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## REPORT

on the action taken by the Commission on the observations contained in the resolution accompanying the decision giving discharge in respect of the implementation of the general budget of the European Union for the 2000 financial year (Commission)  
(COM(2002) 696 - C5-0610/2002 - 2002/2189(DEC))

Committee on Budgetary Control

Rapporteur: John Joseph McCartin



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## PROCEDURAL PAGE

At its sitting of 10 April 2002 Parliament adopted the decision giving discharge to the Commission in respect of the implementation of the general budget of the European Communities for the 2000 financial year, and the resolution containing the observations which form part of that decision.

By letter of 10 December 2002, the Commission forwarded to Parliament, pursuant to Article 89(8) of the Financial Regulation, its follow-up report on the European Parliament 2000 discharge resolution for the Commission (COM(2002) 696 - 2002/2189(DEC)).

At the sitting of 16 December 2002, the President announced that he had referred this report to the Committee on Budgetary Control, as committee responsible and to all other committees interested for their opinion (C5-0610/2002).

At its meeting of 10 September 2002 the Committee on Budgetary Control confirmed the appointment of John Joseph McCartin as rapporteur.

It considered the Commission document and the draft report at its meetings of 17 November 2002, 9 December 2002 and 13 January 2003.

At the last meeting it adopted the motion for a resolution unanimously.

The following were present for the vote: Diemut R. Theato, chairman; Herbert Bösch, Paulo Casaca and Freddy Blak, vice-chairmen; John Joseph McCartin, rapporteur; Ioannis Averoff (for Generoso Andria), María Antonia Avilés Perea, Juan José Bayona de Perogordo, Rijk van Dam (for Jeffrey William Tittford), Salvador Garriga Polledo (for Christopher Heaton-Harris), Helmut Kuhne, Emmanouil Mastorakis (for Michiel van Hulten), Eluned Morgan, Jan Mulder (for Antonio Di Pietro), Bart Staes, Ole Sørensen and Gabriele Stauner.

The report was tabled on 14 January 2003.

## MOTION FOR A RESOLUTION

**European Parliament Resolution on the action taken by the Commission on the observations contained in the resolution accompanying the decision giving discharge in respect of the implementation of the general budget of the European Union for the 2000 financial year (COM(2002) 696 - C5-0610/2002 - 2002/2189(DEC))**

*The European Parliament,*

- having regard to its resolution of 10 April 2002 containing the observations which form part of the decision giving discharge in respect of the implementation of the general budget of the European Union for the 2000 financial year (Commission)<sup>1</sup>,
  - having regard to the Commission's follow-up report (COM(2002) 696 - C5-0610/2002,
  - having regard to Article 276 of the EC Treaty,
  - having regard to Article 89(8) of the Financial Regulation,
  - having regard to Annex V, Article 6, of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A5-0002/2003),
- A. whereas Article 276(2) of the EC Treaty clearly lays down that 'the Commission shall submit any necessary information to the European Parliament, at the latter's request',
- B. whereas an open and comprehensible discharge procedure is a precondition for ensuring that the European taxpayer and electorate can have confidence in the European institutions and hence in those institutions' democratic legitimacy,
- C. whereas, although the Commission alone is responsible for implementing the budget and so has sole responsibility as far as the discharge of the budget is concerned under the Treaty; nevertheless, 80% of the budget is managed by the Member States, who in actual fact share a large proportion of the responsibility for ensuring correct implementation of the budget and effective use of resources,
1. Welcomes the Commission's follow-up report and acknowledges that the Commission has had to make efforts, in a relatively short period, to satisfactorily and adequately reply to, and comment on, the questions put and the observations made by Parliament in its above mentioned resolution concerning discharge for the 2000 financial year;
  2. Notes that the year 2000 has been significant by the number of proposed reforms aiming at improving the management, and the financial and control system of the Commission;
  3. Looks forward to a time when these reforms are implemented;

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<sup>1</sup> OJ L 158, 17.6.2002, p. 3

4. Takes into account that the impact of a number of these reforms has not yet been evaluated, and will continue to carefully look at them in the next discharge procedure;
5. Underlines the progress made in cooperation between Commission and Parliament, but still requires further explanation on the following headings;

### ***Management***

6. Considers that the budget surplus (14% of the budget in 2000) is becoming a recurrent problem (16% of the budget in 2001) and still needs to be addressed again; asks the Commission to examine the recommendations by the Court of Auditors and ensure the veracity of the budget;; asks the Commission to further refine and improve its assessment of budgetary needs and its evaluation of running policies in order to optimise the value for money for the taxpayer;
7. Notes that in 2001, just as in 2000, the main difficulty of under expenditure is with Structural Funds and that while more effective co-operation between the Commission and Member States is desirable, the complexity of the Regulations appears to be a large part of the problem; asks the Commission to significantly reduce the complexities of the Regulations;
8. Appreciates the dismantling of the TAOs as foreseen by the reform of the Commission, but notes however that no answer was given as regard to the number and areas of TAOs still existing after 2003, and requests the Commission to update their information on this subject;
9. Notes that the revised staff regulation is under examination by the European Parliament and recommends that the final position of the Parliament, especially concerning the whistle blowing procedure, disciplinary sanctions, categories of staff and the use of "contractual agents" be given very serious consideration;
10. Notes as regard the implementation of Action 96 (more effective management of the recovery of unduly paid funds) that detailed information is still lacking, though this is a priority area in the budgetary control; deplores the fact that that 2,245 billion euros are still not recovered; takes into account the communication from the Commission from 3 December 2002 (as promised) and expects the Commission to take the appropriate steps until the end of the current year for the recovery of old unduly paid funds. Expects as well the results of the audit of the Internal Audit System of this new system of recovery;

### ***Procedures***

11. Besides the complexities of the new provisions of the Structural Funds, recognises that other factors influence the efficient utilisation of resources in this chapter. Since the Framework regulation does not expire till 2006, the Commission and national authorities will have to identify new strategies of cooperation which will ensure that

both budgetary transparency as well as the objective of economic and social cohesion is achieved.

12. Takes into account the progress already made by the Commission and Member States to improve the working of the Regulation, but takes the view that more progress is still needed in this area;
13. Considers, that the Structural Funds have a direct impact on citizens and therefore asks to be informed on a regular basis of progress being achieved in this area;
14. Welcomes the efforts made by the Commission in order to improve the current situation of financial control of the Structural Funds and wants to know (within two months if the Commission could carry out one preventive audit in each member state before end of 2002, as regards the European Social Fund, as it had foreseen
15. Is still concerned about the reporting of fraud and irregularities by member states and expects the Commission to ensure that standard procedures are carefully followed by the member states and that OLAF should report regularly on the success and failure rate of its prosecutions, the number of prosecutions, the total number of cases opened and the quality of cooperation from national authorities;
16. Supports the efforts developed by the Commission to cooperate more closely with the ECA, the national Courts of auditors, control authorities in the member states, and considers that the assisting work developed by the IAS for moving towards a single audit system at EU level is essential. Considers it be desirable to fix a timetable for the introduction of a SAS, involving in addition the applicant countries;
17. Welcomes the cost-benefit assessment for the new instrument of Executive Agencies and the explicit possibility to abolish these Agencies; as concerns the existing Community Agencies, asks both Commission and Court of Auditors to regularly assess the existing Community Agencies on the basis of their cost-benefit ratio and their added value compared to other alternatives; furthermore asks the Commission to introduce, at the earliest possible opportunity, in their legal base the explicit possibility to abolish these Agencies;

### ***Fight against fraud***

#### **agricultural products**

18. Is concerned by the adulteration of agricultural products with a direct or indirect impact on the Community budget, for example in the olive oil and butter sector. Finds this unacceptable and asks the Commission to employ all available scientific measures in order to fight against this type of fraud. Asks for the precise cost to the budget of these abuses and asks the Commission to set up a strategy to minimize opportunities for fraud to marketing falsy described products;
19. Considers that it is not acceptable that after 2.5 years, the European Parliament has not been informed in more detail about the case of adulterated butter and the subsequent loss to the budget;

20. Draws attention to the fact that the milk quota regime, which has been in existence for 17 years is still not being correctly applied especially in Greece, Italy and Spain; supports the Commission initiative to open infringement proceedings against these member States;
21. Asks the Commission for an update on all previously mentioned cases of fraud in the EU involving flax subsidy and payments;

#### Feed and food controls

22. Parliament is still looking forward to a proposal from the Commission on Food and Food Control and expects that such a proposal can facilitate not only the health and confidence of consumers but will also contribute to the protection of our financial interests;

#### Other concerns

23. Underlines once again that export refunds are a high risk area for fraud. Cannot understand that Commission and Council refuses to delete export refunds for live animal transports despite of the resolutions of the European Parliament in 2001 and 2002. Welcomes the gradual transfer from market support measures to direct aid. This could also have the effect of introducing more social equity in the Common Agricultural Policy;
24. Asks to be informed about the state of play of the Commission's plan to better fight VAT crossborder fraud cases;
25. Welcomes the initiative of the Commission to strengthen the fraud proofing of legislation and the management of contracts;
26. Welcomes as well the initiative of the Commission concerning the creation of the legal basis in the new Treaty of the European Prosecutor, to fight against crossborder criminality which is prejudicial to the financial interests of the European Union;
27. Instructs its President to forward this resolution and the report of its committee to the Commission, the Council and to the Court of Auditors.