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**A7-0189/2014**

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# REPORT

on discharge in respect of the implementation of the general budget of the European Union for the financial year 2012, Section II – European Council and Council  
(COM(2013)0570 – C7-0275/2013 – 2013/2197(DEC))

Committee on Budgetary Control

Rapporteur: Bogusław Sonik

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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 2012, Section II – European Council and Council (COM(2013)0570 – C7-0275/2013 – 2013/2197(DEC))**

*The European Parliament,*

- having regard to the general budget of the European Union for the financial year 2012<sup>1</sup>,
- having regard to the consolidated annual accounts of the European Union for the financial year 2012 (COM(2013)0570 – C7-0275/2013)<sup>2</sup>,
- having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2012, together with the institutions' replies<sup>3</sup>,
- having regard to the statement of assurance<sup>4</sup> 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 2012 pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to Article 314(10) and Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- 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 Communities<sup>5</sup>, and in particular Articles 50, 86, 145, 146 and 147 thereof,
- 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 1605/2002<sup>6</sup>, and in particular Articles 164, 165 and 166 thereof,
- having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management<sup>7</sup>,
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
- having regard to the report of the Committee on Budgetary Control (A7-0189/2014),

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<sup>1</sup> OJ L 56, 29.2.2012.

<sup>2</sup> OJ C 334, 15.11.2013, p. 1.

<sup>3</sup> OJ C 331, 14.11.2013, p. 1.

<sup>4</sup> OJ C 334, 15.11.2013, p. 122.

<sup>5</sup> OJ L 248, 16.9.2002, p. 1.

<sup>6</sup> OJ L 298, 26.10.2012, p. 1.

<sup>7</sup> OJ C 373, 20.12.2013, p. 1.

1. Postpones its decision on granting the Secretary-General of the Council discharge in respect of the implementation of the European Council's and the Council's budget for the financial year 2012;
2. Sets out its observations in the resolution below;
3. Instructs its President to forward this Decision and the resolution that forms an integral part of it to the European Council, the Council, the Commission, the Court of Justice of the European Union, the Court of Auditors, the European Ombudsman and the European Data Protection Supervisor, and to arrange for their publication in the *Official Journal of the European Union* (L series).

## 2. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of its Decision on discharge for implementation of the general budget of the European Union for the financial year 2012, Section II – European Council and Council (COM(2013)0570 – C7-0275/2013 – 2013/2197(DEC))**

*The European Parliament,*

- having regard to the general budget of the European Union for the financial year 2012<sup>1</sup>,
- having regard to the consolidated annual accounts of the European Union for the financial year 2012 (COM(2013)0570 – C7-0275/2013)<sup>2</sup>,
- having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2012, together with the institutions' replies<sup>3</sup>,
- having regard to the statement of assurance<sup>4</sup> 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 2012 pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to Article 314(10) and Articles 317, 318 and 319 of the Treaty on the Functioning of the European Union,
- 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 Communities<sup>5</sup>, and in particular Articles 50, 86, 145, 146 and 147 thereof,
- 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 1605/2002<sup>6</sup>, and in particular Articles 164, 165 and 166 thereof,
- having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management<sup>7</sup>,
- having regard to the letter of Commissioner Algirdas Šemeta, dated 25 November 2011, replying to question 58 of the 2011 discharge questionnaire,

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<sup>1</sup> OJ L 56, 29.2.2012.

<sup>2</sup> OJ C 334, 15.11.2013, p. 1.

<sup>3</sup> OJ C 331, 14.11.2013, p. 1.

<sup>4</sup> OJ C 334, 15.11.2013, p. 122.

<sup>5</sup> OJ L 248, 16.9.2002, p. 1.

<sup>6</sup> OJ L 298, 26.10.2012, p. 1.

<sup>7</sup> OJ C 373, 20.12.2013, p. 1 .

- having regard to the letter of Mr Maroš Šefčovič, representing the European Commission, dated 23 January 2014, replying to the questions of the rapporteur addressed to the Council,
  - having regard to its previous discharge decisions and resolutions,
  - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A7-0189/2014),
- A. Whereas all Union institutions ought to be transparent and fully accountable to the citizens of the Union for the funds entrusted to them as Union institutions;
- B. Whereas in the absence of replies to Parliament's questions and lack of sufficient information, Parliament is not in the position to make an informed decision about granting the discharge;
1. Notes with satisfaction that, on the basis of its audit work, the Court of Auditors concluded that the payments as a whole for the year ended on 31 December 2012 for administrative and other expenditure of the institutions and bodies were free from material error;
  2. Points out that in the 2012 annual report, the Court of Auditors included observations on the European Council and the Council concerning errors in the design of procurement procedures; observes that one error relates to the performance of a negotiated procedure and that another relates to the application of a selection criterion;
  3. Takes note of the replies given to the Court of Auditors' observations and concurs with the Court of Auditors' recommendations that authorising officers should improve the design, coordination and performance of procurement procedures by means of appropriate checks and better guidance; recommends, furthermore, a stricter application of the procurement rules, with which all the Union institutions are bound to comply;
  4. Notes that in 2012, the European Council and the Council had an overall budget of EUR 533 920 000 (EUR 563 262 480 in 2011), with an implementation of 91,8 %; is concerned that the underspending rate continues to be high and calls for the development of key performance indicators within the most critical areas, such as delegations' travel envelopes, logistics and interpretation;
  5. Takes note that EUR 44 000 000 of commitments were cancelled in 2012 due to underspending and a reduction in the use of facilities;
  6. Reiterates that the budget of the European Council and the Council should be separated in order to contribute to the transparency of the financial management of the institutions and to improve the accountability of both institutions;
  7. Following last year's request, calls on the European Council and the Council to send Parliament their annual activity report with a comprehensive overview of all human resources available to both institutions, broken down by category, grade, sex, nationality

and vocational training;

8. Supports the establishment of an Audit Committee in the Council's General Secretariat; invites the Council to share the recommendations of that committee with Parliament;
9. Acknowledges the improvement made (87 %, compared to 84 % in 2011) in monitoring the follow-up remarks made by the internal audit; calls on the European Council and the Council to further improve the result with the creation of the Audit Committee;
10. Takes special note of the internal audit recommendation to create a specific framework on anti-fraud policy, which is lacking at the Council's General Secretariat; calls on the Council to act in accordance with the recommendation to include the measures taken to implement this recommendation in the annual activity report;
11. Takes note that the 'Europa' building project continues to be closely monitored and that some of the audit recommendations are still lagging behind execution; calls on the Council to inform the discharge authority about the construction progress and the final costs projection compared to the initial budget of EUR 240 million; invites the Council to explain any cost increases incurred between the beginning of the construction works in 2008 and the projected completion in 2014;
12. Calls on the Council to provide an explanation of how measures from the previous period that were adopted with a view to improving the results of the 'Europa' building project are being implemented; calls on the Council, furthermore, to explain what added value is brought by the permanent team responsible for monitoring the execution of this project;
13. Calls for a progress report on the 'Résidence Palace' building project and a detailed breakdown of the costs incurred to date;
14. Reiterates its call for the Council to provide a thorough written explanation detailing the total amount of appropriations used in the purchase of the Résidence Palace building, the budget items from which these appropriations were drawn, the instalments that have been paid thus far, the instalments that remain to be paid and the purpose that the building will serve;
15. Takes note of the zero growth in the Council's budget appropriations for 2012; considers it a positive trend and expects it to continue in the coming years;
16. Welcomes the process of administrative modernisation within the Council; regrets, nonetheless, the lack of information on the concrete implementing measures of that process and on the anticipated impact on the Council's budget; calls on the Council to provide the missing information as soon as possible;
17. Wishes to receive more information on the Service Level Agreements established with the EEAS, and not only in respect of the administrative modernisation process;
18. Calls on the Council to cooperate with other institutions to come up with a unified methodology of presenting the translation costs in order to simplify the analysis and comparison of the costs;

19. Considers that the Council acted disdainfully towards Parliament by appointing a Member of the Court of Auditors, despite the fact that Parliament gave a negative opinion; urges the Council to pay attention to the opinions expressed by Parliament on the nomination of members of the Court of Auditors and to the declarations of prospective members of the Court of Auditors before they are nominated;

***Reasons of postponement of the decision on granting discharge***

20. Considers that effective supervision of the Union's budget implementation requires cooperation between Parliament, the European Council, and the Council through a working arrangement;
21. Regrets the difficulties repeatedly encountered in the discharge procedures up to date; points out that Parliament refused to grant discharge to the Secretary-General of the Council for the implementation of the Council's budget for the financial years 2009, 2010 and 2011 for the reasons set out in its resolutions of 10 May 2011, 25 October 2011, 10 May 2012 and 23 October 2012, 17 April 2013 and 9 October 2013;
22. Reiterates that it is only possible to implement effective budgetary control with the cooperation of Parliament and the Council, the main elements of which must comprise formal meetings between representatives of the Council and Parliament's Committee on Budgetary Control, answering questions asked by the committee's members on the basis of a written questionnaire and submitting documents to serve as background material for budgetary controls on request; is of the opinion that the fundamental elements of an effective budgetary control is laid down in its resolution of 23 October 2012;
23. Reiterates that without the cooperation of the Council as stated above, Parliament is not in the position to make an informed decision on granting discharge;
24. Emphasises that the Commission, in its reply of 25 November 2011 to the letter from the Chair of the Committee on Budgetary Control, already said that it was desirable for Parliament to continue to give, postpone or refuse discharge to the other institutions – including the Council – as has been the case up until now;
25. Points out that Parliament in its discharge resolution adopted in April 2013 decided to send the Council's questions to the Commission; notes that the Commission replied by letter of 23 January 2014;
26. Fully endorses and supports the Commission's views in its letter of 23 January 2014 that all institutions are fully part of the follow-up process to the observations made by the Parliament in the discharge exercise and that all institutions should cooperate to ensure the smooth functioning of the discharge procedure in full respect of the relevant provisions in the Treaty on the Functioning of the European Union and in the relevant secondary law;
27. Informs the Council that the Commission also states in its letter that it will not oversee the implementation of the budgets of the other institutions and that giving a response to questions addressed to another institution would infringe the autonomy of that institution to implement its own section of the budget; reminds the Council that one of the European Council's conclusions of 18 and 19 October 2012 was that "democratic legitimacy and



accountability should be further explored"; recalls that Parliament grants discharge to the other institutions after considering the documents provided and the replies given to the questions; regrets that the Parliament repeatedly encounters problems in receiving answers from the Council;

28. Welcomes the efforts of the Greek presidency to reopen the negotiations between the institutions; underlines, however, that such negotiations did not bring expected results in the past;
29. Considers it desirable for Parliament to exercise its power to grant discharge pursuant to Articles 316, 317 and 319 of the Treaty on the Functioning of the European Union in line with current interpretation and practice, namely to grant discharge to each heading of the budget individually in order to maintain transparency and democratic accountability towards Union taxpayers;
30. Recommends organising a workshop focussing on the legal analysis of Parliament's function of budgetary control and of the Council's duty to cooperate; recommends the drafting of an own initiative report focussing on possible amendments to the Treaty on the Functioning of the European Union as a way forward in order to prepare for the possibility of instigating legal proceedings, as well as the possibility of a change or clarification of the rules on granting discharge to other institutions stated in the Treaty on the Functioning of the European Union;
31. Regrets that not all the Union institutions respect the same standards in relation to transparency and believes that the Council should make improvements in that regard; is convinced that Parliament and the Council, as joint legislators, should apply the same standards of transparency;
32. Recalls that a good cooperation between the Parliament and the Council is of outmost importance in ensuring a good implementation of the Union budget;
33. Calls on the Court of Auditors, therefore, to conduct a thorough audit of the administrative and operational activities of the European Council, the Council, and the European External Action Service, without encroaching on the powers and responsibilities laid down in the Treaties, and to report on the findings to Parliament;
34. Calls on the Court of Auditors to include in its next annual report a review of the follow-up by the European Council and the Council of Parliament's recommendations in this resolution.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	18.3.2014
<b>Result of final vote</b>	+ :            26 - :            1 0 :            0
<b>Members present for the final vote</b>	Marta Andreasen, Jean-Pierre Audy, Inés Ayala Sender, Zuzana Brzobohatá, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Cătălin Sorin Ivan, Rina Ronja Kari, Monica Luisa Macovei, Jan Mulder, Eva Ortiz Vilella, Monika Panayotova, Crescenzo Rivellini, Paul Rübig, Bogusław Sonik, Bart Staes, Georgios Stavrakakis, Michael Theurer, Derek Vaughan
<b>Substitute(s) present for the final vote</b>	Amelia Andersdotter, Philip Bradbourn, Esther de Lange, Vojtěch Mynář, Jan Olbrycht, Markus Pieper, Barbara Weiler