

European Communities

EUROPEAN PARLIAMENT

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Report

drawn up on behalf of the Committee on Budgets

on the ~~giving~~ giving of a discharge to the Commission in respect of the implementation of the European Communities' budget for the financial year 1970 and on the report of the Audit Board (Doc. 163/71-I-IV)

Rapporteur: Mr Heinrich AIGNER

By letter of 21 October 1971 (Doc. 163/I of 5 November 1971) the Commission of the Communities submitted to Parliament the following documents printed in French:

- the accounts of revenue and expenditure and financial statements relating to the implementation of the budget for the financial year 1970 (Doc. 163/II-71);
- the Audit Board's report on the accounts for the financial year 1970 - volumes one and two - (Doc. 163/III - 71 A and B);
- the Audit Board's report on the accounts of the Euratom Supply Agency for the financial year 1970 of the European Communities (Doc. 163/IV-71).

These documents were referred to the Committee on Budgets on 9 November 1971.

The Committee on Budgets appointed Mr Aigner (already rapporteur on the 1970 budget) rapporteur at its meeting of 5 October 1971. Furthermore it conferred on three of its members, Mr Beylot, Miss Flesch and Mr Wohlfart, the task of enquiring into questions relating to control of the operations of the EAGGF, EDF and ESF for 1970.

The Committee on Budgets discussed the 1970 accounts with the Commission of the Communities at its meetings of 11 July 1972 and 9 March 1973.

It exchanged views with the Audit Board at its meetings of 11 July 1972 and 9 March 1973.

At its meeting of 17 April 1973, it discussed and unanimously adopted the proposed decision on a discharge for 1970 together with the motion for a resolution on giving a discharge to the President and Secretary-General of the European Parliament.

The following were present: Mr Spenale, Chairman; Mr Aigner, Vice-Chairman and Rapporteur; Mr Adams, Mr Artzinger, Mr Beylot, Mr Boano, Mr Brouwer, Mr Constat (deputizing for Mr Offroy), Mr Durand, Mr Fabbrini, Miss Flesch, Mr Houdet, Mr Memmel, Mr Nolan, Mr Pisoni, Mr Poher, Mr Pounder, Mr Schmidt and Mr Wohlfart.

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ANNEX: Council decisions

The Committee on Budgets hereby submits to the European Parliament the following proposed decision and motion for a resolution:

I

Proposed decision

on the giving of a discharge to the Commission in respect of the implementation of the European Communities' budget for the financial year 1970 and on the report of the Audit Board.

The European Parliament,

- having regard to the accounts and statements for the financial year 1970 and the accounts of the Euratom Supply Agency (Doc. 163/71-II and IV),
- having regard to the report of the Committee on Budgets (Doc. 38/73);
- having regard to the Council decision of 20 February 1973 on the giving of a discharge to the Commission, and to the reservations contained in the Annex to the Council decision which it endorses;
- having regard to the report of the Audit Board on the accounts for the financial year 1970 and the answers of the institutions to that report (Doc. 163/71-III A and B);

I. Decision on a discharge

1. Establishes the total of the Communities' expenditure for the financial year 1970 at 2,520,583,313.24 u.a., made up as follows:
 - Administrative expenditure 116,774,857.52 u.a.
 - European Social Fund 37,041,700.72 u.a.
 - EAGGF 2,366,766,755.00 u.a.
2. Decides to give the Commission a final discharge in respect of the implementation of the 1970 budget and refers to the following critical remarks;

II. The accounting procedures of the Funds, of the administrative budget and of the research and investment budget

a) EAGGF

3. Notes again with great regret that the largest single expenditure heading of the European Budget, namely the expenditure of the 'Guarantee' section of the Agricultural Fund, is not subject to adequate external control and that the Audit Board is unable to give the official bodies binding information on the financial management of the Fund (Section 110, para. 7, of the Audit Report for the financial year 1970);
4. Regrets once again the inadequate local supervision by EAGGF services; this situation must be remedied in view of the new financial regulations for the common agricultural policy and the transition to the Communities' own resources;
5. Finds it intolerable that there are still delays in meeting the due dates for closure of the accounts; as a result the Fund's expenditure is only audited five years after the measures in question are put into effect;
6. Urges the Commission to present an immediate report on the frequent instances of fraud which still occur in the agricultural sector, on their budgetary significance and on the consequences of measures taken up to now by the Commission of the Communities and by the Member States, and reminds the Commission of its obligations deriving from Article 10 of Regulation 729/70;
7. Urges the Commission to concentrate on spot-check auditing operations covering individual projects in all their aspects on a random sample basis;
8. Believes, in view of the constantly recurring shortcomings in EAGGF financial management and the difficulty of supervising them, that the Commission must make considerably greater efforts to achieve substantial progress in this matter;
9. States therefore now that it can give the Commission of the European Communities no further discharge for future financial years, unless progress is made in the financial administration and control of the Agricultural Fund and the Commission moves closer to the Parliament's views on auditing procedures;

b) European Social Fund

10. Deplores the long delays even in 1970 in the submission and examination of applications for assistance, the inadequate cooperation with national administrations, the shortage of staff in the Social Fund, the low rate of utilization of funds and, as a result, the fact that they are allowed to lie unused, and the difficulty of controlling expenditure calculated in lump sums;
11. Is astonished by the differences between the average costs of retraining programmes, which vary between the different Member States in a ratio of 1 to 9, and by the alleged difficulty of levelling out these differences within the overall activities of the Social Fund;
12. Believes that control by the Audit Board ought not to be restricted by Commission procedures which the Audit Board has stated are the reasons why it can no longer satisfactorily perform its duties in regard to the expenditure of the Social Fund;
13. Considers therefore that the Parliament's positive decision on a discharge for the Social Fund's accounts for future financial years must be withheld if matters of auditing procedure cannot be clarified with the Commission and the remarks of the budgetary authorities are not taken into account;
14. Gives the final discharge in respect of the accounts of the Social Fund for the financial year 1969 on the basis of the judgment handed down in the meantime by the Court of Justice;

c) The Administrative Budget of the Institutions

15. Urges the Commission to take note of the observations of the Audit Board, with particular reference to:
 - a) the over-frequent entries of funds in accounts outside the budget which at times make subsequent auditing of certain budget transactions impossible;
 - b) the annually recurring over-spending and transfer of funds under certain budget headings which falsify the appropriations authorized by the budget authorities;
 - c) the strict application of the principle of separation of the power of authorization from accounting;
 - d) the criticism that deposited and cash holdings in securities and funds cannot be supervised;
 - e) the lack of opportunity to determine the results of investigations and surveys and the use to which they can be put;
 - f) the availability of realistic revenue accounts;

16. Demands an immediate report from the Commission on the correction of the shortcomings in the Luxembourg computer centre, which, according to the Audit Board, appear to be in striking contrast to the requirements of sound financial management;
 17. Is therefore setting up an investigating committee within the framework of the Committee on Budgets with the task of working out a constructive solution with the Commission;
- d) The research and investment budget
18. Urges the Commission to ensure that the departments responsible for the research and investment budget submit to the Audit Board or prepare the documents which the latter regards as necessary for the performance of its duties; this applies in particular to:
 - a) the checking of the classification of expenditure according to different programme measures for which only the material accuracy of the calculations could be determined and not the accuracy of the content;
 - b) the list of code numbers for payment orders; although these were changed during the financial year, the audit board was either not informed of this or informed only subsequently;
 - c) the entry of a large number of transactions in accounts other than the normal ones;
 - d) the lack of documentation on the progress of research work and the execution of contracts (the Audit Board had raised these matters in its 1965 report);
 19. Notes that infringements of the principle that the budget is restricted to one year are contrary to the existing rules and bypass the decisions of the budget authorities;
 20. Urges the Commission, when presenting the operational budget, to prepare full details on the administration of the various funds, an essential precondition for making an evaluation;

III. European Development Fund

21. Urges the Council to give the Commission a discharge in respect of the implementation of the 1970 budget after agreeing to the remarks and reservations contained hereinafter;
22. Expresses its earnest desire that, in harmony with the evolution of the right to audit and give discharges in respect of the implementation of the general budget as a result of the Treaty of 22 April 1970, it will

- also be authorized to give discharges in respect of the budgetary measures of the EDF;
23. Welcomes the recent speeding up of the allocation of the resources of the third European Development Fund;
 24. Appreciates the fact that all records of administrative accounts and balances are being kept on cards so that accounts can be balanced every month, thus facilitating the task of auditing;
 25. Considers that, if certain errors and omissions to which attention was drawn in the Audit Board's report for 1970 are to be avoided:
 - a) the Commission of the Communities should ensure painstaking and strict application of the regulations governing the working procedure of the Development Fund and also of its financial regulations, both of which have already been supplemented and improved by the Commission;
 - b) a more precise definition of the terms of reference and division of responsibilities of the various auditors, authorizing officers, accounting officers, bookkeepers and officials empowered to authorize advances, would help to create the best possible conditions for financing and administering Community aid;
 - c) it is essential, pursuant to Article 49 of the Financial Regulations, for normal conditions of competition to be ensured when contracts are awarded;
 - d) the choice of consultancy offices to assist with technical aid related to investments and with the general technical cooperation for which the Commission is responsible, should be made under conditions which allow of a minimum of competition, and if the projects are not carried out or not completed by the agreed time limit financial penalties should be laid down;
 - e) the present percentage figure for over-spending due to technical difficulties and to the use of quantities of supplies exceeding those estimated for the execution of projects must be lowered;
 26. Is convinced that greater vigilance and stringency in applying the current regulations would have enabled many of the problems encountered in the financing of the three programmes for the training of supervisory staff for the operation and management of OTRACO to be avoided; regrets that these projects were marred by several of the problems referred to above, but recognizes that the Commission did try to remedy the situation;

27. Requests the Commission of the Communities to remedy the delays which have occurred in submitting the accounts of the European Cooperation Association and also to improve the provisions for the payment of scholarship funds.

II

Motion for a resolution on the
statement of accounts of the European Parliament
as of 31 December 1970

The European Parliament,

- having regard to the interim report of the Committee on Budgets (Doc. 262/70);
 - having regard to its resolution of 8 March 1971¹,
 - having regard to the financial accounts and statements of the assets and liabilities of the Communities for the accountancy procedures in respect of the budget for 1970 and to the report of the Audit Board on the accounts submitted for the financial year 1970 (Doc. 163/71, I - IV);
 - having regard to the report of the Committee on Budgets (Doc. 38/73);
1. Fixes the budget of the European Parliament as of 31 December 1970 at a final figure of 9,341,365.59 units of account in expenditure commitments incurred during this financial year, of 9,010,723.95 units of account actually spent and 330,641.64 units of account still to be paid out at the end of the financial year;
 2. Welcomes the progress made in respecting the relevant budgetary provisions and urges the responsible departments of its secretariat to take account as far as possible of the representations of the Audit Board;
 3. Gives a discharge to its President and Secretary-General, pursuant to Rule 50(6) of its Rules of Procedure.

¹OJ C 26, 23 March 1971, page 3

ANNEX

Brussels, 20 February 1973

To:

Mr Walter BEHRENDT
President of the European Parliament

Dear Mr President,

I have the honour to forward to you the decisions taken by the Council regarding a discharge to the Commission in respect of implementation of the budget and supplementary budgets of the European Communities for the financial year 1970 and of the implementation of the research and investment budget of the European Atomic Energy Community for the financial year 1970.

As agreed between our two institutions, the discharge in respect of implementation of the European Communities' budgets for the financial year 1970 will be given to the Commission, pursuant to the new provisions of Article 206 of the Treaty establishing the European Economic Community (180 EAEC 78 (5) ECSC) once the Council and the Assembly have acted.

Please find attached copies of the Council decisions on the discharge in the six official Community languages for the attention of your Assembly.

(s) A. LAVENS

Enc.

COUNCIL DECISIONOF

giving a discharge to the Commission in respect of the implementation of the budget and the supplementary budgets of the European Communities for the financial year 1970

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

HAVING REGARD to the Treaty establishing the European Coal and Steel Community, and in particular Article 78(4) thereof

HAVING REGARD to the Treaty establishing the European Economic Community, and in particular Article 206 thereof;

HAVING REGARD to the Treaty establishing the European Atomic Energy Community, and in particular Article 180 thereof;

HAVING REGARD to the accounts of revenue and expenditure and the financial statements relating to the implementation of the budget for the financial year 1970;

HAVING REGARD to the report ⁽¹⁾ of the Audit Board on the accounts for the financial year 1970, to which report are annexed the replies of the institutions to the comments concerning them;

.../...

⁽¹⁾ This report is available from the institutions of the European Communities.

WHEREAS Regulation No 25 ⁽¹⁾ on the financing of the common agricultural policy lays down certain rules of financial and budgetary policy concerning the European Agricultural Guidance and Guarantee Fund; whereas similar rules for the European Social Fund were laid down in the financial regulation ⁽²⁾ on the methods and procedure for making available to the Commission the financial contributions of Member States referred to in Article 200 (1) and (2) of the Treaty establishing the European Economic Community and on the technical conditions for carrying out the financial operations relating to the European Social Fund (Article 209 b) of the Treaty;

x WHEREAS the Council has adopted the budget ⁽³⁾ and the supplementary additional budgets for the financial year 1970;

WHEREAS certain appropriations available at the close of the abovementioned financial year have been carried forward to the following financial year;

WHEREAS the observations and comments in the report of the Audit Board on the accounts for the financial year 1970 include the noting of certain irregularities and certain mistakes; whereas suitable action must be taken on this matter;

.../...

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- {¹} OJ No 30, 20.4.1962, p. 991/62
{²} OJ No 22, 30.3.1961, p. 509/61
{³} OJ No L 60, 16.3.1970, p. 1
OJ No L 218, 3.10.1970, p. 39
OJ No L 8, 11.1.1971, p. 1 and 20

WHEREAS, however, the general implementation by the Commission of the budgets for the financial year 1970 was such as to entitle it to be given a discharge in respect of the implementation of these budgets;

HAS DECIDED AS FOLLOWS:

Article 1

The views of the Council on the observations and comments of the Audit Board are as set out in the Annex.

Article 2

The Council closes at the sum of
116,774,857.52 UA (a) the total administrative expenditure ⁽¹⁾ of the Communities paid out during the financial year 1970, that sum being made up as follows:

	Payment from appropriations carried forward from the financial year 1969 UA	Payment from appropriations for the financial year 1970 UA
- European Parliament	265,944.68	9,010,723.96
- Council	305,484.26	10,139,208.86
- Commission	7,202,004.30	87,686,221.68
- Court of Justice	24,796.80	2,140,472.98
	7,798,230.04	108,976,627.48

.../...

⁽¹⁾ Expenditure relating to the European Social Fund and the E.A.G.G.F. is not included in this total.

Since a sum of11,023,933.62 UA (b) was carried forward from the financial year 1970 to the financial year 1971, under the heading of administrative expenditure, that sum being made up as follows:

	UA
- European Parliament	330,641.64
- Council	944,152.08
- Commission	9,703,054.90
- Court of Justice	46,085.00

while a sum of10,332,237.25 UA (c) had been carried forward from the financial year 1969 to the financial year 1970, that sum being financed from revenue for the financial year 1969,

the Council closes at the sum of117,466,553.89 UA
(a + b - c)

the total revenue to cover administrative expenditure ⁽¹⁾ for the financial year 1970 accruing as follows:

11,189,580.52 UA from own revenue	:
18,000,000.00 UA from ECSC levies	:
88,276,973.37 UA from contributions from the	:
Member States	:

Article 3

The Council closes at the sum of37,041,700.72 UA the total expenditure paid out during the financial year 1970 in respect of the European Social Fund.

.../...

⁽¹⁾ Expenditure relating to the European Social Fund and the E.A.G.G.F. is not included in this total.

Article 4

The Council closes at the sum of
2,366,766,775.00 UA the total expenditure paid out during the
financial year 1970 in respect of the European Agricultural
Guidance and Guarantee Fund.

Article 5

The Council gives a discharge to the Commission in respect
of the implementation of the budget and the supplementary
budgets of the European Communities for the financial year
1970.

Done at Brussels.

For the Council
The President

ANNEX

A. MATTERS CONCERNING THE APPLICATION OF THE
PROVISIONS OF THE FINANCIAL REGULATIONS

COMMISSION

Need for more careful accounting administration
(No 68 - point (b) in the report)

The Council draws the Commission's attention to these observations by the Audit Board and invites the Commission to take all necessary measures to prevent such irregularities in the future.

8/ Refusal to communicate to the Audit Board a study on the
administrative procedures for implementing the budgets
(No 70 - point (a) in the report)

The Council acknowledges the temporarily confidential nature of the study of the rationalisation of budgetary procedures carried out for the Commission by a team of management consultants. The Council would however like the Audit Board to see this study during the next financial year in order to ascertain how the Commission plans to improve the administration of its services.

Need for more extensive documentation on the use of appropriations
(No 193 in the report)

The Council draws the Commission's attention to the need for each Commission service to draw up regularly the documents which should make it possible to obtain an over-all view of the administration of the service.

B. MATTERS RELATING TO THE INTERPRETATION AND APPLICATION OF THE PROVISIONS CONCERNING STAFF

GENERAL OBSERVATIONS AND CONSIDERATIONS

COMMISSION

Need to draw up a complete organigramme of the services
(No 196 in the report)

The Council invites the Commission to provide the Audit Board in future with an organigramme giving comprehensive information on the number, functions and composition of the services.

Absence of an implementing regulation for the provisions relating to cover against the risks from accident and occupational diseases
(No 200 in the report)

The Council urges that the implementing regulations to Article 73 of the Staff Regulations be adopted.

In the meantime it invites the Commission to take action against third parties responsible for accidents to its staff, in order to obtain reimbursements of the sums paid to its staff during periods of unfitness for work.

C. MATTERS RELATING TO EFFICIENT FINANCIAL ADMINISTRATION

COMMISSION

Need for better administration of the computing centre
(No 75 in the report)

The Council considers, like the Audit Board, that the administration of the computing centre should be based on a work survey and a breakdown of the time and cost involved in each large-scale programme. It notes the measures adopted by the Commission in the interim in order to make these surveys.

COUNCIL DECISION
OF

giving a discharge to the Commission in respect of the
implementation of the research and invest-
ment budget of the EAEC for the financial year 1970

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

HAVING REGARD to the Treaty establishing the European Atomic
Energy Community, and in particular Article 180 thereof;

HAVING REGARD to the accounts of revenue and expenditure and
the part of the financial statements relating to the implementation
of the research and investment budget for the financial year 1970;

HAVING REGARD to the report ⁽¹⁾ of the Audit Board on the accounts
for the financial year 1970, to which report are annexed the
replies of the Commission;

WHEREAS the Council has adopted the budget ⁽²⁾ for the financial
year 1970;

WHEREAS certain appropriations available at the close of the
abovementioned year have been carried forward to the following
financial year;

.../...

⁽¹⁾ This report is available from the institutions of the
European Communities

⁽²⁾ OJ No L 92, 27.4.1970, p. 1

WHEREAS the general implementation by the Commission of the budget for the financial year 1970 was such as to entitle it to be given a discharge in respect of the implementation of this budget;

HAS DECIDED AS FOLLOWS:

Article 1

The Council closes at the following sums the total expenditure and the total revenue to cover that expenditure under the research and investment budget for the financial year 1970:

Expenditure (UA)

1. Commitments:

- (a) contracted during the financial year 1970, at.58,308,400.00
- (b) still unsettled at 31.12.1969, at.....35,439,866.95
- (c) released from previous financial years, at.... 793,152.78
- (d) total commitments for 1970
(a + b - c), at.....92,955,114.17
- (e) paid in 1970, at.....64,942,916.17
- (f) cancelled in 1970..... 867,614.47
- (g) still unsettled at 31.12.1970
(d - (e + f)), at.....27,144,583.53

2. Payments, at.....64,942,916.17

Revenue (UA) (1)

	Joint Programme 1969/70 - previous Programmes and other joint expenditure	1st part of the budget	Additional Programmes 1969/70	Total of first part of budget	2nd part of the budget
At the sum of	30,345,949.13 =====	25,257,501.01 =====	55,603,450.14 =====	3,825,062.95 =====	
This sum corresponds to:					
- payments made in 1970	35,955,606.70	25,162,246.52	61,117,853.22	3,825,062.95	
- payment appropriations carried forward from the financial year 1970 to the financial year 1971	10,884,722.64	3,034,902.76	13,919,625.40	[1,000,000.00]	
- the available surplus entered in the table of revenue of the 1971 budget	-	-	-	-	
Total	46,840,329.34	28,197,149.28	75,037,478.62	3,825,062.95	
To be deducted from this total:					
- the payment appropriations carried forward from the financial year 1969 to the financial year 1970	10,494,380.21	2,939,648.27	13,434,028.48	-	
- the available surplus entered in the statement of revenue of the budget for the financial year 1970	6,000,000.00	-	6,000,000.00	-	
financed by contributions from the financial year 1969	16,494,380.21	2,939,648.27	19,434,028.48		

(1) The revenue is made up as follows:

	Joint Programme 1969/70 - previous Programmes and other joint expenditure	1st part of the budget	Additional Programmes 1969/70	Total of first part of budget	2nd part of the budget
- own revenue (less available surplus entered in the statement of revenue of the 1970 budget)	1,956,682.16	1,951,760.89	3,908,443.05	-	
- proceeds of loans contracted	-	-	-	3,744,283.19	
- work requested and paid for	-	-	-	80,779.76	
- contributions from Member States	28,389,266.97	23,305,740.12	51,695,007.09	-	

Article 2

The Council gives a discharge to the Commission in respect of the implementation of the research and investment budget for the financial year 1970.

Done at Brussels,
For the Council
The President
