2002 discharge: EC general budget, European Parliament

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PURPOSE : to present the Annual Report from Court of Auditors on the implementation of the budget of the other institutions for the year 2002 (European Parliament). CONTENT : the 2002 Annual Report from the Court of Auditors concerning the financial year 2002 concentrates on the Community budget as a whole and contains the institutions' and other bodies' administrative appropriations. These appropriations are managed directly by each institution or body and are used primarily to pay the salaries, allowances and pensions of persons working for the Community Institutions, as well as rent, property, purchases and miscellaneous administrative expenditure. In the Commission's case, these appropriations also enable subsidies to be given to associations and organisations that assist in the implementation of various aspects of the European Union's activities. The Court carried out an audit of the European institutions' Invalidity Pensions Scheme in order to assess the cost of invalidity pensions, identify potential savings, determine whether invalidity pensions are only granted where a real invalidity has been duly recognised, and evaluate whether the institutions have set up the management systems required for adequate monitoring of, and effective control over, the operation of the scheme (3/2003). The Court's audit revealed a complex picture. On the one hand the rate of invalidity retirement has remained stable over the last 15 years, and, in the opinion of the Court's medical adviser, invalidity pensions are awarded in a justified way. On the other hand, retirement on invalidity grounds is more common in some grades than normal retirement, and there is evidence that frustration in the working environment is a significant element in demotivating some staff who are eventually retired on ill-health grounds. A part of invalidity retirements could, moreover, be avoided if adequate administrative measures for prevention and early treatment of medical problems and the associated employment problems were taken in good time. The result is frequent and costly delays in the opening and progress of the invalidity procedure, with the length of the process itself associated with deteriorating health and consequently with extremely low rates of reinstatement, especially in the 50 % of cases involving psychological disorders. The Court states that the total net actuarial cost of the invalidity pensions awarded each year has been estimated by the Court at about EUR 74 million. The audit found scope for financial savings through the adoption of adequate administrative measures for prevention and early treatment, particularly in cases where the grounds for invalidity are psychological. Such measures should include the development by the institutions of an overall policy on absences due to illness and on invalidity, with performance indicators, strong support from senior management, clearly allocated roles and responsibilities, strong medical and administrative synergy, and with careful and resource-intensive attention given to the needs of those members of staff who need support. This policy should focus both on actions to be taken in the early stages through preventative measures that consider the organisation of work and working conditions, and on those actions required at a subsequent stageto help rehabilitation and encourage members of staff who are in poorer health to continue to work under reasonable conditions. More specifically, as regards the European Parliament, the Court concentrated on the issue of an additional pension scheme for Members of the European Parliament. It was noted in 1999 that problems existed concerning the additional pension fund. In 2002, a total of EUR 8 179 999 from Parliament's budget was paid as a contribution to the additional (voluntary) pension scheme (2/3 of the contributions to the scheme are directly charged to Parliament's budget with 1/3 being paid by the Members of the European Parliament). According to the Court, Parliament's contribution to the additional pension scheme should be based on an act of secondary legislation. In 1999, the Court recommended that the Parliament examine the legal framework of the scheme. As yet no action has been taken. The Court also deals with the issue of the employment of assistants of Members of the European Parliament. A total of around EUR 175 000 was paid as a 'secretarial allowance' relating to the employment of various Members' assistants, although the supporting documents required by the relevant Bureau rules either were not submitted to Parliament's administration, or did not provide sufficient evidence that the funds had been used in strict compliance with the rules. In the meantime the Parliament's administration has taken steps so as to correct

the anomalies identified by the Court. The Court examined the measures taken by the Parliament in response to the Court's Special Report No 13/2000 on the expenditure of the European Parliament's political groups. It states that there are inadequate rules governing contributions to political Parties; risk of double financing; problems over the legal status of the political groups; poorly defined accounting and reporting rules; inadequate rules and management of external audit of the financial statements, and significant weaknesses in the definition, status and management of employment contracts. To conclude, while the Court found that considerable progress has been made, there remain important areas where greater efforts are needed (e.g. clarifying the legal status of the groups, reinforcing controls and improving management of employment contracts). Moreover, the rules should be extended to cover mission costs, which currently represent around one third of expenditure of the groups at central level but which are not subject to common standards. The Court continues to maintain that the centralisation of a number of administrative functions within Parliament's own administration would considerably improve management of the appropriations and reduce the administrative burden on the groups themselves. It would help to reduce the risk of double funding of expenditure, to allow Parliament to monitor its potential legal obligations and to provide a better level of consistency and clarity in employment contracts.