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REPORT

on discharge in respect of the implementation of the European Union general budget for the financial year 2006
(C6-0365/2007 – 2007/2040(DEC))

Section IV – Court of Justice

Committee on Budgetary Control

Rapporteur: Nils Lundgren

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the European Union general budget for the financial year 2006, Section IV – Court of Justice (C6-0365/2007 – 2007/2040(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2006¹,
 - having regard to the final annual accounts of the European Communities for the financial year 2006 – Volume I (C6-0365/2007)²,
 - having regard to the Court of Justice's annual report to the discharge authority on internal audits carried out in 2006,
 - having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2006 and the Court of Auditors' special reports, together with the audited institutions' replies³,
 - 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 Treaty⁴,
 - having regard to Articles 272(10), 274, 275 and 276 of the EC Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁵, and in particular Articles 50, 86, 145, 146 and 147 thereof,
 - having regard to Rule 71 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A6-0097/2008),
1. Grants the Court of Justice's Registrar discharge in respect of the implementation of the Court of Justice budget for the financial year 2006;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision and the resolution that forms an integral part of it to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Ombudsman and the European Data Protection Supervisor, and to arrange for their publication in the Official Journal of the European Union (L series).

¹ OJ L 78, 15.3.2006.

² OJ C 274, 15.11.2007, p. 1.

³ OJ C 273, 15.11.2007, p. 1.

⁴ OJ C 274, 15.11.2007, p. 130.

⁵ OJ L 248, 16.9.2002, p. 1. Regulation as last amended by Regulation (EC) No 1525/2007 (OJ L 343, 27.12.2007, p. 9).

2. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of the decision on discharge in respect of the implementation of the European Union general budget for the financial year 2006, Section IV – Court of Justice (C6-0365/2007 – 2007/2040(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2006¹,
 - having regard to the final annual accounts of the European Communities for the financial year 2006 – Volume I (C6-0365/2007)²,
 - having regard to the Court of Justice's annual report to the discharge authority on internal audits carried out in 2006,
 - having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2006 and the Court of Auditors' special reports, together with the audited institutions' replies³,
 - 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 Treaty⁴,
 - having regard to Articles 272(10), 274, 275 and 276 of the EC Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁵, and in particular Articles 50, 86, 145, 146 and 147 thereof,
 - having regard to Rule 71 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A6-0097/2008),
1. Notes that in 2006 the European Court of Justice (ECJ) had available commitment appropriations amounting to a total of EUR 252 306 372,60 (2005: EUR 232 602 467,74), with a utilisation rate of 94,58%;
 2. Notes that, following the introduction of accrual accounting with effect from 1 January 2005, the ECJ's financial statements disclose a negative economic out-turn for the year

¹ OJ L 78, 15.3.2006.

² OJ C 274, 15.11.2007, p. 1.

³ OJ C 273, 15.11.2007, p. 1.

⁴ OJ C 274, 15.11.2007, p. 130.

⁵ OJ L 248, 16.9.2002, p. 1. Regulation as last amended by Regulation (EC) No 1525/2007 (OJ L 343, 27.12.2007, p. 9).

(EUR 1 529 933) and identical amounts (EUR 72 187 617) of assets and liabilities;

3. Notes with satisfaction the adoption by the ECJ in July 2007 of a code of conduct applying to Members and former Members of the Court of Justice, the Court of First Instance and the Civil Service Tribunal¹, including an obligation to submit a declaration of financial interests to the President of the Court of Justice; stresses, however, its repeated request, in the interest of transparency, even in the absence of legal requirement at present, for the publication of concrete declarations, for example on the ECJ's website;
4. Expresses its satisfaction that since 1 October 2007 two separate administrative units (an internal audit unit and a verification unit) have been put in place with two separate heads of unit, ending a situation criticised in previous years by both the ECA and Parliament where the head of the Internal Audit Service was responsible for ex-ante verification of the authorising officers' operations;
5. Welcomes the information contained in the ECJ's replies to the rapporteur's questionnaire about the exact nature and content of the recommendations of the internal audits carried out in 2006 to the effect that the ECJ's Internal Auditor carried out five specific audits and addressed recommendations to the services concerned (on the organisation and budgetary management of visits, on insurance contracts, on procedures relating to minimum standards of internal control, on the management of removal expenses, and on telephone usage); stresses however the need for full implementation of these recommendations;
6. Also expresses its satisfaction that, following 2005, when no ex-post verifications were carried out, in 2006 the internal audit and financial assistance unit carried out ex post verifications in three types of expenditure, namely documentation and library expenditure, vehicles and telecommunications, which confirmed the regularity and conformity of the expenditure monitored;
7. Welcomes the reduction of the number of negotiated contracts as a proportion of the number of contracts awarded from 38% in 2005 to 34% in 2006 (with a value of more than EUR 60 000, following the amendment of the Implementing Rules² to the Financial Regulation); requests however that greater efforts be made by the ECJ in order to further decrease this proportion;
8. Notes that 2006 was the first year of judicial activity, properly speaking, of the newly established Civil Service Tribunal after it took up its duties in December 2005;
9. Notes that although the number of pages translated increased by 24% to 669 668 in 2006 as compared to 2005, the number of pages sent to translation remained stable (645 176 in 2005 and 642 113 in 2006), and that the backlog resulting from the 2004 enlargement has been reduced, thanks to the measures taken by the ECJ;

¹ OJ C 223, 22.9.2007, p. 1.

² Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357 of 31.12.2002, p.1). Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

10. Points to the criticism in the special report No 2/2007 of the ECA on expenditure on buildings that the independent expert, whose appointment was provided for in the framework contract for the extension of the ECJ's main building (the 'Palais'), was not appointed from the start and the original framework contract set out only general principles;
11. Notes with satisfaction that the independent expert (KPMG) has now finally been appointed and has started its work of monitoring the contract and verifying ex post all accounting records; hopes that the initial budget will be respected and encourages the ECJ to monitor closely all aspects of the progress of the project through the implementing rules governing the monitoring;
12. Further notes with satisfaction that a lease-purchase contract has now been signed between the Grand Duchy of Luxembourg and the ECJ setting out the provisions necessary to supplement the framework contract of 2001 and providing for the sale to the ECJ of the land on which the complex is situated for the symbolic price of EUR 1 when the ECJ becomes the owner of the buildings;
13. Recalls that in point 35 of its Special Report No 2/2007 concerning the Institutions' expenditure on buildings, the Court of Auditors commented as follows on the financing arrangements for the building of the extension to the Court of Justice in Luxembourg: '(...) the Court of Justice was not involved in the tender and the detailed negotiation of the contract - whose clauses and options it did not agree in advance - and it is not signatory to the financing contracts even though it will have to bear the financial costs (e.g. interest rates, management charges). The Court of Justice's departments examined the procedure followed by the government for awarding the contract concerning the financing of the project and pointed out that there had been a lack of appropriate competition (...)'; calls on the Commission to submit, by July 2008 at the latest, the findings of the further investigations into possible breaches of the directives on public procurement announced in connection with the Court of Justice extension project in its answer to Written Question E-4016/2007;
14. Points out that in 2006 the number of officials and agents (members of auxiliary and temporary staff, contract agents) in service rose over the year by 4,8% to 1 786;
15. Notes, however, with concern the ECJ's persisting difficulties in recruiting qualified staff, covered by the Staff Regulations, for several posts (mainly interpreters and IT specialists) on the basis of competitions organised by EPSO;
16. Congratulates the ECJ on the inclusion in its activity report of a chapter setting out the follow-up during the year to Parliament's earlier discharge decisions and to reports of the ECA; requests, however, that this section, as well as the report on internal audits sent by the ECJ to the discharge authority, be more detailed.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	26.3.2008
Result of final vote	+: 22 -: 2 0: 1
Members present for the final vote	Jean-Pierre Audy, Herbert Bösch, Costas Botopoulos, Paulo Casaca, Jorgo Chatzimarkakis, Antonio De Blasio, Petr Duchoň, James Elles, Szabolcs Fazakas, Markus Ferber, Christofer Fjellner, Ingeborg Gräßle, Umberto Guidoni, Dan Jørgensen, Rodi Kratsa-Tsagaropoulou, Nils Lundgren, Marusya Ivanova Lyubcheva, Ashley Mote, Jan Mulder, Bill Newton Dunn, Bart Staes, Søren Bo Søndergaard, Jeffrey Titford, Paul van Buitenen, Kyösti Virrankoski
Substitute(s) present for the final vote	Salvador Garriga Polledo, Dumitru Oprea, Gabriele Stauner, Ralf Walter
Substitute(s) under Rule 178(2) present for the final vote	Pilar Ayuso, Albert Deß, Markus Pieper