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REPORT

on the Court of Auditors Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR Programme – Fisheries, Agriculture and Agro-Industrial Research), together with the Commission's replies

(C5-0227/2000 – 2000/2133(COS))

Committee on Budgetary Control

Rapporteur: Brigitte Langenhagen

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PROCEDURAL PAGE

By letter of 8 February 2000 the President of the Court of Auditors forwarded to the European Parliament the Court of Auditors Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR Programme – Fisheries, Agriculture and Agro-Industrial Research), together with the Commission's replies (2000/2133(COS)).

At the sitting of 13 June 2000 the President of Parliament announced that she had referred the report to the Committee on Budgetary Control as the committee responsible and the Committee on Industry, External Trade, Research and Energy, the Committee on Agriculture and Rural Development and the Committee on Fisheries for their opinions (C5-0227/2000).

At its meeting of 19 April 2000 the Committee on Budgetary Control appointed Brigitte Langenhagen rapporteur.

The committee examined the Court of Auditors' report and the draft report at its meetings of 11 July 2000, 8 September 2000 and 11 October 2000.

At the meeting of 11 October 2000 the committee adopted the motion for a resolution unanimously.

The following were present for the vote: Diemut R. Theato, chairman; Freddy Blak, vice-chairman; Brigitte Langenhagen, rapporteur; Mogens N.J. Camre (for Isabelle Caullery), Bert Doorn (for Raffaele Costa), Anne Ferreira, Salvador Garriga Polledo (for Thierry B. Jean-Pierre), Christopher Heaton-Harris, Helmut Kuhne, Eluned Morgan, Juan Andrés Naranjo Escobar (for José Javier Pomés Ruiz pursuant to Rule 153(2)), Heide Rühle (for Bart Staes), Rijk van Dam, Michiel van Hulten and Kyösti Tapio Virrankoski.

The opinion of the Committee on Fisheries is attached; the Committee on Agriculture and Rural Development and the Committee on Industry, External Trade, Research and Energy decided on 29 August 2000 and 11 October 2000 respectively not to deliver opinions.

The report was tabled on 23 October 2000.

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

MOTION FOR A RESOLUTION

European Parliament resolution on the Court of Auditors Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR Programme – Fisheries, Agriculture and Agro-Industrial Research), together with the Commission's replies (C5-0227/2000 – 2000/2133(COS))

The European Parliament,

- having regard to the Court of Auditors Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR Programme – Fisheries, Agriculture and Agro-Industrial Research), together with the Commission's replies (C5-0227/2000)¹,
 - having regard to Article 276 of the EC Treaty,
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the measures taken by the Commission to improve the management of FAIR,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Fisheries (A5-0310/2000),
- A. alarmed by the findings of the Court of Auditors' investigation, which show that despite the efforts made in recent years the Commission departments in charge of FAIR do not have full control of expenditure,
- B. whereas the Commission was faced with a very difficult task in the case of the Fourth Framework Programme, as the Council adopted the programme too late,
- C. whereas the FAIR projects are seen as extremely useful by expert committees, scientists, the fisheries sector, the agricultural sector and the agro-industrial sector,
- D. taking note of the assurance by the Commission that it has just completed a five-year assessment exercise and that the reports will be transmitted to the European Parliament and its competent committees,
1. Notes that the Commission and the Court of Auditors have taken too long to complete the procedure relating to the control of FAIR (monitoring, contradictory procedure and publications);
 2. Calls therefore on the Commission and the Court of Auditors to draft proposals for dealing with the controls and the associated procedures more rapidly;
 3. Takes the view that the Commission should use assessments of programmes that have been implemented as a key element in preparations for new research programmes;

¹ OJ C 92, 30.3.2000.

4. Urges the Commission to ensure that the annual monitoring exercise by independent external experts, which were carried out in 1995, 1996, 1997 and 1998 and which, in view of the criticism by the Court of Auditors, were not sufficiently or not adequately followed by the necessary follow-up measures, will be replaced by better controls (internal and/or external) and adequately followed by reactions improving the financial management of FAIR;
5. Takes the view that the coordination and management of measures by three Directorates-General, including coordination of IT policy, means that a decision must always be taken on who is ultimately responsible for implementation;
6. Shares the Commission's view that the joint responsibility for the implementation of the projects comes very close to the joint financial responsibility called for by the Court of Auditors but nevertheless asks the Commission to take into account the remarks by the Court of Auditors on joint financial responsibility and add these to the standard agreements for extra security;
7. Is very concerned by the remarks on flat rates for overheads and urges the Commission to reduce the flat rates as much as possible and to work constantly on improving the definitions;
8. Takes note of the remarks by the Commission that, in future, stronger sanctions will be applied;
9. Takes note that the amount of EUR 3.4 m still remains to be recovered, asks the Commission to investigate whether more cases than those found by the Court of Auditors (in its small sample) can be found and insists that the Commission try to recover the full sums as soon as possible;
10. Urges the Commission to set up a register in which all contracting parties of the Commission will be registered in order to prevent double financing;
11. Points out also that although the monitoring responsibilities of Commission staff were limited in the case of interim accounts, this can under no circumstances result in excessive amounts knowingly being paid, even if it is known that these can be corrected later, and calls on the Commission also to conduct adequate checks in the case of interim payments;
12. Considers scientific research to be an important part of the common fisheries policy which should make it possible to improve forecasting of how best to manage resources and to adapt catch techniques;
13. Recognises the Commission's efforts to make the necessary changes in response to the criticisms made in the Court of Auditors' special report and to improve management of the FAIR programme;

14. Considers that the measures to improve the management of FAIR, taking account of the observations above and taking further account of the Court of Auditors' remarks, seem adequate;
15. Consequently, with regard to future developments, holds out high expectations that must not be disappointed;
16. Instructs its President to forward this resolution to the Council, the Commission and the Court of Auditors.

EXPLANATORY STATEMENT

Introduction and general remarks

The Court of Auditors' special report on research activities in the field of agriculture and fisheries (FAIR Programme – Fisheries, Agriculture and Agro-Industrial Research) mainly concerns the fourth framework programme, although it also makes some comments on other such programmes. At the time of the audit the fourth programme had not been concluded, as it ran from 1994 to 1998¹, following a system of advance payment, cost statements and final accounts. The final accounts were not available at the time of the Court's audit in late 1998/early 1999.

We are astonished at the sequence of events that led to the Special Report not being published until 30 March 2000, even though the sector letters were sent to the Commission in December 1998 and February 1999². Such a long delay is unacceptable, as it deprives the report of some of its topicality. While the Commission departments were aware of the audit results as long ago as the beginning of 1999, it was not until 30 March 2000 that they became public knowledge.

Officially, the reasons lie in the need to check the data, the contradictory procedure and the translation process. But we must ask if there has not also been some delaying tactic at work vis-à-vis the Court of Auditors. Whatever the reason, it is surely appropriate to query the justification of the contradictory procedure and its arrangements.

Overall the fourth framework programme concerned projects for which a total of ECU 11 879 million was budgeted. Of that sum FAIR took ECU 665 million³. So it concerns a very large amount, in an area of great importance to the Union. Rapid assessment and final audit by the Commission are thus essential.

In view of the research programme's importance it is unfortunate that the Court of Auditors should have identified so many problems. It sometimes appears from the Commission's replies that a number of the Court's comments have been refuted, whereas in other cases the Commission's technical explanations leave much to be desired, even if, on occasion, the Court's observations are no help either⁴. Hence it is sometimes hard for an outsider to tell who is right, the Court or the Commission. We shall come back to this point. But in many areas the Court is extremely clear in its remarks. In what follows we shall briefly go into the main points it makes, on the organisation of the FAIR Programme, the financial aspects and internal audits.

¹ OJ L 126, 18.5.1994.

² See paragraph 4 of Special Report.

³ There is a slight difference between Tables 1, 3 and 4. The Court of Auditors carried out on-the-spot audits on 44 projects for a total of ECU 42.7 million in Community funding.

⁴ See for instance point 12 by the Court of Auditors and point 40 of the Commission's replies.

Organisation of the FAIR Programme (excluding financial aspects)

As is clear from the Court's report, organisation before and during the programme prompted a great many comments. To quote a few examples: the absence of figures (whether compulsory or indicative) in the description of objectives¹; the use of selection criteria that were not explicitly described and inconsistent application of criteria²; failure to exclude from the assessment of projects experts who were involved in their selection³; failure to define obligations clearly concerning the scope and form of analysis by the managing departments⁴; failure to define the rules clearly for the application of degressive financing⁵; needlessly sluggish cooperation, in the Court's view, between the three directorates-general concerned⁶; the arbitrary budgetary allocation of staff costs⁷; and so on.

The Commission is not to blame for all of the points raised by the Court of Auditors. A number of observations must give rise to thought in political quarters, and the ensuing need to draw conclusions about the decisions for subsequent framework programmes. It is clear to us that internal management at the Commission must be carried out by officials. But scientifically trained experts who do not have a fixed contractual relationship with the Commission are quite capable of selecting, monitoring and assessing science projects very well. Since the Commission has no scientific purpose itself, there would be a risk that such experts would rapidly lose touch with the continuing progress of research and thus see their scientific knowledge run down, if they receive long-term contracts for a large part of their working lives. A very large number of experts will then leave rapidly because they do not have a firm contractual relationship, and this will have to be taken into account, but that does not mean that the Commission need encourage it.

A more serious point is the connections that the Court identifies between the evaluation experts and the organisations nominated for the research proposals being evaluated⁸. First of all, experts should not allow themselves to be put in this position, and second, the Commission really ought to do its utmost to prevent situations of this kind. We must ask if action needs taking in this case (either criminal, civil or disciplinary proceedings), or whether it will suffice not to engage the experts concerned again.

One of the above comments concerns a number of less than transparent staff accounting procedures. It is in our view fair to say that the political conclusion to be drawn must be, that it may well be useful to quantify management costs after the event, but the practice of fixing a percentage beforehand⁹ causes more problems than are necessary. In view of the structure of the budget it is quite normal to allocate the costs of experts carrying out scientific tasks in a different manner from those of permanent staff dealing with the programme and financial processing.

¹ Point 22 of the Court's Report.

² Point 27 of the Court's Report.

³ Point 34 of the Court's Report.

⁴ Point 39 of the Court's Report.

⁵ Point 30 of the Court's Report.

⁶ Point 24 of the Court's Report.

⁷ Points 62-65 of the Court's Report.

⁸ Point 38 of the Court's Report.

⁹ Points 62-65 of the Court's Report.

Financial aspects

One of the Court's comments is 'the current expenditure statement ... does not provide a satisfactory guarantee as to the reality and compliance of the costs'¹. The Court of Auditors' criticism is, in principle, surely just and we must ask the Commission to do its utmost to ensure that the maximum guarantee as to reality and compliance is provided. We think this point needs clarifying.

In point 67 of the Court's report we come upon the word 'exorbitant' in discussion of overheads. The Court observes that in several cases overhead amounts were not in accordance with the contractual mechanism. The Commission's reply² strikes us as unconvincing. It is as if the Commission were saying, 'Never mind that, there's nothing we can do'. That strikes us as a particularly inadequate response and unless there is a change of heart this point in the report must be dealt with very critically.

The issue of possible dual financing comes up in point 54 of the Report. We say the Commission must devise a system as soon as possible in which all its contractors, including the people or organisations behind them, must be registered, together with some details of the contracts.

Internal audits

The Commission provides a table on the audits carried out concerning the second, third and fourth framework programmes³. It could easily lead one to draw the wrong conclusion in the case of the FAIR Programme. So we need to know how many such audits had a bearing on FAIR. If audits are being carried out in the FAIR area, it is worth asking if the Commission has taken the appropriate measures in response to the audits.

Conclusions

The rapporteur has put a number of questions to the Commission and the Court of Auditors. The vast majority have been satisfactorily answered. However this is not to say that clear conclusions can be drawn in all cases. In a number of areas the Commission cannot be held responsible or not fully responsible for the problems rightly pointed out by the Court of Auditors. The Commission had to start the programme in a great hurry and it was impossible to make sound preparations. Although the Commission might have been able to foresee the start of the programme it is extremely difficult to release manpower for such preparations in a situation of this kind.

From the answers given by the Commission and the Court of Auditors your rapporteur is convinced that the contradictory procedure should not be maintained in its current form. It takes far too much time. It should be seen whether there is objectively any real need to make a contradictory procedure compulsory given that we are not concerned with criminal law but with the efficient organisation of policy and the effective implementation of Union policy. In this area all the institutions should be cooperating in good faith.

¹ Point 41 of the Court's Report.

² Points 66-68 of the Court's Report.

³ OJ C 92, p. 30.

A point not mentioned by the Court of Auditors or the Commission but which should in our view be taken up is whether or not there are adequate Commission staff to ensure effective management of FAIR and to comply with the mandatory reporting requirements, internally and to the budgetary authority. As the Court of Auditors points out, external staff are not in place permanently and there is a high turnover. However, we do not wish to concern ourselves here with the Commission's internal organisation and we assume that the Commission itself will take the right decisions.

10 October 2000

OPINION OF THE COMMITTEE ON FISHERIES

for the Committee on Budgetary Control

on Special Report No 9/99 concerning research activities in the field of agriculture and fisheries (FAIR programme – Fisheries, Agriculture and Agro-Industrial Research), together with the Commission's replies
(C5-0227/2000 - 2000/2133(COS))

Draftsman: Niels Busk

PROCEDURE

At its meeting of 27 June 2000 the Committee on Fisheries appointed Niels Busk draftsman.

It considered the draft opinion at its meetings of 12 July, 19 September and 10 October 2000.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote: Daniel Varela Suanzes-Carpegna, chairman; Rosa Miguélez Ramos and Hugues Martin, vice-chairmen; Niels Busk, draftsman; Elspeth Attwooll, Carmen Fraga Estévez, Pat the Cope Gallagher, Ian Stewart Hudghton, Liam Hyland (for Sebastiano Musumeci pursuant to Rule 153(2)), Salvador Jové Peres (for Mihail Papayannakis), Heinz Kindermann, Brigitte Langenhagen, Vincenzo Lavarra, Giorgio Lisi (for Arlindo Cunha), Patricia McKenna, Bernard Poinant, Struan Stevenson (for James Nicholson) and Catherine Stihler.

SHORT JUSTIFICATION

The Court of Auditors' Special Report No 9/99¹ on the specific research, technological development and demonstration programme in the field of agriculture and fisheries (FAIR) examines the procedures used for managing and monitoring those activities. The audit was carried out in the Directorates-General which manage the programme, on the basis of a sample of beneficiaries and/or research contracts. The Court of Auditors analysed the rules, procedures and methods implemented by the Commission.

In its special report, the Court of Auditors notes inter alia that:

there were no quantified objectives, either pre-defined or based on previous activities, and this makes it difficult to measure the results and check how far it is suited to the strategy it is supposed to promote,

certain rules for implementing the programme were not applied correctly, as a result of lack of clarification or insufficient detail,

there was no joint selection and evaluation procedure under the fourth Framework Programme, and the managing departments drew up procedures specific to the FAIR programme; these procedures were inadequate and, in some cases, poorly applied,

measures under the FAIR programme were co-managed by three Directorates-General, without their respective responsibilities and powers having been formalised, so that management of the programme lacked clarity and homogeneity, and the Directorates-General managing the fourth Framework Programme had not coordinated their policy concerning information systems and therefore each developed separate computer applications,

regulatory and contractual provisions had not been adhered to in some cases, and shortcomings and weaknesses were also detected in the manner in which the management, monitoring and control procedures were implemented,

the standard contract in force for research projects contains defects that are likely to affect European Community interests,

the desired rapid start-up of new research programmes, as in the case of the BSE crisis, should not be possible without informing, and obtaining the agreement of, all decision-making bodies.

With the expertise the Commission possesses, your draftsman finds it hard to understand how such deficient and uncontrolled management as is highlighted in the Court of Auditors' special report could occur. However, much has changed since the special report was published: management of FAIR is concentrated in one Directorate-General, computer applications have been standardised, the management culture in the Commission is changing, and the Commission has made great efforts to improve the way FAIR is managed.

¹ OJ C 92, 30.3.2000, p. 1

CONCLUSIONS

The Committee on Fisheries calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following amendments in its motion for a resolution:

1. Takes the view that the Commission should use assessments of programmes that have been implemented as a key element in preparations for new research programmes;
2. Considers scientific research to be an important part of the common fisheries policy which should make it possible to improve forecasting of how best to manage resources and to adapt catch techniques;
3. Takes the view that the coordination and management of measures by three Directorates-General, including coordination of IT policy, means that a decision must always be taken on who is ultimately responsible for implementation;
4. Recognises the Commission's efforts to make the necessary changes in response to the criticisms made in the Court of Auditors' special report and to improve management of the FAIR programme.