



EUROPEAN PARLIAMENT

2009 - 2014

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*Committee on Development*

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**2010/0054(COD)**

1.9.2010

## **OPINION**

of the Committee on Development

for the Committee on Budgets

on the proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as regards the European External Action Service  
(COM(2010)0085 – C7-0086/2010 – 2010/0054(COD))

Rapporteur: Thijs Berman

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## SHORT JUSTIFICATION

The European External Action Service will manage its own administrative budget and also have responsibility for certain parts of the operational budget falling within its remit.

All categories of EEAS staff will serve in the delegations of the European Union as well as in Headquarters - including staff originating from the European Commission, the Secretariat of the Council and from Member States' diplomatic services. The different backgrounds of the staff members will make the EEAS a melting-pot for a multiplicity of corporate cultures, and it will gradually have to establish a culture of its own.

In establishing the new Service, and particularly in drawing up its financial rules, it is necessary to ensure the maximum safeguards for financial probity from the beginning, in such a way that financial integrity will become ingrained in corporate culture of the Service.

One important way to promote financial probity is to ensure the smooth interaction of the various services responsible for supervision of financial matters, especially in EU delegations. These services must also cooperate with the bodies responsible for investigating and processing cases of financial irregularities.

Your rapporteur therefore proposes amendments requiring the inspectorate, located in the central administration of the EEAS (according to Article 3 of the Council Decision establishing the EEAS) to work closely with the Commission internal auditor, who will also function as the internal auditor of the EEAS. The amendments also oblige staff working in the inspectorate, as soon as they become aware of possible cases of irregularities, to pass the information to the Commission internal auditor and to the bodies responsible for investigating and processing such cases.

By means of strengthening these safeguards, your rapporteur hopes to enhance the confidence of European citizens in their European institutions. The structural improvements proposed in this Opinion are minor in themselves, but aim to impose, at all levels of the new Service, the culture of financial integrity necessary for the trust in the smooth and unquestionable future functioning of the EEAS.

## AMENDMENTS

The Committee on Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following amendments in its report:

### **Amendment 1**

#### **Proposal for a regulation – amending act**

##### **Article 1 - point 7 a (new)**

Regulation (EC) No 1605/2002

Article 56 a (new)

*Text proposed by the Commission*

*Amendment*

**(7a) The following Article 56a is added:**

**"Article 56a**

***The functioning of the Union Delegations shall be examined by the Department for Inspections of the EEAS which shall report directly to the High Representative of the Union for Foreign Affairs and Security Policy.***

***The Department for Inspections shall cooperate with the Commission's internal audit service on the basis of service level agreements. Those service level agreements shall in particular define the mutual exchange of information found during examinations.***

***The Annual Report of the Inspection of the Delegations shall be made available to the Budgetary Authority in application, mutatis mutandis, of Article 60(7)."***

*Justification*

*Accountability for integrity in financial operations in the Union Delegations is enhanced if the Department for Inspections of the EEAS is directly responsible to the High Representative / Vice-President. The requirement for it to cooperate with the Commission's internal audit service is intended to improve the effectiveness of both services.*

## **Amendment 2**

**Proposal for a regulation – amending act**

**Article 1 – point 9**

Regulation (EC) No 1605/2002

Article 60a – paragraph 1 – subparagraph 3

*Text proposed by the Commission*

*Amendment*

Where a situation or conflict referred to in the second subparagraph arise, the Heads of Union Delegations shall inform the responsible Commission ***department and the High Representative of the Union for***

Where a situation or conflict referred to in the second subparagraph arise, the Heads of Union Delegations shall inform the responsible ***Directors-General of the Commission and of the EEAS and, where***

**Foreign Affairs and Security Policy**  
thereof without delay.

**appropriate, the specialised financial irregularities panel set up pursuant to Article 66(4) or the European Anti-fraud Office (OLAF)** thereof without delay.

#### *Justification*

*It is often the inspectorate which first becomes aware of evidence of financial irregularities. Information should be passed to the relevant authorities at the first indication that such a situation may arise, and all staff members of Union delegations need to share this responsibility.*

### **Amendment 3**

#### **Proposal for a regulation – amending act**

##### **Article 1 – point 9**

Regulation (EC) No 1605/2002

Article 60a – paragraph 2

#### *Text proposed by the Commission*

2. When a Head of a Union Delegation finds himself in a situation referred to in Article 60(6), **he** shall refer to the specialised financial irregularities panel set up pursuant to Article 66(4). In the event of any illegal activity, fraud or corruption which may harm the interests of the Union, **he** shall inform the authorities and bodies designated by the applicable legislation.

#### *Amendment*

2. When a Head, **or any other staff member**, of a Union Delegation finds himself in a situation referred to in Article 60(6), **or if the Department for Inspections in the Central Administration of the EEAS become aware of situations liable to fall under Article 60(6)**, they shall refer to the specialised financial irregularities panel set up pursuant to Article 66(4). In the event of any illegal activity, fraud or corruption which may harm the interests of the Union, **the Head, or any other staff member, of a Union Delegation and/or the Department for Inspections** shall inform the authorities and bodies designated by the applicable legislation.

#### *Justification*

*It is often the inspectorate which first becomes aware of evidence of financial irregularities. Information should be passed to the relevant authorities at the first indication that such a situation may arise, and all staff members of Union delegations need to share this responsibility.*

## Amendment 4

### Proposal for a regulation – amending act

#### Article 1 – point 12

Regulation (EC) No 1605/2002

Article 85 – paragraphs 1 and 3

*Text proposed by the Commission*

*Amendment*

***For the purposes of the internal auditing of the EEAS, Heads of Union Delegations, acting as authorising officers by subdelegation in accordance with the second paragraph of Article 51 shall be subject to the verifying powers of the internal auditor of the Commission for the financial management sub-delegated to them.***

***For reasons of coherence, efficiency and cost-effectiveness, the internal auditor of the Commission shall also act as the internal auditor of the EEAS in respect of the budget implementation of the EEAS section of the budget.***

***The internal auditor of the Commission shall have the same responsibilities in respect of the EEAS referred to in Article 1, as he/she has in respect of Commission departments.***

***The Commission's internal auditor shall work closely with the department for inspections in the central administration of the EEAS. The department for inspections of the EEAS shall, without delay, send all information relating to situations liable to fall under Article 60(6) to the Commission's internal auditor, and, where appropriate, to the specialised financial irregularities panel set up pursuant to Article 66(4) or to OLAF.***

*Justification*

*It is often the inspectorate which first becomes aware of evidence of financial irregularities. Information should be passed to the relevant authorities at the first indication that such a situation may arise.*

## Amendment 5

### Proposal for a regulation – amending act

#### Article 1 - point 12 a (new)

Regulation (EC) No 1605/2002

Article 95 - paragraph 3 a (new)

*Text proposed by the Commission*

*Amendment*

***(12a) In Article 95, the following paragraph 3a is added:***

***"3a. The Commission shall have a regular exchange of information with international organisations implementing Union funds with a view to jointly identifying actors whose lack of financial probity makes them unsuitable partners in the management of Union funds. This shall apply mutatis mutandis to the EEAS which is responsible for its own administrative budget."***

*Justification*

*The World Bank has entered into a cross-debarment agreement with Multilateral Development Banks by which they jointly identify actors whose lack of financial probity does not make them suitable partners in the management of funds. The EEAS should join this initiative or establish a similar system.*

## PROCEDURE

<b>Title</b>	Amendment of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, as regards the European External Action Service
<b>References</b>	COM(2010)0085 – C7-0086/2010 – 2010/0054(COD)
<b>Committee responsible</b>	BUDG
<b>Opinion by</b> Date announced in plenary	DEVE 21.4.2010
<b>Rapporteur</b> Date appointed	Thijs Berman 4.5.2010
<b>Discussed in committee</b>	12.7.2010
<b>Date adopted</b>	30.8.2010
<b>Result of final vote</b>	+: 23 -: 0 0: 0
<b>Members present for the final vote</b>	Véronique De Keyser, Leonidas Donskis, Charles Goerens, Catherine Grèze, Enrique Guerrero Salom, András Gyürk, Eva Joly, Filip Kaczmarek, Franziska Keller, Gay Mitchell, Norbert Neuser, Bill Newton Dunn, Maurice Ponga, Michèle Striffler, Alf Svensson, Eleni Theocharous, Patrice Tirolien, Ivo Vajgl, Iva Zanicchi
<b>Substitute(s) present for the final vote</b>	Kriton Arsenis, Miguel Angel Martínez Martínez, Patrizia Toia
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Derek Vaughan