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Committee on Culture and Education

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DRAFT OPINION

of the Committee on Culture and Education

for the Committee on Budgetary Control

on the discharge for implementing the European Union general budget for the
financial year 2003
(2004/2040(DEC))

Section III - Commission

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SUGGESTIONS

The Committee on Culture and Education calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the steps that the Commission has taken to date to overcome the programme design and management weaknesses which marred the first generation of the Socrates and Youth programmes; welcomes the improved architecture and management procedures contained in its recently adopted proposals for the next generation of Lifelong Learning and Youth programmes;
2. Notes that the Commission faces a difficult task in trying to reconcile demands that the administrative burdens placed on applicants for grants under programmes of this kind be as light as possible, with the obligation imposed on it by the Implementing Rules for the Financial Regulation to ensure sound financial management;
3. Underlines its conviction that the guiding principle of administrative and accounting requirements in the next generation of Lifelong Learning and Youth programmes should be proportionality; underlines the advantages of targeted derogations from the Implementing Rules for the Financial Regulation allowing:
 - greater use of flat-rate grants, permitting simpler application forms and contracts;
 - greater acknowledgement of co-financing through contributions in kind and less onerous accounting obligations on beneficiaries in such cases;
 - simpler documentation on the financial and operational capacity of beneficiaries;
4. Emphasises the importance it will attach to the punctual publication of interim and ex-post evaluation reports on the future Lifelong Learning and Youth programmes.

BACKGROUND NOTE

1. Under Article 276 of the Treaty, implementation of the Community budget is approved retrospectively by the Parliament - acting on a recommendation of the Council - through **the discharge procedure**. In the words of one authority: 'Granting discharge is a formal statement that Parliament is satisfied with the implementation of the budget by the Commission. It is the political endorsement of the Commission's stewardship of the Union's budget.'
2. The basis for the discharge procedure is the annual report by the Court of Auditors, published in the November of the year following the budgetary year to which it refers. The observations in the Court's report arise from its audit of revenue and expenditure, following the submission of audited accounts by each of the European institutions. Each report contains a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying the general budget. The annual report also takes into account the special reports on particular areas which the Court has adopted since the last discharge procedure; and comments on the adequacy of action taken in response to earlier reports.
3. Special report no.2/2002 focussed on the management system operated by DG EAC for the 'Socrates' and 'Youth for Europe' (1995-1999) programmes. It identified:
 - weaknesses in the design of the programmes and their management systems;
 - deficiencies in the implementation of the actions and projects covered by both programmes, including delays due to complex administrative and financial procedures;
 - inadequacies in the Commission's internal control system;
 - shortcomings in the Commission's programme evaluation.
4. The Court's audit observations were explicitly supported in the Parliament's report on the discharge for the general budget for the 2001 financial year.
5. In its follow-up of special report no.2/2002, the Court concludes (paras. 6.46-6.59, pp.246-250, of the annual report for 2003) that the Commission has addressed a number of deficiencies identified by the Court in the Special Report. Further, it notes that, in some areas, such as the programme design and its management structure, the Commission has had only limited room for manoeuvre since the legal bases for the current generation of programmes (2000-2006) were adopted before the Court drew up its report.
6. In other areas, however, the follow-up of the special report revealed continuing shortcomings. The Court argues that the Commission needs to:
 - simplify programme design and management structure in future 'Socrates' or 'Youth' programmes;
 - develop relevant and measurable indicators;
 - simplify administrative procedures e.g. use an electronic system for the submission and processing of proposals by National Agencies;
 - give National Agencies better guidance on the audit work necessary for the audit certificates they are required to submit, and a strategy to check that these certificates

- meet the minimum standards set;
- provide for evaluations on relevant administrative issues, in particular on attempts to simplify administrative and financial aspects of the programmes, and to communicate the results of these evaluations to the Parliament, Council and National Agencies so that their findings may be taken into account when successor programmes are being designed.
7. The Commission's replies to the comments of the Court are provided on pages 267-268 of the Court's report. The key points are:
- the architecture proposed for the next generation of programmes (2007-2013) is simpler than that of the current generation, which in its turn is simpler than that of the programmes which ran from 1995-1999;
 - it is continuing to develop measurable indicators;
 - it will continue to simplify the management of actions (e.g. greater use of flat-rate grants);
 - it has already provided better guidance on audit certification to the National Agencies and stepped-up its auditing of them (e.g. it did not initially accept most of the audit certificates provided in respect of 2003);
 - it has stepped-up efforts with regard to programme evaluation and will provide final evaluations assessing effectiveness (implementation and results) and efficiency (administrative and financial aspects).
8. By and large, the draftswoman believes that the Commission has given convincing answers to the points made by the Court. She believes that **the Parliament should**:
- welcome the fact that, as evidenced by its proposals for the next generation of Lifelong Learning and Youth programmes, the Commission has learned from the programme design and management weaknesses which marred the first generation of Socrates and Youth programmes;
 - note that the Commission faces a difficult task in trying to reconcile demands that the programmes be as user-friendly and un-bureaucratic as possible with the requirements imposed on it by the implementing rules of the Financial Regulation for the sound management of public money;
 - underline its conviction that the guiding principle of grant administration should be proportionality and call for: greater use of flat-rate grants; greater acknowledgement of co-financing through contributions in kind and less onerous accounting obligations on beneficiaries in such cases; simpler documentation on the financial and operational capacity of beneficiaries;
 - emphasise the importance it attaches to punctual publication of interim and ex post evaluation reports.
