication of 29 September 2014 does not necessarily provide reliable information on withdrawals, recoveries and pending recoveries of structural funds made by the Member States since the Commission states that it had to adopt a prudent approach due to certain weaknesses in the Member States figures, so as to ensure that the above amounts are not overstated⁴;
16. Demands that the Commission put in place sound procedures to confirm the timing, the origin and the amount of corrective measures and to provide information reconciling as far as possible the year in which payment is made, the year in which the related error is detected and the year in which recoveries or financial corrections are disclosed in the notes to the accounts;

The Synthesis report and the annual activity reports

17. Takes note that the Commission Directors-General made a total of 17 quantified reservations relating to the expenditure; points out that the lower number of quantified reservations in 2013 (21 in 2012) did not have the effect of reducing the scope of the amount at risk and that the maximum total amount at risk announced by the Commission in its synthesis report⁵ is below EUR 4 179 million which corresponds to 2,8% of all expenditure disbursed;
18. Asks the Commission to further clarify the calculation of the amount at risk⁶ in explaining the estimated impact of corrective mechanisms on this figure and to issue in its synthesis report a proper "Statement of assurance" based on the Directors-General annual activity reports;

¹ See Communication on the protection of the EU Budget to end 2013, COM (2014) 618 page 11.

² See Court of Auditors' Annual Report for 2013, point 1.14.

³ See Commission communication COM(2014)0618, table 5.2: withdrawals in cohesion (EUR 775 million), rural development recoveries (EUR 129 million) and financial corrections implemented by de commitment /deduction at closure be it in cohesion policy (EUR 494 million of euro) or in the other policy areas than agriculture and cohesion policies (EUR 1 million).

⁴ See Commission communication COM(2014)0618, table 7.2.

⁵ Commission communication of 11.6.2014 entitled 'Synthesis of the Commission's management achievements in 2013' (COM (2014)0324), p. 14: maximum total amount at risk for the entire 2013 expenditure (EU and EDF budget).

⁶ Annex 1 to the synthesis report explains "amounts at risk" as the value of the fraction of the transaction which is estimated not to be in full conformity with the applicable regulatory and contractual requirements after the application of all controls (corrective measures) intended to mitigate compliance risks.

19. Recalls that the cumulative figures used by the Commission concern corrective mechanisms applied by the Commission and the Member States (financial corrections and recoveries) several years after the disbursement of the funds (in particular during the periods 1994-1999 and 2000-2006) and notes that in this time neither the Court of Auditors nor the Commission issued precise error rates;

Pressure on the budget

20. Is concerned by the fact that despite the high level of payments, the accounts show that outstanding financial commitments and other liabilities continued to grow in 2013: notes that at the year end, they stood at EUR 322¹ billion and the figure is likely to rise in 2014;
21. Stresses that these “overhanging” financial obligations are a matter of particular concern because, for the first time, payment ceilings are set to remain broadly stable in real terms for a number of years²;
22. Points out that in times of economic crisis financial resources are scarce; notes, however, that for large parts of the budget, the maximum level of expenditure under the Multiannual Financial Framework headings is broken into yearly allocations per Member State; observes that the way funds are absorbed by Member States often becomes the main policy objective (“use it or lose it”)³; calls therefore on the Commission and Member States to promote a shift from spending to performance culture focussing on the results achieved;
23. Points out that gross pre-financing amounted to EUR 79.4 billion at the end of 2013 and insists that extended periods of pre-financing can lead to an increased risk of error or loss; stresses that this risk is particularly present for Heading 4 of the budget (*EU as a global player*) where for a typical operation, four years elapse between a commitment being made and the Commission recording the final related expenditure;
24. Urges the Commission to once again prepare and publish a 'long-range cash flow forecast' projecting future payment requirements to ensure that necessary payments can be met from approved annual budgets;

Financial instruments

25. Observes that, by the end of 2013, 941 financial engineering instruments (FEI) had been set up under 176 European Regional Development Funds (ERDF) and European Social Funds (ESF) Operational Programmes (OP) in 25 Member States; is particularly concerned that only 47% of the EUR 14,3 billion that had been paid to the FEIs had actually been paid out to final beneficiaries;
26. Observes that 14 FEIs have been set up in the Members States under the rural

¹ Of the EUR 322 billion, EUR 222 billion represents outstanding budgetary commitments and EUR 99 billion relate to balance sheet liabilities not covered by outstanding commitments.

² Presentation of the Court of Auditors Annual Reports by its President Vítor Manuel da Silva Caldeira in CONT meeting of 5 November 2014.

³ Ibid.

development fund; observes that EUR 443,77 million have been paid out to banks in Romania, Bulgaria, Greece, Italy and Lithuania from the Union budget until the end of 2013; expresses concern that of this amount, not a single euro reached the final beneficiaries; observes that for six financial FEIs set up under the European Fisheries Fund EUR 72,37 million were paid out to banks in Greece, Romania, Bulgaria, Estonia, Latvia and the Netherlands; notes that only in Greece and the Netherlands the available amounts were fully disbursed to the final beneficiaries while in Romania only 72% of the funds were disbursed to the final beneficiary, 23% in Bulgaria, 9% in Estonia and none in Latvia¹;

27. Regrets furthermore that these instruments are complex and difficult to account for correctly, which also make public scrutiny more challenging; calls on the Commission for transparency and to regularly report on leverage, losses and risks like investment bubbles; urges the Commission to give a full overview of the number of projects financed under each of the financial engineering instruments and the results achieved, and to indicate clearly how much Union budget allocations were used to co-finance these FEI projects;
28. Recommends that considering the pressure on the budget for payments and the fact that Article 140(7) of Regulation (EU, Euratom) No 966/2012 (the Financial Regulation) requires that excessive balances should be avoided on financial instruments the Commission ensures that contributions from the Union budget to such instruments reflect real cash-flow need;
29. Is also particularly concerned by some findings of the Court of Auditors as regards the effectiveness of blending regional investment facility grants with financial institution loans to support Union external policies²;
30. Points out that, while the facilities were well set-up, the potential benefits of blending were not fully realised due to Commission management shortcomings; asks the Commission to disburse funding only when the funds are actually needed by the beneficiary and to improve its monitoring of the Union grant implementation;

Responsibility of the Commission and Member States in shared management

31. Emphasises that in accordance with Article 317 TFEU, the Commission is ultimately responsible for the implementation of the Union's budget; points out that where the Commission implements the budget under shared management, implementation tasks are delegated to Member States pursuant to Article 59 of the Financial Regulation thereby engaging their political and financial responsibility;
32. Welcomes the voluntary national declaration provided by Denmark, the Netherlands, Sweden and the United Kingdom; regrets, however, that the declarations differ in form, scope, comprehensiveness and the reporting period; calls on the Commission to strive for national declarations, signed at the appropriate political level, which fit into a single audit chain;

¹ Information provided by Commission Vice-President Kristalina Georgieva during the discharge procedure.

² See Court of Auditors' Special Report No 16/2014.

33. Takes note of the Commission communication of 28 October 2014 entitled 'On the adoption of the inter-institutional working group recommendations for the establishment and use of national declarations' (COM(2014)0688); regrets the lack of substantial progress to improve the financial management which could lead to a continuous loss of Union money due to wrong decisions at political and managerial level; calls for a sanction system if Member States transmit incorrect programme information and declarations;

Reliability of the data communicated by the Member States

34. Notes that the lack of reliability of the first level checks performed by the Member States in shared management undermines the credibility of the annual activity reports drafted by the Commission services and the Synthesis report adopted by the Commission as they are partially based on the results of the checks performed by the national authorities; reiterates its previous demand that the Commission evaluate and, if needed, correct the Member States data in order to establish reliable and objective annual activity reports;
35. Requests that the Directors-General report in detail in their annual activity reports on the error rates notified by the Member States and on the corrections made by the Commission where appropriate at the level of operational programmes;

Worst performing Member States

36. Welcomes the overview of Union spending in funds managed under shared management in agriculture and cohesion over the 2007-2013 Multiannual Financial Framework published by the Court of Auditors together with its 2013 annual report which partially address Parliament's request expressed in the 2012 discharge resolution for country specific information in shared management;
37. Points out that according to the figures provided by the Court of Auditors as regards the amounts and percentage of funds at risk as to the European Regional Development Funds, the European Social Funds and the Cohesion Funds (source data included in the 2013 annual activity reports of DG Employment, Social Affairs and Inclusion and DG Regional and Urban policy), Slovakia, the United Kingdom and Spain have the highest error rates;
38. Points out that according to the figures provided by the Court of Auditors as regards the amounts and percentage of funds at risk as to the European Agricultural Guarantee Funds and the European Agricultural Funds for Regional Development (source data included in the 2013 annual activity report of DG Agricultural and Rural Development) Romania, Bulgaria and Portugal have the highest error rates;
39. Asks the Court of Auditors to develop its own country-specific reporting method bearing in mind not only the amounts at risk but also the management and control systems of the Member States together with the corrective mechanisms applied by the Commission and the Member States in order to adequately assess the evolution of the management in the worst performing Member States and recommend the best possible solutions;

Conflicts of interests

40. Emphasises that in some Member States, there is no legislation concerning conflict of interests for members of government owing companies or shares of companies even if those companies receive national or Union funds; insists that under no condition can a former or current beneficiary of Union funds can be in a political and/or management position in which he or she holds a leading role in a national management and control system; urges the Commission to look for a legally binding solution to this problem;

Revenue: GNI Based own resources

41. Notes that the Court of Auditors' audit (see Annual Report for 2013, point 2.27) did not find any substantial error in the Commission's calculation of Member States' contributions and their payment, most of which are based on forecast Gross National Income (GNI) data for 2013;
42. Recalls the criticism formulated by the Court of Auditors in its Annual Report for 2012 as regards the lack of effectiveness of the Commission's verification of GNI data (see Annual Report for 2012, point 2.41); stresses that the prolonged use of general reservations and the excessive duration of the verification cycle of GNI data used for own resource can lead to budgetary uncertainty as it has been highlighted by the discussions between the Member States about the draft amending budget No 6 to the general budget 2014¹;
43. Regrets that certain Member States, despite the fact that they were aware of the changes in the statistical methodology to calculate the GNI contribution since spring 2014, did not anticipate that it will result in an increase of their budgetary contribution;
44. Regrets that the Commission, despite the fact that it was aware since spring 2013 that the changes in the statistical methodology to calculate the GNI contribution would create a big increase in the contributions of certain Member States, insisted on handling this file as a purely technical one²;
45. Recalls that the Court of Auditors concluded in its opinion No 7/2014³ that the Commission's proposal to allow the deferred payments of value added tax (VAT) and GNI balances and adjustments in case of exceptional circumstances may increase the complexity of the system of own resources and the Member States budgetary uncertainty;
46. Points out in particular that the Commission proposal amending Regulation (EC, Euratom) No 1150/2000 implementing Decision 2007/436/EC, Euratom on the system

¹ See Court of Auditors' Annual Report for 2013, point 2.11, and Court of Auditors' Special Report No 11/2013 (2013 Discharge) 'Getting the Gross National Income (GNI) data right: a more structured and better-focussed approach would improve the effectiveness of the Commission's verification.'

² Jacek Dominik' statement on the revision of Member States ' gross national income, Press release, Brussels 27 October 2014 last sentence.

³ Opinion No 7/2014 concerning a proposal for a Council Regulation amending Regulation (EC, Euratom) No 1150/2000 implementing Decision 2007/436 EC, Euratom on the system of the European Communities' own resources (OJ C 459, 19.12.2014, p. 1).

of the European Communities' own resources (COM (2014)0704) refers only to the postponement of the deadline for the Member States to make resources available in case of significant amounts result from positive VAT and GNI balances and adjustments and notes that if Member States have a large negative VAT and GNI balances and adjustments, the Commission could be obliged to collect additional revenue by means of an amending budget;

Measures to be taken

47. Urges the Commission to:

- shorten the duration of its verification cycle of the GNI data used for own resource to maximum four years, if needed in launching infringement proceedings and/or in imposing strict delay to lift the reservations;
- limit the use of general reservations to exceptional cases where there are significant risks that the financial interests of the Union are not protected: i.e. when a Member State carries out a major revision during the verification cycle or at irregular intervals;
- draft an action plan to remedy the deficiencies detected by the Court of Auditors in its Special Report No 11/2013 and to report on it to Parliament and the Court of Auditors by the end of June 2015;
- put in place and closely monitor a detailed action plan with clear targets to address the problems in the compilation of Greece's national accounts,
- introduce a modification to the proposal (COM (2014)0704) in order to empower the Commission to defer the reimbursement of the amounts in case of "negative" balances and adjustments;

Agriculture

Agriculture: demographic and beneficiaries' structure challenges

48. Points out that demographic changes affect the common agricultural policy (CAP) more than any other Union policy since nearly one third of the 12 million Union farmers sharing more than 45 % of the Union budget are over the age of 65 years and only 6% are younger than 35 years old¹;
49. Regrets that the measures initiated by the Commission in agricultural policy failed so far to correct the demographic imbalance and calls on the Commission to adapt the agricultural budget support to this effect;
50. Stresses that the fact that less than 2 % of Union farmers receive 31% of the CAP direct payments; believes that this endangers the political acceptance of CAP;

¹ See Court of Auditors landscape review 'Making the best use of EU money: a landscape review of the risks to the financial management of the EU Budget', 2014, p. 67.

51. Points out that the Czech Republic followed by Slovakia, Hungary, Germany and Bulgaria maintain the most unequal agricultural systems¹; calls on the Commission and the Member States to better balance their beneficiaries' structure and demands that the Director General of DG AGRI attach yearly to its annual activity report indicative figures on the distribution of CAP direct aid payment to producers by Member States and category of beneficiaries;

Agriculture: error rate in first pillar

52. Regrets that the European Agricultural Guarantee Fund (EAGF) payments are not free from material error in 2013, the most likely error rate being estimated by the Court of Auditors at 3,6 % (3,8% in 2012)² and that of the five control systems examined for expensed payments two were found to be ineffective, two partially effective and only one was considered as effective;
53. Stresses that in 33 out of 101 quantifiable errors identified by the Court of Auditors, national authorities had sufficient information to prevent, detect, and correct those errors at least partially and that if all this information had been used properly the most likely error for this area would have been 1,1 % lower and thus relatively close to the materiality threshold of 2%;

Error rates in market measures

54. Is worried about the fact that the error rate with regards to agricultural market measures stands at 7,44% as calculated by the Commission itself; deplors the fact that it is the second highest error rate in a policy area for 2013;
55. Stresses that the reservations introduced by the Director-General of DG AGRI into its 2013 annual activity report confirm the alarming state of play in market measures as seven aid schemes in nine Member States are targeted, in particular the sectors of fruit and vegetables, the restructuring of vineyards, wine investment, export refunds for poultry and the school milk scheme;
56. Deplores the significant shortcomings in the control procedures applied when granting recognition to producer groups³ for fruit and vegetables in Poland, Austria, the Netherlands and the United Kingdom as revealed by the Court of Auditors in its Annual Report for 2013 and confirmed by the Director-General of DG AGRI who has issued in its 2013 annual activity report a reservation based on its estimate that around 25% of total expenditure under this measure is at risk, namely EUR 102,7 million;

¹ Indicative figures on the distribution of aid by size-class of aid, received in the context of direct aid paid to the producers according to Council regulation EC 1782/2003 and Council Regulation 73/2009, transmitted by Commissioner Hogan on 8 December 2014.

² The frequency increased quite significantly: from 41% in 2012 to 61% in 2013.

³ In accordance with Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) (OJ L 299, 16.11.2007, p.1), in certain regions, transitional support may be given to encourage producers who wish to acquire the status of producer organisation (PO) to form producer groups; this funding may be partially reimbursed by the EU and ceases once the producer group is recognised as a PO.

57. Regrets in particular the deficiencies detected by the Commission as regard the measure concerning 'Vineyard restructuring' in Spain that justified the reservation issued by the Director-General of DG AGRI on the basis of a corrected error rate of 33 % and an amount at risk of EUR 54 million and the measure 'Poultry export in France' on the basis of a corrected error rate of 69,6% and an amount at risk of EUR 29,3 million;

Reliability of the Member States' data in direct payments

58. Welcomes the fact that since the error rates communicated by the Member States in their inspection statistics do not cover all the components of the residual error rate and are not always reliable DG AGRI carried out an individual assessment for each paying agency based on all available information including the Court's audit findings;
59. Reiterates the European Court of Auditors' assertions¹ that the results of this new approach show that only limited assurance can be gained from the Member States' inspection statistics, the declarations of the directors of paying agencies and the work carried out by the certifications bodies;
60. Points out that despite the fact that almost all the paying agencies for the direct payments were under accreditation and certified by the certifying authorities and while 79 of the 82 statements of assurance made by the paying agencies received an unqualified opinion from the certification bodies in 2013, thus confirming the accuracy of the statements of assurance presented by the directors of the paying agencies, the Commission had to correct upwards the error rates communicated by 42 out of 68 paying agencies with a residual error rate above 2%;
61. Points out that the 5 paying agencies with the highest error rate were:

1.	United Kingdom, RPA	5,66% (Member State (MS) notification: 0,67 %)
2.	Greece, OKEPE	5,17% (MS notification: 0,83 %)
2.	Spain, AVGA	4,71% (MS notification: 1,93 %)
4.	Portugal, IFAP	4,37% (MS notification: 0,82 %)
5.	Romania, PIAA	4,27% (MS notification: 1,77 %)

62. Regrets that the current legislative framework does not provide sanctions for incorrect or false reporting² by the paying agencies;

IACS and LPIS

¹ See Court of Auditors' Annual Report for 2013, point 43.

² See the reply from the Commission to the written question No 11, CONT hearing with Commissioner Phil Hogan on 1 December 2014.

63. Shares the view expressed by the Commission and the Court of Auditors that as a whole the Integrated Administration and Control System (IACS) plays a key role in preventing and reducing errors in claims from farmers and points out that its proper functioning should have ensured that agricultural direct payments are free from material error;
64. Deplores that persistent weaknesses in excluding ineligible land from the Landfill Parcel Identification System (LPIS) and in the administrative treatment claims from farmers contribute significantly to the material level of error remaining in EAGF payments;
65. Stresses once again the horizontal dimension of the deficiencies detected in the LPIS; notes that since 2007 the Court of Auditors examined IACS in 38 paying agencies in all 28 Member States and deeply regrets that only seven of the control systems were assessed as effective, 22 were found to be partially effective and nine control systems were considered as ineffective;

Procedures to ensure recovery of undue payments

66. Is worried by the fact reported by the Court of Auditors¹ that sums lost as a result of irregularities or negligence relating to claims for the year 2008 or earlier had been brought to the attention of debtors in Ireland after considerable delay and were not subject to any recovery or enforcement procedure for several years;
67. States that until the end of 2012 out of EUR 6.7 million of debts relating to these claim years EUR 2,3 million was borne by the Union under the 50/50 rule despite the delay observed by the Court of Auditors in the notification procedure and fears that the money would be definitely lost for the Union budget;
68. Is also concerned by the findings of the Court as regards the fact that Italian authorities did not record whether debts were due to irregularities or administrative errors which could potentially lead to charging the Union budget;
69. Notes that according to the data provided in the 2013 annual activity report of DG AGRI², the worst performing Member States as regards the recoveries of undue payments are Bulgaria with a recovery rate of 4%, 21% in Greece, 25% in France, 25% in Slovenia, 27% in Slovakia and 33% in Hungary;

Clearance of accounts procedure

70. Notes that the Commission took four conformity decisions in 2013 leading to financial corrections of EUR 1 116,8 million (EUR 861,9 million relating to EAGF, EUR 236,2 million to European Agricultural Fund for Rural Development (EAFRD) which represents around 2% of the Union's 2013 budget for agriculture and rural development (1,4% in the period 2008-2012);
71. Points out that this amount cannot be compared with the most likely error rate issued by

¹ See Court of Auditors' Annual Report for 2013, point 3.23 and following.

² See 2013 annual activity report of DG AGRI, Annex 10, table 51: "new cases open since 2007".

the Court of Auditors because the Commission's conformity audits are systems-based, do not check the regularity of underlying transactions, cover expenditures relating to several budgetary years, lead to financial corrections made for 65 % on a flat-rate basis and consequently do not enable an annual error rate to be calculated¹;

72. Stresses that the 2013 increase of the average level of financial correction by comparison with the period 2008- 2012 is according to the findings of the Court of Auditors² mainly explained by the reduction of the backlog of open audit files from 553 at the end of 2012 to 516 at the end of 2013 and that the resolution of these files which related to financial years prior to 2010 resulted in financial corrections of EUR 881 million (79 % of the total);
73. Is worried that the independence of the conciliation body which may be involved in the conformity clearance procedure is not guaranteed by the provisions currently in force³;

Rural development, environment, fisheries and health

74. Regrets that the payments in rural development, environment, fisheries and health are not free from material error in 2013, that the most likely error rate was 6,7 % (7,9 % in 2012) and that seven of the 13 supervisory and control systems examined for expensed payments in Member States were assessed as being partially effective and six as ineffective;
75. Concurs with the view expressed by the Court of Auditors that the most likely error rate would have been reduced to 2 % if the national authorities had used all the information available to them to prevent, detect and correct errors;
76. Deplores the fact that the average error rate calculated by the Court of Auditors for the rural development incurred during the past three years was 8,2% and that in 2013 it was 7,9%⁴; strongly deplores that it is the highest error rate in a policy area for 2013;
77. Notes that the errors occurred mainly because beneficiaries did not respect the eligibility requirements, the procurement rules were not properly applied and agri-environmental commitments were not respected;
78. Is worried about the fact that the Court of Auditors has found that suspected intentional infringement by private beneficiaries contributed to an eighth of the error rate in rural development and deplores the fact that the specific rural development measure "adding value to agricultural and forestry products" made the most significant contribution to error rate for private investment⁵, resulting in the Court of Auditors expressing serious concerns as regards "the efficiency and effectiveness of the measure in reaching its

¹ See 2013 ECA annual report, point 4.25.

² See 2013 ECA annual report, point 4.27.

³ See the reply to the written question No 29, CONT hearing with Commissioner Phil Hogan on 1 December 2014.

⁴ See Court of Auditors' Special Report No 23/2014 on Errors in rural development spending, p. 10: the 8,2% is an average for the three years with a lower limit of 6.1% and an upper limit of 10.3%. The average is composed of 8,4% for 2011, 8,3% for 2012 and 7,9% for 2013.

⁵ See Court of Auditors' Special Report No 23/2014, p. 22 to 24.

policy objectives";

79. Concurs with the view voiced by the Court of Auditors¹ that the errors are partly caused by the complexity of rules and the large variety of aid schemes: 46 measures in total for rural development, each with its own rules and requirements;
80. Welcomes the Commission's revised approach to calculate the residual error rate taking account of all relevant audits and information with a view to adjusting the error rate reported by the Member States;
81. Deplores the lack of reliability of data communicated by the Member States on the results of their checks; notes that certifying bodies issued a qualified opinion stating an error rate above 2 % for only nine paying agencies of 74² while the Commission issued a qualified opinion for 31 agencies in 24 Member States³;
82. Regrets the lack of quality of remedial actions by some Member States and the absence of a systematic approach to eradicate the causes of the errors in all the Member States; stresses that there is a lack of preventive action against widespread weakness at Union level;

Requests to the Commission, the Member States and the Court of Auditors concerning agriculture and rural development

83. Asks the Court of Auditors to calculate separate error rates for market measures and direct payments in the CAP first pillar;
84. Recommends that the Commission actively monitors the application of remedial actions with regard to the deficiencies in the control system applicable to Union aid for producer groups for fruits and vegetables in Poland, Austria, the Netherlands and the United Kingdom;
85. Urges the Commission to demonstrate the Union added value of the agricultural market measures bearing in mind the risk of potential losses affecting the budget of the Union and asks the Commission to consider their suppression if this risk is too high; asks the Commission to report in the 2013 Commission discharge follow-up report on the actions taken by the European Anti-Fraud Office (OLAF) in light of the audit mission for poultry export refunds in France;
86. Asks to the Commission to draft proposals with a view to sanctioning false or incorrect reporting by paying agencies including the three following dimensions, namely inspection statistics, statements by the paying agencies, and the work carried out by the certification bodies; asks that the Commission be empowered to withdraw the accreditation of the paying agencies in cases of grave misrepresentations;

¹ Statement by the Member of the Court of Auditors, Rasa Budbergyte, CONT hearing with Commissioner Phil Hogan on 1 December 2014.

² See the reply to the written question No 12, CONT hearing with Commissioner Phil Hogan on 1 December 2014.

³ See 2013 annual activity report of DG AGRI, table 2.1.24.

87. Urges the Director-General of DG AGRI to consider the real added value of delaying year after year reservations justified by deficiencies in the LPIS while those deficiencies have clear horizontal dimension;
88. Asks the Commission and the Member States to take the necessary measures to ensure that the IACS is used to its full potential, and in particular to ensure that the eligibility and size of agricultural parcels are correctly assessed and recorded by the Member States, and that immediate remedial action is taken by the Member States where the IACS is found to be affected by systemic errors;
89. Urges the Commission to shed a light on the facts reported by the Court of Auditors in Ireland and Italy in points 3.24 and 3.25 of its Annual Report for 2013 as regards irregularities in recovering undue payments, to take the necessary corrective measures and to report on those to Parliament by June 2015;
90. Urges the Commission to take steps to further reduce the backlog of open audit files in the clearance of the accounts procedure so as to enable all audits carried out prior to 2012 to be closed by the end of 2015;
91. Asks in particular that the mandate of the Members of the conciliation body involved in the clearance of accounts procedure will be limited in time to an initial term of three years possibly prolonged for maximum one year; requests furthermore that any possible conflicts of interest be avoided in the handling of those files and that the Member States are not represented in the conciliation body when they are directly concerned by financial corrections;
92. Asks the Court of Auditors to examine the rural development policy area in one separate chapter of its annual report;
93. Recommends that the Commission ensure that the Member States' action plans in rural development are completed by including all regions and measures within their scope, particularly investment measures, and to take the Commission's and Court of Auditors' audit into account;
94. Asks the Commission about the follow-up given the cases of suspected intentional infringement reported by the Court of Auditors to OLAF, in particular, as regards the rural development measure "adding value to agricultural and forestry products" and to fully review the design of this measure in the light of the critical remarks issued by the Court of Auditors as to its efficiency and effectiveness" in the follow-up report to the 2013 Commission discharge;
95. Urges the Commission to closely monitor the implementation of the rural development programmes and in its conformity audits to take account of the applicable rules including those adopted at national level where relevant, in order to reduce the risk of repeating weaknesses and errors encountered during the 2007-2013 programming period;

Regional policy, transport and energy

EU2020

96. Stresses that regional policy, mostly implemented through the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), accounts for 96 % (EUR 43 494 million) of spending (payments EUR 45 311 million) in the policy areas;
97. Recognises that as the largest source of Union funds to regions, localities and enterprises, representing 29% of the total Union budget in 2013 - regional policy has assisted Member States to conciliate their fiscal consolidation constraints with the support to long-term investments strategies which are necessary to recover from the crisis and return to a job-creating growth (EU2020 objective 1);
98. Welcomes the fact that the Commission evaluates the effectiveness, efficiency, coherence and European value added of regional policy through the ex post evaluation; wishes to receive a copy when the reports become available;

Errors

99. Notes that of the 180 transactions audited by the Court of Auditors, 102 (57 %) were affected by error; notes that the Court of Auditors has a 95 % confidence that the rate of error in the population lies between 3,7 % and 10,1 % (the lower and upper error limits respectively), and it estimates, on the basis of the 40 errors which it has quantified, the most likely error to be 6,9 % (2012: 6,8%);
100. Emphasises that in 17 cases of quantifiable errors made by final beneficiaries, the national authorities had sufficient information to prevent, detect and correct the errors before declaring the expenditure to the Commission; notes that had all this information been used to correct errors, the most likely error estimated for this chapter would have been three percentage points lower;
101. Points out that for ERDF and CF expenditure the main compliance risks relate to: errors in public procurement (39 %), ineligible projects/activities or beneficiaries (22 %), ineligible costs included in expenditure declarations (21 %) and the non-compliance with state aid rules;

Reliability of Member States' reporting

102. Notes that the Member States' authorities communicated 322 national audit opinions on their operational programmes and that the audit opinions stated in 209 cases (65 %) an error rate below 2 %; notes that when the Commission checked the data it could only confirm the notification of the Member States' error rates for 78 national audit opinions; notes that 244 audit opinions needed to be corrected by the Commission¹; asks the Commission to report in future all details in changes of error rates made by DG REGIO;
103. Observes that the Commission considered all nationally audited error rates in the reports of Slovakia to be unreliable, 10 out of 15 error rates in the reports of Hungary, two out of seven in the reports of Bulgaria and one out of four in the reports of Belgium; asks

¹ See 2013 annual activity report of DG REGIO, Annex, p. 41.

the Commission to demonstrate if and how their flat rate corrections imposed to protect the Union budget (25 % for one programme and 10 % for nine programmes in Slovakia, two for Bulgaria and Italy and one for Belgium¹) remedied the situation;

104. Stresses that the error reporting for the following operational programmes were particularly unreliable:

Member State	Programme	Title	Decided amount EUR million	MS error rate in Annual Control Reports	COM error/flat rate
BE	2007BE162PO001	Brussels, Regional competitiveness	56,93	6,23 %	10 %
BG	2007BG161PO002	Technical assistance	1 466,43	4,10 %	10 %
DE	2007DE162PO006	ERDF Bremen	142,01	0,31 %	5 %
DE	2007DE161PO003	ERDF Mecklenburg-West Pomerania	1 252,42	0,81 %	5 %
DE	2007DE162PO005	ERDF Hesse	263,45	0,04 %	5 %
ETC	2007CB063PO052	INTERREG IV Italy/Austria	60,07	2,77 %	10 %
ETC	2007CG163PO030	Slovenia/Czech Republic	92,74	0,96 %	10 %
ETC	2007CB163PO019	Mecklenburg /WP - Poland	132,81	0,02 %	5 %
HU	2007HU161PO001	Economic Development	2 858,82	0,71 %	5 %
HU	2007HU161PO007	Transport	5 684,24	0,54 %	5 %
HU	2007HU161PO003	West Pannon	463,75	1,30 %	5 %
HU	2007HU161PO004	South Great Plain	748,71	1,30 %	5 %
HU	2007HU161PO005	Central Transdanubia	507,92	130 %	5 %
HU	2007HU161PO006	North Hungary	903,72	1,30 %	5 %
HU	2007HU161PO009	North Great Plain	975,07	1,30 %	5 %
HU	2007HU161PO011	South Transdanubia	705,14	1,30 %	5 %
HU	2007HU161PO001	Central Hungary	1 467,20	0,10 %	5 %
IT	2007IT161PO007	Development Mezzogiorno	579,04	0,63 %	10 %
IT	2007IT161PO008	Calabria	1 499,12	2,45 %	10 %
SL	2007SL161PO001	Regional development potential	1 783,29	2,80 %	5 %
SL	2007SL161PO002	Infrastructure	1 562,06	2,80 %	5 %

¹ See 2013 annual activity report of DG REGIO, Annex, p. 42.

SK	2007SK161PO006	Competitiveness and economic growth	968,25	0 %	25 %
SK	2007SK161PO005	Health	250,00	1,79 %	25 %
SK	2007SK161PO001	Information society	843,60	1,79 %	10 %
SK	2007SK16UPO001	Research & Development	1 209,42	1,30 %	10 %
SK	2007SK161PO002	Environment	1 820,00	0,33 %	10 %
SK	2007SK161PO004	Transport	3 160,15	0,74 %	10 %
SK	2007SK161PO003	Regional OP	1 554,50	0,32 %	10 %
SK	2007SK161PO007	Technical assistance	97,60	1,79 %	10 %
SK	2007SK162PO001	Bratislava	95,21	1,79 %	10 %
UK	2007UK162PO001	Lowlands & Uplands Scotland	375,96	5,98 %	8,42 %
UK	2007UK161PO002	West Wales & Valleys	1 250,38	0,36 %	5 %
UK	2007UK162PO012	East Wales	72,45	0,36 %	5 %

105. Asks the Commission to report in future about error rates per programme, as communicated by Member States and accepted/corrected by the Commission in the annual activity report;

106. Takes note that the Commission considered, based on its own review, the work of 40 national audit authorities in charge of auditing 90% of ERDF/CF allocations for the 2007-2013 programming period to be in general reliable;

Management and Control Systems (MCS)

107. Urges the Commission to provide further guidance and technical assistance with a view to addressing the causes of weak administration in the Member States;

108. Welcomes an improvement in the management of the funds since 2011 in Austria, the Czech Republic and Romania; is worried about a worsening of the ERDF management in Slovakia, Spain, the Netherlands and the United Kingdom¹ ;

109. Fully supports the Commission's policy on the interruption and suspensions of payments;

110. Is aware of the provisions in the new regulatory framework for the programming period 2014-2020 stipulating that serious deficiencies within the meaning of Commission Delegated Regulation (EU) No 480/2014², detected by the Commission or the Court of

¹ See 2013 annual activity report of DG REGIO, Annex, p. 43.

² Commission Delegated Regulation (EU) No 480/2014 of 3 March 2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general

Auditors after the submission of the accounts will lead to net financial corrections for the concerned programmes; calls on the Commission to provide a list of these cases in time for the 2014 Commission discharge procedure;

111. Recalls paragraph 165 of its resolution accompanying the 2012 Commission discharge in which Parliament asked to harmonise the treatment of public procurement errors in shared management; welcomes the harmonisation undertaken by the Commission in its Decision C(2013)9527 of 20 December 2013 on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement; points out that Directive 2014/24/EU of the European Parliament and of the Council¹ is to be implemented by Member States until 18 April 2016; considers that it will bring considerable changes in procurement procedures and might necessitate further methodological changes;
112. Takes note that the Courts of Auditors methodology has to be consistent and applied to all management areas; understands that further alignment could lead to inconsistencies in the Court of Auditors' definitions of an illegal transaction in direct and shared management;

Financial corrections

113. Notes that in 2013 the Commission decided on financial corrections amounting to EUR 912 371 222 on Member States' operational programmes, of which EUR 239,50 million fell on the Czech Republic, EUR 147,21 million fell on Hungary and EUR 95,47 million fell on Greece;
114. Notes furthermore that, during the programming period 2007-2013, six Member States (the Czech Republic, Greece, Spain, Hungary, Poland and Romania) were responsible for 75% (equalling EUR 1 342 million) of the confirmed financial ERDF/CF and ESF corrections;

De-commitments

115. Regrets that in 2013 EUR 397,8 million had to be de-committed, EUR 296,7 million alone from the Czech Republic; considers that de-commitments run counter to sound financial management;

Financial engineering instruments

116. Notes that the managing authorities of the Member States reported a total of 941 FEIs operating at the end of 2013 in 25 Member States: 91 % account for FEIs for enterprises, 6 % for urban development projects and 3 % for funds for energy efficiency/renewable energies; notes that the total value of operational programmes' (OP) contributions paid to the FEIs amounted to EUR 14 278,20 million, including

provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund (OJ L 138, 13.5.2014, p. 5).

¹ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).

EUR 9 597,62 million of structural funds; notes that with only two years left until the closure, only 47% of OP contributions, or EUR 6 678,20 million, were disbursed to final recipients;

117. Is worried about the Commission's findings in its 2013 consolidated annual report on the implementation of the FEIs - in accordance with point (j) of Article 67(2) of Council Regulation (EC) No 1083/2006¹ - that managing authorities in the Member States did not provide the full picture of the FEI implementation and that certain data showed "inaccuracies" in relation to the data for FEIs in Hungary and Italy;

Greece

118. Is worried about the implementation of the priority projects in Greece under the Task Force management; notes that 48 priority projects have to be accelerated; notes that the main problems are, according to the Commission: (a) delays at maturation stage, (b) delays in licensing, (c) dissolution of contracts due to lack of liquidity of contractors and (d) lengthy court appeals during awarding procedures; calls therefore on the Commission to provide an update on the priority projects for the 2013 follow-up report;

¹ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (OJ L 210, 31.7.2006, p. 25).

Measures to be taken

119. Calls on the Commission to report in detail on progress made with MCSs considered partially effective MCS in 2013 in time for the 2014 discharge procedure¹;
120. Calls on the Commission, in line with the Court of Auditors' recommendation, to carry out an assessment of the 'first level checks' performed during the 2007-2013 programming period in accordance with Article 32(5) of the Financial Regulation; calls on the Commission to add an assessment of the reliability of the information transmitted by the certifying bodies in the Member States to the annual activity report of DG REGIO;
121. Calls on the Commission to request that audit authorities certify the accuracy of the data on financial corrections reported by certifying authorities for each OP; considers that this detailed information should be published in the annex to the DG REGIO's annual activity report;
122. Calls on the Commission to consistently disclose in its annual activity report the reasons for not making reservations (or making reservations with a lower financial impact) in those cases where this is due to exceptions to applicable Commission guidance or approved audit strategies;
123. Supports the Court of Auditors' recommendation that the Commission should require from the Member States in their management declarations (in accordance with point (a) of Article 59(5)) of the Financial Regulation) an explicit confirmation regarding the effectiveness of the first level checks performed by the managing and certifying authorities;
124. Calls on the Commission to ask national authorities to give feedback on whether the established project objectives in the area of ERDF/CF and ESF were accomplished; considers that this should be done in such a way that the recorded dates are comparable

¹ Regrets that the following 73 MCSs in Member States were considered, at best, partially reliable (marked in orange colour out of a green, yellow, orange, red colour range): Vorarlberg (AT), Vienna (AT), Styria (AT), Tirol (AT), Brussels (BE), regional development (BG), environment (BG), Business & Innovation (CZ), ROP NUTSII North-East(CZ), ROP NUTS II Silesia (CZ), Integrated OP (CZ), Thuringia (DE), Mecklenburg Wes Pomerania (DE), Saxony-Anhalt, Bremen (DE), North Rheine Westphalia (DE), EC ENV (EE), Attica (EL), West Greece (EL), Macedonia-Thrace (EL), Thessaly-continental Greece-Epirus (EL), Crete and Aegean Islands (EL), Murcia (ES), Melilla (ES), Ceuta (ES), Asturias (ES), Galicia (ES), Extremadura (ES), Castalia La Mancha (ES), Andalucía (ES), Cohesion Fund (ES), Cantabria (ES), Basque region (ES), Navarra (ES), Madrid (ES), Rioja (ES), Cataluña (ES), Balearic Islands (ES), Aragon (ES), Castalia y Leon (ES), Valencia region (ES), Canary Islands (ES), Research, development and innovation for business(ES), Economic development (HU), Environment energy (HU), West Pannon (HU), South Great Plain (HU), Central Transdanubia (HU), North Hungary (HU), Transport (HU), North Great Plain (HU), South Transdanubia (HU), Central Hungary (HU), Adriatic (Instrument for Pre-Accession Assistance - IPA), Mecklenburg West Pomerania/Brandenburg-Poland (European Territorial Cooperation - ETC), Flanders-Netherlands border region (ETC), Networks and mobility (IT), Research (IT), Security (IT), Calabria (IT), Puglia (IT), Sicily (IT), Basilicata (IT), Sardinia (IT), Infrastructure and environment (PL), Development Eastern Poland (PL), Information society (SK), Environment (SK), Regional OP(SK), Transport (SK), Health (SK), Competitiveness and economic growth(SK), Technical assistance (SK), Research and development (SK)

at Union level; considers that citizens concerned by the accomplishment of the project objectives should be allowed to appraise the project once completed;

125. Calls on the Commission to clarify the "inaccuracies" in the FEIs and to assess the results in detail in the DG REGIO's 2014 annual activity report;

Privatisation of infrastructure projects financed by Union funds

126. Notes that the Union-financed the modernisation of a water distribution network in Skorkov (CZ) with EUR 1,1 million; is concerned about the fact that the communal authorities have let the exploitation of the water distribution system to a company which already manages the local sewerage system; notes that the latter was also co-financed with EUR 1,4 million from Union funds and that the price for the supply of drinking water increased by 45 %; notes that citizens whose water quality is inferior must therefore continue to use local wells; calls on the Commission to ensure the success of the project; supports the establishment of an independent water authority;
127. Calls on the Commission to inform Parliament about all cases in which projects with an Union share of at least 30 % were afterwards privatised;

Employment and social affairs

EU 2020

128. Underlines that the employment and social policy objectives were primarily implemented by means of the ESF; for the reporting year payments worth EUR 14,1 billion were made available, of which 98 % were made via the ESF;
129. Welcomes the policy area's contribution to achieving the EU2020 objectives not only through ESF projects but also by drafting the annual Joint Employment Report and contributing to the country specific recommendations as part of the Annual Growth Survey;
130. Emphasises that the reduction of youth unemployment is particularly urgent; welcomes that more than EUR 12.4 billion from the ESF and the Youth Employment Initiative have been earmarked for the fight against youth unemployment during the new programming period; calls on the Commission to support Member States in implementing the Union funds and make sure that this money will be spent for its indicated purpose; calls on the Commission to establish a system, for the 2014-2020 programming period which allows for reports on progress made in integrating disadvantaged people or groups of people (i.e. youth, elderly, long-term unemployed, Roma) into employment;

Roma

131. Points out that the funds available for the integration of Roma were not always spent for this purpose; is concerned that many Roma face discrimination and social exclusion living in very poor socio-economic conditions; is also particularly concerned by the information that, following a survey carried out by the European Union Agency for

Fundamental Rights in 2012¹, in 90 % of the Roma households the average income was below national poverty thresholds, and that on average about 45 % of the Roma live in severely deprived housing conditions;

Errors

132. Observes that, of the 182 transactions audited by the Court of Auditors 50 (27 %) were affected by error; notes that on the basis of the 30 errors which it has quantified, the Court estimates the most likely error rate to be 3,1 % (3,2% in 2012); notes that in 13 cases of quantifiable errors made by final beneficiaries, the national authorities had sufficient information to prevent, detect and correct the errors before declaring the expenditure to the Commission; considers that if all this information had been used to correct errors, the most likely error rate estimated for this chapter would have been 1,3 percentage points lower;
133. Notes that the errors in this policy area concerned, as in previous years, ineligible expenditure (93% concerning overcharging of overhead costs, over-declaration of personnel costs, and costs calculated incorrectly) and failures to comply with public procurement rules (7%);

Reliability of Member States' reporting

134. Regrets that faulty first-level-checks by national management and control systems remained a prime source of error; has therefore the impression that Member States seem to be less scrupulous when spending Union funds compared to the way they spend their national budget; notes that the following programmes showed particular systemic weaknesses: Poland, Spain (Castilla y Leon), Romania, Portugal, Italy (Sicily), Germany (Bund), Germany (Thüringen), Czech Republic and Hungary; notes that in addition, thematic Commission audits revealed weaknesses in the management and control systems of the operational programmes for Ireland (Human Investment Capital), Slovakia (education) and Spain (Comunidad Valenciana);
135. Points out that, when reviewing the error rates communicated by Member States (MS) in their Annual Control Reports (ACR) the Commission increased the error rate by more than 2% for the following Operational Programmes (OP):

Member State	OP number		2013 interim payments EUR	MS ACR error rate	COM correction	Difference
IT	2007IT052PO009	Bolzano	934 530	4,95%	7,11 %	2,16 %
CZ	2007CZ052PO001	Praha Adapabilita		3,58%	6,45 %	2,87 %
SK	2007SK05UPO002	OP employment & soc. inclusion	86 718 231	1,65%	4,66 %	3,01 %
UK	2007UK052PO002	Low- & Uplands Scotland	74 251 497	1,95%	10,59 %	8,64 %

¹ European Union Agency for Fundamental Rights, The situation of Roma in 11 EU Member States, Luxembourg 2012

IT	2007IT052PO001	Abruzzi		0,2%	15,9 %	15,88 %
ES	2007ES052PO011	La Rioja		0,38%	37,76 %	37,38 %

In addition the Commission considered the ACRs for the following OPs as entirely unreliable, thereby triggering a flat-rate correction:

Member State	OP number		2013 interim payments EUR	MS ACR error rate	COM flat-rat correction	Difference
LU	2007LU052PO001	Operational programme ESF	4 285 659	0,46%	2,0 %	1,54 %
IT	2007IT051PO001	Campania	77 486 332	0,38%	2,0 %	1,62 %
BE	2007BE052PO001	German speaking community		0,0%	2,0 %	2 %
ES	2007ES052PO002	Castilia y Leon	10 607 012	0,0%	2,0 %	2,0 %
BE	2007BE052PO003	Federal state		3,66%	5,0 %	1,34 %
IT	2007IT051PO007	Pon istruzione	78 589 393	0,4%	5,0 %	4,6 %
BE	2007BE052PO005	Flanders	118 201 220	1,61%	10,0 %	8,39 %
UK	2007UK051PO002	West Wales and the valleys	149 600 091	0,36%	10,0 %	9,64 %
UK	2007UK052PO001	East Wales	9 476 602	0,36%	10,0 %	9,64 %
IT	2007IT052PO012	Tuscany	61.978.561	1,11	25 %	23,89 %
IT	2007IT052PO016	Sardinia	23.478.530	0,13	25 %	24,87 %

136. Welcomes that the Commission continued its strict policy on interruption and suspension in 2013; in this context considers noteworthy that the Commission implemented financial corrections in 2013 amounting to EUR 842 million of which EUR 153 million for 1994-1999, EUR 472 million for 2000-2006 and EUR 217 million for 2007-2013; over the three programming periods the following Member States showed the highest financial correction:

Member State	Cumulative accepted/decided financial correction (EUR million)	Cumulative implemented financial correction (EUR million)
Italy	497,7	497,7
Romania	312,1	299,1
Spain	1.070,1	1.064,3

137. Notes furthermore that the Directorate-General (DG) EMPL's annual activity report contains a reservation relating to payments made for the 2007-2013 programming period for an amount at risk of EUR 123,2 million in 2013; notes that that reservation covered 36 of 118 ESF Operational Programmes (compared to 27 out of 117 OPs in

2012):

2007-2013 programming period			
Member State	OP number	Name	Reservation
BELGIUM	2007BE051PO001	Convergence Hainaut	Full
	2007BE052PO002	Troika Wallonie-Bruxelles	Full
	2007BE052PO003	Federal	Reputational
	2007BE052PO004	Bruxelles-Capitale : Emploi et cohésion sociale	Reputational
	2007BE052PO005	Vladeren	Full
CZECH REPUBLIC	2007CZ052PO001	Praha Adaptabilita	Reputational
	2007CZ05UPO001	Lidské zdroje a zam stnanost	Partial Reputational
FRANCE	2007FR052PO001	Programme opérationnel national FSE	Partial
GERMANY	2007DE051PO002	Mecklemburg-Vorpommern	Full
	2007DE052PO003	Berlin	Full
IRELAND	2007IE052PO001	Human Capital investment	Partial Reputational
ITALY	2007IT051PO001	Campania	Full
	2007IT051PO007	PON Istruzione	Full
	2007IT052PO001	Abruzzo	Partial Reputational
	2007IT052PO009	Bolzano	Full
	2007IT052PO012	Toscana	Full
2007IT052PO016	Sardegna	Full	
POLAND	2007PL051PO001	Program Operacyjny Kapitał Ludzki	Partial
ROMANIA	2007RO051PO001	Human Resource Development	Full
SLOVAKIA	2007SK05UPO001	OP Education	Partial
	2007SK05UPO002	OP Employment and Social Inclusion	Partial Reputational
SPAIN	2007ES051PO003	Extremadura	Partial
	2007ES051PO005	Andalucia	Full
	2007ES052PO003	Comunidad Valenciana	Reputational
	2007ES052PO004	Aragon	Full
	2007ES052PO005	Baleares	Full
	2007ES052PO007	Cataluña	Reputational
	2007ES052PO008	Madrid	Partial Reputational
	2007ES052PO011	La Rioja	Reputational
	2007ES05UPO001	Adaptabilidad Y Empleo	Partial
	2007ES05UPO002	Lucha contra la discriminacion	Partial
2007ES05UPO003	Asistencia tecnica	Partial	
UNITED KINGDOM	2007UK051PO002	West Wales and the Valleys	Full
	2007UK052PO001	East Wales	Full
	2007UK052PO002	Lowlands and Uplands of Scotland	Full
	2007UK052PO003	Northern Ireland	Partial
2000-2006 programming period			
Member State	OP number	Name	Reservation
FRANCE	1999FR053DO001	Objectif 3 national	Reputational
	2000FR162DO021	Nord-Pas-de-Calais	
ITALY	1999IT161PO006	Calabria	
SWEDEN	1999SE161DO001	Norbotten & Vasterbotten	
UNITED KINGDOM	1999GB161DO005	Highlands and Islands of Scotland	
	2000GB162DO013	Western Scotland	

138. Highlights that interim payments to 2007-2013 OPs worth EUR 2 159,4 million are affected by the reservations; notes that the Commission estimated the amount at risk in 2013 at EUR 123,3 million;

139. Supports the Court of Auditors when it asks the Commission to consistently disclose in its annual activity report the reasons for not making reservations (or making reservations with a lower financial impact) in those cases where this is due to exceptions to applicable Commission guidance or approved audit strategies;
140. Remains worried about systemic weaknesses in Spanish and Italian management and control systems aggravated by decentralised and devolved state structures;
141. Asks DG EMPL to include the table on national ACRs, provided in response to question 19 in the discharge questionnaire, in its annual activity report;

De-commitments

142. Is concerned that, by the end of 2014 EUR 129 million may have to be de-committed in six Member States (BE, CZ, DE, ES, IT and UK);

Progress Microfinance

143. Observes that the Union has contributed EUR 100 million to Progress Microfinance; recalls that the European Investment Fund that implements Progress Microfinance on behalf of the Commission and the European Investment Bank reported that 52 microcredit providers in 20 Member States had signed agreements under Progress Microfinance and 31 895 microloans worth EUR 260,78 million had already been disbursed to micro-entrepreneurs; is concerned in this context that not enough attention is paid to the question of democratic accountability when setting up financial instruments;

Measures to be taken

144. Calls on the Commission to ensure, when approving the OPs for the new programming period, that Member States have considered all simplification possibilities allowed by the 2014-2020 European Structural and Investment Funds regulations;
145. Calls on the Commission to report on the progress made in administering the above quoted OPs under reservations and on remedying the discovered weaknesses in its 2013 discharge follow-up report;
146. Calls on the Commission to put pressure on the Member States and urge them to implement the Roma strategy and to ensure the Roma targeted implementation of Union funds;

External relations

147. Notes that the most likely error rate of the Court of Auditors is 2,6 %, that the residual error rate as determined by the second study carried out by EuropeAid is estimated at 3,35%; regrets that the systems examined by the Court of Auditors at EuropeAid are assessed as partially effective;
148. Notes that the nature of the instruments and payment conditions in budget support and Union contributions to multi-donor projects carried out by international organisations

limit the extent to which transactions are prone to errors;

149. Deplores the fact that for nine transactions relating to the national programme for pre-accession, the Commission at its own initiative and in violation of Article 88 of the Financial Regulation and 100 of its Rules of Application validated expenditure of EUR 150 million in the absence of supporting documentation which would have enabled it to confirm that the expenses had actually been incurred, that they were accurately reflected in the amounts accepted and that they were eligible¹;
150. Deplores the fact that the Declaration of assurance of Directorate-General for Enlargement is irregular as it stated on 31 March 2014 that all procedures were in place to ensure the legality and regularity of transactions even though, at that time, 20 % of all expenditure booked by that DG was based on estimates;
151. Recalls that in his declaration of assurance², the Director-General of EuropeAid stated that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions; considers nevertheless that this statement is contradicted by the fact that he issued a global reservation concerning the error rate being above 2% which demonstrates that the control procedures fail to prevent, detect and correct material error;
152. Asks the Court of Auditors to calculate a separate error rate in external relations for the expenditures not included in the budget support or in the contributions to multi donor projects carried out by international organisations;
153. Asks the Commission to modify the standing instructions given by the Secretariat General of the Commission so as to make it possible when the financial impact exceeds the materiality threshold for the whole budget under a DG's responsibility, that an adverse opinion be given;
154. Asks the Commission to consider introducing a sanction mechanism in case of intentional irregular declaration of assurance made by an authorising officer in the annual activity report referred to in article 66(9) of the Financial Regulation;

External Assistance Monitoring Report (EAMR)

155. Notes that a majority of Union delegations did not reach the benchmarks set up by the Commission for the key performance indicators (KPIs)³ included in the 119 External Assistance Monitoring Reports concerning financial planning and resource allocation,

¹ See Court of Auditors' Annual Report for 2013, point 7.16.

² See 2013 annual activity report of EuropeAid, p. 197.

³

- a. KPI "20 Ex-ante Ineligible Amounts"
- b. KPI 1 "Execution of Financial Forecasts: Payments"
- c. KPI 2 "Execution of Financial Forecasts: Contracts"
- d. KPI 4 "RAL Absorption Capacity",
- e. KPI 18 "Percentage of Projects Visited in the EAMR Period"
- f. KPI 21 "Implementation of Annual Audit Plan: Year N (2013)"
- g. KPI 22 "Implementation of Annual Audit Plan: Year N - 1 (2012)"
- h. KPI 23 "Implementation of Annual Audit Plan: Year N - 2 (2011)"
- i. KPI 26 "Recovery or Justification of Audit Ineligible Amounts".

financial administration and auditing;

156. Notes that in the light of the KPIs set up by the Commission the best performing Union delegations are those to Nepal and Namibia since they reached the benchmarks set by the Commission for 23 of the 26 key performance indicators; regrets that the worst performing delegation is the Union's delegation to Libya that reached the benchmarks for only three of 26 KPIs, followed by the similarly bad performing delegation to the Central African Republic that reached only four benchmarks;
157. Regrets that the delegations overseen by DG ENLARGE, namely delegations to Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Turkey, Kosovo and Serbia, provide little fitting data and information within the EAMR;
158. Regrets that the results, outputs or impacts of the actions lead by the Union delegations services are not measured adequately in the framework of the existing KPIs, and that the indicators give very limited clarity about the quantity and especially the performance of the delegations as well as the degree of "stakeholders' satisfaction" about the services provided by Union Delegations in these countries;
159. Asks the Commission to:
 - present to Parliament the measures taken in order to improve the performance of Union delegations as regards financial planning and resource allocation, financial administration and auditing in particular as regards the worst performing delegations;
 - better document every year the conclusions it has drawn from the EAMR and from the KPIs and provide these conclusions together with the EAMRs to Parliament;
 - include a balance sheet with the accounting data of the delegation into the EAMR;
 - improve the quality and the exhaustiveness of the data provided in the EAMR and the relevance of the reports as well, in particular as regards the delegations overseen by DG ENLARGE; and
 - report to Parliament on the improvement of the methodology used to precise the KPIs and their corresponding benchmarks.

International Management Group

160. Is deeply concerned by the fact that the Commission continues to treat International Management Group (IMG) as an international organisation while an OLAF investigation was open in 2011 in this regard and while Parliament has alerted the Commission about this issue; notes that this organisation received more than EUR 130 million from the Commission since its creation under joint management, direct or indirect management mode; asks the Director General of OLAF to inform Parliament about the follow-up given to the OLAF enquiry opened in 2011 as regards the status of international organisation of IMG; urges the Commission to provide Parliament with a

list enumerating all the organisations, companies, other bodies or persons having received contracts from the Commission without a call for proposals and detailing their legal status;

Ukraine

161. Notes that in 2013 payments of bilateral assistance to Ukraine, funded from the European Neighbourhood and Partnership Instrument (ENPI) budget, amounted to EUR 152,8 million; notes that 42,5% of these payments (EUR 64,9 million) are linked to contracts directly managed by the Union delegation to Ukraine; notes that the remaining 57,5% (EUR 87,9 million) were disbursed in the form of budget support;
162. Emphasises that budget support payments are conditional on the achievement of jointly agreed results and benchmarks; notes that the beneficiary government commits to these results and benchmarks by signing a bilateral financing agreement and if results and benchmarks are not achieved, payments are not disbursed;
163. Appreciates that Ukraine finds itself currently in a particularly difficult situation (illegal annexation of the Crimean peninsula by Russia and a separatist rebellion in Eastern Ukraine);
164. Calls therefore on the Commission and the Union delegation to Ukraine to be particularly vigilant when disbursing funds and to assure themselves that the funds are invested in the projects they were destined for;

Administrative costs of aid delivery

165. Is concerned about the high administration costs of aid delivery to Central Asia calculated by the Court of Auditors; asks the Commission to inform Parliament about the administrative costs of external aid delivery if they exceed 10 % of the forecasted budget;

Possible embezzlement of Union humanitarian and development aid funds

166. Is surprised by the fact that OLAF has not recommended that the Commission establish a recovery order on the basis of the financial damage caused to the Union budget with regard the humanitarian support granted to the refugee camp of Tindouf whilst it has estimated in its report (OF 2003/0526) that the number of refugees was considerably lower than indicated by the Sahrawi or Algerian authorities;
167. Urges the Commission to adapt Union aid to the actual needs of the population concerned in order to put an end to all kinds of trafficking and to the embezzlement of humanitarian assistance;
168. Is worried about the Ghana public payroll fraud case where neither the World Bank nor the United Kingdom as project partners alerted the Commission about their fraud investigations in Ghana; recalls that more than EUR 100 million of Union taxpayers' money is at stake; is deeply concerned that the Commission failed to inform Parliament about these allegations and the potential loss of Union money; demands full clarification

about this case and urges the Commission to reconsider all financial contributions where Union partners did not inform the Commission in a timely manner about their fraud investigations;

Research and other internal policies

EU 2020

169. Congratulates the Commission on the implementation the Seventh Framework Programme (7FP): notes that 809 grant agreements, involving 10 345 participants for a total of EUR 3 439 million in Union contributions were signed; notes that progress was made in meeting key performance indicators (gross expenditure on Research and Development (R&D), share of public expenditure on R&D, progress in the implementation of the Innovation Union, share of Union financial contributions to small and medium-sized enterprises, reduction of Time-to-Grant);

Errors

170. Observes that the spending in this policy group covered a wide range of policy objectives, such as research and innovation, education, security, migration and measures to combat the effects of the financial crisis; notes that the Commission spent more than 50 % (EUR 5 771 million) of the available amount on research; notes that 45 % of the Commission's research budget was implemented by bodies (i.e. agencies, joint undertakings) outside the Directorate General; notes that almost 90 % of the spending took the form of grants to beneficiaries participating in projects and that in 2013 the Commission concluded 809 grant agreements;
171. Notes that Court of Auditors audited 150 transactions, namely 89 transactions relating to research (86 for the Seventh Framework Programme (FP7) and three for the Sixth Framework Programme (FP6)), 25 transactions for the Lifelong Learning (LLP) and Youth in Action (YiA) Programmes and 36 transactions for other programmes; notes that the Court of Auditors estimated the most likely error at 4,6 % (2012: 3,9%);
172. Takes note that the principal risk to regularity remained that beneficiaries include ineligible or unsubstantiated costs in their cost statements, which were neither detected nor corrected by the Commission or Member States' control systems;

Management and Control Systems

173. Is astounded that in nine of 32 cost statements certified by independent auditors the Court of Auditors found a significant level of error; considers that such a level of error is not acceptable as auditors work in the area of their professional expertise;
174. Welcomes the fact that the Commission conducted, in 2013, 500 ex post audits and the associated recovery and corrective action, and risk based ex ante checks;
175. Supports the Court of Auditors' recommendation, accepted by the Commission, to make controls for this policy group more risk-driven;
176. Reiterates the necessity to strike the right balance between less administrative burden and effective financial control; notes that due to the specifics of the research field, a risk-tolerant and science-based approach should be encouraged so as to achieve research excellence and better impact of projects;
177. Welcomes that, in 2014, the time-to-grant time span has dropped from 249 days to 209 days for 94% of the grant agreements;
178. Welcomes the fact that the Commission continued with its communication campaign based on a document listing the 10 most common causes of error, which was distributed to all programme participants in 2012;
179. Observes that, by the end of 2013, the undue claimed amounts recovered had reached EUR 29,6 million, while outstanding recoverable amounts had increased from EUR 12 million at the end of 2012 to almost EUR 17 million;
180. Notes that project stakeholders (ITER organisation and the domestic agencies – including Fusion for Europe) have recognised that the current schedule and budget is not realistic, as confirmed by several independent assessments in the last two years (2013-2014); wishes to receive a copy of the revised schedule and budget which will be submitted to the ITER Council in June 2015;

Galileo

181. Notes the Commission replies on the progress made in implementing the Galileo project: four Galileo In-Orbit Validation (IOV) satellites were successfully launched in 2011 and 2012, the Galileo In-Orbit Validation phase was successfully concluded in 2014, the system design, the performance targets and the baseline for system operation were successfully confirmed, the ground infrastructure, with many ground stations worldwide, has been completed for the initial operations, the Galileo Search-and-Rescue capability of the IOV-satellites was successfully demonstrated, the launch of two satellites (no. 5 and 6) on 22 August 2014 resulted in an injection of these satellites into incorrect orbit, and since December 2014 the satellites have been gradually moved to a more favourable orbit to allow their best possible use, and the testing of the satellites' navigation payload is on-going; expects to be informed about additional costs for these unforeseen measures;

Measures to be taken

182. Is surprised that the Director-General of Directorate-General for Research and Innovation issued a general reservation with regard to the accuracy of cost claims (EUR 3 664 million) for the FP7 in the Directorate-General's annual activity report, although he himself expects the "net financial impact of errors", based on 1552 closed projects, to be around 2,09%, meaning close to the materiality threshold; considers that such reservations render the term "sound financial management" meaningless; calls therefore on the Director-General to use reservations, in future, in a more specific and targeted way;
183. Calls on the Commission to provide information, in time for the 2013 Commission's discharge follow-up report, about the average length of adversarial procedures before recovery in this policy group;
184. Regrets that the Commission did not answer the question why audits for the European Research Council Executive Agency were delayed (18,3% fewer audits than planned); expects to receive the answer in the 2013 Commission's discharge follow-up report;
185. Calls on the Commission to transmit the audit report on the operational costs for two programmes (Lifelong learning EUR 6,9 million, Youth in action EUR 1,65 million) in 2012 and 2013 in Turkey before the end of April 2015;
186. Calls on the Commission to provide supplementary information on spending for the Information and Communication Technologies Policy Support Programme in time for the 2013 Commission's discharge follow-up report; notes that for this programme the amount of payments at risk could be as high as EUR 3,4 million in 2013 resulting in a residual error rate of 2,8%; notes that in spite of these circumstances the Director-General of Directorate-General for Communications Networks, Content and Technology (DG CONNECT) did not issue a reservation;
187. Calls on the Commission to report comprehensively, in time for the 2014 discharge procedure, on the increasing "policy-orientation" of the Directorate-General for Research and Innovation which was triggered by outsourcing the management of two-thirds of the FP7's operational costs to non-Commission bodies;
188. Asks the Commission to provide, in time for the 2014 discharge procedure, an overview listing the policy progress between FP7 and HORIZON 2020 for researchers and SMEs;

The European Anti-Fraud Office (OLAF)

189. Is worried that a fully functioning working arrangement between OLAF and its Supervisory Committee (SC) may still not be in place;
190. Points out that Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council¹ in force since 1 October 2013 obliges OLAF to guarantee the

¹ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation

independent functioning of the Supervisory Committee Secretariat (Recital 40 of Regulation (EU, Euratom) No 883/2013); is unaware, at this stage, of measures taken to implement this legal obligation; urges the Commission to take immediate steps to remedy the situation;

191. Calls on OLAF to timely consult the OLAF-SC prior to modifying instructions to staff on investigation procedures and prior to setting investigation policy priorities;
192. Regrets the fact that OLAF does not necessarily implement the OLAF-SC's recommendations, sometimes even without giving a justification; calls on the Director General to improve his cooperation in this respect;
193. Recalls that OLAF opened 423 investigations on 31 January 2012; is concerned about the legality of such a procedure; calls on the OLAF-SC to assess the legality of the 423 investigations opened over night and the outcome of those investigations; also asks the OLAF-SC to assess the statistics on the duration of investigations, to analyse the functioning of the case management system and to report back to Parliament;

Administration

194. Points out that over the last four years (2011-2014) 336 145 applications were received for all selection procedures launched by the European Personnel Selection Office, that the average cost of processing one application can be estimated at EUR 238 and that less than 10 % of those candidates are finally placed on a reserve list; demands that Union taxpayers' money be saved by cutting red tape and prolonging the validity of the established reserve lists to at least two years; demands the Commission to report on this issue by June 2015;
195. Is worried about the Court of Auditors' finding that provisions for dealing with poor performing staff are rarely used; calls on the Commission to fully apply the Staff Regulations;
196. Asks for information about staff outside the establishment plan and staff costs financed from headings other than "administration"; regrets that no consolidated information is provided to the budgetary authority about the total number of such staff nor about the associated staff expenditure in the Commission;
197. Recalls that Council Regulation (EC, Euratom) No 723/2004¹ introduced in Annex 1.A two new grades, AD13 and AD14, accessible to staff without management responsibilities which was limited previously to A4 (being equivalent to AD12); calls on the Commission to update the 2011 report on career equivalence and report on the staff expenditure generated in 2013 by non-management AD13 and AD14 staff;
198. Asks the Commission to provide information about the financing of all social, sports and cultural measures for its staff;

(Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

¹ Council Regulation (EC, Euratom) No 723/2004 of 22 March 2004 amending the Staff Regulations of officials of the European Communities and the Conditions of Employment of other servants of the European Communities (OJ L 124, 27.4.2004, p. 1).

199. Is worried about the substantial increase in the number of high officials with grades AD 13 to AD 16 with a monthly income of between EUR 11 700 and EUR 18 500 who used the flexitime scheme in 2013¹; sees a reputational risk for the Union as it is difficult to explain that overtime is not seen to be included in such high salaries;

Getting results from the Union budget

200. Regrets that despite some progress reported by the Court of Auditors² the fourth evaluation report as provided for in Article 318 TFEU is not yet a useful contribution to the discharge activity while according to the TFEU it should be part of the evidence when Parliament gives discharge each year to the Commission in respect of the budget;

201. Reiterates its demand that the Directorates-General of the Commission define in their Management Plan a limited number of simple targets, meeting the requirements of the Court of Auditors in terms of relevance, comparability and reliability and linked to the main goals of the Europe 2020 strategy, that they report on their achievement in their annual activity report in a chapter entitled "Policy Achievements" and that the Commission adopts on that basis the evaluation report on the Union's finances as provided for in Article 318 TFEU;

202. Demands that the Commission includes in the next evaluation reports provided for in Article 318 TFEU an analysis of the results achieved in terms of growth and jobs by the investment plan of EUR 315 billion announced by the President of the Commission Jean-Claude Juncker on 26 November 2014 in the plenary session of Parliament;

203. Demands that in the next evaluation report provided for in Article 318 TFEU the Commission includes an analysis made in cooperation with the European Investment Bank of the results achieved by the Growth and Jobs plan of EUR 120 billion adopted by the European Council in its meeting of 28 and 29 June 2012;

204. Insists that the internal organisation of the Commission, chaired by Jean Claude Juncker, should take into consideration the fact that the Union growth and jobs strategy is not based on activities led by each individual DG but encompasses seven cross-cutting flagship initiatives which are implemented each time by several Directorates-General; insists that the coordination and cooperation therefore needed within the Commission should not create new forms of bureaucracy and red tape;

Executive agencies

205. Regrets that according to the audit report on the annual accounts of the Trans-European Transport Network Executive Agency³, the Agency does not perform satisfactory ex ante verification on the charges for its premises invoiced by the building manager resulting in EUR 113 513 of VAT unduly paid and not recovered in 2013 by the Executive Agency; notes that most of the underlying contracts, invoices and receipts

¹ See Commission Vice-President Kristalina Georgieva's reply to question 48 in the questionnaire.

² See Court of Auditors' Annual Report for 2013, point 10.24.

³ See Court of Auditors' report on the annual accounts of the Innovation and Networks Executive Agency (formerly the Trans-European Transport Network Executive Agency) for the financial year 2013, together with the Agency's replies (OJ C 442, 10.12.2014, p. 358), points 11 to 13.

were not at the Executive Agency's disposal; points out to the high carry over rate for Title II (27% equivalent to EUR 666 119) which raises questions to the sound financial management of this Executive Agency;

Tobacco smuggling

206. Recalls that Parliament asked in the resolution accompanying the 2012 Commission discharge for an assessment of the existing agreements with the four tobacco groups (Philip Morris International Corporation Inc. (PMI), Japan Tobacco International Corporation, British American Tobacco Corporation and Imperial Tobacco Corporation); deplores that the Commission did not give the requested follow-up and reiterates this demand.