

2000 discharge: EC general budget, European Parliament

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PURPOSE : to present the Annual Report from the Court of Auditors on the implementation of the budget of the other Community Institutions for the financial year 2000 (European Parliament). **CONTENT** : the Annual Report for 2000 deals with the Community budget as a whole, including the operational appropriations of the other Community institutions. The Court has reviewed the information presented in Volumes I to IV of the revenue and expenditure account. Volumes I and III provide a commentary on budgetary management for the year and, in particular, explanations of variations between the initial approved budget and the appropriations finally available, as well as between the appropriations finally available and those utilised. This review did not seek to provide assurance as to the reliability of these explanations. Rather, it sought to identify any significant variations for which explanations are not provided and to identify any explanation that might be considered misleading. The review did not reveal any case where the explanations appeared to be implausible, except at the Council, where mission costs totalling some EUR 0,5 million relate to missions carried out in 1999 in the absence of any appropriations and pre-commitment. The general approach adopted by the institutions to the analysis of budgetary management fails to inform readers of the most significant features of expenditure for the year. All of the institutions focus on explaining variances between out turn and the budget, sometimes in great detail. The way they do this is, however, inconsistent both within and between institutions. The analysis often obscures key issues in budgetary management: for example, Parliament does not explain the operation of the procedure to apply unused appropriations on other budget lines to capital repayments on buildings; and none of the institutions explains the differences between sums committed and payments made. According to the Court, it is desirable for the institutions to provide a more global analysis in the future, focusing on the main trends in expenditure, and the major capital items, as well as offering key measures of economy and efficiency. With regard to the reliability of the accounts and legality and regularity of the underlying transactions, the samples and analytical tests carried out have revealed a situation which, save for some specific observations, remains satisfactory overall. The Court notes in particular, that for the first time, the budgetary accounts and financial statements supporting the consolidated balance sheet faithfully reflect the administrative expenditure of Community institutions and bodies. The off-balance-sheet commitments present future pension costs in a more informative manner. The annual cost of pension rights acquired during the financial year is now shown. However, in the view of the Court it would be better for the liability to be presented in the balance sheet and the annual charge included in the calculation of the economic result, in accordance with international accounting standards. Parliament has for the first time entered the Louise Weiss building in Strasbourg under the heading 'Leasing' in its balance sheet, for a net accounting value of EUR 367,4 million, in accordance with the provisions adopted by the Commission on the accounting management of non-financial fixed asset accounts and the Court's previous observations. The notes to the balance sheet do not mention that this is an estimated value or that costs of around EUR 21,5 million are contested by Parliament. Moreover, the value of this asset is to some extent underestimated, since this amount includes the value of the land, amounting to EUR 8,8 million, for which, contrary to the applicable rules, a cumulative depreciation sum of EUR 1,2 million has been calculated. Furthermore, EUR 20 million of this amount comprises the value of special equipment which Parliament has depreciated at a maximum annual rate of 25 %, producing a cumulative value at the end of the financial year 2000 of EUR 60 million, without disclosing the nature of the equipment concerned and the depreciation rates that should actually be applied. The Court notes that the improvement brought about by the new inventory management system (ELS) is indeed significant. The percentage represented by the value of assets whose inclusion in the inventory is required and which were entered in the balance sheet without being identified referred only to movable items (excluding, therefore, the value of immovable property likewise included in the balance sheet). However, the inventory does not show assets purchased by Parliament's political groups using appropriations made available to them. With regard to public

procurement policies, in general, the procurement procedures applied by the institutions are legal and regular. Infringements, where they occur, result, in the main, from the lack of experience/expertise in the domain of tendering for particular services, and pressures on departments to adopt administratively convenient solutions, e.g. exemptions from tendering on 'technical grounds' to facilitate the commitment of funds before the year end. Consequently, the Court believes that the Institutions need to introduce a system of preventative measures, such as training authorising officers in procurement procedures and developing checklists, to complement the roles the ACPC and Financial Control currently play if compliance with the directives is to be improved further. Internal control systems reviews and compliance testing by the internal auditors will also be important in the future, due to the planned abolition of the ACPC and Financial Control.