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REPORT

on discharge in respect of the implementation of the budget of the European Insurance and Occupational Pensions Authority for the financial year 2012 (C7-0326/2013 – 2013/2238(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 Insurance and Occupational Pensions Authority for the financial year 2012 (C7-0326/2013 – 2013/2238(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012, together with the Authority's replies¹,
- 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 Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², 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 1605/2002³, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority)⁴, 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 Communities⁵,
- 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 Council⁶, and in particular Article 108 thereof,

¹ OJ C 365, 13.12.2013, p. 134.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 331, 15.12.2010, p. 48.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ OJ L 328, 7.12.2013, p. 42.

- 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 (A7-0232/2014),
1. Grants the Executive Director of the European Insurance and Occupational Pensions Authority discharge in respect of the implementation of the Authority's budget for the financial year 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 Insurance and Occupational Pensions Authority, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012 (C7-0326/2013 – 2013/2238(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012, together with the Authority's replies¹,
- 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 Communities², 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 1605/2002³, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority)⁴, 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 Communities⁵,
- 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 Council⁶, and in particular Article 108 thereof,

¹ OJ C 365, 13.12.2013, p. 134.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 331, 15.12.2010, p. 48.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ OJ L 328, 7.12.2013, p. 42.

- 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 (A7-0232/2014),
1. Approves the closure of the accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012;
 2. Instructs its President to forward this Decision to the Executive Director of the European Insurance and Occupational Pensions Authority, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

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 Insurance and Occupational Pensions Authority for the financial year 2012 (C7-0326/2013 – 2013/2238(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2012, together with the Authority's replies¹,
- 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 Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², 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 1605/2002³, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority)⁴, 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 Communities⁵,
- 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 Council⁶,

¹ OJ C 365, 13.12.2013, p. 134.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 331, 15.12.2010, p. 48.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ OJ L 328, 7.12.2013, p. 42.

and in particular Article 108 thereof,

- 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 (A7-0232/2014),
- A. whereas, according to its financial statements, the final budget of the European Insurance and Occupational Pensions Authority (“the Authority”) for the financial year 2012 was EUR 15 655 000, representing an increase of 46,76 % compared to 2011; whereas this increase is due to the Authority’s recently established nature,
- B. whereas the overall contribution of the Union to the Authority's budget for 2012 was EUR 5 484 109,07, representing an increase of 28,52 % compared to 2011,
- C. 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 Banking Authority and the European Securities and Markets 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;
 2. Believes that the Authority's role in promoting the safety and soundness of insurance and reinsurance institutions and in safeguarding the interests of the insured and of members of pension schemes is essential for the economic recovery and the creation of sustainable jobs and growth in Europe;

Follow-up of 2011 discharge

3. Welcomes the fact that as of September 2013, the Authority had completed two corrective actions following the comments of Court of Auditors in 2011; recalls that this process must be fully satisfactory; notes that corrective actions are still ongoing and are definitely needed;
4. Acknowledges from the Authority that during 2012 and 2013, it has introduced a number of measures regarding the internal procedures to ensure an appropriate level of commitment execution rates for Title II (administrative expenditure), and as a consequence of these and other measures, the budget execution rate for this title reached 95,37 % for 2012 and 92,02 % for 2013, while the commitment execution rate for Title III reached 99,21 % for 2012 and 98,77 % for 2013;
5. Acknowledges that new rules on the management of conflicts of interest regarding the members of the Board of Supervisors and of the Management Board were adopted by the

Authority's Management Board on 19 November 2013 and that similar rules regarding staff members and contractual parties were adopted by the Executive Director; notes that both sets of rules contain clear requirements concerning declarations, the definition of conflicts and breaches and management processes and sanctions;

Budget and financial management

6. Notes that budget monitoring efforts during the financial year 2012 resulted in an overall budget implementation rate of 90,63 %; notes with concern that the payment appropriations execution rate was 67,21 %;
7. 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;
8. 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;

Commitments and carryovers

9. Regrets that the carry-over of committed appropriations to 2013 was very high for title III (operational expenditure) at 79 % of total appropriations; acknowledges that this is mainly the result of the complexity and of the lengthy duration of one IT procurement procedure for which the contract of EUR 2 200 000 was signed as planned in December 2012; notes that during 2013, the execution rate of the 2012 carry-over appropriations of title III has reached a level of 95 %;

Transfers

10. 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;

Procurement and recruitment procedures

11. Notes with satisfaction that the Authority has undertaken an action plan leading to the improvement of its procurement procedures in order to become fully compliant with Union procurement rules;
12. Regrets that one contract related to the design of a financial database was subdivided into four lots of EUR 60 000 each, which were all directly awarded to two companies; is of

the opinion that given the total value of the services to be procured for the same project (EUR 240 000), an open or restricted procedure should have been applied and that the related commitments and payments are thus irregular;

13. Expects, particularly in light of the above contract procedures, that all relevant staff have now received appropriate training to ensure they are fully able to implement the new Financial Regulation and judge, for example, where contracts may or may not be divided;
14. Notes that the Court of Auditors made no comments in its annual audit report for 2012 as regards the Authority's recruitment procedures;

Prevention and management of conflicts of interests and transparency

15. Welcomes the fact that the Authority has now adopted its policy and rules on the management of conflicts of interests for members of its Board of Supervisors and Management Board, as well as for its staff members and contractual parties; acknowledges that the Authority adopted its Ethics Rules in 2011 and established specific provisions for its Stakeholders Groups and Board of Appeal to handle potential conflicts of interests; calls on the Authority to inform the discharge authority whether it intends to review its Ethic Rules on the basis of the Commission's Guidelines on the Prevention and Management of Conflicts of Interests in EU Decentralized Agencies;
16. Welcomes the fact that the Authority is currently working on the structure of its website, including the establishment of a dedicated webpage on conflicts of interests; observes that the CV 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 audit

17. Acknowledges from the Authority that in 2012 the Commission's Internal Audit Service (IAS) conducted an in-depth assessment of audit priorities for the coming years, which defined the most important risks and the Strategic Audit Plan 2013-2015, and which listed future audit topics; acknowledges that the Authority developed an action plan to address the identified high risk areas and that the plan was agreed with IAS;

Internal controls

18. Regrets that while a physical verification of assets was carried out in May and June 2012, no physical verification report was produced; regrets, moreover, that the Authority has not adopted any procedures or guidelines on physical checks on tangible assets;
19. Acknowledges from the Authority that it has taken corrective actions, in particular, training took place and guidelines for documenting the asset processes have been adopted; calls on the Authority to inform the discharge authority on the implementation of those guidelines and on the results of the corrective action;

Performance

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

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21. Refers, in respect of the other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of ... 2014¹ on the performance, financial management and control of the agencies.

¹ 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 Insurance and Occupational Pensions Authority for the financial year 2012
(C7-0326/2013 - 2013/2238(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 EIOPA 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. Believes that the Authority's role in promoting the safety and soundness of insurance and reinsurance institutions and in safeguarding the interests of the insured and of members of pension schemes is essential for the economic recovery and the creation of sustainable jobs and 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 on September 2013 the Authority had completed two corrective actions following the comments of Court of Auditors in 2011; recalls that this process must be fully satisfactory; notes that corrective actions are still ongoing and are definitely needed;

5. Stresses that the additional tasks entrusted to EIOPA 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 EIOPA based on a mixed financing system are inflexible, create 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

Date adopted	20.2.2014
Result of final vote	+: 24 -: 0 0: 3
Members present for the final vote	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
Substitute(s) present for the final vote	Fabrizio Bertot, Bas Eickhout, Sari Essayah, Ashley Fox, Sophia in 't Veld, Olle Ludvigsson, Thomas Mann, Nils Torvalds
Substitute(s) under Rule 187(2) present for the final vote	Marta Andreasen

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	17.3.2014
Result of final vote	+: 16 -: 2 0: 1
Members present for the final vote	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
Substitute(s) present for the final vote	Amelia Andersdotter, Markus Pieper
Substitute(s) under Rule 187(2) present for the final vote	Thomas Ulmer