

EUROPEAN PARLIAMENT

2004



2009

Committee on Budgetary Control

PROVISIONAL
2006/2070(DEC)

8.2.2007

DRAFT REPORT

on the discharge for implementation of the European Union general budget for
the financial year 2005

(SEC(2006)0916– C6-0263/2006 – 2006/2070(DEC))

(SEC(2006)0915 – C6-0262/2006 – 2006/2070(DEC))

Section III – Commission

Committee on Budgetary Control

Rapporteur: Salvador Garriga Polledo

CONTENTS

	Page
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	7

1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the discharge for implementation of the European Union general budget for the financial year 2005, Section III – Commission

(SEC(2006)0916 – C6-0263/2006 – 2006/2070(DEC))

(SEC(2006)0915 – C6-0262/2006 – 2006/2070(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2005¹,
- having regard to the final accounts of the European Communities - Financial year 2005 - Volume I - (SEC(2006)0916 – C6-0263/2006, SEC(2006)0915 – C6-0262/2006)²,
- having regard to the Commission's annual report to the discharge authority on the follow-up to 2004 discharge decisions (COM(2006)0642, COM(2006)0641), and the Commission staff working paper - Annex to the report from the Commission to the European Parliament on the follow-up to 2004 discharge decisions (SEC(2006)1376, SEC(2006)1377),
- having regard to the Commission communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, entitled 'Policy Achievements in 2005' (COM(2006)0124),
- having regard to the Commission communication entitled 'Synthesis of the Commission's management achievements in 2005' (COM(2006)0277),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2005 (COM(2006)0279),
- having regard to the Commission's report on Member States' replies to the Court of Auditors' 2004 annual report (COM(2006)0184),
- having regard to the Green Paper on the European Transparency Initiative adopted by the Commission on 3 May 2006,
- having regard to Opinion No 2/2004 of the Court of Auditors on the 'single audit' model (and a proposal for a Community internal control framework)³,
- having regard to the Commission communication on a roadmap to an integrated internal control framework (COM(2005)0252),
- having regard to the Commission's action plan towards an integrated internal control framework (COM(2006)0009),
- having regard to the first report on the scoreboard for the application of the Commission action plan towards an integrated internal control framework published on 19 July 2006

¹ OJ L 60, 8.3.2005.

² OJ C 263, 31.10.2006, p. 1.

³ OJ C 107, 30.4.2004, p. 1.

(SEC(2006)1009),

- having regard to the House of Lords European Union Committee report entitled 'Financial Management and Fraud in the European Union: Perceptions, Facts and Proposals', which was published on 13 November 2006,
 - having regard to the Court of Auditor's annual report for the financial year 2005¹ and to its special reports, accompanied by the replies of the institutions audited,
 - having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty²,
 - having regard to the Council's recommendation of ... (0000/0000 - C6-0000/2007),
 - having regard to Articles 274, 275 and 276 of the EC Treaty and Articles 179a and 180b of the Euratom Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, and in particular Articles 145, 146 and 147 thereof,
 - having regard to Opinion No 4/2006 of the Court of Auditors on the draft Council Regulation amending Regulation (EC, Euratom) No 1605/2002⁴,
 - having regard to Rule 70 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A6-0000/2006),
- A. whereas under Article 274 of the EC Treaty the Commission implements the budget on its own responsibility, having regard to the principles of sound financial management,
1. Grants discharge to the Commission for implementation of the European Union general budget for the financial year 2005;
 2. Sets out its comments in the resolution below;
 3. Instructs its President to forward this decision, and the resolution that forms an integral part of it, to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank and to the national and regional audit institutions of the Member States and to have them published in the Official Journal of the European Union (L series).

¹ OJ C 263, 31.10.2006, p. 1.

² OJ C 263, 31.10.2006, p. 10.

³ OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006, OJ L 390, 30.12.2006, p. 1).

⁴ OJ C 273, 9.11.2006, p. 2.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on closing the accounts for implementation of the European Union general budget for the financial year 2005, Section III – Commission

(SEC(2006)0916 – C6-0263/2006 – 2006/2070(DEC))

(SEC(2006)0915 – C6-0262/2006 – 2006/2070(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2005¹,
- having regard to the final accounts of the European Communities - Financial year 2005 - Volume I - (SEC(2006)0916 – C6-0263/2006, SEC(2006)0915 – C6-0262/2006)²,
- having regard to the Commission's annual report to the discharge authority on the follow-up to 2004 discharge decisions (COM(2006)0642, COM(2006)0641), and the Commission staff working paper - Annex to the report from the Commission to the European Parliament on the follow-up to 2004 discharge decisions (SEC(2006)1376, SEC(2006)1377),
- having regard to the Commission communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, entitled 'Policy Achievements in 2005' (COM(2006)0124),
- having regard to the Commission communication entitled 'Synthesis of the Commission's management achievements in 2005' (COM(2006)0277),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2005 (COM(2006)0279),
- having regard to the Commission's report on Member States' replies to the Court of Auditors' 2004 annual report (COM(2006)0184),
- having regard to the Green Paper on the European Transparency Initiative adopted by the Commission on 3 May 2006,
- having regard to Opinion No 2/2004 of the Court of Auditors on the 'single audit' model (and a proposal for a Community internal control framework)³,
- having regard to the Commission communication on a roadmap to an integrated internal control framework (COM(2005)0252),
- having regard to the Commission's action plan towards an integrated internal control framework (COM(2006)0009),
- having regard to the first report on the scoreboard for the application of the Commission

¹ OJ L 60, 8.3.2005.

² OJ C 263, 31.10.2006, p. 1.

³ OJ C 107, 30.4.2004, p. 1.

action plan towards an integrated internal control framework published on 19 July 2006 (SEC(2006)1009),

- having regard to the House of Lords European Union Committee report entitled 'Financial Management and Fraud in the European Union: Perceptions, Facts and Proposals', which was published on 13 November 2006,
 - having regard to the Court of Auditor's annual report for the financial year 2005¹ and to its special reports, accompanied by the replies of the institutions audited,
 - having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty²,
 - having regard to the Council's recommendation of ... (0000/0000 - C6-0000/2007),
 - having regard to Articles 274, 275 and 276 of the EC Treaty and Articles 179a and 180b of the Euratom Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, and in particular Articles 145, 146 and 147 thereof,
 - having regard to Opinion No 4/2006 of the Court of Auditors on the draft Council Regulation amending Regulation (EC, Euratom) No 1605/2002⁴,
 - having regard to Rule 70 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A6-0000/2006),
- A. whereas under Article 275 of the EC Treaty the Commission is responsible for drawing up the accounts,
1. Approves closing the accounts for implementation of the European Union general budget for the financial year 2005;
 2. Instructs its President to forward this decision to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank and to the national and regional audit institutions of the Member States and to have it published in the Official Journal of the European Union (L series).

¹ OJ C 263, 31.10.2006, p. 1.

² OJ C 263, 31.10.2006, p. 10.

³ OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006, OJ L 390, 30.12.2006, p. 1).

⁴ OJ C 273, 9.11.2006, p. 2.

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with comments forming an integral part of the decision on the discharge for implementation of the European Union general budget for the financial year 2005,

Section III – Commission

(SEC(2006)0916 – C6-0263/2006 – 2006/2070(DEC))

(SEC(2006)0915 – C6-0262/2006 – 2006/2070(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2005¹,
- having regard to the final accounts of the European Communities - Financial year 2005 - Volume I - (SEC(2006)0916 – C6-0263/2006, SEC(2006)0915 – C6-0262/2006)²,
- having regard to the Commission's annual report to the discharge authority on the follow-up to 2004 discharge decisions (COM(2006)0642, COM(2006)0641), and the Commission staff working paper - Annex to the report from the Commission to the European Parliament on the follow-up to 2004 discharge decisions (SEC(2006)1376, SEC(2006)1377),
- having regard to the Commission communication to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, entitled 'Policy Achievements in 2005' (COM(2006)0124),
- having regard to the Commission communication entitled 'Synthesis of the Commission's management achievements in 2005' (COM(2006)0277),
- having regard to the Commission's annual report to the discharge authority on internal audits carried out in 2005 (COM(2006)0279),
- having regard to the Commission's report on Member States' replies to the Court of Auditors' 2004 annual report (COM(2006)0184),
- having regard to the Green Paper on the European Transparency Initiative adopted by the Commission on 3 May 2006,
- having regard to Opinion No 2/2004 of the Court of Auditors on the 'single audit' model (and a proposal for a Community internal control framework)³,
- having regard to the Commission communication on a roadmap to an integrated internal control framework (COM(2005)0252),
- having regard to the Commission's action plan towards an integrated internal control framework (COM(2006)0009),

¹ OJ L 60, 8.3.2005.

² OJ C 263, 31.10.2006, p. 1.

³ OJ C 107, 30.4.2004, p. 1.

- having regard to the first report on the scoreboard for the application of the Commission action plan towards an integrated internal control framework published on 19 July 2006 (SEC(2006)1009),
 - having regard to the House of Lords European Union Committee report entitled 'Financial Management and Fraud in the European Union: Perceptions, Facts and Proposals', which was published on 13 November 2006,
 - having regard to the Court of Auditor's annual report for the financial year 2005¹ and to its special reports, accompanied by the replies of the institutions audited,
 - having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty²,
 - having regard to the Council's recommendation of ... (0000/0000 - C6-0000/2007),
 - having regard to Articles 274, 275 and 276 of the EC Treaty and Articles 179a and 180b of the Euratom Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, and in particular Articles 145, 146 and 147 thereof,
 - having regard to Opinion No 4/2006 of the Court of Auditors on the draft Council Regulation amending Regulation (EC, Euratom) No 1605/2002⁴,
 - having regard to Rule 70 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A6-0000/2006),
- A. whereas Article 274 of the EC Treaty establishes that responsibility for implementation of the Community budget lies with the Commission and must be exercised with regard to the principles of sound financial management, in cooperation with the Member States,
- B. whereas the most effective means for the Commission to demonstrate that it is genuinely committed to ensuring transparency and sound financial management is to do all it can to support measures seeking to enhance the quality of financial management, with a view to obtaining a positive statement of assurance (DAS⁵) from the European Court of Auditors,
- C. whereas the implementation of EU policies is characterised by the 'shared management' of the Community budget by the Commission and the Member States, under which 80% of

¹ OJ C 263, 31.10.2006, p. 1.

² OJ C 263, 31.10.2006, p. 10.

³ OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006, OJ L 390, 30.12.2006, p. 1).

⁴ OJ C 273, 9.11.2006, p. 2.

⁵ Abbreviation of the French term 'Déclaration d'assurance'.

Community expenditure is administered by the Member States,

- D. whereas Member States' assumption of control responsibilities in connection with the production of financial information and mandatory sign-offs at central level in relation to that information should make a substantial contribution towards improving management of the Community budget and obtaining a positive DAS,
- E. whereas in its resolutions of 12 April 2005¹ and 27 April 2006², on the 2003 and 2004 discharges respectively, Parliament proposed that each Member State should provide an ex-ante disclosure statement and an annual ex-post statement of assurance as regards its use of EU funding,
- F. whereas the overriding principle sought by Parliament is that, in accordance with the EC Treaty, both the Commission's final responsibility for management of the Community budget and the Member States' partial responsibility for the management of the funds made available to them should be fully shouldered,
- G. whereas in its conclusions of 8 November 2005, the ECOFIN Council rejected Parliament's proposal regarding national level declarations³,
- H. whereas paragraph 44 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management⁴ states that the relevant audit authorities in Member States will produce an assessment concerning the compliance of management and control systems with the regulations of the Community and that Member States therefore undertake to produce an annual summary at the appropriate national level of the available audits and declarations,
- I. whereas the principle of effective internal control is one of the budgetary principles set out in the Financial Regulation following its amendment by Regulation (EC, Euratom) No 1995/2006, as proposed by the Commission in the action plan referred to above,
- J. whereas in paragraph 2.10 of its annual report for 2005, in connection with the establishment of an integrated internal control framework, the Court of Auditors stresses that 'one of the most important objectives approved by the Commission is represented by the proportionality and cost-effectiveness of controls',
- K. whereas in the aforementioned conclusions of 8 November 2005 the ECOFIN Council also took the view that it was of fundamental importance to introduce an integrated internal control system and simplify the legislation on controls and requested 'that the Commission assess the cost of controls by area of expenditure'(paragraph 5);
- L. whereas the work of its Committee on Budgetary Control in general and the discharge procedure in particular form part of a process seeking to: (1) establish full accountability

¹ OJ C 33 E, 9.2.2006, p. 169.

² Texts Adopted, P6_TA(2006)0157.

³ See the conclusions of the ECOFIN Council meeting of 8 November 2005 at http://www.fco.gov.uk/Files/kfile/EcofinConclusions_08nov,0.pdf.

⁴ OJ C 139, 14.6.2006, p. 1.

from the Commission as a whole, as well as from all other relevant actors, for financial management in the EU, in accordance with the Treaty; (2) implement an annual procedure that will facilitate this and enable Parliament to remain in direct contact with the key stakeholders in charge of such management; and (3) improve financial management in the EU in the light of the Court of Auditors' audit results and thereby create a more solid basis for decision-taking,

- M. calling on its Committee on Budgets to take due account of the 2005 discharge results and recommendations during the next budgetary procedure,

HORIZONTAL ISSUES

Statement of Assurance

Reliability of the accounts

1. Notes that, with some exceptions dealt with in specific observations, the Court takes the view that the final annual accounts of the European Communities present fairly the financial position of the Communities as of 31 December 2005, and the results of their operations and cash flows for the year then ended (Chapter I, Statement of Assurance, paragraphs V to VIII);
2. Welcomes in particular the efforts made by the Commission to adopt the accounts for the financial year within the Financial Regulation deadlines for the production of the financial statements;
3. Expresses concern, nonetheless, at the Court's observations regarding errors in amounts registered in the accounting system (overstatement of the accounts payable and of the total amount of long-term and short-term pre-financings and errors in the local accounting systems of some directorates-general);
4. Calls on the Commission to take urgent steps to remedy the shortcomings noted by the Court, with a view to preventing them from affecting the reliability of the financial statements for 2006;
5. Welcomes the fact that, in response to repeated requests from Parliament, new Article 61 of the Financial Regulation establishes that the Commission's accounting officer signs off the accounts and is empowered to check the information received and to make reservations;
6. Welcomes the fact that, as called for in its 2004 discharge resolution, the information on the 'unknown bank accounts' has been submitted to Parliament by the Commission and that the situation as regards those accounts has been clarified;
7. Regrets that, as noted by the Court of Auditors in paragraph 1.49 of its 2005 annual report, the accounting officer failed fully to comply with Accounting Rules Nos 2 and 12 with regard to the new structure and presentation of the balance sheet and the revised treatment of the Communities' pension liabilities; calls on the Commission to take the necessary steps

to remedy this situation;

8. Expresses concern at the fact that the Court notes errors in the pre-financing amounts recorded, and calls on the Commission to take urgent steps to remedy these shortcomings with a view to ensuring that the accounts reflect the Community's financial position as accurately as possible; reminds the Commission of its undertaking to provide the budgetary authority with six-monthly reports on the management of pre-financing operations;

Legality of the underlying transactions

9. Notes the Court's observations to the effect that in areas in which the Commission has applied appropriate supervisory and control systems, there were no significant findings as to the legality and regularity of the underlying transactions (Chapter 1, Statement of Assurance, paragraph IX);
10. Deplores, nonetheless, that in extremely important Community spending areas (CAP spending that does not come under the IACS¹, Structural Funds, internal policies, external actions, Sapard), the Court notes that the supervisory and control systems need to become more efficient, given that there remain significant shortcomings that prevent a positive statement of assurance being given in those areas (Chapter 1, Statement of Assurance, paragraph IX to XI);
11. Expresses grave concern at the large number of errors detected by the Court in transactions at final beneficiary level and notes that, under the shared management arrangement, responsibility for preventing, identifying and correcting errors at final beneficiary level lies with the Member States;
12. Notes the Court's opinion that the Commission is not exercising effective supervision of controls delegated to the Member States, and calls on the Commission to remedy this shortcoming as a matter of urgency;
13. Considers that the central issue that needs to be addressed in connection with the DAS is whether supervisory and control systems are being properly applied at both Community and national levels and whether they ensure the legality and regularity of the underlying operations;
14. Believes that, on this basis, the Court's audits will enable the origin of the shortcomings noted to be determined and will help to remedy the limitations to a much greater extent than the mere pointing up of errors in transactions;
15. Welcomes the revised DAS approach that the Court of Auditors started to introduce in 2002, particularly the latest change approved in February 2006², which will be implemented for the first time in the Court's 2006 annual report;

¹ Integrated Administration and Control System.

² Paragraph 1.59 of the Court of Auditors annual report for 2005.

National management declarations

16. Points out that, in accordance with Article 274 of the EC Treaty, each and every one of the Member States must fully shoulder its management responsibilities and take appropriate steps to minimise the risk of errors arising in the underlying transactions;
17. Draw attention to the urgent need to introduce national declarations at an appropriate political level, covering all Community funds coming under the shared management arrangement, as proposed by Parliament in its 2003 and 2004 discharge resolutions;
18. Stresses the importance of the action plan towards an integrated internal control framework and fully endorses the proposal made by the Commission under Action 5 of the action plan, namely that 'Member States should designate a national coordinating body' for each Community policy, to provide an overview of the assurance available in respect of Community actions managed by each Member State;
19. Takes the view that national management declarations would, without a doubt, help to improve the quality of the relevant national supervisory and control systems and would be an important factor in obtaining a positive DAS;
20. Points out that States, not regions, are members of the EU, and therefore does not consider it acceptable for a Member State to reject national declarations on the grounds of its territorial organisation, given that funding is granted centrally, even if it is administered on a decentralised basis, and that if a Member States is unable to shoulder its responsibility, the Commission will have to consider the possibility of suspending the disbursement of funds;
21. Recalls its resolution of 2 February 2006 on national management declarations¹, in which it recognises that in practice such declarations could 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';
22. Warmly welcomes the initiative taken by the Netherlands, whose parliament approved the adoption of a national declaration on the management of Community funding, based on sub-declarations covering the various spending areas, will be signed by the finance minister as the final authority;
23. Welcomes furthermore the decision taken by the United Kingdom to take steps with a view to introducing national declaration on the management of Community funding, with provision being made for the declaration to be signed by a senior official with due authority in the relevant area;
24. Expresses concern at the fact that, despite these initiatives in favour of national declarations, most Member States are resisting their introduction;
25. Calls nonetheless on the Commission to submit to the Council a proposal for a national management declaration covering all Community funds under shared management, based

¹ Texts Adopted, P6_TA(2006)0043.

on sub-declarations by the various national bodies responsible for the management of expenditure;

26. Calls on the Commission to do all in its power to persuade the Member States to open a debate on the matter within their governments and the ECOFIN Council;
27. Respectfully asks the national parliaments (particularly the national committees responsible for oversight of public finances and the committees of the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC)) to discuss the introduction of national declarations;

Paragraph 44 of the Interinstitutional Agreement on budgetary discipline and sound financial management

28. Stresses that paragraph 44 of the Interinstitutional Agreement on budgetary discipline and sound financial management (IIA) requires the relevant audit authorities in Member States to produce an assessment concerning the compliance of management and control systems with the regulations of the Community, with Member States undertaking to produce an annual summary at the appropriate national level of the available audits and declarations;
29. Takes the view that the audit authorities referred to in paragraph 44 of the IIA must shoulder this new responsibility for the local use of EU funds and that this national-level control should form the basis on which the national authorities draw up their national management declarations;
30. Stresses that this is the only way of giving true meaning to national management declarations which, in Parliament's view, should provide a genuine guarantee that national supervisory and control systems are functioning properly;
31. Calls on the Commission to ask the Member States for the information referred to in paragraph 44 of the IIA and to draw up, on the basis of that information, a document analysing the strengths and weaknesses of each Member State's national system for the administration and control of Community funds and the results of the audits conducted, and to forward that document to Parliament and the Council;
32. Considers that it would be extremely useful for the ECOFIN Council to use the final document drawn up by the Commission as the basis for a comparative analysis and a debate on the suitability of the systems used by the Member States for control of the funds they receive from the Community budget;

Suspension of payments and financial corrections

33. Recalls the Commission's communication of 15 June 2005 on a roadmap to an integrated internal control framework (COM(2005) 252), whose point B states: 'When a Member State fails to adequately address the risks of error, the Commission will protect the EC budget by rigorously applying the existing provisions for the suspension of payments and financial corrections';

Suspension of payments

34. Assures the Commission of its full support in the rigorous application of the legislation on suspension of payments, and welcomes the measures already initiated¹ for the non-transfer of funds where the Commission does not have an absolute guarantee of the reliability of the management and control systems of the Member State which is the beneficiary of those funds;
35. Believes that, in the case of recurrent reserves for expenditure programmes in a particular Member State, suspension of payments, as a means of pressure, will contribute to the greater involvement of the Member States in the correct use of the Community funds received;
36. Calls on the Commission to simplify the rules and apply the existing legislation on suspension of payments in the cases where it is necessary, and to inform the Council, Parliament and the Court of Auditors in good time concerning the suspensions of payments and their results;

Financial corrections in the multiannual payments

37. Considers that, in the case of shared or decentralised management, the Commission should fully apply Article 53(5) of the Financial Regulation, thus assuming final responsibility for the execution of the budget, in line with Article 274 of the Treaty, by means of 'clearance-of-accounts procedures or financial correction mechanisms'.
38. Stresses that, given the multiannual character of expenditure in the Community programmes, it is only at the end of a multiannual cycle that the Commission can proceed to the application of those 'clearance-of-accounts procedures or financial correction mechanisms', whose aim is the *a posteriori* rectification of the errors detected;
39. Notes with concern, however, that the Court is extremely critical of the financial corrections applied by the Commission, which do not 'ensure the prevention and timely identification and correction of errors', do not take sufficient account of the deficiencies identified in the underlying operations, that is, at the level of the final beneficiary, and do not 'encourage Member States to take action to prevent irregularities or to improve their management and control systems' (paragraphs 1.64 and 6.35 of the Court of Auditors' annual report);
40. Notes that the objective of the final decisions and corrective measures² is to remove

¹ Commissioner Hübner stated in a written answer to the competent committee: '... in 2006 ERDF payment claims have been held back by Spain pending the results of audits of remedial measures. Other examples are interruptions of ESF payments in 2005 for all programmes in England, for Objective 3 programmes and some regional programmes in France, and for programmes in the Calabria and Sicily regions of Italy, and in 2006 for EQUAL in Spain and Italy'.

² Liquidation of accounts for the EAGGF (Guarantee), closure of the operational programmes under the Structural Funds, and completion of the audits for the decentralised management of external actions.

Community funding from expenditure which has not been carried out in conformity with Community rules, and that such decisions, which are a matter for the Commission, should constitute a major instrument of the control and monitoring systems;

41. Notes that the final corrective measures, where they are not charged directly to the operations at the level of the final beneficiary, have the effect in practice - as the Court points out - of transferring the costs of illegal and irregular operations from the Community budget to the national taxpayers as a whole, rather than to the final beneficiary who is responsible for the error (paragraph 1.65 of the Court of Auditors' annual report);
42. Stresses, therefore, the great importance of the Member States having appropriate systems for improving the prevention and identification of errors at the level of the final beneficiaries, thus reducing the need for the Commission to apply final corrective measures;
43. Concludes that the Commission, for its part and in the light of the Court's severe criticisms, needs to take all appropriate action in order to improve the final financial correction mechanisms applied, in the interests of the sound and more equitable financial management of the Union's funds;
44. Regrets the visible disagreement between the Commission and the Court of Auditors concerning the financial correction measures applied by the Commission in 2005, as manifested notably during the presentation of the Court's annual report to the Committee on Budgetary Control on 23 October 2006; believes that disagreements of this nature are damaging to the positive image which the managers of the Community budget should be transmitting to the Union's citizens;
45. Calls on the Commission to supply both Parliament and the Court of Auditors with an explicit definition of the different concepts grouped under the term 'financial correction mechanisms', as well as with the amounts actually involved in the corrections of 2005;
46. Calls on the Commission to submit in future a detailed annual report including the amounts actually involved for the financial corrections;

The Commission's internal control system

The Action Plan for an integrated internal control framework

47. Welcomes the Commission's adoption on 17 January 2006 of the Commission communication to the Council, the European Parliament and the Court of Auditors: Commission Action Plan towards an Integrated Internal Control Framework (COM(2006) 9 and SEC(2006)49), which sets out 16 concrete actions to be undertaken in order to contribute to ensuring more effective internal controls over EU funds;
48. Welcomes the first half-yearly progress report submitted by the Commission on 19 July 2006 (SEC(2006)1001) on the implementation of the above Action Plan, pursuant to Parliament's request in its resolution on the discharge for 2004;

49. Regrets, however, the fact that, as that report states, some of the actions have not even been started and there is thus already a degree of delay with regard to the planned calendar, particularly concerning actions 7, 9 and 10;¹

Value for money - Analysis of the existing balance between operational expenditure and the cost of the control system - Error index or acceptable risk of error

50. Points out that the Court of Auditors, in its annual report for 2005 and with respect to the establishment of an integrated internal control framework, takes the view that 'one of the most important objectives approved by the Commission is represented by the proportionality and cost-effectiveness of controls' (paragraphs 2.9 and 2.10);
51. Recalls, furthermore, that the ECOFIN Council of 8 November 2005, as mentioned above, laid major stress on the need to implement an integrated internal control system, and stated: 'The Council believes, in line with the Court's opinion 2/2004, that it should reach an understanding with the European Parliament regarding the risks to be tolerated in the underlying transactions, having regard to the costs and benefits of controls for the different policy areas and the value of the expenditure concerned'²;
52. Recalls Action 4 of the above-mentioned Action Plan, which, in line with the recommendations of Parliament, proposes initiating 'interinstitutional dialogue on risks to be tolerated in the underlying transactions';
53. Also recalls Action 10, which proposes making an 'analysis of the costs of controls', in view of the 'need to reach an appropriate balance between the costs and benefits of controls', and states that the results will be presented in early 2007; notes, however, that implementation of this action has scarcely begun;
54. Agrees with the Court of Auditors when it regrets that³ the relationship between tolerable risk levels and the cost-benefit ratio of the controls has yet to be established and that, even though it is a vital concept for the integrated control system, it has not yet been clarified how an 'acceptable risk level' is to be determined;
55. Considers, therefore, that the Commission, in line with the principles of proportionality and cost efficiency (value for money) of the control systems, should evaluate the relationship between, on the one hand, the resources available for each particular policy, on the other, the part of those resources dedicated to the control systems broken down by area of expenditure, and, finally, any resources lost thanks to the errors thus detected;
56. Calls on the Commission to carry out that comparative analysis, as forming the sole basis which will make it possible to establish an 'acceptable risk level', and to forward it to Parliament, the Council and the Court of Auditors, in compliance with the wishes of the

¹ Action 7: *Promote best practices for increasing the cost-benefit of audits at project level*; Action 9: *Promote the single audit approach*; Action 10: *Make an initial estimate and analysis of the costs of controls*.

² See paragraphs 5 and 17 of the conclusions of the ECOFIN Council of 8 November 2005, at:

http://www.fco.gov.uk/Files/kfile/EcofinConclusions_08nov,0.pdf

³ Opinion No 4/2006.

ECOFIN Council;

57. Believes that the cost-benefit ratio existing between the resources dedicated to control activities and the results obtained by the controls should be a key element to be taken into account by the Court of Auditors when it delivers its statement of assurance;

Political responsibility and administrative responsibility at the Commission

58. Stresses that the annual activity reports of the Commission's services contribute invaluable information to the procedure, but is concerned at the Court's statement that some of those reports still do not include sufficient evidence for its statement of assurance (paragraphs 2.15, 2.18 and 2.19 of the annual report for 2005);
59. Asks the Commission to ensure that its annual activity reports and statements go into greater detail in the evaluation of the existing systems, the shortcomings detected by them and their financial impact;
60. Asks the Commission once again to ensure that its Secretary-General, when preparing the synthesis report, draws up a statement of assurance which includes reference to the statements of each of the Directors-General, with the aim of making express mention of their assistance to the Commissioners in the adoption of that report;

Participation of the Commissioners

61. Stresses the importance of the opinion expressed by the Commission's internal auditor in his annual report on the internal audits that 'a full involvement of Commissioners to evaluate political risks would allow better overall management of risks and thus improve planning, resource allocation and policy delivery'¹;
62. Asks the Commission to determine what actions are needed to ensure the full involvement of the Commissioners, as called for by the internal auditor, while at the same time clarifying the relationship between the Directors-General and the Commissioners, and to supply full information on the matter to Parliament;

Ethics

63. Welcomes the Commission's European Transparency Initiative, as mentioned above, which proposes launching 'a debate with the other European institutions on the rules and standards on professional ethics of public office holders in the European institutions'²;
64. Supports the idea of such a debate, and calls on the Commission to fill the gap that now exists and to ensure that the Commissioners' code of conduct incorporates the necessary ethical rules and the principal guidelines to be observed by Commissioners when appointing collaborators, especially to their 'cabinets';

¹ Annual report for 2005 of the internal auditors to the discharge authority (Article 86.4 of the Financial Regulation), COM(2006) 0279, point 2.1, p. 4.

² Introduction, p. 3.

SECTORAL ISSUES

Revenue

65. Welcomes the fact that the Court's monitoring did not reveal significant irregularities with regard to payments corresponding to the VAT and GNI own resources;

VAT

66. Regrets the Court's reference to the greater number of pending reservations in the VAT statements for 2005 and the lack of an effective instrument that would ensure that the Member States provided suitable information enabling the Commission decide on the maintenance of the reserves (paragraphs 4.13 to 4.15 of the annual report);
67. Calls on the Commission to deal with the matter with the Member States in the context of the regular meetings of the Advisory Committee on Own Resources, and to inform the competent committee of Parliament of the measures it has taken or intends to take with the ultimate objective of eliminating those reserves;

GNI

68. Regrets the fact that the Court states in its annual report for 2005 that the Commission is still not properly monitoring the underlying national accounts, and that the Commission's inspections, as part of the control and monitoring systems, have been limited to documentary controls (paragraph 4.16);
69. Notes, in addition, that, according to the Court, since 2006 new rules have been in force concerning financial intermediation services, leading to an increase in GNI; regrets the fact that the Commission has so far not submitted a proposal to the Council to apply those modifications when calculating the own resources (paragraphs 4.16 a 4.21);
70. Calls on the Commission to take action, as a matter of urgency, to remedy the shortcomings identified by the Court;

The common agricultural policy

71. Notes with satisfaction the Court's acknowledgement that, suitably applied, the Integrated Administration and Control System (IACS) constitutes an effective monitoring system for reducing the risk of error or of irregular expenditure;
72. Is concerned, however, at the Court's repeated criticism regarding the procedures currently applied in the settlement of CAP accounts (reports from the certifying bodies and compliance decisions) - procedures which (according to the Court) are not designed to ensure that operations in the form of payments to final beneficiaries (farmers and operators) are legal and regular;
73. States once again that cooperation between the Member States and the Commission for

the purpose of providing guarantees in respect of operations relating to final beneficiaries is essential and urges the Commission to step up post-payment checks and to ensure that irregular payments are recovered;

74. Regrets the fact that the Court continues to detect problems in the implementation of the IACS in Greece, fully supports the action plan which the Commission has requested from the Greek authorities (involving specific deadlines and objectives designed to correct errors), and also supports the Commission's intention (as stated to its relevant committee) to ensure that current legislation on the suspension of payments is strictly enforced if the Greek Government does not remedy the existing problems within the time-limits set;
75. Notes the current problems with the implementation of the IACS in the new Member States audited by the Court (countries in which systems are still unreliable) and calls upon the Commission to do all it can to remedy the weaknesses detected;
76. Also notes the serious shortcomings reported by the Court in the checks relating to rural development, in export refunds and especially in the olive-oil sector in Spain, Greece and Italy, and calls upon the Commission to carry out more stringent checks in those areas;
77. Approves of the financial corrections adopted by the Commission in the sector relating to olive-oil production aid with a view to reducing damage to the Community budget, and supports the Commission's proposal to the Council concerning simplification of the scheme;

Structural measures, Employment and Social Affairs

78. Is particularly pleased at the fact that, in connection with the European Transparency Initiative and pursuant to the new rules governing the Structural Funds for the 2007-2013 period¹, the Member States will be required to provide information concerning the beneficiaries of Community funding and the Commission will be required to make such information public;
79. Notes and welcomes the fact that, pursuant to the above-mentioned new rules governing the Structural Funds for the 2007-2013 period, the Commission will not reimburse expenditure unless it has previously received a written declaration from an independent body certifying that properly functioning national administration and control systems exist²;
80. Regrets the fact that, for yet another year, the Court has detected shortcomings in the Member States' control systems and a significant level of errors which undermine the reliability of the Member States' final expenditure declarations³; also regrets the fact that, according to the Court, the Commission does not effectively supervise the checks delegated to the Member States and calls upon the Commission to remedy this shortcoming as a matter of urgency;

¹ Regulations (EC) Nos 1080, 1081, 1082, 1083, 1084 and 1085/2006, which were adopted in July 2006 (OJ L 210, 31.7.2006)

² Council Regulation (EC) No 1083/2006, Article 71 (OJ L 210, 31.07.2006)

³ Annual report, paragraphs 6.26 and 6.29.

81. Points out that, for the purposes of sound financial management and the DAS, the main issue is not so much the errors detected as the existence of adequate supervision systems which will enable the Commission to carry out proper monitoring of the risks to the Community budget and to make the appropriate financial corrections;
82. Regrets the fact that within a small group of Member States there continue to be known problems which give rise to recurrent reservations and urges the Commission to supervise closely the action taken by the Member States' authorities, to ensure that such action is appropriate and to keep its relevant committee reliably informed regarding progress made;
83. Also regrets the fact that, according to the Court, the Member States have not correctly complied with the requirement to supply on a systematic basis the information which they are required to submit periodically to the Commission concerning cancellations and amounts recoverable (paragraph 6.36 of the Annual Report);
84. Calls upon the Commission to do all in its power to ensure that the Member States comply correctly with the above requirement to provide information and not to make any payment unless the Member States' authorities have supplied the requisite information;
85. Is aware that between 2004 and 2006 the Commission took action in order to suspend on a temporary basis ERDF and ESF payments to certain Member States¹ in which there were errors giving rise to recurrent reservations, and supports that action;
86. Calls upon the Commission - in line with what is set out in paragraphs 38 *et seq* of this Resolution and in view of the absence of guarantees from one Member State - to apply the Community rules on the suspension of payments² in its capacity as the body ultimately responsible for the sound financial management of Community funds;

Internal policies

87. Regrets the fact that, according to the Court, there are still within the field of direct management by the Commission the same problems as in earlier years (errors in expenditure reimbursed, complexity of applicable rules and lack of an effective penalty system), and calls upon the Commission to do its utmost to clarify the rules applicable and to ensure that the existing penalty system is applied whenever necessary (where appropriate by proposing the changes necessary in order to make the system more effective);

¹ According to a written reply from Mrs Hübner (Commissioner) to the relevant parliamentary committee: '... in 2006 ERDF payment claims have been held back by Spain pending the results of audits of remedial measures. Other examples are interruptions of ESF payments in 2005 for all programmes in England, for Objective 3 programmes and some regional programmes in France, and for programmes in the Calabria and Sicily regions of Italy, and in 2006 for EQUAL in Spain and Italy'.

² Article 106(4) of the Financial Regulation Implementing Rules and sector-specific rules laid down in Articles 38(5) and 39(2) of Regulation 1260/1999 on the Structural Funds.

Research and development

88. Regrets the fact that, according to the Court, the Commission has still not managed to introduce a reliable system for the recording of personnel costs in the research sphere; considers that 'it is essential that there is a clear requirement in the grant agreements to substantiate the working time of personnel involved in the action' (paragraph 7.7 of the Annual Report)¹;
89. Notes with concern that, despite its high cost, the audit-certificate system has not provided the hoped-for guarantees, since the Court has detected erroneous statements relating to staff costs and general expenditure, in respect of which 'clean' audit certificates have been issued;
90. Encourages the Commission to speed up the implementation of the measures provided for in the above-mentioned Action Plan towards an Integrated Internal Control Framework, in particular Action 7 (Promote best practices for increasing the cost-benefits of audits at project level);
91. Calls upon the Commission to take an urgent decision concerning the blanket introduction of a flat-rate payment procedure and to submit to its appropriate committee a comprehensive proposal on how to improve the Community research policy;
92. Regrets the fact that, according to the Court, there continues to be uncertainty owing to excessively general contractual provisions and a lack of clarity, particularly in the case of the criteria for the granting of subsidies and the independence of auditors responsible for certification, and notes that the Commission has undertaken² to simplify the Community framework and to rejig the use of audit certificates;
93. Also notes that the Commission's Internal Audit Service considers there to be a risk that undue amounts will not be identified on account of the fact that there is no effective checking system in operation during the process of releasing budget commitments, for which reason it calls upon the Commission to adopt suitable monitoring measures;

External actions

94. Notes that the Court did not detect any errors in its examination of a sample of delegation payments, although it *did* do so in its sample of bids and its sample of operations carried out by the implementing bodies;
95. Considers that priority must be attached to ensuring that Community policies which have an impact on developing countries are consistent, for which purpose the division of labour within the Directorates-General responsible for running external actions must be clarified;
96. Notes with concern that, according to the Court, the risk analyses carried out by EuropeAid did not take into account the risks represented by the various types of

¹ See also Opinion No 1/2006 on the Seventh Research and Development Programme.

² In its Communication 'Synthesis of the Commission's management achievements in 2005'.

implementing body (NGO, international organisation, government institution, etc.) and the financing methods used (subsidy, budget support, trust fund, etc.);

97. Regrets in particular the fact that, since EuropeAid's checks did not cover operations by implementing bodies, the contribution made by those checks to the overall assurance of the legality and regularity of the underlying operations is limited (paragraph 8.12 of the Annual Report);
98. Calls upon EuropeAid to implement a programme of checks applicable to the implementing bodies and to devote all its efforts to ex-post audits on the various NGOs with which it cooperates;
99. Is concerned at the fact that, as regards the effectiveness of TACIS programme expenditure, the Court maintains that at the end of 2005 the Commission was unable to determine how the programme had contributed to improving the safety of nuclear power stations (paragraph 8.36 of the Annual Report); regards such a criticism as extremely serious, since it reveals a lack of guarantees as regards the fundamental, priority aspect of Community action - i.e. value for money;
100. Notes the Court's criticisms concerning the limited use made of the Common Relex Information System (CRIS), from which little or no financial information is extracted upon which to base a more detailed risk analysis (paragraph 8.6 of the Annual Report); calls upon the Commission to remedy the weaknesses in the CRIS as a matter of urgency and to exploit the system's full potential in order to obtain the information required for control systems;

Pre-accession strategy

101. Notes that the Court states that the Sapard transactions which it audited were affected by significant errors and that although there were improvements in the Commission's supervisory and control systems, major weaknesses were noted within the Member States (paragraphs 9.10 and 9.19);
102. Recommends, therefore, that the Commission should improve its monitoring of the Member States' systems, devote particular attention to final expenditure declarations relating to the programmes in general and ensure that the Sapard paying bodies in particular are closely monitored;

Administrative expenditure

103. Notes with satisfaction that the Court's audits brought to light no significant error affecting the legality of administrative expenditure;

Agencies

104. Regrets the fact that - as the Court points out in its Annual Report - there has been another year of weaknesses in staff recruitment and in the procedures for the awarding of contracts by the agencies (activity-based management still not having been introduced);

105. Notes that, in its 2005 Annual Report, the IAS issues a reservation concerning the fact that it has too few staff to be able to satisfy the requirement laid down in the Financial Regulation¹ to the effect that the agencies should be audited annually;
106. Considers that, in view of the increasing number of regulatory agencies, there is an ever-greater need for the responsibilities of the European Community's various institutional players vis-à-vis those agencies to be clarified and for clear rules on the subject to be drawn up, including on the subject of the allocation of monitoring tasks;
107. Regrets the fact that the Commission has been unable to make any progress in the negotiations on the draft interinstitutional agreement on the operating framework for the European regulatory agencies, which was submitted in February 2005 (COM(2005)0059);
108. Notes that, with the help of the IAS, the agencies have started to establish their own internal control departments and that in future the IAS will carry out periodic reviews of those departments; also considers that the IAS must check that the agencies' internal control systems are functioning properly and that it must inform Parliament regarding the checks it carries out and the progress it achieves;
109. Notes that the Common Support Service has been established by a number of agencies for the purpose of adapting financial-management information systems in order to make them compatible with those used by the Commission; notes that the contributions to that Service were managed outside the agencies' budget systems (paragraph 10.27 of the 2005 Annual Report); takes the view - as did the Court - that such cooperation should not disregard the budgetary principles of unity and transparency and that such contributions to the Common Support Service should thus be treated as assigned revenue included in the agencies' budget systems;

European Schools

110. Notes the Court's favourable report concerning the European Schools' annual accounts; observes, however, that it is pointed out in that report that the Schools' internal control system does not follow the principle of the separation of functions between authorising officers and accounting officers and that authorising tasks are performed by delegation by two heads of unit in respect of all budget headings and with no financial ceiling²; hopes that the new Financial Regulation for the European Schools (which has been in force since 1 January 2007) will remedy the weaknesses to which the Court has drawn attention;

'Berlaymont Affair'

111. Notes the complaint lodged by the Director-General of the Office for Infrastructure and Logistics in Brussels (OIB) in his Annual Activity Report on the structural deficit

¹ Article 185 of the Financial Regulation

² See paragraphs 10 and 11 of the report by the Court of Auditors on the European Schools' annual accounts for the 2005 financial year, which was submitted to Parliament on 30 November 2006.

generated by the cost of maintaining the Berlaymont building following its refurbishment¹, and also his references to a series of accounting and management problems; considers that the structural-deficit problems highlighted should be resolved as a matter of urgency and calls upon the Commission to take appropriate action and to notify Parliament thereof;

CONCLUSIONS CONCERNING THE SPECIAL REPORTS ISSUED BY THE COURT OF AUDITORS

Special Report No 6/2005 on the Trans-European Network for Transport

- 112. Points to the fact that the new 2007-2013 financial perspective will have a considerable impact on the TEN-T, as the amount agreed upon is approximately 40% lower than the original Commission proposal; as a consequence selecting and prioritising projects will become even more important;
- 113. Is of the opinion that in the current financial environment preference should be given to cross-border sections of priority projects involving more than one Member State;
- 114. Calls on the Member States to support a European added-value approach rather than fighting for the "fair share" principle;
- 115. Is of the opinion that the Commission has to further improve cooperation with Member States when priority projects at national and EU level are selected;
- 116. Is, in this context, deeply concerned about the slow execution of TEN-T priority projects and urges the Commission and Member States to improve co-ordination of EU transport infrastructure funding in annual and multi-annual programmes;
- 117. Calls on the Commission to continue its effort to establish clear legal frameworks and procedures, and also to guarantee rigorous monitoring and thorough evaluation of projects and programmes and to set up a comprehensive list of clear criteria which allow projects to be prioritised in a transparent manner;
- 118. Asks the Commission to clarify procedures for appointing the coordinators, while setting up the regulatory framework for the content of their reports, and transmit the first report of the "European Coordinators" when it becomes available;
- 119. Urges the Commission to establish a clear and transparent division of institutional responsibilities and define a framework for coordination of activities between DG REGIO and DG TREN with a view to avoiding double-financing of the same projects;

¹ Paragraph 2.2.1.2. of the OIB's Annual Activity Report , 'Risk management', page 23.

120. Notes that the Court has dismissed the first cost-benefit analysis for the creation of an Executive Agency as superficial; asks the Court to evaluate the second one, which was finalised in July 2005, in time for the committee's own initiative report;
121. Notes that the Commission remains convinced that the establishment of an Executive Agency is the appropriate tool for administering the TEN-T programme; is, however, of the opinion that DG TREN's organisation chart could reflect more adequately the fact that 54% of its budget concerns TEN-T (but only 5% of the staff working in that area); remains therefore - like the Court - convinced that TEN-T could already be managed more effectively by achieving better burden sharing and using external expertise on a contractual basis;
122. Is of the opinion that the Commission should consider proposing that the Community's contribution to the TEN-T budget line be increased for cross-border projects; welcomes in this context the cooperation agreement with the European Investment Bank;

Special Report No 1/2006 on the contribution of the European Social Fund in combating early school leaving

123. Attaches great importance to an efficient and responsible use of the EU budget and to the application of the principle that an initiative that is insufficiently verifiable should not be financed by public money and therefore regrets that no clear correlation between reduction of early school leaving and EU funding has been found;
124. Recognises that the Commission has an appropriate monitoring and control mechanism to ensure compliance with the principles of sound financial management but stresses that this mechanism must be improved in accordance with what the Commission itself has stated; in this respect, calls upon the Commission to propose how it plans to go about this;
125. Encourages the Commission to work with the Member States and their national statistics offices to properly define and identify the incidence of early school leaving and encourage the exchange of information and best practice between all local and national organisations responsible for tackling early school leaving;
126. Calls for a common understanding between the 27 Member States of measuring standards and definitions related to the problem of early school leavers in order to ensure that national data is comparable and of the necessary quality required to establish whether the Lisbon Strategy priorities in this respect are in fact being met;
127. Calls upon the Commission to ensure that a thorough assessment is carried out in the new Member States as early as possible and in time to make remedial action possible if required; calls, furthermore, upon the Court of Auditors to conduct in parallel a similar audit to the one it conducted in the past in the 15 Member States, on the impact of early school leaving funding in the New Member States themselves;

Special Report No 2/2006 concerning the performance of projects financed under TACIS in the Russian Federation

128. Stresses that, despite the positive results in many areas, the overall impact of the TACIS programme has not always been efficient and sustainable as was intended;
129. Calls on the Commission to engage the Russian Government in further dialogue to identify the national needs and direction accurately and to seek to define and identify priorities and objectives to reach by the actions taken;
130. Urges the Commission to pursue its policy of focusing on a limited number of sectors and a limited number of programmes; takes the view that the Commission should change its scope from a project approach to a programme approach, since the project approach has too often led to limited dialogue, ownership and flexibility as well as to stand-alone projects, unlikely to produce the broader and longer term objectives set out in the current partnership and cooperation agreement;
131. Calls on the Commission to take action in preparing a proposal for a legal basis enabling the use of TACIS funds for co-financing with the Russian Federation and to consider a financial involvement of regional and local players, social partners and a greater participation by the private sector to be essential;
132. Calls on the Commission to ensure frequent project based evaluation, beyond the time of their completion, in order to improve feed-back from past experience and also to ensure clear information on on-going projects, various programmes, to facilitate public access to information and to increase openness and transparency about the utilisation of funds and decision-making;

Special Report No 3/2006 concerning the European Commission Humanitarian Aid Response to the Tsunami

133. Welcomes the Court of Auditors' overall positive evaluation of DG ECHO's humanitarian aid response;
134. Urges the Commission to reiterate the primary role of DG ECHO in meeting humanitarian needs and clarify, as soon as possible, the role of DG Environment;
135. Invites the Commission to strengthen the role of DG ECHO to continue to improve its coordination and its response capacity to meet rapidly and efficiently the needs of victims of future humanitarian catastrophes and to give adequate consideration to the importance of linking short-term humanitarian aid with longer term rehabilitation and reconstruction; notes that at present the two phases belong to different DGs, procedures and mandates;
136. Insists on sound financial management and considers that provision of detailed financial information is necessary to facilitate the effective monitoring of project implementation;
137. Emphasizes the recommendation of the Court that DG ECHO should strengthen its monitoring system;

138. Understands that an increase in prices of goods and labour costs might be unavoidable in exceptional situations; invites however the Commission to give consideration to measures aimed at controlling and monitoring the costs as much as possible;
139. Voices its concern with regard to brand promotion and competition for visibility amongst humanitarian donors in humanitarian catastrophes which attract high media attention, as this practice has a negative impact on the coordination of humanitarian aid and the perception of the aid by the victims of such catastrophes;
140. Asks the Commission to define clearly what an NGO is;

Special Report No 4/2006 concerning Phare investment projects in Bulgaria and Romania

141. Regrets the fact that the requirement for certain projects financed under the Phare programme was not proven in advance;
142. Urges the Commission to involve the Bulgarian and Romanian authorities in mutual cooperation with a view to identifying the two countries' requirements and capabilities more precisely, and to endeavour to define and determine the priorities and the objectives to be achieved;
143. Calls on the Commission to pay particular attention to establishing in Romania and Bulgaria administrative structures and information systems capable of managing EU funds and to supervise the reorganisation of the departments responsible for investing those funds;
144. Calls on the Commission to ensure that clear information is provided concerning current projects and the various programmes and on the Romanian and Bulgarian administrations' overall management and independent-monitoring capability and that there is greater openness and transparency in the use of funding and in the taking of decisions relating thereto;
145. Calls on the Commission for an independent opinion concerning the ability of the Romanian and Bulgarian administrations to carry out sound financial management of Community funding;

Special Report No 6/2006 concerning the environmental aspects of the Commission's development cooperation

146. Urges the Commission on the basis of the new development policy signed in December 2005 to establish a comprehensive environment strategy for its development cooperation;
147. Considers that such a strategy should recognise the importance not only of mainstreaming the environment into all development programmes and projects but also making the environment a priority field for expenditure;
148. Believes that training in environmental mainstreaming should be compulsory for key officials; urges the Commission to complete the preparation of a manual on environmental mainstreaming as soon as possible;

149. Asks the Commission to ensure that it has sufficient in-house environmental expertise and that clear environmental integration procedures are both defined and complied with;
150. Invites the Commission to make greater use of the recognised expertise of the national aid administrations of the Member States and of private companies that have an established experience as partners of the national aid administrations in managing environmental projects in the context of national development cooperation programmes;
151. Insists that projects must be planned on the basis of detailed specifications with clearly defined aims and that external monitors should be engaged to evaluate the success rate of each project and to identify clearly any failures or weaknesses;

Special Report No 7/2006 concerning Rural Development Investments: Do they effectively address the problems of rural areas?

152. Welcomes the publication of the report and urges the Commission to take on board those shortcomings identified in the report which are not addressed in the new Rural Development Regulation (or detailed application rules), in particular when approving national programmes;
153. Calls in particular upon the Commission to set clearer strategies which relate to specific objectives and work in close cooperation with the Member States to improve the definition of objectives, beneficiaries and areas, as well as the selection of the most appropriate projects, and to include this in the programming documents for the 2007-2013 period;
154. Believes that the time-frame for Commission approval of national programmes might have to be extended slightly in order to allow for thorough analysis, as the quality of national programmes will to a large extent determine whether the allocation of funds to the most needy areas and beneficiaries is clearly justified and the effectiveness of investment measures can be better measured in the future;
155. Reiterates the importance it attaches to an efficient and responsible use of the EU budget and to the application of the principle that an initiative that is insufficiently verifiable should not be financed by public money; setting clear objectives and defining clear strategies in national programmes are essential in this context;
156. Believes that the achievement of the two-fold structural and agricultural objectives of investment measures should be implemented through a carefully balanced sectoral (for agriculture) and territorial (for economic and social cohesion) approach;
157. Considers the second pillar of the CAP to be an indispensable tool in the further development of rural areas in the EU, and thus invites the Commission to encourage Member States to analyse key success factors of investment projects and disseminate cases of good practice;
158. Encourages the Commission, in close cooperation with the Member States, to improve monitoring and evaluation systems, for example by developing relevant qualitative indicators that enable Member States and Commission to determine whether measures

were effective and which objectives were achieved;

Special Report No 8/2006 on: Growing Success? The effectiveness of the European Union support for fruit and vegetable producers

159. Reiterates its commitment to Community support for the fruit and vegetables sector in the EU, which is needed to make the sector more sustainable and more competitive;
160. Expresses its support for moving away from interventionist measures, such as withdrawals or support for processed products, which it considers to be counterproductive to the objectives set out for the fruit and vegetable sector;
161. Believes that support systems for operational programmes for fruit and vegetable producer organisations form a far more promising tool than interventionist measures;
162. Notes and welcomes the foreseen evaluation study in 2009 and calls for the Commission to set up an appropriate monitoring and control mechanism for the fruit and vegetable sector to ensure compliance with the principles of sound financial management;
163. Welcomes the Commission's statement that it will improve its capacity to collect data and to develop relevant qualitative and quantitative indicators in order to define effectiveness and efficiency; believes that these indicators should better address more wide ranging benefits of programmes, which should be monitored at a higher aggregation level; proposes, moreover, that the Commission review as soon as possible the relevance and accurateness of existing indicators and statistics;
164. Agrees with the Court that the current system needs close reviewing in order to improve its efficiency and effectiveness; calls therefore on the Commission and the Member States to closely monitor and increase the efficiency and effectiveness of the system of producers' operational programmes and to study the success factors of the more promising results and draw conclusions on that basis for better implementation at Member State level, especially in the poorer regions;
165. Supports therefore the Court's recommendation to clarify and simplify eligibility criteria in order increase transparency and to reduce administrative costs incurred by the payment schemes;
166. Calls upon the Commission to closely monitor and control the implementation of the scheme in new Member States;

Special Report No 9/2006 concerning translation expenditure incurred by the Commission, the Parliament and the Council

167. Underlines the fact that the total cost of all the linguistic services of the EU institutions - translation and interpretation combined - represents merely 1% of the total EU budget;
168. Is surprised that institutions have so far calculated neither their total translation costs¹ nor

¹ According to the Court these figures cover costs for translators, secretaries, management, service staff, planning,

their costs per page; notes that, in 2005, the volume of translations was 1 324 000 pages at the Commission (1 450 translators), 1 080 000 pages at Parliament (550 translators) and 475 000 pages at the Council (660 translators); notes furthermore that the ECA estimated the full cost of translation, in 2003, at EUR 414.2 million: EUR 214.8 million for the Commission, EUR 99 million for Parliament and EUR 100.4 million for the Council; for the same year the average cost per page stood at EUR 166.37: EUR 150.2 for the Commission, EUR 149.7 for Parliament, and EUR 251.8 for the Council;

169. Considers that the institutions should take the appropriate measures to further improve the productivity of the EU translation services by comparison with the private sector;
170. Considers that clarifications are required as to why the prices that Parliament pays for freelance translators are on average 12% higher than the prices paid by the Commission;
171. Welcomes the fact that the Commission and the Council have managed to limit the increase in translation volume after the EU-10 enlargement, thereby curbing the cost increase;
172. Considers that the three institutions should establish translation costs on an annual basis using the same criteria and calculation methods; takes the view that the figures obtained should be used not only for budgetary purposes, but also to raise cost awareness among users;
173. Welcomes the Commission's readiness to address the authorisation procedure and the screening of translation requests in 2006; also welcomes the fact that, in 2003, the Council established a list of core documents, thereby limiting the translation of other texts;
174. Recommends that greater use be made of limits on the length of documents and written summaries;
175. Asks, with regard to Articles 8 and 9 of the Code of Conduct on Multilingualism of 19 April 2004, whether Parliament could make greater use of 'procedural languages'; asks the Secretary-General to report back to the Committee on Budgetary Control during the 2006 discharge procedure;
176. Encourages parliamentary committees and delegations to provide texts only in the languages of committee members and their substitutes; additional language versions could be provided upon specific request;
177. Is generally of the opinion that the institutions must take the necessary measures to guarantee a high translation quality standard; takes the view, therefore, that the Council, Parliament and the Commission should report back to the Court and the Committee of Budgetary Control on measures taken to monitor and improve the quality of translations in time for the 2006 discharge procedure;
178. Considers that the institutions should improve further the information available to

building, IT, and human resource management (i.e. training).

management for monitoring the translation process, taking into consideration the performance indicators proposed by the Court¹;

- 179. Considers that the Council, Parliament and the Commission should make efficient and effective use of internal and external resources such as databases, computer-assisted translations, teleworking and outsourcing;
- 180. Considers that each institution should verify spare translation capacities in the other two institutions before outsourcing translations;

Special Report No 10/2006 on ex post evaluations of Objectives 1 and 3 programmes 1994-1999 (Structural Funds)

- 181. Invites the Commission to demonstrate to what extent the methodology for ex ante, mid-term and ex post evaluation has been consolidated in order to prevent as far as possible, for the 2000-2006 ex post evaluation exercise, the logical errors established by the Court's special report;
- 182. Suggests that cooperation between DG REGIO and DG EMPL be expanded with regard to the points which the evaluation methods have in common;
- 183. Notes that the methodology concerning the current use of the HERMIN model poses major problems; is concerned that the current methodology does not allow sufficient account to be taken of the importance of the tertiary sector for some economies, e.g. tourism; fears that there will be serious difficulties for Structural Fund evaluation in the countries which joined the European Union in 2004 because of the specific circumstances of their young market economies; calls on the Commission to demonstrate - before commencing the 2000-2006 evaluation - to what extent it has modified the methodology to take account of this criticism;
- 184. Calls also for the methodology to be enlarged upon in order to gauge microeconomic effects; considers private investment important for Structural Fund impact in the long term and for job creation; insists that it be taken into consideration in the 2000-2006 ex post evaluation exercise;
- 185. Calls, in the interests of ensuring a coherent approach to Structural Fund evaluation in general, for the conclusions of the Court's special report to be taken into account for future ex ante, mid-term and ex post evaluations for the 2000-2006, 2007-2013 and subsequent programming periods;
- 186. Backs the notion that Structural Fund evaluation ought to be viewed as an ongoing process with permanent input from the conclusions drawn from the various ex ante, mid-term and ex post exercises; calls for Member States to be involved in this process and for the Commission to demonstrate how it is going to put these notions into practice as soon as possible;

¹ See paragraphs 53 and 88 of the Court's report.

187. Takes the view that, in the interests of demonstrating the European added value of the Structural Funds to the public, future evaluations should also highlight these indirect effects of the Structural Funds;
188. Calls on the Commission for the steering group for the 2000-2006 ex post evaluation to explore the scope for stepped-up cooperation with the academic community (to include the opinions of outside experts) in the form of partnerships with specialised institutes and studies on specific subjects;
189. Is of the opinion that such cooperation would make it possible to refine evaluation and exploit the potential of the Structural Funds to a greater extent; invites the Commission to follow this approach in order to establish a 'beacon' model for evaluation of economic, social and territorial cohesion measures which would be a specifically European model, but would have the potential to serve as an example at global level.