



# Procedure file

Basic information		
DEC - Discharge procedure	<a href="#">2005/2094(DEC)</a>	Procedure completed
2004 discharge: EC general budget, Court of Auditors		
Subject 8.70.03.07 Previous discharges		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>CONT</b> Budgetary Control		20/04/2005
		IND/DEM <a href="#">LUNDGREN Niils</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>AFET</b> Foreign Affairs	The committee decided not to give an opinion.	
	<b>DEVE</b> Development	The committee decided not to give an opinion.	
	<b>INTA</b> International Trade	The committee decided not to give an opinion.	
	<b>BUDG</b> Budgets	The committee decided not to give an opinion.	
	<b>ECON</b> Economic and Monetary Affairs	The committee decided not to give an opinion.	
	<b>EMPL</b> Employment and Social Affairs	The committee decided not to give an opinion.	
	<b>ENVI</b> Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
	<b>ITRE</b> Industry, Research and Energy	The committee decided not to give an opinion.	
	<b>IMCO</b> Internal Market and Consumer Protection	The committee decided not to give an opinion.	
	<b>TRAN</b> Transport and Tourism	The committee decided not to give an opinion.	
	<b>REGI</b> Regional Development	The committee decided not to give an opinion.	
	<b>AGRI</b> Agriculture and Rural Development	The committee decided not to give an opinion.	
	<b>PECH</b> Fisheries	The committee decided not to give an opinion.	
<b>CULT</b> Culture and Education	The committee decided not to give an opinion.		
<b>JURI</b> Legal Affairs	The committee decided not to give an opinion.		
<b>LIBE</b> Civil Liberties, Justice and Home Affairs	The committee decided not to give an opinion.		
<b>AFCO</b> Constitutional Affairs	The committee decided not to give an opinion.		

	<b>FEMM</b> Women's Rights and Gender Equality	The committee decided not to give an opinion.
	<b>PETI</b> Petitions	The committee decided not to give an opinion.
European Commission	Commission DG <a href="#">Budget</a>	Commissioner

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="#">A6-0113/2006</a>	
26/04/2006	Debate in Parliament		
27/04/2006	Results of vote in Parliament		
27/04/2006	Decision by Parliament	<a href="#">T6-0161/2006</a>	Summary
27/04/2006	End of procedure in Parliament		
06/12/2006	Final act published in Official Journal		

Technical information	
Procedure reference	2005/2094(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 100
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/28840

Documentation gateway					
Non-legislative basic document		N6-0027/2005	07/10/2005	EC	Summary
Court of Auditors: opinion, report		N6-0036/2005 <a href="#">OJ C 301 30.11.2005, p. 0001</a>	30/11/2005	CofA	Summary
Committee draft report		<a href="#">PE369.888</a>	03/02/2006	EP	
Supplementary non-legislative basic document		<a href="#">05971/2006</a>	23/02/2006	CSL	Summary
Amendments tabled in committee		<a href="#">PE370.133</a>	28/02/2006	EP	
Committee report tabled for plenary, single reading		<a href="#">A6-0113/2006</a>	28/03/2006	EP	
Text adopted by Parliament, single reading		<a href="#">T6-0161/2006</a>	27/04/2006	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2006)2095</a>	11/05/2006	EC	

## 2004 discharge: EC general budget, Court of Auditors

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

**CONTENT :** this document sets out the amount of expenditure and the financial statement of the Court of Auditors for 2004 and presents an analysis of its financial management. The available appropriations set out in the Court's 2004 budget amounted to EUR 97 million, with an 89% utilisation rate.

Main axes of 2004 expenditure : budget implementation of the Court can be characterised by the following :

- A slight under-utilisation of enlargement related expenditure ;
- The end of the building extension works.

Amendments to budget : during 2004, some budget items were subject to amendments totalling EUR 3,3 million. Appropriation transfers between items or chapters were made in order to fund these budget amendments.

The main amendments dealt with:

- The strengthening of external expertise;
- The evaluation of recruitment needs and the setting up of a recruitment competition in Luxembourg and medical examinations;
- Additional translations costs;
- The implementation of the « Notenboom » procedure : each year the Court produces a detailed analysis of its budget implementation and its needs for the remainder of the year with a view to respecting the principles of sound financial management : in 2004, the application of the procedure drove the Court to make budget transfers (EUR 532.000) to cover operational costs.

The main issues of the 2004 budget can be summarised as follows:

Title I (Staff costs) : appropriations under this headings were utilised at 88%. This is due to :

- Delays in anticipated recruitment brought about by the necessity of waiting for the conclusion of interinstitutional competitions and by the lower than expected number of laureates;
- Mission costs (a slow down has been observed for some years now);
- Exchanges of civil servants and experts (a utilisation rate of 27%). Appropriations in this chapter increased from EUR 291 000 in 2003 to EUR 801 000 in 2004 in anticipation of a greater need in the year of enlargement. The underutilisation results from a less than expected take up in 2004, by the audit offices of the Member States, of positions as detached national experts, following the changes in the rules relating to ICN posts.

Title II (Operational expenditure) : appropriations for moveable property and associated costs were utilised at 70%. The use of appropriations in this chapter is directly associated with the level of recruitment and resulting need for office equipment for staff. On the Court's extension in Luxembourg (building K.2), it has been in construction since 2001 and was satisfactorily completed in 2004. It was occupied in 2003, ahead of the schedule date of June 2004. In 2004, an amount of EUR 461.730 was transferred to the special bank account for the project which is underpinned by a bank guarantee of up to EUR 10 million. This is an interesting bearing account interest is receivable by the Court on a quarterly basis. At the balance sheet date, the bank account was EUR 3.5 million.

**DETAILED SYNTHESIS OF 2004 EXPENDITURE:** this detailed synthesis analyses the breakdown of the Court of Auditor's 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 available for 2004: EUR 96.925.410;
- Appropriations committed amounted to EUR 85.934.099,96 EUR, a 88,66% utilisation rate;
- Appropriations paid amounted to EUR 78.990.217,98;
- Appropriations carried over from 2003 to 2004 : EUR 5.588.870,41.

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

- I : Institutional costs (Members and active staff) : EUR 73,4 million;
- II : Operational costs (buildings and material) : EUR 12,54 million.

## 2004 discharge: EC general budget, Court of Auditors

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

**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 Court of Auditors : the report indicates that the expenditure of the institution was EUR 84 million (idem in 2003). As regards the implementation of the Court of Auditors' budget, the Court states that it is audited by an independent external audit firm which has issued a certificate concerning the regularity and fairness of the financial statements at 31 December 2004, accompanied by a report on the administrative and accounting procedures, the soundness of the financial management and the internal control system. The report states that, in the auditor's opinion, "the current internal control rules ensure that the operational objectives are achieved satisfactorily, the financial statements are reliably drawn up and the legal framework is complied with". Certificate and report will be published in the Official Journal.

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, Court of Auditors

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The committee adopted the report by Nils LUNDGREN (IND/DEM, SE) recommending that the European Court of Auditors (ECA) be granted discharge for the 2004 budget. In its accompanying comments, the committee expressed concern at the dominant position occupied by "a small number of large accountancy practices in Luxembourg and elsewhere" when it came to appointing an external firm to audit the ECA's accounts. It called for a tender procedure for the appointment of external auditors that is "transparent, fair and intelligible to Parliament".

The report noted the ECA's expansion to 25 Members following enlargement and queried the effectiveness of such a structure. It asked the ECA to look into the possibility of reducing the number of Members to one-third of the number of Member States, and hoped that it would be possible to devise "a more rational structure" before the next enlargement. MEPs suggested that one option, as recommended by the UK House of Lords, might be to replace the current structure by "a highly qualified chief executive supported by a strong auditing staff, and reporting to a part-time, non-executive board of representatives from each of the Member States".

The committee also advocated publishing Members' declarations of financial interests on the ECA's website, "thereby contributing to greater transparency of the EU institutions". Lastly, it referred to the legal proceedings against a former Member of the ECA which had been pending before the Luxembourg courts for a long time. Warning that "judicial delay is not an acceptable response to a potentially embarrassing dossier", MEPs said that Parliament would "follow attentively" the Luxembourg judicial authorities' hearing of the case in question.

## 2004 discharge: EC general budget, Court of Auditors

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The European Parliament adopted a resolution drafted by Nils LUNDGREN (IND/DEM, SE) and granted the Secretary-General of the Court of Auditors discharge in respect of the implementation of the budget for the financial year 2004. In its accompanying statement, Parliament noted that in 2004 the European Court of Auditors (ECA) administered a budget of EUR 96 925 410, with a utilisation rate of 81.5 %.

Parliament approved the holding at regular intervals of calls for tender for the appointment of an external firm to audit the ECA's accounts, while expressing concern at the dominant position occupied by a small number of large accountancy practices in Luxembourg and elsewhere. It called for a tender procedure for the appointment of external auditors that is transparent, fair and intelligible to Parliament.

The report noted the ECA's expansion to 25 Members following enlargement and queried the effectiveness of such a structure. Parliament suggested that a review of the ECA's working methods could include as one of the possible options the proposal by the House of Lords to replace the current structure by "a highly qualified chief executive supported by a strong auditing staff, and reporting to a part-time, non-executive board of representatives from each of the Member States".

Parliament went on to invite the ECA to consider publishing Members' declarations of financial interests on its website, thereby contributing to

the greater transparency of the institutions.

Finally, it recalled that, following an investigation by OLAF, legal proceedings against a former Member of the ECA have been pending before the courts of Luxembourg for some considerable time. It regretted that all too often final case reports forwarded by OLAF to the Member States' authorities are simply filed without further action. Parliament felt that judicial delay was not an acceptable response to a potentially embarrassing dossier, and stated that it would follow attentively the Luxembourg judicial authorities' hearing of the above case.

## 2004 discharge: EC general budget, Court of Auditors

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**PURPOSE:** to grant discharge to the Court of Auditors for the 2004 financial year.

**LEGISLATIVE ACT:** Decision 2006/813/EC of the European Parliament on the discharge for implementation of the European Union general budget for the financial year 2004 (Section V - Court of Auditors).

**CONTENT:** with the present decision, the European Parliament grants the Secretary-General of the Court of Auditors discharge in respect of the implementation of the budget for the financial year 2004.

This decision is in line with the European Parliament's resolution adopted on 27 April 2006 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 27/04/2006).