Basic information

2003/2242(DEC) DEC - Discharge procedure	Procedure completed
2002 discharge: European Agency for Reconstruction **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	MULDER Jan (ELDR)	10/09/2002

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs, Human Rights, Common Security, Defense	STENZEL Ursula (PPE-DE)	21/01/2004

Key events

Date	Event	Reference	Summary
15/10/2003	Non-legislative basic document published	N5-0022/2003	Summary
18/12/2003	Committee referral announced in Parliament		
18/03/2004	Vote in committee		
18/03/2004	Committee report tabled for plenary	A5-0212/2004	
20/04/2004	Debate in Parliament		
21/04/2004	Decision by Parliament	T5-0320/2004	Summary
21/04/2004	End of procedure in Parliament		
21/04/2004	Final act published in Official Journal		

Technical information

Procedure reference	2003/2242(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed

Documentation gateway				
European Parliament				
Document type	**Committee**	**Reference**	**Date**	**Summary**
Committee report tabled for plenary, single reading		A5-0212/2004	18/03/2004	
Text adopted by Parliament, single reading		T5-0320/2004 OJ C 104 30.04.2004, p. 0421-0554 E	21/04/2004	Summary
Council of the EU				
Document type		**Reference**	**Date**	**Summary**
Supplementary non-legislative basic document		06187/2004	09/03/2004	Summary
Other institutions and bodies				
Institution/body	**Document type**	**Reference**	**Date**	**Summary**
CofA	Non-legislative basic document	N5-0022/2003 OJ C 319 30.12.2003, p. 0001-0007	15/10/2003	Summary

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Budget 2004/0707 OJ L 330 04.11.2004, p. 0001-0001	Summary

2002 discharge: European Agency for Reconstruction

2003/2242(DEC) - 15/10/2003 - Non-legislative basic document

PURPOSE : to present the report from the Court of Auditors on the financial statement of the European Agency for Reconstruction for the financial year 2002. CONTENT : this report consists of the results of the audit performed by the Court on the financial statements for the financial year ended 31 December 2002. This examination has enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial are as follows. The amount of financial budget appropriations entered for the year concerned amount to EUR 495,9 million. EUR 326,3 million were committed and the amount of EUR 106,8 million was paid. From this amount EUR 219,5 has been carried over to 2003 and the amount of EUR 7,1 has lapsed. As regards the total 2001 and 2002 appropriations, (including the commitment appropriations carried over from 2001 of EUR 170,3 million) this amounts to EUR 666,2 million of which EUR 457,8 million has been committed. The report states that at the end of 2002, the Agency found that it had made payments amounting to EUR 2,7 million which were not covered by budgetary commitments. The payments related to the carrying out of projects that the Commission had transferred to the Agency in the course of the year. The budget forecasts for Title II (administrative expenditure) should be given careful attention, so as to ensure that the carryovers and appropriations which lapse do not account for too great a part of the total budget (50 % in the financial year 2002). It should be noted that, in 2002, the Agency's internal control system was strengthened by the introduction of the SI2 budget accounting system. In 2002, despite the Court's previous observations , the Agency was still using a spreadsheet for its general accounts. The introduction of a reliable general accounting tool in all the centres

should be a matter of priority. The Agency makes funds available to specialised bodies for the financing of loan programmes in specific fields (development of SMEs, agri-industry undertakings, etc.). Either these funds remain the property of the Agency, in which case they are placed in bank accounts opened in its name, or, where the Agency intends to transfer the funds to the authorities concerned following implementation of the programme, they are paid as subsidies and recorded as Agency expenditure. In one case where an account had been opened in the Agency's name, the accounting officer had not been advised of the existence of the account, the balance of which was EUR 205 000 at the end of the financial year. Since the Agency was set up, funds totalling EUR 13,3 million have been assigned to this type of project; as at 31 December 2002 the cumulative balance of the bank accounts concerned (including the balance of EUR 205 000 not reported to the accounting officer) was EUR 3,7 million and is included under the item 'Bank accounts' on the balance sheet. In one case concerning funds to be paid to a public-sector bank as a subsidy for the development of SMEs in Serbia (EUR 5million), the provisions of the contract specify that the funds disbursed remain the property of the Agency. The Court considers that the Agency must seek a suitable means of providing information on these funds in its balance sheet or the annexes thereto. As regards the legality and the regularity of the underlying transactions, the report shows that as of the end of the 2002 year, the director had issued no fewer than 67 delegations for the implementation of the budget. Even allowing for the dispersal of the Agency centres, the number of delegations seems likely to weaken the internal control system. The Agency has replied to the criticisms made by the Court. It states in particular that in relation to the budgetary implementation, the payments were made on the basis of figures stated in a formal decision of the Commission. A delay which occurred in committing these funds in the Commission accounts is expected to be regularised in 2003. The unspent funds for Title 2 in 2002 are mainly due to the starting-up of the Agency in the former Yugoslav Republic of Macedonia and the difficulties of estimating better the costs of this type of exercise. Concerning the financial accounts set-up, the Agency expects to close the 2003 accounts with an already installed professional application for the general ledger. The Agency is spread over five locations and manages a budget divided into 3 distinct titles. Within assistance programmes, there are 6 to 8 distinct sectors of activity in each of the 4 operational centres. Therefore, in each centre, the number of staff in Operations with a delegation of signature for each relevant sector is the minimum. The Agency undertook a streamlining of its procedures in order to avoid any omission of delegation of signature in the future.

2002 discharge: European Agency for Reconstruction

2003/2242(DEC) - 21/04/2004 - Text adopted by Parliament, single reading

The European Parliament adopted the report by Jan MULDER (ELDR, NL) concerning the granting of discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2002. The Parliament records its comments in the accompanying resolution. These comments concern, in particular, the improvement of financial management. As regards the implementation of the budget, the Parliament notes the ECA recommendation that forecasts for administrative expenditure (Title II) should be given careful attention so as to ensure that carry-overs and appropriations which lapse do not account for too great a part of the total administrative budget. It expects the Agency, in line with the principle of budget accuracy, to take the necessary steps to comply with that recommendation. Concerning the financial statements, the Parliament welcomes the fact that that the Agency gave a positive follow-up to previous ECA observations, making progress in strengthening its internal control system by the introduction of the SI2 accounting system. It expects the Agency to promptly respond to the ECA invitation to clarify the status of funds made available to specialised bodies for the financing of loan programmes in specific fields and to adopt appropriate solutions as regards the way in which these funds should be recorded in the Agency's financial statements. It expresses deep concern over the ECA's findings that a bank account had been opened in the Agency's name of whose existence the accounting officer had not been advised. Lastly, as regards the legality and regularity of the underlying transactions, the Parliament shares the concern about the risk of a weakening of the Agency's internal control system which might come about through the proliferation of delegations issued by the Director for the implementation of the budget. It invites the Director to give assurances that delegations will be reduced to the strict minimum, which is indispensable for the smooth running of the Agency and the implementation of its budget in accordance with sound financial management. In parallel, the Parliament has made a series of horizontal points on all of the Agencies' discharges which can be summarised as follows: - Internal audit and control measures : Parliament reiterates the position taken in its resolutions 2003 accompanying the discharge given to the Agencies for 2001 as regards the implementation of the new Financial Regulation and invites the Commission and the Agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the Agencies is established. It recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS). Parliament expresses grave concern that such controls do not seem to have been carried out this year. It stresses that it is essential that the Agencies be required to submit to the investigative powers of OLAF under the same conditions as the other institutions. - Financial Management : Parliament invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multi-annual nature might be financedby such appropriations. The Commission is invited to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs. - Review of the agencies : the Parliament states that that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification. Like last year, the Commission is called upon to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies. Parliament is concerned by the fact that there is an imbalance between administrative and operational expenditure in many Agencies, with administrative expenditure exceeding expenditure for operational purposes. The Commission and the Agencies are called upon to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure. The Agencies are encouraged to : - improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the Agencies' specific needs; - organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the Agencies to co-ordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the Agencies. - New sources of financing : Parliament calls on the Commission and the Agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing. It welcomes the financial contributions of some Member States and regions to the agencies located on their area and considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up. - Harmonised operating framework : Parliament recalls its that the multitude of different forms in the existing agencies' structures was thought to be "neither transparent nor comprehensible. Therefore, it has invited the Commission to present appropriate proposals,

aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework. - Staff policy : the Parliament considers that the staff policy of the Agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions. The Parliament recalls the principle that the Agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency. In this respect, it is concerned about the serious anomalies detected in connection with the selection procedures of theEuropean Monitoring Centre for Drugs and Drug Addiction and that selection procedures organised by the Agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service. Lastly, the Commission is invited to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

2002 discharge: European Agency for Reconstruction

2003/2242(DEC) - 21/04/2004 - Final act

PURPOSE : to grant discharge to the European Agency for Reconstruction for the financial year 2002.

LEGISLATIVE ACT : Decision 2004/707/EC of the European Parliament concerning discharge to the Director of the European Agency for Reconstruction for the financial year 2002.

CONTENT : with this present Decision, the European Parliament gives discharge to the Director of the European Agency for Reconstruction, in respect of the implementation of its budget for the financial year 2002.

This Decision is in conformity with the European Parliament’s resolution approved on 21 April 2004 and which is accompanied by a series of which complete the discharge decision (please refer to the summary of the opinion).

2002 discharge: European Agency for Reconstruction

2003/2242(DEC) - 09/03/2004 - Supplementary non-legislative basic document

PURPOSE : Council Recommendation on the implementation of the EU's budget for the European Agency for Reconstruction covering the financial year 2002. CONTENT : Noting that the European Court of Auditor's Report gives a positive assessment to the European Agency for Reconstruction's annual accounts, the Council recommends that the European Parliament grant a discharge to the Director of the Agency in respect of the budget's implementation for the financial year 2002. However, the Council would like to make some observations, in relation to the fact that for the financial year 2001-2002 only EUR 160.2 million, or 76%, of the EUR 210.8 million in appropriations were carried forward. Similarly, for the financial year from 2002 to 2003 EUR 295.3 million in appropriations were carried forward with EUR 8.2 million having to be cancelled. Specifically, the Recommendation notes that it is pleased with the internal control system of the Agency, which has been strengthened by the introduction of the SI2 budget accounting system. The Recommendation, however, insists that the Agency stop using spreadsheets for its general accounts and use a computerised system instead. Such a move would be in line with comments made by the Court of Auditors in its previous year's Report. Further, the Council invites the Agency to take up the Court of Auditor's recommendations concerning finding suitable means for the provision of information on its balance sheet or annexes on funds available to specialised bodies for the financing of loan programmes in specific fields. Lastly, the Council calls on the Agency to take appropriate management measures relating to the implementation of the budget in the delegations so as not to weaken the internal control system. Also, the Council calls on the Agency to ensure that the rules and procedures for the application of cash funds or imprest accounts are subject to a decision by the Director in accordance with the provision of the Financial Regulation.