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*Committee on Budgetary Control*

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**2014/2120(DEC)**

28.1.2015

## **DRAFT REPORT**

on discharge in respect of the implementation of the budget of the European  
Banking Authority for the financial year 2013  
(2014/2120(DEC))

Committee on Budgetary Control

Rapporteur: Ryszard Czarnecki

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## 1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on discharge in respect of the implementation of the budget of the European Banking Authority for the financial year 2013 (2014/2120(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Banking Authority for the financial year 2013,
- having regard to the Court of Auditors' report on the annual accounts of the European Banking Authority for the financial year 2013, together with the Authority's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 5 November 2014 on discharge to be given to the Authority in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>3</sup>,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>4</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC<sup>5</sup>, and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial

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<sup>1</sup> OJ C 442, 10.12.2014, p. 112.

<sup>2</sup> OJ C 442, 10.12.2014, p. 112.

<sup>3</sup> OJ L 248, 16.9.2002, p. 1.

<sup>4</sup> OJ L 298, 26.10.2012, p. 1.

<sup>5</sup> OJ L 331, 15.12.2010, p. 12.

Regulation applicable to the general budget of the European Communities<sup>1</sup>,

- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>2</sup>, and in particular Article 108 thereof,
  - having regard to Rule 94 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A8-0000/2015),
1. Grants the Executive Director of the European Banking Authority discharge in respect of the implementation of the Authority's budget for the financial year 2013 / Postpones its decision on granting the Executive Director of the European Banking Authority discharge in respect of the implementation of the Authority's budget for the financial year 2013;
  2. Sets out its observations in the resolution below;
  3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Executive Director of the European Banking Authority, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

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<sup>1</sup> OJ L 357, 31.12.2002, p. 72.

<sup>2</sup> OJ L 328, 7.12.2013, p. 42.

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on the closure of the accounts of the European Banking Authority for the financial year 2013 (2014/2120(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Banking Authority for the financial year 2013,
- having regard to the Court of Auditors' report on the annual accounts of the European Banking Authority for the financial year 2013, together with the Authority's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2013, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 5 November 2014 on discharge to be given to the Authority in respect of the implementation of the budget for the financial year 2013 (00000/2015 – C8-0000/2015),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>3</sup>,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>4</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC<sup>5</sup>, and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial

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<sup>1</sup> OJ C 442, 10.12.2014, p. 112.

<sup>2</sup> OJ C 442, 10.12.2014, p. 112.

<sup>3</sup> OJ L 248, 16.9.2002, p. 1.

<sup>4</sup> OJ L 298, 26.10.2012, p. 1.

<sup>5</sup> OJ L 331, 15.12.2010, p. 12.

Regulation applicable to the general budget of the European Communities<sup>1</sup>,

- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>2</sup>, and in particular Article 108 thereof,
  - having regard to Rule 94 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A8-0000/2015),
1. Notes that the final annual accounts of the European Banking Authority are as annexed to the Court of Auditors' report;
  2. Approves the closure of the accounts of the European Banking Authority for the financial year 2013 / Postpones the closure of the accounts of the European Banking Authority for the financial year 2013;
  3. Instructs its President to forward this decision to the Executive Director of the European Banking Authority, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

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<sup>1</sup> OJ L 357, 31.12.2002, p. 72.

<sup>2</sup> OJ L 328, 7.12.2013, p. 42.

### 3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the European Banking Authority for the financial year 2013  
(2014/2120(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the European Banking Authority for the financial year 2013,
  - having regard to Rule 94 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A8-0000/2015),
- A. whereas according to its financial statements, the final budget of the European Banking Authority (“the Authority”) for the financial year 2013 was EUR 25 967 360, representing an increase of 25,16 % compared to 2012, due to the Authority’s recently established nature,
- B. whereas according to its financial statements, the initial contribution of the Union to the Authority’s budget for 2013 amounted to EUR 10 386 944, representing an increase of 25,16 % compared to 2012,
- C. whereas the Court of Auditors, in its report on the annual accounts of the European Banking Authority for the financial year 2013 (“the Court's report”), has stated that it has obtained reasonable assurances that the Authority's annual accounts are reliable and that the underlying transactions are legal and regular,
- D. whereas the Authority’s task is to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, and to the consistent application of legally binding Union acts, to stimulate and facilitate the delegation of tasks and responsibilities among competent authorities, to monitor and assess market developments in the area of its competence and to foster depositor and investor protection,

#### *Follow-up of 2012 discharge*

1. Notes from the Court's report that regarding seven comments made in the Court’s 2012 report, corrective actions were taken and five are now marked as "Completed", one as "On-going" and one as "Not Applicable";
2. Acknowledges from the Authority that:
  - the additional school top-up allowance has been included in the Authority's Multiannual Staff Policy Plan as part of the annual budgetary procedure in order to ensure equal treatment of its employees with regard to the high level of schooling fees in the Authority’s seat, and that the Authority has signed direct agreements with

schools in order to pay tuition fees directly and up to the threshold;

- a communication strategy based on a survey among the Authority's most important stakeholders is being developed in order to simplify existing areas of its website, as well as to create new content to offer accessible information to less specialised audiences; notes, furthermore, that a consumer corner with easily accessible information on lodging complaints against financial institutions, as well as general advice for personal finance, was created on the website;
- all IT systems were insourced to the Authority's data centre, except for a relatively small IT tool for the supervisory colleges, and that by finishing the insourcing procedure, the risks related to the limited control and supervision over the Agency's IT systems were fully mitigated;

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

3. Takes note from the Court's report that the overall level of committed appropriations of the Authority was 90 % (89 % in 2012); notes that those committed appropriations varied between 87 % for Title I (staff expenditure), 98 % for Title II (administrative expenditure) and 92 % for Title III (operational expenditure);
4. Points out that the decision of the Court of Justice of the European Union against the indexation of salaries for the period between 1 July 2011 and 30 June 2013 had a negative impact on the Authority's Title I commitment appropriations level, which amounted to EUR 1 800 000;

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

5. Notes from the Court's report that the Authority managed to significantly reduce the overall level of committed appropriations carried over from EUR 6 547 808 in 2012 (36 %) to EUR 3 876 564 in 2013 (17 %);
6. Notes with concern that the levels of carry-overs for Title II (EUR 1 974 511 or 35 %) and Title III (EUR 1 651 203 or 36 %) were relatively high, mainly due to the planned procurement of IT infrastructure and IT services, for which the contracts were concluded as planned in December 2013 and the related services provided in 2014;

### ***Transfers***

7. Notes that according to the Authority's annual activity report, as well as the Court's report, the level and nature of transfers in 2013 have remained within the limits of the Authority's financial rules;

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

8. Notes that no comments were made in the Court's report regarding the Authority's procurement procedures;
9. Acknowledges from the Authority that regarding the recommendations of the Court and the discharge authority, corrective measures were taken in all outstanding recruitment



procedures in 2012, and that they were systematically implemented in all further recruitment procedures;

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

10. Notes from the Authority that apart from the ethics guidelines which are in force and applicable to its entire staff, the Authority also commenced the development of further policies in relation to independence and decision-making processes regarding declarations of interests;
11. Acknowledges from the Authority that its conflicts of interest policy for staff and other contractual parties, as well as for non-staff, was adopted and implemented; takes note from the Authority that the CVs and declarations of interests of the members of the Management Board and the Board of Supervisors, as well as the declarations of interests of the Chairperson, the Executive Director and all members of senior management were published on the Authority's website;

### ***Internal controls***

12. Acknowledges that the Authority's Management Board is composed of six members elected from its Board of Supervisors by and from its members; notes, furthermore, that the members of the Management Board were elected at the Board of Supervisors' meeting of 1 July 2013, pursuant to the revised Board of Supervisors' rules of procedure;

### ***Internal audit***

13. Acknowledges that in early 2013, the Commission's Internal Audit Service (IAS) conducted a limited review of the implementation of internal control standards; notes with concern that in the course of the risk analysis, the IAS identified certain processes of high inherent risk which could not be considered as auditable within the audit plan, as the controls were assessed as being absent or insufficient;
14. Points out that the IAS report made 14 recommendations, of which two were rated as "Very Important"; notes that the Authority has put in place an action plan to address the areas where the IAS made recommendations for improvement; notes, furthermore, that the Authority's corrective actions to address those high risk areas will be followed up by the IAS during the next in-depth risk assessment;
15. Notes that in 2013, the IAS performed a follow-up desk review of the implementation of its earlier recommendations; notes that the IAS considered that no critical recommendations were open as of 31 December 2013; takes note that, from the two recommendations rated as "Very Important" by the IAS, one was reported as implemented and is awaiting follow-up, and the other was delayed with respect to the original action plan;
16. Notes that in 2014 the IAS performed a second limited review of the Authority's IT project management, and made two recommendations rated as "Very Important", and two rated as "Important"; acknowledges from the Authority that it prepared a detailed action plan with milestones to address those recommendations, the viability of which was

accepted and confirmed by the IAS;

***Performance***

17. Takes note that the Authority closely cooperates with the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority across all support functions in order to reduce administrative costs where possible, to leverage synergies and to share best practices; looks forward to further efforts from the Authority to enhance cooperation with other decentralised agencies;

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18. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of ... 2015<sup>1</sup> on the performance, financial management and control of the agencies.

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<sup>1</sup> Texts adopted of that date, P8\_TA-PROV(2015)0000.