


Basic information	
2003/2210(DEC) DEC - Discharge procedure 2002 discharge: EC general budget, section III Commission Subject 8.70.03.07 Previous discharges	Procedure completed



Key players

European Parliament	Committee responsible		Rapporteur	Appointed
	CONT Budgetary Control		BAYONA DE PEROGORDO Juan José (PPE-DE)	10/09/2002
	Committee for opinion		Rapporteur for opinion	Appointed
	AFET Foreign Affairs		SALAFRANCA SÁNCHEZ-NEYRA José Ignacio (PPE-DE)	26/11/2003
	EMPL Employment and Social Affairs		PRONK Bartho (PPE-DE)	15/02/2001
	ENVI Environment, Climate and Food Safety		GOODWILL Robert (PPE-DE)	01/12/2003
	RETT Regional Policy, Transport and Tourism		ORTUONDO LARREA Josu (V/ALE)	25/11/2003
	DEVE Development		KINNOCK Glenys (PSE)	25/11/2004
	FEMM Women's Rights and Gender Equality		SMET Miet (PPE-DE)	19/12/2003
Council of the European Union	Council configuration		Meetings	Date
	Economic and Financial Affairs ECOFIN		2544	2003-11-24
European Commission	Commission DG		Commissioner	
	Budget			

Key events

Date	Event	Reference	Summary
08/10/2003	Non-legislative basic document published	SEC(2003)1104 	Summary
24/11/2003	Debate in Council		
03/12/2003	Committee referral announced in Parliament		
16/03/2004	Vote in committee		Summary
16/03/2004	Committee report tabled for plenary	A5-0200/2004	
20/04/2004	Debate in Parliament	CRE link	
21/04/2004	Decision by Parliament	T5-0337/2004	Summary
21/04/2004	End of procedure in Parliament		
21/04/2004	Final act published in Official Journal		

Technical information	
Procedure reference	2003/2210(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 101
Stage reached in procedure	Procedure completed
Committee dossier	CONT/5/20336

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0200/2004	16/03/2004	
Text adopted by Parliament, single reading		T5-0337/2004 OJ C 104 30.04.2004, p. 0424-0640 E	21/04/2004	Summary
Council of the EU				
Document type	Reference	Date	Summary	
Supplementary non-legislative basic document	06185/2004	09/03/2004	Summary	
European Commission				
Document type	Reference	Date	Summary	
Non-legislative basic document	SEC(2003)1104 	08/10/2003	Summary	
Supplementary non-legislative basic document	SEC(2003)1105 	08/10/2003	Summary	
Other institutions and bodies				
Institution/body	Document type	Reference	Date	Summary

CofA	Court of Auditors: opinion, report	N5-0019/2003 OJ C 286 28.11.2003, p. 0325-0361	08/10/2003	Summary
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Final act				
Budget 2004/0719 OJ L 330 04.11.2004, p. 0078-0079				Summary

2002 discharge: EC general budget, section III Commission

2003/2210(DEC) - 21/04/2004 - Final act

PURPOSE : to grant discharge to the Commission for the implementation of the 2002 budget.

LEGISLATIVE ACT : Decision 2004/719/EC of the European Parliament concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)

CONTENT : With this Decision, Parliament grants discharge to the Commission in respect of the implementation of the general budget of the European Union for the 2002 financial year. Its comments on the Commission's discharge of its responsibilities on this matter are recorded in the accompanying resolution, which forms an integral part of this Decision.(Please see the preceding summary dated 21/04/2004).

2002 discharge: EC general budget, section III Commission

2003/2210(DEC) - 08/10/2003

PURPOSE : to present the Annual Report from the Court of Auditors concerning the financial year 2002 including the Statement of Assurance. (Section III - Commission). CONTENT : in recent years the Statement of Assurance has become an increasingly important element of the Court's Annual Report. This year's Report places the Statement, together with the information supporting it, in chapter 1. For the first time the Statement is also published with the consolidated accounts of the European Community in a separate edition of the Official Journal of the European Union. A further change to the Report is the consolidation of the Court's observations on budgetary management into a separate chapter. In previous years these observations were presented in the individual chapters dealing with the European Union's revenue and spending. This 26th Annual Report is being published at a time when there are two major developments affecting the financial management of the European Union. The first is the continuing reform of the Commission in general, and of financial management in particular, and the second is the accession in May 2004 of 10 new Member States. The Court welcomes the action plan for the modernisation of the accounting system adopted by the Commission at the end of 2002, which is expected to become fully effective in 2005. However, if the Commission is to implement all the in-depth reforms necessary, this timing may be over-ambitious. In view of the results of its audits, the Court is of the opinion that the transactions underlying the consolidated annual accounts of the European Communities, taken as a whole, are legal and regular in respect of the revenue, commitments, administrative expenditure and pre-accession aid, although in the latter case the supervisory systems and controls are particularly in need of strengthening. The report highlights problematic elements of the budget implementation: - In the case of agricultural policy, payments were affected by significant errors, which mostly occurred at the level of the final beneficiary. In the 14 Member States which have satisfactorily implemented the Integrated Administrative and Control System (IACS), expenditure on arable crops is the lowest risk category of CAP spending and is subject to the most effective control system. However, payments of animal premiums to farmers, although IACS checks are satisfactory, show a higher risk of error due to animal movements and complex regulations. The other categories of expenditure not subject to IACS are exposed to greater risk, and controls are less efficient. These categories amount to 42% of total agriculture payments and include subsidies for olive oil, cotton, tobacco and dried fodder, rural development, intervention measures and export refunds. - For structural measures, an improvement was noted in the supervisory systems and controls operated by the Commission. However, there are persistent deficiencies in the control systems operated by Member States, who administer the bulk of the funds. Problems were found with the regulatory control systems certifying the final expenditure declarations covering the period 1994-1999, due largely to the late introduction of the governing regulation. The systems covering the 2000-2006 period are more effective; however, the Court found the same type of errors as in previous years, in particular declarations of ineligible costs. - As regards internal policies, the payments are still affected by significant errors. The Commission undertook a considerable number of audits of projects, which identified errors such as over-declaration of costs by final beneficiaries. However, the follow-up corrective action was not rigorous and the recovery of undue payments was slow. The errors in the research field stem to a great extent from the existing rules governing the Research Framework Programmes, which need, therefore, to be modified. - In the case of pre-accession aid, the errors identified did not have a significant impact. Nevertheless, as the date for accession approaches, it is necessary to further improve the supervisory systems and controls. Concerning Ispa (structural measures), the Commission should improve the methodology for its audits; for Sapard (rural development programme), the Commission should step up checks in the beneficiary countries to verify that systems are working as approved. The implementation of the Sapard programme was still slow: after three years of operation, only 2% of the available funds had been transferred to final beneficiaries. - In respect of external actions, the Commission's control systems were found to be adequate both in the central services and at the Delegation offices in third countries. However, the problems noted in the past are still persisting at local level and errors of regularity were found in the bodies responsible for carrying out development projects. These errors usually involve contravention of contract provisions, particularly tendering rules, a lack of supporting documentation and funding of ineligible expenditure. - Implementation of the European Development Funds continued to be slow; the 3-year delay in the entry into force of the Cotonou agreement will cause further delays. One alternative might be to include the EDF in the Community General Budget. The EDF accounts were found to be reliable and the underlying transactions were legal and regular; however the Court cannot give an opinion on the use of direct budgetary aid by the ACP countries, which is controlled according to national, rather than EDF, procedures. The Court's audit found no important failures in the control systems or material errors affecting the legality or regularity of administrative expenditure. The European Parliament has made significant progress as regards the management of the political groups' expenditure; however, it is necessary to clarify the legal status of the groups and to improve the management of the employment contracts. - When examining Community revenue, the Court found that the VAT and GNP resources were being correctly calculated. However, the Commission should strengthen its control of the reliability of the data communicated by the Member States. As in the previous two years, there was a significant surplus of revenue over expenditure; it amounted to EUR 7.4 billion, compared with EUR 15.0 billion in 2001. The surplus was mainly due to under-use of appropriations in structural measures, where Member States systematically overestimated the funds required for implementing programmes. The Commission should introduce appropriate budget

modifications before the year-end to enable revenue to be adjusted to expenditure. The Court notes substantial progress in the Commission's implementation of administrative reform. The annual activity reports and declarations of the Directorates-General have improved; however Directors-General should provide more precision on their reserves on the effectiveness of internal control systems and better describe the deficiencies detected. Although progress has been made, the standards for internal control were still not being fully applied to the minimum level throughout all Directorates-General by the end of 2002; to reach this level is a matter of urgency. Difficulties are being encountered in the implementation of the reform in the areas of expenditure where the Commission and Member State administrations share management. This concerns more than 80% of the budget and involves agricultural policy and structural measures. Progress in these areas depends on making improvements in the administrative and control systems set up by the Member States.

2002 discharge: EC general budget, section III Commission

2003/2210(DEC) - 08/10/2003 - Supplementary non-legislative basic document

PURPOSE : to present the revenue and expenditure accounts and the balance sheet concerning the activities of the budget for the financial year 2002 Section III - Commission (Volume II). **CONTENT** : this document sets out the amount of revenue and expenditure and the balance sheet for the Commission for the financial year 2002. Regarding the revenue, the total amount of revenue from 2002 amounts to EUR 95.434.404.645,45. The total amount of paid appropriations in 2002 (expenditure of the exercise) was EUR 83.770.766.619,23. The amount of appropriations carried over to 2003 was EUR 4.846.976.388,84 and the amount of appropriations cancelled, which were carried over from 2001 and which were non-utilised in 2002, amount to EUR 858.383.918,09. The balance of the 2002 financial year amounts to EUR 7.421.720.788,24, largely below the record amount EUR 15 billion in 2001.

2002 discharge: EC general budget, section III Commission

2003/2210(DEC) - 21/04/2004 - Text adopted by Parliament, single reading

The European Parliament adopted the resolution drafted by Juan José BAYONA DE PEROGORDO (PPE-DE, E), and granted discharge to the European Commission for the execution of the EU budget in 2002 by 442 votes in favour, 69 against and 4 abstentions. In the accompanying resolution Members did, however, raise a number of financial control issues where improvement is needed, focusing in particular on problems occurring with funds administered by the Member States.

The resolution is highly critical of the shared management of EU funds, where the Commission decides on funding but delegates the actual payment and control to the Member States. This is the case in particular with agricultural expenditure and the structural funds. Parliament pointed out that where fraud and irregularities are not discovered or reported, it is the EU budget which bears the cost and not the Member States. The latter should therefore bring their supervisory control systems up to par and the Commission should ensure that these systems are working properly. Member States and Commission should set up a single audit strategy for the shared management programmes. The Commission should also be tougher in launching infringement procedures and following them through. Parliament urged that in the new Commission, one Commissioner should have particular responsibility for infringement procedures, partly in view of enlargement.

The administrative reforms announced by the Commission were deemed by Parliament to have shown little tangible progress. And although it did approve the efforts to establish a "whistleblower's doctrine", it pointed out that this would only be truly effective if staff are aware of it. Moreover, the implementation of risk assessment as part of internal control was seen as unsatisfactory. Parliament deplored the lack of accountants in the Commission and the general high turnover of administrative staff at the Commission, which should investigate and eliminate the causes of this problem.

In relation to the Eurostat affair, Parliament warned that vigilance is needed should the legal proceedings now under way make it necessary to demand political explanations from the Commissioners concerned. The affair had shown the need for safeguards against concealment of critical information and for a review of the relations between different services and individual Commissioners. Parliament insisted that individual Commissioners are accountable for the departments under their responsibility and said there should be more effective controls over the payment authorisations issued by directors-general.

In a related matter, Parliament expressed dismay at the refusal by OLAF to follow the Ombudsman's recommendation that the case of the Blue Dragon firm be reopened. External companies contracted by EU institutions should be required to clarify their ownership when there is reason to suspect a conflict of interest. Furthermore, the Internal Audit Service, which is independent in the execution of its duties, should be placed directly under the Presidency of the Commission. Parliament called for separate Commissioners to be responsible for budgets and budgetary control.

Other issues addressed by Parliament were the introduction of a more direct link between taxpayers and the EU budget, the gradual abolishment of the export refund system, and the risks in the field of humanitarian aid.

2002 discharge: EC general budget, section III Commission

2003/2210(DEC) - 08/10/2003 - Non-legislative basic document

PURPOSE : to present the revenue and expenditure accounts and the balance sheet covering operations from the 2002 budget - Section III - Commission. **CONTENT** : this document presents a detailed synthesis of the use of the Commission's appropriations in 2002. In 2002, the amount of EUR 97 billion was committed out of a total available amount of EUR 99 billion. Payments of EUR 83,4 were made from a total available amount of EUR 96,5 billion. For 2002, the overall implementation rate was 98% for commitment appropriations (97% in 2001) and 86% for payment appropriations (82% in 2001). The structural measures (EUR 8 billion) whose amount budgeted rests upon the forecasts provided by the Member States, agriculture (EUR 1,4 billion) and internal policies (EUR 1,4 billion) are at the origin of the major part of the unused appropriations, which have risen to EUR 13,1 billion. Of these unutilised appropriations of 2002, EUR 145 million in commitment appropriations and EUR 3,9 billion in payment appropriations were deferred to year 2003 under the terms of the provisions of Article 9 of the new Financial Regulation. The definitive closure of the accounts for 2002 showed a surplus of EUR 7,413 billion, which was returned to the Member States in 2003 under the form of reductions on their contributions to the Union's budget. The year 2002 was remembered by several important events which were inevitably reflected in the EU budget and its management by the Commission. 2002 was the year of the negotiations on the financial reform and enlargement. In parallel, the Union was confronted with certain unforeseen events, in particular, the war in Afghanistan and the natural disasters in Central Europe. The Commission reacted by finding innovative solutions and budgetary resources to provide immediate help. The Union's answer to this was to create, in two months only, the European Solidarity Fund intended to cover expenditure resulting from unexpected disasters and is financed by a new flexibility mechanism which allows up to EUR 1 billion to be made available each year above the financial perspective. Concerning the heading by heading analysis of the budget implementation, the financial year 2002 was marked by the following important elements: - Agricultural expenditure represents the most important

share of the budget in value terms. For 2002, expenditure amounted to EUR 43,5 billion, which accounts for about 97% of the available payment appropriations, against 94% in 2001. The traditional end of year transfer within the heading amounted to EUR 1,5 billion primarily from the beef and veal sector (EUR 960 million) given the recovery of this market. This transfer made it possible to cover the deficits primarily affecting the arable crop culture (EUR 700 million) following the decisions to transfer advance payments to certain areas of direct aid for the marketing year 2002/2003, as well as the milk and dairy product sector (EUR 470 million) characterised by a deterioration of the market and a rise in the expenditure. For the expenditure relating to the CAP (sub-heading 1a), the under-utilisation of the appropriations is referred mainly to veterinary and plant health measures (EUR 600 million) following the foot-and-mouth disease. With regard to the eradication of animal diseases, although EUR 166 million had been committed in 2002, no expenditure was carried out during the year; - As regards structural measures, the report indicates that the commitments were the subject of integral implementation: only a weak amount remained unutilised for the innovating actions. The total amount of payments of the heading was EUR 23,5 billion, that is 74% of the available appropriations, the under-utilisation of EUR 8 billion being entirely linked to the structural Funds. Paradoxically, this situation is better than in 2001, where the implementation rate was 68% with EUR 10,5 billion of unutilised appropriations. For the new Structural Fund programmes 2000-2006, the payments reached EUR 19 billion, an implementation rate of 91%, which constitutes a notable improvement compared to the EUR 14,6 billion, i.e. 70% in 2001. For the Structural Funds in 2002, the unutilised payment appropriations were brought about by the previous programmes (1994-1999), for which the payments reached EUR 1,2 billion of an available EUR 7,3 billion. The payment appropriations for the Cohesion Funds (EUR 3,2 billion) have been spent in their entirety; - In 2002, internal policies monopolised an amount of EUR 7,6 billion, representing an implementation rate of 96% (94% in 2001) in commitments and 83% (82% in 2001) in payments. The under-utilised payments of this concern in particular: Research (EUR 305 million), Trans-European Networks (EUR 54 million), Area of freedom, security and justice (EUR 55 million), labour market and technology (EUR 44 million) and the internal market (EUR 36 million); - In the framework of external action (Heading 4), the amount of EUR 5,1 billion was committed (implementation rate of 98%) and EUR 4,4 billion was made in payments (implementation rate of 89% for 2002 against 86% for 2001). The unused appropriations amounted to EUR 520 million. The reasons for the overall under-utilisation of payment appropriations for external action included unforeseen delays in programme and project approvals, resulting in delayed commitments and, consequently, in lower-than-planned advance and other payments. This under-utilisation can be broken down as follows: EUR 128 million for the Balkans, EUR 76 million for Eastern European and Central Asia, EUR 76 million for the other areas of cooperation, EUR 69 million for humanitarian aid and EUR 55 million for Latin America. Of the EUR 52 million in reserve, EUR 47 million has been transferred to the heading to offer assistance to Afghanistan and its neighbours, to Palestine and South Africa. Overall, the outstanding commitments (RAL) have been stable in this heading for the second consecutive year; - On the issue of administrative expenditure, this mostly comprises staff and buildings costs. One should note the agreement concluded with the Belgian State on the Berlaymont site setting the amount that the Commission should pay for rent of this building, the implementation of the frontloading exercise decided by the budgetary authority, the strengthening of security measures following the attacks carried out on the 11 September 2001 as well as the publication expenditure linked to the translation of legislation in 9 additional languages; - Pre-Accession heading (Heading 7) is marked by an implementation rate of 99% for commitments. Payments reached an amount of EUR 1,8 billion (implementation rate of 67% against 61% in 2001). The report states that there is an under-utilisation of EUR 800 million linked to the execution of PHARE programmes (EUR 430 million), SAPARD (EUR 250 million) and ISPA (100 million).

2002 discharge: EC general budget, section III Commission

2003/2210(DEC) - 09/03/2004 - Supplementary non-legislative basic document

PURPOSE: to present the Council recommendation on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Communities for the financial year 2002. CONTENT: to recall, according to the revenue and expenditure account for the financial year 2002: - revenue amounted to EUR 95 434 404 645,45; - expenditure disbursed from appropriations amounted to EUR 83 770 766 619,23; - cancelled appropriations carried over from 2001 amounted to EUR 858 383 918,09; - the positive budget balance amounts to EUR 7 421 720 788,24; - EUR 4 994 567 912,24 in appropriations for payments, including those relating to participation by third countries, have been carried forward from the financial year 2002 to the financial year 2003. Based on the observations in the report by the Court of Auditors for the financial year 2002, the Council recommends the European Parliament, in the light of these considerations, to give a discharge to the Commission in respect of the implementation of the budget of the European Communities for the financial year 2002. However, the implementation of the budget by the Commission calls for a series of comments from the Council. The Council attaches importance to its comments being followed up and assumes that the Commission will implement all of the recommendations in full, without delay. The Council appreciates the Court's efforts in improving the contents and the structure of its annual report. It welcomes, in particular, the introduction of a new chapter on budgetary management providing for a comprehensive overview of the implementation of the 2002 budget. The Council notes with satisfaction the inclusion of tables describing the functioning of management systems and controls and regrouping the chapter's key observations at the end of most chapters. In the future, the Council would like to see these tables extended, where appropriate, to all sectors covered by the report. The Council recalls its request of last year for the Court report to include measurable indicators with which to compare progress from year to year and considers that a positive start has been made in this regard and looks forward to further improvements in the 2003 report. In the same spirit, the Council is of the opinion that tables on the reservations expressed in the Director-Generals' Statements would also be useful. The Council notes with interest the approach initiated by the Court concerning the Statement of Assurance (DAS) to be implemented for the years 2002, 2003 and 2004. In order to increase the involvement of all concerned parties in a constructive and proactive way, it asks the Court to continue its efforts by considering the provision of seminars on the DAS to the relevant authorities in Member States and Commission. This should cover the approach, concepts, methods and presentation of results being used by the Court. The Council stresses the importance of the annual Director-Generals' Statements. It considers that these statements should constitute a more useful element for the Court's audit work on the DAS. In this context, the Council invites the Commission to improve the consistency of these Statements. The Council emphasises its interest in the annual activity reports to be prepared by all the institutions in accordance with the Financial Regulation. The Council recalls the great importance that it attaches to the White Paper of March 2000 and welcomes the progress noted by the Court in the area of the administrative reform of the Commission and the implementation of the New Financial Regulation. It urges the Commission to speed up the process, in particular regarding the implementation of internal control standards in all Directorates-General. It calls on the Commission to take appropriate steps to address the difficulties identified in recruiting financial staff and promoting the necessary risk management culture. It notes the progress reported by the Commission in the deconcentration process in the field of external actions. The Council notes with satisfaction that the Commission is prepared to examine the Court's suggestions as to the feasibility of integrating all action plans into a single document that should be updated regularly. It considers that this measure will help significantly the follow-up work, in particular the monitoring of progress made. Bearing in mind the challenges identified by the Court, and while acknowledging that the Commission is responsible for the implementation of the budget, the Council invites the Commission and the Member States to strengthen co-operation in the areas of shared management in order to improve the implementation and administration of Community Funds. Equally, the Council welcomes the progress made in the implementation of the Commission's action plan concerning the modernisation of the accounting system on the basis of international standards applicable in the public sector. The Council notes the Commission's assurances that the new accounting system will be operational to an acceptable standard by the deadline of 1 January 2005 despite the Court's doubts. This will of course be monitored with interest by the Council. The Council is again disappointed, despite the improvements noted above, that the Court was unable to give a DAS in relation to most of the expenditure. It hopes to see the results of the improvements made by the Commission with regard to the legality and regularity of underlying transactions reflected in practice in the shortest possible time frame. The Council expresses serious concerns that the budget surplus for 2002 still remains very substantial (EUR 7 billion). A very sizeable proportion of that surplus stems from the cancellation of appropriations for the financial year in question. As the Council has pointed out before, that trend could affect the credibility and sound management of the Community budget. The Commission should endeavour to gear budget estimates as closely as possible to capacity for use of appropriations, so as to avoid significant discrepancies. The Council therefore calls on the Commission, with Member States' assistance and on the

basis of past experience, to show greater rigour in its estimates and tailor its budgeting to real needs. It attaches importance to an efficient implementation of activity based management being aware of the complexity of the task. As regards enlargement, the Council stresses the need to strengthen financial management and control structures, in order to ensure a satisfactory implementation of Community Funds. It will continue to follow closely the efforts made by the Commission in this respect. The Council highlights the co-ordinating role to be played by the Commission in administrative co-operation between Member States, particularly in protecting the Community's financial interests, and encourages the Commission to continue to take an active part in such co-operation. Finally, in the light of the approach initiated by the Court, the Council intends to further strengthen its treatment of questions of audit and financial control in order to have a more regular and effective monitoring process of the Council's recommendation of the discharge, in continued close co-operation with the Commission and the Court of Auditors.