



EUROPEAN PARLIAMENT

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*Plenary sitting*

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**A7-0220/2014**

21.3.2014

# REPORT

on discharge in respect of the implementation of the budget of the European  
Banking Authority for the financial year 2012  
(C7-0325/2013 – 2013/2237(DEC))

Committee on Budgetary Control

Rapporteur: Petri Sarvamaa

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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 2012 (C7-0325/2013 – 2013/2237(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Banking Authority for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Banking Authority for the financial year 2012, together with the Authority's replies<sup>1</sup>,
- having regard to the Council's recommendation of 18 February 2014 (05849/2014 - C7-0054/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to the 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>2</sup>, and in particular Article 185 thereof,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EC) No 1093/2010 of the European Parliament and of the Council<sup>4</sup> of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>5</sup>,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>6</sup>, and in particular Article 108 thereof,
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,

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<sup>1</sup> OJ C 365, 13.12.2013, p. 80.

<sup>2</sup> OJ L 248, 16.9.2002, p. 1.

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

<sup>4</sup> OJ L 331, 15.12.2010, p. 12.

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

<sup>6</sup> OJ L 328, 7.12.2013, p. 42.

- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A7-0220/2014),
- 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 2012;
- 2. Sets out its observations in the resolution below;
- 3. Instructs its President to forward this Decision and the resolution that forms an integral part of it to the 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).

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the European Banking Authority for the financial year 2012  
(C7-0325/2013 – 2013/2237(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Banking Authority for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Banking Authority for the financial year 2012, together with the Authority's replies<sup>1</sup>,
- having regard to the Council's recommendation of 18 February 2014 (05849/2014 - C7-0054/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to the 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>2</sup>, and in particular Article 185 thereof,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EC) No 1093/2010 of the European Parliament and of the Council<sup>4</sup> of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>5</sup>,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>6</sup>, and in particular Article 108 thereof,
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,

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<sup>1</sup> OJ C 365, 13.12.2013, p. 80.

<sup>2</sup> OJ L 248, 16.9.2002, p. 1.

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

<sup>4</sup> OJ L 331, 15.12.2010, p. 12.

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

<sup>6</sup> OJ L 328, 7.12.2013, p. 42.

- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A7-0220/2014),
- 1. Approves the closure of the accounts of the European Banking Authority for the financial year 2012;
- 2. 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).

### 3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the European Banking Authority for the financial year 2012**

**(C7-0325/2013 – 2013/2237(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Banking Authority for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Banking Authority for the financial year 2012, together with the Authority's replies<sup>1</sup>,
- having regard to the Council's recommendation of 18 February 2014 (05849/2014 - C7-0054/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to the 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>2</sup>, and in particular Article 185 thereof,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EC) No 1093/2010 of the European Parliament and of the Council<sup>4</sup> of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), and in particular Article 64 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>5</sup>,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council<sup>6</sup>, and in particular Article 108 thereof,

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<sup>1</sup> OJ C 365, 13.12.2013, p. 80.

<sup>2</sup> OJ L 248, 16.9.2002, p. 1.

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

<sup>4</sup> OJ L 331, 15.12.2010, p. 12.

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

<sup>6</sup> OJ L 328, 7.12.2013, p. 42.

- having regard to its previous discharge decisions and resolutions,
  - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Economic and Monetary Affairs (A7-0220/2014),
- A. whereas according to its financial statements, the final budget of the European Banking Authority (“the Authority”) for the financial year 2012 was EUR 20 747 000, representing an increase of 63,56 % compared to 2011; whereas this increase is due to the Authority’s recently established nature,
- B. whereas the Court of Auditors has stated that it has obtained reasonable assurances that the Authority's annual accounts for the financial year 2012 are reliable and that the underlying transactions are legal and regular,
1. Recalls that Parliament was a key actor in the establishment of the Authority - together with the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority - as one of the three economic and financial European Supervisory Authorities which are still in a setting-up phase; therefore, considers that better coordination at European level is still needed;

***Comments on the legality and regularity of transactions***

2. Notes with concern that in order to cover higher school fees, the Authority grants staff whose children attend primary or secondary school a top-up allowance, which amounted to some EUR 76 000 in 2012, in addition to the education allowances provided for in the Staff Regulations of Officials of the European Communities ("the Staff Regulations"); notes that these allowances are not covered by the Staff Regulations and are, therefore, considered irregular by the Court of Auditors; acknowledges, however, that this situation is due to the lack of European Schools in the city the Authority is based in and that the purpose of these top-ups is to ensure equal treatment of the Authority’s employees under the Staff Regulations;

***Budget and financial management***

3. Notes that the overall level of appropriations committed was 89 %, varying between 84 % for title I (staff expenditure), 86 % for title II (administrative expenditure) and 100 % for title III (operational expenditure);
4. Notes with concern that carry-overs of committed appropriations were high for title II (45 %); acknowledges that this was mainly due to reasons beyond the Authority’s control, such as the unsuccessful attempt to find new premises and delays in the implementation of some IT projects for which it was difficult to obtain the information needed from the predecessor organisation;
5. Notes with concern the high carry-overs of committed appropriations for title III (85 %);



acknowledges that they were mainly due to the complexity and the lengthy duration of two IT procurement procedures which were carried out according to plan, delays in the launching and implementation of three other IT projects and the late invoicing for certain IT services by the suppliers;

6. Stresses that the additional tasks entrusted to the Authority, as well as future tasks envisaged in the legislative proposals yet to be agreed upon, will require budgetary increases and new human resources in order to enable the Authority to properly fulfil its supervisory role; considers this to be extremely important, as the tasks of the Authority are likely to keep growing; notes that eventual increases in human resources should be, where possible, preceded or accompanied by rationalisation efforts such as reallocation to achieve efficiency gains;
7. Observes that the current financing arrangements of the Authority, based on a mixed financing system, are inflexible, create unnecessary administrative burdens and might jeopardise its independence;

### ***Transfers***

8. Notes with satisfaction that according to the annual activity report, as well as the Court of Auditors' audit findings, the level and nature of transfers in 2012 have remained within the limits of the financial rules and commends the Authority for its good budgetary planning;

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

9. Notes with concern that the Court of Auditors identified weaknesses in the audited recruitment procedures affecting transparency and equal treatment, namely that candidates were given a global score, instead of one score for each of the selection criteria and that there was no evidence that the questions for interviews and tests had been set before the date of the examinations;

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

10. Welcomes the adoption of Ethics Guidelines by the Authority; notes that those guidelines were developed jointly with the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority; acknowledges that the Authority is finalising the preparation of its conflicts of interests policy; calls on the Authority to inform the discharge authority of the adoption of that policy;
11. Observes 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 Executive Director and senior management, are not publicly available; calls on the Authority to remedy the situation as a matter of urgency;

### ***Internal controls***

12. Notes that in accordance with the Authority's IT strategy, which was drawn up by its predecessor organisation, the Authority's IT core application systems were outsourced to an external IT provider until December 2013; calls on the Authority to inform the discharge authority, within the framework of the 2012 discharge follow-up, whether potential risks linked to its limited control and supervision over its IT systems have been duly mitigated;

### ***Internal audit***

13. Acknowledges from the Authority that in February 2012, the Commission's Internal Audit Service (IAS) carried out an in-depth risk assessment in the Authority with the aim of determining its audit priorities for the coming years; notes that the IAS defined the most important risks related to the Authority's processes and defined a Strategic Audit Plan for 2013-2015, which includes a list of future audit topics; notes that the Authority developed an action plan to address the identified high risk areas and that this plan was discussed with, and agreed upon, by the IAS; observes that the relevant actions undertaken by the Authority are to be followed up by the IAS during the next in-depth risk assessment; notes that the IAS Strategic Audit Plan for 2013-2015 was approved by the Authority's Director and its Management Board; notes that in future, the IAS has decided to carry out a limited review on the implementation of internal control standards by the Authority, in line with its Strategic Audit Plan for 2013-2015;

### ***Performance***

14. Requests that the Authority communicate the results and impact its work has on European citizens in an accessible way, mainly through its website;

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15. Refers, in respect of the other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of ... 2014<sup>1</sup> on the performance, financial management and control of the agencies.

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<sup>1</sup> Texts adopted, P7\_TA-PROV(2014).

21.2.2014

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

for the Committee on Budgetary Control

on discharge in respect of the implementation of the budget of the European Banking Authority for the financial year 2012  
(C7-0325/2013 - 2013/2237(DEC))

Rapporteur: Antolín Sánchez Presedo

### **SUGGESTIONS**

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

1. Recalls that the European Parliament was a key driver in the establishment of the EBA and that the European Supervisory Authorities (ESA's) are still in a setting-up phase and therefore, considers that better coordination at European level is still needed;
2. Underlines that the Authority's role in promoting the safety and soundness of banking institutions – and hence of the financial system as a whole – in the prudential regulation of the European banking sector and in ensuring the effectiveness of European supervision, is essential for economic recovery and creation of jobs and sustainable growth in Europe;
3. Acknowledges that in the opinion of the Court of Auditors the Authority's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 and that the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects;
4. Welcomes that as of September 2013 three corrective actions were completed following the comments of the Court of Auditors in 2011 and insists that this process must be fully satisfactory with regard to budgetary planning and implementation, enhancing the transparency of the recruiting processes as well as taking full control

over the outsourcing of IT systems and the problem of low budget utilisation; calls on the UK authorities to ensure – in accordance with the principles of the Single Market – that the EBA's staff receives the same support as staff employed under the Staff Regulation in other locations;

5. Stresses that the additional tasks entrusted to EBA as well as future tasks envisaged in the legislative proposals yet to be agreed on will require budgetary increases and new human resources in order to fulfil their supervisory role in a satisfactory manner; considers this to be extremely important, as the tasks of the supervisory authorities are likely to keep growing and notes that eventual increases in human resources should be preceded or accompanied where possible by rationalisation efforts such as reallocation to achieve efficiency gains;
6. Concludes that the current financing arrangements of EBA based on a mixed financing system is inflexible, creates administrative burdens and might pose a threat to its independence; therefore recommends and calls on the Commission to create an independent budget line funded from the EU budget and to consider the introduction of fees by market participants during the review of its regulation.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	20.2.2014
<b>Result of final vote</b>	+: 22 -: 0 0: 3
<b>Members present for the final vote</b>	Marino Baldini, Jean-Paul Basset, Sharon Bowles, George Sabin Cutaş, Rachida Dati, Leonardo Domenici, Diogo Feio, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Liem Hoang Ngoc, Jürgen Klute, Alfredo Pallone, Antolín Sánchez Presedo, Olle Schmidt, Theodor Dumitru Stolojan, Corien Wortmann-Kool, Pablo Zalba Bidegain
<b>Substitute(s) present for the final vote</b>	Fabrizio Bertot, Bas Eickhout, Sari Essayah, Ashley Fox, Sophia in 't Veld, Olle Ludvigsson, Thomas Mann, Nils Torvalds
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Marta Andreasen

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	17.3.2014
<b>Result of final vote</b>	+: 16 -: 2 0: 1
<b>Members present for the final vote</b>	Marta Andreasen, Jean-Pierre Audy, Zuzana Brzobohatá, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Rina Ronja Kari, Monica Luisa Macovei, Jan Mulder, Eva Ortiz Vilella, Paul Rübig, Petri Sarvamaa, Bart Staes, Georgios Stavrakakis, Derek Vaughan
<b>Substitute(s) present for the final vote</b>	Amelia Andersdotter, Markus Pieper
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Thomas Ulmer