European Monetary Institute EMI , European Central Bank ECB: financial year 1998. Report Court of Auditors

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PURPOSE : to present a report by the Court of Auditors on the European Monetary Institute (EMI) and the European Central Bank (ECB) for the financial year 1998. CONTENT : the present report takes into consideration for 1998 the efficiency of the management of the EMI throughout the firt five months of the year (corresponding to the first 5 months of its existence) and the ECB (for the remainder of 1998). As regards the examination of the EMI's activities, the report states that it has been positive in particular with regard to the role that this body had to play in the preparation of the third stage of the EMU and the introduction of the Euro. As from the 1 January 1998, when the Institute went into liquidation, all the activities of the EMI have been transfered to the ECB. As far as the ECB is concerned, the Court expresses that following its audits, it sent observations and recommendations to the ECB's management. These recommendations are based in particular on the budget management and monitoring. Furthermore, the Court states that information about the consolidated budget outturn for the 1998 year was not available (including also the EMI expenditure) and thus could not be forwarded to the Governing Council. However, in the report on the implementation of the ECB's, which provides an analysis of the second semester only (1 July to 31 December 1998), the expenses of the EMI appear as the time when the Institute had already ceased all activity. The Court believes that the reliability of the information presented has not been verified by arithmetic or accounting checks. As far as project management and monitoring is concerned, the Court believes that the project monitoring procedures could be improved to render assessment of the state of progress of projects easier and better, in respect of both timepath and budget utilisation. Lastly, the Court states that on 24 March 1998 the EMI Council, in the capacity of budgetary authority, decided to grant an extraordinary bonus to part of the EMLi's staff on the occasion of the establishment of the ECB, in recognition of the effort made by them. This bonus was to come on top of the normal merit pay distributed every year since 1996. The Council had set a figure of DEM 1,9 million as the total amount to be distributed by way of the extraordinary bonus but, as a result of the way in which the decision was implemented, the total cost was DEM 2,8 million and some employees received a bonuses of up to 38% of their annual salaries, even though, theoretically, the maximum was 13,5% for a period of 18 months. The Central Bank supplied some replies to these various observations: 1) on the subject of budget management: as regards the Court's observations on the non-establishment of an annual summary reconcilation for 1998, the ECB would like to emphasise that such an exercise was suspended for 1998 and only on an exceptional basis; 2) on the subject of project management: the EMI project organisation and control procedures in force in 1998 wererevised in 1999 thereby building on lessons learned during the lifetime of the EMI; 3) on the subject of the extraordinary bonus: the ECB acknowledges that the wording of the EMI Council Decision may lead to the conclusion that a special budget of DEM 1,9 million was created for the payment of the extraordinary bonus and that this covered the 18 month period from 1 July 1997 to 31 December 1998. It specifies that the extraordinary bonus was merely an acknowledgement rather than a compensation of the high number of extra hours worked by the EMI staff.