

European Communities

EUROPEAN PARLIAMENT

Working Documents

1984-1985

6 March 1985

DOCUMENT 2-1793/84

SECOND REPORT

drawn up on behalf of the Committee on Budgetary Control

on the accounts of the EC in respect of the 1982 financial year

Rapporteur : Mrs Bodil BOSERUP

At its meeting on 20/21 November 1984, the Committee on Budgetary Control confirmed the appointment of Mrs Boserup as rapporteur.

The subject was further discussed at its meeting on 29/30 November 1984 and 11 December 1984. At the latter meeting, the Committee on Budgetary Control adopted the motion for a resolution by 11 votes to 4, with 5 abstentions.

The following were present at the time of the vote: Mr Aigner, chairman; Mr Martin, vice-chairman; Mrs Boserup, vice-chairman and rapporteur; Mr Battersby, vice-chairman; Mr Bardong, Mr Dankert, Mr Dimitriadis, Mr Fellermaier, Mrs Fullet, Mr Gatti, Mr Giummarra, Mr Herman (deputizing for Mr Ryan), Mrs Hoff, Mr Marck, Mr Mühlen (deputizing for Mrs Lentz-Cornette), Mr Pitt, Mr Price, Mr Schreiber, Mr Simmonds, Mr Tomlinson (deputizing for Mr Varfis) and Mr Wettig.

The report was tabled on 11 December 1984.

Pursuant to a decision taken on 12 December 1984, Parliament referred the report back to the Committee on Budgetary Control.

At its meeting of 28 February/1 March, the Committee adopted the revised report by 16 votes in favour with none against and 5 abstentions.

The following were present at the time of the vote: Mr. Aigner, chairman; Mr. Martin, vice-chairman; Mrs. Boserup, vice-chairman and rapporteur; Mr. Battersby, vice-chairman, Mr. Arndt (deputising for Mrs. Hoff); Mr. Bardong; Mr. Cornelissen; Mr. Dankert; Mr. Dimitriadis; Mrs. Fullet; Mr. Gatti; Mr. Herman (deputising for Mr. Giummarra); Mrs. Lentz-Cornette; Mr. Marck; Mr. Papoutsis; Mr. Price; Mr. Rigo (deputising for Mr. Sutra); Mr. Ryan; Mr. Schön; Mr. Schreiber; Mr. Tomlinson (deputising for Mr. Pitt); Mr. Wettig.

The report was tabled on 4 March 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution together with explanatory statement

MOTION FOR A RESOLUTION

on the accounts of the EC in respect of the 1982 financial year

The European Parliament,

- A. having regard to the revenue and expenditure account and the balance sheet¹ of assets and liabilities relating to the budget for the 1982 financial year,
- B. having regard to the report of the Court of Auditors on the 1982 financial year and the answers of the institutions to the report²,
- C. having regard to the relevant Council recommendation (Doc. 1-34/84),
- D. having regard to its decision of 10 April 1984 to defer the grant of discharge in respect of the 1982 financial year³ until the Commission had replied in writing to several points of major importance that were raised in the report of the Committee on Budgetary Control,
- E. having regard to its decision of 14 November 1984 to refuse to grant discharge to the Commission of the EC in respect of the 1982 financial year (PE 93.823, p.14),
- F. having regard to the previous reports of the Committee on Budgetary Control (Docs. 1-111/84, 2-888/84),
- G. considering that the accounts of the EC budget for the 1982 financial year should now be noted by Parliament so that work on the accounts of later years may be proceeded with;
- H. having regard to the report of the Committee on Budgetary Control (Doc. 2-1266/84)
- I. having regard to the second report of the Committee on Budgetary Control (Doc. 2-1793/84),

¹ COM(83) 223, 224 and 225

² OJ No. C 357, 31.12.1983

³ OJ No. C 127, 14.5.1984, p.36

1. Takes note of the Commission's proposal for closing the accounts for the financial year 1982, as summarized by the following data¹:

in ECU

AUTHORIZATIONS

Revenue	21 994 312 850.98
Appropriations for commitment	24 176 181 620.64
Appropriations for payment	21 994 312 850.98

IMPLEMENTATION

1. Resources

1.1 Revenue for the financial year	21 427 416 656.43
1.2 Appropriations carried forward from the 1981 financial year and cancelled	166 259 561.68
Total 1.	21 593 676 218.11

2. Expenditure

2.1 Expenditure for the financial year	20 705 862 052.30
2.2 Exchange losses	61 167 497.79
2.3 Revenue earmarked for reimbursement	1 408 105.17
Total 2.	20 768 437 655.26

3. BALANCE FOR THE FINANCIAL YEAR
(1. - 2.)

825 238 562.85

2. Expresses reservations on the following amounts, which should therefore be the subject of comments in the accounts:

(a) Revenue: 9 635 924 ECU²:

Among the irregularities noted in connection with the EAGGF, this amount was declared irrecoverable by the Member States. However, Article 8(2) of Regulation No. 729/70 requires the Commission to consider the extent to which such amounts may be charged to the Member States where they result from negligence or irregularities attributable to them. The accounts should therefore indicate that the amount in question may give rise to a Community debt in respect of the Member States and that the Commission has started - or will start - the procedure laid down for the allocation of responsibility.

¹ Com(83) 225 - Vol. V p.9

² Points 4.53a and 4.54 to 4.58 of the Annual Report of the Court of Auditors for 1982 - OJ No. C 357, 31.12.1983

(b) Payments: 33 837 252.07 ECU¹:

This amount was used in December 1982 as an advance from the EAGGF for January 1983 in an irregular manner to cover expenditure for 1982 and was queried by the Court of Auditors. This situation must be investigated when the relevant EAGGF accounts are cleared.

3. Instructs its President to transmit this resolution to the Commission and to forward it, for information, to the Court of Auditors and the Council.

¹ Point 4.25 of the Annual Report of the Court of Auditors for 1982 - OJ No. C 357, 31.12.1983

EXPLANATORY STATEMENT

The decision

1. The Committee on Budgetary Control, at its meeting on 23 October 1984, adopted a motion for a resolution incorporating a decision to refuse to grant discharge for the 1982 financial year, by 14 votes in favour with 3 against and no abstentions.

2. On Wednesday 14 November 1984, Parliament deliberated on this report. The paragraph of the motion for a resolution which embodied the decision to refuse discharge was voted in accordance with the provisions of Rule 5(2) of Annex IV of the Rules of Procedure. To be adopted, the relevant paragraph needed to obtain the votes of a majority of the current Members of Parliament.

3. The following was the result of the electronic vote:-

Members voting	:	335
For	:	231
Against	:	80
Abstentions	:	24

Not a motion of censure

4. Thus, the requirements of Rule 5(2) of Annex IV of the Rules of Procedure were met; moreover, two-thirds of those voting supported the decision. Therefore, the conditions required to pass a motion of censure were fulfilled. However, this was not a motion of censure, as was pointed out specifically by speakers during the debate.

5. This decision was taken in a deliberate fashion and after thorough and detailed consideration of all the relevant factors. To avoid a hasty decision and to enable the Commission to have time to reply to the preoccupations of Parliament, the decision was deferred from April 1984. In October, the Chairman of the Committee on Budgetary Control wrote to the Group Chairmen to inform them of the facts and members were fully aware of the serious nature of the decision being put to the vote and of the reasons underlying it.

6. The Commission used all the powers of persuasion open to it in an attempt to convince members of the correctness of the Commission view of the situation. Considerable pressure was applied to certain members. Parliament reached its deliberate decision more in sorrow than in anger. The vast majority of those voting made it clear that they disapproved of the way in which the Commission had failed to manage adequately the financial affairs of the Community in 1982.

7. Furthermore, Parliament recalled its resolution of 27 March 1984² which

¹ Doc. 2-888/84

² OJ C117, p.22, 30.4.84

stated

"2. Expects, in view of the system adopted, that the members of the Commission politically responsible for the fact that the discharge was refused will draw the appropriate personal conclusions;"

8. It was made clear in the debate that, whilst certain members of the Commission were put on notice because of shortcomings in the sectors for which they were primarily responsible, Parliament did not envisage proceeding with a motion of censure to be tabled under Rule 30, for pragmatic reasons.

The significance of the refusal of discharge

9. The refusal of discharge by a majority of over two-thirds is a solemn indication of Parliament's criticism and admonition of the Commission's shortcomings. It represents the view of elected members drawn from each of the Member States. This unique decision represents a severe democratic stricture on the Commission and is tantamount to a reprimand.

10. Many members indicated that the effect of the decision would be to encourage the new Commission to take account more seriously of the use made of taxpayers' money than its predecessor had done. Members also saw in the decision an instrument which would strengthen the hand of the incoming Commission in dealing with the Council and would make it aware of the seriousness with which Parliament regarded its responsibilities.

Overruling the financial controller

11. The Committee on Budgetary Control was disconcerted by the speed with which, on 1 February 1984, the Commission had overruled its financial controller in four matters which involved complicated files and amounts totalling some 864 million ECUs. However, in the debate in plenary, a consensus emerged to the effect that, as financial years other than 1982 were involved, this matter should be dealt with in a special report. Moreover, as pointed out earlier, this is an issue that would appear to warrant the preparation of a special report by the Court of Auditors, given the size of the sums involved, the implications for the office of the financial controller, the impact on the criterion of sound management of EC funds and the adverse effects on budgetary discipline.

Political and functional aspects

12. The discharge decision has two aspects: firstly, the political one which is the judgement of Parliament on the way in which the Commission managed the affairs of the EC for a specific year. Refusal of discharge, as in the case of the 1982 financial year, is a negative reflection on the Commission's management for stated reasons. This decision could have been avoided if, between April and November 1984, the Commission had given clear and satisfactory answers, as well as assurances for the future and the beginning, at least, of corrective actions - to the issues that finally compelled Parliament to refuse discharge.

³ Doc. 2-828/84, paragraph 21 of explanatory statement

13. Normally after such a democratic rebuke, the Commission (as Mr. Tugendhat pointed out in Parliament on 7 July 1977 on behalf of the Commission) would have little option but to resign. However, because the commission was close to the end of its term, resignation was not insisted on - but those primarily involved were invited to draw the obvious conclusions.

14. Secondly, there is the functional aspect which is the quantification of the amounts for which discharge is given. This is of major accounting, procedural, and bookkeeping importance, with political ramifications, of course. Just as the budget for a financial year should be totalled, so too should the sums for which discharge is granted, in order that the accounts may be finalised. In the interests of consolidation of information, so as to preserve the unicity of the discharge decision and so as to have the relevant facts in a single text, the Committee on Budgetary Control has always included the final figures in the discharge decision for the year.

The present exceptional situation

15. In the present exceptional situation, discharge was refused. So as to make the decision as clear and as untrammelled as possible, the rapporteur left the figures aspect to one side - in a manner which was fully in accord with Annex IV to the Rules of Procedure. However, she did have the matter raised at the meeting of the Committee on Budgetary Control on 27/28 September 1984.

Conclusion

16. The rapporteur now recommends that the figures shown in the draft motion for a resolution be decided on by Parliament as the closing figures for 1982 so that the budgetary arithmetic for 1982 may be completed, so that certain consequential adjustments may be taken into account in the 1983 discharge decision which should be decided on during the April 1985 part-session, and so that the follow-through may be reflected in the 1984 revenue and expenditure accounts of the EC. At this is a straightforward proposal, it would appear that a debate in plenary is unnecessary.

ANNEX

Details of ECA and Commission comments on certain aspects of the figures to be covered by the closure of the 1982 EC accounts

17 As has been the case each year, the Court of Auditors proposed that some figures be corrected in the 1982 EC accounts. In the case of the 1982 financial year, for the first time, the Court of Auditors has put forward its suggestions in an extensive manner in its report (see points 1.6 and 1.7, tables 1.3 and 1.4). In certain previous years, the possibility of modifying the figures was the subject of an exchange of correspondence between the Chairman of the Committee on Budgetary Control and the Court of Auditors.

The total impact of the figures proposed by the Court of Auditors are set out in table I attached to the present annex.

18 It is apparent from table I that the Court of Auditors has calculated that the receipts in respect of the 1982 financial year amount to 21 692.4 MECUs, that is 0.45% greater than the amount which the Commission has put forward in the accounts for 1982 (21 593.7 MECUs).

Expenditure for the financial year 1982 totalled, according to the Court of Auditors, 20 729.0 MECUs, that is 0.19% less than the amount shown by the Commission in its accounts (20 768,4 MECUs).

Insofar as the balance for the year is concerned, the difference between the figures put forward by the Court of Auditors and by the Commission is still greater:

Court of Auditors :	963.5 MECUs
Commission :	825.2 MECUs
i.e. a difference of 138.3 MECUs	

The balance according to the Court of Auditors is, therefore, 17% greater than the balance as shown by the Commission.

There are many technical issues involved here. However, because the effect would be to have several sums entered into the 1983 accounts, little if any extra revenue would be available for Community financing if these changes were effected. They do, however, show the wide gap between these two bodies in the way in which they judge Community accounts.

19 Changes which the Court of Auditors believes to be necessary may be explained as follows:

19.1 The adjustment concerning the revenue for the 1982 financial year + 9 635 924.00 ECUs

What is at issue here is the matter raised by the Court of Auditors at paragraphs 4.54-4.58; of its report, these concern irregularities in the EAGGF guarantee sector which are regarded as being irretrievable.

¹ OJ no. C357, 31.12.1983

The Court of Auditors considers that the Commission should finally decide, even though it has not done so in the preceding ten years, to carry out an examination of the responsibilities of member states and to share, where necessary, responsibility for the financial losses involved.

The Commission responds by saying that the amount in question will be the subject of an in-depth examination which will make it possible to pronounce on each one of the cases in the near future. In the meanwhile, the larger sums are dealt with in the context of the clearance of accounts procedure.

19.2 Adjustment concerning carryovers from the 1981 financial year which were not utilised, but cancelled + 89 099 368.46 ECUs.

Eight cases are at issue here; payments carried over from 1981 were overestimated according to the Court of Auditors. In the following subparagraphs, they are discussed in the order of their magnitude:

a) + 88 176 307.5 ECUs:(points 4.38 and 4.39):

this concerns appropriations carried over from 1981 to 1982 in the framework of the co-responsibility programme, but which were utilised according to the Court of Auditors for a measure which did not belong within that programme. A correct charging would not have allowed these appropriations to be used, according to the Court of Auditors.

The Commission shares the opinion of the Court of Auditors that the carryover to the line concerned created the charging problems mentioned by the Court of Auditors. However, the Commission insists that the budgetary authority had been made fully aware, in the context of the decision to carryover the appropriations in question, as to the intended use of these appropriations.

b) + 624 528.71 ECUs: points (4.31-4.32):

What is at issue here is a series of direct payments in the framework of the EACGF which, in the view of the Court of Auditors, is incompatible with the Financial Regulation.

The Commission does not share the view of the Court of Auditors.

c) + 88 231.00 ECUs

+ 23 038.00 ECUs

+ 74 639.00 ECUs

+ 73 731.00 ECUs: (points 8.27,8.22,8.23 and 8.32):

What is at issue here is a package of payments in the JRC Centre which show faults of procedures (inadequate justification etc.); they ought not to have been made, in the view of the Court of Auditors.

The Commission contends that there were no incorrect payments.

d) + 27 320.00 ECUs: (point 8.32):

This problem concerns the payments relating to the SUPER-SARA project. These payments were effected before the corresponding receipts intended to cover them had been received; the Court of Auditors believes that they were irregular payments.

The Commission considers that the Court of Auditors observations are unfounded.

19.3 Adjustments concerning the expenditure for the year

+ 21 689 864.9 ECUs

made up as follows:-

payments on 1982 appropriations : + 24 335 302.17 ECUs
1982 appropriations carried over : - 2 645 437.27 ECUs
to 1983

a) As regards the 1982 appropriations carried over to 1983, the explanation is the same as that at 3.2b).

b) The upward revision of expenditure for 1982 of 24 335 302.17 ECUs is made up of 12 corrections: 3 of which are in an upward direction and 9 are downwards. These are detailed as follows:

c) + 5 342 293.99 ECUs: (points 2.7-2.10 and 2.40):

This concerns expenditure, shown as expenditure to be charged, but which, according to the Court of Auditors, ought to have been effectively charged to specific lines. 99.9% of the amount concerns Parliament itself. For the expenditure effected in cases of appropriations available, the Court of Auditors suggests that a special heading "expenditure paid in excess of appropriations" should be added to the balance sheet and the revenue and expenditure accounts.

The European Parliament has taken measures to avoid a repetition of this problem. The Commission will follow the recommendation of the Court of Auditors in future and will open a special heading in its financial statement to satisfy the wishes of the Court of Auditors.

d) + 61 167 497.79 ECUs: (point 2.41):

The Court of Auditors considers the procedure applied in taking account of differences in exchange rates to be contrary to the regulations currently in force. The Court of Auditors would prefer that these should be charged to expenditure.

The Commission points out that its presentation was not challenged by the budgetary authority in the various discussions that have taken place.

e) - 33 837 252.07 ECUs: (points 4.24-4.25):

Expenditure in Italy under the EAGGF Guarantee heading exceeded the advances made available.

The Commission indicated that the overspending in Italy was counter-balanced by a surplus in Germany; in the view of the Commission, the charging to the 1982 budget is correct.

f) - 2 104 940.54 ECUs: (point 4.31-4.32): see 3.2b)

g) - 1 103 698 ECUs: (point 8.22)

- 420 752 ECUs: (point 8.23)

- 1 074 123 ECUs: (point 8.27)

- 2 129 777 ECUs: (point 8.27): see 3.2d)

h) - 622 520 ECUs : (point 8.32): see 3.2d)

i) - 111 000 ECUs: (point 11.21):

What is at issue here is the expenditure resulting in the European Parliament from the freezing of the rates of exchange at the levels which existed prior to the devaluation of the Belgian Franc. This measure, which benefited the personnel of the European Parliament, is, according to the Court of Auditors, contrary to the spirit of the Financial Regulation.

The European Parliament has replied that it undertakes to re-examine the Bureau's decision fixing the frozen exchange rates.

j) - 776 000 ECUs: (point 11.22):

The Court of Auditors criticises the fact that in Parliament the "allowance for exceptional costs" has become a general fixed-rate allowance for officials on mission.

Parliament explained that this usage came about because of the exceptional working conditions of its staff and because official rates of allowances are always considerably out of date.

k) + 11 753 ECUs: (point 11.48):

This concerns overtime incurred in the Economic and Social Committee in 1981 which was paid out of the 1981 appropriations but authorised in 1982. The Court of Auditors believes that amount ought to have been charged to the 1982 financial year.

The Economic and Social Committee has furnished additional information in support of its contention that the amounts should be charged to the 1981 financial year and, further, it has undertaken to comply more closely with the regulations in the future.

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There is, of course, a precedent for amending the EC accounts: it was done in respect of the 1979 financial year in the Irmer discharge report.

Many of the problems raised above are of a technical nature and it appears that solutions are in sight. It should be borne in mind that the issues which motivated the refusal of discharge are not of a nature that call for a revision of the 1982 EC accounts. Moreover, the 1983 accounts have already been presented.

The rapporteur calls on the ECA and on the incoming Commission to take steps to avoid similar technical differences of an accounting nature in future and recommends that the 1982 EC accounts be closed on the basis of the figures in the accompanying motion for a resolution.

TABLE I

Paragraph.	Revenue 1982		Payments against 1982 appropriations		Payments against carry-overs from 1981		Commitments entered into in 1982					
	Amount understated	(1)	Amount understated	(2)	Amount overstated	(3)	Amount overstated	(4)	Amount understated	(5)	Amount overstated	(6)
2.7-2.10 and 2.40			5 342 293,99				5 342 293,99					
2.41			61 167 497,79				61 167 497,79					
4.25					33 837 252,07						33 837 252,07	
4.31-4.32					2 104 940,54		624 528,71				2 104 940,54	
4.38-4.39							88 176 307,75				88 176 307,75	
4.53a-4.54-4.58	9 636 924,00 ²											
8.22					1 109 698,00		74 639,00				2 170 212,00	
8.23					420 752,00		73 731,00				413 038,00	
8.24												
8.27					1 074 123,00		88 231,00				17 280 559,00	
8.32					2 129 777,00		23 038,00				111 000,00	
8.43					622 520,00		27 320,00				776 000,00	
11.21					111 000,00							
11.22					776 000,00							
11.48						11 573,00		11 573,00 ³				
TOTAL	9 635 924,00		66 521 364,78		42 186 062,61		89 099 368,46		66 521 364,78		147 514 746,63	
NET TOTAL	9 635 924,00		24 335 302,17				89 099 368,46				80 993 381,85	
SOURCE : OJ no. C357, 31.12.1983, page 48												

¹ Carry-over to 1983

² This is the total amount regarded as irrecoverable; the Commission has not yet taken a decision as to how much, if any, should be borne by the Member States (see paragraph 4.54-4.58)

³ pro forma entry to take account of the bookkeeping impact on financing for 1982

