2008 discharge: EU general budget, European Parliament

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PURPOSE: to present the report of the Court of Auditors on the implementation of the budget for the financial year 2008 (other institutions - European Parliament).

CONTENT: in its annual report for the financial year 2008, the Court focuses on the legality and regularity of the operating expenditure of the institutions. In 2008, the Court carried out audits in all the institutions on the following selected topics (procurement contracts, late payment penalties, payments on carried-over appropriations, transfers of acquired pension rights, etc…). In addition, the Court assessed the compliance of the supervisory and control systems applied by each institution with the requirements of the Financial Regulation

In 2008, the Court notes that **all the institutions operated satisfactorily the supervisory and control systems** required by the Financial Regulation and the **transactions tested were free from material error of legality and regularity**.

Although the legality and regularity of the transactions underlying the accounts have been confirmed by the Court of Auditors, it does however draw attention to a number of findings which should be taken into consideration by the institutions concerned.

Nevertheless, in the specific case of the audit of the **European Parliament**, the Court notes in particular the following:

Expenditure relating to the fitting out of premises: Parliament signed a contract in December 2007 concerning the fitting-out of premises which provided that the invoices were to be presented monthly after each period, on the basis of work completed. The audit of this expenditure showed that one invoice dated 17 November 2008 had been endorsed ‘certified correct’ and ‘passed for payment’, when in fact it represented advances for works not yet performed. The total amount paid irregularly in advance was **EUR 1 547 915**.

Parliament states this sum was purportedly in respect of works for the period of December 2008. Parliament acknowledges that this payment was irregularly made in advance of the works being carried out for the period in question. That payment was based on an erroneous assessment of the risks attaching to a failure to use appropriations carried over from 2007 to 2008 before the end of 2008. The payment was covered by a bank guarantee provided by the contractor and thus entailed no adverse budgetary consequences for the institution.

These circumstances were drawn to the Authorising Officer by Delegation’s attention following the Court of Auditors’ controls in the context of preparing the 2008 DAS. After discussing the matter with the Internal Auditor and informing the Secretary-General, the Authorising Officer by Delegation decided, in acknowledgment of the mistake and assuming responsibility for it, to refer the matter himself to the Financial Irregularities Panel. In the meantime, the Bureau has decided wide structural changes in the European Parliament DG concerned which will have the effect of centralising these responsibilities at the level of Director-General.

Follow-up to observations from past annual reports: the audit gave rise to remarks on actions and decisions taken as a follow-up to observations from past Annual Reports concerning the reimbursement of

accommodation costs incurred on mission (2004 to 2007 Annual Reports). The Court considers that the Parliament should ensure that accommodation costs incurred on mission are reimbursed in compliance with the Staff Regulations. The Parliament's Bureau confirmed its support for the existing scheme of flat-rate reimbursement while agreeing to a modification of the system. As a result, the Parliament continues to pay accommodation costs on a lump-sum basis for claims relating to overnight stays in Luxembourg, Strasbourg and Brussels.

In its Annual Report for 2006, the Court of Auditors considered that there was insufficient documentation to demonstrate that MEPs actually employed or engaged the services of assistants, and that the duties or services mentioned in the contracts signed by the MEPs had been really carried out. The Bureau should take action in order to obtain the documents considered essential to prove that the expenditure was justified.

As regards the allowances for assistance to Members of the European Parliament (2006 Annual report), the Court considers that the Parliament should further enhance controls over the parliamentary assistance allowance, including random checks of invoices that the MEPs have in their possession and further develop the regulatory framework applied for the parliamentary assistance allowance, in order to address its weaknesses. Parliament states that from the new parliamentary term starting in 2009, assistance to Members will be provided by accredited parliamentary assistants chosen by MEPs, engaged by the Parliament, and by local agents engaged by Members. Council Regulation (EC) No 160/2009 amended the conditions of employment of other servants of the European Communities and created a category for accredited parliamentary assistants, which will be recruited starting from the new parliamentary term. These will be chosen by MEPs, employed by the European Parliament and paid at standard pay scales. They will be based in Parliament's offices, and provide assistance to specific Members of Parliament. The Court states that it will monitor the clearance by the Parliament of the MEPs' statements of expenditure related to the financial years 2004-2007.

The Court also highlights the issue of the multiplication factor applicable to salaries (2007 Report) and recalls that this resulted in the granting of a financial advantage to their staff, which the other institutions do not grant, and in higher expenses. The Parliament continues to apply its current practice while waiting for the Court of Justice's final rulings in cases brought in this respect by staff of the institutions. The Court of Auditors will monitor the follow-up to the Court of Justice ruling.

Lastly, as regards the additional pension scheme for Members of the European Parliament (2006 and 2007 Annual Report), the Court states that there should be clear rule established in the scheme to define the liabilities and responsibilities of the European Parliament and of the members of the scheme in case of a deficit. In March 2009, Parliament's Legal Service issued an opinion on the application of the new Statute for the Members of Parliament, which states that Parliament is bound to guarantee acquired pension rights. A new actuarial study should be performed in order to assess the impact of the decisions made by the Bureau concerning the measures applicable to the members of the scheme. Parliament should clarify its role in the management and supervision of the Fund's assets.