

European Communities

---

EUROPEAN PARLIAMENT

# Working Documents

1983-1984

---

October 1983

DOCUMENT 1-812/83

## Report

drawn up on behalf of the Committee on Budgetary Control

on action taken on the discharge decision in respect of  
the 1980 financial year

Rapporteur: Mr Brian M. KEY

PE 85.911/fin.



Pursuant to Article 85 of the Financial Regulation, the Commission submitted to Parliament the final report on the action taken on the discharge in respect of the 1980 financial year.

The appointment of Mr. Key, who had already been rapporteur on the 1980 discharge, was confirmed on 13 July 1983.

The Committee considered this document and the draft report at its meetings of 13 July and 26/27/28 September 1983.

At the latter meeting the Committee adopted the draft report unanimously.

The report was deposited on 4 October 1983.

The following took part in the vote:- Mr. Aigner, chairman; Mr. Treacy, vice-chairman; Mr. Key, rapporteur; Mr. Battersby, Mr. Enright (deputising for Mr. Boyes); Mr. Gabert; Mr. Irmer and Mr. Schön.

CONTENTS

MOTION FOR A RESOLUTION	.....	5
EXPLANATORY STATEMENT	.....	7

A

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 action taken on the discharge decision in respect of the 1980 financial year

The European Parliament,

having regard to Article 85 of the Financial Regulation of 21 December 1977<sup>1</sup>;

having regard to its resolutions of 20 April 1982<sup>2</sup> and 14 January 1983<sup>3</sup>;

having regard to the report of the Commission on action taken in response to the comments appearing in the resolution accompanying the discharge decision in respect of the implementation of the budget for the 1980 financial year (COM XIX/381/83);

having regard to the report of the Committee on Budgetary Control (Doc 1-812/83);

- A. recognising that the discharge procedure enables Parliament to exercise democratic control, on behalf of Europe's taxpayers, over the budgetary management of the Commission;
- B. Recalling the response of the Commission to Parliament's interim report on the implementation of the 1980 budget;
1. Notes the positive reaction of the Commission as reflected in the concrete changes of a political, procedural and accounting nature that have resulted from Parliament's resolutions on the implementation of the 1980 budget;

1 OJ L356, 31.12.1977  
2 OJ C125, 17.5.1982, page 28  
3 OJ L46, 18.2.83, page 19

2. Stresses the importance of safeguarding the Community's own resources, by ensuring adequate inspection and verification, and reiterates its call on the Commission to take whatever action may be necessary to protect the revenues of the EC;
3. Recognises that the issue of the provisional twelfths may remain in abeyance pending the completion of the present revision of the Financial Regulation;
4. Appreciates the fact that the Commission has reminded all services concerned of the provisions of the Financial Regulation concerning the correct and sound management of EC funds and points out that these concepts extend to the inclusion of the effectiveness criterion;
5. Observes that there has been a recent improvement in the overall rate of utilisation of research appropriations and urges that this trend be maintained;
6. Finds that certain difficulties in relation to Community policies in the social and regional spheres stem from the failure of the Council to provide adequate funds, to adopt the necessary legislation, and to pursue a positive course orientated towards Community priority policies;
7. Expects that the special reports of the Court of Auditors in regard to the EAGGF Guarantee section, which are now under consideration, will result in improved management of these funds and lead to reduced scope for fraud and irregularities;
8. Instructs its President to forward this resolution and the Committee's report to the Commission, the Council and the Court of Auditors.

EXPLANATORY STATEMENTBackground to this report

1. A major responsibility of Parliaments - and for reasons associated with the EC Treaties, a prime responsibility of the European Parliament in particular - is the control and verification of the use made of taxpayers' funds and of the way in which the budget, as adopted, is implemented.
2. The rôle of Parliament in regard to the examination of the implementation of the EC budget, its powers in relation to the censure of the Commission, and the binding nature of comments accompanying Parliament's discharge decision, are set out in the explanatory statement on the interim report of the 1980 financial year.<sup>1</sup> Therefore, it is not necessary for the rapporteur to describe, in detail, the significance of the discharge or the serious nature of Parliament's deliberations on the management of Community funds, once again, in the present text.

The main problems of the 1980 financial year

3. Nevertheless, it would be useful to list the principal issues that gave rise to concern in the Committee on Budgetary Control when the 1980 accounts were examined. These were as follows:-
  - the failure to make the 1980 embargo on sales of agricultural products to state-trading countries effective;
  - the unsatisfactory manner in which the provisional twelfths rules were applied by the Commission in 1980;
  - the failure to furnish a full response to the comments accompanying the discharge decision in respect of the 1979 financial year;
  - a series of management problems at the JRC research establishment at Ispra;
  - breaches of proper budgetary accountability in relation to construction work in a Commission building;

-----  
<sup>1</sup> Doc. 1-100/82

- the Commission's failure to implement Parliament's budgetary amendments;
- difficulties in the sector of overseas aid;
- the Commission's failures in relation to the amendment of the Financial Regulation applicable to the fifth EDF;
- the ambiguous attitude of the Commission to the budgetisation of the EDFs;
- the lack of adequate documentation which would enable Parliament to verify that the Commission ensures sound management of EC borrowing and lending activities;
- inadequacies in the management of personnel and equipment by the Commission;
- certain problems of an accounting nature.

#### Parliament's attitude to these problems

4. When Parliament considered the interim discharge 1980 report<sup>(1)</sup>, it agreed with the Committee on Budgetary Control and deferred the decision on the grant of discharge until the Commission could put forward written replies to the questions raised by the major issues cited in the preceding paragraph.

#### The Commission's reply

5. In an extensive and very positive reply dated 24 August 1982, COM(82)461 final, the Commission reacted in detail to the major themes that gave rise to concern in Parliament. The Committee on Budgetary Control considered that the assurances resulted in a consolidation of the effectiveness and of the political character of the discharge procedure. Therefore, the Committee followed the rapporteur's recommendation that a motion for a discharge be put forward.

6. The principal assurances that led the Committee to adopt this positive attitude were the following statements included in the Commission's written response:

---

(1) At the April 1982 part session



In the second paragraph on page 34 of COM(82)461 final, it was stated that:

'the wishes of the elected representatives of the peoples of Europe must be allowed to exert a decisive influence over the decisions on how the Commission is to implement the budget'.

and in relation to borrowing and lending, the assurance in the last paragraph of page 54 of COM(82)461 final states that:

'At all events, the Commission intends that no obstacle should be allowed to prevent Parliament from carrying out its political control mission in respect of borrowing and lending activities'.

On 14 January 1983, Parliament adopted its discharge 1980 decision, accompanied by comments in accordance with the terms of Article 85 of the Financial Regulation. In all, 19 comments were addressed to the Commission. Because of the results achieved through the interim report, this list of comments was less complex than would have been the case were it not for the Commission's replies in COM(82)461 final. The Commission was called on to reply to these comments by 1 May 1983. The Commission complied with this call by giving its written response on 29 April 1983 (XIX/381/83).

#### Action taken by the Commission

7. The following paragraphs summarise the Commission's follow-up and indicate the desirable reaction of the Committee to the Commission's reply.

- on points 1 and 2 (own resources)

It is noted that the Commission shares the objectives mentioned by Parliament but tends to the view that the response to the themes in point 2 are inadequate. Certain aspects of own resources will be gone into in the context of the follow-up to Mr. Konrad Schön's report on the 1981 discharge; therefore, it is considered that this matter could be dealt with more appropriately in the context of a later report.

- on point 3 (provisional twelfths)

In view of the assurance given at the first quotation in paragraph 6 above, and in view of the fact that the Financial Regulation is in the process of being revised, it is considered that this issue should be held over pending further developments.

- on point 4 (sound management of Community funds)

This comment stemmed from the serious breach of proper budgetary accountability in the construction of a 'fitness centre'. The specific basic issue has been cleared up: however, a prime task of the financial control service of the Commission must be ensuring that there are no repetitions.

- on point 5 (accounts)

The rapporteur welcomes the fact that there are no real differences between the Commission and the Court of Auditors on the matter of accounts. This situation has been brought about largely by the positive action of the Committee on Budgetary Control. It is noted, however, that a report on the closure of the EAGGF accounts will come up for consideration shortly.

- on point 6 (research)

The improvement in the rate of utilisation of research appropriations is welcomed. There is, however, scope for further improvement.

- on points 7 and 8 (Regional Fund)

The problems relating to the implementation of the non-quota section of the ERDF will be a major theme in the 1982 discharge report.

- on points 9 and 10 (Social Fund)

The special annexes to the Commission's reply are noted and it is observed that, despite simplification measures, difficulties still persist in the matter of carrying out controls.

- on point 11 (Council shortcomings)

The validity of this point, which condemned the failure of the Council to provide adequate budgetary resources for the EDF, is reiterated.

- on points 12, 13 and 14 (EAGGF Guidance)

The efforts being made by the Commission in regard to getting projects started in time and the increase in the share of Guidance commitments spent in less-favoured areas are welcomed.

- on points 16 and 18 (decentralised bodies)

The improvement in the control of the use of EC funds by the satellites is noted with approval.

- on point 19 (smuggling on the Anglo-Irish border)

The reduction in the cases of smuggling on this land frontier resulted from pressure applied by the Committee on Budgetary Control.

### Conclusions

8. The process of political control of the EC budget is continuous in nature. The procedure in respect of the 1980 financial year was taken in two stages, with a considerable degree of progress achieved - on the political, procedural and accounting planes - by way of the interim report. In view of the fact that the Committee will shortly consider the follow-up to the 1981 discharge decision and will also adopt its report on the 1982 discharge, the rapporteur recommends that the contents of the Commission's reply to the 1980 discharge decision be endorsed without delay.

9. There are some loose ends, however. For instance, the rapporteur is not satisfied with the reply given to his written question no. 2254/82 on aspects of the safeguarding of Community revenues.<sup>1</sup> This can be gone into in the 1982 discharge report.

10. Colleagues Saby, Kellett-Bowman, Boserup, Wettig, Gabert, Schön and Price are working on the preparation of other reports which make it possible to confine the scope of the present text to the mandate which springs from Article 85 of the Financial Regulation.

11. Finally, it is noted that the European Council at Stuttgart observed that 'expenditure must also be controlled, in cooperation with the European Parliament, outside the agricultural sector.' and that the Court of Auditors is asked 'to review the sound financial management of Community activities.' (PE 85.507). In this, the European Council is in harmony with the Committee on Budgetary Control.

<sup>1</sup> OJ no. C 170, 29.6.83, p.5

