



# Procedure file

Basic information		
DEC - Discharge procedure		Procedure completed
2005/2091(DEC)		
2004 discharge: EC general budget, European Parliament		
Subject		
8.70.03.07 Previous discharges		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>CONT</b> Budgetary Control	PPE-DE <a href="#">FERBER Markus</a>	20/04/2005
European Commission	Commission DG	Commissioner	
	<a href="#">Budget</a>	KALLAS Siim	

Key events			
07/10/2005	Non-legislative basic document published	N6-0027/2005	Summary
15/11/2005	Committee referral announced in Parliament		
21/03/2006	Vote in committee		Summary
28/03/2006	Committee report tabled for plenary	<a href="#">A6-0119/2006</a>	
25/04/2006	Report referred back to committee		
26/04/2006	Debate in Parliament		
27/04/2006	Results of vote in Parliament		
27/04/2006	Decision by Parliament	<a href="#">T6-0158/2006</a>	Summary
14/09/2006	Vote in committee		Summary
15/09/2006	Committee report tabled for plenary	<a href="#">A6-0280/2006</a>	
19/09/2006	Debate in Parliament		
26/09/2006	Decision by Parliament	<a href="#">T6-0363/2006</a>	Summary
26/09/2006	End of procedure in Parliament		
06/12/2006	Final act published in Official Journal		

Technical information	
Procedure reference	2005/2091(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 100
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/36057

Documentation gateway					
Non-legislative basic document		N6-0027/2005	07/10/2005	EC	Summary
Court of Auditors: opinion, report		N6-0033/2005 <a href="#">OJ C 301 30.11.2005, p. 0001</a>	30/11/2005	CofA	Summary
Committee draft report		<a href="#">PE369.853</a>	02/02/2006	EP	
Supplementary non-legislative basic document		<a href="#">05971/2006</a>	23/02/2006	CSL	Summary
Amendments tabled in committee		<a href="#">PE370.214</a>	28/02/2006	EP	
Committee report tabled for plenary, single reading		<a href="#">A6-0119/2006</a>	28/03/2006	EP	
Text adopted by Parliament, single reading		<a href="#">T6-0158/2006</a>	27/04/2006	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2006)2095</a>	11/05/2006	EC	
Committee draft report		<a href="#">PE372.201</a>	04/07/2006	EP	
Amendments tabled in committee		<a href="#">PE376.681</a>	29/08/2006	EP	
Committee report tabled for plenary, single reading		<a href="#">A6-0280/2006</a>	15/09/2006	EP	
Text adopted by Parliament, single reading		<a href="#">T6-0363/2006</a>	26/09/2006	EP	Summary

Final act
<a href="#">Budget 2006/810</a> <a href="#">OJ L 340 06.12.2006, p. 0029</a> Summary

## 2004 discharge: EC general budget, European Parliament

**PURPOSE** : presentation of the final annual accounts of the European Community for the financial year 2004 ? Other institutions : Section I ? European Parliament.

**CONTENT** : this document sets out the amount of expenditure and the financial statement of the European Parliament for 2004 and presents an analysis of its financial management. The appropriations entered in the European Parliament's 2004 budget amounted to EUR 1.231 billion, with nearly a 98% utilisation rate.

Main axes of 2004 expenditure : it should be noted that 2004 was highlighted by several major events, notably:

- the accession of 10 new Member States and the European elections;
- the implementation of the 'Raising the game' project and the new Staff Regulation.

Concerning the budget implementation, the 2004 budget was marked by: heavy incertitude about the European elections and the Members' turn-over rate, this rate having a direct impact on the payment of allowances (the final turn-over rate of former Members being 55%); enlargement and the delays in staff recruitment; the entry into force of the new Staff Regulations and real estate negotiations. Overall, the expenditure forecasts were appropriate but staff costs were lower than predicted. The carry-overs were used to cover costs in field of real estate.

Amendments to the budget : the main amendments concern :

- an amending budget on the new Staff Regulations;

- releasing appropriations from the reserve;
- new budget guidelines on the financing of building acquisition, in particular, the payment of ground rent for the building in Brussels (see below);
- carrying out of specific objectives : enlargement, elections, information campaign.

Results reached in 2004 : concerning the use of appropriations with regards to the EP's expected objectives, the following can be noted:

1) Enlargement and the European elections : these 2 events had considerable effects on the General Secretary of the European Parliament:

- establishing an information and awareness campaign to inform EU citizens on the activities of the Parliament with a view to increasing voter participation : strengthening the activities of the Information Offices in the Member States, creating a website and ?Fact sheets? on the Parliament, special enlargement ceremony for the 1 May 2004, publishing a practical guide on the EP for the new Members;
- recruitment of staff from the new Member States : only 200 posts were available at the end of 2004;
- linguistic effect of enlargement : each MEP has the right to carry out his duties in his/her own mother tongue. Therefore, there are currently 20 official languages in the EU;
- real estate issue of enlargement: the Parliament signed a long term lease for the D4/D5 buildings in Brussels. To this effect, several transfers were made in order to mobilise EUR 152 million to continue with the building policy. Waiting on their availability, the Parliament has rented a number of buildings in Brussels. Negotiations have been opened concerning the construction of an extension of the ADENAUER building in Luxembourg and the Parliament signed a final buying act for the ?Louise Weiss? in Strasbourg;
- effects of enlargement on security : given the increased number of visitors, Members and officials, new security measures have been taken.

2) ?Raising the Game?: this is a Parliament initiative aiming to increase the quality and efficiency of the assistance given to MEPs. In this context, several actions have been taken such as the reorganisation of several DGs, the reorganisation of the Parliament's library within DG Information, centralisation of know-how in the legal service in order to facilitate the tasks of the rapporters;

3) Implementation of the new Staff Regulations: this Regulation entered into force on 1 May 2004. New procedures and adjustments were implemented by the EP Bureau.

DETAILED SYNTHESIS OF EP EXPENDITURE 2004 : this detailed synthesis analyses the breakdown of EP expenditure for the financial year 2004. The figures mentioned can also be found in the ?Final annual accounts of the European Communities - Financial year 2004 ? Volume III?.

Implementation rate in 2004 :

- appropriations entered in the 2004 budget : EUR 1.231 billion;
- appropriations committed amounted to EUR 1.203.370.074, a rate of 97,76% (rate of cancelled appropriations: 2,24%);
- appropriations paid amounted to EUR 921.908.731, a rate of 76,61% of commitment appropriations;
- appropriations carried over from 2003 to 2004: EUR 213.477.854,76, a rate of 17,34% of final budget appropriations (compared to 19,65% in 2003).

Main budget items and use of commitment appropriations (Titles I, II and III):

- § I: Institutional costs (Members and active staff) : EUR 582,15 million;
- § II: Operational costs (including building and materials) : EUR 455,64 million;
- § III: Mission costs (parliamentary assistance) : EUR 165,58 million.

## 2004 discharge: EC general budget, European Parliament

PURPOSE : to present the Court of Auditors' report on the implementation of the 2004 budget (other institutions ? European Parliament).

CONTENT : in its 28<sup>th</sup> Annual Report on the implementation of the general budget of the European Union, the Court states that overall improvements have been made by all the institutions in order to adapt their supervisory and control systems to the requirements of the new Financial Regulation. However, the risks identified in 2003 linked to the implementation of the Financial Regulation, together with the risks resulting from the introduction of new Staff Regulations and computerised systems for calculating salaries and pensions have not been adequately addressed by the supervisory and control systems in 2004.

Despite the progress made by the Commission in reforming its internal control system and the positive impact on the legality and regularity of the Commission's internal management of expenditure (DAS), further progress is still required in terms of operational effectiveness. The report states that the past audits by the Court showed that the errors found were mostly of a formal nature and not due to serious weaknesses in the control systems.

Supervisory and control systems : in 2004 all the institutions continued improving their supervisory and control systems in order to comply with the requirements of the new Financial Regulation. However, none of the institutions had fully implemented Internal Control Standards (ICS). In parallel, the NAP (?Nouvelle Application Paie?), a new computer application for calculating staff remuneration created and managed by the Commission Paymaster Office (PMO), was used by all the institutions. The NAP presented in 2004 various technical weaknesses, which created a new risk and, in many cases, resulted in the erroneous calculation of various elements of staff remuneration. The most evident errors were corrected manually before payment. Concerning one of those elements, in March 2005 NAP programmes were amended, the amounts paid in 2004 recalculated and, where necessary, corrected. These corrections led to recoveries amounting, for all the institutions, to a total of around EUR 1,9 million. Manual data transferred into the NAP from the computer systems recording the situations qualifying the staff for specific entitlements constituted a further specific risk of errors. However, controls were not reinforced accordingly.

A lack of control procedures concerning pension payments were noted in some institutions.

Lastly, except for the European Ombudsman and the European Data Protection Supervisor, occasional weaknesses were observed in the

supervisory and control systems concerning procurement.

Annual activity reports and declarations of the Directors-General : in 2004, improvements were made to the annual activity reports and the declarations of the Directors-General. However, weaknesses were found in the supervisory and control systems of the institutions.

Specific observations on the European Parliament : the report indicates that the expenditure of the institution was EUR 1.166 billion (against EUR 986 million in 2003). As regards the implementation of the Parliament's budget, the Court highlights the following weaknesses:

- the application of a flat-rate sum, ranging from 30 % to 60 % of the maximum allowable amount, to staff who do not produce any evidence of having incurred accommodation costs;
- validation of procurement expenditure in several cases did not operate as intended. In one of the cases the amount paid was overstated by EUR 700 000;
- procurement procedures.

In addition, weaknesses were also observed, as in the past, in the supervisory and control systems related to the payment of allowances to Members of the Parliament. The procedures applied did not ensure that income obtained by former MEPs from certain activities (paid office in an international institution; membership in a national or regional government; etc) was deducted from the temporary end-of-service allowance.

General conclusions : in conclusion, the Court considers, as a result of its audit, and in order to address the risks identified, that improvements should be made in the supervisory and control systems relating to the following areas: documentation of procedures; definition of the nature of the supporting documents which should make it possible to check that the expenditure is in accordance with the terms of the contracts or of the regulations and rules; grading of staff under the new staff regulations; remuneration, in particular payment of allowances and transfers of part of the staff emoluments with the application of a weighting coefficient.

## 2004 discharge: EC general budget, European Parliament

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The committee adopted the report by Markus FERBER (EPP-ED, DE) granting discharge for the implementation of the European Parliament's budget for 2004. It began by pointing out that 2004 was a "special year" in many respects because of a number of almost simultaneous events which had had a direct impact on Parliament's financial management: the accession of ten new Member States, Parliament's elections, the new Staff Regulations, continuing implementation of the new Financial Regulation and the implementation of the EP's in-house reform efforts ('Raising the Game').

On property policy, the report said that capital repayments on buildings should be agreed as part of the budgetary strategy and entered in a separate budget line from 2007 onwards. It also welcomed the initiative of a number of MEPs to begin discussions with the Commission on the possibility of establishing a European Institute of Technology at Parliament's seat in Strasbourg.

Referring to the Court of Auditors' findings that there were still weaknesses in supervisory and control systems, the committee said that these were a matter "of the utmost priority". The report also called on the Secretary-General to draw up, "as long since promised", a brief, accessible and attractive annual document to provide the public with more information on budgetary management in Parliament.

MEPs stressed that Parliament granted discharge not to the Secretary-General but to the President, and called for the latter to "make himself available to the Committee on Budgetary Control, during the discharge procedure, for a dialogue".

The report also highlighted the difficulties involved with public procurement procedures, the continuing need across the board for staff "with appropriate specialist knowledge" in the area of financial management and financial control, and the importance of multilingualism, which "gives expression to the Union's cultural and linguistic diversity", ensures equal treatment for its citizens and makes it possible for them to exercise their right to democratic control. Lastly, the report referred to the 2003 regulation on the rules regarding the funding of European political parties and recommended that it should be possible for 15% of committed funding to be carried forward to the following financial year, for European political parties to be allowed to establish a reserve from their own resources and for a multiannual financial framework to be established, extending for example over a parliamentary term.

## 2004 discharge: EC general budget, European Parliament

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The European Parliament adopted a resolution drafted by Markus FERBER (EPP-ED, DE) and voted to postpone the discharge for the European Parliament's budget in 2004. The House wanted further information into alleged irregularities concerning the cost of renting two of its buildings in Strasbourg. The decision to grant discharge to the European Parliament was rejected by the house with 3 votes in favour, 591 against and 13 abstentions. A new report will be drawn up.

## 2004 discharge: EC general budget, European Parliament

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PURPOSE: to postpone the discharge decision of the European Parliament for the 2004 financial year.

LEGISLATIVE ACT: Decision 2006/810/EC on the discharge for implementation of the European Union general budget for the financial year 2004 (Section I - European Parliament).

CONTENT: with the present decision, the European Parliament postpones its decision to grant discharge to its President for the implementation of the general budget for 2004, in accordance with its resolution dated 27/04/2006 (refer to summary of the opinion).

## 2004 discharge: EC general budget, European Parliament

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The committee adopted the second report by Markus FERBER (EPP-ED, DE) on granting discharge for the European Parliament's 2004 budget. When the first report came up before plenary in April 2006, the House decided to postpone the discharge until more information became available into alleged irregularities into the renting of two buildings in Strasbourg. The committee investigated the matter further and drew up a second report in which it decided that the President of Parliament should be granted discharge for the EP's 2004 budget.

The report devoted several paragraphs to Parliament's property policy, focusing on the Winston Churchill (WIC) and Salvador de Madariaga (SDM) buildings. These two properties, which are let to the EP by Strasbourg city council, became the focus of controversy in March 2006 when it emerged that Strasbourg council was to receive payment by the owner, SCI Erasme, under the terms of the sale of the premises agreed with the EP. The purchase of the buildings was suspended by the EP, and the Budgetary Control Committee set up an informal working group to advise the rapporteur on the allegations concerning the existing rental agreements and the possible purchase by Parliament of the two buildings.

On the basis of the facts established by the working group, the report made a number of comments on the whole affair. It said that, although there had not necessarily been "unlawful actions" in the process of concluding and applying the leases and additional agreements, there were nevertheless doubts as to whether the principle of 'sound financial management' enshrined in the Financial Regulation had been fully respected. The report also stressed that "Parliament's Administration never questioned whether the rent payments constituted "fair rent" and never verified whether its lease payments were being passed on in full to the SCI Erasme but nor was it ever informed about this matter by the City of Strasbourg itself". As to whether the profit made by Strasbourg city council in this affair was "illegal", the report stated that "there are no legal provisions prohibiting a state or local or regional authority from making a profit". However, it added that the City of Strasbourg's approach was "discourteous", to say the very least, "since it is contrary to rules on hospitality towards international institutions". The committee deeply regretted the "lack of good faith" demonstrated by both the City of Strasbourg and the private investor, SCI Erasme, in their relationship with Parliament and also expressed regret at "the lack of resolve" on the part of Parliament's administration itself.

Lastly, MEPs pointed out that there was no absolutely reliable basis for setting an appropriate rent for the WIC and SDM buildings and that it was difficult to establish a "fair price" for the rent and hence to assess whether Parliament had paid a truly fair rent over the years. The committee said that it would conduct a fresh examination of Parliament's property policy during the next discharge procedure and thereafter on a regular basis. The EP administration was asked to "take the necessary measures for a regular review, at least every five years, of long-standing contractual obligations towards third parties, e.g. leases or service contracts".

## 2004 discharge: EC general budget, European Parliament

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The European Parliament adopted a resolution based on the report by Markus FERBER (EPP-ED, DE) on granting discharge for the European Parliament's 2004 budget. (Please refer to the summary on proceedings in committee dated 14/09/2006.) The report on the discharge was adopted with 535 votes in favour, 45 against with 51 abstentions. In addition, on the matter of the buildings, Parliament noted that the lease agreement by virtue of which Parliament leases the two buildings involves a triangular relationship between, on the one part, the Parliament itself as the lessee of the WIC and SDM buildings, on the second part, the City of Strasbourg as the lessor and on the third part, SCI Erasme as the private investor and owner of the buildings. Parliament considered that this triangular relationship was not conducive to full transparency or to guarantees of sound financial management and, therefore, that it should be avoided in the buildings policy of EU institutions and bodies.

Parliament also made some remarks on the Members' voluntary pension scheme. It noted with concern that the deduction of contributions to the pension scheme from the general expenditure allowance left Members exposed to allegations that public funds may be put towards the cost of private pension contributions. Parliament's Bureau was asked to ensure that such payments were made directly by pension scheme members through direct debit orders. It felt that Members' contributions to the voluntary pension scheme should be paid directly from personal income rather than through the parliamentary allowance system. It noted, however, that the Court of Auditors saw no problems in maintaining the voluntary pension scheme system provided that it was better defined and its operation set down in a formal document.