2006 discharge: EC general budget, Section III, Commission

2007/2037(DEC) - 22/04/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 582 votes in favour, 77 against and 18 abstentions, a Decision to grant the Commission discharge in respect of the implementation of the European Union general budget for the financial year 2006, as well as to the Commission's Education, Audiovisual and Culture Executive Agency and the Intelligent Energy Executive Agency. The decision to grant discharge also constitutes closure of the accounts.

At the same time, the Parliament adopted by 582 votes in favour, 49 against and 54 abstentions, a Resolution containing the comments which form part of the decision giving discharge. The report had been tabled to plenary by Dan **JØRGENSEN** (PES, DK) on behalf of the Committee on Budgetary Control.

Firstly, the Resolution recalls that 80% of Community expenditure is administered by the Member States under shared management, and that, therefore, each Member State must be able to take responsibility for the management of EU funds received by it, either through a single national management declaration or in the form of several declarations within a national framework.

In line with the position of the committee responsible, the plenary returned to the issue of shared management and responsibility, at all levels, of the implementation of the Community budget.

Overall, the Parliament made the following points:

Main conclusions: the Parliament welcomes the progress made by the Commission towards a more efficient use of EU funds and in the overall control environment. It welcomes the ECA's statement of assurance, particularly regarding the level of error, and calls on the Court to apply this principle to all chapters of its annual report in the future. It welcomes the considerable progress made by the Commission in the management of common agricultural policy (CAP) funds, thanks to the functioning of the Integrated Administrative Control System (IACS), as well as the **commitment by the Commission to report on a monthly basis** to the Parliament's Committee on Budgetary Control on the **follow-up to the discharge procedure**, so that, every month, the Parliament has an idea of the latest developments, 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. However, plenary abandoned the idea of calling 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, as the Committee responsible had called for.

National management declarations: the Parliament welcomes the Commission's commitment to give firm political support to Member States in the drawing up and publishing of national declarations, following the example of the Netherlands, the UK, Denmark and Sweden. In particular, plenary insists that the Commission must react to fulfil important requests made in Parliament's resolution accompanying the discharge decision in respect of the financial year 2005, which is not the case in the field of national declarations, where Parliament asked the Commission to submit to the Council before the end of 2007 a proposal for a national management declaration covering all Community funds under shared management. Parliament regrets the Commission's tacit acceptance of Member States' collective irresponsibility

concerning financial management in the European Union, with the exception of Denmark, the Netherlands, Sweden and the UK, who decided to follow Parliament's requests in terms of national declarations.

Concerning recoveries, the Commission must present complete and reliable figures for recoveries, specifying the exact budget line and year to which the recovery relates, given that any other presentation makes serious control by the Parliament impossible (even though it is aware that the Commission to a large extent has to obtain this information from the Member States). It is also recalled that, for the last three years, Parliament has proposed the introduction of national management declarations in order to put the Commission in a position where it is able to fulfil its information role.

Overall, the Parliament expects the Commission to include a new action point "**promoting national management declarations**", as part of its follow-up to its action plan towards an integrated internal control framework. Therefore, it completely rejects the Commission's position, which decided not to continue developing a single standard declaration for all Member States.

Structural Funds: Parliament welcomes the publication of an 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 in respect of the financial year 2006. It also welcomes the firm commitment made by the Commission to ensure that **any undue payments are recovered** in the time remaining before the closure of winding-up procedures for the period 2000 to 2006 and considers a major achievement of the 2006 discharge procedure to be the commitment made by the Commission to **correct all individual errors** found in the ECA's Annual Report, and in particular the commitment to make **100%** corrections in all cases of serious breach of public procurement procedures and to apply financial corrections whenever it finds systemic tendering problems. Parliament fully approves the Commission's initiative to apply a policy of suspending payments as soon as possible following detection of serious weaknesses in Member States' control systems. In this context, it hopes to set up a reporting scheme allowing recoveries made ex post to be linked to the year when the actual funding was allocated.

External actions: the Parliament welcomes the Commission's increasing awareness 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, Parliament invites the Commission to revise, as soon as possible, the Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA) and it expects to be kept informed regarding this agreement. It calls on the Commission to provide a series of technical information with the aim of **improving the visibility of Community funds**, particularly when implementing aid via other organisations.

In addition to these general observations, the Parliament makes a certain number of horizontal observations on the Statement of Assurance and on the implementation of different budgetary headings during the financial year 2006.

Horizontal issues: while overall the Parliament notes with satisfaction the Court of Auditor's positive opinion concerning the reliability of the final annual accounts for 2006, it deplores, 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, it regrets 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.

The Parliament notes the significant efforts made by the Commission in terms of budgetary management but once again regrets 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.

Sectoral issues: the Parliament looked in detail at the implementation of the budget for each of the budget headings and made the following points:

- **CAP**: although Parliament is generally satisfied, it considers that 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", the Parliament urges 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. Parliament believes that legislation applicable to structural funds must be simplified and that 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. The Commission should also start suspension procedures against Member States whose first level control systems are inadequate;
- **Internal policies**: Parliament deeply regrets the critical assessment of the Court of Auditors in this area, which is under the Commission's direct financial management. Therefore, next year, the Commission should rectify the weaknesses highlighted by the Court, and take measures to put an end to the current practice of delayed payments;
- **External actions**: Parliament calls 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, the Parliament calls on the Commission to react and to strengthen its controls at all levels. It underlines 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. It also calls 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, Parliament calls for clarification on what has been done to alleviate the situation of Iraqi refugees and displaced persons, and on EU assistance to Afghanistan and requests annual lists of projects funded by the EU;
- **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), Parliament calls for an analysis of decentralisation and its effects on Commission staff. The Commission must follow more closely the cash balances of the agencies and oblige agencies to submit, in their payment requests, rigorous forecasts of their real cash requirements. Lastly, the Parliament expresses concern over the structural deficit of maintenance and renovation projects of Community buildings, which amounted to EUR 5 million (including the Berlaymont, which is owned by the Commission). It reiterates its support for the creation of a European property authority with responsibility for the construction and maintenance of the buildings of the EU institutions and bodies.