2001 discharge: EC general budget, section III Commission

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PURPOSE : to present the annual report from the Court of Auditors on the implementation of the general budget of the Communities 2001 (Commission) including the Statement of Assurance. CONTENT : the Court of Auditors has published its 25th annual report on the financial year 2001, on the activities financed by the general budget of the Communities. From the report it has been established that the 2001 accounts faithfully reflect the Communities' revenue and expenditure for the year and their financial position at the year-end, except for certain questions linked to the weaknesses in the design of the accounting system, that the Court as already commented on several times in the past. With regard to the legality and the regularity of the transactions underlying the financial statements, in view of the results of the audit the Court is of the opinion that the transactions are, taken as a whole, legal and regular in respect of revenue, commitments and administrative expenditure; it still cannot provide this assurance in respect of all the other payments which in value represent the largest part of the budget. The financial year 2001 shows in particular: 1) overstatement by EUR 148.7 million of provisions paid to the Member States in respect of agricultural intervention stocks; 2) entry without adequate justification under 'Sundry debitors' of EUR 980 million relating to cash transfers in third countries; 3) provision of EUR 564 million set up on doubtful bases in respect of the cost of dismantling the Joint Research Centre's nuclear installations; 4) overstatement of commitments still outstanding (RAL) by about EUR 1 318 million. The Court emphasises that most of its reservations and observations are matters that regularly recur. These weaknesses stem to a large extent from the Community accounting system which was not designed to provide an assurance that the various components of the Communities' assets have all been recorded. The Court is of the opinion that urgent in-depth action in the Commission's departments to cope with the risks arising from the shortcomings in the accounting system is required. More technically, the Court examines heading by heading, the elements of budget implementation which cause problems: - as regards the agricultural expenditure : the Court found CAP expenditure was materially affected by errors in the declarations made by farmers and other recipients of subsidy rather than at the level of paying agencies. The audit did not provide evidence of significant improvement in the overall situation previously remarked on. Since January 2000, Member States have been required to operate a system for the identification and registration of bovine animals, enabling the paying agencies to cross-check applications for payment of animal premiums. Although around half of the Member States failed to meet this timetable, this new tool is beginning to bring to light higher levels of inaccurate declarations in this scheme. Aid paid on quantities produced which cannot be verified ex post demand a strong control system. However, the largest schemes of this kind (olive oil and cotton) show particular weaknesses in terms of the implementation of checks by the Member States. Rural development is affected by the same types of error as area aid schemes; - concerning structural measures : the Court concludes that, despite progressive strengthening and improvements in the control systems applicable to the different programming periods, the control systems still do not ensure that the checks on final declarations of expenditure are rigorous and reliable enough. In addition, the structures are not all operational and independent auditing of the operations has not yet begun. This situation is due to the constant incertitude by the Commission and the Member States as to their respective responsibilities in terms of programming and, management and keeping of accounts; with regard to internal policies of the EU : the Court's examination concerning the trans-European networks concluded that the payments made in the framework of the programme were overall legal and regular. For research and technological development activities from the fifth framework programme, the audit concluded that, in all of the 19 contracts examined, costs had either been overstated by the beneficiary or the beneficiary was unable to justify the costs claimed. For the sample audited a significant incidence of overdeclaration in the cost statements audited was found, leading to a corresponding rate of overpayments by the Commission. The main reason for these overclaims was due to the beneficiaries' non-compliance with contractually defined obligations for the

reimbursement of costs; - with regard to external action, the Court examined the expenditure relating to humanitarian and food aid. The payments made by the Commission to the organisations responsible for the carrying out operations, who have intermediary offices (national authorities, NGOs and United Nations bodies) are deemed by the Court to be legal and regular. A certain number of discrepancies have affected the payments made by these organisations in favour of the final beneficiary. Another major problem, recurring since several years : the significant surplus of revenue over expenditure. A budget surplus of EUR 15.013 billion in 2001. A significant factor contributing to the emergence of the budget surplus is the overbudgeting of payment appropriations, not only for structural measures but also for the enlargement programmes.