2000 discharge: follow-up on the European Parliament's resolution. Report

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PURPOSE : to present the follow-up report on the European Parliament resolution on 2000 Discharge for the General Budget. CONTENT : at Parliament's request, the Commission produces the present follows-up report on the action taken by the Commission or that which it intends to take in response to the comments contained in the discharge resolution in respect of the implementation of the general budget of the European Union for the financial year 2000 voted by the European Parliament on 10 April 2002 (refer to DEC/2001/2102). The document gives answers to the all the observations made by the Parliament in its resolution of April 2002. Among the main answers from the Commission, one can note in particular those which concern: - the effectiveness of the Commission whether it be in terms of strategic approach or in terms of management (procedures, controls, etc); - the fight against fraud and the protection of financial interests (problems linked to export refunds, OLAF and the funding linked to the enlargement process); - sectoral issues more specifically linked to management of different programmes; - access to documents. 1) Effectiveness of the Commission : the report shows that the Commission has implemented a new management system (Activity-Based Management) in order to increase cost awareness through integrated decisions on priorities and allocation of resources, objectives, planning, monitoring and evaluation of activities and to develop performance management by emphasising results rather than input control. As regards the planning, the first Annual Policy Strategy (APS), adopted in February 2001 for the year 2002, launched the strategic planning and programming cycle, linking political priorities, key actions and corresponding resources. The Commission also reformed its Work Programme to provide better focus on political priorities and introduced a new system of operational programming to ensure more effective delivery on priority objectives. As regards management, new supporting tools were introduced for the first time in 2002: Annual Management Plans as key instruments to help management integrate priorities, objectives and resource allocation at the operational level and Annual Activity Reports aggregating information on outcomes and use of resources according to the principles of sound financial management (economy, efficiency and effectiveness). Moreover, the Commission responds more precisely on the administrative machinery of the Commission as well as on the new control system put in place in the framework of the reform of the Commission and on the decisions taken in 2002 in this context. The report also goes into detail on issues such as the contractual management procedures and Community subsidies. The Commission replies by stating that several initiatives have been launched in the context of the recast Financial Regulation (adopted in June 2002) which strengthen the general, transparent and fair rules for awarding both grants and procurement contracts. The ensuing harmonisation of procedures throughout Community policies should simplify candidacies for applicants. 2) Regularity, combating fraud and protection of financial interests : the Commission is fully in agreement with the Parliament's view on the need to strengthen the protection of the Community's financial interests and fraud prevention in general. To this end, it adopted a strategy on an overall strategic approach for the protection of the Community's financial interests and the fight against fraud. The strategy involves all the Commission departments. The four main parts of this approach are as follows: - developing an overall anti-fraud policy based on Article 280 of the Treaty to provide effective and equivalent protection of the Community's financial interests. This involves adopting legislation to cut off existing opportunities for fraud and other activities harmful to the Community's interests, including regulations aimed at reinforcement of cooperation to prevent and combat money laundering and VAT fraud, a proposal for a regulation on the 'black list' mechanism and an initiative concerned with the integration of administrative measures and penalties in the field of direct expenditure. The Commission has adopted a communication concerning the fraud-proofing of legislation and contract management. - fostering a culture of cooperation between all the authorities responsible so that the national and Community authorities participate fully and in concert to protect financial interests and combat fraud. A Community platform of services is under construction. Its purpose is to collect, exploit and make available to national administrations and all Commission departments information

gathered on the ground relating to the protection of financial interests and fraud prevention. To this end, a specific Directorate for Intelligence was established in OLAF. It should contribute to the drawing up of the operational priorities of the Office and the reinforcement of exchange of information with the Member States, including more precise information on the follow up of cases by Member States on which the Parliament expresses concerns. - following an interinstitutional approach to preventing and fighting fraud and corruption with the aim of making all Commission officials and beneficiaries aware of the ethical aspects of financial management and to lay down guidelines to prevent conduct harmful to the Community's financial interests These guidelines have been adopted in the form of a code of conduct and, if used on an interinstitutional basis, should enable all the institutions to respond better to the concerns expressed by the Parliament; - strengthening the criminal law dimension so that the most serious cases of wrongdoing are subject to criminal proceedings. To this end OLAF is strengthening its cooperation with the national judicial and police authorities. The Commission has adopted a Green Paper on the criminal law protection of the financial interests of the Community and the establishment of a European Public Prosecutor. As regards the preventive aspects, in addition to the general effort concerning sound financial management, the new Financial Regulation adopted by the Council on 25 June 2002 contains a number of provisions designed to strengthen the protection of the Communities financial interests (such as penalties to apply to procurement and grants, the suspension of performance of contracts and agreements where irregularities or fraud aredetected, recovery decision, amounts may be recovered by offsetting against any claim that a debtor has on the Communities that is certain, of a fixed amount and due). As regards to OLAF and the enlargement process, the Report considers that combating fraud and the effective protection of the Community's financial interests must be top priorities in the candidate countries and invites the Commission to make special efforts to ensure that, prior to accession, all candidate countries have introduced genuine accounting, auditing and control systems in accordance with the EU standards, in the areas benefiting from EU financial assistance and in particular where there is shared management of Community appropriations; insists that the annual country progress reports include clear and detailed information on the implementation of the financial pre-accession aid, on the measures taken to monitor it and on the out-come of auditing and checks on the spot and on chapter 28 (financial control). 3) Sectoral issues: in this area, the report presents a list of irregularities highlighted by the Parliament in its resolution of 10 April 2002. The report concerns, in particular, the area of Justice and Home Affairs (European Refuge Funds, Eurodac and the European Monitoring Centre on racism and Xenophobia), some decentralised agencies, the DAPHNE programme and the cooperation sector of Community development. The report states that a new management information system was set up in 2002 making it possible to produce information in conformity with the standards fixed by the Development Assistance Committee (DAC). 4) Access to documents : with regard to the problem of access to documents, the report states that Parliament, as the discharge authority, must have the same access to Commission documents as the Court of Auditors. The Commission considers that the Framework Agreement has enabled all the necessary confidential information to be transmitted to Parliament for the purposes of the discharge in satisfactory conditions. The Commission states that the Parliament's control powers are fully recognised and protected by the EC Treaty.