Basic information

2005/2093(DEC) DEC - Discharge procedure	Procedure completed
2004 discharge: EC general budget, Court of Justice **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	LUNDGREN Nils (IND/DEM)	20/04/2005

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	
DEVE Development	The committee decided not to give an opinion.	
INTA International Trade	The committee decided not to give an opinion.	
BUDG Budgets	The committee decided not to give an opinion.	
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	04/07/2005

TRAN	Transport and Tourism	The committee decided not to give an opinion.	
REGI	Regional Development	The committee decided not to give an opinion.	
AGRI	Agriculture and Rural Development	The committee decided not to give an opinion.	
PECH	Fisheries	The committee decided not to give an opinion.	
CULT	Culture and Education	The committee decided not to give an opinion.	
JURI	Legal Affairs	The committee decided not to give an opinion.	
LIBE	Civil Liberties, Justice and Home Affairs	DEPREZ Gérard (ALDE)	04/07/2005
AFCO	Constitutional Affairs	The committee decided not to give an opinion.	
FEMM	Women's Rights and Gender Equality	The committee decided not to give an opinion.	
PETI	Petitions	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Budget	

Key events

Date	Event	Reference	Summary
07/10/2005	Non-legislative basic document published	N6-0027/2005	Summary
15/11/2005	Committee referral announced in Parliament		
21/03/2006	Vote in committee		Summary
28/03/2006	Committee report tabled for plenary	A6-0112/2006	
26/04/2006	Debate in Parliament		

27/04/2006	Decision by Parliament	T6-0160/2006	Summary
27/04/2006	Results of vote in Parliament		
27/04/2006	End of procedure in Parliament		
06/12/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/2093(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/28820

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE369.887	03/02/2006	
Committee opinion	LIBE	PE367.666	24/02/2006	
Amendments tabled in committee		PE370.132	28/02/2006	
Committee report tabled for plenary, single reading		A6-0112/2006	28/03/2006	
Text adopted by Parliament, single reading		T6-0160/2006	27/04/2006	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05971/2006	23/02/2006	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	N6-0027/2005	07/10/2005	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N6-0035/2005 OJ C 301 30.11.2005, p. 0001	30/11/2005	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act
Budget 2006/0812 OJ L 340 06.12.2006, p. 0033-0033 Summary

2004 discharge: EC general budget, Court of Justice

2005/2093(DEC) - 27/04/2006 - Final act

PURPOSE: to grant discharge to the Court of Justice for the 2004 financial year.

LEGISLATIVE ACT: Decision 2006/812/EC of the European Parliament on the discharge for implementation of the European Union general budget for the financial year 2004 (Section IV - Court of Justice).

CONTENT: with the present decision, the European Parliament grants the Registrar of the Court of Justice discharge in respect of the implementation of the budget for the financial year 2004.

This decision is in line with the European Parliament's resolution adopted on 27 April 2006 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 27/04/2006).

2004 discharge: EC general budget, Court of Justice

2005/2093(DEC) - 07/10/2005 - Non-legislative basic document

PURPOSE : presentation of the final annual accounts of the European Community for the financial year 2004 – Other institutions : Section IV – Court of Justice.

CONTENT : this document sets out the amount of expenditure and the financial statement of the Court of Justice for 2004 and presents an analysis of its financial management. The available appropriations set out in the Court's 2004 budget amounted to EUR 235 million, a 94% implementation rate.

Main axes of 2004 expenditure : budget implementation of the Court can be characterised by:

- the impacts of enlargement;
- a significant increase in the budget relating to building policy.

Amendments to the budget : throughout 2004, several budget lines were amended. Appropriation transfers between items were made in order to fund these amendments, concerning in particular:

- costs relating to building installations;
- rental and lease-purchase costs;
- interpretation costs.

The main issues of the 2004 budget implementation can be summarised as follows :

Title I (Staff costs) : an increase in Members' costs (+28,6% compared to 2003) due to the increase in their numbers (from 40 to 60) following enlargement, including 10 new judges in the Court of Justice and 10 new judges in the Court of First Instance. The budget was also marked by an increase in the expenditure relating to the improvement of the socio-medical infrastructure of the institution (+41%) and by the recruitment of a new nurse and doctor. The number of medical visits also increased. Other increases can be noted in the areas of : staff training for the new recruits; interpretation and translation.

Furthermore, other issues can be noted:

- a slow recruitment rate of new staff ;
- a large decrease in mission costs (-20,6% compared to 2003).

Title II (Operational expenditure) : the setting up of a housing stock marked the 2004 budget with an increase of 159% compared to 2003. The reason for this being to accommodate new staff arriving in 2004. To this effect, 2 new buildings were rented and another was renovated in order to house the Members. With a view to reducing the 2005 budget, an additional amount of EUR 12,6 million was included in the 2004 budget in order to anticipate the payment of indemnities due for 2005.

This budget title also welcomes other surplus appropriations to make early purchase payments for Annexes A, B and C of the Court's Palace in Luxembourg (an additional amount of EUR 9,6 million was raised for this purpose). A new 150 m² computer room and a 110 m² IT room have been set up which cost EUR 2 million.

The budget implementation of Title II also concerns:

- savings on rental costs to be paid for 2 new administrative buildings rented in 2004;
- the increase in IT costs (400 new computers, flat screens and teleworking provisions, updating the CURIA website, …);
- savings on transport with the introduction of a leasing contract for Members' cars (instead of purchasing them);
- increased operational costs.

Titre III (Particular expenditure) : it mainly concerns the chapter devoted to lawyer fees and other expenses in order to improve the free service offering legal assistance.

DETAILED SYNTHESIS OF 2004 EXPENDITURE: this detailed synthesis analyses the breakdown of the Court of Justice expenditure for the financial year 2004. The figures mentioned can also be found in the "Final annual accounts of the European Communities - Financial year 2004 – Volume III".

Implementation rate in 2004 :

- Appropriations available for 2004: **EUR235.041.565;**
- Appropriations committed amounted to EUR 220.847.247,72, a **94%** implementation rate;
- Appropriations paid amounted to EUR 207.845.228,89;
- Appropriations carried over from 2003 to 2004: EUR 8.903.994,89.

Main budget items and use of committed appropriations (Titles I, II et III):

- I : Institutional costs (Members and active staff) : EUR 151,64 million;
- II : Operational costs (including buildings and material) : EUR 69,19 million;
- III : Specific mission costs :EUR 0,016 million.

2004 discharge: EC general budget, Court of Justice

2005/2093(DEC) - 30/11/2005 - Court of Auditors: opinion, report

PURPOSE : to present the Court of Auditors' report on the implementation of the 2004 budget (other institutions – Court of Justice).

CONTENT : in its 28th Annual Report on the implementation of the general budget of the European Union, the Court states that overall improvements have been made by all the institutions in order to adapt their supervisory and control systems to the requirements of the new Financial Regulation. However, the risks identified in 2003 linked to the implementation of the Financial Regulation, together with the risks resulting from the introduction of new Staff Regulations and computerised systems for calculating salaries and pensions have not been adequately addressed by the supervisory and control systems in 2004.

Despite the progress made by the Commission in reforming its internal control system and the positive impact on the legality and regularity of the Commission's internal management of expenditure (DAS), further progress is still required in terms of operational effectiveness. The report states that the past audits by the Court showed that the errors found were mostly of a formal nature and not due to serious weaknesses in the control systems.

Supervisory and control systems : in 2004 all the institutions continued improving their supervisory and control systems in order to comply with the requirements of the new Financial Regulation. However, none of the institutions had fully implemented Internal Control Standards (ICS). In parallel, the NAP ('Nouvelle Application Paie'), a new computer application for calculating staff remuneration created and managed by the Commission Paymaster Office (PMO), was used by all the institutions. The NAP presented in 2004 various technical weaknesses, which created a new risk and, in many cases, resulted in the erroneous calculation of various elements of staff remuneration. The most evident errors were corrected manually before payment. Concerning one of those elements, in March 2005 NAP programmes were amended, the amounts paid in 2004 recalculated and, where necessary, corrected. These corrections led to recoveries amounting, for all the institutions, to a total of around EUR 1,9 million. Manual data transferred into the NAP from the computer systems recording the situations qualifying the staff for specific entitlements constituted a further specific risk of errors. However, controls were not reinforced accordingly.

A lack of control procedures concerning pension payments were noted in some institutions.

Lastly, except for the European Ombudsman and the European Data Protection Supervisor, occasional weaknesses were observed in the supervisory and control systems concerning procurement.

Annual activity reports and declarations of the Directors-General : in 2004, improvements were made to the annual activity reports and the declarations of the Directors-General. However, weaknesses were found in the supervisory and control systems of the institutions.

Specific observations on the Court of Justice : the report indicates that the expenditure of the institution was **EUR 216 million** (against EUR 148 million in 2003). As regards the implementation of the Court of Justice's budget, the Court highlights the following weaknesses:

- § partial implementation of internal control standards (in 2004, several standards were created however five of them were not implemented);
- § transfer of officials' salaries to another Member State without justification;
- § unjustified payment of certain officials' expenses.

The Court also highlights that in one case concerning indexation of rents, lack of supporting documents attached to rent payment orders and insufficient follow-up of the lease contract resulted in the obligation for the Court of Justice to pay the lessor in September 2004 EUR 716 000 for rent arrears, due to the non-indexation of the rent since 1999. The report states that the Internal Auditor exercises the function of head of the 'verification unit' which performs *ex ante* controls on the authorising officer's operations. Such an involvement in the carrying out of financial operations is not compatible with the tasks of an independent internal auditor.

General conclusions : in conclusion, the Court considers, as a result of its audit, and in order to address the risks identified, that improvements should be made in the supervisory and control systems relating to the following areas: documentation of procedures; definition of the nature of the supporting documents which should make it possible to check that the expenditure is in accordance with the terms of the contracts or of the regulations and rules; grading of staff under the new staff regulations; remuneration, in particular payment of allowances and transfers of part of the staff emoluments with the application of a weighting coefficient.

2004 discharge: EC general budget, Court of Justice

2005/2093(DEC) - 27/04/2006 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution drafted by Nils **LUNDGREN** (IND/DEM, SE) and granted the Registrar of the Court of Justice discharge in respect of the implementation of the budget for the financial year 2004. (Please see the summary of 21/03/2006.) In 2004 the European Court of Justice (ECJ) administered a budget of EUR 235 041 565, with a utilisation rate of 94 %. Parliament noted that as a consequence of enlargement the number of staff at the ECJ increased in 2004 by some 40 %. It noted with disapproval that in 2004 the ECJ again failed to implement several internal control standards. The ECJ's internal auditor exercises the function of head of the "verification unit", which performs ex-ante controls on the authorising officer's operations. Parliament agreed with the Court of Auditors that such involvement in the carrying out of financial operations is not compatible with the tasks of an independent internal auditor. It criticised the fact that since his appointment in 2003 the internal auditor has not completed any of the audits in his work programme.

Parliament also noted that the ECJ, unlike most of the institutions, does not attach to its annual activity report a declaration of assurance signed by its authorising officer by delegation. The Registrar nonetheless drew up and signed a memorandum dated 21 June 2005 assuring the ECJ's President of the regularity of its 2004 accounts. Parliament asked the ECJ to draw up such a declaration in future years and hoped that this matter will be regulated in the current review of the Financial Regulation.

It congratulated the ECJ on the design, content and legibility of its annual activity report and, in particular, the analysis at the end of each chapter of the type and degree of risk attaching to the operations. It welcomed the reduction in the average duration of cases before the ECJ from 25 months in 2003 to 20 months in 2004 against the background of a steadily rising number of cases brought. However, 20 months per case is still too long, and Parliament called on the ECJ to reduce the duration of cases further.

Parliament noted that the ECJ currently imposes no obligation on judges to declare financial interests, such as share holdings, directorships and consultancy contracts. It pointed out that both Commissioners and Members of the European Parliament are required to declare such interests in a public register and that Members of the Court of Auditors deposit a declaration of their financial interests with the Court's President. In the interests of transparency, Parliament recommended that, even in the absence of a legal requirement at present, the ECJ should ask for binding rules of this kind to be drawn up.

Finally, Parliament called on the ECJ to amend by 1 November 2005 its administrative decision of 31 March 2004 in such a way as to rule out the private use of official cars.

2004 discharge: EC general budget, Court of Justice

2005/2093(DEC) - 23/02/2006

PURPOSE : to present the Council recommendation on the discharge to be given to the other institutions in respect of the implementation of the general budget of the European Communities for the financial year 2004.

CONTENT : having regard to the observations made by the Court of Auditors, the Council calls on the European Parliament to give a discharge to all of the other EU institutions (other than the Commission).

If overall the observations made by the Council are positive as regards expenditure, the Council believes that the implementation of the budget calls for a series of comments on the discharge which should be followed up.

The Council welcomes the fact that the errors identified by the Court did not materially affect the legality and regularity of administrative expenditure as a whole.

It notes with satisfaction the efforts and the progress made by the Institutions to adapt their supervisory systems and controls to the new Financial Regulation, but underlines that they have not fully implemented the Internal Control Standards.

The Council takes note that the 2004 financial year has introduced specific risks resulting from the adoption of the new staff regulations, the introduction of a new system for calculating staff remuneration and the implementation of the new system in the framework of the new Financial Regulation at the same time.

In this context, the Council shares the Court's view that particular attention should be paid to the various technical weaknesses detected in the implementation of the NAP (new payroll system), to an accurate application of the staff regulations in respect of travel allowances, to the improvement of the control systems concerning the transfer of part of the staff.