

2002 discharge: EC general budget, section III

Commission

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PURPOSE : to present the Council recommendation on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Communities for the financial year 2002. **CONTENT** : to recall, according to the revenue and expenditure account for the financial year 2002: - revenue amounted to EUR 95 434 404 645,45; - expenditure disbursed from appropriations amounted to EUR 83 770 766 619,23; - cancelled appropriations carried over from 2001 amounted to EUR 858 383 918,09; - the positive budget balance amounts to EUR 7 421 720 788,24; - EUR 4 994 567 912,24 in appropriations for payments, including those relating to participation by third countries, have been carried forward from the financial year 2002 to the financial year 2003. Based on the observations in the report by the Court of Auditors for the financial year 2002, the Council recommends the European Parliament, in the light of these considerations, to give a discharge to the Commission in respect of the implementation of the budget of the European Communities for the financial year 2002. However, the implementation of the budget by the Commission calls for a series of comments from the Council. The Council attaches importance to its comments being followed up and assumes that the Commission will implement all of the recommendations in full, without delay. The Council appreciates the Court's efforts in improving the contents and the structure of its annual report. It welcomes, in particular, the introduction of a new chapter on budgetary management providing for a comprehensive overview of the implementation of the 2002 budget. The Council notes with satisfaction the inclusion of tables describing the functioning of management systems and controls and regrouping the chapter's key observations at the end of most chapters. In the future, the Council would like to see these tables extended, where appropriate, to all sectors covered by the report. The Council recalls its request of last year for the Court report to include measurable indicators with which to compare progress from year to year and considers that a positive start has been made in this regard and looks forward to further improvements in the 2003 report. In the same spirit, the Council is of the opinion that tables on the reservations expressed in the Director-Generals' Statements would also be useful. The Council notes with interest the approach initiated by the Court concerning the Statement of Assurance (DAS) to be implemented for the years 2002, 2003 and 2004. In order to increase the involvement of all concerned parties in a constructive and proactive way, it asks the Court to continue its efforts by considering the provision of seminars on the DAS to the relevant authorities in Member States and Commission. This should cover the approach, concepts, methods and presentation of results being used by the Court. The Council stresses the importance of the annual Director-Generals' Statements. It considers that these statements should constitute a more useful element for the Court's audit work on the DAS. In this context, the Council invites the Commission to improve the consistency of these Statements. The Council emphasises its interest in the annual activity reports to be prepared by all the institutions in accordance with the Financial Regulation. The Council recalls the great importance that it attaches to the White Paper of March 2000 and welcomes the progress noted by the Court in the area of the administrative reform of the Commission and the implementation of the New Financial Regulation. It urges the Commission to speed up the process, in particular regarding the implementation of internal control standards in all Directorates-General. It calls on the Commission to take appropriate steps to address the difficulties identified in recruiting financial staff and promoting the necessary risk management culture. It notes the progress reported by the Commission in the deconcentration process in the field of external actions. The Council notes with satisfaction that the Commission is prepared to examine the Court's suggestions as to the feasibility of integrating all action plans into a single document that should be updated regularly. It considers that this measure will help significantly the follow-up work, in particular the monitoring of progress made. Bearing in mind the challenges identified by the Court, and while acknowledging that the Commission is responsible for the implementation of the budget, the Council invites the Commission and the Member States to strengthen co-operation in the areas of shared management in order to improve the implementation and

administration of Community Funds. Equally, the Council welcomes the progress made in the implementation of the Commission's action plan concerning the modernisation of the accounting system on the basis of international standards applicable in the public sector. The Council notes the Commission's assurances that the new accounting system will be operational to an acceptable standard by the deadline of 1 January 2005 despite the Court's doubts. This will of course be monitored with interest by the Council. The Council is again disappointed, despite the improvements noted above, that the Court was unable to give a DAS in relation to most of the expenditure. It hopes to see the results of the improvements made by the Commission with regard to the legality and regularity of underlying transactions reflected in practice in the shortest possible time frame. The Council expresses serious concerns that the budget surplus for 2002 still remains very substantial (EUR 7 billion). A very sizeable proportion of that surplus stems from the cancellation of appropriations for the financial year in question. As the Council has pointed out before, that trend could affect the credibility and sound management of the Community budget. The Commission should endeavour to gear budget estimates as closely as possible to capacity for use of appropriations, so as to avoid significant discrepancies. The Council therefore calls on the Commission, with Member States' assistance and on the basis of past experience, to show greater rigour in its estimates and tailor its budgeting to real needs. It attaches importance to an efficient implementation of activity based management being aware of the complexity of the task. As regards enlargement, the Council stresses the need to strengthen financial management and control structures, in order to ensure a satisfactory implementation of Community Funds. It will continue to follow closely the efforts made by the Commission in this respect. The Council highlights the co-ordinating role to be played by the Commission in administrative co-operation between Member States, particularly in protecting the Community's financial interests, and encourages the Commission to continue to take an active part in such co-operation. Finally, in the light of the approach initiated by the Court, the Council intends to further strengthen its treatment of questions of audit and financial control in order to have a more regular and effective monitoring process of the Council's recommendation of the discharge, in continued close co-operation with the Commission and the Court of Auditors.