

# 2006 discharge: EC general budget, Section III, Commission

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The Committee on Budgetary Control adopted the report by Dan **JØRGENSEN** (PES, DK) recommending that the Parliament grant discharge to the Commission in respect of the implementation of the EU general budget for 2006 and to the directors of the “Education, Audiovisual and Culture” and “Intelligent Energy” Executive Agencies in respect of the implementation of their Agencies' budgets for 2006. The committee also recommended that Parliament should approve the closure of the accounts of the EU general budget for 2006, but pointed out that 80% of Community expenditure was administered by the Member States through “shared management” and that, as a result, each Member State must be in a position to take on the responsibility for the management of EU funds received, either through a single national management declaration or in the form of several declarations within a national framework.

In the resolution containing its observations accompanying the proposed discharge decision on the EU general budget for 2006, the parliamentary committee looked closely at the issues of shared management and responsibility, at all levels, for the implementation of the EU budget.

**Main conclusions of the parliamentary committee: in favour of setting up a working group for the follow-up to the 2006 discharge:** while MEPs welcome the progress made by the Commission towards a more efficient use of EU funds, particularly concerning the Common Agricultural Policy (CAP), thanks to the Integrated Administrative Control System (IACS), they believe that significant efforts remain to be made in several areas of expenditure through shared management: MEPs are referring to structural measures and external actions in particular, which still record a high incidence of error. To combat this control deficit, MEPs call for the setting up of a joint Parliament -Commission working group for the follow-up to the discharge in respect of the financial year 2006, covering national declarations and annual summaries, external actions and the implementation of the action plan to strengthen the Commission's supervisory role under shared management of Structural Actions. This working group should be co-chaired by the competent Member of the Commission and the President of the Committee on Budgetary Control.

**National Management Declarations:** MEPs welcome the Commission's commitment to give firm political support to national initiatives to draw up and publish national declarations, following the example of the Netherlands, the UK, Denmark and Sweden. Therefore, they expect the Commission to insert a new action point on promoting national management declarations as part of its review and follow-up to the action plan towards an integrated internal control framework. They recall the urgent need to introduce national declarations at an appropriate political level, covering all Community funds coming under the shared management arrangement, as requested by Parliament in its resolutions accompanying the discharge decision in respect of the financial years 2003, 2004 and 2005. The MEPs reject, in particular, the Commission's decision not to proceed with the development of a single standard declaration for all Member States.

**Structural Funds:** MEPs also welcome the publication of the action plan to strengthen the Commission's supervisory role under shared management of structural actions, in reaction to the concerns raised by Parliament in the course of the discharge procedure for the financial year 2006. They will closely monitor the reporting on this action plan in preparation for the 2007 discharge. In particular, MEPs welcome the firm commitment made by the Commission to ensure that **any undue payments are recovered** in the remaining period before the closure of the winding-up procedures concerning the 2000 to 2006 period. They consider as a major achievement of the 2006 discharge procedure, the commitment made by the

Commission to **correct all individual errors** found in the Court of Auditor's Annual Report, and in particular the commitment to make **100%** corrections in all cases of serious breaches of public procurement procedures and to apply flat rate or extrapolated financial corrections whenever it finds systemic tendering problems. MEPs fully support the fact that the Commission has finally committed itself to applying a policy of suspending payments as soon as possible, following detection of serious weaknesses in the system. In this context, MEPs look forward to the establishment of a system and a reporting scheme which would allow recoveries made *ex post* to be linked to the year when the actual funding was allocated.

**External actions:** MEPs welcome the fact that the Commission has become increasingly aware of the importance of transparency, visibility and political guidance for all EU funds implemented in the area of external actions, be it directly by the Commission or via international trust funds. In this context, MEPs call on the Commission to review, as soon as possible, the Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA) and to keep the Parliament informed of this agreement. Once again, they call on the Commission to submit the list of entities which were not subject to a tender procedure for contracts received in 2006 as well as a series of technical measures on how to improve the visibility of EU funds when implementing external aid via other organisations. Furthermore, they consider that the Commission must react to fulfil important requests made by the Parliament in its 2005 discharge procedure.

The issue of recoveries: MEPs consider that the Commission must present complete and reliable figures for recoveries, specifying the exact budget line and year to which the individual recoveries relate. They insist on public access to information on all members of experts and working groups working with the Commission, as well as full disclosure of beneficiaries of EU funding.

In addition to these general considerations, the parliamentary committee notes a certain number of horizontal issues on the DAS (Statement of Assurance of EU expenditure) and on the implementation of different budget headings for the financial year 2006.

**Horizontal issues:** while overall MEPs note with satisfaction the Court of Auditor's positive opinion concerning the reliability of the final annual accounts for 2006, they deplore, nonetheless, the fact that in areas such as structural measures, internal policies and external actions, payments are still affected by high material errors at the level of implementing organisations. In particular, they regret the lack of clarity about legality, and the inevitable impact on the media, of EU funds being received by railway companies, horse riding/breeding clubs, golf leisure clubs and city councils.

MEPs note the significant efforts made by the Commission in terms of budgetary management but once again regret the financial drain caused by the RAL (outstanding commitments unused and carried over to be implemented in subsequent financial years), corresponding to 28% of the total amounts of the related financial perspective headings for the whole of the period 2000-2006.

In terms of governance, MEPs regret the Commission's tacit acceptance of the collective irresponsibility of the majority of the Member States concerning financial management in the European Union and welcome the initiatives taken by some Member States to take on this responsibility in full by publishing the relevant accounts with complete transparency. They call on the other Member States to follow suit.

**Sectoral issues:** MEPs looked in detail at the implementation of the budget for each of the budget headings and came of with the following points:

- **CAP:** MEPs welcome the general improvement in CAP expenditure in 2006 and the Court of Auditor's statement that the IACS is an effective system in limiting the risk of irregular expenditure. However, CAP expenditure is still materially affected by errors and controls and checks implemented under IACS are still not effectively enforced or are not yet completely reliable in some

Member States. It is therefore necessary to reinforce the implementation of the IACS, where it is needed the most (for example, Greece) and to give due consideration to the pertinence of eligibility conditions for certain CAP measures;

- **Structural measures:** recalling that the Court of Auditors estimated that "at least 12% of the total amount reimbursed in structural policies should not have been reimbursed", MEPs urge the Commission to make use of ex ante checks to verify whether supervisory and control systems for the period 2007 to 2013 are in place in all the Member States. MEPs find it unacceptable that regulations for the period 2007-2013 have not been simplified. It is necessary to encourage Member States to effectively control this type of expenditure and to start infringement procedures against those Member States which have not fulfilled their obligations in terms of monitoring, recoveries or financial corrections. The Commission should also start suspension procedures against Member States whose first level control systems are inadequate;
- **Internal policies:** MEPs deeply regret the critical assessment of the Court of Auditors in this area, which is under the Commission's direct financial management. Therefore, the Commission should rectify the weaknesses highlighted by the Court next year. In particular, the Commission should take measures in order to avoid the current persistent delays in payments;
- **External actions:** MEPs call for a clear definition of a non-governmental organisation, focussing not only on legal aspects but also on the non-governmental financing of these organisations. Given the lack of reliability of the accounts of the EuropeAid Co-operation Office and of ECHO, MEPs call on the Commission to react and to strengthen its controls at all levels. They underline that, in the period 2000- 2006, EU contributions to the UN increased by 700% (from EUR 200 million in 2000 to EUR 1.4 billion in 2007): it is therefore essential to follow up these funds transferred to international trust funds. They also call for concrete measures to be taken to aid the implementation of projects managed by UN agencies or to improve the monitoring of pre-accession expenditure. Once again, MEPs call for clarification on "what exactly has been done to alleviate the situation of Iraqi refugees and displaced persons", and on EU assistance to Afghanistan (particularly on the expulsion, from the country, of the acting EU representative on a charge of having communicated with the Afghan Taliban) and request annual lists of projects funded by the EU, including their location and the final beneficiaries;
- **Administrative expenditure:** given the large increase in the number of agencies in operation (24 in 2006, including 2 executive agencies, compared to 16 in 2005), MEPs call for an analysis of decentralisation and its effects on Commission staff. They call on the Commission to follow more closely the cash balances of the agencies and to strengthen the agencies' obligation to submit, in their payment requests, rigorous forecasts of their real cash requirements in order to avoid unnecessary cash movements;
- **Community's building policy:** lastly, MEPs are concerned about the global structural deficit which reached EUR 5 million for maintenance and refurbishment projects concerning all the buildings that are owned by the Commission (including the Berlaymont). They reiterate the view that a study should be made of the feasibility of establishing a European property authority with responsibility for the construction and maintenance of the buildings of the EU institutions and bodies.