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REPORT

1. concerning discharge to the European Foundation for the Improvement of Living and Working Conditions, Dublin for the 1999 financial year
(C5-0686/2000 – 2000/2166 (DEC))
2. concerning discharge for the European Centre for Vocational Training, Thessaloniki for the 1999 financial year
(C5-0687/2000 – 2000/2165 (DEC))
3. concerning discharge in respect of the implementation of the general budget of the European Union for the 1999 financial year
SECTION IV - COURT OF JUSTICE
SECTION V - COURT OF AUDITORS
SECTION VI - PART B – COMMITTEE OF THE REGIONS
(SEC(2000) 539 – C5-0312/2000 – C5-0617/2000 – 2000/2156 (DEC))
4. on postponement of the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 1999 financial year
SECTION VI - PART A – ECONOMIC AND SOCIAL COMMITTEE
(SEC(2000) 539 – C5-0312/2000 – C5-0617/2000 – 2000/2156 (DEC))

Committee on Budgetary Control

Rapporteur: Lousewies van der Laan

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PROCEDURAL PAGE

European Foundation for Living and Working Conditions, Dublin

On 22 November 2000, the Court of Auditors forwarded to Parliament its report on the financial statements of the European Foundation for Living and Working Conditions (Dublin Foundation) for the financial year ended 31 December 1999, together with the Foundation's replies (2000/2166 (DEC)).

At the sitting of 15 December 2000, the President of Parliament announced that she had referred this document to the Committee on Budgetary Control (C5-0686/2000).

Council forwarded to Parliament the recommendation of 12 March 2001 on the discharge to be given to the Administration Board of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of the statement of revenue and expenditure of the Foundation for the 1999 financial year.

At the sitting of 2 April 2001, the President of Parliament will announce that she had referred this document to the Committee on Budgetary Control (C5-0000/2001).

European Centre for Vocational Training, Thessaloniki

On 29 November 2000 the Court of Auditors forwarded to Parliament its report on the financial statements of the European Centre for the Development of Vocational Training (Cedefop – Thessaloniki) for the financial year ended 31 December 1999, together with the Centre's replies (2000/2165 (DEC)).

At the sitting of 15 January 2001 the President announced that she had referred this document to the Committee on Budgetary Control (C5-0687/2000).

Council forwarded to Parliament the recommendation of 12 March 2001 on the discharge to be given to the Management Board of the European Centre for the Development of Vocational Training in respect of the implementation of the statement of revenue and expenditure of the Centre for the 1999 financial year .

At the sitting of 2 April 2001, the President of Parliament will announce that she had referred this document to the Committee on Budgetary Control (C5-0000/2001).

Sections IV, V, VI – Parts A and B

On 28 April 2000 the Commission forwarded to Parliament the revenue and expenditure account and balance sheet relating to operations under the budget of the 1999 financial year – Volume III (SEC(2000) 539 – 2000/2156(DEC)).

At the sitting of 3 July 2000 the President of Parliament announced that she had referred this document to the Committee on Budgetary Control as the committee responsible and all other committees for their opinions (C5-0312/2000).

On 14 November 2000 the Court of Auditors forwarded to Parliament its Annual Report concerning the financial year 1999.

At its sitting of 11 December 2000 the President of Parliament announced that she had referred this document to the Committee on Budgetary Control as the committee responsible (C5-0617/2000).

Council forwarded to Parliament the recommendation of 12 March 2001 concerning the discharge to be given in respect of the European Union general budget for the 1999 financial year.

At the sitting of 2 April 2001 the President of Parliament will announce that she has referred this document to the Committee on Budgetary Control (C5-0000/2001).

At its meeting of 6 November 2000 the Committee on Budgetary Control confirmed the appointment of Lousewies van der Laan as rapporteur.

The Committee on Budgetary Control considered the draft report at its meetings of 27 February and 21 March 2001.

At the latter it adopted :

1. the proposal for a decision concerning discharge to the European Foundation for the Improvement of Living and Working Conditions, Dublin by 11 votes in favour and 6 votes against
2. the proposal for a decision concerning discharge to the European Centre for Vocational Training, Thessaloniki by 11 votes in favour and 7 votes against
3. the proposal for a decision concerning discharge in respect of the implementation of the general budget of the European Union for the 1999 financial year: SECTION IV - COURT OF JUSTICE; SECTION V - COURT OF AUDITORS; SECTION VI - PART B -COMMITTEE OF THE REGIONS unanimously
4. and the motion for a resolution on postponement of the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 1999 financial year: SECTION VI - PART A - ECONOMIC AND SOCIAL COMMITTEE by 16 votes in favour and 1 vote against

The following were present for the vote: Diemut R. Theato, chairman; Lousewies van der Laan, vice-chairman and rapporteur; Herbert Bösch and Freddy Blak, vice-chairmen; Mogens N.J. Camre (for Isabelle Caullery), Bert Doorn (for Carlos Costa Neves), Anne Ferreira, Christos Folias, Salvador Garriga Polledo (for José Javier Pomés Ruiz), Christopher Heaton-Harris, Helmut Kuhne, John Joseph McCartin (for Brigitte Langenhagen), Jan Mulder (for Antonio Di Pietro), Bart Staes, Gabriele Stauner, Rijk van Dam and Michiel van Hulten.

The explanatory statement will be presented orally in plenary sitting/will be published separately.

The report was tabled on 23 March 2001.

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

PROPOSAL FOR A DECISION

1. Decision of the European Parliament concerning discharge to the Administrative Board of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the 1999 financial year (C5-0686/2000) – 2000/2166 (DEC))

The European Parliament,

- having regard to the report of the Court of Auditors on the financial statements and management of the European Foundation for the Improvement of Living and Working Conditions (Dublin-Foundation) for the financial year ended 31 December 1999 (C5-0686/2000)¹,
 - having regard to the Council Recommendation of 12 March 2001 (C5-0000/2001),
 - having regard to the EC Treaty and in particular Article 276 thereof,
 - having regard to Rule 93 and Annex V of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0108/2001),
- A. whereas the Dublin Foundation pursues its mission "*to contribute to the planning and establishment of better working conditions through action designed to increase and disseminate knowledge likely to assist this development*" by following six mid-term research priorities, namely, in the areas of employment practice, worker participation, equal opportunities, social cohesion, health and well-being and sustainable development;
- B. whereas there appears to be a certain degree of overlap between the work of the Foundation and the activities of the European Agency for Safety and Health at Work in Bilbao; takes note of the memorandum of understanding between both agencies;
- C. whereas, in accordance with the code of conduct of 14 July 1998, the Committee on Employment and Social Affairs is charged with monitoring the Dublin Foundation which received an annual subsidy of €14.5 million and the Bilbao Agency which received an annual subsidy of €6.5 million;
- D. whereas Parliament gave discharge to the Administrative Board of the Foundation on 13 April 2000² for the financial year 1998 calling on:
- i. the Foundation to present the results of its evaluation exercise and new strategy and action plan for 2001-2004 before 31 December 2000;
 - ii. the Court of Auditors to follow up systematically the decisions of the discharge authority and to produce a comprehensive analysis of the audits of all Agencies;

¹ OJ C 373, 27.12.2000, p. 39

² OJ C 40, 07.02.2001, p. 384

- iii. the Foundation and Court of Auditors to reduce the duration of the contradictory procedure to ensure that the annual report can be presented to Parliament before 15 July of the year following the financial year in question;
- E. whereas the Foundation did not complete the evaluation exercise before the adoption of its four-year programme for 2001-2004;
- F. whereas the Court of Auditors has tended to conduct financial rather than performance appraisals, has not carried out a comprehensive analysis of the results of all Agency audits and has not reduced the length of the contradictory procedure in order to allow Parliament to take its findings into consideration before voting on the budget for the subsequent year;
- G. whereas the Court of Auditors has obtained reasonable assurance that the annual accounts for the financial year ended 31 December 1999 are reliable and the underlying transactions are, as a whole, legal and regular, subject to a reservation on the carry-over of commitments;
- 1. Notes the following figures for the accounts of the European Foundation for the Improvement of Living and Working Conditions:

1999 FINANCIAL YEAR		(€ '000)
(a)	Revenue	14621
	1. Subsidy from the Commission	14500
	2. Miscellaneous revenue	107
	3. Revenue from services rendered against payment	14
(b)	Expenditure	14518
	<i>Title I – Staff expenditure</i>	
	1. Payments for the year	6934
	2. Appropriations carried over	56
	<i>Title II – Administrative expenditure</i>	
	1. Payments for the year	1195
	2. Appropriations carried over	180
	<i>Title III – Operating expenditure</i>	
	1. Payments for the year	2748
	2. Appropriations carried over	3405
	Balance for the year	-1859
	Out-turn for the year ((a) – (b))	103
	Amount received from the Commission	-2148
	Appropriations carried over from the previous year which lapsed	202
	Exchange rate differences for the year	-16

Dublin Foundation

- 2. Calls on the Foundation to carry out an external evaluation, for the first time since its creation on 26 May 1975¹; calls for the presentation of an Action Plan, in the light of the evaluation, before the end of 2001; requests that the evaluation assess how key stakeholders, including the Parliament, Commission, Member States, industry and academia, rate the Foundation; requests that the evaluation includes an assessment of the

¹ Council Regulation (EEC) No 1365/75

impact of the Foundation's activities;

3. Calls for an evaluation to assess the existing cooperation between the agencies and to analyse the advantages/disadvantages of a merger between the Dublin Foundation and the Bilbao Agency;
4. Welcomes the introduction of the SI2 budgetary accounting system in January 2001; notes that since 1 July 2000 the Foundation chairs the Common Support Service, a forum which brings together users of SI2, namely, nine agencies, the Economic and Social Committee and the Committee of the Regions;
5. Encourages the Foundation to further reduce its reliance on imprest accounts for payments and welcomes the fact that usage has decreased from 40% of total expenditure excluding salaries in 1997 (€3.89 million), to 37% in 1998 (€3.40 million) and, following further cuts, to 18% in 1999 (€2.94 million); notes that the Foundation will seek to reduce usage to a minimal level;
6. Notes that the Foundation has been able to transform seven translation posts into A-grade posts by making greater use of the Translation Centre in Luxembourg;
7. Is concerned about the high level of carry-over of credits from 1999 to 2000, which amounted to €3 640 497 or approximately 25% of the Community subsidy of €14 500 000;

Parliament

8. Calls on its specialised committees to monitor closely the activities and impact of the Dublin Foundation and Bilbao Agency to assess how well they fulfil their respective mandates;

Court of Auditors

9. Invites the Court of Auditors to submit individual audits before 15 July of each year following the financial year in question; calls on the Court to report findings of a horizontal nature in the sub-heading on decentralised agencies in the chapter on administrative expenditure in its Annual report; would welcome a shift of emphasis from purely financial audits to performance audits, whereby the Court would address the following questions:
 - i. added-value of the agency: including an evaluation of the quality, cost and timeliness of the output of the agency,
 - ii. effectiveness: including an investigation into how efficiently and effectively the agency goes about fulfilling its mission,
 - iii. comparative advantage: including suggestions of ways to avoid any possible overlap or duplication between various agencies,

Discharge decision

10. Gives discharge to the Administrative Board of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its

budget for the 1999 financial year, on the basis of the report of the Court of Auditors;

11. Instructs its President to forward this decision to the Administrative Board of the European Foundation for the Improvement of Living and Working Conditions, the Council, the Commission and the Court of Auditors and to have it published in the Official Journal (L series).

PROPOSAL FOR A DECISION

2. Decision of the European Parliament concerning discharge to the Management Board of the European Centre for the Development of Vocational Training in respect of the implementation of its budget for the 1999 financial year

(C5-0687/2000 – 2000/2165(DEC)),

The European Parliament,

- having regard to the report of the Court of Auditors on the statements and management of the European Centre for the Development of Vocational Training (Cedefop - Thessaloniki) for the financial year ended 31 December 1999¹, (C5-0687/2000)
 - having regard to the Council Recommendation of 12 March 2001 (C5-0000/2001),
 - having regard to the EC Treaty and in particular Article 276 thereof,
 - having regard to Rule 93 and Annex V of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0108/2001),
- A. whereas the Thessaloniki Centre pursues its mission of promotion and development of vocational education and training at Community level by compiling and disseminating documentation, conducting research and providing a discussion forum;
- B. whereas, the existing co-operation memorandum aims at clarifying the responsibilities and ensuring complementarity between the work of the Centre in candidate countries and the activities of the European Training Foundation, based in Turin, during the transition period of the Union's enlargement ;
- C. whereas, in accordance with the code of conduct of 14 July 1998, the Committee on Employment and Social Affairs is charged with monitoring the Thessaloniki Centre which received an annual subsidy of €12.4 million and the Turin Foundation which received an annual subsidy of €19.9 million;
- D. whereas Parliament gave discharge to the Management Board on 13 April 2000² for the financial year 1998 calling on
- i. the Centre to launch an external evaluation and report on progress in following recommendations made in its last evaluation of February 1995;
 - ii. the Centre to replace the old and complex system for drawing up its budget and balance sheets before 1 July 2000 and reduce its reliance on the imprest accounts;
 - iii. the Court of Auditors to follow up systematically decisions of the discharge

¹ OJ C 373, 27.12.2000, p. 27

² OJ C 40, 07.02.2001, p. 387

authority and to produce a comprehensive analysis of the audits of all Agencies;

- iv. the Centre and Court of Auditors to reduce the duration of the contradictory procedure to ensure that the annual report can be presented to Parliament before 15 July of the year following the financial year in question;
- E. whereas the Centre only launched an evaluation in December 2000, following delays by the Commission to select the external consultants, whereas this evaluation on the external impact and internal management will be finished in April 2001;
- F. whereas the Court of Auditors has tended to conduct financial rather than performance appraisals, has not carried out a comprehensive analysis of the results of all Agency audits and has not reduced the length of the contradictory procedure in order to allow Parliament to take its findings into consideration before voting on the budget for the subsequent year;
- G. whereas the Court of Auditors has obtained reasonable assurance that the annual accounts for the financial year ended 31 December 1999 are reliable and the underlying transactions are, as a whole, legal and regular, subject to a reservation on the carry-over of commitments;
- 1. Notes the following figures for the accounts of the European Centre for the Development of Vocational Training:

1999 FINANCIAL YEAR		(€ '000)
(a)	Revenue	12717
	1. Subsidy from the Commission	12415
	2. Miscellaneous revenue	150
	3. Earmarked revenue	152
(b)	Expenditure	
	<i>Title I – Staff expenditure</i>	
	1. Payments for the year	6226
	2. Appropriations carried over	395
	<i>Title II – Administrative expenditure</i>	
	1. Payments for the year	1658
	2. Appropriations carried over	1058
	<i>Title III – Operating expenditure</i>	
	1. Payments for the year	3021
	2. Appropriations carried over	2238
	Balance for the year	-520
	Out-turn for the year ((a) – (b))	-1879
	Balance carried over from the previous year	697
	Appropriations carried over from the previous year which lapsed	760
	Exchange differences for the year	-98

Thessaloniki Centre

- 2. Takes note of the external evaluation that was launched in December 2000; calls for the presentation of an Action Plan, in the light of the evaluation, before the end of 2001; requests that the evaluation assess how key stakeholders, including the Parliament, Commission, Member States, industry and academia, rate the Centre;

3. Points out that there is a danger of overlap between the work of the Thessaloniki Centre and the Turin Foundation; recalls that the work of the Turin Foundation has been financed, to an important degree, through PHARE, TACIS and TEMPUS programmes; calls for the evaluation to assess the existing co-operation between the agencies and to analyse the advantages and disadvantages of a merger between the Thessaloniki Centre and the Turin Foundation;
4. Recalls that the Centre expended scarce resources in 1997, 1998 and 1999 to develop a tailor-made computer system to manage its budget and accounts, rather than employ a decentralised application developed by the Commission, SI2, which is used by nine other Agencies; welcomes that the old system was fully replaced before 1 July 2000 and vetted by the Commission;
5. Regrets weaknesses in the management of contracts of electronic media projects including the lack of consultation with the Centre's own informatics departments and a failure to follow administrative and financial procedures for invitations to tender; expects the newly created contracts management unit will ensure that problems do not re-occur;
6. Acknowledges efforts to reduce further its reliance on imprest accounts for payments from 47 % in 1997 (€6.6 million), 46 % in 1998 (€5.9 million) to 21 % in 1999 (€3.1 million);
7. Congratulates the Centre on savings of €1.2 million in the construction of its seat; notes that this is due to concerted action with the Greek government and Commission; calls on the Greek authorities to finalise the formal transfer of the property and to change their plans for highway construction immediately in front of Cedefop building, which would be damaging and contravene the written promises given in 1995 to Cedefop';

Parliament

8. Calls on its specialised committees to monitor closely the activities and impact of the Thessaloniki Centre and Turin Foundation to assess how well they fulfil their respective mandates;

Court of Auditors

9. Invites the Court of Auditors to submit individual audits before 15 July of each year following the financial year in question; calls on the Court to report findings of a horizontal nature in the sub-heading on decentralised agencies in the chapter on administrative expenditure in its Annual report; would welcome a shift of emphasis from purely financial audits to performance audits, whereby the Court would address the following questions:
 - i. added-value of the agency: including an evaluation of the quality, cost and timeliness of the output of the agency,
 - ii. effectiveness: including an investigation into how efficiently and effectively the agency goes about fulfilling its mission,
 - iii. comparative advantage: including suggestions of ways to avoid any possible overlap or duplication between various agencies,

Discharge decision

10. Gives discharge to the Management Board of the European Centre for the Development for Vocational Training in respect of the implementation of its budget for the 1999 financial year;
11. Instructs its President to forward this decision to the Management Board of the European Centre for the Development for Vocational Training, the Council, the Commission and the Court of Auditors and to have it published in the Official Journal (L series).

PROPOSAL FOR A DECISION

3. Decision of the European Parliament concerning discharge in respect of the implementation of the general budget of the European Union for the 1999 financial year

SECTION IV - COURT OF JUSTICE

SECTION V - COURT OF AUDITORS

SECTION VI - PART B - COMMITTEE OF THE REGIONS

(SEC(2000) 539 – C5-0312/2000 – C5-0617/2000 - 2000/2156(DEC))

The European Parliament,

- having regard to the revenue and expenditure account and the balance sheet for the 1999 financial year (SEC(2000) 539 – C5-0312/2000),
 - having regard to the Annual Report of the Court of Auditors concerning the financial year 1999¹, with the replies of the institutions (C5-0617/2000), and the special report n° 5/2000 on the Court of Justice's expenditure on buildings (annexe buildings Erasmus, Thomas More and Annexe C), together with the Court of Justice's replies²,
 - 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 Treaty (C5-0617/2000),
 - having regard to the Council's recommendation of 12 March 2001 (C5-0000/2001),
 - having regard to Article 272(10) of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation,
 - having regard to the report submitted to Parliament on the management of Article 270 (Official Journal) of the budget of the Court of Auditors,
 - having regard to the report submitted to Parliament by the Committee of the Regions on all appropriations carried over automatically from 1997 to 1998 and from 1998 to 1999 for which the cancellation rate was higher than 10% (Section IV – Part B of the general budget),
 - having regard to the report of the Committee on Budgetary Control (A5-0108/2001),
- A. Whereas Parliament, in its capacity as budgetary control authority, has a duty to evaluate the proper and effective use of the Community budget and act on the detailed reports from the European Court of Auditors;

B. Whereas this evaluation should involve not only an assessment of the way in which tax-

¹ OJ C 342, 1.12.2000

² OJ C 109, 14.4.2000

payers' money is spent – i.e. that there have been no irregularities or fraud – but also a regular examination of the effectiveness and impact of the Community budget in carrying out the policies and goals laid down in the Treaties and in secondary legislation;

- C. Whereas all Institutions, advisory bodies and Specialised Agencies should be equally concerned at providing an efficient and beneficial service, in essence – value for money;
- D. Whereas the nature of expenditure in the Council has changed from purely administrative to more operational in view of new responsibilities in the areas of Common Foreign and Security Policy and Justice and Home Affairs;
- E. Whereas it has been possible for the Court of Auditors to provide error rates in the field of agricultural expenditure and this has been highly useful in improving budgetary control;

Court of Justice

Buildings policy

1. Notes that the construction of the annexes to the *Palais* building (Annex A or *Erasmus*, Annex B or *Thomas More* and Annex C buildings) was a reaction to constantly increasing accommodation needs of the Court of Justice rather than part of a comprehensive building programme;
2. Regrets the circumstances which led to what the Court of Justice calls the “formal irregularity” of occupying these buildings without a written lease agreement between 1989 and 1994 at a cost of about ECU 35 million by way of advances on rent payments to be adjusted, in conditions contrary to the rules set down in the Financial Regulation;
3. Takes note of the fact that the relevant Luxembourg authorities only submitted a draft lease on the *Erasmus* building in 1989, i.e. almost five years after the decision to construct it was taken and six months after the entry into occupation of that building;
4. Notes the Court of Justice's wish, as expressed in the Registrar's letter of 8 May 1989 to the relevant Luxembourg authorities, to avoid occupation of the *Thomas More* and Annex C buildings without written leases and the excessive rental conditions asked by the Luxembourg authorities in respect of those buildings, a factor which could only prolong the negotiations;
5. Notes the Court of Justice's remarks, in particular as regards the conditions under which the cost of construction and financing the three buildings was monitored (paragraph 4.1.2); takes the view that, in light of those remarks and of the previous paragraphs, the Luxembourg authorities failed to display the degree of constructive cooperation legitimately to be expected from a host country actively promoting a policy of establishment of Community institutions on its territory; consequently considers that the Luxembourg authorities bear a share of responsibility for the fact that the Court of Justice occupied premises without written leases as well as for a number of deficiencies highlighted by the Court of Auditors (inadequate monitoring, etc.);

6. Recalls that, following a request by the budgetary authority, the Court of Auditors drew up a technical opinion in 1996 concerning the financial commitments governing the Court of Justice's buildings; recalls, furthermore, that the above opinion contained no criticism of the legal and financial arrangements of the lease-option agreement of 1994 between the Court of Justice and Luxembourg, a fact which enabled the Parliament's Committee on Budgets to authorise an advance payment pursuant to that agreement (see transfer of appropriations n° 27/96); wonders why the reservations of the Court of Auditors on those arrangements, as summarised in paragraph 20 e of its Special Report n° 5/2000, were not aired in its 1996 technical opinion;
7. Believes that, almost seven years after the conclusion of the lease-option agreement of 15 November 1994, the time is ripe for the final statement of account to be determined; notes that, in order to facilitate that task, the Court of Justice and the Luxembourg authorities jointly appointed an expert whose job includes, *inter alia* :
- The determination of those items of expenditure which will not be part of the final statement of account;
 - The carrying out of detailed investigations with regard to the invoicing irregularities uncovered by the Court of Auditors and
 - An assessment as to whether in general the financial interests of the Community have been adequately protected;
- expects to be informed of the expert's conclusions as soon as possible and in any case in good time for the first reading of the 2002 draft budget;

Implementation of article 270 (Official Journal)

8. Notes the report submitted by the Court of Justice on the implementation of article 270¹; encourages the Court of Justice to ensure that the Office for Official Publications of the European Communities processes and dispatches the statements of account concerning the texts published by the Court of Justice in the Official Journal in an orderly way, thus contributing to the optimum management of the appropriations related to the heading in question;

Financial control and internal audit

9. Calls on the Court of Justice to analyse the option of appointing an Internal Auditor who is independent from the Financial Controller, and to report to the European Parliament on the outcome of this analysis;

Court of Auditors

10. Is concerned that the European Court of Auditors has not yet agreed to formally accept Parliament's demand for "naming and shaming" those Member States that fail to perform, feels that this could provide a valuable tool for improving budgetary control over Community spending;

¹ See Parliament's decision of 13 April 2000 granting discharge in respect of the 1998 financial year, paragraph 3 (OJ C 40, 07.02.2001, p. 390)

11. Welcomes the increasing trend by the Court of Auditors not only to measure the accountability of the European Union's activities, but also their efficiency and their impact;
12. Rejects the Court of Auditors' refusal to quantify the error rate and insists that the Court specify its results from DAS audits on both a geographical and a sectorial basis;
13. Calls on the Court of Auditors to develop a "Richter scale" of errors, which differentiates between small administrative oversights and full-fledged fraud and various errors in between, in order to allow a better appraisal of the scale of the errors;
14. Invites the Court to develop further its relations with national audit bodies in the Member States, as well as the candidate countries, with a view to deepening the audit work they carry out on those areas of Community revenue and expenditure where management responsibility is shared;
15. Recalls its decision of 7 October 1998 giving discharge in respect of the implementation of the 1996 budget¹, asking the Court of Auditors to instruct its Member responsible for administrative matters systematically to include the Court of Auditors in all its horizontal audits, starting with the 1997 financial year; regrets that subsequent Annual Reports including the one on 1999 bear no witness to the fulfilment of that request;
16. Asks the Court of Auditors to continue to improve its working and reporting methods with a view to facilitating the task of the discharge authorities and especially to ensure its continuity from year to year;
17. Calls on the Court of Auditors to analyse the option of appointing an Internal Auditor who is independent from the Financial Controller, and to report to the European Parliament on the outcome of this analysis;
18. Calls on the members of the Court of Auditors to publish their declarations of financial interests on the Internet;
19. Requests the Court of Auditors to extend, as a matter of course and starting from the current financial year, its auditing activities to the Council, thus enabling Parliament, if appropriate, to make observations on the implementation of that institution's budget in the framework of the discharge procedure.

Committee of the Regions

20. Welcomes the efforts of the Committee of the Regions to present an evaluation of the impact of its work, and calls on its partner institutions to assist in this evaluation, including recommendations to improve the input of the Committee of the Regions to

¹ OJ L308, 18.11.1998, p. 39, paragraph 2

policy development at a European level; Looks forward to receiving annual assessments which address, inter alia the following questions:

- The impact of the Committee of the Regions on Community legislation,
- The usefulness and timeliness of opinions to the other institutions,
- Optimisation of staff deployment,
- The functioning of the cooperation agreement with the Economic and Social Committee,
- Interinstitutional cooperation, particularly with a view to improving the efficient use of administrative expenditure through economies of scale in areas such as recruitment, security, documentation services, building management and catering facilities;

21. Notes the report submitted to Parliament on appropriations carried over automatically from 1997 to 1998 and from 1998 to 1999 for which the cancellation rate was higher than 10%¹; believes that a great deal of the cancellations were due to rules that need tightening (late submission of supporting documents concerning Members' language courses), inadequate planning at administrative and political level (cancellation or even overestimation of mission orders, cancellation of commission meetings at the end of the year), the late billing by the Joint Interpreting and Conference Service (JICS), over-estimations to avoid the risk of insufficient availability of appropriations etc.; asks the Committee of the Regions to take the appropriate action to remedy that situation, where appropriate in cooperation with other institutions concerned;
22. Notes the Court of Auditors' observation (paragraph 6.23 of the 1999 Annual Report) according to which in February 2000 the Committee of the Regions tightened again its rules on expenses and the travel and meeting allowances of its Members;
23. Notes that 1999 was the last year of the Common Organisational Structure with the ESC which was replaced, on 1 January 2000, by a Cooperation Agreement (to be subjected to an annual review) between the two committees which maintains joint operations in the majority of departments but establishes autonomy in the financial and staff departments; expects the annual review to assess proven and foreseeable needs of both committees;
24. Notes that during the 1999 financial year, the Economic and Social Committee and the Committee of the Regions pursued their negotiations with the owners of the Belliard complex building and that, in accordance with the policy of the budgetary authority, they reimbursed Parliament its rental payments for the premises; further notes that these negotiations finally resulted in a lease-purchase agreement in December 2000; undertakes to examine the conditions of this agreement in next year's discharge procedure;
25. Welcomes the substantial savings to the European Union budget resulting from joint services with the Economic and Social Committee and encourages other institutions to follow this example, for instance by sharing library facilities;
26. Calls on the Committee of the Regions to analyse the option of appointing an Internal Auditor who is independent from the Financial Controller, and to report to the European Parliament on the outcome of this analysis;

¹ See Parliament's decision of 13.4.2000 granting discharge in respect of the implementation of the 1998 financial year, paragraph 6 (OJ C 40, 07.02.2001, p. 390)

27. Notes that the decision taken by the Committee of the Regions on the terms and conditions for internal investigations in relation to the prevention of fraud, corruption and any illegal activity detrimental to the Communities' interests departs from the Interinstitutional Agreement of 25 May 1999 (OJ L 136, 31.5.1999, p. 15), though there is no technical need to do so; notes further that this deprives Members and staff of the Committee of the Regions of the right, laid down in the Interinstitutional Agreement, to approach OLAF directly without notifying the President or Secretary-General;

Agencies

28. Calls on the Commission to:

- i. ensure that experience with regard to setting up Agencies is pooled, so that lessons learned may be applied in the setting up of new Agencies (e.g. the European Food Authority and the European Maritime Safety Agency);
- ii. develop a decentralised system which would allow activity-based management for Agencies, comprising monitoring, auditing or evaluation of personnel, missions, documents and inventory, on the lines of the Integrated Resources Management System (IRMS);
- iii. transmit to the discharge authority and Court of Auditors on a systematic basis all audits carried out by the Financial Controller or operational Directorates-General, in respect of the following agencies:
 1. Centre for Development of Vocational Training, Thessaloniki
 2. Foundation for Improvement of Living and Working Conditions Dublin
 3. Environment Agency, Copenhagen
 4. European Training Foundation, Turin
 5. Monitoring Centre for Drugs and Drug Addiction, Lisbon
 6. Agency for the Evaluation of Medicinal Products, London
 7. Agency for Safety and Health at Work, Bilbao
 8. Monitoring Centre for Racism and Xenophobia, Vienna
 9. Reconstruction Agency for Kosovo (OBNOVA), Thessaloniki
 10. Office for Harmonisation in the Internal Market, Alicante
 11. Community Plan Variety Office, Angers
 12. Translation Centre for Bodies of the EU, Luxembourg;

29. Recalls that, in its resolution of 13 April 2000¹, under the discharge exercise for 1998, Parliament asked the Court of Auditors to produce a comprehensive analysis of audits of all Agencies; regrets that the Court has not done so; invites the Court of Auditors to:

- i. carry out performance, rather than purely financial, audits
- ii. present a comparative analysis of Agencies, based on best practice
- iii. coordinate its audit activities with the Commission (Financial Control and operational directorates-general);

¹ OJ C 40, 07.02.2001, p. 390

30. Regrets that three of the Agencies (those in Turin, Lisbon and Angers) have not submitted a budget for the year 1999 and that eight of the other agencies submitted these in December of 1999; calls on the Agencies to submit their budgets before the beginning of the new financial year.
31. Calls on the Agencies to conduct and publish evaluations of their work on a regular basis.
32. Calls on its specialised committees to scrutinise the quality and impact of the work of the various Agencies and to provide the Budget Control, Committee with timely input on these Agencies for the Annual discharge procedure;



33. Grants discharge to the Registrar of the Court of Justice and the Secretaries-General of the Court of Auditors and the Committee on the Regions in respect of the implementation of their budgets for the 1999 financial year;
34. Instructs its President to forward this decision to the Commission, the Court of Justice, the Court of Auditors, the Committee of the Regions and to all the decentralised agencies mentioned in this decision and to have it published in the Official Journal (L series).

MOTION FOR A RESOLUTION

4. Resolution of the European Parliament postponing the decision concerning discharge in respect of the general budget of the European Union for the financial year 1998

SECTION VI – PART A: ECONOMIC AND SOCIAL COMMITTEE

(SEC(2000) 539 – C5-0312/2000 – C5-0617/2000 - 2000/2156(DEC))

The European Parliament,

- having regard to the revenue and expenditure account and the balance sheet for the 1998 financial year (SEC(2000) 539 – C5-0312/2000),
 - having regard to the Annual Report of the Court of Auditors concerning the financial year 1999¹, with the replies of the institutions (C5-0617/2000),
 - 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 Treaty (C5-0617/2000),
 - having regard to the Council's recommendation of 12 March 2001 (C5-0000/2001),
 - having regard to Article 272(10) of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation,
 - having regard to the report submitted to Parliament by the Economic and Social Committee on all appropriations carried over automatically from 1997 to 1998 and from 1998 to 1999 for which the cancellation rate was higher than 10% (Section IV – Parts A and C of the general budget),
 - having regard to the report of the Committee on Budgetary Control (A5-0108/2001),
- A. Whereas, in the light of the serious irregularities in the management of the appropriations of the Economic and Social Committee contained in the Court of Auditors' Annual Report for 1996, Parliament postponed, in its resolution of 7 October 1998², its decision concerning discharge for 1996,
- B. Whereas one of the main conditions which Parliament imposed on the Economic and Social Committee for the grant of discharge in its above-mentioned resolution of 7 October 1998 was that the matter should be referred to UCLAF "to enable the extent of administrative involvement or responsibility to be fully determined as regards the entry into the accounts, the commitment, the authorisation and the payment of expenditure",
- C. Whereas, since at the time of consideration of the 1998 discharge the previous condition

¹ OJ C 342, 1.12.2000

² OJ C 328, 26.10.1998, p. 115

had still not been met, Parliament postponed, in its resolution of 13 April 2000¹, its decision concerning discharge for 1998 until it had received the conclusions of the OLAF inquiry,

1. Welcomes the Court of Auditors' confirmation (paragraph 6.20 of the 1999 Annual Report) that between the end of 1998 and the beginning of 2000, the Economic and Social Committee gradually implemented the Court of Auditors' recommendations relating to the reform of the system of Members' allowances;
2. Invites the Commission to make extensive use of the Economic and Social Committee's human and financial resources, by requesting the latter to submit preliminary opinions, prior to the final drafting of its various proposals;
3. Notes that during the 1999 financial year, the Economic and Social Committee and the Committee of the Regions pursued their negotiations with the owners of the Belliard complex building and that, in accordance with the policy of the budgetary authority, they reimbursed Parliament its rental payments for the premises; further notes that these negotiations finally resulted in a lease-purchase agreement in December 2000; undertakes to examine the conditions of this agreement in next year's discharge procedure;
4. Welcomes the substantial savings to the European Union budget resulting from joint services with the Committee of the Regions and encourages other institutions to follow this example, for instance by sharing library facilities;
5. Notes that, over a year after the matter of irregularities mentioned by the Court of Auditors in its Annual Report for 1996 was referred to OLAF, the latter's conclusions are still pending; asks OLAF to proceed to wind up its inquiries as soon as possible to enable Parliament to pronounce on the discharge in respect of financial years 1996-1999;
6. Calls on the Economic and Social Committee to present an evaluation of the impact of its work, which answers, *inter alia*, the following questions: To what extent does the Economic and Social Committee duplicate activities undertaken by employers, union representatives and consumer groups at national and European level?
7. Welcomes the efforts of the Economic and Social Committee to measure the impact of its activities on European Union legislation and encourages them to take this further and make public the results;
8. Calls on the Economic and Social Committee to analyse the option of appointing an Internal Auditor who is independent from the Financial Controller, and to report to the European Parliament on the outcome of this analysis;
9. Notes the report submitted to Parliament on appropriations carried over automatically from 1997 to 1998 and from 1998 to 1999 for which the cancellation rate was higher than 10 %²; believes that a great deal of the cancellations were due to rules that need tightening

¹ See Parliament's resolution of 13.4.2000 postponing the decision on granting discharge in respect of the implementation of the 1998 financial year, paragraph 1 (OJ C40, 07.02.2001, p. 391)

(late submission of applications for removal expenses, installation, resettlement and transfer allowances, as well as declarations on mission expenses), problems in the implementation of the new billing system of the Joint Interpreting and Conference Service (JICS), overestimation of costs of various brochures, untimely conclusion of competitions jointly organized with other institutions including Parliament, etc.; asks the Economic and Social Committee to take remedial action for the reduction of cancellations, in cooperation where appropriate with other institutions;

10. Decides to postpone the discharge decision in respect of the 1999 financial year until it has received the conclusions of the OLAF inquiry, under the terms set out in its above-mentioned resolution on postponement of the 1996 discharge;
11. Instructs its President to forward this resolution to Council, the Commission, the Court of Auditors and the Economic and Social Committee;

EXPLANATORY STATEMENT

1. Parliament, in its capacity as budgetary control authority, has a duty to evaluate the proper and effective use of the Community budget and act on the detailed reports from the European Court of Auditors. This evaluation should involve not only an assessment of the way in which taxpayers' money is spent – i.e. that there have been no irregularities or fraud – but also a regular examination of the effectiveness and impact of the Community budget in carrying out the policies and goals laid down in the Treaties and in secondary legislation. Where this is not or no longer the case, Parliament should recommend that action be taken to remedy the situation or use its power as joint budgetary authority to reallocate the funds elsewhere.
2. The Commission has a central role and duty in evaluating the effectiveness of programmes it undertakes and reporting regularly to Parliament on difficulties as well as successes so that, ideally, no money is wasted at the end of the day. However all Institutions, Courts, Committees and Specialised Agencies should be equally concerned at providing an efficient and beneficial service, in essence – value for money. To this end each institution and body funded from the Community budget, whether it be Parliament or the Monitoring Centre on Racism and Xenophobia, should evaluate their effectiveness and performance. This should entail a constant re-evaluation of working methods and procedures as well as human resource management and overall objectives. If the original goals are achieved or they lose their 'raison d'être' then they either need to be redefined or the body in question disbanded and the budget used for new priorities. Where defined objectives could be met in a more cost-effective way, these alternatives should be considered.

The Economic and Social Committee has existed for over 40 years and groups together employers, union representatives and consumer groups with a view to providing the Community legislative and executive bodies with timely advice in the drafting and amending of legislation. Yet all these groups are also represented (and mostly consulted) through their respective interest groups at a national and/or European level, many forming powerful federations to lobby for the industry, for the employees or for the consumers. Is this a duplication of effort or does each have its role?

3. The Committee of the Regions has only been in existence since 1994 and, to some extent, is still finding its true role in the Community legislative process. The CoR was hampered by a very inauspicious beginning where the structure was largely imposed on it by the Council, merging regional with municipal authorities, and national groups with political groupings. The nature of the membership, whereby most members are not full-time, cannot help cohesion and vision for the CoR, although it does endow it both with a direct democratic link and genuine knowledge of regional and local affairs affected by EU legislation. What has been the impact of CoR on Community legislation since the former's inception in 1994? Is it able, in the limited number of meetings per year, to provide a useful and timely advice to the other institutions, notably the Commission? If not, how does it need to change? Are its staff optimally deployed, e.g. in the core area of policy preparation in the different commissions? What evaluation / reforms are taking place to improve its performance and contribution?
4. The European Court of Auditors has recently come under severe criticism by the European

Parliament for its working methods. Parliament's pressure aims to achieve a shift in policy: away from anonymous criticism towards more open "naming and shaming" of those Member States that fail to perform. The Court however still refuses to quantify the number of mistakes made, while stating clearly that the level is unacceptably high. In order to ensure that the annual discharge procedure is not reduced to a mere accounting exercise, the Court needs to specify numbers of mistakes broken down both on a geographical and a sectorial basis. Only in this way can comparisons be made and lessons learned for the future. Distinctions should be made between minor oversights and full-fledged fraud, which are currently lumped under the same name of "error". The Court's internal setting of priorities also needs to be investigated in more detail, especially how objectivity can be guaranteed. This will also be helped if the Court would publish its Members' financial interests on the Internet.

5. The 12 Agencies, set up by various Council Regulations, provide a variety of tasks and functions from forums on vocational training to approval of new plant types. Some are financed from the Community budget, others are self financing. Most adopt annual work programmes though they should ideally be presented and discussed by the European Parliament, at least at the level of a relevant specialised committee, in order to ensure that Parliament can properly evaluate their work and objectives each year. Three of the Agencies have failed to publish any budget for 1999. Parliament should take more interest in the activities of the agencies and advisory bodies and assess whether they are really providing the service required of them. Do they provide a greater degree of expertise than can be provided by the Commission? If so, do they operate efficiently and effectively? Do their mandates overlap / duplicate each other? To whom are they accountable? Is there a need to rationalise the number of agencies created? Should they have an indefinite life or be subject to 5 yearly reassessment? Are there lessons that can be shared and learned by all?
6. The changing nature of expenditure in the Council of Ministers is forcing the Parliament to reconsider its absence of scrutiny in the framework of the discharge procedure. Whereas the budget used to be for purely administrative purposes, increased responsibilities notably in the areas of Common Foreign and Security Policy and Justice and Home Affairs, indicate a shift in budgetary control policy may be needed.

The following table gives an overview of the revenue and expenditure (in Mio €) and permanent staff allocated for 1999

	EP*	Staff	Revenue			Exp.	B #.
			EU	%	Total	Total	
I. First generation satellite bodies							
Centre for Development of Vocational Training ¹ Thessaloniki (<i>formerly</i> Berlin) [1975]	□	81	12.4	97.6	12.7	14.6	□
Foundation for Improvement of Living and Working Conditions ² <i>Dublin</i> [1975]	□	84	14.5	89.2	14.6	14.5	□
II. Second generation satellite bodies, which receive EU funding							
Environment Agency ³ Copenhagen [1990]	□	68	18.2	99.4	18.4	18.3	□
European Training Foundation ⁴ Turin [1990]	□	130	19.9	99.3	20.	16.2	□
Monitoring Centre for Drugs and Drug Addiction ⁵ <i>Lisbon</i> [1993]	□	45	8.2	100.	8.2	8.0	□
Agency for the Evaluation of Medicinal Products ⁶ London [1993]	□	203	13.0	29.7	43.7	41.2	□
Agency for Safety and Health at Work ⁷ Bilbao [1995]	□	24	5.0	96.2	5.2	6.8	□
Monitoring Centre for Racism and Xenophobia ⁸ Vienna [1997]	□	17	3.8	99.3	3.8	3.1	□
Reconstruction Agency for Kosovo (OBNOVA) ⁹ Thessaloniki [1999]	□	-	-	-	-	-	
III. Second generation satellite bodies, with no EU funding							
Office for Harmonisation in the Internal Market ¹⁰ Alicante [1994]	□	490	0	0	88.2	92.2	□
Community Plan Variety Office ¹¹ Angers [1994]	□	27	0	0	7.3	6.8	□
Translation Centre for Bodies of the EU ¹² Luxembourg [1994]	□	131	0	0	14.0	14.1	□
		1300			236.1	235.8	

EP * ☐ indicates that Parliament may grant discharge

* ☐ indicates that discharge is granted by the management board of the agency

B # * ☐ indicates that the agency presented a budget in time

* ☐ indicates that the budget was not presented in time

¹ Council Regulation 337/75 of 10.2.1975

² Council Regulation 1365/75 of 26.5.1975

³ Council Regulation 1210/90 of 7.5.1990

⁴ Council Regulation 1360/90 of 7.5.1990

⁵ Council Regulation 302/93 of 8.2.1993

⁶ Council Regulation 2309/93 of 23.7.1993

⁷ Council Regulation 2062/94 of 18.7.1994

⁸ Council Regulation 1035/97 of 2.6.1997

⁹ Council Regulation 2454/99 of 15.11.1999

¹⁰ Council Regulation 40/94 of 20.12.1993

¹¹ Council Regulation 2100/94 of 27.7.1994

¹² Council Regulation of 2695/94 of 28.11.1994