2008 discharge: EU general budget, section III, Commission

2009/2068(DEC) - 05/05/2010 - Text adopted by Parliament, single reading

The European Parliament adopted by 520 votes to 68, with 36 abstentions, a decision on discharge to be granted to the European Commission in respect of the implementation of its budget for the financial year 2008, as well as to the Directors of the following executive Agencies: “Education, Audiovisual and Culture”; “Competitiveness and Innovation”; “Health and Consumers”; “Trans-European Transport” for the implementation of their respective budgets for the financial year 2008.

The decision to grant discharge also marks the closure of the accounts for the General Budget of the Union and the budgets of the agencies concerned.

In parallel, Parliament adopted by 550 votes to 48, with 39 abstentions a resolution containing a series of observations which are an integral part of the decision to grant discharge.

Among the main concerns raised by Parliament, Members refer to the accumulated problems deriving from the previous Commission, which include: i) continuing high rates of error in payments, ii) slowness in recoveries of undue payments, and iii) carryovers at unprecedented high levels.

Although Parliament welcomes the initial signs of a collegial approach from the new Commission promising action in the areas of Member State statements of assurance, proposals for tolerable risk of error, simplification and transparency, and trust funds covering external actions, it also awaits further action in the area of corrections and recoveries, and internal control systems. Overall, Parliament believes that errors in expenditure hinder effectiveness in achieving EU policy targets. It considers that this is still an **inadequate level of improvement** year on year and points out that, despite some areas of improvement, an error rate above 5% remains in policy groups which account for 31 % of the budget, and a rate of between 2% and 5% for a further 22%. It is for this reason that it calls on the Commission to prepare and submit to Parliament a new Agenda for 2010 onwards, providing for an acceleration in the reduction of error rates so as to ensure that a **further 20 % of the budget can be given a 'green' classification** from the Court of Auditors by 2014, with interim changes called for from the Court of Auditors for a new methodology to show specific error rates within the Cohesion budget chapter and differentiating between payments made under the 2000-2006 and the 2007-2013 legislation. It considers that reaching this target is an essential part of getting full value for EU expenditure in the future and progressing towards a positive DAS.

Parliament also proposes a series of horizontal recommendations. These may be summarised as follows:

- **Statement of Assurance (DAS)**: although Parliament notes with satisfaction the Court’s positive opinion concerning the reliability of the final annual accounts, it considers it abnormal that the annual accounts should be presented with negative own capital of EUR 51.4 billion. Parliament regrets that the **DAS still remains qualified (negative)** in extremely important Community spending areas of the budget for the 2008 financial year (Rural development, Structural measures, Research, energy and transport, External actions at the level of implementing organisations and Enlargement). It welcomes the Commission’s efforts made by the Commission since the implementation of the Action Plan and it calls on it to provide a series of indicators and descriptors to measure the impact of this Action Plan.
- **information and framework of the DAS:** in view of the use of the DAS as a key element to improve the way in which European money is spent, Parliament considers that having **only one**

global and annual assessment does not reflect the complex structure of the European Communities' finances. Furthermore, continuing to receive a negative annual assessment for 15 consecutive years has negative repercussions amongst the Union's citizens;

- **revision of the Treaties: reform of the DAS:** noting that Parliament has an enhanced role in the procedure of revision of the Treaties since the entry into force of the Lisbon Treaty, in particular as regards the statement of assurance, Parliament calls for reflection on the **feasibility of separate statements of assurance in the future**, to be provided both by sector/policy area and by multiannual programme;
- **budgetary management: considerable RAL:** Parliament is concerned that outstanding budgetary commitments (unused commitments carried forward to be used in future years), mainly on multiannual programmes, increased in 2008 by EUR 16.4 billion (11.8 %) to **EUR 155 billion** because of delays in the start-up phase of the new programmes. The "RAL" is mainly related to the cohesion area which is why Parliament calls for an overview of budgetary support granted, by country and by fund, for the years 2005 to 2009;
- **recoveries:** Parliament notes some improvement in recoveries, but nevertheless remains concerned about the problems which subsist regarding irregularly disbursed Community funds and the poor quality of the information supplied on the correction mechanism applied at Member State level. It draws attention to the urgent need to **aim for a 100 % recovery rate** in respect of funds that have been falsely issued. It also calls on the Commission to enhance the efficiency and effectiveness of multiannual recovery systems, including at Member State level, and to consolidate data on recoveries and financial corrections in order to provide reliable figures which can be compared between the various policy areas and fund management procedures. Parliament recalls its demand that the Commission produce an annual fund-by-fund grading per Member State, specifying the error rate established;
- **suspension of payments:** Parliament assures its full support in the rigorous application of the legislation on suspension of payments and draws attention to the example of Greece, where significant financial corrections brought about by Commission decision appear to have resulted in better performance in some areas. It agrees that the suspension of payments, as a means of pressure, will contribute to greater involvement of the Member States in the correct use of EU funds received;
- **annual summaries:** Parliament stresses the need to strengthen the role of annual summaries in the upcoming review of the Financial Regulation as well as to improve the quality, homogeneity and comparability of the data provided by Member States so as to ensure their added value in the field of the control of EU funds. It considers that a comparative analysis should be forwarded to Parliament, the Council and the Court by late 2010;
- **national management declarations:** Parliament welcome the voluntary initiatives taken by Denmark, the Netherlands, Sweden and the United Kingdom to draw up national management declarations. In its view, this practice should be generalised and the principle of **compulsory national management declarations for all Member States** introduced. Parliament makes reference to the manipulation of financial statistics and tax evasion in Greece and draws attention to the serious financial impacts on Greece that these have had.
- In regard to the **Commission's internal control system**: with regard to internal control, Parliament made the following observations:
- **the Action Plan for an Integrated Internal Control Framework:** notwithstanding the progressive improvement in the DAS since 2003, Parliament remains concerned by the Court's assessment that it is not yet possible to determine whether the Action Plan has had a measurable impact on the supervisory and control systems. Further efforts are required on this matter;
- **balance between operational expenditure and the cost of the EU funds' control system:** Parliament calls on the Commission to carry out in 2010 a more complete and exhaustive evaluation of the resources given over to control systems in certain areas in order to assess what future improvements can be achieved and at what cost, as recommended by the Court of Auditors for achieving progress on the question of tolerable risk of error;
- **tolerable risk of error:** Parliament considers that it is urgent to clarify the definition of "tolerable risk of error". Overall, the Commission should evaluate the relationship between the resources

available for each particular policy, and the part of those resources dedicated to the control systems broken down by area of expenditure. It must also identify areas of high political sensitivity (with high "reputational risk") where a quality approach to rates of error (rather than an economic one) should be adopted;

- **interinstitutional debate on the current discharge procedure system:** Parliament calls on the Commission to organise an interinstitutional discussion at the highest level, involving Member States, with a view to embarking on a comprehensive debate on the current discharge procedure system.

Political responsibility and administrative responsibility at the Commission:

- **transparency and ethics:** insisting on the importance of annual activity reports for the directorates-general of the Commission, Parliament also stresses more generally the need to ensure the transparency of working methods and also of beneficiaries of EU funding. It suggests, in particular, that the public must have access to **information on all members of expert groups and working groups managing expenditures and that a public register of NGO-type bodies that receive EU funding be established**. It also emphasises the need to revise the present **Code of Conduct of the Members of the Commission** in order to remedy shortcomings such as: (a) the absence of any definition of the term "conflict of interest", (b) the failure to prescribe a course of action if a conflict of interest arises, (c) a lack of clarity with regard to the acceptance of gifts and hospitality, and (d) the absence of any body designated to look into complaints as well as to relieve the President from the (possible) duty of self-assessment. It expects the Commission to begin the process of consulting Parliament on revision of the present Code of Conduct of the Members of the Commission by August 2010. The Code should incorporate the necessary ethical rules and the principal guidelines to be observed by Commissioners in the conduct of their office. MEPs insist, in particular, on the need for all staff are well trained and properly briefed about their obligations and rights under the Staff Regulations;
- **governance and administrative reform:** Parliament urges the Commission to submit an establishment plan implementing a 3 % reduction in this field by the end of the term of office of the Barroso II Commission. It makes some suggestions for alternative methods for the adjustment of the pay of officials, and also proposes that the Commission splits the hierarchical power between people with accounting responsibility and those responsible for transferring funds in application of the normal security rules for internal control in treasury management;
- **OLAF:** Parliament welcomes the undertakings by the new Commission to unblock discussions in the Council about the reform of OLAF and reiterates its view that OLAF should remain within the Commission whilst retaining its independence.

Sectoral questions: cohesion issues: Parliament also dwelt upon sectoral questions affecting the implementation of the Union’s budget. All of the recommendations made by the committee responsible were taken up (see summary dated 23 March 2010). The plenary mainly focuses on errors affecting **cohesion policy**. Parliament deplores the fact that the system of sanctions for Member States returning high error rates and receiving large shares of funds is inefficient since they only repay between 3% and 5% of the overall appropriations in recoveries. In this regard, it is concerned that the cost of maintaining proper control systems manifestly exceeds this amount, so that this is a negative incentive. Once again, Parliament calls for a simplification of the rules proposed by the Commission and the introduction of more efficient controls at national and EU level, with a view to effective implementation of the Structural and Cohesion Funds.

On the matter of financial corrections, Parliament regrets that the current system has little dissuasive effect on Member States.

Echoing the concerns expressed by the Court of Auditors at the difficulties of taking a definitive and unchangeable snapshot, solely in the annual report, **of the changing and progressive reality that is the**

Cohesion Policy budget, Parliament calls on the Commission to present a proposal for solving these phasing difficulties between the multiannual budgetary framework and the annual auditing system. It considers that such a proposal would also be useful to ensure there is more efficient control of major European projects, such as Galileo.