




Basic information	
1999/2050(DEC) DEC - Discharge procedure	Procedure completed
1998 discharge: EC general budget <b>Subject</b> 8.70.03.07 Previous discharges	

Key players				
European Parliament	<b>Committee responsible</b>		<b>Rapporteur</b>	<b>Appointed</b>
	<b>CONT</b>	Budgetary Control	STAUNER Gabriele (PPE-DE)	13/10/1999
	<b>Former committee responsible</b>		<b>Former rapporteur</b>	<b>Appointed</b>
	<b>CONT</b>	Budgetary Control	STAUNER Gabriele (PPE-DE)	13/10/1999
	<b>Committee for opinion</b>		<b>Rapporteur for opinion</b>	<b>Appointed</b>
	<b>AFET</b>	Foreign Affairs, Human Rights, Common Security, Defense	THIELEMANS Freddy (PSE)	23/09/1999
	<b>Former committee for opinion</b>		<b>Former rapporteur for opinion</b>	<b>Appointed</b>
	<b>LIBE</b>	Citizens' Freedoms and Rights, Justice and Home Affairs	DEPREZ Gérard (PPE-DE)	19/10/1999
	<b>JURI</b>	Legal Affairs and Internal Market	The committee decided not to give an opinion.	23/09/1999
	<b>ITRE</b>	Industry, External Trade, Research, Energy	PLOOIJ-VAN GORSEL Eily (ELDR)	07/12/1999
	<b>EMPL</b>	Employment and Social Affairs	PRONK Bartho (PPE-DE)	22/11/1999
	<b>ENVI</b>	Environment, Public Health, Consumer Policy	BOWE David Robert (PSE)	29/04/1999
	<b>RETT</b>	Regional Policy, Transport and Tourism	KOCH Dieter-Lebrecht (PPE-DE)	26/01/2000

	<b>FEMM</b> Women's Rights and Equal Opportunities	GRÖNER Lissy (PSE)	09/11/1999
Council of the European Union	<b>Council configuration</b>	<b>Meetings</b>	<b>Date</b>
	Economic and Financial Affairs ECOFIN	2246	2000-03-13
European Commission	<b>Commission DG</b>	<b>Commissioner</b>	
	Budget		

Key events			
Date	Event	Reference	Summary
29/04/1999	Non-legislative basic document published	SEC(1999)0412 	Summary
23/07/1999	Committee referral announced in Parliament		
23/03/2000	Vote in committee		Summary
23/03/2000	Committee report tabled for plenary	A5-0087/2000	
11/04/2000	Debate in Parliament		
13/04/2000	Decision by Parliament	T5-0150/2000	Summary
27/06/2000	Vote in committee		Summary
27/06/2000	Committee report tabled for plenary	A5-0190/2000	
04/07/2000	Debate in Parliament		
06/07/2000	Decision by Parliament	T5-0311/2000	Summary
06/07/2000	End of procedure in Parliament		
16/09/2000	Final act published in Official Journal		

Technical information	
<b>Procedure reference</b>	1999/2050(DEC)
<b>Procedure type</b>	DEC - Discharge procedure
<b>Legal basis</b>	Rules of Procedure EP 101
<b>Stage reached in procedure</b>	Procedure completed
<b>Committee dossier</b>	CONT/4/10943 CONT/4/10955

Documentation gateway





**European Parliament**

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0087/2000 OJ C 040 07.02.2001, p. 0005	23/03/2000	
Text adopted by Parliament, single reading		T5-0150/2000 OJ C 040 07.02.2001, p. 0146-0381	13/04/2000	Summary
Committee report tabled for plenary, single reading		A5-0190/2000 OJ C 121 24.04.2001, p. 0009	27/06/2000	
Text adopted by Parliament, single reading		T5-0311/2000 OJ C 121 24.04.2001, p. 0161-0348	06/07/2000	Summary

**Council of the EU**

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	N5-0154/2000	13/03/2000	Summary

**European Commission**

Document type	Reference	Date	Summary
Non-legislative basic document	SEC(1999)0412 	29/04/1999	Summary
Document attached to the procedure	SEC(1999)0413 	29/04/1999	Summary
Document attached to the procedure	SEC(1999)0415 	29/04/1999	
Document attached to the procedure	SEC(1999)1473 	30/09/1999	Summary

**Other institutions and bodies**

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	RCC0022/1998 OJ C 349 03.12.1999, p. 0001-0206	15/11/1999	Summary

**Additional information**

Source	Document	Date
European Commission	EUR-Lex	

**Final act**

## 1998 discharge: EC general budget

1999/2050(DEC) - 06/07/2000 - Text adopted by Parliament, single reading

The European Parliament adopted the Decision drafted by Gabriele STAUNER (EPP/ED, Germany) and gave the Commission discharge in respect of the implementation of the general budget of the Union for the 1998 financial year. The Commission had satisfied most of the requirements set out on 13 April when the discharge had been postponed. In particular, the Commission will take action to cut drastically the errors in the implementation of the budget. Whilst the Flechard case could not be regarded as closed until all problems, and in particular, the monitoring of export operations, had been resolved, the proportionality of penalties had been dealt with. The Parliament set out its comments on the discharge in an accompanying resolution. In its Decision on closing the accounts relating to the implementation of the general budget, Parliament recalled that according to the statement made by the Court of Auditors, the figures presented in the consolidated revenue and expenditure account are marred by a number of errors and weaknesses, including the understatement of fixed assets, essentially buildings, by around ECU 540m. Parliament approved the closure of the accounts. The main points of Parliament's resolution containing comments on the discharge are as follows: -with regard to the Statement of Assurance, Parliament pointed out that in 1998 for the fifth consecutive time, the Court of Auditors would not provide an assurance that the transactions underlying the payments for the financial year were, taken as a whole, legal and regular. It reiterated its call for the Commission to arrive at a positive Statement of Assurance for the 2003 financial year at the latest. The Commission needed to formulate verifiable intermediate objectives for the reform process by the end of the year. -on the Common Agricultural Policy, the Commission must ensure that the principle of budgetary universality is respected. In the specific case of export of butter to the former USSR, the handling of the penalty deposit has been contested by the Court of Auditors. OLAF is asked to forward its report on the missing minutes of the meeting on 7 January 1994. Parliament cannot conclude consideration of this case until the results of the OLAF investigation have been assessed and the Commission has forwarded o Parliament all available documents. -On structural measures, Parliament called for monitoring of the Structural Funds to be more effective and for mid-term evaluation to be a genuine instrument of sound management. It deplored the persistently large number of irregularities identified by the court of Auditors, particularly with regard to expenditure certificates, and asked Member States to ensure efficient administration of structural measures. -On research, Parliament deplored the number of substantive errors in about one-third of the payments where the Commission had paid too much, mostly due to ineligible costs being claimed by the beneficiaries, and the formal errors that occurred in almost one fifth of the payments. It also pointed out the errors, including deliberate overcharging, in almost two thirds of the payments based on cost declarations. -On external aid, Parliament draw attention to tender procedures under PHARE and TACIS, and asked for remedial measures. On the ECHO affair, Parliament is not satisfied that the Commission has made a commitment tointroduce an external element in itsdisciplinary procedure. -Lastly, Parliament repeated that, as the discharge authority, it must be granted access to the relevant documents in order to establish that the Commission has carried out its obligations. It will follow the implementation of the interinstitutional agreement closely.

## 1998 discharge: EC general budget

1999/2050(DEC) - 15/11/1999

PURPOSE: presentation of the Court of Auditors' annual report concerning the financial year 1998 and the Statement of Assurance and supporting information. CONTENT: The report seeks, as in previous years, to present the revenue and each of the expenditure areas that fall under the headings of the Community's budget for the 1998 financial year and accords an important role to following up measures taken by the Commission in response to various special reports prepared by the Court (reports on skimmed milk and milk powder for use as animal feed, on the CAP reform in the cereals sector, on the management and control of interest rate subsidies, financial aid to overseas countries and territories under the 6th and 7th EDF). It also intervened when the Commission made a proposal to establish an anti-fraud office and a process of reform of financial management, in particular in the context of a fundamental revision of the Financial Regulation. Furthermore, the analysis of the budget heading by heading gives rise to various criticisms on the execution of expenditure, and the Court comes up with a somewhat critical view of the reliability of the Community's accounts and indicates that it is not in a position to give an assurance that the operations relating to the payments for the 1998 financial year are legal and regular. In the remarks that accompany its Statement of Assurance, the Court states that the Commission once again has used as the prime performance indicator of financial control, the extent to which the appropriations allocated in the budget have been utilised, and not whether they were effectively and efficiently spent. The 1998 Annual Report reveals weaknesses in the three layers of the Community's financial control: - at the Commission, - in the Member States' systems, and - in the Commission's supervision of Member States' systems. The Court's main concerns relate to the following: 1) the understatement of fixed assets, essentially buildings, by around EUR 540 Mio (mainly the purchase of buildings for the European Parliament and Court of Justice); 2) a net overstatement of debtors in the region of EUR 1,000 Mio principally resulting from the overstatement of sums likely to be recovered for unpaid customs duties and agricultural duties; 3) an understatement of cash and debtors amounting to at least EUR 600 Mio because some amounts held on bank accounts, or paid as advances to third parties which act as agents for the Commission, have been omitted from the balance sheet; 4) the inaccurate and inadequate presentation of information on advances and payments on account at 31/12/1998 (e.g. Structural Funds); 5) the overstatement of commitments still to be settled by some EUR 660 Mio; 6) the omission of certain commitments (EUR 352.7 Mio) and potential liabilities (at least EUR 2,794 Mio). During 1998, the Commission entered into commitments to a value of EUR 352.7 Mio without having legal authorisation in the form of sufficient budgetary appropriations. The Court's audit revealed an unacceptable incidence of error which affected the amount of the payments made, or the eligibility of the transactions financed by the Community budget ('substantive' errors). The audit showed numerous other failures to comply with regulations, which often indicated a failure to properly apply control procedures, but where no direct effect on payments or on transactions financed by the Community budget was identified ('formal' errors). As in previous years, the majority of the errors occurred in areas of Community expenditure which are essentially managed by authorities in the Member States, and which represent more than 80% of the general budget. But there was also a significant incidence of error in the Commission's directly managed expenditure on internal policies, which represents about 5% of the budget. According to the Court, the Commission's internal control is not forceful enough in preventing incorrect operations and, at the same time, the internal audit function is carried out in an uncoordinated way by several bodies (the Financial Controller, the Inspectorate

General and by some units in operating DGs). Member States' control systems are no better in preventing, discovering and correcting errors. The most common errors are financing ineligible transactions, overpayments, breaching tendering or State aid rules and insufficient supporting documentation. According to the Treaty, in those areas where management is shared with the Member States, the Commission has a responsibility to supervise and ensure that the national control systems are adequate. The Commission also needs to step up its supervision of bodies implementing Community funds on its behalf, such as the European Investment Bank and the European Investment Fund. The Court recommends that the role of the various officials responsible for control should be redefined; in particular, the authorising officer must be responsible for checking the regularity, the quality and the effectiveness of the measures undertaken. At the same time, a genuine independent internal audit function should be introduced; its purpose should be to check the way the control structures set up by the managing departments work and to ensure that they are satisfactory. Management and control of Community programmes are being decentralised from the Commission to national authorities and other intermediaries. This should be accompanied by a development of management information and accounting systems, which would enable the Commission to exercise proper supervision and to detect errors and cases of misadministration promptly. Where national systems of management and control are found inadequate, the flow of funds should be halted until remedial action has been taken. In the context of the global revision of the Financial Regulation, the Commission should increase its efforts to simplify its financial and accounting regulations and procedures; they should be aimed at facilitating and speeding up operations while maintaining the required degree of control. Regulations should be more consistent and respect the budgetary principles (unity, universality, annuality and specificity) and those laid down by the Community Directives on accounting. The financial statements must be reliable, concise and easy to understand. They must provide a more accurate and complete picture of the actions undertaken and of the financial position of the Community. Lastly, according to the Court, the Commission needs to adopt the necessary measures to allow the recruitment and the allocation of staff according to the needs and to sustain the reform.

## 1998 discharge: EC general budget

1999/2050(DEC) - 13/04/2000 - Text adopted by Parliament, single reading

The European Parliament adopted its resolution, drafted by Ms. Gabriele STAUNER (EPP/ED, D), on the postponement of the discharge to the Commission in respect of implementation of the general budget of the EU for the 1998 financial year. The Parliament informs the Commission that it postpones discharge and asks it to take steps by 15 May 2000, among other things, to: - to make a commitment to the target of cutting the current error rate of more than five per cent detected by the Court of Auditors by a considerable rate, for example by two percentage points, in 2001 and of arriving at a positive statement of assurance in 2003 at the latest on the basis of a method to be agreed with the Court of Auditors, the budgetary authority and the Commission; - a clarification of the criteria that determine the proportionality of the reduction of a financial correction and clear rules for which cases a decision of the Commissioner or the College is required (against the background of the Flécharde case); - a statement that it does not consider the Flécharde case as closed until the opinion of the Court of Auditors has been analysed and all outstanding questions raised by the Parliament have been resolved; - calling on OLAF (anti-fraud office) to launch an investigation into the Flécharde case to identify those responsible for arranging the disappearance of documents; - a commitment to present a detailed regulation on new archive routines, assurances that a person within each DG has been given responsibility for archives, and an undertaking that where documents are found to be missing, this will lead to a full administrative enquiry; - a commitment to re-examine the ECHO case and to re-open a formal investigation in accordance with the Staff Regulations if new evidence were to become available; - in the MED affair, for the complete dossier to be submitted to the appropriate judicial authorities in Belgium, France and Italy, and for agreement, if necessary, to launch statutory disciplinary proceedings against the officials involved, in the light of the findings of the national judicial authorities; - submission of the results of the 1998 systematic review of the contracts awarded to visiting scientists; a Commission initiative to provide the investigating Belgian public prosecutor with full information on the circumstances in which irregular contracts were allocated and signed; - launching a formal administrative investigation to ascertain responsibilities in connection with the withheld warning of serious deficiencies at the Joint Research Centre; - submission of a report by the Financial Controller on the number of correcting communications and postponements/ withholdings of approvals in 1998, including an analysis of the most frequent types of errors; - submission of a report on action taken by the Member States who have not yet implemented the integrated administration and control system for agricultural expenditure; - an update on the actions which the Commission has taken in response to the recommendations of the EP's Committee of Inquiry into the Community Transit System; - a full report on the number and outcome of disciplinary proceedings carried out since 1998 in all cases in which the Community's financial interests are affected; - a clear commitment by the Commission to the principles for access to information, as defined in its 19 January 2000 resolution on the 1997 discharge; - a response to the proposals to set up an external chamber at the Court of Auditors or the Court of Justice to deal with disciplinary procedures for budgetary irregularities as soon as possible; - a commitment to include an independent external element in its disciplinary procedure.

## 1998 discharge: EC general budget

1999/2050(DEC) - 29/04/1999 - Non-legislative basic document

PURPOSE: presentation of revenue and expenditure account and financial statement relating to operations of the 1998 budget - section III - Commission (VoL. I and II). CONTENT: The document gives an account of the use of the Commission's appropriations in 1998, heading by heading. The 1998 budget procedure falls within the framework of the financial perspectives annexed to the inter-institutional agreement on budgetary discipline of 29.10.1993, modified in December 1994 as a result of the enlargement of the Union to take in Austria, Finland and Sweden. These financial perspectives, in 1997, were the subject of a technical adjustment to GNP and price trends. It was also in 1997 that a proposal to adapt the financial perspectives to implementation conditions was adopted; its objective was to transfer appropriations not used in 1996 for structural actions to 1999 (545 millions euros). In this way, the ceiling for commitment appropriations for 1998 was set at 94.744 billion euros and the ceiling for payment appropriations was 90.581 billion euros. The margin available under the own resources ceiling (1.26% of GNP) was brought to 0.03% of GNP in 1998. This document also presents a summary of the 1998 budgetary procedure which was characterised by wide consultation between the various institutions. The 1998 budget could be described as a rigorous budget, although it does provide funding for the Union's main priorities, such as the 'EMPLOY' initiative called for and obtained by the European Parliament, the main large Community programmes and the PEACE initiative in Northern Ireland. As regards the overall implementation of the budget, 97.5% of the commitment appropriations authorised in 1998 were carried out or carried forward into 1999, i.e. at a higher rate than in 1997 (96.7%). These figures confirm that the provisional suspension of around 100 budget lines for a total of 920 million euros while the legal bases were being examined did not have a significant effect on the implementation of the budget. Although for

the headings 1 (CAP) and 3 (internal policies), the utilisation rates are the same as in 1997, there were good trends evident for heading 2 (Structural Funds) with an implementation rate of around 99.3%. On the other hand, there was a slowing down in the implementation of external actions (95.9% as opposed to 97.7%) and administrative expenses (95.1% in 1998 in contrast to 98.3% in 1997). In conclusion, therefore, in 1998, the total appropriations for payments actually implemented or carried forward leaves a margin of 9.3 billion euros under the ceiling fixed for payment appropriations in the financial perspectives. This total of payment appropriations represents 1.11% of GNP (as against 1.13% in 1997), while the own resources ceiling would be at 1.26% of GNP.

## 1998 discharge: EC general budget

1999/2050(DEC) - 29/04/1999 - Document attached to the procedure

PURPOSE : to present the management account and the financial statement relating to the implementation of the budget for the 1998 financial year (Commission - Vol.IV). CONTENT : this document presents the European Commission's consolidated management accounts and the financial statement for the 1998 financial year which also includes various tables on the level of expenditure. The total gross amount of budgetary expenditure for this financial year amounts to EUR 81 64 billion.

## 1998 discharge: EC general budget

1999/2050(DEC) - 13/03/2000

PURPOSE: Council recommendation on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Communities for the financial year 1998. CONTENT: The Council notes that the procedure for giving discharge in respect of implementation of the budget for the 1998 financial year is being conducted at a time when the Commission has just undertaken a series of important internal reforms concerning its organisation and the running of the institution which have a particular impact on financial management and provide for a certain number of measures relating to budget forecasts and control systems. The Council will follow closely the work undertaken and will play a full and active role in the reform process and will regularly review progress on the reform, in particular, in connection of the creation of the European Anti-Fraud Office (OLAF). It reiterates its call for the Member States to expedite the procedures for ratification of the Convention on the Protection of the European Communities' Financial Interests signed in 1995. It encourages the Commission to continue the efforts undertaken as part of the SEM 2000 initiative which have already consolidated financial management, and insists in this respect on the importance of strengthening administrative cooperation with the Member States in view of the fact that a major part of the budget is implemented by them, under the responsibility of the Commission. The Council considers that the recasting of the Financial Regulation which the Commission will be shortly presenting to the budgetary authority will play a key role in improving financial management. Like the Court of Auditors, the Council considers that maximum utilisation by the Commission of the appropriations allocated in the annual budget is not in itself an indicator of sound financial management. With regard to the present discharge procedure, the Council draws attention to the need for the measures taken or necessary to resolve the problems encountered in implementing the budget to be subject to rigorous monitoring by the Commission so as to improve management and avoid repetitive observations from the Court of Auditors. The Council also expresses its concern that the Court of Auditors has not yet been able to issue a positive statement of assurance as a result of an unacceptably high incidence of error in transactions underlying payments. However, the Council welcomes the Commission's presentation of an action plan which provides for phased implementation and a timetable in order to lower substantially the rate of error observed by the Court of Auditors. It will examine the action plan attentively and will take account in particular when giving a discharge next year, of the extent to which the action plan has been implemented and of the results achieved by the planned measures, and will also verify whether its demands have been met. In the light of the above, the context in which the current discharge procedure is being conducted, the measures already taken by the Commission and its planned reforms, the Council recommends that the Commission be granted a discharge in respect of the implementation of the budget for the financial year 1998, which according to the revenue and expenditure account is as follows: - revenue: 84 529 688 481,58 euros, - expenditure: 81 637 410 311,81 euros, - balance: 3 023 097 495,85 euros.

## 1998 discharge: EC general budget

1999/2050(DEC) - 30/09/1999 - Document attached to the procedure

In line with Article 82 of the Financial Regulation, the Commission has drawn up the management account, the financial statement and the analysis of financial management of the European Community for the 1998 financial year, presented in 4 volumes. Following the controls carried out by the Commission services, some inaccuracies were discovered in the presentation of certain tables in volume IV of the management account. Given, on the one hand, that this volume is going to be published in the Official Journal and, on the other hand, that these errors will have consequences neither on the balance sheet for the year nor on the financial statement, the Commission proposes making the necessary amendments before its definitive publication in the Official Journal. The updated version of this document shall, in fact, cancel and replace volume IV, Sec(1999)0415). This procedure is in line with the proposal made by the Court of Auditors at meetings relating to the recasting of the Financial Regulation to produce the financial statements in a provisional form which shall be communicated to the Court and thereafter approved, once any possible amendments have been made.