



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Budgetary Control

2009/2002(BUD)

1.10.2009

OPINION

of the Committee on Budgetary Control

for the Committee on Budgets

on the draft general budget of the European Union for the financial year 2010,
Section III - Commission
(C7-0127/2009 - 2009/2002(BUD))

Rapporteur: Jean-Pierre Audy

PA_NonLeg

SHORT JUSTIFICATION

The rapporteur's aim in this report has been to ensure that the budget takes into account the principles and recommendations adopted by Parliament on sound financial management and transparency in the management of EU funds, particularly as regards the cost-effectiveness of the various EU policies.

Budgetary management

1. In its resolution of 23 April 2009 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 2007, Parliament criticised the poor quality of the data supplied on correction measures applied at Member State level in respect of cohesion policies and the agriculture sector, where the Court of Auditors had doubts as to the reliability of the information supplied.
2. It pointed to the importance of the final decisions and corrective measures taken with the aim of removing expenditure which had not been disbursed in conformity with Community legislation from Community funding, and restated its call for the precise budget heading to which recoveries relate to be specified, as is already standard practice in the agriculture sector.
3. It considered, moreover, that the Commission should show in the budget, by creating a specific heading for this purpose, the amounts paid per year in error by the European Union to the Member States.
4. It pointed out that Article 83 of Regulation (EEC, Euratom, ECSC) No 259/68 stipulates that pensions are charged to the budget and that the Member States must jointly guarantee payment of such benefits in accordance with the scale laid down for financing such expenditure; it considered that the aforesaid reference to the joint guarantee means the guarantee may take effect should one or more Member States default, but does not imply that the Communities do not have a claim against the Member States which entered into that commitment; it mentioned, furthermore, that staff pay back to the general budget 10.25% of their salaries as their contribution to the funding of the pension scheme.

Annual accounts

5. It considered it abnormal for the annual accounts to show a negative net asset figure of EUR 58 600 000 000 and wondered whether the amounts to be called from Member States should not be entered as assets, given that the estimated EUR 33 500 000 000 in staff pensions was clearly a commitment.

National management declarations

6. It noted that, according to information forwarded by the Commission, only a small number of Member States had so far taken the step of approving the adoption of a national declaration on the management of Community funding and it was of the opinion that the Commission should use its right of initiative to propose a Council decision to make national declarations compulsory.

7. It felt that the Council should, during the forthcoming presidencies, take the measures needed to remedy this failure to act and it called for the committee responsible to take note of this failure to act in the budgetary procedure for 2010.
8. It restated, in this respect, the importance of working together with national audit bodies.

Annual summaries and the principle of cost-effective controls

9. It reminded the Commission of its commitment to improving the quality of Member States' annual summaries so that they might become a useful means of reducing the likelihood of errors in the years to come.
10. It reiterated the importance too, in this context, of Action 10 of the Action Plan towards an Integrated Internal Control Framework, which proposes making an 'analysis of the costs of controls' in view of the 'need to reach an appropriate balance between the costs and benefits of controls'.
11. It considered in addition that the Commission, on the basis of the annual summaries received, should analyse the strengths and weaknesses of each Member State's national system for administering and controlling Community funds, and include in this analysis an estimate of the cost of the national systems controlling Community funds.
12. It took the view that the Commission should produce specific proposals on improving the management and control of Community spending and even, for some aspects, a degree of harmonisation, so that a positive DAS could eventually be arrived at.

Research policy

13. It deplored the persistence of some problems in research policy that arose in previous years (cost reimbursement errors, complexity of the rules applied and lack of an effective penalising mechanism) and called on the Commission to continue its efforts to simplify, and further clarify, the proportionality rules applicable to shared-cost programmes.
14. It considered that the Commission should continue to exploit the reimbursement possibilities offered by the 7th Framework Programme, in particular by further analysing the appropriateness of the programme's rules on flat-rate payment procedures, and should be involved in simplifying the rules for beneficiaries and the necessary improvements to the system.

External actions

15. It felt that, in the interests of transparency, the names of NGOs in receipt of EU funds should be clearly stated in the EU budget; it viewed it as unacceptable, furthermore, that the Commission was not prepared to give EU taxpayers such information, in advance, in an exhaustive, responsible and transparent manner.

SUGGESTIONS

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

1. Calls on the Commission to create a specific budget heading in the EU budget showing the amounts paid in error by the European Union to the Member States per year;
2. Calls on the Commission to create in the budget, in accordance with the principle of activity-based budgeting (ABB), a budget heading showing the cost of control systems per expenditure field;
3. Proposes that the Commission allocate the resources needed to conduct a study based on all the annual summaries received; the study should analyse the strengths and weaknesses together with the added value of each and every Member State's national system for administering and controlling Community funds and produce as its outcome an estimated figure for the cost of the national systems controlling Community funds, together with possible savings that could be achieved through a reduction in checks in situ resulting from the introduction of national management declarations;
4. Calls on the Commission to take all measures necessary to implement the Seventh Framework Programme in a swift and user-focused way;
5. Reiterates, as a requirement for legal certainty, its request that the Commission refrain from re-calculating the financial statements for projects under the Sixth Framework Programme, which it has already approved and settled, by applying new interpretations to the eligibility criteria for costs established in the General Conditions (Annex II) of the FP6 model contract;
6. Calls on the Commission to carry out the review of the Financial Regulation early in 2010 and to incorporate simplification measures for all beneficiaries; calls, furthermore, for the European Union to be better prepared for external policy challenges and for it to be possible, under that policy field, for the Commission to manage multi-donor trust funds;
7. Expects the Commission to continue its annual staff review and to draw conclusions from the fact that a large number of its staff work on administrative tasks; calls for the number of staff supervising the implementation of EU law in Member States to be increased and expects to find all the information required by Parliament in the next report on this matter;
8. Calls for an external assessment of the language system and its productivity per language in order to meet the increasing demand for translation in Member States' national parliaments and to develop various standard payment models for translations for these parliaments; considers that all this must be achieved without prejudice to ensuring that all EU documents relevant for the European Parliament's work are made as accessible as possible to the public in each and every EU official language;
9. Calls for the Commission to guarantee in the EU budget the resources needed to

implement a programme of ex post checks on the various non-governmental organisations with which it works in the external policy field and to give precise details on where each project is located and on the names of the contractors;

10. Calls on the Commission to organise as soon as possible a conference with all EU and external stakeholders, particularly those countries covered by the European Neighbourhood Policy, with a view to pooling the mechanisms necessary to make the management and control of the EU's external funds and programmes more efficient;
11. Is disappointed by the lack of anti-fraud measures and the lack of action by the Commission to continue the reform of Regulation (EC) No 1073/1999 of the European Parliament and of the Council of 25 May 1999 concerning investigations conducted by the European Anti-Fraud Office (OLAF)¹; calls on the Commission to strengthen OLAF so that it may carry out its role within the European Union and meet needs which arise outside the European Union;
12. Calls on the Commission and Member States, in spending Community funds, to ensure that the result has been achieved or the measure taken in line with the intended purpose of the Community funds and that the result achieved or measure taken are suitably documented;
13. Calls on the Commission and Member States to ensure that Community funds are used in the Member States not only properly but also efficiently and in particular to make the payment of Community funds subject to a cost-benefit analysis;
14. Proposes that consideration should be given to establishing a Community pension fund in order to externalise these financial commitments vis-à-vis staff; calls for the claims against Member States in respect of staff pensions, estimated at EUR 36.9 billion at 31 December 2008, to be both entered in the accounts as an asset and included in the 2010 budget and for the accounts and the budget to be corrected, following negotiations with the Member States, to take account of these claims;
15. Calls for examination of the possibility of including provisions in the budget for major maintenance and refurbishment work on the European Communities' buildings stock, given the lack of a building depreciation schedule broken down by specific component and setting out the main tangible fixed assets to be replaced at regular intervals; takes the view that such provisions for major maintenance or refurbishment works should be backed by multiannual upkeep programmes designed to keep buildings in a good state of repair without extending their life;
16. Calls, pursuant to Article 248(3) of the EC Treaty, as regards shared-management controls, for cooperation to be stepped up between national audit bodies and the European Court of Auditors; proposes examining the possibility that said institutions, in their capacity as independent external auditors, and with due regard for international audit standards, might issue national audit certificates for the management of Community funds and programmes, which would be submitted to Member State governments with a view to being produced during the discharge process in accordance with an appropriate

¹ OJ L 136, 31.5.1999, p. 1.

interinstitutional procedure to be established;

17. Expresses its concern about the Seventh Framework Programme rules, which deviate from the common nationally and internationally acknowledged and certified accounting and calculation methods, thus being incompatible with general business practices, and asks the Commission to remedy this state of affairs by adopting practices that allow for calculation and charging of average hourly rates per cost centre;
18. Urges the Commission to establish and to apply the necessary criteria, which should be comprehensive and comprehensible, for approving certificates using a methodology which calculates both personnel and indirect costs;
19. Calls on the Commission to refrain, for the sake of legal certainty, from re-calculating the financial statements of projects under the Sixth Framework Programme that it has already approved and settled, thus observing the rule of law;
20. Calls on the Commission, having regard to the seriousness of the discharge situation, to quickly organise an interinstitutional conference involving all stakeholders in Community fund management and control (representatives of the Member States in the Council at the highest level, of the Commission, of the European Court of Auditors, of national audit bodies, of national parliaments with responsibility for oversight over Member State governments, of the European Parliament and all other relevant actors in the discharge process) so as to embark on a comprehensive debate on the current discharge procedure system, on which the statement of assurance (DAS) has been negative for 14 years, and to give thought to the reforms needed in order to obtain a positive DAS as soon as possible;
21. Takes the view that the said interinstitutional conference should culminate in specific proposals with regard to improving the management and control of Community spending and even, for some aspects, a degree of harmonisation, and proposes that, during the forthcoming budgetary procedure, the Parliament should give the Commission the resources needed to conduct the study and arrange the conference.

PROCEDURE

Title	Draft general budget of the European Union for the financial year 2010 - Section III - Commission
Procedure number	2009/2002(BUD)
Committee responsible	BUDG
Committee asked for its opinion Date announced in plenary	CONT
Enhanced cooperation	no
Draftswoman Date appointed	Jean-Pierre Audy 21.7.2009
Discussed in committee	1.10.2009
Date suggestions adopted	1.10.2009
Result of final vote	for: 25 against: 1 abstentions: 0
Members present for the final vote	Marta Andreasen, Jean-Pierre Audy, Inés Ayala Sender, Zigmantas Balčytis, Andrea Češková, Jorgo Chatzimarkakis, Ryszard Czarnecki, Luigi de Magistris, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ville Itälä, Cătălin Sorin Ivan, Iliana Ivanova, Elisabeth Köstinger, Bogusław Liberadzki, Monica Luisa Macovei, Jan Olbrycht, Christel Schaldemose, Theodoros Skylakakis, Søren Bo Søndergaard, Bart Staes
Substitutes present for the final vote	Zuzana Brzobohatá, Derk Jan Eppink, Christofer Fjellner, Marian-Jean Marinescu, Véronique Mathieu, Derek Vaughan
Substitutes under Rule 178(2) present for the final vote	