OPINION

of the Committee on Budgetary Control

for the Committee on Constitutional Affairs

on the implementation of the Treaty provisions on Parliament’s power of political control over the Commission (2018/2113(INI))

Rapporteur: Tomáš Zdechovský
SUGGESTIONS

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

A. whereas Parliament is mandated to ensure democratic control over the Commission, which is political in nature but includes different aspects and procedures;

B. whereas the budget is the most important tool of the European Union for fulfilling its objectives and strategies, and therefore budgetary control is of utmost importance;

C. whereas, despite the Commission’s commitment to performance, activity-based budgeting remains – regrettably – the fundamental principle in drafting the Union’s budget;

D. whereas evaluation of results and performance auditing rely on the objectives laid down at the earliest stage at programming level;

E. whereas evaluation is a tool aimed at identifying and understanding the results and impact of a process and identifying alternatives to help in decision-making which would lead to further improvement of that process;

1. Recalls that scrutiny over the EU bodies is the *raison d'être* of the European Parliament and that the accountability of the Commission to Parliament is an underpinning principle of the functioning of the EU and of internal democratic control;

2. Recalls that the discharge is an annual political procedure ensuring ex-post democratic control over the implementation of the European Union budget by the Commission under its own responsibility and in cooperation with the Member States;

3. Points out that the discharge procedure has proved to be a powerful tool that has had an impact on the positive evolution of the EU’s budgetary system, financial management, the shaping of the agenda and the way EU policies are defined and implemented, while contributing to increasing Parliament’s political leverage;

4. Stresses that the main purpose of the discharge procedure is to check whether Union funds have been managed correctly and to ascertain, each year, that all the Union’s revenue and expenditure, the resulting balance and the assets and liabilities of the Union, are shown in the balance sheet;

5. Notes that Parliament’s decision to grant, postpone or refuse the discharge is primarily, although not exclusively, based on the audit of the European Court of Auditors that examines the reliability of the accounts and the legality and regularity of the underlying transactions;

6. Points out that pursuant to Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court of Auditors must examine whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether financial management has been sound; that in doing so, it must report, in particular, on
any cases of irregularity; that the audit of revenue must be carried out on the basis of both the amounts established as due and the amounts actually paid to the Union; and that the audit of expenditure must be carried out on the basis of both commitments undertaken and payments made;

7. Recalls that when granting the discharge, Parliament has not only to evaluate the regularity but also the performance of financial management in the European Union;

8. Notes that Parliament also bases its decision on the evidence requested of the Commission regarding the execution of expenditure or the operation of financial control systems;

9. Notes that the Commission is obliged to take into account the observations in decisions in the discharge framework and the observations of Parliament related to the execution of expenditure, and is obliged to report on the measures taken in light of its recommendations and comments;

10. Recalls that Parliament also examines the special reports adopted by the Court of Auditors, which focus on the sound management of different sectors or policies;

11. Points out that as those reports concern the implementation of the principles of economy, efficiency and effectiveness, they systematically trigger a debate on whether the actors in European policies have the means and instruments at their disposal to meet the objectives defined by the political bodies of the Union;

12. Stresses that Article 318 TFEU adds a new instrument to the toolbox of budgetary discharge: the evaluation of the finances of the Union based on the results achieved;

13. Welcomes, in particular, the fact that owing to its focus on financial performance, the evaluation report provided for in Article 318 TFEU complements the compliance approach developed by the European Court of Auditors in its annual report and offers the European Parliament the opportunity to assess policy achievements;

14. Notes with concern that no real legal sanction is available if Parliament decides not to grant discharge to the Commission; considers, nevertheless, that not granting discharge sends out a strong political signal, as it implies that Parliament does not have sufficient confidence in the Commission’s accountability, and should thus not be left unanswered by the Commission but lead to definitive follow-up action designed to improve the situation;

15. Recalls that the Prodi/Kinnock reforms introduced the principles of activity-based budgeting and activity-based management, required that authorising officers by delegation sign activity reports each year, and achieved a reform of internal audit activities as well as accrual accounting;

16. Stresses that the political objective pursued by these reforms was to develop a clear hierarchy, from political objectives to dedicated resources for the activities aimed at

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1 By definition, ‘activity-based budgeting’ is a method of budgeting based on activities and using cost driver data in the budget setting and variance feedback processes. In this context, activities are essential as they drive costs. If we can control the causes (drivers) of costs, then costs should be better managed and understood.
achieving them, down to performance indicators to verify these achievements;

17. Notes with concern that the reality on the ground is very different:

a) even though the Commission defined the budget along activity lines, this definition mainly followed the organisational structure of the administration and maintained a great number of budget lines;

b) objectives for the activities are still not really part of the budgetary debate but are presented in separate activity statements annexed to the budget;

c) the current structure of the budget is not fully aligned to the multiannual financial framework (MFF); each heading of the MFF contains various activities and many single activities are spread across several MFF headings;

18. Regrets the fact that budgetary negotiations in Parliament and the Council revolve around margins under the MFF headings and do not very often concern activity-based budgeting (ABB) objectives, performance indicators or measured results;

19. Welcomes the fact that the Commission renewed its commitment to performance and to results-based budgeting in its proposals for a new MFF and insists that the EU budget should strengthen its focus on stability, simplicity, more effective spending, low operating costs, efficient allocation of resources, the delivery of key policy priorities, European added value, results, impact, and increased accountability and transparency;

20. Stresses that the EU budget is to be based on long-term political objectives and an overall vision for the EU; reiterates its call on the Commission to introduce such long-term vision and objectives in order to ensure maximum effectiveness of spending;

21. Welcomes the Commission’s proposal that the new MFF programmes be grouped in ‘policy clusters’, which will be reflected in the titles of the annual budget; expresses the hope that this will provide greater clarity on how they will contribute to policy goals;

22. Welcomes the fact that the Commission intends, as of 2021, to align the concept of policy areas with the programme clusters, and that this alignment will allow for an easier reconciliation between the annual budget and the headings of the MFF;

23. Recalls that Parliament has asked the Commission on many occasions to present the Union budget in accordance with the political objectives of the MFF as adopted by Parliament; is of the opinion that this would allow the budgetary authority to scrutinise and follow up on the preparation and implementation of the budget more easily;

24. Wonders why the Commission uses two sets of objectives and indicators to measure the performance of financial management: on the one hand, the Commission’s Directors-General evaluate the achievement of the objectives defined in their management plans in their annual activity reports (AAR), and, on the other, the Commission measures the performance of spending programmes via the programme statements of operational expenditure annexed to the draft budget;

25. Recalls that the current performance framework of the programmes reported in the
programme statements of operational expenditure includes 716 indicators of different types measuring the performance against 61 general and 228 specific objectives;

26. Welcomes the Commission’s proposal to reduce the number of spending programmes by a third and to make the rules more coherent; stresses that in order to actually achieve simplification for beneficiaries, all unnecessary rules, requirements and procedures should be eliminated, without putting at risk, however, the legality and regularity of the underlying transactions;

27. Reiterates its call on the Commission to:

   a) streamline performance reporting by:

      – further reducing the number of objectives and indicators it uses for its various performance reports and focusing on those which best measure the performance of the Union budget in the interests of simplification, transparency and better control;

      – extending a qualitative approach and including environmental and social indicators in order to be able to measure the impact of EU policy on environmental and social policies;

      – presenting financial information in a manner that makes it comparable with performance information so that the link between spending and performance is clear;

   b) better balance performance reporting by clearly presenting information on the main EU challenges still to be achieved;

   c) provide a declaration on the quality of reported performance data;

28. Recalls that in accordance with Article 247 of the Financial Regulation, the Commission must communicate to Parliament by 31 July of the following financial year, an integrated set of financial and accountability reports including, in particular, the final consolidated accounts, the annual management and performance report and the evaluation on the Union’s finances based on the results achieved as referred to in Article 318 TFEU;

29. Points out that when adopting the annual management and performance report which accompany the final consolidated accounts, the Commission assumes political responsibility for the financial management of its services;

30. Insists that the annual management and performance report should not only include an estimate of the level of error in Union expenditure, information on the preventive and corrective action covering the budget and information on the implementation of the Commission’s anti-fraud strategy, but also an annual statement on governance and on internal control covering in particular:

   a) a description of the internal governance tools of the Commission;

   b) an assessment of the operational and strategic risk activities during the year and a
mid- and long-term fiscal sustainability statement;

c) an assessment of all preventive and corrective measures taken against funding falling prey to corruption or conflicts of interest;

31. Reiterates its call on the Commission to speed up the preparation of the Union accounts, to ensure that reliable information from Member States on shared management spending is obtained in a more timely manner and to present the management’s view on Union spending earlier and together with the accounts, with a view to adopting a discharge decision in year n+1, while ensuring high data quality and sound financial management;

32. Urges the Commission, once again, to propose measures to make Union funding arrangements for implementation of the Union budget – which currently include different tools and combinations of tools, for example programmes, structural and investment funds, trust funds, strategic investment funds, guarantee funds, facilities, financial instruments, macro-financial assistance instruments, etc. – clearer, simpler, more coherent and better equipped to ensure sufficient transparency, accountability, performance and public understanding of how Union policies are funded and what benefits they bring;

33. Recalls that 80 % of EU funding is managed jointly with the Member States and that Parliament must therefore also scrutinise national authorities; regrets that national authorities are, however, often reluctant to comply with the discharge authority’s recommendations or investigations;

34. Recalls that the close political links between Parliament and the Commission were recently strengthened by the so-called Spitzenkandidaten system; welcomes this attempt to address the democratic deficit of the EU, to strengthen its legitimacy and build trust among EU citizens; recalls, however, the inherent risk related to party financing and calls on the Commission to address the shortcomings of the current political party financing model, in order to prevent fraud and ensure that the financing of electoral campaigns is fully transparent.
### INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

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| Result of final vote | +: 8  
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| Members present for the final vote | Dennis de Jong, Ingeborg Gräßle, Georgi Pirinski, José Ignacio Salafranca Sánchez-Neyra, Bart Staes |
| Substitutes present for the final vote | Karin Kadenbach |
| Substitutes under Rule 200(2) present for the final vote | John Howarth, Jude Kirton-Darling |
### FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

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Key to symbols:
+ : in favour
- : against
0 : abstention