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**A5-0097/2000**

30 March 2000

## **REPORT**

on giving discharge in respect of implementation of the general budget for the financial year 1998

Section I – European Parliament/Ombudsman Annex  
(SEC(1999) 414 – C5-0008/1999 – 1999/2051(DEC))

Committee on Budgetary Control

Rapporteur: Helmut Kuhne



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## PROCEDURAL PAGE

Pursuant to Rule 184(3) of the Rules of Procedure, the Committee on Budgetary Control was requested to draw up a report on the annual accounts and the discharge for the financial year 1998 in respect of Parliament.

On 13 October 1999, the Committee on Budgetary Control appointed Helmut Kuhne as rapporteur.

At its meetings of 25 and 26 January, 22, 23 and 24 February, 21, 22, 23 and 28 March 2000, the Committee on Budgetary Control considered the draft report.

At the last meeting, it adopted the proposal for a decision by 15 votes to 1 with 2 abstentions.

The following took part in the vote: Diemut R. Theato, chairman; Herbert Bösch and Lousewies van der Laan, vice-chairmen; Helmut Kuhne, rapporteur; Ozan Ceyhun (for Claude Turmes) pursuant to Rule 153(2)), Gianfranco Dell'Alba, Anne Ferreira, Christos Folias (for Raffaele Costa), Salvador Garriga Polledo (for Bashir Khanbhai), Thierry B. Jean-Pierre, Brigitte Langenhagen, Emmanouil Mastorakis (for Freddy Blak), John Joseph McCartin (for José Javier Pomés Ruiz), Mair Eluned Morgan, Jan Mulder (for Antonio Di Pietro), Heide Rühle (for Bart Staes), Gabriele Stauner, Michiel van Hulst.

The report was tabled on 30 March 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## PROPOSAL FOR A DECISION

### Decision of the European Parliament giving discharge in respect of the implementation of the general budget for the financial year 1998

#### Section I – European Parliament/Ombudsman Annex (SEC(1999) 414 – C5-0008/1999 – 1999/2051(DEC))

##### *The European Parliament,*

- having regard to the revenue and expenditure account and the balance sheet for the financial year 1998 (SEC(1999) 414 – C5-0008/1999),
  - having regard to the administrative co-operation agreement concluded between the European Parliament and the European Ombudsman on 22 September 1995, which was prolonged on 7 December 1999,
  - having regard to the Annual Report of the Court of Auditors concerning the financial year 1998<sup>1</sup>,
  - having regard to Opinion N° 5/99 of the Court of Auditors on the Additional Voluntary Pension Scheme and Fund for Members of the European Parliament <sup>2</sup>,
  - having regard to its Rules of Procedure, and in particular Rule 184(3) thereof,
  - having regard to Article 77 of the Financial Regulation and Article 13 of the Internal Rules for the implementation of the European Parliament's budget,
  - having regard to the report of the Committee on Budgetary Control (A5-0097/2000)
- A. wishing to ensure that the principles of legality, regularity, economy, cost-effectiveness and sound financial management laid down in EU law are fully respected in the implementation of Parliament's budget,
- B. strongly reminding the administration of its prime responsibility in regard to the proper management of funds derived from the European taxpayers,

##### *European Parliament*

1. Adopts the figures closing the accounts of the European Parliament for the financial year 1998 on the basis of the following amounts:

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<sup>1</sup> OJ C 349, 3.12.1999.

<sup>2</sup> Forwarded to European Parliament on 1 June 1999.

Utilisation of appropriations (in ECU)	of (in financial year 1998)	Appropriations for the financial year 1998	Appropriations carried over from the financial year 1997	
			Article 7(1)(b)	Article 7(1) (a)
Appropriations available including SAB n° 1/98		1.060.936.503,00	90.540.481,64	4.522.000,00
Commitments entered into		905.205.608,23	-	-
Payments made		788.043.887,18	72.254.736,02	1.739.518,23
Appropriations carried over to 1999		117.161.721,05		
- Article 7 (1) (b) Fin. Reg.		150.000.000,00		
- Article 7 (1) (a) Fin. Reg.				
Appropriations to be cancelled		5.730.894,77	18.285.745,62	2.782.481,77
Balance as of 31 December 1998: 1.425.783.506				

### ***Budgetary Implementation***

2. Welcomes the significant reduction in the cancellation of appropriations for 1998 and the modest improvement in the utilisation of non automatic appropriations carried over from 1997, resulting from the measures introduced by the Secretary General; however, regrets that there still remains a persistently high cancellation of appropriations automatically carried over; underlines the continued need for sustained progress in this area and urges that corrective measures be promptly taken to that effect;
3. Expects financial requirements to be more thoroughly defined by authorising officers so that subsequent contradictory requests for transfers of appropriations can be avoided;

### ***Calls for Tender***

4. Urges that the management of calls for tender forthwith ensure optimum use of available resources and avoid in future situations such as those encountered in 1998 whereby:
  - Parliament lost a court case (T-203/1996) concerning a contract for the transport of Members in Brussels;
  - there was a lapse in the appropriations earmarked for telecommunications equipment;
  - there was a lapse in the appropriations earmarked for Members' furniture in the Louise Weiss building
5. Is surprised to note that a published call for tenders was put forward twice for Members' furniture in the Louise Weiss building and that on both occasions, these were abandoned due to the failure of tenderers to meet the actual requirements of the call itself; notes that the contract was finally awarded on the basis of a normally exceptional procedure, namely the direct negotiation of a contract with a tenderer;

6. Considers unacceptable the dramatic increase in the number of contracts awarded by the exceptional 'direct treaty' procedure instead of by calls for tender (1998: 181 cases, compared to 58 in 1997), which means that half of all contracts awarded in 1998 were based on that procedure; requests the Secretary General to present by 1 June 2000 concrete measures to reverse this deplorable trend, including measures for training and improving qualifications of Parliament's staff involved in awarding of contracts.

### ***Buildings***

7. Regrets that, despite having taken up occupancy within the new Altiero Spinelli building in Brussels, Parliament, due to problems in logistical planning which were not necessarily of its own making, was nonetheless left with the continued financial burden of fulfilling its contractual obligations, i.e. lease agreements and other associated expenditure for those buildings actually left vacant and unused for part of the year as a result of the aforementioned move;
8. Reiterates its regret at the Council's decision against the direct funding of the Altiero Spinelli building; is aware of its responsibility as the only institution responsible for discharge; notes that the Council decision had created a series of difficult conditions for Parliament's Bureau;
9. Notes that the approach adopted for the funding of that building was based on the express recommendation of the Secretary-General, the Financial Controller and the Legal Service, who had come to the conclusion that the EU rules on the award of public service contracts were not applicable in this connection;
10. Is very alarmed at the doubts that had arisen in connection with the construction of the Altiero Spinelli building about whether the relevant legal procedures had been properly applied and implemented; is obliged, under the Treaty, to apply the same standards in respect of the discharge of the implementation of the budget of all institutions; expects, in view of the possible purchase of further buildings, the options available to Parliament to be presented as rapidly as possible, including a legal assessment of these options, to the committees responsible; notes in this respect, that the procedures selected by Parliament must remain unimpeachable; requests the Bureau to present options for an accurate action and financing plan, in particular for the Louise Weiss building in Strasbourg, including their legal assessment taking into account the situation of negotiations, before 1 July 2000;
11. Insists on the preservation of its rights with regard to the late hand-over of the Louise Weiss building, in particular as regards the interim interest payments and the penalties referred to in the framework contract;
12. Maintains that the concessions on the part of the French authorities relating to the Louise Weiss building, in particular the defrayment of land and other related costs as well as the waiving of VAT, should in no way be linked to the completely separate issue of penalties imposed upon the promoter for failing to have completed on time his contractual obligations;
13. Reaffirms its position, that it is in no way involved in the various legal disputes opposing the promoter of the Louise Weiss building and its sub-contractors and architects; consequently, takes the view that any costs arising from the settlement of

those disputes should not be part of the final investment cost of the building.

### ***Management of Members' Pension Fund***

14. Takes note of the Court of Auditors' opinion no 5/1999 on the Members' Additional Pension Scheme and Fund giving reasonable assurance that the accounts of the Scheme are reliable; requests the College of Quaestors and the Bureau to act on its recommendations so as to ensure the separation of the Fund's management from that of the administration of Parliament;

### ***Personnel Policy***

15. Deplores the unnecessary financial costs and immaterial damage accruing to Parliament as a result of the spate of recent cases in which either the European Court of Justice or the Court of First Instance decided against Parliament; deplores most strongly the residual impression left by these cases, whereby it would appear that favouritism plays a significant role in the granting of appointments to high-grade posts within the administration of Parliament; demands that the Appointing Authority take into account the courts' decisions and in particular their criticism of the use of inappropriate criteria in the future so that the appointment to said posts will be above all based on merit, professional qualifications for the position in question, as well as the ability of the candidate to perform the specific duties required of him/her;
16. Demands that the Bureau, following up on a proposal by the Secretary General of Parliament, define a long-term policy on staff recruitment and appointments, which is based upon predictable needs for specific qualifications; asserts that in doing so, more attention should be given toward qualified personnel within the Member States, particularly in regards to the recruitment of specialists in booking, auditing and accounting;
17. Demands that the Bureau draws its own conclusions from the current reform process in the Commission relating to staffing policy and asks the Secretary General to deliver a report before the respective parliamentary committees prior to the 30<sup>th</sup> of June 2000;
18. Regrets the ongoing problems in the sector of its freelance interpreters, the management of which is presently shared with the Commission; solicits its Secretary General to submit a report, in time for the first reading of the 2001 Budget, examining the advisability of Parliament assuming sole responsibility for the management of its own freelance interpreting needs;

### ***Evaluation Reports and Reports to the Institution***

19. Demands that any evaluation reports concerning Parliament's administration, as well as the financial controller's reports to the institution, be forwarded to the Committee on Budgetary Control, immediately following their presentation to the Bureau;
20. Asks its President to ensure that a cost-benefit study of Parliament's Legal Service is carried out by an independent outside body;



### ***Personal Allowances and Expenses***

21. Draws attention to the Court of Auditors' observations on the need for full adherence to:
- the criteria for the granting of the allowance equivalent to the “dependent child allowance” (Article 2, paragraph 4 of Annex VII to the Staff Regulations) and
  - Community legislation on mission expenses for all categories of staff; in this respect it expects the Bureau to complete promptly the review of the current system of staff missions with a view to its reform;

### ***Transparency of the work of the European political parties and groups***

22. (a) Specifically emphasises the need for a legally binding statute for European political parties, welcomes the fact that the Presidents of four European alliances of parties and their parliamentary groups have submitted a draft text in this connection and looks to the Commission to submit a proposal for a legal act by 1 September 2000;
- (b) Asks the competent committees of Parliament to consider this question as a matter of priority;
- (c) Advocates - following the entry into force of a new arrangement - separate identification of allocations to European political parties, taking as a possible criterion the fact that total spending on European political parties and groups should remain within the confines of increases in spending to date on political groups; calls on the Secretary-General and the Bureau to introduce full transparency, during a transitional period, on the use of resources and to enter separately the budgetary appropriations allocated to the European political parties in the budgetary lines intended for this purpose
- (d) Advocates that the European Court of Auditors audit the political groups' finances every two years;

### ***Inventory***

23. Deplores the unaccountability of large stocks of inventory in the past due to inadequacies in its control system and calls on the Secretary General to report on the final outcome of the 1994 inventory check, in which items not located and subsequently written off have been quantified and categorised;
24. Notes that a new inventory system was launched by the Administration in 1998 with a view to labelling all items on all the Institution's premises, to be followed by a new management system using these labels; attaches the greatest importance to the success of this operation and urges its Secretary General to inform the Committee on Budgetary Control by 1 June 2000 as to the progress made;
25. Notes, as regards the purchase of a second computer for Members' offices, that they are required to buy a specific make and type of computer for a given price from a specific supplier. Since this situation is totally incompatible with the rules of the free market and

fair competition, it is requested that these conditions be abolished as soon as possible;

### *The case relating to the Members' Cash Office*

26. Notes that the Institution's appeal against the judgement, dated 3 April 1998, whereby the Luxembourg Commercial Court found as inadmissible the case brought on 22 March 1995 by the European Parliament against Royale Belge S.A., with which Parliament took out, on 30 June 1976, the insurance policy referred to in Article 75 of the Financial Regulation, is still pending;
27. Stresses that the discrepancy of 4,136,125 BF between the cash situation and the accounts, an amount which was excluded from the scope of the discharge granted for the 1982 financial year, will have to be regularised when such an appeal procedure has been completed;

### *Ombudsman Annex*

28. Welcomes the increased take-up of appropriations earmarked for the 1998 budget of the Ombudsman; notes however that the utilisation of appropriations automatically carried over from 1997 worsened by comparison to the previous year; urges therefore the Ombudsman to improve implementation of these appropriations;
29. Regrets the Commission's failure to include the analysis submitted by the Ombudsman's services on the implementation of the Ombudsman Annex budget in the overall presentation of the Revenue and Expenditure Account and Balance Sheet for 1998;

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30. Gives its Secretary General discharge in respect of the implementation of the budget for the 1998 financial year;
31. Authorises the giving of discharge to the Accounting officer for the 1998 financial year;
32. Instructs its President to forward this decision to the Commission.

## EXPLANATORY STATEMENT

### *Introduction*

1. The main figures in Parliament's budget for the 1998 financial year are as follows:

- Appropriations budgeted, including ECU 150.000.000 of the Supplementary and Amending Budget (SAB) n° 1/1998: ECU 1.060.936.503,00
- Commitments entered into: ECU 905.205.608,23  
(99,37% of appropriations budgeted, excluding SAB n° 1/1998)
- Payments made: ECU 788.043.887  
(87,06% of commitments entered into)
- Outturn of appropriations automatically carried over from 1997 to 1998: ECU 72.254.736,02  
(out of ECU 90.540.481,64 carried over, or 79,80%)
- Outturn of "non-automatic" appropriations carried over from 1997 to 1998: ECU 1.739.518,23  
(out of ECU 4.522.000,00 carried over, or 38,47%)
- Appropriations carried over from 1998 to 1999: ECU 267.161.721,05 of which
  - ECU 117.161.721,05 are automatic carryovers and
  - ECU 150.000.000,00 are non-automatic carryovers

(The outturn of appropriations carried over to 1999 will be considered under the discharge procedure for the relevant year).

### *Utilisation of appropriations for the 1998 financial year*

2. Out of ECU 910.936.503,00 initially entered in the budget (i.e. excluding the ECU 150.000.000 of SAB n° 1/1998), ECU 5.730.894,77 were cancelled (0,63%). These figures represent a substantial progress compared to financial year 1997 (appropriations budgeted: ECU 887.207.914 of which ECU 14.970.496,89 were cancelled, or 1.69%).
3. Of those headings listed in the report on the 1997 discharge, where there were significant cancellations (either in relation to the appropriations budgeted, or in absolute terms)<sup>1</sup> very few feature in the 1998 list: (see next page)

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<sup>1</sup> Report on the 1997 discharge-Parliament/Ombudsman Annex, doc. A4-0199/99, para. 2 of the explanatory statement, rapporteur: Mr. FABRA VALLÉS.

- *Item 2020: Water, gas electricity and heating* ECU 437.080 of 7.023.573 (6,22%)
- *Item 2221: Replacement of technical equipment and installations* ECU 137.965 of 1.225.400 (11,25%)
- *Item 2550: Miscellaneous expenditure on the organisation and participation in conferences, congresses and meetings* ECU 95.502 of 718.000 (13,30%)
- *Item 3700: Expenditure on parliamentary delegations and institutions stipulated in the AC-EU Convention* ECU 74.566 of 350.000 (21,30%)

It is also worthy of mention that the amounts subject to cancellation under each of the headings were significantly lower than in 1997. This is partly due to the fact that all four headings contributed to the various transfers of the “mopping up” (*ramassage*) operation.

4. Consequently, it can be said that the various measures introduced by the Secretary General to improve budgetary management and, in particular, to reduce the cancellations of appropriations<sup>1</sup> are bearing the first fruit. However, continued efforts are needed for this improvement to be consolidated and sustained through the subsequent financial years.
5. For the purpose of shedding more light on the manner in which the appropriations have been utilised in 1998 as opposed to 1997, Table I contains a list of headings subject to the highest cancellations in 1997<sup>2</sup> as compared with those amounts subject to cancellation – under the same headings – as entered in the 1998 budget. Table I also provides an overview of the amounts transferred from these headings in 1997 in contrast to 1998.

A cursory examination of Table I gives rise to the following remarks:

- overall, there was a significant reduction of cancellation amounts in 1998 compared to 1997, with the best performance being that of article 221 and items 1870 and 1051;
- in most of the cases, that improvement resulted from the substantial increase in sums transferred from the headings in 1998, as opposed to 1997 (items 1051, 2020, 2221, 2223, 2550, 2725, article 294 and items 2995 and 3700);
- in comparison to 1997, four of the headings as expressed in the 1998 budget (item 2040, articles 221 and 223 and item 2600) demonstrate a more thorough approach to the proper use of appropriations as reflected by the sharp reductions in both the

<sup>1</sup> Report from the Secretary General to the Committee on Budgetary Control, Notice to Members N° 20/98 (PE 228.722).

<sup>2</sup> See report on the 1997 discharge-Parliament/Ombudsman Annex, doc A4-0199/99, para. 2 of the explanatory statement, rapporteur: Mr. FABRA VALLÉS.

amounts subject to cancellations as well as the amounts transferred from each of the headings.

**TABLE I**

**Evolution in 1998 of headings which in 1997 had high rate of cancellations and comparison with the amounts transferred from those headings (in ECU)**

Budget heading	1997		1998	
	Amount transferred from the heading	Amount cancelled	Amount transferred from the heading	Amount cancelled
Item 1051: Data-processing courses for Members	-	84.600	148.800	1.976
Item 1870: Interpreters and conference technicians	* 2.500.000	1.000.000	727.000	-
Item 2020: Water, gas, electricity and heating	1.350.000	840.000	2.872.000	437.080
Item 2040: Fitting out of premises	510.000	328.000	* 6.687.000	37.012
Article 221: Furniture	116.000	2.792.000	4.500	25.345
Item 2221: Replacement of technical equipment and installations	216.000	157.000	272.100	137.965
Item 2223: Maintenance, use and repair of technical equipment and installations	* 356.000	392.000	646.500	77.167
Article 223: vehicles	100.000	646.000	18.000	119.055
Item 2550: Miscellaneous expenditure on the organisation and participation in conferences, congresses and meetings	80.000	311.127	257.000	95.502
Item 2600: Limited consultations, studies and surveys	300.000	223.327	50.000	15.440
Item 2725: Organisation of seminars, symposia and cultural activities	200.000	122.395	280.000	54.261
Article 294: Study grants	20.000	112.811	147.000	15.808
Item 2995: aid to the democratically elected parliaments in central & eastern Europe & the Mediterranean basin	40.000	70.535	100.000	19.961
Item 3700: Expenditure on parliamentary delegations and	-	236.197	156.000	74.566

Budget heading	1997		1998	
	Amount transferred from the heading	Amount cancelled	Amount transferred from the heading	Amount cancelled
institutions stipulated in the ACP-EU Convention				

\*These amounts represent increases.

Source: - Revenue and Expenditure Account and Balance Sheet for 1997 – Volume III  
European Commission, SEC (98) 521-FR, and  
- Revenue and Expenditure Account and Balance Sheet for 1998 – Volume III  
European Commission, SEC (99) 414 - FR

6. Table I also shows, however, the continuing disparity between the appropriation amounts budgeted to a given heading and their actual use. Nonetheless, the transfer of those appropriations which were not entirely used for the purpose for which they were earmarked, did substantially help in meeting other requirements of Parliament's budget (mainly the "mopping up" operation), thus contributing to the overall decline of large-scale cancellations.
7. Table II contains a number of headings and sub-headings, the appropriations of which were increased and then decreased by way of transfers in 1998. Since these headings make up only a fraction of Parliament's entire budget, an analysis of the transfers concerning these headings should not be taken as being constitutive of the entire budget of the Institution. In terms of the micro-management of the budget however, they are quite significant. In so far as such transfers reflect upon the basis of forecasting and planning made by the authorising officers in charge of each heading, an analysis of transfers of appropriations can provide useful information on the quality of financial management.

**TABLE II**

**of main budget headings, the appropriations of which were increased and subsequently decreased by way of transfers during the 1998 financial year**

Budget heading	Increase				Decrease			
	Amount (in ecus)	Authorising body	Date	Transfer N°	Amount (in ecus)	Authorising body	Date	Transfer N°
1872/1 : other services and work sent out for translation and typing – translation of CRE	310.000	COBU	23/9/98	C10	100.000	COCOBU	15/12/98	C13 (Ramassage II)
2030/3 cleaning & maintenance	3.157.000	COBU	3/6/98	C5	975.000	EP President	2/12/98	P21 (Ramassage)

Budget heading	Increase				Decrease			
	Amount (in ecus)	Authorising body	Date	Transfer N°	Amount (in ecus)	Authorising body	Date	Transfer N°
- Brussels					46.000	EP President	16/12/98	P24 (Ramassage)
2050/3 : buildings' security - Brussels	6.000.000	COBU	18/3/98	C2	1.357.000	EP President	2/12/98	P21 (Ramassage)
2110/1: telecommunications equipment - transmission networks	3.034.000	COBU	25/6/98	C8	300.000	EP President	12/11/98	P19
					15.000	COCOBU	15/12/98	C13 (Ramassage II)
2110/2 : telecommunications equipment - switchboards, telephones and similar equipment	526.000	COBU	25/6/98	C8	1.091.000	COCOBU	25.11.98	C12 (Ramassage I)
					640.000	COCOBU	15/12/98	C13 (Ramassage II)
2110/3 : telecom. Equipment - fax	300.000	COBU	25/6/98	C8	250.000	EP President	12/11/98	P19
2111/1: installation costs for telecom - Luxembourg	135.000	COBU	25/6/98	C8	43.000	COCOBU	25/11/98	C12 (Ramassage I)
2111/2 : installation costs for telecomm. - Strasbourg	50.000	COBU	25/6/98	C8	308.000	COCOBU	25/11/98	C12 (Ramassage I)
					137.900	COCOBU	15/12/98	C13 (Ramassage II)
2111/3 : installation costs for telecomm. - Brussels	68.000	COBU	25/6/98	C8	240.000	COCOBU	25/11/98	C12 (Ramassage I)
2112/3 : outside assistance on telecom software & systems - studies and /or software relating to telecoms.	100.000	COBU	25/06/98	C8	100.000	COCOBU	15/12/98	C13 (Ramassage II)
2221/8 : Replacement of technical equipment and installations - security	340.000	EP President	12/11/98	P17	180.000	COCOBU	15/12/98	C13 (Ramassage II)
2251 : Special library,	518.000	EP President	20/10/98	P14	110.000	COCOBU	25/11/98	C12 (Ramassage I)

Budget heading	Increase				Decrease			
	Amount (in ecus)	Authorising body	Date	Transfer N°	Amount (in ecus)	Authorising body	Date	Transfer N°
documentation and media library equipment & services					164.900	COCOBU	15/12/98	C13 (Ramassage II)
2329 : other financial charges	880.000	COBU	21/4/98	C3	170.000	COCOBU	25/11/98	C12 (Ramassage I)
	890.000	COBU	23/9/98	C10	845.000	COCOBU	15/12/98	C13 (Ramassage II)
2820/1 : audiovisual infrastructure expenditure – initial equipment with materials and installations, including ancillary costs relating to such purchases, e.g. studies, engineers' fees, outside assistance	1.694.000	COCOBU	25/11/98	C12 (Ramassage I)	323.000	COCOBU	15/12/98	C13 (Ramassage II)

Source : Revenue and Expenditure Account and Balance Sheet for 1998 – Volume III  
European Commission, Sec(99) 414-FR

8. The following remarks concerning Table II are based on information contained in the Revenue and Expenditure Account and Balance Sheet for 1998:

- **Item 1872/1 (translation of verbatim report of proceedings - CRE):**

Less than three months after having been granted the requested increase of ECU 310.000, a third of this amount was then subject to transfer away from this heading. This transfer was attributed to the smaller volume of print needed for the October II part-session debates.

Remark : The wording of the authorising officer's explanation gives the impression that the verbatim report of proceedings of the October II part-session is always less voluminous than those of other part-sessions. If that was really the case, this fact should have been taken into consideration when the request for the increase was introduced. Moreover, it should also be noted that the amount of the decreasing transfer (30% of the increasing) looks rather disproportionate in view of the reasons given here (reduction in the number of pages of just one part-session).

- **Item 2030/3 (cleaning - Brussels) and 2050/3 (security – Brussels)**

In making a significant contribution to the 'mopping-up' operation, the decreasing



transfers from these headings are attributed to the evacuation of certain buildings in Brussels (Remard, Remorqueur, van Maerlant and Belliard I and II).

Remark : Given the fact that it was well known in advance that Parliament would be vacating these premises, one could ask why so much money was appropriated to these headings in the first place. Relevant references to the imminent vacancy of these buildings are to be found in Parliament's resolutions on the guidelines for the 1998 budgetary procedure (Sections I, II, IV, V and VI)<sup>1</sup> and on the estimates of revenue and expenditure of Parliament and the Ombudsman for 1998<sup>2</sup>.

- ***Various sub-headings under article 211 (equipment, installation costs and services relating to telecommunications)***

These sub-headings' appropriations were initially increased by transfer C8. In terms of the substantial contribution made by the decreasing transfer from item 2110/2 to the "mopping up" operation, this unused amount is mainly attributed to "... the length of time required for the invitation to tender and the contract documents relating to the operation of switchboards and to cabling and teledistribution to be prepared<sup>3</sup>." A further contribution to the "mopping-up" operation (transfer C13) was made by items 2110/2 and 2111/2, following the decision, on 11 December 1998, of the Financial Controller to withhold his approval for a proposal for commitment concerning teledistribution in the Winston Churchill-WIC (ex-IPE I), Salvador de Madariaga-SDM (ex-IPE II) and Louise Weiss-LOW (ex- IPE IV) buildings in Strasbourg. Last but not least, the delay in the handing over of the LOW building made impossible the use of appropriations earmarked for the installation of telecommunications equipment.

Remark: Delays in the completion of the LOW building, coupled with difficulties related to the organisation of the call for tender, caused the decreasing transfers.

- ***Item 2221/8 (replacement of technical equipment and installations – security)***

Within a month, appropriations earmarked for this heading were increased by ECU 340.000 and then decreased by ECU 180.000. The increase was necessary for the replacement of the luggage control equipment installed in Brussels, for which spare parts were no longer available.

As regards the decrease, comments in transfer C13 attribute this to the fact that the purchase of security equipment was cheaper than had been estimated.

Remark: It appears that the decreasing transfer was made necessary by inaccurate estimates.

- ***Item 2251 (special library equipment and services)***

Increasing transfer P14 was initially intended to finance the LIBMAN (library management) and ARCD0C (archive management) projects. Just over a month later however, more than a fifth of this amount was actually transferred out in favour of the "mopping-up" operation. This decreasing transfer was justified as a result of the acceptance by the Publications Office of the European Communities to assume the cost of developing the integrated multilingual module common to both of these projects<sup>4</sup>.

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<sup>1</sup> Adopted on 13 March 1997.

<sup>2</sup> Adopted on 26 June 1997.

<sup>3</sup> Transfer n° C12, PE 229.279, p. 30.

<sup>4</sup> Transfer n° C12, PE 229.279, p. 30.

(Interestingly, it is worth noting here that, according to the Revenue and Expenditure Account for 1998, the ARCDOC project was actually postponed.) A few weeks later, an even larger amount became available for the “mopping-up” operation (transfer C13), as a result of observations made by the Financial Controller. The latter called into question the application of criteria used in the context of a call for tender, thus discontinuing the procedure for this bid.

Remark: Better planning and organisation of the call for tender would have permitted the utilisation of a greater part of the initial amount transferred.

- ***Item 2329 (other financial charges)***

The increasing transfers were intended to cover:

- the commission fees accruing to the agent responsible for obtaining information concerning the various financial options available, so as to enable Parliament to exercise its option to purchase the Léopold building complex, as well as those fees accruing to the banks participating in the financing of the complex (transfer C3);
- the payment of a commission to the *Société d'aménagement et d'Équipement de la Région de Strasbourg (SERS)* for setting up and participating in the financing of the LOW building (transfer C10).

The decreasing transfers were due to the fact that:

- the cost of the financial charges relating to the purchase of the Brussels buildings was lower than forecast (transfer C12);
- in 1998, the Bureau took no decision as regards the handover of the LOW building, thus cancelling the payment of the commission which had been originally foreseen for this year (transfer C13). However, this commission must still be paid once the final handover of the building has taken place.

- ***Item 2820/1 (audiovisual – infrastructure expenditure)***

In the course of the “mopping-up” operation (transfer C12), an amount of ECU 1.694.000 was channelled to this item. This amount corresponded to the amount which had been carried over from 1997 to 1998, so as to cover the costs of audio-visual equipment for the new LOW building. Given the delay in the handing over of the building, it was deemed necessary to re-commit an equivalent amount of 1998 appropriations, so that the payment could be made during 1999. Less than a month later though, the sum of ECU 323.000 (just over 19% of the increasing transfer) was transferred away from this item toward the “mopping-up” operation (transfer C13). This decreasing transfer was attributed to the fact that appropriations carried over from 1997 to 1998 were actually used at a higher rate than had been previously estimated.

Remark: It appears that closer monitoring of the progress of work and better estimates could have spared the heading in question these contradictory movements of appropriations.

### ***Use of appropriations automatically carried over from 1997 to 1998***

9. The rate of utilisation of these appropriations was 79,80% (ECU 72.254.736,02 out of ECU 90.540.481,64) which, at first sight, represents a considerable improvement in the use of those carried over from 1996 to 1997 (64,09% or ECU 76.472.777,50 out of ECU 119.320.854,45). However, account should be taken of the fact that the latter figure includes the amount of ECU 30.792.587, representing the outturn of the 1996 'mopping-up' operation, which, in fact, lapsed<sup>1</sup>. Consequently, that being a special case, the rate of implementation of appropriations automatically carried over from 1996 to 1997 was 86,35% (ECU 76.472.777,50 used, out of ECU 88.528.267 carried over).

10. The cancellation of ECU 18.285.745,62 from those appropriations automatically carried over from 1997 to 1998 can be attributed to the following factors:

a) as has been documented in successive discharge reports<sup>2</sup>, there remain a number of headings within Chapter 1, where appropriations are invariably cancelled from one financial year to the next (provisional figures for carryovers from 1998 to 1999 indicate that this trend continues). These are mainly:

*Item 1004 (travel and subsistence allowances, attendance at meetings and associated expenditure)*

*Item 1005 (special travel expenses in the exercise of the parliamentary mandate)*

*Item 1050 (language courses) and*

*Item 1051 (data-processing courses)*

In regards to this problem, it suffices to repeat here once again that the implementation rate of these appropriations will only improve if both administrative and regulatory measures are taken by the relevant bodies of the Institution.

b) an array of headings have suffered substantial cancellations attributable mostly to the on-site delays in the completion of the LOW building (*items 2040: fitting out of premises, 2090: other expenditure on buildings, 2110: telecommunications equipment, 2820: audiovisual-infrastructure expenditure*<sup>3</sup>).

11. However, there are a number of cancellations relating to a selection of headings, which cannot be attributed to the late completion of the LOW building and thus require some explanations from the administration:

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<sup>1</sup> This matter was dealt with in detail by the Miranda report (doc. A4-0289/98) on Parliament's discharge for 1996 and the corresponding resolution adopted by plenary on 7 October 1998.

<sup>2</sup> Doc. A4-0125/97 (discharge, European Parliament, 1995), paras. 7 & 10 of the explan. stat., rapporteur Mr. Dankert.

Doc. A4-0289/98 (discharge, European Parliament, 1996), paras 3 & 4, of the explan. stat., rapporteur Mr. Miranda.

Doc. A4-0199/99 (discharge, European Parliament, 1997), paras 5-7 of the explan. stat., rapporteur Mr. Fabra Vallés.

<sup>3</sup> Report from the Secretary General to the Committee on Budgetary Control, Notice to Members No 20/98, para. 2.2 (PE 228.722).

*Item 1301: mission expenses (ECU 555.598,08 cancelled, out of 4.348.130,15 or 12,77%)*

*Item 1840: restaurants and canteens - current operating expenditure (ECU 437.383,15 cancelled, out of ECU 1.784.781,13 or 24,50%)*

*Item 2600: limited consultations, studies and surveys (ECU 99.731,00 cancelled, out of ECU 617.083,60 or 16,16%)*

*Article 272: information expenditure and participation in public events (ECU 1.218.416,31 cancelled, out of ECU 5.382.102,40 or 22, 63%)*

*Item 2810: external offices – other charges (ECU 505.339,48 cancelled, out of 1.158.229,30 or 43,63%)*

Preliminary figures on the utilisation of appropriations carried over from 1998 to 1999 demonstrate the persistent nature of these cancellations (with the exception of item 2600), albeit at a reduced rate.

12. Special reference should be made to headings managed by the Directorate-General for Information and Public Relations (Art. 272 and Item 2810), which have been subject to cancellations on an almost chronic basis:

- with regard to item 2810, it is, to a certain extent, understandable that due to the very nature of the expenditure in question (running costs of external offices, including telephone, postal charges, etc.), it is difficult to fix with precision the amount to be committed in a given financial year;
- by contrast, it is not easy to justify the substantial cancellations under the various headings of article 272. In particular, the amounts carried over from one financial year to the next in the domain of publications, information and participation in public events (current item 2721) have been regularly cancelled. It is worth mentioning that the problems of cancellations of appropriations related to the information and public relations policy of the Institution were highlighted for the first time in the context of the 1995 discharge.<sup>1</sup>

### ***Utilisation of non-automatic appropriations carried over from 1997 to 1998***

13. The rate of implementation of those appropriations was 38,47% (ECU 1.739.518,23 used, out of ECU 4.522.000,00), which represents a modest improvement compared to the use of resources carried over from 1996 to 1997 (ECU 6.757.581 used, out of ECU 18.616.000 or 36,30%).

14. The largest amount cancelled concerned item 2210 and was intended to cover the purchase of furniture (desks and chairs) for Members in the LOW building. The carry over followed cancellation of a first call for tender, since the suppliers concerned delivered samples which did not meet the tender specifications. A second call for tender, published in 1998, was declared unsuccessful because the products submitted by the tenderers did not meet the specifications. The contract was finally awarded on the basis of a “negotiated procedure”, which constitutes the exception to the rule. The outcome of that procedure received a favourable opinion from the Advisory Committee on Procurements

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<sup>1</sup> Doc. A4-0125/1997, paras 15-21 of the explanatory statement, rapporteur: Mr. Dankert.

and Contracts (ACPC). Following the approval of the Financial Controller, the contracts for the procurement of the furniture in question were signed on 11 March 1999<sup>1</sup>.

### ***The calls for tender***

15. Previous paragraphs in the present explanatory statement have highlighted a number of deficiencies and difficulties concerning the holding of calls for tender, which ultimately resulted in considerable amounts being cancelled.
16. Another case of an inadequately handled call for tender concerned the award of a contract for the transport of Members in Brussels. It ended up in the Court of First Instance, where Parliament was ordered to pay the sum of BEF 5.000.000, plus all costs involved, to a tenderer for damage suffered following the cancellation of the call for tender in question by the Institution.<sup>2</sup>
17. In the last couple of years, awareness of the importance of this matter has led the Secretary General to take measures aimed at improving the efficiency of the calls for tender<sup>3</sup>. In August 1999, the Directorate for Finance issued further instructions to all authorising officers, placing particular emphasis on planning for the 2000 financial year. Your rapporteur takes the view that these efforts should intensify and focus, *inter alia*, on the need to substantially reduce the number of contracts awarded by the “direct treaty” procedure, as urged by the ACPC in its annual report for 1998. In reference to this report, it should be mentioned that, although the ACPC acknowledged the reduction in the number of errors of form and procedure, it made explicit note, at the same time, of the fact that deficiencies continued to exist.

### ***Property expenditure***

18. The 1998 budget was affected by events in the building sector: as regards Brussels, the exercise by the Institution of its option to purchase the Léopold building complex comprising the Paul-Henri Spaak-PHS (ex-D1 and D2) and Altiero Spinelli-ASP (ex-D3) buildings and the evacuation of the Remard, Remorqueur, van Maerlant and Belliard I and II buildings, which led to the occupation of the ASP building; in Strasbourg, the delay in the completion and hand-over of the LOW building.

#### **a) Brussels**

19. On 22 May 1998, Parliament exercised the option to purchase the Léopold building complex. The final investment cost (including that of the land) is ECU 1.097 million, at May 1998 prices.
20. For the purchase of its buildings in general, Parliament initially favoured the direct financing method, given that this was the most favourable option for the European taxpayer. However, a communication issued by the Commission (at Parliament’s request)

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<sup>1</sup> Notice to Members N° 15/99 concerning information transmitted by President Gil-Robles on the 1998 ‘mopping-up’ operation, paragraph 1(a), PE 230.884.

<sup>2</sup> Case T-203/96 of 17 December 1998, Embassy Limousines and Services Vs Parliament.

<sup>3</sup> See, for example, Notice to Members N° 20/98 (PE 228.722) and Notice to Members N° 27/99 (PE 232.494).

to that effect, was not accepted by the Council. Having made clear in plenary its regret in regards to the decision of the Council, Parliament, consequently, decided to proceed via indirect financing<sup>1</sup>.

21. In following up on this approach, Parliament's initial contractor and creditor, the *Société Forum Léopold (SFL)* - referred to in other contexts as *Société Espace Léopold (SEL)* - put forward a call for tender, which was won by an international bank syndicate led by *Westdeutsche Landesbank Girozentrale (WestLB)*. In then transferring its claim as creditor to this syndicate, the SFL assisted Parliament in establishing a property acquisition programme, whereby Parliament was not engaged as a direct borrower<sup>2</sup>. SFL carried out a consultation of the financial markets and twenty-six banks received the tender documentation jointly prepared by Parliament's consultants *Arthur Andersen* and SFL itself. The relevant services of the Institution and the Belgian Ministry of Finance were also associated with this process. Both *Arthur Andersen* and the Belgian Ministry of Finance recommended the bid submitted by WestLB.

22. The amount involved is divided into two parts:

- one of ECU 472.751.350 for the ASP building and
- the other of BEF 7.088.400.000 covering the cost of the land of the ASP building as well as the land development costs, which have been fully subsidised by the Belgian government.

At present, the amounts still due are € 180.867.926,75 and BEF 6.537.881.336 respectively.

23. In 1998, the “mopping up” operation, consisting of five transfers of appropriations authorised by the Committee on Budgetary Control (N°s C12 and C13), Committee on Budgets (N° C11) and Parliament's President (N°s P21 and P24), allowed for the early payment of ECU 61.945.498 toward taking ownership of the ASP building.

24. In moving into the ASP building, Parliament had to vacate the other buildings mentioned in paragraph 18. Since most of these buildings were subject to ongoing lease agreements, Parliament was obliged to continue to meet its financial commitments (rents) for buildings which were only partly occupied during the first 4 to 5 months of 1998. Including associated expenditure (on security, water, gas, electricity, maintenance and cleaning) Parliament paid a total of ECU 9.786.212 for those buildings, which it had in effect vacated as of spring 1998. In 1999 that figure fell to EURO 945.369. In fact, at Parliament's request, an administrative agreement was signed on 16 December 1998 between Parliament and the Economic and Social Committee (ESC) and the Committee of the Regions (CoR), whereby the latter reimbursed Parliament for the rent and associated expenditure i.e. security cost and local property tax (“*précompte immobilier*”) paid for the Belliard I and II buildings (see transfer of appropriations n° 53/98 concerning the ESC and the CoR, authorised by the Committee on Budgets on 7 December 1998). That agreement was subsequently extended to cover the entire 1999 financial year, in view of the two Committees taking over the leases on the above-mentioned buildings.

25. Following up on its resolution concerning its own estimated revenue and expenditure for

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<sup>1</sup> Resolution on the estimates of Parliament's revenue and expenditure for 1998 (paragraph 25), adopted on 26 June 1997.

<sup>2</sup> Court of Auditors' Annual Report for 1998, Parliament's reply to paragraph 6.13.

1998, in particular Part VI, Parliament made substantial efforts to find replacement tenants for those buildings – for whose rents it remained responsible – which were subject to impending vacation as a result of the taking up of occupancy of the ASP building. In doing so, Parliament entered primarily into negotiations with other EU institutions whose spatial accommodation requirements remained largely unfulfilled. As a result of these negotiations Parliament was successful in arranging the lease take-over for the following buildings:

- **van Maerlant** - taken over by the Commission on 1 April 1998
- **Belliard I and II** (their present lease expires on 31 December 2007) - to be taken over by the CoR and the ESC in the course of the year 2000 (see previous paragraph)
- **Bertha von Suttner** - taken over as of 1 February 2000 (CoR, ESC)

As regards the **Remorqueur** and **Remard** buildings, the leases expired on 1 November 1998 and on 31 August 1999 respectively.

## b) Strasbourg

26. On 31 March 1994, Parliament, the City of Strasbourg and SERS signed the framework contract for the construction of the LOW building, the provisional investment cost of which (excluding the cost of long-term financing) is ECU 472 million at June 1998 prices.
27. The building was due to be completed by 31 December 1997 at the latest. At present, the contractual completion date has yet to be fixed, a matter of great importance given its legal and financial implications: according to the contract, if the above-mentioned contractual completion date is exceeded, SERS will have to pay a penalty of EUR 28.000 per working day.
28. At its meeting of 7 January 1999, the Bureau gave its consent for the fixing of 15 December 1998 as the date of the actual completion date of the building, after the technical inspectors had ascertained that it was consistent with the building brief and suitable for acceptance (a list of supplementary works to be carried out within a specific timetable, by SERS, at no extra cost to Parliament, was jointly agreed in February 1999). This completion date triggered the procedure by which Parliament was obliged to make the half-yearly payments referred to in Article 4 of the framework contract.
29. The prolongation of the construction of the LOW building meant that Parliament continued using the *Palais* and *IPE III* buildings for its plenary sessions. The total monthly cost involved was calculated by Parliament's administration to be ECU 800.500. That amount comprised the rental and attendant charges for those two buildings and for the *Port Autonome de Strasbourg* warehousing for the LOW furniture, the continuing services of the consulting firm *Bovis* as well as the cost of security and surveillance.<sup>1</sup> It should be stressed that until 15 December 1998, the Institution made no payments in respect of the LOW building.

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<sup>1</sup> Notice to Members n° 15/99 containing information submitted to the Committee on Budgetary Control by President Gil-Robles on headings which contributed to the 1998 'mopping-up' operation (PE 230.884).

30. As regards the contractual completion date, in spite of a conciliation procedure put in place to reconcile the differing views, the absence of an agreement forced Parliament to institute legal proceedings with the Court of First Instance of the European Communities, in April 1999.
31. Another issue to be clarified is the final investment cost of the building. This is a prerequisite for the exercise by Parliament of its option to purchase the LOW building. However, at this time, the final investment cost remains at issue, given the fact that it is SERS' view that any costs arising from the settlement of the various legal disputes, opposing SERS and its own contractors and architects, should be part of the final investment cost, to be met by Parliament. That demand has been rejected by Parliament, which is in no way involved in these disputes.
32. Following a request by Parliament, the French government undertook, by letter of 3 July 1998, to defray the costs of the land and the related development costs as well as to waive the VAT with respect to the LOW building in the event of Parliament exercising its option to purchase that building. However, in the same letter, the French authorities asked that Parliament reciprocate by abdicating its own contractual right to seek late-completion penalties from SERS. Your rapporteur takes the view that these issues are unrelated and that consequently any attempt to establish links between them should be rejected.

***Interpreters and conference technicians (item 1870)***

33. In response to the decision on granting discharge for the 1997 financial year (Section I)<sup>1</sup>, the Secretary General submitted to the Committee on Budgetary Control a succinct report<sup>2</sup> on the latest action taken to improve the management of the freelance interpreters' sector.
34. The content of the report justifies little optimism. The new computer application at the Commission secretariat appears to have had limited effect in reducing long delays in payments, while invoices relating to services rendered by freelance interpreters in April 1999 were only available in September.
35. The above-mentioned report is the most recent of a series submitted to the Committee on Budgets and the Committee on Budgetary Control concerning, *inter alia*, measures aimed at streamlining the management of appropriations earmarked for this heading. However, the actual results could, at best, be described as muted: while no appropriations entered in the 1998 budget were cancelled, those automatically carried over from 1997 to 1998 suffered massive cancellations (ECU 1.668.768,81 out of ECU 4.003.681,58 carried over, or 41,68%). Provisional figures on the use of appropriations carried over from 1998 to 1999 show cancellations of ECU 658.661 out of ECU 6.398.550 thus carried over, or 10,29%.
36. Under these circumstances, your rapporteur believes that the time is ripe for Parliament to give serious consideration to the option of assuming sole responsibility for the management of its own freelance interpreting needs. In this context, he has asked the Commission to comment on the Secretary General's latest report.

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<sup>1</sup> Adopted by plenary on 4 May 1999, paragraph 9.

<sup>2</sup> Notice to Members 27/99 (PE 232.494).



## *Ombudsman Annex*

37. The main figures of the Ombudsman's budget in 1998 were as follows:

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| • Appropriations budgeted, including ECU 201.000,00 from chapter 101 of Parliament's budget (transfer (AM) C7) | ECU 2.983.178,00   |
| • Commitments entered into   | ECU 2.726.989,51   |
| • Payments made  | ECU 2.160.072,93   |
| • Appropriations cancelled   | ECU 256.188,49<br>(8,58% of final appropriations)                      |
| • Appropriations automatically carried over to 1999  | ECU 566.916,58   |
| • Implementation of appropriations automatically carried over from 1997 to 1998                                | ECU 292.730,95<br>(out of ECU 457.726,05 thus carried over, or 63,95%) |

38. Implementation of appropriations budgeted in 1998 improved in absolute figures, as well as in percentage, compared with the corresponding data of 1997. This constitutes a positive development which should be pursued in subsequent financial years, all the more so, since appropriations carried over from the previous financial year were used at a lower rate compared to those carried over from 1996 to 1997 (63,95% as against 67,27%).

39. The report on discharge concerning the 1997 financial year (Section I – Parliament/Ombudsman Annex)<sup>1</sup> underlined the incomplete information contained in the Revenue and Expenditure Account and Balance Sheet for 1997 relating to the utilisation of appropriations entered in the Ombudsman's budget. For 1998, no information whatsoever is provided on this matter. Information provided by the Ombudsman's services, at the rapporteur's request, revealed that the former had duly forwarded the information required for drawing up the revenue and expenditure account together with its contribution to the analysis of the financial management for 1998 to the Commission. However, the latter failed to have the analysis published. This state of affairs is regrettable, all the more so since it impedes the discharge authority from carrying out its duties.

40. With regard to 1998 appropriations, the abovementioned analysis of the financial management attributed under-utilisation of available resources to:

- delays which occurred during the planned migration of the Ombudsman's services from Windows 3.11 to Windows NT (articles 210 and 211) and
- the need to redefine priorities to deal with the increased number of complaints and the accelerated timetable for publication of the Annual Report for 1998 (articles 250 and 260).

41. The implementation of appropriations automatically carried over from 1997 reveals striking cases of cancellations, for which no explanation is provided (e.g. article 270 - expenditure on publishing and information: ECU 99.347,68 were cancelled out of ECU 169.177,79 carried over, or 58,72%).

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<sup>1</sup> A4-0199/99, paragraph 30 of the explanatory statement, rapporteur: Mr Fabra Vallés.

