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Report

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drawn up on behalf of the Committee on Budgets

on the report of the ECSC auditor for the financial year 1970 (Doc. 182/71)

Rapporteur: Mr R. OFFROY

By letter of 28 October 1971 the Commission of the European Communities forwarded to the European Parliament the report of the ECSC auditor for the financial year 1970.

This report was distributed and printed as Working Document 182/71, pursuant to Rule 23 of the Rules of Procedure.

Parliament referred it to the Committee on Budgets on 16 November 1971.

In respect of this consultation, the Committee on Budgets appointed Mr BOROCCO rapporteur at its meeting of 7 January 1972; Mr OFFROY was appointed rapporteur to replace Mr BOROCCO at its meeting of 11 April 1972.

At its meeting of 21 May 1973 in Rome it considered and unanimously adopted the motion for a resolution together with explanatory statement.

The following were present: Mr Spénale, chairman; Mr Aigner, vice-chairman; Mr Offroy, rapporteur; Mr Adams, Mr Beylot, Mr Couveinhes (deputizing for Mr Sourdille), Mr Durand, Mr Fabbrini, Mr Gerlach, Mr Houdet, Mr Memmel, Mr Pounder, Mr Schmidt and Mr Wohlfart.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

on the report of the ECSC auditor for the financial year 1970,

The European Parliament,

- having regard to the report of the ECSC auditor for 1970 (Doc. 182/71);
- having regard to the report of the Committee on Budgets (Doc. 78/73);

A/. The ECSC's budgetary and financial activities

1. Notes that the ECSC's budgetary expenditure was 44,449,174 u.a. in 1970, of which 11,362,949 u.a. went on readaptation, 12,459,425 on research and 18,000,000 on administrative expenditure, and that the total expenditure for the same financial year was 89,574,624 u.a.;
2. Notes that revenue from the levy amounted to 39,505,335 u.a. and that total revenue was 100,001,033 u.a., which means that the surplus of revenue over expenditure was 10,426,409 u.a.;
3. Finds that the ECSC's balance sheet and management accounts for the financial year 1970 tally completely with the accounts forwarded to the auditor;
4. Approves, after examining the auditor's conclusions, the ECSC's accounts for the financial year 1970;

B/. Control of the ECSC's budgetary and financial activities

5. Is aware that a continuous dialogue began this year between its appropriate committee and the ECSC auditor; regards this dialogue as a basic factor enabling Parliament to perform its task of controlling the budgetary and financial activities of one of the European Communities;
6. Notes with satisfaction that the auditor was satisfied as to the following:
 - a) his overall control or spot checks of the recording and collecting of receipts from the levy, of expenditure in respect of readaptation and research and of the management of the ECSC's funds;

- b) the conditions of cooperation with the departments supervised in regard to his continuous a posteriori control of financial and budgetary transactions;
 - c) the conditions under which internal control is effected of the ECSC's revenue and expenditure, in particular local checks in respect of levy statements and research expenditure;
- 7. Hopes, however, that the auditor will, where necessary, be able to take part in certain local checks in cooperation with the internal auditors;
 - 8. Welcomes the fact that the body of control mechanisms which had proved successful before the executives were merged became fully effective again in 1970.
- C/. Presentation of the balance sheet and statement of revenue and expenditure of the ECSC
- 9. In the light of the auditor's comments on the ECSC's accounts, requests the Commission of the European Communities to submit to it as soon as possible a detailed study of possible ways of presenting the estimates and balance sheets of the ECSC's financial activities in order to give a clearer picture of budgetary realities and commitments.
- . . .
- 10. Requests the Commission of the Communities to bear in mind the comments and suggestions made in Parts B and C of this resolution;
 - 11. Instructs its President to forward this resolution and the report of its appropriate committee to the Commission of the European Communities.

EXPLANATORY STATEMENT

1. The main points noted in Parts B and C of the motion for a resolution are drawn from observations made by the Committee on Budgets in the course of its permanent dialogue with the ECSC auditor. The questions which the rapporteur put to the ECSC auditor at the Budget Committee meeting of 21 June 1972 are listed in Document PE 29.802 and the answers given by the ECSC auditor in Document PE 31.418.

2. Appropriate conditions now exist for Parliament to deliver its opinion on the budgetary estimates for the coming financial year on the basis of the auditor's report on the preceding financial year.

This ensures continuous and uninterrupted control by Parliament of the ECSC's budgetary and financial activities.

3. A further improvement could be made. Parliament should deliver its opinion on the ECSC's financial activities in respect of a particular financial year and on the relevant auditor's report, at the latest by spring of the year after the auditor has submitted his report on that financial year (for example, the auditor's report for the financial year 1971 was submitted some months ago; it should be examined before the 1973 summer recess).

This would give Parliament time to make suggestions which the ECSC auditor could take into account before presenting his report on the following financial year. The Financial Regulation gives 30 June as the closing date.

There is no doubt of the importance of satisfying these conditions, since Parliament is essentially responsible for controlling the ECSC's financial and budgetary activities.

4. The documents referred to in paragraph 1 show that the auditor's external control, and the internal supervision by the Commission's responsible departments, of the ECSC's revenue and expenditure are effected in conditions which are at least as satisfactory as those obtaining before the executives were merged. This is cause for satisfaction, which is reflected in the motion for a resolution. The detailed conditions for performance of this control are outlined in the questions and answers mentioned above.

However, the auditor should, where he considers this necessary, be able to participate in local checks, in particular in respect of research expenditure.

5. In one paragraph of the last chapter of his report for 1970, the

auditor explains that:

' These considerations lead us to stress the relative significance of the results emerging from the ECSC's financial statement at the close of each financial year. If the results and consolidation of the financial statement are to be evaluated correctly, the probable realization of liquid amounts in the various funds and reserves must be included and evaluated. It must not be forgotten that these funds and reserves were created to ensure that the Executive could cover its real requirements and also to compensate in part for the major variations in its revenue. The ECSC's financial activities must therefore be analysed in their entirety, with particular reference to the budgetary implications arising from the fact that variable resources exist vis-à-vis amounts made available but only spent over a number of years. The ECSC's balance sheet and statement of revenue and expenditure are therefore in a unique position, in which both the operational results of financial management and the budgetary realities and commitments must be distinguished.

Although the difficulties arising from the financial and budgetary dualism of the ECSC will disappear when the treaties are merged, it might still be desirable to alleviate their effects by immediately codifying the responsibilities of the authorities concerned and the procedures for preparing the budget, establishing the balance sheet, allocating the results, forwarding the documents and verifying the accounts in as flexible and concise a manner as possible.'

6. Taking into account the fact that the need to draw a more precise distinction between the realities of financial management and the budgetary commitments has also become clear every year when the Committee on Budgets delivers its opinion on the rate of levy for the following year, the Commission should be instructed to consider methods of presenting the estimates and balance sheets more clearly so that the ECSC's financial and budgetary activities can be distinguished more clearly (together with the probable realization of liquid amounts).

7. This explanatory statement would not be complete without mention of the Committee on Budgets' satisfaction with the ECSC auditor's commitment to conclude his report with an ad hoc chapter, giving a general **assessment** of the Commission's financial and budgetary activities in fields covered by the ECSC Treaty.

It must also be noted that this promise was kept in the auditor's report for 1971, which the Committee on Budgets will be considering in the near future.

This is a positive step. Indeed, it is worth recalling that the Committee on Budgets made some criticism of the 1970 report. This was because the committee found that the auditor had restricted the report to an analysis of financial transactions without really examining them critically, particularly against the criteria of sound management.

