2004 discharge: EC general budget, section III, Commission and ECSC in liquidation

2005/2090(DEC) - 27/04/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution drafted by Jan MULDER (ALDE, NL) recommending that the Commission be granted discharge for its 2004 budget. (Please see the summary of 21/03/2006.) Parliament insisted on better management of Community funds where these are jointly managed by the Commission and the Member States. It also welcomed the steps taken by the Commission in strengthening its internal control, but felt that there was room for improvement.

Shared management: Parliament recognised that whilst the Commission has sole responsibility under the Treaty for implementing the budget, four out of every five euros in the budget are in reality handled by the Member States under shared management. It was essential that Member States take an active part in the initiative and that the Council made it first priority and include it as a separate subject in their semi-annual working programmes. Parliament stressed that the shortcomings in the EU's financial management cannot simply be reduced to a question about a positive or negative DAS (Declaration of Assurance). It warned, therefore, against obtaining a positive DAS without a corresponding improvement in the quality of the financial management. The responsibility for financial management lies with the Commission and the Member States and it is for the Commission and the Member States together to ensure that the Court will be able to find audit evidence of progress towards an adequate management of the risk of error. Member States must be held accountable for their use of EU funds and the primary means of accountability must be their national parliaments and media. Parliament went on to suggest the introduction of "national management declarations", to be signed by the relevant bodies of the Member States. The latter are responsible for joint management of the Community budget with the Commission and would, therefore, have to take their share of responsibility if errors occur.

A declaration at political level covering all Community funds in shared management and signed by finance ministers, as proposed in the 2003 discharge resolution, would be a big step forward. However, Parliament noted with satisfaction that the Council and the Commission agree on the importance of strengthening internal control. To achieve a positive DAS, priority should be given to sound financial management for funds under shared management. Parliament noted that as part of their enhanced responsibilities for structural funds and in accordance with national constitutional requirements, the relevant audit authorities in the Member States will produce an assessment concerning the compliance of management and control systems with the regulations of the Community. It welcomed the fact that Member States have therefore undertaken to produce an annual summary at the appropriate national level of the available audits and declarations. It drew attention to the fact that the level of a possible signature at Member State level is not mainly a matter of form but a signal showing the expected quality of the supervisory and control systems operating under the signature. National declarations might comprise several declarations within a national framework, rather than one alone, in order to acknowledge the federal and decentralised political systems in existence in some Member States. Parliament noted Member States' resistance and stated that it wanted to be pragmatic and constructive. The important thing is to find a way of identifying the weaknesses in the current control and supervisory systems and to undertake appropriate remedial action with a view to achieving better financial management of EU funds. Parliament welcomed a discussion about which authority might be the best for the purpose. It proposed a slightly modified approach to that for the 2003 discharge: a series of sectoral declarations signed by bodies selected by the Member States themselves. Until such a system is in place, it invited the Commission to set up a more intense programme of *ex post* clearance-of-accounts audits and fully to make use of suspension of payments or financial corrections whenever it cannot obtain assurance from the Member States.

Parliament went on to state that national audit institutions could audit the internal control systems set up by the national administration as well as the regularity and legality of the underlying transactions effected in their own country. It called on national audit bodies to assume responsibility for controlling the local use of EU funds, so as to make any consideration of establishing national offices of the Court of Auditors unnecessary.

It should be pointed out that the Court of Auditors, for the eleventh consecutive year, has been unable to establish that "underlying transactions" (all the operations underlying the implementation of the Community budget) are free of irregularities. Under the EU Treaty, the Commission and the Member States are required to ensure "sound financial management" (Article 274), something which cannot be verified completely with the existing control systems.

Review of Commission's internal control systems needed: the other main part of the 2004 discharge relates to the accountability of the Commission under the same Article 274, which requires it to manage the Community budget properly. Parliament underlined that whilst ultimate responsibility for transactions afterthe reform lies now - and rightly so - with line managers (Directors-General), final responsibility for controlsystems must be anchored in the centre, not in the periphery. It noted that the Court of Auditors supports this view and made a clear recommendation in that respect. Parliament felt that the quality of information contained in the reports is not checked and no one is accountable for it. It made certain recommendations:

- the Director-General of the Directorate-General for Budget should give a formal opinion on the quality and efficiency of the internal control systems;

- since the Synthesis report is drawn up by the Secretary-General of the Commission, the Secretary General, who has ultimate operational executive responsibility for the bureaucracy, should give a formal declaration of assurance as regards the quality of the individual declarations from the line managers (Directors-General);

- the internal auditor of the Commission should give his assessment of the quality and effectiveness of the controls as described in the management's annual activity reports and Synthesis report in the form of an audit opinion as regards the adequacy of the Secretary-General's assurance statement;

- the responsible Commissioner should co-sign the declaration given by the Director-General, as this would bridge the gap between the Director-General's individual assurance declarations and the College's institutional assurance declaration.