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*Plenary sitting*

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**A8-0091/2016**

7.4.2016

# REPORT

on discharge in respect of the implementation of the budget of the European Insurance and Occupational Pensions Authority for the financial year 2014 (2015/2189(DEC))

Committee on Budgetary Control

Rapporteur: Derek Vaughan

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## 1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on discharge in respect of the implementation of the budget of the European Insurance and Occupational Pensions Authority for the financial year 2014 (2015/2189(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014, together with the Authority's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</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 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2016 on discharge to be given to the Authority in respect of the implementation of the budget for the financial year 2014 (05584/2016 – C8-0087/2016),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- 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>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC<sup>4</sup>, and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>5</sup>,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of

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<sup>1</sup> OJ C 409, 9.12.2015, p. 175.

<sup>2</sup> OJ C 409, 9.12.2015, p. 175.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> OJ L 331, 15.12.2010, p. 48

<sup>5</sup> OJ L 357, 31.12.2002, p. 72.

Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>1</sup>, and in particular Article 108 thereof,

- having regard to Rule 94 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A8-0091/2016),
1. Grants the Executive Director of the European Insurance and Occupational Pensions Authority discharge in respect of the implementation of the Authority's budget for the financial year 2014;
  2. Sets out its observations in the resolution below;
  3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Executive Director of the European Insurance and Occupational Pensions Authority, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

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<sup>1</sup> OJ L 328, 7.12.2013, p. 42.

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014  
(2015/2189(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014, together with the Authority's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</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 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2016 on discharge to be given to the Authority in respect of the implementation of the budget for the financial year 2014 (05584/2016 – C8-0087/2016),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- 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>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC<sup>4</sup>, and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>5</sup>,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of

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<sup>1</sup> OJ C 409, 9.12.2015, p. 175.

<sup>2</sup> OJ C 409, 9.12.2015, p. 175.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> OJ L 331, 15.12.2010, p. 48

<sup>5</sup> OJ L 357, 31.12.2002, p. 72.

Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>1</sup>, and in particular Article 108 thereof,

- having regard to Rule 94 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A8-0091/2016),
1. Notes that the final annual accounts of the European Insurance and Occupational Pensions Authority are as annexed to the Court of Auditors' report;
  2. Approves the closure of the accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014;
  3. Instructs its President to forward this decision to the Executive Director of the European Insurance and Occupational Pensions Authority, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

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<sup>1</sup> OJ L 328, 7.12.2013, p. 42.

### **3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION**

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the European Insurance and Occupational Pensions Authority for the financial year 2014 (2015/2189(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the European Insurance and Occupational Pensions Authority for the financial year 2014,
  - having regard to Rule 94 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A8-0091/2016),
- A. whereas, according to its financial statements, the final budget of the European Insurance and Occupational Pensions Authority (the 'Authority') for the financial year 2014 was EUR 21 582 772, representing an increase of 15 % compared to 2013 due to the Authority's recently established nature; whereas 40 % of the budget of the Authority derives from the Union budget;
- B. whereas the Court of Auditors (the 'Court'), in its report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2014 (the 'Court's report'), states that it has obtained reasonable assurances that the Authority's annual accounts for the financial year 2014 are reliable and that the underlying transactions are legal and regular;
1. Recalls that the European Parliament was a key driver in the efforts to set up a new and comprehensive European System of Financial Supervision (ESFS) in the aftermath of the financial crisis and in creating, as part of ESFS, the Authority in 2011;
  2. Underlines that the Authority's role in promoting a common supervisory regime across the internal market is essential in order to ensure financial stability, a better integrated, more transparent, more efficient and safer financial market as well as a high degree of consumer protection in the Union;
  3. Stresses that the Authority's work is of a purely technical nature and that key political decisions are the prerogative of the Union legislator;

#### ***Follow-up of 2013 discharge***

4. Notes from the Court's report that one comment made in the Court's 2012 report and marked as 'Outstanding' in the Court's 2013 report is now marked in the Court's report as 'Not Applicable'; notes furthermore that, regarding two comments made in the Court's 2013 report, corrective actions have been taken and those two comments are now marked as 'Completed' while one is marked as 'Not Applicable';

5. Acknowledges that the Authority has put in place extra approval arrangements to avoid ambiguity in the authorisation of legal commitments; notes in particular the regular revision of the Authority's financial circuits, the introduction of specific finance and procurement training for all the Authority's staff involved in financial circuits as well as the strengthening of finance and budget processes with a focus on compliance with the financial circuits;

### ***Commitments and carryovers***

6. Notes from the Court's report that the overall level of committed appropriations carried over was 26 %, and was 66 % for Title III in particular; points out that those carryovers were mainly related to the multi-annual IT investments intended to build the Authority's information capability and allowing the Agency the proper implementation of the challenging timeframe of the Solvency II Directive<sup>1</sup>;
7. Notes that the substantial shortfall in the Authority's 2015 budget required the rationalisation of the 2014 budget in order to use the available resources effectively and efficiently and to minimise the impact on ongoing IT projects;
8. Notes from the Authority that the majority of issues related to carryovers will diminish during 2016 when an advanced level of maturity of the Authority's IT capability is expected; notes in particular that the majority of carryovers are related to contractual obligations which the Authority entered into in 2014, but for which services delivery partially took place in 2015; further notes that, in addition to the IT projects, the carryovers covered expert reimbursements under the "Common Supervisory Culture" project, as well as meetings, missions and translations with an operational purpose; calls on the Authority to improve the management of external contracts in the future and bring it into line with the principles of sustainable and stable budgetary management;
9. Urges the Authority to keep carryovers to the next financial year to a minimum in future;

### ***Transfers***

10. Notes from the Court's report that part of the commitments carried over were related to budget transfers made in November and December 2014; observes that those transfers relate to an increase in the operational budget of EUR 1 100 000 (19 %), through transfers of EUR 858 828 from the staff budget and from administrative expenditure of EUR 266 360; acknowledges that those transfers were intended to compensate for shortfalls in the Authority's 2015 budget following substantial budget cuts;

### ***Budget and financial management***

11. Notes that budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 100 %, reaching the Authority's planned target and representing an increase of 3,26 % compared to 2013; further notes that the execution rate of payment appropriations was 74,1 %, missing the planned target by 6 % and representing an increase of 5,21 % compared to 2013;

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<sup>1</sup> OJ L 153, 22.05.2014, p. 1



12. Acknowledges that the Authority's budget and procurement processes have been revised to guarantee a full integration into the overall planning and coordination processes, which should better align the budgetary funds available to a given year;
13. Concludes that the Authority's mixed financing arrangement, which relies heavily on contributions from national competent authorities, is inadequate, inflexible, burdensome and a potential threat to its independence, especially when 60 % of its budget is financed by the competent national supervisory authorities; therefore calls on the Commission, in the White Paper planned for Q2 2016 and in a legislative proposal to be presented by 2017, to launch a different financing arrangement based on a separate budget line in the budget of the Union and on the complete replacement of the contributions from national authorities by fees paid by market participants;

#### ***Procurement and recruitment procedures***

14. Acknowledges that the Authority achieved a 100 % fulfilment of its establishment plan; notes that, in total, 49 recruitment campaigns were launched and 27 new staff members joined the Authority, bringing the total to 129 staff members of 26 different nationalities;
15. Notes that the target for the Key Performance Indicator (KPI) on staff training was at 100 %, although only 80 % of staff were able to attend the job related training; regrets that the staff training KPI was not continued in 2015 as a result of budget cuts impacting on the Authority's training budget and its ability to make such a commitment in the future;

#### ***Prevention and management of conflicts of interests and transparency***

16. Notes that the Authority has published on its website the CVs, declarations of intentions and declarations of conflict of interests of the members of its Management Board, as well as those of the members of its Board of Supervisors;
17. Calls on the Authority to pay special attention to the protection of whistleblowers in the context of the soon-to-be-adopted Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure;
18. Calls on the Authority to enhance its procedures and practices aimed at safeguarding the financial interests of the Union and to actively contribute to a results-oriented discharge process;
19. Encourages the Authority to better raise awareness of the conflict-of-interest policy among its staff, alongside ongoing awareness-raising activities and the inclusion of integrity and transparency as an obligatory item to be discussed during recruitment procedures and performance reviews;
20. Regrets to acknowledge that the Authority has not managed to keep the Union legislator informed in a sufficient and comprehensive manner about all details of its ongoing work;
21. Regrets to acknowledge that in some occasions documents have only been transmitted to the Union legislator after they have been leaked to the wider public and deems this to be unacceptable;

22. Calls on the Authority to follow the European Banking Authority in greater transparency by disclosing all its meetings with third party stakeholders;

### ***Internal controls***

23. Notes that the Authority implemented all relevant recommendations issued by the Commission's Internal Audit Service (IAS) in its limited review of the implementation of the Authority's Internal Control Standards; notes the progress made by the Authority in the area of internal control, in particular the strengthened planning, evaluation and reporting processes, the additional security measures and the development of an anti-fraud strategy for 2015-2017; notes, however, that the introduction of a Document Management System with accompanying procedures as well as the implementation of the remaining blocks of the Authority's business continuity capability were to be finalised in 2015; calls on the Authority to inform the discharge authority on the progress made in implementing those actions;

### ***Internal audit***

24. Notes that, in 2014, the IAS performed an audit of the Authority's planning and budget processes, and issued six recommendations, of which one was rated as 'Very Important'; acknowledges that the Authority developed a dedicated action plan in order to address all recommendations made by the IAS;
25. Notes with satisfaction that at the end of 2014 no critical or very important actions were still open from previous audits made by the IAS;

### ***Other comments***

26. Points out that the Authority, when carrying out its activities, needs to pay particular attention to upholding the safety and soundness of the financial sector, ensuring compatibility with Union law, respecting the principle of proportionality and complying with the fundamental principles of the internal market for financial services; underlines that the Authority, on that basis, must strive to achieve outcomes that are unambiguous, consistent, coherent and free of superfluous complexity;
27. Points out that it is of particular importance that provisions drafted by the Authority are designed in a way that allows them to be equally applied by smaller entities;
28. Emphasises that, on all issues linked to the Authority's resources, it has to be ensured that the mandate can consistently be fulfilled and that the practical limits of independent, reliable and effective supervision are not set by budgetary constraints;
29. Acknowledges that the setting-up phase of ESFS has still not been completed and therefore notes that the tasks already entrusted to the Authority as well as additional tasks envisaged in ongoing legislative work, require an adequate level of staff, in terms of both numbers and qualifications, and funding to allow for satisfactory supervision; underlines that, in order to uphold the quality of the supervisory work, it is very often the case that an expansion of tasks has to be matched by an expansion of resources; emphasises however that any potential increase in the Authority's means must be explained thoroughly and accompanied by rationalisation measures wherever possible;

30. Stresses that, while making sure that all assignments are carried out in full, the Authority must carefully stick to the tasks assigned to it by the Union legislator and must not seek to *de facto* broaden its mandate beyond those assignments; stresses that when carrying out its work and in particular when drafting technical standards and technical advice, the Authority needs regularly and comprehensively inform the European Parliament in a timely manner about its activities; regrets that this has not always been done in the past;
31. Stresses that when drafting implementing legislation, guidelines, questions and answers or similar measures, the Authority must always respect the mandate attributed by the Union legislator and must not seek to set standards in areas where legislative processes are still pending;
32. Calls on the Authority to supplement communication with the Parliament on draft advice or technical standards relating to the calibration of prudential formulae with a full description of the data and methodology used in such calibrations;
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33. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of [xx xxxx 2016]<sup>1</sup> [on the performance, financial management and control of the agencies].).

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<sup>1</sup> Texts adopted of that date, P[8\_TA(-PROV)(2016)0000].

25.2.2016

## **OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**

for the Committee on Budgetary Control

on discharge in respect of the implementation of the budget of the European Insurance and Occupational Pensions Authority for the financial year 2014  
(2015/2189(DEC))

Rapporteur: Markus Ferber

PA\_NonLeg

## SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Recalls that the European Parliament was a key driver in the efforts to set up a new and comprehensive European System of Financial Supervision (ESFS) in the aftermath of the financial crisis and in creating, as part of ESFS, the European Insurance and Occupational Pensions Authority (EIOPA) in 2011;
2. Underlines that EIOPA's role in promoting a common supervisory regime across the internal market is essential in order to ensure financial stability, a better integrated, more transparent, more efficient and safer financial market as well as a high degree of consumer protection in the Union;
3. Stresses that EIOPA's work is of a purely technical nature and that key political decisions are the prerogative of the Union legislator;
4. Points out that EIOPA when carrying out its activities needs to pay particular attention to upholding the safety and soundness of the financial sector, ensuring compatibility with Union law, respecting the principle of proportionality and complying with the fundamental principles of the internal market for financial services; underlines that EIOPA, on that basis, must strive to achieve outcomes that are unambiguous, consistent, coherent and free of superfluous complexity;
5. Points out that it is of particular importance that provisions drafted by EIOPA are designed in a way that allows them to be equally applied by smaller entities;
6. Acknowledges that, in the opinion of the European Court of Auditors, EIOPA's transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects;
7. Emphasizes that, on all issues linked to EIOPA's resources, it has to be ensured that the mandate can consistently be fulfilled and that the practical limits of independent, reliable and effective supervision are not set by budgetary constraints;
8. Acknowledges that the setting-up phase of ESFS has still not been completed and therefore notes that the tasks already entrusted to EIOPA as well as additional tasks envisaged in on-going legislative work, require an adequate level of staff, in terms of both numbers and qualifications, and funding to allow for satisfactory supervision; underlines that, in order to uphold the quality of the supervisory work, it is very often the case that an expansion of tasks has to be matched by an expansion of resources; emphasises however that any potential increases in EIOPA's means must be explained thoroughly and accompanied by rationalisation measures wherever possible;
9. Stresses that, while making sure that all assignments are carried out in full, EIOPA must carefully stick to the tasks assigned to it by the Union legislator and must not seek to de facto broaden its mandate beyond those assignments; stresses that when carrying out its

work and in particular when drafting technical standards and technical advice, EIOPA needs to timely, regularly and comprehensively inform the European Parliament about its activities; regrets that this has in the past not always been done;

10. Stresses that when drafting implementing legislation, guidelines, questions and answers or similar measures EIOPA must always respect the mandate attributed by the Union legislator and must not seek to set standards in areas where legislative processes are still pending;
11. Regrets to acknowledge that EIOPA has not managed to keep the Union legislator informed in a sufficient and comprehensive manner about all details of its on-going work;
12. Regrets to acknowledge that in some occasions documents have only been transmitted to the Union legislator after they have been leaked to the wider public and deems this to be unacceptable;
13. Concludes that EIOPA's mixed financing arrangement, which relies heavily on contributions from national competent authorities, is inadequate, inflexible, burdensome and a potential threat to its independence, especially when 60% of its budget is financed by the competent national supervisory authorities; therefore calls on the Commission, in the White Paper planned for Q2 2016 and in a legislative proposal presented by 2017, to launch a different financing arrangement based on a separate budget line in the budget of the Union and on the complete replacement of the contributions from national authorities by fees paid by market participants;
14. Calls on EIOPA to follow EBA in greater transparency by disclosing all its meetings with third party stakeholders;
15. Calls on EIOPA to supplement communication with the EP on draft advice or technical standards relating to the calibration of prudential formulae with a full description of the data and methodology used in such calibrations.

## RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	22.2.2016
<b>Result of final vote</b>	+: 44 -: 3 0: 10
<b>Members present for the final vote</b>	Gerolf Annemans, Burkhard Balz, Hugues Bayet, Udo Bullmann, Esther de Lange, Fabio De Masi, Markus Ferber, Jonás Fernández, Elisa Ferreira, Sven Giegold, Neena Gill, Sylvie Goulard, Roberto Gualtieri, Gunnar Hökmark, Danuta Maria Hübner, Cătălin Sorin Ivan, Petr Ježek, Othmar Karas, Georgios Kyrtos, Alain Lamassoure, Philippe Lamberts, Werner Langen, Sander Loones, Olle Ludvigsson, Ivana Maletić, Fulvio Martusciello, Marisa Matias, Costas Mavrides, Bernard Monot, Stanisław Odoj, Dimitrios Papadimoulis, Sirpa Pietikäinen, Dariusz Rosati, Pirkko Ruohonen-Lerner, Alfred Sant, Molly Scott Cato, Peter Simon, Theodor Dumitru Stolojan, Kay Swinburne, Paul Tang, Michael Theurer, Ernest Urtasun, Tom Vandenkendelaere, Miguel Viegas, Jakob von Weizsäcker, Pablo Zalba Bidegain, Marco Zanni
<b>Substitutes present for the final vote</b>	Enrique Calvet Chambon, Richard Corbett, Isabella De Monte, Frank Engel, Ashley Fox, Ildikó Gáll-Pelcz, Sophia in 't Veld, Barbara Kappel, Emmanuel Maurel
<b>Substitutes under Rule 200(2) present for the final vote</b>	Laura Agea

## RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	4.4.2016						
<b>Result of final vote</b>	<table><tr><td>+:                   </td><td>15</td></tr><tr><td>–:                   </td><td>4</td></tr><tr><td>0:                   </td><td>0</td></tr></table>	+:	15	–:	4	0:	0
+:	15						
–:	4						
0:	0						
<b>Members present for the final vote</b>	Louis Aliot, Inés Ayala Sender, Dennis de Jong, Martina Dlabajová, Ingeborg Gräßle, Verónica Lope Fontagné, Monica Macovei, Dan Nica, Gilles Pargneaux, Georgi Pirinski, Petri Sarvamaa, Claudia Schmidt, Bart Staes, Marco Valli, Derek Vaughan, Anders Primdahl Vistisen, Tomáš Zdechovský						
<b>Substitutes present for the final vote</b>	Marian-Jean Marinescu						
<b>Substitutes under Rule 200(2) present for the final vote</b>	Bodil Valero						