BUDGETARY CONTROL

Scrutiny of the EU budget is carried out in each EU institution and by the Member States. Detailed checks are performed, at various levels, by the European Court of Auditors and by the European Parliament. Each year Parliament scrutinises the implementation of the budget with a view to granting discharge to the Commission, the other EU institutions and the EU agencies.

LEGAL BASIS

— Articles 287, 317, 318, 319, 322 and 325 of the Treaty on the Functioning of the European Union (TFEU);
— Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and sound financial management, Part III;
— Rules of Procedure of the European Parliament, Title II, Chapter 6, Rules 99, 100 and 104; Title V, Chapter 2, Rule 134; Annex IV.

OBJECTIVES

Ensuring the legality, accuracy and sound financial management of budget operations and financial control systems, as well as the sound financial management of the EU budget (economy, efficiency and effectiveness), and, with regard to the role of the European Court of Auditors and the European Parliament, ensuring that these objectives are achieved (performance criteria).
ACHIEVEMENTS

A. Control at national level

Initial control of revenue and expenditure is carried out to a large extent by national authorities. They have kept their powers, particularly on traditional own resources (1.4.1), an area in which they can carry out the procedures required to collect and verify the amounts concerned. In that connection, on 26 May 2014[1] the Council adopted a package of legislative measures, including a new decision on own resources, that introduced changes to the own resources system for the period from 2014 to 2020. The new rules on own resources have been in force since 1 October 2016, when that decision took effect, and were backdated to 1 January 2014. Collection of traditional own resources is a matter of great importance to the EU institutions. Budgetary control is also exercised by combating fraud (1.4.6). Operational expenditure under the European Agricultural Guarantee Fund (EAGF), the European Agricultural Fund for Rural Development (EAFRD) and other structural funds is also scrutinised in the first instance by the Member State authorities.

B. Control at EU level

1. Internal

In each institution, control is exercised by authorising officers and accountants and then by the institution’s internal auditor.

2. External: by the European Court of Auditors (1.3.12)

External control is carried out by national audit institutions and by the European Court of Auditors (ECA), which submits detailed reports each year to the budgetary authority in accordance with Article 287 TFEU, i.e.:

— The ‘statement of assurance as to the reliability of accounts and the legality and regularity of the underlying transactions’ (known as the DAS);

— The annual report on the implementation of the general budget, including the budgets of all the institutions and satellite bodies;

— Specific annual reports on the EU agencies and bodies;

— Special reports on specific issues (performance audits);

— Audit reports and opinions;

— Reviews that cover policies and management topics, analyse areas or issues not yet audited or establish a factual basis on certain topics (until September 2019, reviews had several sub-categories: landscape reviews, briefing papers and rapid case reviews).

The ECA also regularly draws up reports on borrowing and lending operations and the European Development Fund (EDF).

3. Control at political level: by the European Parliament

Within the European Parliament, the Committee on Budgetary Control is responsible for preparing Parliament's position and in particular for:

— Scrutinising implementation of the EU budget and of the EDF;
— Closing, presenting and auditing the accounts and balance sheets of the EU, its institutions and any bodies financed by it;
— Scrutinising the financial activities of the European Investment Bank (1.3.15);
— Monitoring the cost-effectiveness of the various forms of EU funding in connection with the implementation of EU policies;
— Looking into fraud and irregularities in connection with implementation of the EU budget, adopting measures to prevent fraud and irregularities and bring prosecutions in such cases, and protecting the EU’s financial interests in general.

It also prepares the decisions on discharge.

THE DISCHARGE PROCEDURE

Once a year, on a recommendation from the Council, Parliament grants discharge to the Commission in respect of the implementation of the budget for the year n-2, after having examined the activity reports of the Commission’s DGs, the Commission’s annual management and performance report, the evaluation report (Article 318 TFEU), the ECA's annual report and the replies from the Commission and the other institutions to Parliament’s questions (Article 319 TFEU). The Committee on Budgetary Control prepares Parliament’s stance on the ECA's special reports, often in the form of working papers to guide the general rapporteur on the discharge. The Commission and the other institutions are required to act on the observations made by Parliament in its discharge resolutions (Article 319(3) TFEU and Article 262 of the Financial Regulation). Parliament also grants discharge annually to the other institutions and to the agencies. It grants separate discharge to the Commission in respect of implementation of EDF operations, since they have not yet been incorporated into the EU’s general budget. Parliament’s discharge decision and resolution concerning the implementation of the EU general budget, Section I — European Parliament, are addressed to the President of Parliament.

As a general rule, Parliament considers the discharge reports at a part-session before 15 May (Article 260 of the Financial Regulation). Thus, other than in exceptional circumstances, the votes on granting discharge are taken at the May part-session or, in the event of a postponement, at the October part-session. If a proposal to grant discharge is not carried by a majority, or if Parliament decides to postpone its discharge decision, Parliament informs the institutions or agencies concerned of the reasons. The latter are required to act without delay to remove the obstacles to a discharge decision. The Committee on Budgetary Control then submits a fresh report, within six months, containing a fresh proposal to grant or refuse discharge.
ROLE OF THE EUROPEAN PARLIAMENT

A. Development of powers

From 1958 to 1970, Parliament was kept informed of decisions on discharge given by the Council to the Commission in respect of its implementation of the budget. In 1971, it secured the power to grant discharge together with the Council. Since 1 June 1977, when the Treaty of 22 July 1975 entered into force, it alone has the power to grant discharge, once the Council has given its recommendation. Through its committees responsible, Parliament also holds hearings of Commissioners-designate, and the Committee on Budgetary Control holds hearings for Members-designate of the ECA, the candidates shortlisted for the post of Director-General of OLAF and the members of the OLAF Supervisory Committee. These posts cannot be filled until the hearings have been held. It should be noted, lastly, that the Director-General of OLAF is appointed by the Commission, after consulting Parliament and the Council, and that the members of the OLAF Supervisory Committee are appointed by common accord by Parliament, the Council and the Commission.

B. Use of the discharge

Parliament may decide to postpone discharge where it is dissatisfied with particular aspects of the Commission’s management of the budget. Refusing to grant discharge can be regarded as tantamount to requiring the Commission to resign. This threat was put into effect in December 1998: following a vote in plenary to reject the discharge motion, a group of five independent experts was established, which reported on accusations of fraud, mismanagement and nepotism against the Commission. The Commissioners then resigned en bloc on 16 March 1999.

With regard to the implementation of the EU general budget by the Commission, Parliament introduced two new features during the discharge procedures for 2011 and 2012: verification of the lawfulness and regularity of expenditure, which increasingly will go hand in hand with a performance evaluation (Article 318 TFEU; evaluation report on the EU’s finances based on the results achieved), and the provision stipulating that a discharge decision may be ‘counterbalanced’ by reservations concerning particular policy areas.

Although the Treaty refers only to discharge for the Commission, for reasons of transparency and democratic oversight Parliament also grants separate discharge to the other institutions and bodies and to each agency or similar entity (discharge provisions for the decentralised agencies and public-private partnerships are set out in their Founding Regulations). At its April 2009 part-session, in the context of the discharge procedure for 2007, Parliament postponed the discharge to the Council of Ministers, because the latter refused to provide Parliament with relevant information. Since then, discharge to the Council has been postponed and refused.

As stated above, the Commission, the other institutions and the agencies must report on the action taken on the observations made by Parliament in discharge resolutions. Member States must inform the Commission of the measures they have taken in
response to Parliament’s observations, and the Commission must take them into account in its own follow-up report (Article 262 of the Financial Regulation).

C. Other instruments

Parliament’s specialised committees also help to ensure that EU funds are spent efficiently in the best interests of the EU taxpayer. The members of the Committee on Budgetary Control have, on a number of occasions, held discussions with representatives of the equivalent committees in Member State parliaments, with national audit authorities and with representatives of customs agencies. On-the-spot inquiries have also been carried out by individual members to ascertain the facts underlying particular problems.

In December 1995, for the first time, Parliament exercised its right under the Treaty to set up a committee of inquiry, subsequently reporting on allegations of fraud and maladministration (1.4.6).

The Treaty of Lisbon bolsters the control arrangements focusing on the results achieved by EU programmes and requires the Commission, as part of the annual discharge procedure, to submit to Parliament and the Council, taking account of the recommendations they have made, a comprehensive evaluation report.

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