



EUROPEAN
COURT
OF AUDITORS

Vítor Caldeira
President

Luxembourg, 20 June 2016
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Mr Martin Schulz
President
European Parliament
60, rue Wiertz
B-1047 Brussels
Belgium

Dear President,

The European Court of Auditors has carefully examined the issues raised by the Parliament and Council in the context of the **2014 discharge exercise**. You will find enclosed our detailed response to the various points raised, covering both our audit responsibilities and the management of our institution.

The recent ECA reform has led to numerous changes in our internal organisation, as well as in our relations with auditees.

The aim of the reform is to make our organisation more agile in responding to institution-wide priorities and the rapidly changing environment. We are engaging more frequently with EU stakeholders, including the committees of the European Parliament, and we are systematically considering their views when planning and scheduling our work. In addition, we continue with our concerted efforts to raise the awareness of the Parliament's committees to our performance audit results relevant to their responsibilities.

Internally, we have in place a leaner management structure. The chambers have also been recently re-configured around five main thematic areas that will allow us to achieve greater balance and diversification in our outputs. Staff can now be assigned flexibly to priority tasks and we are also reinforcing our expertise in audit areas and introducing new knowledge management sharing tools.

We have also streamlined our audit procedures and simplified task management so that we can deliver our products more quickly while maintaining the highest quality standards. Our annual report has been redesigned to reflect the headings of the multi-annual financial framework and we now provide additional information on budgetary and financial management and more in-depth analysis of performance and results, apart from our reporting on the biggest spending areas.

We are committed to keeping the Parliament and other stakeholders informed about the results and impact of our reform. We will continue to identify ways to modernise our work and products. From

the second half of this year, we will delve further into these strategic questions as we prepare our next strategy for 2018 onwards.

In the meanwhile I remain at your disposal should you require any further information on our replies or the issues we raise.

Yours sincerely,

Vitor

Vítor Caldeira

Attachments:

Appendix 1 - Discharge of the 2014 financial year: response of the European Court of Auditors

Appendix 2 - References to the 2014 discharge documents

**DISCHARGE OF THE 2014 FINANCIAL YEAR: RESPONSE OF THE
EUROPEAN COURT OF AUDITORS**

This document presents the European Court of Auditors' response to the points in the Parliament and Council's 2014 discharge documents that concern our audit responsibilities, or relate to the ECA as an institution. The responses are grouped under the following headings:

- I. Implementation of the general budget of the European Union and the European Development Funds for the 2014 financial year;**
- II. European Union agencies and joint undertakings; and**
- III. The European Court of Auditors as an institution.**

The item numbers shown in brackets provide the link to the related discharge documents listed in the attached Appendix 2.

I. Implementation of the general budget of the European Union and the European Development Funds for the 2014 financial year

Parliament and Council make reference to the ECA in several specific points about the implementation of the general budget of the European Union for the 2014 financial year. They concern the:

a) Structure and content of the annual report

(Items 3, 5, 6, 15, 16, 17, 19, 20, 28, 32, 33, 34, 35, 39, 42 and 44)

The main objective of our annual report is to provide findings and conclusions that help the European Parliament, the Council and the citizen assess the quality of EU financial management.

Our annual report has been redesigned to reflect the headings of the multi-annual financial framework and we now provide additional information on budgetary and financial management and more in-depth analysis of performance and results, apart from our reporting on the biggest spending areas.

The statement of assurance remains at the heart of the annual report. We updated the specific assessments of each major area of EU activity for the 2014 annual report. We include all material observations arising from our statement of assurance audit work in the annual report. It is, however, not the most cost-effective use of resources to produce specific estimated levels of error for budget areas smaller than those we currently cover in our annual report. Therefore we do not produce an estimated level of error for MFF Heading 3 'Security and Citizenship'. For the same reason, we do not produce estimated

levels of error for the environment and climate policy areas included in our annual report chapter covering MFF Heading 2 'Natural Resources'

However, our special reports provide detailed information and findings on specific policies and issues. For example, we published four special reports in the area of fisheries and maritime affairs in recent years (special reports nos 11/2015, 10/2014, 12/2011 and 7/2007) and a special report on the EU system for fisheries controls is planned to be published in the first half of 2017.

We have also increased the level of information on budgetary and financial management in the annual report. In addition, we continue to develop and build on our analysis on the performance of the EU budget and on the Commission's reporting on performance, including the achievement of the objectives of the Europe 2020 strategy. Every year we focus on a different area in our performance and results-oriented chapter. For the 2015 annual report, we will focus on Horizon 2020 and include a section on the links between Horizon 2020 and Europe 2020.

For the assessments of project performance, first piloted in the 2014 annual report and further developed for the 2015 annual report, we are currently examining how best to align our approaches for all European Structural and Investment Funds (ESIF), in particular our examination of projects financed by the EU's cohesion and rural development funds. As part of this exercise, an assessment of performance-related issues for rural development projects, as well as for other spending, will be included in the 2016 annual report.

b) Sufficient focus and appropriate balance of controls

(Items 9 and 41)

We carry out sufficient audit work to support our conclusions without imposing unnecessary burdens on our auditees. We have, on many occasions, reminded the Commission about its obligation (art. 32.5 of the Financial Regulation) to focus on areas with persistently high error rates, and to all bodies managing EU funds of the need to present only properly checked eligible projects and claims for reimbursement.

We consider that the audit and control of EU funds should build on the principle of 'single audit'. For the 2012-2020 period, we will apply this principle, to the extent possible, to our audits in the context of the statement of assurance.

(Item 61)

The issue of ineffective controls mentioned in the second paragraphs concerns member states rather than the Commission.

c) Calculation of the estimated level of error

(Items 8, 10, 31, 40 and 46)

The estimated level of error is calculated the same way for all expenditure. The differences in the level of error between reimbursement and entitlement spending reflect different levels of risk and complexity of legislative provisions for these two streams of expenditure.

Furthermore, given that the legislative framework has been amended and now states that cross-compliance is not to be considered as an eligibility condition, we no longer include (with effect from the 2015 annual report) deficiencies in cross-compliance in our calculation of the estimated level of error

d) Financial corrections and recoveries

(Items 29 and 30)

When calculating our estimated level of error we take account of those corrective measures applied by the member states and the Commission sufficiently early, and which are effective. We are unable to reduce the amount of error we report where it is our audit that has provoked the corrective action. Transactions that had been excluded from funding as a result of member states checks cannot, by definition, be quantified. We also analyse those transactions we find affected by quantifiable error to assess the proportion where the error could have been prevented, or detected and corrected before the declaration of expenditure to the Commission (in shared management) or payment by Commission (in other management modes), and disclose this information in the annual report.

e) Comparison of the estimated level of error with previous years

(Items 15 and 16)

We re-classified our audit results for 2013 into the 2014 presentation (Table 1.1. and Graph 1.3) to make it straightforward to compare the results for both years. There also further references in the individual chapters. For example, in the chapter covering spending on research and innovation, we noted in paragraph 5.9 of the 2014 annual report that: 'We found the same type and range of errors which we have detected throughout the course of the Seventh research Framework Programme.'

f) Quantification of errors in public procurement

(Items 10, 38 and 61)

We and the Commission have harmonised our respective approaches to the quantification of errors in public procurement. We consider that the updated guidance issued by the Commission in 2015 addresses the key risks and main categories of error affecting the estimated level of error. At a working level, we are in a constant dialogue with the services of the Commission on how to improve the quality of data provided by Directorates General. Our special report n° 10/2015 ('Efforts to address problems with public procurement in EU cohesion expenditure should be intensified') has contributed to the current debate,

particular by highlighting the need for systematic analysis of public procurement errors by the Commission and Member States in the area of EU cohesion policy.

g) Outcome of adversarial procedures

(Items 7, 21, 27 and 58)

Although the Commission may disagree with our conclusions or opinion on particular issues, the adversarial procedures should ensure we have no disagreement on the facts presented in our reports.

h) Performance monitoring systems in place at the Commission

(Item 4)

The existence of reliable and robust information on results that are aligned to policy objectives would facilitate our audit of performance (especially when addressing effectiveness). However, it is still possible to carry out performance audits in the absence of this type of information. We note and welcome the setting up by the Commission of the ESIF Open Data Platform which provides access to information on financing as well as expected and actual achievements under the different ESI Funds (2014-2020) in all 28 member states.

i) Interconnection between partnership agreements/operational programmes and the Europe 2020 Strategy

(Items 11 and 18)

We are currently addressing this issue notably in an audit assessing whether the Commission was effective in negotiating partnership agreements in cohesion policy to ensure that they focus on results and performance.

j) Excessive cash balances in financial instruments

(Items 9 and 41)

In special report n° 5/2015 ('Are financial instruments a successful and promising tool in the rural development area?') we concluded that financial instruments in rural development had been unsuccessful mainly because they were overcapitalised.

We will be covering the issue of excessive cash balances in financial instruments in a forthcoming special report on financial instruments and in the 2015 annual report.

Furthermore, we covered the point on the extension of the eligibility period for financial instruments in shared management in the recommendations made in our 2014 annual report, and will also address this issue in our 2015 annual report.

k) Commission's obligations in terms of Article 17 (1) TEU

(Items 2 and 65)

Almost all of our reports examine issues related to the obligations of the Commission, as stipulated in Article 17(1) of the Treaty of the European Union. For example, recent special reports nos 2/2015 ('EU-funding of Urban Waste Water Treatment plants in the Danube river basin: further efforts needed in helping Member States to achieve EU waste water policy objectives'), 10/2015 ('Efforts to address problems with public procurement in EU cohesion expenditure should be intensified'), 23/2015 ('Water quality in the Danube river basin: progress in implementing the water framework directive but still some way to go'), and 3/2016 ('Combating eutrophication in the Baltic Sea: further and more effective action needed'), as well as a forthcoming audit on compliance with state aid rules, have addressed issues linked to Article 17(1). This includes the application of the treaties and/or Union law, the enforcement mechanisms in place, the level of coverage and impact. Other reports, such as special reports nos 22/2014 and 23/2014 on rural development spending, examined the responsibilities of the Commission for ensuring that funds are well spent.

We will examine the possibility of carrying out a landscape review or a meta-audit, alongside our other audit priorities. This could focus on cross-cutting issues, limitations and risks linked to the implementation by the Commission of specific aspects of Article 17(1). The review would be based on our recent reports, as well as on our accumulated knowledge and experience auditing and assessing these matters.

l) Effectiveness of funds allocated to migration and external border management

(Item 26)

We have recently launched a performance audit that will focus on the development and functioning of the "Hotspot approach", as one of the key operational measures being taken by the EU to assist frontline member states in meeting the migration challenges. Our work will examine the support being provided by the Commission and relevant EU agencies, and focus on the implementation and coordination of the "Hotspot" approach

We will also take into consideration the European Parliament's request to audit the effectiveness of funds allocated to migration and external border management when planning future audits on these two areas.

m) EU Emissions Trading Scheme

(Items 50 and 51)

Our special report n° 6/2015 examined the implementation rather than the effectiveness of the ETS system. While our audit did not therefore assess the efficiency of the allocation of allowances in member states' national allocation plans (NAPs), we did aim to examine the Commission's documentation of its assessments of member states' NAPs. However as the retention period for this documentation had expired by the time of our audit, we were unable to conclude on the Commission's work in this area (as explained in paragraph 69 of

the special report). Furthermore, the special report includes a recommendation to clarify the legal status of allowances.

We will take into account the recent adjustments of the ETS framework when considering new performance audits in this area.

n) Inter-institutional working group on performance-based budgeting

(Items 1 and 12)

We participate in an observer capacity in the inter-institutional working group on performance-based budgeting set up by the Commission.

o) Reporting on fraud by EU institutions

(Items 14 and 76)

We report in a transparent manner on the number of cases of suspected fraud detected in the course of our audits and forwarded to OLAF for their consideration. As the cases we refer to OLAF may become the subject of subsequent investigations, there are limitations to the information we can publish. We consider that it is the responsibility of OLAF to report on the results and consequences of the cases it closes, as well as on the follow-up given to the cases referred to it by the ECA.

At a strategic level, we also periodically assess how we can make best use of our resources, methods and procedures to contribute - within the parameters of our mandate as defined under the Treaty - to the protection of the EU's financial interests through better prevention, detection and reporting of cases of suspected fraud.

p) Specific focus on ecology, equality and ethics

(Item 54)

The ECA has a mandate derived directly from the Treaty to examine the soundness of financial management, which, in turn, is defined by the Financial Regulation as covering the "3 E's": economy, efficiency and effectiveness. Our audits are performed in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). In our audits of the "3 E's", we also cover a range of other aspects and elements, including ecology, equality or ethics.

For example, special report n° 3/16 examined whether the EU actions have been effective in helping member states to reduce nutrient loads, mainly from agriculture and urban waste water, into the Baltic Sea.

q) Recommendations

(Items 59 and 70)

Whilst the implementation of recommendations is the responsibility of the Commission (or other auditees), we continually seek to ensure that the recommendations we make are

practical, constructive, results-oriented and that they take into account the costs concerned and are discussed and agreed with the auditee. We are focusing on these elements with a view to helping the auditee to implement recommendations as quickly as is possible.

We have recently introduced new guidance for our auditors on preparing recommendations and on how to monitor their implementation. These include clearly stating to whom the recommendation is addressed, the corrective measures considered necessary and a time frame for implementing the recommendation.

r) Follow up of recommendations in member states

(Items 13 and 60)

Our recommendations are primarily aimed at our principal auditee, which is the Commission. Following the publication of our reports, the relevant Council working parties and the subsequent Council conclusions are the main route for the dissemination of our recommendations to and within member states. We actively monitor these Council conclusions during drafting to help ensure they are factually correct.

Each year we examine the Commission's follow up of recommendations we have made in our special reports. The results of the annual consolidation exercise are then published in a special report or in the annual report. The time taken by auditees (and, in particular, the Commission) to implement recommendations varies widely. This depends on many factors, such as the complexity of the situation, the involvement of member state authorities and whether legislation is necessary. In some cases, the Commission begins to take corrective action whilst our audit is still ongoing. At the other extreme, some corrections can only be made when the Commission proposes the sectorial legislation for the following programming period.

The follow up of recommendations is also systematically embedded in the planning for subsequent financial, compliance or performance audits when they are on a similar topic or issue. In such cases, we determine whether the Commission has made the recommended changes and improvements since the publication of previous findings. For example, our forthcoming special report on EU nuclear decommissioning assistance programmes assesses whether the Commission has improved the implementation of the EU's nuclear decommissioning assistance programmes for Lithuania, Bulgaria and Slovakia since 2011, when our previous report (special report n° 16/2011) on the subject was published. In another ongoing audit, we are analysing whether our recommendations made in 2012 as a result of observed ineffectiveness in seaport project implementation (special report n° 4/2012) are being appropriately followed up.

We are currently reviewing our internal arrangements for monitoring and reporting on follow up by the Commission in the context of the annual report and for special reports. The aim is to achieve greater efficiency and maximise the impact of our work. We are assessing how we can better engage the Contact Committee of the Supreme Audit Institutions of the EU, Commission services and the Council in broader consultations on this matter. We have recently also surveyed member state authorities on this subject and will discuss with the

Commission on how the follow up of recommendations addressed to member states might be improved.

s) Follow-up of Parliament’s resolutions and recommendations

(Item 82)

We systematically follow up on audit-related issues and report on those which are most significant. In addition, as part of the 2015 statement of assurance exercise, we examine the EEAS’ internal control systems for procurement and recruitment. Also, where our annual report addresses specific elements mentioned in the discharge resolution, we take these points into account.

t) Tripartite agreement governing cooperation between the European Investment Bank, the Commission and the ECA (Article 287(3) TFEU)

(Item 55)

The European Investment Bank (EIB), the Commission and the ECA are in the final stages of consultations on the renewal of the tripartite agreement referred to in Article 287(3) of the Treaty on the Functioning of the European Union (TFEU) and the agreement is almost ready for signature. The remit of the ECA on new EIB financial instruments involving public funds from the Union or the European Development Fund will be updated where required through this agreement and in the light of existing legislation and the EFSI agreement signed by the Commission (representing the EU) and the EIB on 22 July 2015.

II. European Union agencies and joint undertakings

Parliament raises a number of points concerning EU agencies and joint undertakings, to which we respond as follows:

a) Financing the independent external audits of the agencies

(Items 63 and 85)

We reiterate that point 54 of the common approach on decentralised agencies is not in line with our interpretation of the substantive legal provision in 208 (4) of the Financial Regulation.

The “common approach” was agreed between the parties concerned at an early stage of discussions, on the basis of a draft version of the Article 208 of the Financial Regulation. This provided that all aspects of the audit (legality and regularity, reliability of the accounts, internal control, etc.) would be sub-contracted to private auditors. However, the finally adopted version of 208 (4) of the Financial Regulation, which superseded the common approach, differed substantially from the initial draft. As it now stands, the intervention of the independent external auditor under this regulation is intended to contribute to the consolidation process of the EU accounts.

With regards to the 'augmented administrative burden' for the agencies, we are not in a position to comment on the quantitative aspect of the claim. However, we would like to point out that some increase in administrative burden was always to be expected in the first year of implementation of the relative Financial Regulation to allow for the learning curve of the new auditors. However, we believe that this burden could have been attenuated had the agencies not been required to sign separate specific contracts for the audits of the 2014 and 2015 financial year. This set-up did not allow for a single procurement process which could have covered up to four years (two years plus option for renewal), which would have allowed for continuity and stability in the audit company auditing the accounts.

When adopting the regulation the legislator was fully aware that this would imply an administrative burden. The administrative burden is borne by EU funds irrespective of who manages and pays for the contracts.

We emphasise that we have cooperated fully and provided extensive guidance to the private auditors, both in the period leading up to the first year of implementation and subsequently. We arrange a meeting with the private auditors before the annual start of the audit process to discuss the exercise, and we remain available to respond to any question or clarification during the audit cycle.

b) Single audit covering the performance of all agencies

(Item 83)

Given the large number of EU agencies (41 in total), we do not plan to undertake a single audit of the performance of all agencies. However, we have carried out performance audits of individual agencies (e.g. special reports nos 5/2014, 22/2015 and 4/2016) or groups of agencies (e.g. five agencies were covered in special report n° 12/2016). Further audits covering agencies are currently being considered for inclusion in our work programme for 2017.

c) ECSEL Joint Undertaking

(Items 90, 101 and 106)

We will consider this request. However, we recall that the primary responsibility for the collection and analysis of information leading to the calculation of error rates lies with the joint undertaking itself.

(Item 104)

The ARTEMIS and ENIAC joint undertakings were merged to create the ECSEL joint undertaking in June 2014. As a result, all rights and obligations of the ARTEMIS and ENIAC joint undertakings were transferred into the ECSEL Joint Undertaking at this date. The rights and obligations are set out in detail in the closing accounts of ARTEMIS and ENIAC Joint Undertakings as at June 2014 and in those of ECSEL Joint Undertaking as at 31 December 2014. We audited them as part of our audit of the 2014 financial statements and they will be audited as part of future annual audits of the ECSEL joint undertaking.

d) Review of in-kind contributions in joint undertakings

(Items 91, 97, 100, 107, 113, 118 and 122)

We will consider this request when deciding on the coverage of future specific annual reports. Our audit approach includes the assessment of key controls of the joint undertakings' supervisory and control systems. We review annually the in-kind contributions in the context of our work on the ex-post audits, and report any significant findings as appropriate.

e) Information on ex-post audits of joint undertakings

(Items 95, 111, 116 and 121)

We audit the joint undertakings' respective ex-post audit strategies (including the in-kind contribution) on an annual basis. We report 'by exception' on issues which, in our professional judgement, we consider to be of consequence and relevant for the purpose of the audit. We will consider the invitation to provide information on ex-post audits in future specific annual reports.

f) Specific annual reports of the joint undertakings

(Items 93, 98, 109, 114 and 119)

In our specific annual reports of the joint undertakings, we are required to provide an opinion on the financial statements and on the legality and regularity of the transactions underlying them. The structure and contents of our audit opinion is in line with international auditing standards.

These standards require us to provide detailed information in support of a 'modified' audit opinion in the case of a qualification, or of an emphasis of matter informing the reader about significant issues.

g) Separate information on implementation of FP7 and Horizon 2020

(Items 96, 102, 103, 112 and 117)

The distinction between FP7 and Horizon 2020 implementation becomes more significant as from 2015 because of the growing importance of funding under Horizon 2020. We will consider providing information on budgetary implementation for FP7 and Horizon 2020 separately in future specific annual reports.

h) Special report on the performance of joint undertakings

(Items 92, 94, 99, 105, 108, 110, 115 and 120)

We acknowledge that the joint undertakings have now reached a state of maturity which would enable a meaningful assessment of their achievements. As a result, our 2016 work programme includes a task covering performance aspects of the activities of the joint undertakings.

III. European Court of Auditors

a) The ECA reform

(Items 62 and 67)

The reform has led to numerous changes in our internal organisation, including a leaner management structure and staff organised in flexible teams around tasks rather than in units. We are also reinforcing our expertise in audit areas and introducing new knowledge management sharing tools. In addition, we have also developed a new work programming system, which makes it possible to plan and schedule our work based on institution-wide priorities, stakeholders' expectations and a comprehensive risk review. The reform also led to a streamlining of our audit procedures and simplified task management so that we can deliver our products more quickly while maintaining the highest quality standards.

At its meeting on 2 June 2016, ECA's college took a number of important decisions regarding the configuration of the reformed chambers and committees. The changes were introduced with immediate effect after the adoption of the new rules for implementing the ECA' rules of procedure. In line with Article 7 of the implementing rules, the ECA's college appointed members to the five chambers and the Audit Quality Control (AQC) Committee and assigned responsibilities and resources. A Member for Institutional Relations, a Member for AQC, and a Member for the Annual Report were also appointed.

We also agreed on the following "thematic focus" for each chamber:

- Chamber I: Sustainable use of natural resources
- Chamber II: Investment for cohesion, growth and inclusion
- Chamber III: External action, security and justice
- Chamber IV: Regulation of markets and competitive economy
- Chamber V: Financing and administering the Union. Chamber V is also responsible for coordinating the annual report.

The AQC member is assisted by two other members in the AQC Committee and is supported by a directorate.

We will continue to keep the European Parliament updated on the progress being achieved in the implementation of our reform process.

b) Impact of obligation of 5% reduction

(Item 71)

We will make sure that the core business will not be impacted by further implementation of the 5% staff reduction (1% annually until 2017), especially in the context of our recent reform.

c) Quality and timing of the ECA's reports

(Item 69)

Our programming process, which has recently been revised and upgraded, places significant emphasis on ensuring that our reports are published at the most appropriate moment. The timeliness of a performance audit cannot be measured simply by the number of months that it takes to undertake the audit and publish the report. The key is to ensure that conclusions and recommendations are available to the auditee and other stakeholders when they are needed. We have been increasingly successful in delivering our special reports and opinions to stakeholders at the time they are needed.

Our target over the last few years was to produce our special reports within a duration of 18 months. We made significant progress towards this goal. In the meantime, a revision to Article 163 of the Financial Regulation came into force on 1 January 2016 which includes a provision that: "The Court of Auditors shall ensure that special reports are drawn up and adopted within an appropriate period of time, which shall, in general, not exceed 13 months."

d) Application and guide for missions

(Item 77)

A new project is on track for implementing the Mission Application of the Commission (MiPS). The project should be implemented in late 2016 and will lead to a review of our Missions Guide.

e) Public procurement

(Item 84)

For all public procurement procedures, we perform multi-step background checks. This includes verification in the Early Detection and Exclusion Database, verification that the companies are not in any of the exclusion situations listed in Articles 106 and 107 of the Financial Regulation and, in case of procedures for amounts above the thresholds laid down in EU directives or in case of doubts in low-value procedures, provision of evidence confirming the said declarations (e.g. certificates proving payment of taxes and social security charges, certificates proving that the management is not subject to any criminal convictions).

Moreover, the members involved in the opening of tenders and evaluating them are required to sign a declaration confirming that they do not have any conflict of interest.

In the future, information on ethics in public procurement will be published on our intranet site.

f) Translation costs

(Item 75)

The translation service of the ECA is demand-driven, and this demand is variable. The number of pages that we translate differs depending on the language needs of our on-the-spot audit work, as well as other requests of our stakeholders.

We have been consistently optimising our translation service by redeploying translators to core business, pooling translation assistants and organising translation teams in clusters in order to achieve economies of scale. These measures have resulted in cost reductions, while keeping the same high quality and deadlines. We will continue implementing our planned actions, aimed at further optimisation of translation services.

As for cooperation agreements for translation, we participate in the Workload Balancing scheme with the translation departments of the other European institutions.

We are committed to disclosing performance data and reporting it to our stakeholders in a transparent manner, and will continue to do so in the future.

g) Buildings

(Item 74)

Our K2 building entered service in 2003 and has an authorisation (“autorisation d’exploitation”) valid until 2017. By this date it will be necessary to obtain a new authorisation and to proceed to the upgrade of the building in order to bring it into line with the latest health, safety and environmental standards. The planning phase of the project started in the second semester of 2014. Any necessary construction work will be carried out in 2016-2018. Along with the upgrade of the K2 building, an initiative to adopt new workplace concepts in the current spaces in this building is being considered. The vision is to have, by the end of 2018, new working spaces, both physical and virtual, that will enhance our productivity and foster innovation.

We provided information on our building policy in our 2015 Activity Report (page 55).

h) Environment-friendly measures

(Item 78)

We will continue with our efforts to implement further environment-friendly measures, with a view to obtaining the EU Eco-Management and Audit Scheme (EMAS) certification in early 2017.

i) Implementation of Article 16 of the Staff Regulation by EU institutions

(Item 22)

In 2014 there were no cases of senior officials leaving the ECA. In accordance with Article 16, all officials, temporary and contract agents leaving the ECA are obliged to declare if they have the intention to engage in an occupational activity.

j) Gender and geographical balance

(Items 36 and 72)

We will continue to make every possible effort to improve the situation within the framework of Article 7 of the Staff Regulations, while acting solely in the interest of the service and without regard to nationality, when appointing staff, including to managerial positions.

We regularly assess the gender distribution of posts at all levels. Statistics are provided annually in our publicly available Social Balance Sheet and annual activity report, as well as in our replies to the questionnaire sent as part of the discharge procedure. We will continue with our efforts to improve gender balance among our staff, especially at managerial level.

As of 2014, we have included in our activity report statistics on the gender and nationality of staff holding management positions.

k) Implementation of the rules for the protection of whistle-blowers

(Item 23)

We implemented Articles 22a-22c of the Staff Regulations by adopting in October 2014 the 'Rules of procedure for providing the information in the event of serious irregularities ("whistleblowing")'. Section VI of these rules includes provisions for the protection of whistle-blowers.

l) Ethics and integrity

(Items 25 and 87)

We regularly inform and remind our staff of their ethical obligations under the Staff Regulations, and of their obligation to declare any potential conflict of interest. Our Ethical Guidelines are based on the Staff Regulations and on the highest international professional audit standards (ISSAI 30).

There is a dedicated space on our intranet where all information on ethics can be found, including our recently approved Ethical Framework.

We will include in the annual activity reports information on transparency and integrity issues.

m) Cooperation with the Parliament

(Item 80)

We look forward to continue to enhance and deepen our relations with various parliamentary committees, as this helps us to ensure our work forms a sound basis, not only for the Parliament's key oversight role but also for its legislative role.

APPENDIX 2

REFERENCES TO THE 2014 DISCHARGE DOCUMENTS

European Parliament resolution of 28 April 2016 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 2014, Section III – Commission and executive agencies (2015/2154(DEC))

Item	Reference	Text
1.	Paragraph 13	Considers that a results-oriented budget requires strong, solid and commonly agreed indicators; notes, however, that these indicators still need to be agreed with the co-legislators, the Commission and through extensive consultation with Member States' authorities and other stakeholders. Welcomes in this sense the establishment of the inter-institutional working group on performance-based budgeting of results-oriented budget that has only recently started its work; encourages all parties involved to accelerate its work while ensuring that a high quality set of indicators is agreed;
2.	Paragraph 15	Further underlines the Commission's obligation to ensure the correct application of Union law pursuant to Article 17 (1) TEU and asks the Court to prepare a special report on whether the Commission has made good use of its powers in supporting and controlling Member States when implementing Union law;
3.	Paragraph 17	Welcomes the fact that the structure and content of the Court 2014 annual report follows the headings of the MFF and places greater emphasis on performance and results; appreciates that the shared management chapters of the report include, as a pilot exercise, the preliminary results of performance assessments of programmes;
4.	Paragraph 18	Is aware that the move to an increased level of performance auditing cannot be done in a single step, as it is only once the basic legal acts and the budget are drafted with the intention to align policy objectives with qualitative indicators or to produce measurable results that performance audits can move forward;
5.	Paragraph 24	Recalls that in its resolutions accompanying the discharge decisions, the Parliament has since 2013 asked the Commission to focus its implementation of Article 318 of the Treaty on the Functioning of the European Union (TFEU) – concerning its evaluation report – on the implementation of the Union's ten-year growth and jobs strategy and its real performance and results; welcomes the fact that the Court has chosen to focus chapter 3 of its 2014 annual report on the Europe 2020 Strategy and asks the Court to continue and to develop this performance- and results-oriented approach;
6.	Paragraph 33	Observes that the Court has focused mainly on analysing consistency of Member States' partnership agreements with the Europe 2020 Strategy targets as a prerequisite for better performance; asks the Court to present information in its next annual report about translation of the Europe 2020 Strategy targets into expected achievements under other programmes and funds directly managed by the Commission;
7.	Paragraph 45	Stresses that from the point of view of the Parliament it is unsatisfactory when adversarial procedures end with the Commission and the Court drawing different conclusions; calls therefore on both institutions to avoid such an outcome;
8.	Paragraph 51	Wonders whether the error rate for particular transactions is based on a comparable basis and therefore should serve as a comparable benchmark; notes that the error rate for cost reimbursement schemes (5,5 %) is based on cost eligibility in comparison with entitlement programmes (2,7 %), where it is based only on a necessity to meet a set of conditions;
9.	Paragraph 70	Calls on the Council to adopt a more vigilant position on the discharge and welcomes the critical stance taken by Sweden and the United Kingdom in asking the Commission

		<p>and the Court to:</p> <ul style="list-style-type: none"> – focus on areas and recipients with a high risk of errors instead of adding more controls for all; – focus on ex-ante controls rather than ex-post controls; – preserve the unanimously agreed payment ceilings, in particular by maintaining fiscal discipline in relation to commitments, effectively de-committing unused appropriations in order to make room for new priorities and programmes, increasing transparency by providing long-term forecasts, ensuring a balance between commitments and payments and reducing excessive cash balances in financial instruments, given that more than €14 bn in unutilised funds remains locked within such instruments, which could be used for more urgent needs and priorities; <p>Welcomes also Sweden's and the United Kingdom's exhortation to Member States authorities to make better use of the available information to prevent, detect and correct errors before declaring expenditure to the Commission;</p>
10.	Paragraph 73	Underlines that the level of error rate does not necessarily mean a case of fraud, inefficiency, or waste, but an estimate of financial flows that should not have been paid out as they were not used in line with rules and regulations; emphasises, however, that the sharp increase of serious errors in the context of public procurement procedures is a matter of grave concern, as Member States have had years of experience with the existing procurement rules, and that if they already face difficulties with these rules, this does not bode well for when they have to adapt national legislation and procedures to the new directives on procurement and concessions; recognises that the error rate is not well understood by Union citizens and asks the Court in this context to launch a debate with the Commission with a view to identifying potential methodological shortcomings and agreeing on common standards in reporting the error rate;
11.	Paragraph 77	Notes that in its effort to support a reinforced performance culture, the Court's 2014 annual report pays strong attention to Union budget performance issues, having tested as a pilot the real complementarity between Union funding and the Europe 2020 Strategy; notes that the Court underlined and identified a low and weak interconnection between partnership agreements/operational programmes and the Europe 2020 Strategy; however, draws attention to the fact that such complementarity should be considered within the overall context of the fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion;
12.	Paragraph 87	Welcomes the new inter-institutional working group on performance-based budgeting in order to reach a common understanding of performance-based and results-oriented budgeting principles
13.	Paragraph 97	Calls on the Court to develop a system, together with national audit authorities, which will allow the Court to evaluate the follow-up Member States have given to its recommendations;
14.	Paragraph 108	Underlines that corruption and fraud erode trust in public institutions and democracy, and undermine the functioning of the Union's internal market; notes that an integrated approach whereby Union institutions (and Member States) work together is necessary; regrets that several Union institutions (Commission and agencies, European Anti-Fraud Office, the Court) report on fraud in different ways;
15.	Paragraph 156	Welcomes the fact that the structure of the Court's annual report follows, for the first time, the headings of the MFF which entered into force on 1 January 2014; in 2013 the

		chapter was called "Research and other internal policies"; notes, however, that this structural change limits the comparability of the Court's findings with those of previous years;
16.	Paragraph 200	Welcomes the fact that the structure of the Court's annual report follows, for the first time, the headings of the MFF which entered into force on 1 January 2014; in 2013 the Court's annual report contained two distinct chapters: one on "Regional policy, transport and energy" and the other one on "Employment and social affairs"; considers, however, that this policy change limits the comparability of the Court's findings with those of previous years;
17.	Paragraph 213	Welcomes the fact that the Court , for the first time, also tried to evaluate the performance of programmes in a pilot project exercise, and that the audit concludes that 89 of the 186 projects (48 %) reached (or exceeded) all targets that had been specified to measure the project performance; notes that for 56 projects (30 %) the Court found that one or several indicators specified for the project did not attain the intended target value, and that in 17 cases (9 %) the deadline to attain the targets was reached for some, but not all targets by the time of the audit; encourages the Court to continue to refine this exercise in particular for programmes under the new financial period 2014-2020;
18.	Paragraph 233	Notes with interest that the Court will present, in the near future, a special audit of the partnership agreements and the performance-focused framework in cohesion policy;
19.	Paragraph 257	Welcomes the fact that with respect to evidence of real policy results and achieved performance, the Court for the first time used a performance-based approach towards the complementarity of the Union budget with the Europe 2020 Strategy; considers that the results achieved by implementation of this strategy by structural funds are very important for the Union-wide headline economic indicator "GDP per cap", as well as for other indicators;
20.	Paragraph 320	Welcomes the fact that the Court focused in the framework of a performance pilot-exercise on 71 projects of rural development, which included investments in tangible assets;
21.	Paragraph 344	Insists that the Commission should in no way utilise the adversarial procedure foreseen by Article 163 of the Financial Regulation applicable to the general budget of the Union in order to delay or to block the adoption of a special report of the Court ;
22.	Paragraph 374	Requests that all Union institutions and agencies implement Article 16 of the Staff Regulations by publishing, on an annual basis, information about senior officials who have left the Union administration, as well as a list of conflicts of interest; requests that the aforementioned independent structure assess the compatibility of post-Union employment or the situation whereby civil servants and former Members of the Parliament move from the public to the private sector (the 'revolving door' issue) and the possibility of a conflict of interest, and define clear cooling-off periods, which should cover at least the period for which transitional allowances are granted;
23.	Paragraphs 378 and 379	Stresses the importance of the role of whistle-blowers; invites the Commission to ensure that every Union institution implements rules on the protection of whistle-blowers; calls the Commission to promote legislation on the protection for whistle-blowers in the Union; Demands that all those Union institutions and agencies that have not yet done so urgently adopt internal rules on whistle-blowing and take a common approach to their obligations, focusing on the protection of whistle-blowers; requests special attention for the protection of whistle-blowers in the context of the Directive on the Protection

		of Trade Secrets; calls on the Commission to promote legislation on a minimum level of protection for whistle-blowers in the Union; calls on the institutions and agencies to amend the Staff Regulations to ensure that they not only formally oblige officials to report irregularities of all kinds but also lay down adequate protection for whistle-blowers; calls on the institutions and agencies to implement Article 22(c) of the Staff Regulations without delay;
24.	Paragraph 380	Considers the immunity of Union staff from criminal proceedings in Member States, which dates back 64 years, to be a privilege that has long been obsolete; calls for this privilege under the Protocol to the Treaty to be confined to Union staff in countries outside the EU;
25.	Paragraph 388	Encourages the Union institutions and agencies to better raise awareness of the conflict-of-interest policy among their officials, 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; considers that a distinction should be made between elected representatives and public officials in the legislation on conflicts of interest; believes that there should also be such regulations in the Member States for public officials and civil servants involved in the administration and monitoring of Union subsidies; calls on the Commission to submit a draft legal basis on this matter;
26.	Paragraph 407	Points to the ongoing migration crisis and underlines the need to address it with a coherent Union solution; notes the funds allocated to migration and external-border management in 2014; and asks the Court to consider preparing a quick, special report on the effectiveness of these funds, drawing conclusions to be reflected in the ongoing process of upgrading the Union migration and border control policy;
27.	Paragraphs 462 and 463	Welcomes the Court's Special Report 18/2014 on EuropeAid's Evaluation and Results Oriented Monitoring Systems; invites DG DEVCO to urgently address the various weaknesses in its evaluation and monitoring systems pointed to in the Court's special report specially those related to serious deficiencies of DG DEVCO's evaluation system; highlights that a badly functioning evaluation system increases the risks of selecting projects lacking quality or which do not reach their objectives; notes and is worried by the diverging views between the Commission and the Court when it comes to reliable information on the effectiveness of budget support operations; believes that there is a link between a lack of staff in Union delegations and in DG DEVCO's evaluation unit and the problems highlighted by the Court ; considers this to be an illustration of the detrimental consequences staff reductions may have for the efficient functioning of Union programmes; Trusts that DG DEVCO will address the various weaknesses in its evaluation and monitoring systems pointed to in the Court's Special Report 18/2014;
28.	Paragraph 485	Takes note of the presentation of the environment and health policy areas within the Court's annual report concerning the financial year 2014; is concerned that the environment and climate policy area appear again in the chapter also devoted to rural development and fisheries; reiterates its criticism towards the illogical composition of policy areas in this specific chapter; is not of the opinion that the Court should take the political decision of grouping policy areas; urges the Court to revise its approach in the next annual report;
29.	Paragraph 487	Notices that there are different views between the Court and the Commission with respect to the way in which errors should be calculated; notes that the Commission considers that the Court's annual representative error rate should be seen in the context of the multiannual character of net financial corrections and recoveries;

30.	Paragraph 535	Emphasises the need to develop a common methodology for calculating the error rate in an effort to guarantee that it is accurate and to ensure that significant disparities do not emerge between the error rate indicated by the Commission and that established by the Court ;
31.	Paragraph 536	Draws attention to the Commission's statement (Court's annual report 2014 - reply to paragraph 7.15) that errors in cross compliance (for example timely declarations of animal movement, meeting dates or deadlines) do not affect eligibility of payments (already confirmed by the Court) and that the cross compliance error rate should be deducted from the overall error rate for better clarity;
32.	Paragraph 542	Welcomes the fact that the Court is exploring how to measure performance in its annual report, particularly as the Commission intends its spending to be focused on results, points nevertheless to the difficulty of judging delivery of multiannual funding programmes, now the preferred method of delivery of environmental measures in pillar II, through a tool which examines a single year and invites the Court to explain its performance orientation specifically in relation to agricultural spending; urges the Court nevertheless to take into account the multiple objectives of rural development policy in its performance assessment so as to avoid the use of simplistic indicators and avoid resulting in misinterpretations;
33.	Paragraph 564	Notes that the 2014 Court annual report shows good results, but nevertheless calls on the Court to inform the Parliament about the steps it intends to take to bring a more multiannual examination methodology to bear as it develops the more performance-oriented approach being envisaged.
34.	Paragraph 566	Takes note of the opinions of the Court on the legality and regularity of the transactions underlying the accounts; notes the adverse opinion of the Court on payment appropriations, in respect of which the overall error rate was 4,4 % but with no specific error rate concerning fisheries; calls for fisheries to be dealt with separately and not merged with agriculture, in order to guarantee greater transparency in the area of fisheries;
35.	Paragraph 596	Notes the new presentation of the Court's annual account report on the spending under MFF Heading 3 "Security and Citizenship"; requests for its inclusion next year, taking into account the budget increase; agrees that a new approach is needed for investing the EU budget as opposed to spending it;
36.	Paragraph 606	Calls on all the Union institutions to assess whether there is genuine parity as regards the distribution of posts within the institutions and bodies of the Union, providing gender-by-gender statistics on staff numbers and grades as part of the discharge procedure.

Council Recommendation of 2 February 2016 on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2014 (5583/16 ADD 1)

Item	Reference	Text
37.	Introduction Paragraph 3	The Council welcomes the findings of the Court and invites the Commission to take them into consideration, where appropriate and possible also in the ongoing work on the preparation of the mid-term review of the multiannual financial framework (MFF), in line with Article 2 of Council Regulation No 1311/20132, as well as in the preparation of the next MFF. In this context, the Council invites the Court to timely provide its contribution, including its findings on performance and delivery of results from the EU budget as specified in its various special reports.
38.	Introduction	The Council notes the Court's change in methodology, updating its approach to the

	Paragraph 4	quantification of serious infringements of public procurement rules. While highlighting the need for comparability of figures year-on-year, the Council welcomes the Court's refinement of certain elements of its methodology and the consensus between the Court and the Commission on the evaluation of errors in this area.
39.	Chapter 1 Paragraph 4	The Council welcomes the Court's alignment of the structure of the annual report with the MFF headings, as well as the increased visual representation of its findings. The Council encourages the Court to build upon the progress made so far in ensuring a high level of transparency and detail per spending area in its report and emphasises the need to ensure continuity and comparability between years and policy areas also in the future. In this context, the Council encourages the Court to provide a more detailed analysis of the expenditure in heading 3 (Security and Citizenship), in line with the increased spending in this area.
40.	Chapter 1 Paragraph 4	The Council welcomes the Court's analysis of the errors and its observation of the strong relationship between expenditure types (entitlement based or cost reimbursement) and the levels of error, as highlighted in Graph 1.6 of the Court's annual report. It notes that the level of error is not causally linked to the management mode. The Council encourages the Court to broaden its analysis of factors affecting the estimated level of error. On this basis, the Council calls upon the Commission to take the appropriate actions in line with Article 32(5) of the Financial Regulation and to provide the budgetary authority, in 2016, with a comprehensive report on the areas where the level of error identified is persistently high and their root causes. More specifically the Council requests the Commission to present in this context a timely overview, where appropriate on an aggregated level, based on systematic data that is already available such as control reports by audit authorities, the Commission's own controls, and audit results of the Court .
41.	Chapter 1 Paragraph 9	The Council appreciates the efforts made by the Court to respond to requests from stakeholders for more information on risk profiles and to assist the Commission in targeting its efforts, for example in taking action to deal with areas of persistently high levels of errors. For these areas, the Council underlines the need for cost efficiency within the control framework and to build on reliable controls already carried out, instead of adding additional layers of control. In this view, it encourages the Court , the Commission and Member States to improve the timely exchange of information and to explore ways to increase mutual understanding and transparency about their application of the principle of "Single Audit". The crucial aspect is the availability of information on sufficiently and continuously reliable audit results. The Council stresses the need for further exchange and disclosure of relevant and available information in this context.
42.	Chapter 3	The Council welcomes the Court's approach in evaluating results of EU spending and measuring aspects related to performance, both in Chapter 3 and also, by means of a pilot exercise, in Chapters 6 and 7, complementary to its assessment of compliance. The Council considers the assessment of performance to be an important element in the annual evaluation of the sound financial management of EU funds. Therefore, the Council invites the Court to consider providing performance information in all other spending areas.
43.	Chapter 3	Finally, the Council will engage constructively in discussions on how to improve the performance framework of the EU budget and to ensure that the EU budget delivers more and better results, where appropriate, in view of the MFF mid-term review and of the next MFF. It invites the Court to provide its input for this review in a timely manner and calls upon the Commission and Member States to take advantage of this opportunity to analyse possibilities for reinforcing a results-oriented approach within

		the EU. The Council is aware that the Commission is particularly committed to this goal and, while being cautious not to prejudge conclusions, welcomes the Commission's initiative "Budget for Results", including the organisation of a series of expert meetings on Performance-Based Budgeting.
44.	Chapter 6	The Council regrets that the estimated level of error reported by the Court for payments in the "Economic, Social and Territorial cohesion" policy area increased by 0.4 percentage points to 5.7% in 2014, remaining well above the materiality threshold of 2%. At the same time, the Council takes note of the relative stability of the estimated level of error in comparison with previous years, at a time of significantly increased level of payments. The Council welcomes the Court's decision to continue to report separate estimated levels of error, underlining the difference in the level of error between the policy areas in this chapter.
45.	Chapter 7	The Council welcomes the fact that the estimated level of error reported by the Court for payments in the "Natural Resources" policy area decreased by 0.8 percentage points to 3.6 % in 2014, but regrets that payments were affected by material error. The Council welcomes the decision by the Court to continue to provide two separate estimated levels of error for both pillars.
46.	Chapter 7	The Council notes that, as in the previous year, the Court included cross-compliance errors in its estimate of the level of error for this policy area. They had an impact on the overall estimated level of error of 0.6 percentage points. The Council welcomes the Court's announced adjustment of its approach from 2015 on, excluding cross compliance from the estimated level of error.

European Parliament resolution of 28 April 2016 on the Court of Auditors' special reports in the context of the 2014 Commission discharge (2015/2206(DEC))

Item	Reference	Text
47.	Paragraph 9	Encourages the Court to look into all EuropeAid's funding mechanisms in order to ensure that value for money is achieved and that Union funding is efficient in advancing Union goals and values; believes that Union-funded projects should be aligned with Union policy goals in neighbouring countries, taking into consideration grantees' accountability, and that EU money is fungible;
48.	Paragraph 86	Notes that the Court is assessing the initiative in the middle of its implementation and welcomes the Court's ambition to start evaluating the use of Union funds at an earlier stage;
49.	Paragraph 102	Notes that the Commission's 2016 annual implementation report on the Youth Guarantee and the upcoming special reports of the Court concerning youth employment are major opportunities to address the existing weaknesses, both at Commission level and at national, regional and local levels;
50.	Paragraph 117	Is disappointed that it was not possible to obtain a complete analysis of the efficiency of the various implemented allocation systems by the Member States during phase II of the EU Emissions Trading Scheme (ETS) (2008-2012), which would have been of the utmost importance in informing political recommendations on the basis of the Court's audit results;
51.	Paragraph 123	Asks that the Court include affected industrial sectors in its analysis, especially with regard to legal certainty and predictability, and in how far a reliable legal framework is ensured and how recent adjustments of the ETS framework have possibly impacted on the effectiveness of the system;

52.	Paragraphs 228 and 229	<p>Welcomes the special report dedicated to the added value of the African, Caribbean and Pacific States (ACP) Investment Facility as a concrete and positive example of follow-up by the Court of the 2012 and 2013 discharge procedure wherein Parliament asked for a special report to be prepared on the performance and alignment with Union development policies and objectives of the European Investment Bank's (EIB) external lending activities before the mid-term review of the EIB's external mandate and the mid-term review of the Investment Facility;</p> <p>Considers the inclusion in the Court's work plan of such an audit on the ACP Investment Facility as a good practice in terms of cooperation between Parliament and the Court and their work of collaborative scrutiny;</p>
53.	Paragraph 230	<p>Believes that this audit report is a stepping stone as it is the first audit carried out by the Court in this specific area; deplores the fact that the ACP Investment Facility does not fall within the scope of the Court's annual statement of assurance audit;</p>
54.	Paragraph 232	<p>Regrets, however, that the Court could not identify more precisely the added value delivered by the ACP Investment Facility; invites the Court therefore, in future special reports, to give more concrete examples and to single out some projects to better illustrate its conclusions and recommendations; invites the Court to benefit from this first experience in further refining the means to assess leveraging, the catalytic effect and the added value of such facilities; invites the Court also to consider added value not only through the lens of the classic Tryptic (Economy, Efficiency, Effectiveness) but in a broader sense including a second Tryptic (Ecology, Equality and Ethics);</p>
55.	Paragraph 237	<p>Notes that the tripartite agreement referred to in Article 287(3) of the Treaty on the Functioning of the European Union governing cooperation between the EIB, the Commission and the Court of Auditors with respect to the modes for controls exercised by the Court on the EIB's activity in managing Union funds and Member States' funds is up for renewal in 2015; reiterates Parliament's stance that the remit of the Court should be updated in this context by including any new EIB financial instruments involving public funds from the Union or the European Development Fund;</p>
56.	Paragraph 260	<p>Looks forward to the Court's report on the 'EU Youth Guarantee - Implementation in Member States', due to be completed at the beginning of 2017 and suggests that the outcome should be taken into account for the mid-term review of the multiannual financial framework;</p>
57.	Paragraph 284	<p>Notes that some terminology used in the CRAR methodology may leave room for interpretation and could therefore have a negative bearing on the implementation of the regulation; calls therefore on ESMA and the Court to transmit to Parliament and the Commission a list of legislative provisions which could benefit from further clarification;</p>
58.	Paragraph 288	<p>Stresses that from the point of view of the discharge authority, it is unsatisfactory when adversarial procedures end with the Commission and the Court reaching different conclusions; calls therefore on both institutions to avoid such an outcome;</p>
59.	Paragraph 289	<p>Calls on the Court to clearly indicate in its recommendations which kind of action is expected from the Commission and which kind of action is expected from the Member States;</p>
60.	Paragraph 290	<p>Calls on the Court to develop a system, together with national audit authorities, which will allow the Court to evaluate the follow-up Member States have given to its recommendations;</p>

Comments of the ACP Working Party of European Council of 3 February 2016 for the discharge to be given to the Commission in respect of the financial management of the 8th, 9th, 10th and 11th European Development Funds (financial year 2014) - 5225/16

Item	Reference	Text
61.	Paragraph 5	<p>The Working Party welcomes Court's conclusions on the Residual Error Rate study according to which it was carried out in overall accordance with the established methodology. The Working Party invites the Commission to further refine the RER study in accordance with the Court's suggestions, so that its finding could be efficiently used to improve the implementation of the control systems.</p> <p>The Working Party remains concerned with the Court's findings that examined systems are only partially effective. It notes that the Commission could, in the Court's opinion, have lowered the error rate by 2.3 percentage points if it had used all the information at its disposal.</p> <p>It also notes that this finding is consistent with the Commission's statement that the cause of residual error lies in implementation rather than in design of controls. Therefore, the Working Party calls on the Commission to pay more attention to ex-ante checks given the high-risk operational environment of the Commission. The Working Party urges the Commission to implement all necessary measures to address existing weaknesses, and invites the Commission to engage with the Court of Auditors to clarify differences in approach regarding procurement.</p>

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section V – Court of Auditors (2015/2158(DEC))

Item	Reference	Text
62.	Paragraph 5	<p>Welcomes the Court's reform project started in late 2014 aimed at streamlining the audit process, transforming the Court into a task-based organisation and expanding the scope of work of its staff; invites the Court to inform the discharge authority of the objectives achieved and of the impact identified following that reform;</p>
63.	Paragraph 6	<p>Reminds the Court that Parliament, the Council and the Commission agreed in point 54 of the common approach on decentralised agencies from 2012 that all aspects of outsourced external audits "remain under the full responsibility of the ECA, which manages all administrative and procurement procedures required and finances these, as well as any other costs associated with outsourced external audits, from its own budget"; deeply regrets that the new audit approach of involving private sector auditors resulted in an augmented administrative burden for the decentralised agencies; notes with concern that this resulted in an increase of administrative burden by 85 %, to more than 13 000 hours compared to the previous audit managed by the Court, equating to an average of 3,5 full time equivalents; regrets that the time spent on procurement and administration of the audit contracts created more than 1 400 hours of additional work for the decentralised agencies, and that the total additional expenditure of external private sector audits in 2014 amounted to EUR 550 000; reiterates its call to the Court to follow the agreed common approach and contract and pay for agencies' external auditors and provide better guidance to private auditors so as to significantly reduce the administrative burden;</p>
64.	Paragraph 7	<p>Notes with satisfaction that the Court is planning to carry out a review of the Court of Justice to assess its performance, following Parliament's request made in its discharge resolution of 29 April 2015 for the financial year 2013</p>

65.	Paragraph 8	Building upon this good cooperation, asks the Court to prepare a special report on whether the Commission has made good use of its powers in supporting and controlling Member States when implementing the Union budget;
66.	Paragraph 9	Supports the Court in its efforts to devote more resources to performance audits; expects the tasked-based organisation of audit staff to enable the Court to assign resources more flexibly without undermining its mission; is of the opinion that, pursuant to Article 287(3) TFEU, closer cooperation between the Court and national supreme audit institutions should be pursued, in particular in connection with conducting the performance (value for money) audit reports of different Union policies and programmes and the auditing of shared-management arrangements; expects concrete results as regards the sharing of the Court's annual work programme;
67.	Paragraph 10	Notes the Court's initiative to reform its chambers' system; would like to learn more about it;
68.	Paragraph 11	Takes good note that the year 2014 set a record in the output delivered by the Court and welcomes new features such as the landscape review;
69.	Paragraphs 12 and 13	Notes that the timescales required to produce special reports have shortened since 2008 although they have not yet achieved the 18-month target; stresses that the target must be realistic so as not to compromise the quality of the reports; Encourages the Court to examine the relationship between the number and timeliness of special reports;
70.	Paragraph 14	Stresses that the recommendations contained in special reports are often unclear and is of the opinion that they should consistently disclose the positive and the negative aspect of the conduct of the countries concerned;
71.	Paragraph 15	Notes with satisfaction that the obligation of a 5 % staff reduction is being implemented without negative impact on the Court's policy of reinforcing its audit services; calls on the Court to make sure that further cuts will not adversely affect the quality of its reports;
72.	Paragraphs 16 and 17	Calls on the Court to ensure the geographical balance of its staff, in particular in management and directorial posts, along with merit and expertise; Appreciates the efforts made by the Court to improve gender balance among its staff; highlights and welcomes the increase in the number of women auditors, which will doubtless have repercussions in terms of their presence in positions of responsibility in that sector, as well as the creation of a network of women auditors; stresses the need to continue working in this direction;
73.	Paragraph 18	Appreciates the efforts made by the Court in relation to professional training for its auditors, with a view to making the management and updating of knowledge more effective; congratulates the Court on its collaboration with the University of Metz/Nancy in creating specialist courses in European auditing, and encourages the Court to establish contacts with other European universities for the same purpose;
74.	Paragraphs 19 and 20	Takes note that the balance of funds available in the contract created to pay for the K3 building will be used to finance the upgrading of the K2 building; would like to know more about the extent of those works; Reiterates its call for the Court's building policy to be attached to its annual activity report;
75.	Paragraphs 21 and 22	Recognises that the Court has been making efforts to reduce translation costs; believes that the conclusion of a cooperation agreement for translation - as the ones the

		<p>consultative committees have with Parliament - could be considered as part of the Court's 2013-2017 strategy to improve efficiency and reduce costs; asks the Court to consider outsourcing translation as an additional way of saving costs;</p> <p>Acknowledges the results achieved by the inter-institutional committee for translation and interpretation in agreeing a harmonised methodology which enables direct comparisons of the translation costs of all institutions; welcomes the fact that the Court is providing data according to this methodology;</p>
76.	Paragraph 23	Calls on the Court to include in its annual activity reports, in compliance with the existing rules on confidentiality and data protection, the results and consequences of closed OLAF cases, where the institution or any of the individuals working for it were the subject of the investigation;
77.	Paragraph 24	Notes that the implementation of the internal auditor service recommendations to review the rules included in the guide to missions was postponed for technical reasons;
78.	Paragraph 25	Notes the Court's first steps towards a paperless environment; supports the Court's initiative but expects Parliament's Committee on Budgetary Control to continue to receive a few paper copies of the Court's reports; endorses the environmental strategy implemented by the Court up until now including its focus on reducing energy consumption, higher utility of video-conferencing, the installation of a rain water recovery system and the promotion of sustainable mobility;
79.	Paragraph 26	Welcomes the improved clarity of the Court's messages through the media; expects such improvements to continue;
80.	Paragraph 27	Appreciates the cooperation between the Court and Parliament's Committee on Budgetary Control and welcomes the Court's regular feedback in response to its requests.

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section IV – Court of Justice (2015/2157(DEC))

Item	Reference	Text
81.	Paragraph 11	Welcomes the Court of Auditors' plan to carry out a review of the Court of Justice to assess its performance, following Parliament's request made to it in the context of the discharge for 2013;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the general budget of the European Union for the financial year 2014, Section X – European External Action Service (2015/2163(DEC))

Item	Reference	Text
82.	Paragraph 47	Calls on the Court of Auditors to include in its next annual report a review of the follow-up by the EEAS of Parliament's recommendations made in this resolution.

European Parliament resolution of 28 April 2016 on discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2014: performance, financial management and control (2015/2205(DEC))

Item	Reference	Text
83.	Paragraph 31	Notes that the principle of "value for money" and "EU added value" also holds for agencies, which should ensure that citizens are well informed of the results of the agencies' activities; notes that achieving results is important; emphasises that many agencies do not explicitly include in their annual reports information on the

		effectiveness and efficiency of their activities in an accountable manner; reiterates that it is important for the Network to become a member of the new Inter-institutional Working Group on Performance in order to reach a common understanding of performance-based and results-oriented budgeting principles, as well as to identify possible improvements to the performance models currently applied in the agencies; requests that the Court of Auditors provide an evaluation of the agencies' performance and results in time for the review of the 2016 Multiannual Financial Framework;
84.	Paragraph 38	Asks the Union institutions and bodies to apply strictly the measures pertaining to discretion and exclusion in public procurement, with proper background checks being carried out in every instance, and to apply the exclusion criteria so as to debar companies in the event of any conflict of interest, this being essential to protect the financial interests of the Union;
85.	Paragraph 39	Reminds the Court of Auditors that the Parliament, the Council and the Commission agreed in paragraph 54 of the Common Approach that all aspects of outsourced external audits "remain under the full responsibility of the [Court], which manages all administrative and procurement procedures required"; asks the Commission to confirm urgently that the Common Approach still applies; deeply regrets that the new audit approach involving private sector auditors resulted in an 85 % increase in administrative burden on the agencies, equating to more than 13 000 additional hours or an average of 3,5 full time equivalents (FTEs) compared with the previous audit managed by the Court of Auditors ; regrets that the time spent on the procurement and administration of audit contracts created more than 1 400 man hours of additional work for the decentralised agencies, and that the total additional expenditure on external private sector audits in 2014 amounted to EUR 550 000; calls on the Court of Auditors to provide better guidance to private auditors so as significantly to reduce the augmented administrative burden;
86.	Paragraph 40	Calls on all the Union institutions and agencies to enhance their procedures and practices aimed at safeguarding the financial interests of the Union and to actively contribute to a results-oriented discharge process
87.	Paragraph 42	States that the annual reports of the Union institutions and agencies could play an important role in compliance regarding transparency, accountability and integrity; calls on the Union institutions and agencies to include a standard chapter on these components in their annual reports;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the European Police College for the financial year 2014 (2015/2180(DEC))

Item	Reference	Text
88.	Paragraph 7	Ascertains from the College that it adopted guidelines on scoring applicants as well as a shortlisting matrix, both of which are used by the Selection Committee in recruitment procedures and link the scoring thresholds to the justification behind them; notes that these guidelines were applied for the recruitment rounds starting in April 2014; calls on the College to inform the discharge authority of the final assessment of the guidelines as soon as they are evaluated by the Court and the Commission's Internal Audit Service (IAS); calls on the College to incorporate any improvements needed into its guidelines without delay;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the European Asylum Support Office for the financial year 2014 (2015/2194(DEC))

Item	Reference	Text
89.	Paragraph 7	Takes note of the updated recruitment policy which reflects the changes to the Staff Regulations; acknowledges from the Office that it revised the recruitment and selection guidelines in 2015 by introducing further steps and controls to ensure transparency and equal treatment; notes with concern that the comment on transparency of recruitment procedures, raised in the Court's 2012 report, is marked as "Outstanding" in the Court's report; calls on the Office to provide a report to the discharge authority on the effectiveness of measures taken; looks forward to the next audit of the Court and its evaluation of the corrective actions taken;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the ARTEMIS Joint Undertaking for the financial year 2014 (2015/2199(DEC))

Item	Reference	Text
90.	Paragraph 5	Notes that the Court's report includes a qualified opinion which is based on the lack of information necessary to calculate either a weighted error rate or a residual error rate following the ex-post audits by NFAs; invites the Court to collect additional and necessary documents and information, which the Joint Undertaking is not empowered to require from the national audit bodies or the national competent departments, in accordance with Article 287(3) of the Treaty on the Functioning of the European Union; moreover, invites the Court to use that additional information as an alternative way to justify its opinion and to report to the discharge authority on its assessment of those additional elements;
91.	Paragraph 9	Notes the limited amount of information regarding in-kind and cash contribution; calls on the Court to include, in future reports, concrete provisions regarding the evaluation procedure and the level of in-kind and cash-paid contribution;
92.	Paragraph 15	Takes note of the fact that the 2016 Court's work programme includes a special report on performance audit of Joint Undertakings.

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Clean Sky Joint Undertaking for the financial year 2014 (2015/2198(DEC))

Item	Reference	Text
93.	Paragraph 1	Notes that the Court of Auditors' report is based on too many general remarks to the detriment of viable, specific ones; therefore calls for an audit with a sharper focus on the annual financial performance, on the implementation status of multiannual projects (including a clear presentation of the implementation of the budget for the respective year and for previous years) and on the results and their implementation;
94.	Paragraph 3	Takes note that the 2016 Court of Auditors working programme includes a special report on performance audit of Joint Undertakings;
95.	Paragraph 6	Notes the lack of information regarding the ex-post audits performed by Clean Sky JU and Clean Sky 2 JU; calls on the Court of Auditors to include in the future years' reports information regarding the number of ex-post audits, the total amounts covered and the findings; notes that the Joint Undertaking's Annual Report includes such information;

96.	Paragraph 9	Considers that those indicators (appropriations and commitments) do not ensure a real evaluation of performance because the Court's report is not providing a clear separation between FP7 and Horizon 2020 implementation-related information; calls on the Court of Auditors to include in the reports to come information regarding the execution of the budget under FP7 and separately, under Horizon 2020; notes that the Joint Undertaking's annual report is presenting such information;
97.	Paragraph 11	Regrets the limited amount of information regarding in-kind/cash contributions provided by the Court's report; calls on the Court of Auditors to include, in the future reports, provisions regarding the evaluation procedure and the level of in-kind/cash paid contributions for FP7 and Horizon 2020, which should be presented separately;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014 (2015/2204(DEC))

Item	Reference	Text
98.	Paragraph 1	Notes that the Court of Auditors (the " Court "), in its report on the Joint Undertaking's annual accounts for the financial year 2014 (the " Court's report ") makes too many general, to the detriment of viable, specific, remarks; therefore calls for an audit with a more accentuated focus on the annual financial performance on the implementation status of multiannual projects, including a clear presentation of the implementation of the budget for the respective year and those for previous years, together with their results and implementation;
99.	Paragraph 3	Takes note of the fact that the Court's 2016 work programme includes a special report on performance audit of joint undertakings;
100.	Paragraph 6	Regrets the absence of information regarding in-kind and cash contribution; calls on the Court to include, in future reports, provisions regarding the evaluation procedure and level of in-kind and cash-paid contribution, separately, for FP7 and Horizon 2020;
101.	Paragraph 14	Notes that the Court's report includes a qualified opinion which is based on the lack of information necessary to calculate either a weighted error rate or a residual error rate following the ex-post audits by the NFAs; invites the Court to collect additional and necessary documents and information, which the Joint Undertaking is not empowered to require, from the national audit bodies or the national competent departments in accordance with the provisions of Article 287(3) of the Treaty on the Functioning of the European Union; moreover, invites the Court to use those additional documents and that additional information as an alternative way to justify its opinion and to report to the discharge authority on its assessment of those additional elements;
102.	Paragraph 16	Acknowledges the fact that the implementation rate for operational commitment appropriations was 99,7 %; notes, however, that the commitment appropriations were signed at a global level and, therefore, no corresponding grant agreements had been signed yet; considers that, in the absence of a clear separation between FP7 and Horizon 2020 implementation-related information, those indicators do not ensure a real evaluation of performance; calls on the Court to include in future reports information regarding the execution of the budget under of FP7 and separately under Horizon 2020; asks the Joint Undertaking to inform the discharge authority about the state of play and any progress made in that regard;
103.	Paragraph 17	Notes that no clear separation was made between FP7 and Horizon 2020 implementation-related information due to the fact that no contracts relating to the implementation of Horizon 2020 were signed by the end of year 2014 and thus no payments have been made; asks the Court to provide separate information on

		budgetary implementation for FP7 and Horizon 2020 in its report for 2015; calls on the Joint Undertaking to provide that information in its Report on Budgetary and Financial Management for 2015;
104.	Paragraph 21	Reiterates its demand to the Court to present a complete and appropriate financial assessment of rights and obligations of the Joint Undertaking for the period until the Joint Undertaking started its activity;
105.	Paragraph 30	Recalls that the discharge authority has requested the Court to draw up a special report on the capacity of the joint undertakings, together with their private partners, to ensure added value and efficient execution of Union research, technological development and demonstration programmes

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the ENIAC Joint Undertaking for the financial year 2014 (2015/2202(DEC))

Item	Reference	Text
106.	Paragraph 5	Notes that the Court's report includes a qualified opinion which is based on the lack of information necessary to calculate either a weighted error rate or a residual error rate following the ex-post audits by the NFAs; invites the Court to collect additional and necessary documents and information, which the Joint Undertaking is not empowered to require, from the national audit bodies or the national competent departments in accordance with the provisions of Article 287(3) of the Treaty on the Functioning of the European Union; moreover, invites the Court to use those additional documents and that additional information as an alternative way to justify its opinion and to report to the discharge authority on its assessment of those additional elements;
107.	Paragraph 10	Regrets the lack of information regarding in-kind and cash contribution; calls on the Court to include, in future reports, concrete provisions regarding the evaluation procedure and the level of in-kind and cash-paid contribution;
108.	Paragraph 14	Takes note of the fact that the 2016 Court of Auditors work programme includes a special report on performance audit of Joint Undertakings.

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Fuel Cells and Hydrogen Joint Undertaking for the financial year 2014 (2015/2201(DEC))

Item	Reference	Text
109.	Paragraph 1	Notes that the Court of Auditors (the " Court "), in its 2014 report (the " Court's report "), makes too many general, to the detriment of viable, specific remarks; therefore calls for an audit with a more accentuated focus on the annual financial performance, on the implementation status of multiannual projects, including a clear presentation of the implementation of the budget for the relevant year and for previous years, their results and their implementation;
110.	Paragraph 3	Takes note that the Court's 2016 work programme includes a special report on the performance audit of FCH and FCH2;
111.	Paragraph 5	Notes the lack of information regarding the ex-post audits performed by FCH and FCH2; calls on the Court to include in future reports information regarding the number of ex-post audits, the total amounts covered and the findings;
112.	Paragraph 9	Points out that, according to its 2014 Annual Activity Report, the budget execution by year end for all fund sources reached 98,48 % as regards commitment appropriations and 74,52 % in terms of payment executions; considers that, in the absence of a clear

		separation between FP7 and Horizon 2020 implementation-related information, those indicators do not assure a real evaluation of performance; calls on the Court to include in future reports information regarding, separately, the execution of the budget under FP7 and Horizon 2020;
113.	Paragraph 11	Regrets the absence of information regarding in-kind and cash contribution; calls on the Court to include in its future reports separate provisions regarding the evaluation procedure and level of in-kind and cash paid contribution for FP7 and for Horizon 2020;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the Innovative Medicines Initiative 2 Joint Undertaking (formerly the Joint Undertaking for the implementation of the Joint Technology Initiative on Innovative Medicines) for the financial year 2014 (2015/2200(DEC))

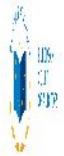
Item	Reference	Text
114.	Paragraph 1	Notes that the Court of Auditors' ('the Court ') report is based on too many general remarks to the detriment of viable, specific ones; therefore calls for an audit with a more accentuated focus on the annual financial performance, the implementation status of multiannual projects (including a clear presentation of the implementation of the budget for the respective year and for previous years) and their the results and implementation;
115.	Paragraph 3	Takes note that the 2016 Court's working programme includes a special report on performance audit of Joint Undertakings;
116.	Paragraph 5	Notes the lack of information regarding the ex-post audits performed by IMI Joint Undertaking and IMI 2 Joint Undertaking; calls on the Court to include in the future reports information regarding the number of ex-post audits, the total amounts covered and the findings;
117.	Paragraph 11	Considers that, in the absence of a clear separation between FP 7 and Horizon 2020 implementation-related information, these indicators do not ensure a real evaluation of performance; calls on the Court to set out in its future reports information regarding the execution of the budget under FP 7 and that of Horizon 2020 separately;
118.	Paragraph 13	Regrets the lack of information regarding in-kind and cash contributions; calls on the Court to include, in its future reports, specific provisions regarding the evaluation procedure and the level of in-kind and cash contributions that are set out separately for FP 7 and Horizon 2020;

European Parliament resolution of 28 April 2016 with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the SESAR Joint Undertaking for the financial year 2014 (2015/2197(DEC))

Item	Reference	Text
119.	Paragraph 1	Notes that the Court of Auditors' report is based on too many general remarks to the detriment of viable, specific ones; therefore calls for an audit with a sharper focus on the annual financial performance, on the implementation status of multiannual projects (including a clear presentation of the implementation of the budget for the respective year and for previous years) and on the results and their implementation;
120.	Paragraph 3	Takes note that the 2016 Court of Auditors working programme includes a special report on performance audit of Joint Undertakings;
121.	Paragraph 10	Notes the lack of information regarding the ex-post audits performed by SESAR and SESAR2; calls on the Court of Auditors to include, in the future reports, information

		regarding the number of ex-post audits, the total amounts covered and the findings;
122.	Paragraph 13	Regrets the limited amount of information regarding in-kind/cash contributions; calls on the Court of Auditors to include, in the reports to come, provisions regarding the evaluation procedure and the level of in-kind/cash paid contributions for FP7 and Horizon 2020, which should be presented separately;

From: ECA-InstitutionalRelations/Eca (ECA)
Sent: 22 June 2016 11:04
To: SCHULZ Martin, President
Cc: BOVEINGTON-FAURAN Paulina; HANSEN Herbert
Subject: 2014 Discharge - Letter to Mr Schulz
Attachments: 20160620 Discharge letter.pdf; Discharge2014_Appendix1.pdf; Discharge2014_Appendix2.pdf



Dear Mr President,

Please find enclosed a letter from Mr Vítor Caldeira, President of the European Court of Auditors.

The original will follow by mail.

Kind regards,

European Court of Auditors

Directorate of the Presidency
Communications and institutional relations
ECA-InstitutionalRelations@eca.europa.eu
eca.europa.eu

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