



Procedure file

Basic information		
DEC - Discharge procedure	2007/2037(DEC)	Procedure completed
2006 discharge: EC general budget, Section III, Commission		
Subject 8.70.03.07 Previous discharges		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	CONT Budgetary Control		27/03/2007
		PSE JØRGENSEN Dan	
	Committee for opinion	Rapporteur for opinion	Appointed
	AFET Foreign Affairs		03/10/2007
		PSE DE KEYSER Véronique	
	DEVE Development		10/09/2007
		PSE WALTER Ralf	
	INTA International Trade	The committee decided not to give an opinion.	
	BUDG Budgets	The committee decided not to give an opinion.	
	ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs		17/12/2007
		PSE MADEIRA Jamila	
	ENVI Environment, Public Health and Food Safety		09/10/2007
		PSE HAUG Jutta	
	ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
	IMCO Internal Market and Consumer Protection		21/11/2007
		PPE-DE RUDI UBEDA Luisa Fernanda	
	TRAN Transport and Tourism		04/12/2007
	PPE-DE JARZEMBOWSKI Georg		
REGI Regional Development		18/12/2007	
	PPE-DE GALEOTE Gerardo		
AGRI Agriculture and Rural Development	The committee decided not to give an opinion.		
PECH Fisheries	The committee decided not to give an opinion.		
CULT Culture and Education		21/01/2008	
	Verts/ALE TRÜPEL Helga		

Council of the European Union	JURI Legal Affairs	The committee decided not to give an opinion.	
	LIBE Civil Liberties, Justice and Home Affairs		05/11/2007
		PSE DÜHRKOP DÜHRKOP Bárbara	
	AFCO Constitutional Affairs	The committee decided not to give an opinion.	
	FEMM Women's Rights and Gender Equality		03/12/2007
		PSE GERINGER DE OEDENBERG Lidia Joanna	
European Commission	PETI Petitions	The committee decided not to give an opinion.	
	Council configuration Economic and Financial Affairs ECOFIN	Meeting 2847	Date 12/02/2008
	Commission DG Budget	Commissioner KALLAS Siim	

Key events

30/03/2007	Non-legislative basic document published	SEC(2007)1055	Summary
25/10/2007	Committee referral announced in Parliament		
26/03/2008	Vote in committee		Summary
07/04/2008	Committee report tabled for plenary	A6-0109/2008	
22/04/2008	Results of vote in Parliament		
22/04/2008	Debate in Parliament		
22/04/2008	Decision by Parliament	T6-0133/2008	Summary
22/04/2008	End of procedure in Parliament		
31/03/2009	Final act published in Official Journal		

Technical information

Procedure reference	2007/2037(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 99
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/53895

Documentation gateway

Non-legislative basic document	SEC(2007)1055	30/03/2007	EC	Summary
Supplementary non-legislative basic document	SEC(2007)1056	30/03/2007	EC	Summary
Document attached to the procedure	COM(2007)0280	30/05/2007	EC	Summary
Document attached to the procedure	SEC(2007)0708	30/05/2007	EC	Summary

Document attached to the procedure		COM(2007)0537	19/09/2007	EC	Summary
Document attached to the procedure		COM(2007)0538	19/09/2007	EC	Summary
Document attached to the procedure		SEC(2007)1185	19/09/2007	EC	Summary
Document attached to the procedure		SEC(2007)1186	19/09/2007	EC	Summary
Court of Auditors: opinion, report		N6-0005/2008 OJ C 273 15.11.2007, p. 0001	15/11/2007	CofA	Summary
Supplementary non-legislative basic document		05842/2008	29/01/2008	CSL	Summary
Supplementary non-legislative basic document		05855/2008	29/01/2008	CSL	Summary
Committee draft report		PE400.409	06/02/2008	EP	
Committee opinion	ENVI	PE400.453	26/02/2008	EP	
Committee opinion	TRAN	PE398.572	27/02/2008	EP	
Committee opinion	LIBE	PE400.463	27/02/2008	EP	
Document attached to the procedure		COM(2008)0112	28/02/2008	EC	Summary
Document attached to the procedure		SEC(2008)0269	28/02/2008	EC	Summary
Committee opinion	FEMM	PE398.711	28/02/2008	EP	
Committee opinion	REGI	PE400.343	28/02/2008	EP	
Committee opinion	AFET	PE400.378	28/02/2008	EP	
Committee opinion	CULT	PE400.422	28/02/2008	EP	
Committee opinion	IMCO	PE400.497	28/02/2008	EP	
Committee opinion	DEVE	PE402.500	04/03/2008	EP	
Committee opinion	EMPL	PE400.440	07/03/2008	EP	
Amendments tabled in committee		PE402.765	12/03/2008	EP	
Committee report tabled for plenary, single reading		A6-0109/2008	07/04/2008	EP	
Text adopted by Parliament, single reading		T6-0133/2008	22/04/2008	EP	Summary
Commission response to text adopted in plenary		SP(2008)3169	28/05/2008	EC	

Final act

[Budget 2009/187](#)
[OJ L 088 31.03.2009, p. 0023](#) Summary

2006 discharge: EC general budget, Section III, Commission

to present the revenue and expenditure account and the balance sheet relating to the 2006 budget (Section III ? Commission: political presentation).

CONTENT: this document, presented in parallel with the implementation of the 2006 budget expenditure (refer to SEC(2007)1056 for details), presents a political and detailed analysis of the use of payment appropriations by the Commission in 2006. The main information presented in this summary is extracted from the [EU Budget 2006 Financial Report](#). This report marks an important development in terms of reporting on the

EU budget. For the first time, a single report provides an overview of how the budget was spent and managed. It offers two angles of analysis on the implementation of the budget: first by main heading of the financial perspectives 2000-2006, then by heading and Member State. Information is given on the procedure leading to the adoption of the budget, as well as on the annual accounts and treasury management.

Main trends in expenditure in 2006: the EU budget 2006 amounted to:

- EUR 120.6 billion in commitments;
- EUR 107.4 billion in payments.

respective increases over 2005 of 4 % and 1.6 %. Around 99 % of these legally available amounts were spent, thanks to activity-based budgeting, active management of appropriations and cooperation with all stakeholders.

Some 92 % of the committed amounts were allocated to activities within the European Union and the remaining 8 % went to third countries, mainly in the form of pre-accession aid to potential EU members and development aid to developing countries.

The Commission vigorously pursued the refocusing of the EU budget on growth and jobs, to support the implementation of the Lisbon strategy. The share of the budget dedicated directly to these policies, through both competitiveness and cohesion expenditure, amounted to 39 % of the budget. The implementation of this budget took place in a dynamic economic environment, as demonstrated by the following key data:

Growth at its highest since 2000

- 3 % in the EU-25
- 2.7 % in the euro area
- expected to reach 2.9 % in 2007 for the EU-27

Unemployment down

- to 7.5 % in the EU-25 from 8.6 % in 2005
- to 7.5 % in the euro area from 8.4 % in 2005

More people in active employment

- 3 million new jobs created in the EU (up 1.6 % from 2005),
- 2 million of which are in the euro area (up 1.4 %)

The end of the 2000-2006 Financial Framework: the EU budget for 2006 was the last budget covered by the financial framework 2000-2006. The legal bases of many EU programmes and funds, such as Culture, Media, Socrates, European Regional Development Fund and the European Social Fund, expired at the end of 2006. Accordingly, the 2006 budget included the last appropriations available to finance the objectives defined at the outset of these programmes. Given the multiannual nature of some of the EU projects, a part of the amounts committed will in fact be paid out in 2007 and 2008.

Two key events in 2006: financial framework 2007-2013 and new financial rules: the first months of 2006 saw the final negotiations between the European Parliament, the Council and the Commission, on the financial framework 2007-2013. The new [Interinstitutional Agreement](#) on budgetary discipline and sound financial management was formally signed by the three institutions on 17 May 2006. The difficult negotiations were instrumental in convincing all parties involved of the need to carry out a thorough review of the budget, both in terms of expenditure and revenue, a task which was given to the Commission, who will report back to the Council and Parliament at the end of 2008 or beginning of 2009.

As regards the new financial rules, 2006 also saw the adoption by the Council of new financial rules to improve the management of EU expenditure, on 13 December. The new rules, described in the [Financial Regulation](#) and its Implementing Rules, simplify access to EU funding and cut red tape, for small-scale beneficiaries in particular. They also include, for the first time, the obligation to publish the lists of beneficiaries who receive EU money through Member States, third countries or international organisations. Sound financial management will be reinforced thanks to the commitment from Member States to improve reporting on how EU funds which they manage are spent and to exchange information on proven fraud cases. All provisions of the new Financial Regulation and its Implementing Rules entered into force by 1 May 2007.

2006 discharge: EC general budget, Section III, Commission

PURPOSE: to present the revenue and expenditure accounts and the financial statement concerning the 2006 budget - Section III - Commission: detailed synthesis of 2006 expenditure.

CONTENT: this document presents a detailed breakdown of Commission expenditure in 2006. A more succinct political analysis can be found in summary (SEC(2007)1055) which should be read in parallel to this document.

Preliminary remark: the main information presented in this summary is extracted from the [EU Budget 2006 Financial Report](#). This report marks an important development in terms of reporting on the EU budget. For the first time, a single report provides an overview of how the budget was spent and managed. It offers two angles of analysis on the implementation of the budget: first by main heading of the financial perspectives 2000-2006, then by heading and Member State. Information is given on the procedure leading to the adoption of the budget, as well as on the annual accounts and treasury management. Annexes provide you with detailed historical data both on the revenue and expenditure side of the budget, including Member State-specific allocated expenditure records.

Analysis of expenditure in 2006, heading by heading: expenditure in 2006 was divided into 8 spending categories, known as 'headings', which were defined in the financial framework 2000-2006. The 'Structural actions' and 'Agriculture (including rural development)' headings received the lion's share in 2006, corresponding to almost 80 % of total EU expenditure. The remaining 20 % of the EU budget was divided among other headings, among which were 'Internal policies', 'External actions', 'Pre-accession strategy' and 'Administration'. This summary only focuses on the main areas of expenditure for the main headings of the EU budget.

1) Structural actions: around 37% of EU expenditure in 2006, some EUR 44.555 billion (+5% compared to 2005), was available to generate and spread prosperity across the Union through 4 Structural Funds and the Cohesion Fund:

- some EUR 38.5 billion was made available to all regions across the EU through the Structural Funds, which in turn distributed the aid in accordance with specific objectives and initiatives. Out of this total, EUR 28.5 billion was earmarked for the least prosperous (Objective 1 ? with income per capita levels below 75 % of the EU average) regions in the EU. About EUR 6.4 billion of the Objective 1 funds were put aside for the least prosperous regions in the EU-10, while the remaining EUR 22 billion was made available to those in the EU-15, including regions benefiting from transitional support;
- without any restrictions linked to regional income levels, all areas facing structural difficulties were eligible to benefit from Objective 2 allocations, aimed at promoting their economic and social conversion. The total for 2006 amounted to EUR 3.4 billion;
- Objective 3, entirely financed by the European Social Fund (ESF), provided around EUR 4 billion in 2006 for education, training and employment activities across the Union.

In addition, the Cohesion Fund earmarked EUR 6 billion in 2006 to complement infrastructure investments in transport and energy in those EU countries with an income per capita below 90 % of the EU average.

2) Internal policies: commitments EUR 9.4 billion; +2.7% from 2005. Internal policies ?Internal policies? cover a large variety of EU policies, such as research, energy and transport, information society, media, education and culture, health and consumer protection, security and justice:

- Research and innovation: some EUR 5.3 billion was earmarked for research activities, mainly through the 6th framework programme for research and technological development. Around EUR 1.2 billion of this total was put aside to develop the ?information society? related programmes.
- Trans-European transport and energy networks: around EUR 800 million was allocated to priority projects connecting and improving major infrastructures in the areas of transport (e.g. roads, railways, inland waterways, airports, ports, traffic management systems) and energy (gas, electricity).
- Environment: around EUR 275 million was made available to this end, mainly through the LIFE programme with EUR 150 million.
- Education and culture: education and culture activities across the EU were allocated around EUR 950 million for new projects, with a particular focus on lifelong learning, developing European cultural diversity and active citizen participation. These activities were carried out mainly through EU programmes such as Lingua (learning European languages), Erasmus (higher education), Leonardo da Vinci (vocational training), Youth, and Dialogue with citizens.
- Public health and consumer protection: the EU budget allocated more than EUR 140 million in 2006 to public health and consumer protection activities. In addition to improving consumer protection rules and consumers? awareness of their rights, EU funded projects in this field aimed at managing risks and providing quick responses to public health threats such as SARS, avian influenza and bioterrorism, often in conjunction with other policies.
- Freedom, security and justice: more than EUR 580 million was made available for developing cooperation among EU countries in such areas as immigration, the fight against crime, the fight against terrorism, drug and human trafficking, as well as external border controls. In 2006, the EU?s external borders agency Frontex started conducting its first operations on the ground with funds under this heading.
- Other actions: this heading also covers actions to support the internal market (EUR 240 million), the European social dimension and employment (EUR 260 million), the promotion of the EU?s energy policy and energy safety (EUR 230 million), etc. All together these activities represented over EUR 1 billion.

3) Agriculture and rural development: commitments: EUR 50.191 billion; +2.4% from 2005. In 2006, the EU budget put aside around EUR 42.4 billion as direct aid to farmers and market expenditures, at the same level as in 2005. More than EUR 34.2 billion of this amount was allocated as direct aid, of which around half was delivered in accordance with recent reforms under the single payment scheme and therefore not linked to quantities produced. Such aid directly focuses on providing stability of income for producers while ensuring the enforcement of environmental rules. The remaining direct aids were linked to specific products.

Market expenditure, corresponding to some EUR 8.2 billion in 2006, covers EU payments to market organisations for agricultural products such as cereals, rice, sugar, olive oil, fruit and vegetables, beef and veal, and milk and milk products. To ensure stability and growth in primarily agricultural areas, the emphasis is now put on rural development, mainly through diversification of local economies. Some EUR 7.8 billion was made available in this area in 2006, to which EUR 3.9 billion funded under structural actions must be added. Rural development programmes aim at boosting job creation outside of urban areas, thus contributing significantly to the growth and jobs agenda. Compliance with strict environmental rules has also become a ?must? to benefit from EU aids.

4) External action: commitments: EUR 5.724 billion; + 5.2 % from 2005. The EU budget allocated more than EUR 5.7 billion to support a wide variety of external policies, ranging from development, humanitarian aid, democracy and human rights to cooperation programmes with specific regions.

With some EUR 1.7 billion, the largest share was devoted to enhancing cooperation with the Union?s neighbours in eastern Europe and around the Mediterranean basin. EU projects in this region focused on sustainable development, human rights and the rule of law.

An additional EUR 1.3 billion was allocated from the EU budget to help developing countries in Africa, the Caribbean and the Pacific regions (the ACP States). A part of this assistance went to sugar-producing ACP States, affected by the sugar reform in the EU.

More than EUR 530 million was made available through the CARDS programme in 2006 to foster relations with the western Balkans. EU expenditure under this heading covered other regional programmes, such as cooperation with Asia (EUR 840 million) and Latin America (EUR 330 million), as well as thematic programmes, including democracy and human rights (EUR 130 million), and humanitarian aid (EUR 630 million). Some EUR 100 million was made available for the EU?s common foreign and security policy, and EUR 120 million for external aspects of certain Community policies. Finally, EUR 430 million went to food aid and support operations.

The financial framework 2000?06 included a special heading, ?Reserves?, comprising two reserve funds: the ?Emergency aid reserve? and the ?Guarantee reserve?, which could be called on only if the need arose during a particular year. The use of these reserves requires approval by the European Parliament and the Council of the European Union. In 2006, EUR 180 million was mobilised as emergency aid in response to humanitarian crises in the West Bank and Gaza, Lebanon and Darfur.

5) Pre-accession strategy: commitments EUR 2.692 billion; +29.4% from 2005. The 2006 budget provided the last pre-accession aid to the acceding countries Bulgaria and Romania, which joined the Union on 1 January 2007. A total of EUR 1 700 million was available for Bulgaria

and Romania to help with their efforts before their accession. Some EUR 875 million of this total came from Phare (institution building, economic and social cohesion, transposition of the EU acquis), EUR 275 million from Sapard (rural and agricultural development) and another EUR 550 million from ISPA (environment and transport infrastructures).

Croatia has also benefited from these three pre-accession instruments (Phare: EUR 80 million, ISPA: EUR 35 million, Sapard: EUR 25 million) and continued to be eligible for funds under the CARDS regional programme. In line with the new accession partnership agreed in February 2006, EU assistance to Croatia is not only geared to foster economic and social development but also to better prepare the country for the technical and administrative aspects of EU membership.

Pre-accession aid to Turkey amounted to EUR 460 million in 2006, including technical assistance aid TAIEX (technical assistance and information exchange for institution building) and other aid from horizontal programmes. In addition to institution building and economic and social development, EU funds were used in developing civil society dialogue and in strengthening the rule of law in Turkey.

An ad hoc financial instrument under this heading started channelling assistance to the Turkish community in Cyprus. In October 2006, the Council approved the first part of the EU aid programme to the Turkish Cypriot community, amounting to some EUR 120 million.

6) Administration (all institutions): this heading covers the expenditure of all EU institutions, such as salaries and pensions of the staff, buildings and infrastructure, information technology activities and security. In 2006, EUR 6.7 billion was available under this heading, representing less than 6 % of total spending. Despite recent enlargements and the related increases in human resources, the share of administrative expenditure has remained and will remain stable at around this level.

The level of administrative expenditure by each institution is as follows:

- Parliament: EUR 1.322 billion,
- Council: EUR 592 million,
- Commission: EUR 3.162 billion,
- Court of Justice: EUR 250 million,
- Court of Auditors: EUR 113 million,
- European Economic and Social Committee: EUR 108 million,
- Committee of the Regions: EUR 63 million,
- European Ombudsman: EUR 8 million,
- European Data Protection Supervisor: EUR 4 million,
- Pensions: EUR 908 million,
- European Schools: EUR 127 million.

Implementation rate 2006: thanks to active budget management on the part of the Commission, the execution of the budget was the highest of 2000-2006. This resulted in an end of year outturn (i.e. the difference between total revenue received and total payments made) of only EUR 1.857 billion, by far the smallest of any budget for the whole programming period 2000-2006. The surplus is down from EUR 2.410 billion in 2005 and EUR 11.613 billion in 2000.

The detailed synthesis of expenditure by the main budget headings are as follows (implementation rate in brackets):

- Agriculture (including rural development): EUR 50.191 billion (99%),
- Structural actions: EUR 44.555 billion (100%),
- Internal policies: EUR 9.4 billion (94%),
- External action: EUR 5.724 billion (98%),
- Administration: EUR 6.657 billion (97%),
- Reserves: EUR 278 million (46%),
- Pre-accession strategy: EUR 2.692 billion (98%),
- Compensations: EUR 1.074 billion (100%).

Overall, the rate of implementation amounts to 99% in 2006 (the same as 2005). The overall implementation rate of payments amounts to 96%.

2006 discharge: EC general budget, Section III, Commission

DISCHARGE 2006 ? COMMISSION : ANNUAL REPORT

ON THE INTERNAL AUDITS

PURPOSE: this report informs the Discharge Authority about the work carried out by the Commission's Internal Audit Service (IAS) in 2006. It is based on IAS audit work and consulting activities in 2006, as well as on the work of the DGs' Internal Audit Capabilities (IACs), via the IAS's twice-yearly reports. It does not cover the IAS audit work for the Community agencies

CONTENT: an action plan for the roadmap towards an integrated internal control framework was presented in January 2006 with a series of 16 specific proposals. This was the means by which the Commission sought to improve its accountability by having individual assurance declarations and reservations issued by its Directors General in order to explicitly assume its political responsibility for management.

In 2006, a quality review of 32 Commission internal audit capabilities (IACs) was undertaken by the IAS (see also the summary of the parallel document SEC (2007)0208). This paved the way for a coordinated strategic audit planning (in which most IACs participate) and for revised audit charters (on which work has started).

On the basis of this long consultation and audit exercise, a certain number of conclusions were reached which are outlined below in the form of operational recommendation: these are the result of the IAS and do not (necessarily) reflect the position of the Commission itself:

IAS Conclusion 1: continue improvement efforts: the IAS audit work found clear improvements in the internal control systems in many areas. Big steps have been taken by the Commission to improve the control environment (e.g. the Communication on business continuity, the organisation of an ethics day and the focus provided by the high-level group looking at EC law). However, there are also still major

weaknesses and further efforts are needed, as illustrated by the number of critical IAS recommendations (twelve) and the number of audits with adverse IAS opinions (nine).

Areas for improvement include:

- ex-post controls,
- IT (buildings, data security, adequate staffing and planning processes for IT projects and continuity of services),
- implementation of new accounting rules and contract management(oversight of use of framework contracts,
- monitoring of subcontracting and multiple roles of a single service provider).

IAS Conclusion 2: follow-up, a recurring issue: the overview reports on follow-up show that the culture of follow-up proposed in the 2005 report has not yet been fully established. Further efforts must be made in the Commission in order to ensure proper, systematic and swift follow-up of audit recommendations. Implementation of internal and external audit recommendations is vital to achieving the Commission's strategic objective of a positive DAS.

IAS Conclusion 3: Integrated Human Resources strategy: not only the reviews of the human resources management, but also the audits of the SPP/ABM process, of monitoring of implementation of EC law and of IT management showed that a long-term strategy for human resources management is an important factor in success and that inadequate allocation of human resources can have a substantial negative impact on the operations and reputation of the Commission. DG ADMIN, as the central service in charge of human resources management, together with the decentralised human resources units in DGs and services, should develop a strategy fully aligned on the strategic planning process.

IAS Conclusion 4: improve the efficiency and robustness of internal audit architecture: the Commission has a two-tier system of internal audit: the IACs and the IAS, which closely reflects the Commission's governance architecture. The quality review concluded that the vast majority of IACs partly or generally complied with the standards. However, the efforts to increase professionalism should continue and the recently introduced coordinated planning process should be solidly embedded in order further to improve the overall efficiency of internal audit work in the Commission. Without prejudging any further Commission decision, some issues, such as further strengthening the independence of IACs by giving them the and are still pending; they will be revisited by the APC in 2007.

IAS Conclusion 5: annual governance statement: the Commission has laid a solid foundation for its governance. In order to achieve full maturity and to make its governance architecture and its latest developments known to stakeholders, the Commission should describe its governance policy and practice, preferably in the synthesis report summarising the DGs' annual activity reports, make it available on its website and provide for its regular updating. Such a description could include explanations of the Commission's risk management system, strategic planning, the code of ethics, the role of the Accountant, the internal control systems, internal audit and the APC. In this way, the Commission could increase credibility and trust on the part of its stakeholders and EU citizens.

2006 discharge: EC general budget, Section III, Commission

2006 DISCHARGE ? COMMISSION: WORKING DOCUMENT FROM THE COMMISSION ON INTERNAL AUDITS: FOLLOWING UP THE EUROPEAN PARLIAMENT RESOLUTION

This Commission working document aims to complement the report by the Internal Audit Services (IAS) ? 2006, presented in parallel (refer to the summary of the document COM(2007)0280).

The report consists of a technical annex containing a synthesis of audits carried out by the IAS in 2006. The document offers a series of analytical tables on the audits of the Directorate-General (DG) of the Commission and on the recommendations made to improve its governance.

32 internal audit structures at the Commission are presented according to the following framework:

- ADMIN: Human Resources Management (I and II)
- COMM: Follow-up of 2003 in-depth audit
- DIGIT: Data Centre-Operations and Security
- EPSO: Selection process as managed by EPSO
- OPOCE: Follow-up of 2004 in-depth audit
- PMO: Regularity of financial management, implementation of financial circuits
- SCIC: Financial management and procurement
- ADMIN, SG, BUDG, SANCO, TREN, COMP: SPP/ABM cycle in the Commission
- SG, MARKT, ENTR, ENV, TREN: Overview report: Monitoring the implementation of EC law
- JLS: Large IT project management
- MARKT: Local IT
- SANCO: IT management
- TAXUD: Large IT systems
- COMM: Contract management
- EAC: Implementation of ABAC
- ENTR: Financial management of the IRC network
- ENV: Follow-up in-depth audit
- INFOS: Follow-up of 2004 in-depth audit
- JRC: Interim follow-up audit report
- RTD: Ex-post controls
- AGRI, EMPL, FISH, REGIO: General report Structural Funds
- REGIO ERDF
- FISH: Follow-up of 2004 in-depth report
- REGIO: Financial corrections in Cohesion Fund
- AIDCO: Interim follow-up audit report
- AIDCO, ECHO: Implementation of framework agreement with UN agencies, combined with ECHO monitoring and management

- reporting system
- ELARG: Ex-post control activities
- RELEX: Ex-post control activities and follow-up note

Level of acceptance of the recommendations and viewpoints of the audited entities: the document indicates that in 2006 the level of acceptance of audit recommendations from the IAS to audited entities rose to 89.4%; 7.9% of proposed recommendations were rejected and 2.7% were awaiting a response.

2006 discharge: EC general budget, Section III, Commission

FOLLOW-UP TO THE COMMISSION'S 2005 DISCHARGE: COUNCIL RECOMMENDATIONS ? FULL RESPONSES

This Working Document complements the Commission's report to the Council on the follow-up to the 2005 discharge decisions [COM(2007)0537 final].

This document details the responses to the 87 specific recommendations proposed by the Council in the comments which accompany its recommendations on the 2005 discharges.

An overview of these responses can be found in the summary of the document COM(2007)0537 (refer to document summary in question).

The Commission's Working Document, being of a technical nature, only aims to complement the responses already laid out in the main COM document.

2006 discharge: EC general budget, Section III, Commission

FOLLOW-UP TO THE COMMISSION'S 2005 DISCHARGE: FOLLOW-UP TO THE COUNCIL'S RECOMMENDATIONS

Preliminary remark: this report by the Commission relates to the follow-up to the Council recommendations on the 2005 discharge decisions. The full responses of the Commission to each of the 87 recommendations proposed by the Council can be found in the Commission's parallel Working Document [SEC(2007)1186].

CONTENT: this report aims to respond to the 87 recommendations proposed by the Council on the 2005 Commission discharge procedure (for the content of these recommendations, refer to the Council's summary of recommendations of 7 February 2007: procedure file DEC/2006/2070). Overall, the Commission considers that the necessary measures have already been taken for 32 of the recommendations. For 54 other recommendations, the Commission agrees to take the measures recommended by the Council. Finally, the Commission considers one recommendation to be unacceptable and will, therefore, not take the measures recommended by the Council:

- General points regarding the internal control of the Commission: the Commission fully agrees with the Council on the importance of continuing to improve financial management and of having controls working correctly and effectively. It provided a mid-term scoreboard on the implementation of the Action Plan towards an Integrated Internal Control Framework in July 2007. In addition, a number of actions under the Action Plan have been refined to strengthen the cost-benefit-risk balance for controls. The foundations will be in place by the end of 2007 for the Integrated Internal Control Framework to begin to have the planned impact. In terms of the internal control of the Commission, it indicates that it continues its efforts to improve financial management. The Commission is gradually implementing a better structured and homogeneous presentation of the internal control systems of the Directorates-General. The structures created by the Financial Reform since the year 2000 have for the most part been implemented and the Commission-wide achievement of a very high level of compliance with the baseline requirements of the Internal Control Standards marked the beginning of a new phase which aims to improve the effectiveness of the Commission's internal control systems;
- DAS: statement of assurance: as regards the accounts, the Commission has corrected, where possible, the errors that were highlighted by the Court during its 2005 audit. The Commission has examined these errors and their causes, so as to try to avoid their recurrence. It will provide the Council with information on recoveries, including amounts recovered by Member States under shared management;
- Budgetary management: the Commission notes that the Council has welcomed the improvement in the management of the budget in 2005. It considers that the increase in outstanding commitments in 2005, in particular in the Structural Funds, was not unexpected. This was mostly due to the large increase in commitments for the EU-10 countries, while payments made to these programmes and projects were still relatively slow in their start-up phase. Payments for EU-15 programmes increased again in 2005. Like the Council, the Commission attaches high importance to the swift adoption of the programmes for the 2007-13 period and has put in place mechanisms with this aim in mind. The budget forecast alert tool established in 2006 contributes to the good management of the budget.

As regards the management of the different categories of the Community budget, the Commission presents the following review:

- CAP: the Commission is continuing its efforts to monitor the full and correct application of the Integrated Administrative Control System (IACS) in all Member States. In case of deficiencies, the Commission will not hesitate to impose financial corrections. It has addressed the deficiencies found in the olive oil sector and the clearance of accounts procedures are ongoing. As regards rural development, the Commission has also taken action to correct the weaknesses identified. Concerning the temporary rural development instrument for some new Member States, the Commission will present a working document, inviting new Member States to wind up the implementation of these programmes by October 2007 in order to proceed with the final closure of the programme following the 2007 clearance of accounts decision in May 2008;
- Structural measures: For the Financial Framework period 2007-13, a number of changes should reduce the administrative burden associated with structural expenditure. Member States will mainly determine eligibility conditions, and for smaller programmes with a greater percentage of national funding they will be able to apply national rather than EU requirements and procedures in some instances. At the same time, the control framework and the Commission's ability to supervise its operation will be strengthened. The Commission endorses the principle of controls being proportionate to the risks and costs involved.

The Commission is also asking Member States to provide regular information on the error rates they find in their audit work. In addition, the cooperation between the Commission and Member States is continuing to be developed favourably. In early 2007, it asked all Member States to supply complete information on recoveries, withdrawals and pending recoveries for 2006 and cumulatively for the whole period 2000-06;

Internal policies, including research: the Commission continues to improve its control systems in the context of the Action Plan towards an Integrated Internal Control Framework. A multi-annual approach to mitigating the inherent risk of reimbursement of overstated costs has been introduced in the research area, including a substantial increase in the number of ex-post audits. Furthermore, the Commission has developed 'agreed upon procedures' for the model grant agreement for the Seventh Research Framework Programme (FP7). These actions are expected to lead to a reduction in the error rate through improved prevention, detection and correction. Under FP7, steps have also been taken to simplify the rules for reimbursement of costs. The requirements for time recording of researchers have been more clearly specified and the terms of reference for the certificates strengthened. As regards the new generation of programmes in the fields of education, training and youth, a comprehensive set of checks and controls has been planned in order to ensure the regularity and legality of transactions;

External actions: the Commission continues to improve the functioning of both internal and external audits. It will endeavour to further reinforce the current risk analysis and better communicate the basis for its analysis. It is aware of the risks at project implementing organisation level and has taken a number of measures to mitigate its potential effects. These include the use and improvement of standard contract provisions. In early 2006, the standard grant and fee-based service contracts were revised. They now include standard terms of reference for auditors. These new terms of reference have been revised so as to reinforce the verification of compliance with the contract terms, including those relating to public procurement procedures;

Pre-accession Strategy: the Commission will continue to monitor closely the effective functioning of the national supervisory and control systems for programme expenditure under the pre-accession strategy, in particular within the SAPARD/IPARD paying agencies. Under the Phare programme, the Commission has taken action to clarify the eligibility of VAT expenditure and has dealt with most of the final declarations from the national authorities. The Commission shares the Council's regret at the delays in the Extended Decentralised Information System (EDIS) accreditation process for Phare and ISPA, and insists on further improvements of the national administrative structures before granting EDIS;

Administrative expenditure: the Commission has taken due note of the Council's recommendations concerning administrative expenditure. As regards the NAP (New Payroll System), all reports are available, upon request, to every authorising officer. As regards the reimbursement of mission costs, the Guide to missions is currently under review to take due account of the remarks of the Court. Adoption of the new rules is scheduled for the beginning of 2008. As regards the regulatory agencies, the Commission shares the concerns about good governance and better regulation of the agencies expressed by both the Council and the European Parliament. It considers that the adoption of the draft interinstitutional agreement on the operating framework for the European Regulatory Agencies ([ACI/2005/2035](#)) would go a long way towards addressing the issues raised and awaits the rapid adoption of this instrument.

2006 discharge: EC general budget, Section III, Commission

EUROPEAN COMMISSION RESPONSES TO THE RECOMMENDATIONS MADE BY

THE EP IN THE GENERAL BUDGET DISCHARGE RESOLUTION

Opening remarks: the Commission's report deals with the follow-up to the European Parliament Discharges given for the 2005 financial year. The Commission's full answers to each of the recommendations are also available in a Commission working document (SEC(2007)1185).

Content: the present report aims to respond to each of the recommendations accompanying the decisions giving discharge by the European Parliament relating to the execution of expenditure in 2004 (including expenditure of decentralised agencies and EDF expenses). The current summary focuses on the recommendations made at the Commission with regard to its implementation of the budget (for the terms of its recommendations, refer to the European Parliament opinion summary 24/04/2007: see procedure [DEC/2006/2070](#)).

In this context, the Commission has identified that from the 163 recommendations made by the European Parliament to the Commission, action has already been taken for 52 recommendations, though the results still must be evaluated. For another 99 recommendations the Commission agrees to take the action recommended by Parliament. Finally, the Commission deems 12 recommendations to be unacceptable and will therefore not be taking the requested action. The responses of the Commission can be summarised as follows:

1) Horizontal issues:

- Statement of assurance: regarding the accounts, the Commission indicates that it has corrected, where possible, the errors highlighted by the Court during its 2005 audit. The Commission has also considered these errors and their causes so as to try to avoid their recurrence. In shared management the Commission has asked Member States to ensure that beneficiaries of Structural Funds are made aware of controls and the risk of cancellation of funding. Further guidance was published regarding information that Member States will have to send to the Commission on recoveries and withdrawals of funding following irregularities. Guidelines on the closure of 2000-2006 programmes were issued by the Commission, as well as guidance illustrating good practice in first-level management controls and the checking of payment authorities;
- National management declarations: given that the 27 Member States have different governmental and management structures for EU funds under shared management, the Commission considers that the development of a single standard declaration would not yield significant benefits. The Commission will, however, continue to support such initiatives taken by national administrators while they remain;
- Suspension of payments and financial corrections: the Commission will continue its practice of suspending payments and imposing financial corrections when errors stemming from serious system deficiencies are detected in Member States in programmes under shared management. The Commission has also presented a proposal to the Council to amend the Council Regulation (EC) No 1290/2005 on the financing of the Common Agricultural Policy, which will allow it to further simplify the existing possibility to reduce or

suspend payments to a Member State with ambiguous control systems. In addition, the Commission indicates that the 2006 annual accounts of the EC already include information about the financial corrections made by the Commission. For 2007, it is foreseen to add further information concerning the financial corrections made by the Member States;

- The Commission's internal control system: the Commission will publish a final report on the implementation of the action plan towards an Integrated Internal Control Framework in 2008. This report will make an initial examination of the impact of the different actions on assurance and will draw conclusions concerning the future consolidation of the Integrated Internal Control Framework;
- Political responsibility and administrative responsibility of the Commission: regarding annual activity reports, the Commission will continue to work towards harmonising the presentation of management and internal control systems and better explaining the consequences of the reservations expressed by the Director-Generals. It will also continue developing indicators on legality, regularity and sound financial management by 'families' of services (also see SEC(2007)1185 summary). Furthermore, the Commission indicates that by adopting the synthesis report, the Commission assumes its political responsibility for management by its Director-Generals, on the basis of the assurances and reservations issued by them in their annual activity report. A synthesis report signed by the Secretary General of the Commission, as recommended by the European Parliament, would not increase the accountability of the Commission but would rather create confusion and possible overlapping in the different tasks and responsibilities. The Commission will continue the implementation of its Transparency Initiative.

b) Sectoral Issues

- Revenue: the Commission continues to examine with the Member States, both individually and in the Advisory Committee of Own Resources, how Member States may be helped to provide the information, required by the Commission in order to lift restrictions, more quickly. Regarding the GNI own resource, the Commission will perform more direct verification of selected national aggregates during the period 2007-2009 of GNI verification missions;
- CAP: like the European Parliament, the Commission welcomes the Court's acknowledgement that the Integrated Administrative Control System (IACS), when correctly applied, constitutes an effective monitoring system for reducing the risk of error or of irregular expenditure within the Common Agricultural Policy (CAP). The Commission is continuing its efforts to monitor the full and correct application of the IACS in all Member States. In case of deficiencies, the Commission will not hesitate to impose financial corrections. The Commission has taken steps to correct the problems identified in checks relating to the rural development and the export refund sectors. The Commission has notably addressed the deficiencies found in the olive oil sector, and the auditing procedures are underway;
- Structural measures: in this sector the Commission is implementing all recommendations by the European Parliament. The Commission continues to exercise its supervisory role on an ongoing basis through auditing, coordination of activities and the dissemination of guidance and good practice guidelines. Where the Commission finds inadequacies in the Member States' systems, it makes recommendations and, in serious cases, agrees remedial action plans which it closely monitors. If the inadequacies persist, the Commission will suspend payments to the programme or Member State concerned (by way of example, in April 2007 the Commission suspended ERDF payments to certain programmes in England). In keeping with its supervisory role, the Commission is focusing on improving the effectiveness of the control system as a whole (see above). For Member States and programmes on which reservations are entered in the Director-General's annual declarations, and for other systems showing serious deficiencies, the Commission monitors closely the implementation of agreed action plans;
- Internal policies, including research: the Commission continues to improve its control systems in the context of the action plan towards an Integrated Internal Control Framework. A multi-annual approach to mitigating the inherent risk of reimbursement of overstated costs has been introduced in the research area, including a substantial increase in the number of ex-post audits. Furthermore, "agreed upon procedures" have been developed to provide a compulsory set of procedures for the certification of the financial statements and the certification of the methodology described in the model grant agreement for the Seventh Research Framework Programme (FP7). These actions are expected to lead to a reduction in the rate of errors. In the context of the FP7, steps have also been taken to simplify the rules for the reimbursement of costs. In relation to national agencies, the decisions relating to the new generation of programmes in the fields of education, training and youth provide for a comprehensive set of checks and controls regarding the respect of procedures and internal control mechanisms in order to ensure and verify the regularity and legality of transactions as well as the reality and eligibility of activities;
- External actions: the Commission is aware of the risks at the project-implementing level in an organisation and has taken a number of measures over the past years to reduce the potential effects, by foreseeing the usage and improvement of standard contract provisions. In early 2006, the standard grant and fee-based service contracts were revised. New specifications have been established so as to reinforce the verification of compliance with the conditions defined in the contract, including those relating to public procurement procedures. EuropeAid's Common Relex Information System (CRIS) allows relevant analysis to be carried out to further improve management;
- Pre-accession strategy: as recommended by the European Parliament, the Commission will continue to monitor the functioning of the national supervisory and control systems for programme expenditure under the pre-accession strategy, in particular within the SAPARD/IPARD paying agencies. Moreover, when establishing joint projects with international institutions, the Commission is particularly attentive to the expertise and the added value that those institutions can provide to the full respect of the financial regulation;

Administrative expenditure and agencies: in this domain, the Commission indicates that the Court's audits found no significant error affecting the legality and regularity of administrative expenditure. As regards the cost of maintaining its buildings, the Commission will prepare a renovation-planning forecast, which will be transmitted to the European Parliament and the Council. The Commission will also examine if it has fallen victim to the elevators cartel mentioned by the European Parliament. Moreover, the Commission confirms that invalidity pensions are granted and extended on medical grounds only. Furthermore, the Commission shares the European Parliament's concerns about good governance and better regulation of the agencies. It considers that the adoption of the draft inter-institutional agreement on the operating framework for the European Regulatory Agencies (see procedure reference [ACI/2005/2035](#)) would help to satisfy the recommendations of the Parliament on this issue. Whilst fully respecting the autonomy of the regulatory agencies, the Commission continues to provide extensive guidance and support to these agencies in the mean time. The Service Level Agreements drawn up with many regulatory agencies in 2006 in different areas of administration and training are an example of this.

This Working Document aims to complement the Commission's report on the follow-up to the European Parliament's discharge decisions for 2005. The report includes the Commission's responses to each of the 163 recommendations proposed by the Parliament in its resolution of 24 April 2007, in the form of an annex to the general report.

An overview of these responses can be found in the summary of the document COM(2007)0538 (refer to summary of document in question).

The Commission's Working Document, being of a technical nature, only aims to detail the responses already laid out in the main COM document.

2006 discharge: EC general budget, Section III, Commission

PURPOSE: to present the report of the Court of Auditors on the implementation of the budget concerning the financial year 2006 (section III ? Commission).

CONTENT: the Court of Auditors published its 30th annual report on the implementation of the general budget of the European Union, covering the financial year 2006.

Overall, the Court notes that certain progress has been made by the Commission to improve the control of EU expenditure. The Court therefore recognises the considerable efforts made by the Commission to correct the level of error affecting Common Agricultural Policy (CAP) transactions, even though this level remains high. This positive development reflects the effectiveness of the integrated administrative and control system (IACS) and the simplification of procedures for requesting aid and payment procedures within the framework of the Single Payment Scheme. However, errors continue to affect the legality and regularity of most EU expenditure due to weaknesses in the internal control systems of both the Commission and Member States. That is why, once again, the Court has drawn up a negative statement of assurance.

Statement of Assurance: the adverse opinion of the Court: the Court provides an adverse opinion concerning the legality and regularity of a large part of EU expenditure, particularly the agricultural expenditure not covered by the IACS, structural measures, internal policies and a large proportion of external actions. In these areas, a significant level of error continues to affect the payments to beneficiaries, although to varying degrees.

At the same time, the Court notes the improvements introduced by the Commission as regards its internal control framework and the positive impact they have on the declarations of the Commission's Directors-General.

Legality and regularity of underlying transactions: in the Court's opinion, revenue, commitments and payments for administrative expenditure, pre-accession strategy, with the exception of the SAPARD Programme, and external actions, for those payments managed and controlled directly by Commission delegations, are free from material error. In these areas, the supervisory and control systems have been implemented satisfactorily. It is therefore mainly CAP expenditure that is marred with errors when it is not controlled by the IACS (in the Single Payment Scheme). In addition, the Court notes that, in the area of pre-accession strategy, significant risks still exist at the level of the implementing organisations in the newly acceded and candidate countries. In the Court's opinion, in the other areas of expenditure, payments are still materially affected by errors, although to different levels, and the Commission, Member States and other beneficiary states need to make further efforts to implement adequate supervisory and control systems linked to the CAP, structural measures, internal policies and external actions.

Reliability of accounts: the 'Final annual accounts of the European Communities' present fairly, in all material respects, the financial position of the Communities as of 31 December 2006, and the results of their operations and cash flows for the year then ended. However, The Court's audit has identified errors in amounts registered in the accounting system as invoices/cost statements and pre-financing which have the effect of overstating the accounts payable by some EUR 201 million and the total amount of long and short term pre-financing by some EUR 656 million. In addition, the Court notes that weaknesses in the accounting systems of certain institutions and Directorates-General of the Commission, still put at risk the quality of financial information (in particular for cut-off and employee benefits). This led to a number of corrections after the presentation of the provisional accounts.

Budgetary management: in 2006, the EU made payments amounting to EUR 106.6 billion. For each of the budgetary headings analysed by the Court, this is expressed as follows:

CAP: overall (EUR 49.8 billion in 2006), the Court notes a marked decrease in the estimated level of error, although it still remains just above the materiality threshold. Agricultural expenditure is characterised by different types of transactions, with different risks and control systems. When properly applied, the IACS, which covers around 70% of CAP expenditure, effectively limits the risk of irregular expenditure. The Court notes that, although the Single Payment Scheme simplifies application procedures for aid and payment procedures, it causes secondary effects, such as granting rights to landowners who have never undertaken agricultural activity, resulting in a large redistribution of EU aid to the detriment of farmers and to the benefit of landowners. Railway companies, horse riding clubs, golf and leisure clubs, as well as local councils are among the new beneficiaries of EU agricultural aid.

Structural measures: (EUR 32.4 billion): in this area, the situation remains similar to previous years. The Court's audit uncovered a level of material error that, according to estimates, represents at least 12% of the total amount reimbursed to beneficiaries. The most frequent errors concerned ineligible expenditure, non respect of procurement procedures, inadequate supporting evidence to justify general costs and costs for personnel. Supervisory and control systems in the Member States were generally ineffective or moderately effective, and supervision of their functioning by the Commission was only moderately effective.

Internal policies: (EUR 9 billion): the Court noted a level of material error in terms of legality and regularity of underlying transactions, mainly attributable to refunds granted by the Commission to beneficiaries who had overvalued the costs generated for projects. Overall, the Court's audit indicated that the internal control systems were only partially satisfactory.

External actions: (EUR 5.2 billion): the Court notes that the situation was satisfactory in terms of the transactions managed and controlled by the delegations but that this was not true for those inspected within organisations responsible for implementation on the ground. Errors detected included, for example, the declaration of ineligible expenditure or the non respect of procurement procedures.

Pre-accession strategy: (EUR 2.3 billion): the Court's audit shows that, on the whole, payments were legal and regular; however, material errors were, once again, revealed in operations of the SAPARD programme.

Recoveries: over recent years, the Commission has taken measures to speed up recoveries and to improve the protection of the financial interests of the EU. However, due to the complexity of the shared management of EU funds with Member States, the Commission does not always have reliable information on the recovery of late payments (amounts and beneficiaries concerned) nor on their financial impact on the EU budget.

Conclusion: in conclusion, the Court considers that the Commission must set an example by paying particular attention to the design and functioning of its own internal control systems in the area of EU funds under direct management (internal policies and external actions). According to the Court, this example would create a model for and act as encouragement to Member States in terms of systems in place within the framework of shared management.

Lastly, the Court considers that the key to effective management of EU funds is the establishment of effective and reliable internal control systems at all levels of administration.

2006 discharge: EC general budget, Section III, Commission

PURPOSE: presentation of the Council recommendation on the discharge to be given to the Commission on the implementation of the Community budget for the 2006 financial year (Section III ? Commission).

CONTENT: the Council adopted by qualified majority (the Netherlands delegation voted against it) a draft recommendation regarding the implementation of the Union's budget for the 2006 financial year. The recommendation, first of all, highlights the main amounts for the 2006 financial year:

Revenue and expenditure account for the financial year 2006:

- revenue amounted to EUR 108 423 010 966;
- expenditure disbursed from appropriations amounted to EUR 105 411 911 809;
- cancelled payment appropriations (including earmarked revenue) carried over from 2005 amounted to EUR 263 331 782;
- appropriations for payments carried over to 2007 EUR 1 400 894 862;
- EFTA-payment appropriations carried over from 2005 EUR 67 568;
- the balance of exchange-rate differences amounted to EUR 16 836 906;
- the positive budget balance amounts to EUR 1 856 631 603.

Cancelled payment appropriations for the financial year amount to EUR 1 982 356 283.

EUR 1 163 588 723 (82 %) of the EUR 1 425 304 908 in appropriations for payments carried over to 2006 have been used.

Based on the observations made in the Court of Auditors' report, the Council calls on the European Parliament to give discharge to the Commission in respect of the implementation of the 2006 budget. However, the Council has issued a series of comments in regard to budgetary implementation which will need to be fully taken into account when granting the discharge.

The Council regrets that the Statement of Assurance (DAS) still remains qualified for significant areas of the budget of the 2006 financial year in spite of the substantial efforts devoted in the course of the recent years to the improvement of control and management procedures. Thus, even if the annual accounts provide a reliable picture of the financial situation in practically all the areas covered by the EC budget, the Court was critical regarding the financial implementation of the Common Agricultural Policy (CAP), structural actions, internal actions and external actions.

The Council recalls the great importance it attaches to the protection of the Communities' financial interests, as well as the fight against fraud, and in regard to:

- the reliability of the accounts: it calls on the Commission to take measures to strengthen the financial reporting framework and accounting systems in order to address weaknesses affecting the quality of accounting data and the Council and reminds it to pay due attention to the numerous general and specific remarks presented by the Court in order to improve the completeness and accuracy of the Community accounts;
- legality and regularity of the underlying transactions: it calls on the Member States and the Commission to continue to improve their supervisory and control systems because without the impact of rural development - errors in CAP expenditure would have been below the materiality threshold;

It calls on all parties involved to work more closely in order to arrive at a positive DAS at an earlier stage and to strengthen their control systems in relation to jointly managed expenditure.

Improvement of management and control systems at Member State level: although it respects the different national control systems and specificities, the Council calls on all the actors and levels involved in managing expenditures to demonstrate their good intentions to improve control and supervision systems. It recalls that if the Commission implements the budget in line with the EC Treaty, under its own responsibility, the Member States must cooperate with the Commission to ensure that the funding is used in line with the principles of good financial management. It states, once again, that it is intent on ensuring the regulations on financial discipline and good financial management are respected and calls on the Member States to transmit by the agreed deadline the annual summary of audits and declarations on budgetary implementation under shared management. The Council also encourages the Member States to analyse in detail the results of Court audits and to provide timely reaction to the statements in the Court's observations to remedy the problems highlighted. In particular, the Council calls on the Member States to continue their efforts in the area of Structural Policies by improving the day to day management and implementation

of sound closure procedures for the programming period 2000-2006 and by correctly implementing the legal framework relating to the programming period 2007-2013. In the area of agriculture, the Council invites the Member States to give specific attention to compliance with the eligibility conditions to reduce the errors notably in rural development expenditure.

Commission's internal control: the Council shares the Court's view that the Commission has improved control and management procedures, particularly in the area of agriculture expenditure. However, while this improvement in control and management procedures has been successful in a certain number of areas, this has not been the case throughout (in particular, structural actions and internal and external policies). Although the measures taken have borne fruit, the Council considers that the controls and assurance should be proportionate and have a good cost-benefit ratio (the Council considers that some measures are very costly and unnecessarily complicated). With regard to the question of financial corrections, the Council reminds the Commission of its request (contained in its 2005 discharge recommendation) to present an annual general report on recoveries from the financial year 2000 onwards, including amounts recovered by the Member States. The first of such reports is expected by the Council by September 2008. Furthermore, the Council considers that the application of suspension and correction mechanisms, whenever appropriate, acts as a deterrent and can thus have an important positive impact on the legality and regularity of expenditure.

Budgetary management: the Council reminds the Commission that, to guarantee effective budgetary management, a realistic and sufficient budgeting is essential from the stage of the Preliminary Draft Budget onwards to set commitments and payments at the appropriate level, in order to reduce as much as possible the recourse to Amending Budgets which have unexpected financial impact on national budgets. The Council notes that in 2006 the level of outstanding budgetary commitments has further increased. It therefore invites the Commission to keep under close control the implementation of the new programmes in order to avoid increasing the level of outstanding commitments. As structural operations continue to represent the majority share of the increase of the outstanding commitments and of their absolute amount, the Council invites the Commission and the Member States to further their efforts to improve the implementation rate in this area.

The Council then reviews each of the budgetary areas and makes the following comments:

- CAP: Although the Council notes with satisfaction significant improvements in the field of CAP expenditure compared to the previous years, it underlines that CAP expenditure, viewed as a whole, was still affected by errors. Therefore, the Commission and the Member States should continue efforts in strengthening their management and control systems. The Council welcomes the fact that the Integrated Administrative Control System (IACS) continues to be an effective control system for limiting the risk of error or irregular expenditure, if properly applied. However, it regrets the fact that controls and checks under IACS are still not sufficiently implemented in all Member States. The Council notes that the design and implementation of the SPS, which was audited for the first time in 2006, limits the risk of irregular payments to farmers, if correctly applied and welcomes the noticeable decrease in the error rates for the area aid schemes. However, in regard to rural development, the Council notes with concern the material incidence of errors, by both nature and amount, affecting the agri-environmental schemes and urges the Member States, in cooperation with the Commission, to step up their controls especially in respect of beneficiaries' compliance with the eligibility conditions.
- Structural policies: The Council regrets the Court finding no noticeable progress in the field of Structural Policies expenditure compared to last year despite the continuous efforts by the Member States and the Commission to improve functioning of the management and control systems. The Council notes with great concern the Court's estimate that at least 12% of the total amount reimbursed to Structural Policies projects should not have been reimbursed, according to the Commission. The Council regrets that, as stated by the Court, the control systems in the Member States are generally ineffective or moderately effective. The Council considers that it is essential that the first level controls in the Member States continue to be reinforced and that it is essential that the Commission's audit activity is effective and that it puts in place an effective system to carry out its supervisory role. The Council considers that the Commission should actively encourage and facilitate simplification.
- Internal policies (including research): the Council regrets that the Court's audit revealed again, in this area which is under the Commission's direct financial management, a material level of error in payments resulting from weaknesses detected in the Commission's supervisory and control systems. To improve the reliability and accuracy of cost statements and to reduce the risk of errors, the Council encourages the Commission to pursue its efforts to simplify and clarify the guidelines for calculation and reporting of costs, especially regarding average personnel costs and overheads, in order to have a better understanding of the rules by beneficiaries and operational departments within the Commission. The Council calls on the Commission to further increase the proportion of audited contracts substantially, in order to compensate for the remaining weaknesses of the supervisory and control systems. It also urges the Commission to continue to check the management and control systems of the national managing authorities for education and culture projects. It is concerned about the shortcomings identified in the monitoring, analysis and follow-up of audit findings by the Commission's Directorates-General, as well as about the persistent proportion of late payments by the Commission to beneficiaries, outside the stipulated deadlines.
- External actions: the Council notes with concern that the Court's audit of external actions expenditure revealed once more that a material level of error was again detected at the level of project implementing organizations. It awaits rapid and concrete results from the Commission's in this area. It acknowledges the efforts made by the Commission regarding the clarification of the terms of reference for tendering and public procurement, the eligibility of costs and the required documentation for the allocation of expenditure but expresses its concern about the stated incompleteness and inconsistency of the external audit information collected. It emphasises the importance of an overall coordination of the various control procedures in force, in order to streamline the audit activities, avoid unnecessary duplication and provide a reliable picture of the controls undertaken. The Council welcomes the Commission's willingness to review the balance of headquarters and on-the-spot audits of implementing partners, with the aim of obtaining a better view of the reality of project expenditure.
- Pre-accession strategy: the Council notes with satisfaction that no significant errors were found in the audited transactions in the fields of the ISPA, Phare and Turkey programmes. However, the Council regrets that the problems identified in the implementation of the Sapard instrument persist and shares the Court's observations about the shortcomings detected in the functioning of supervisory and control systems for the programmes. In regard to Sapard, the Council urges the Commission to further intensify its checks and their follow-up. It asks the Commission to insist on the accredited procedures and on the implementing and paying arrangements agreed with national authorities.
- Administrative expenditure: the Council welcomes the fact the Court's audit did not reveal again any material errors affecting the legality and regularity of the administrative expenditure as a whole. However, the Council points out that there are still some weaknesses in the institutions' supervisory and control systems. Most notably, the Council is concerned about the Court's findings of several cases of non-compliance with the general principle of competitive tendering. Procurement management is a cornerstone of well-functioning and efficient administration and contributes significantly to the institutions' credibility. It therefore emphasises that all the institutions are to comply strictly with the existing legal requirements in the field of public procurement. Lastly, the Council is concerned about the risk of potentially high increases in appropriations for pensions and the impact of such increases on the overall

growth of administrative expenditure in the future. Therefore, it invites the Commission to provide each year well before the Preliminary Draft Budget an updated estimate of annual Communities' pension expenditure at least up to 2013.

2006 discharge: EC general budget, Section III, Commission

PURPOSE: to present the Council's recommendation on the discharge to be given to the Executive Agencies of the Commission, in respect of the implementation of the budget for the financial year 2006.

CONTENT: in accordance with Council Regulation (EC) No. 58/2003 laying down the statute for Executive Agencies to be entrusted with certain tasks in the management of Community programmes, and with Commission regulation (EC) No. 1653/2004 on a standard Financial Regulation for the Executive Agencies pursuant to Council Regulation (EC) No. 58/2003 (amended by Commission Regulation (EC) No. 1821/2005), the Council is required to draw up Recommendations to the European Parliament on a discharge to be given to the Executive Agencies.

Having analysed the reports drawn up by the Court of Auditors on the annual accounts of the Education, Audiovisual and Culture Executive Agency and the Intelligent Energy Executive Agency, the Council reached an agreement on the following recommendations to pass on to the European Parliament. These recommendations can be summarised as follows:

1. regarding the Education, Audiovisual and Culture Executive Agency, the Council examined the revenue and expenditure account for the financial year 2006, the balance sheet of revenue and expenditure at 31 December 2006 and the report by the Court of Auditors on the annual accounts of the Executive Agency and recommends, in its analysis, that the European Parliament give a discharge to the Director of the Executive Agency in respect of the implementation of the budget for the financial year 2006. It notes that EUR 6.7 million in appropriations was carried forward from the financial year 2006 to the financial year 2007 and EUR 2.8 million was cancelled. The Council notes with concern the high rate of carry-overs and cancellations, and calls on the Executive Agency to take the appropriate measures to comply in full with the provisions of the Financial Regulation, in particular regarding the principle of annuality;
2. regarding the Intelligent Energy Executive Agency, the Council also examined the revenue and expenditure account for the financial year 2006, the balance sheet of revenue and expenditure at 31 December 2006 and the report by the Court of Auditors on the annual accounts of the Executive Agency and recommends, in its analysis, that the European Parliament give a discharge to the Director of the Executive Agency in respect of the implementation of the budget for the financial year 2006. It notes that EUR 0.31 million (67%) of the EUR 0.46 million in appropriations carried forward from the financial year 2005 to the financial year 2006 was used, that EUR 1 million in appropriations was carried forward from the financial year 2006 to the financial year 2007 and EUR 0.4 million was cancelled. The Council notes with concern the high rate of carry-overs and cancellations, and calls on the Executive Agency to take the appropriate measures to comply in full with the provisions of the financial regulation, in particular regarding the principle of annuality.

2006 discharge: EC general budget, Section III, Commission

SUMMARY REPORT OF THE COMMISSION: MEMBER STATES' REPLIES TO THE 2006 COURT OF AUDITORS' REPORT

This working document completes the Commission's summary report on the Member States' replies to the annual report by the Court of Auditors for the financial year 2006 (COM(2008)0112).

It presents the replies submitted by Member States to the Commission in a detailed and analytical way. It only concerns areas where management is shared between the Commission and Member States, namely the collection of revenue and the expenditure for the Common Agricultural Policy and structural actions.

For further details of these replies, please refer to the summary of the main report (summary of COM(2008)0112).

2006 discharge: EC general budget, Section III, Commission

SUMMARY REPORT OF THE COMMISSION: MEMBER STATES' REPLIES TO THE 2006 COURT OF AUDITORS' REPORT

Preliminary remark: each year, the Court of Auditors provides its Statement of Assurance concerning the reliability of the accounts of the European Communities and the legality and regularity of the underlying transactions. This Statement of Assurance is essentially based on the results of the Court's audits. A large proportion of these audits take place in Member States since, in reality, they implement more than three quarters of the total payments from the general budget of the European Communities.

Following the publication of the Court of Auditor's annual report for the financial year 2006 (refer to the summary of the Court's report dated 15/11/2007), the Commission ? as required by the Financial Regulation ? immediately communicated to Member States a list of all the observations made and the errors identified by the Court concerning their country. Member States were invited to fill in a questionnaire on how they had followed up the Court's observations/findings. They were also asked to indicate what they found to be the main reasons for the most common errors in the area of structural actions.

This report presents a summary of the replies submitted by Member States to the Commission. It concerns only areas where management is shared between the Commission and the Member States, i.e. the collection of revenue, expenditure for the Common Agricultural Policy and structural actions.

The Commission should submit this summary report to the Council, the European Court of Auditors and the European Parliament by 28 February 2008. Within that deadline, it is not possible for the Commission to verify the content of the Member States' replies, which must therefore be considered as representing the Member States' views only.

The report is accompanied by a Commission Working Document (see SEC(2008)0269) which provides additional details on the member

States? replies.

The Court of Auditor's 2006 DAS findings in shared management: in the 2006 Annual Report, the Court found that, in 2006, supervisory and control systems were satisfactory for revenue and for almost 70 % of common agricultural policy expenditure controlled under the Integrated Administration and Control System (IACS). For the remainder of agricultural expenditure, supervisory and control systems were considered to be only partially satisfactory.

The Court considered control systems within structural actions to be generally ineffective or only moderately effective in Member States; it also took the view that the Commission maintained only moderately effective supervision to mitigate the risk that the control systems in Member States might not prevent overstated or ineligible expenditure.

The substantive errors (i.e. errors with financial impact) found by the Court within own resources were so few and so small that the overall error rate in this area was estimated to be lower than the materiality threshold of 2 % adopted by the Court. Substantive errors differed somewhat between common agricultural policy and structural actions in 2006.

In agriculture, the Court estimated that market measures and direct aid combined covering 85 % of EAGGF Guarantee expenditure (including IACS) were below the 2 % threshold. For payments to rural development schemes, the Court highlighted agri-environmental measures as being prone to a high incidence of errors because farmers did not meet the (often complex) eligibility conditions. The overall error rate for agricultural payments was nevertheless estimated to be just above 2 %.

Errors in structural actions tended to have a significantly higher financial impact than errors in agricultural policy. The Court stated that it was reasonably confident that, in the 2006 budget year, at least 12 % of the total amount reimbursed to Structural Policies projects should not have been reimbursed. The Court's findings were based on the audit of a sample of 177 projects that had received interim payments from the Commission in 2006.

Both the Commission and the Court have identified structural actions as a sector of the EC budget where errors seem to be persistently frequent and with a higher financial impact than in other sectors of the EC budget. The same types of errors are repeated from year to year - although their relative importance may vary - which indicates that control systems are not working well.

The Court presented its assessment of 19 control systems in nine Member States in the 2006 Annual Report. In each case, the Court assessed whether the relevant level in the control structure was satisfactory, partially satisfactory or unsatisfactory. The Court identified the main problems to be at the first levels of control in Member States (slightly more than half of the managing and paying authorities examined were considered unsatisfactory), whereas the final control level was working relatively well (no winding-up bodies were considered to be unsatisfactory).

Operational conclusions: almost all Member States replied to the Commission's questionnaire concerning the European Court of Auditors' 2006 Annual Report, although some Member States submitted partial replies.

The replies indicate that:

- in structural actions, Member States consider EU legislation to be complex and staff involved in day-to-day management of projects to have insufficient knowledge of the rules. Archives are sometimes not properly organised or documents are not kept long enough. These problems lead to repetition of the same types of errors. Member States must address these key issues in an effective and efficient manner - as early as during the legislative process - if the level of error in structural actions is to be reduced;
- the Court works to a very tight timetable, making it difficult for Member States to provide their reaction to a significant number of the errors identified before the Court adopts its DAS. The Court has already increased its efforts to inform Member States more quickly of errors identified. Currently, the Court informs Member States of its findings by sending a letter to the relevant national supreme audit institution. Member States might be able to provide replies faster if the Court extended its use of electronic communication. The Court already presents each finding in a standardised format (a DAS error form). Further developing this form to also include a standardised reply section to be completed by the auditee could also be considered, if Member States find that this might help them provide the right information to the Court (and the Commission) more quickly;
- the Commission should improve its own follow-up of the Court's findings in Member States to help ensure that Member States provide replies on time and of good quality. The Commission therefore intends to step up its monitoring of Member States' replies by providing regular overviews to Member States of findings where input from Member States will be important to the Commission during the contradictory procedure. The Commission will also continue to discuss with Member States and the Court the reasons for the most common errors and the practical steps that need to be taken to prevent them;
- when Member States accept the errors identified by the Court, they appear to take appropriate action - often by recovering the funds concerned or withdrawing ineligible expenditure when errors have a financial impact;
- Member States do not always agree with the errors identified by the Court. This is a particular problem for errors with a financial impact in structural actions. The Commission and the Court are currently discussing how to minimise disagreements on interpretation of rules in the future.

The Commission welcomes the many and prompt replies received from Member States. They are an important contribution to the Commission's follow-up of the Court's findings. When Member States agree with the Court's findings, they do seem to follow up in an appropriate manner, including recovering funds. Nevertheless, prevention of errors must be improved by ensuring that those involved in day-to-day management are aware of the rules and procedures to be followed and have the appropriate resources.

2006 discharge: EC general budget, Section III, Commission

The Committee on Budgetary Control adopted the report by Dan JØRGENSEN (PES, DK) recommending that the Parliament grant discharge to the Commission in respect of the implementation of the EU general budget for 2006 and to the directors of the 'Education, Audiovisual and Culture' and 'Intelligent Energy' Executive Agencies in respect of the implementation of their Agencies' budgets for 2006. The committee also recommended that Parliament should approve the closure of the accounts of the EU general budget for 2006, but pointed out that 80% of Community expenditure was administered by the Member States through 'shared management' and that, as a result, each Member State must be in a position to take on the responsibility for the management of EU funds received, either through a single national management declaration or in the form of several declarations within a national framework.

In the resolution containing its observations accompanying the proposed discharge decision on the EU general budget for 2006, the parliamentary committee looked closely at the issues of shared management and responsibility, at all levels, for the implementation of the EU budget.

Main conclusions of the parliamentary committee: in favour of setting up a working group for the follow-up to the 2006 discharge: while MEPs welcome the progress made by the Commission towards a more efficient use of EU funds, particularly concerning the Common Agricultural Policy (CAP), thanks to the Integrated Administrative Control System (IACS), they believe that significant efforts remain to be made in several areas of expenditure through shared management: MEPs are referring to structural measures and external actions in particular, which still record a high incidence of error. To combat this control deficit, MEPs call for the setting up of a joint Parliament -Commission working group for the follow-up to the discharge in respect of the financial year 2006, covering national declarations and annual summaries, external actions and the implementation of the action plan to strengthen the Commission's supervisory role under shared management of Structural Actions. This working group should be co-chaired by the competent Member of the Commission and the President of the Committee on Budgetary Control.

National Management Declarations: MEPs welcome the Commission's commitment to give firm political support to national initiatives to draw up and publish national declarations, following the example of the Netherlands, the UK, Denmark and Sweden. Therefore, they expect the Commission to insert a new action point on promoting national management declarations as part of its review and follow-up to the action plan towards an integrated internal control framework. They recall the urgent need to introduce national declarations at an appropriate political level, covering all Community funds coming under the shared management arrangement, as requested by Parliament in its resolutions accompanying the discharge decision in respect of the financial years 2003, 2004 and 2005. The MEPs reject, in particular, the Commission's decision not to proceed with the development of a single standard declaration for all Member States.

Structural Funds: MEPs also welcome the publication of the action plan to strengthen the Commission's supervisory role under shared management of structural actions, in reaction to the concerns raised by Parliament in the course of the discharge procedure for the financial year 2006. They will closely monitor the reporting on this action plan in preparation for the 2007 discharge. In particular, MEPs welcome the firm commitment made by the Commission to ensure that any undue payments are recovered in the remaining period before the closure of the winding-up procedures concerning the 2000 to 2006 period. They consider as a major achievement of the 2006 discharge procedure, the commitment made by the Commission to correct all individual errors found in the Court of Auditor's Annual Report, and in particular the commitment to make 100% corrections in all cases of serious breaches of public procurement procedures and to apply flat rate or extrapolated financial corrections whenever it finds systemic tendering problems. MEPs fully support the fact that the Commission has finally committed itself to applying a policy of suspending payments as soon as possible, following detection of serious weaknesses in the system. In this context, MEPs look forward to the establishment of a system and a reporting scheme which would allow recoveries made ex post to be linked to the year when the actual funding was allocated.

External actions: MEPs welcome the fact that the Commission has become increasingly aware of the importance of transparency, visibility and political guidance for all EU funds implemented in the area of external actions, be it directly by the Commission or via international trust funds. In this context, MEPs call on the Commission to review, as soon as possible, the Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA) and to keep the Parliament informed of this agreement. Once again, they call on the Commission to submit the list of entities which were not subject to a tender procedure for contracts received in 2006 as well as a series of technical measures on how to improve the visibility of EU funds when implementing external aid via other organisations. Furthermore, they consider that the Commission must react to fulfil important requests made by the Parliament in its 2005 discharge procedure.

The issue of recoveries: MEPs consider that the Commission must present complete and reliable figures for recoveries, specifying the exact budget line and year to which the individual recoveries relate. They insist on public access to information on all members of experts and working groups working with the Commission, as well as full disclosure of beneficiaries of EU funding.

In addition to these general considerations, the parliamentary committee notes a certain number of horizontal issues on the DAS (Statement of Assurance of EU expenditure) and on the implementation of different budget headings for the financial year 2006.

Horizontal issues: while overall MEPs note with satisfaction the Court of Auditor's positive opinion concerning the reliability of the final annual accounts for 2006, they deplore, nonetheless, the fact that in areas such as structural measures, internal policies and external actions, payments are still affected by high material errors at the level of implementing organisations. In particular, they regret the lack of clarity about legality, and the inevitable impact on the media, of EU funds being received by railway companies, horse riding/breeding clubs, golf leisure clubs and city councils.

MEPs note the significant efforts made by the Commission in terms of budgetary management but once again regret the financial drain caused by the RAL (outstanding commitments unused and carried over to be implemented in subsequent financial years), corresponding to 28% of the total amounts of the related financial perspective headings for the whole of the period 2000-2006.

In terms of governance, MEPs regret the Commission's tacit acceptance of the collective irresponsibility of the majority of the Member States concerning financial management in the European Union and welcome the initiatives taken by some Member States to take on this responsibility in full by publishing the relevant accounts with complete transparency. They call on the other Member States to follow suit.

Sectoral issues: MEPs looked in detail at the implementation of the budget for each of the budget headings and came up with the following points:

- CAP: MEPs welcome the general improvement in CAP expenditure in 2006 and the Court of Auditor's statement that the IACS is an effective system in limiting the risk of irregular expenditure. However, CAP expenditure is still materially affected by errors and controls and checks implemented under IACS are still not effectively enforced or are not yet completely reliable in some Member States. It is therefore necessary to reinforce the implementation of the IACS, where it is needed the most (for example, Greece) and to give due consideration to the pertinence of eligibility conditions for certain CAP measures;
- Structural measures: recalling that the Court of Auditors estimated that "at least 12% of the total amount reimbursed in structural policies should not have been reimbursed", MEPs urge the Commission to make use of ex ante checks to verify whether supervisory and control systems for the period 2007 to 2013 are in place in all the Member States. MEPs find it unacceptable that regulations for the period 2007-2013 have not been simplified. It is necessary to encourage Member States to effectively control this type of expenditure and to start infringement procedures against those Member States which have not fulfilled their obligations in terms of monitoring, recoveries or financial corrections. The Commission should also start suspension procedures against Member States whose first level control systems are inadequate;
- Internal policies: MEPs deeply regret the critical assessment of the Court of Auditors in this area, which is under the Commission's direct financial management. Therefore, the Commission should rectify the weaknesses highlighted by the Court next year. In

- particular, the Commission should take measures in order to avoid the current persistent delays in payments;
- External actions: MEPs call for a clear definition of a non-governmental organisation, focussing not only on legal aspects but also on the non-governmental financing of these organisations. Given the lack of reliability of the accounts of the EuropeAid Co-operation Office and of ECHO, MEPs call on the Commission to react and to strengthen its controls at all levels. They underline that, in the period 2000- 2006, EU contributions to the UN increased by 700% (from EUR 200 million in 2000 to EUR 1.4 billion in 2007): it is therefore essential to follow up these funds transferred to international trust funds. They also call for concrete measures to be taken to aid the implementation of projects managed by UN agencies or to improve the monitoring of pre-accession expenditure. Once again, MEPs call for clarification on 'what exactly has been done to alleviate the situation of Iraqi refugees and displaced persons?', and on EU assistance to Afghanistan (particularly on the expulsion, from the country, of the acting EU representative on a charge of having communicated with the Afghan Taliban) and request annual lists of projects funded by the EU, including their location and the final beneficiaries;
 - Administrative expenditure: given the large increase in the number of agencies in operation (24 in 2006, including 2 executive agencies, compared to 16 in 2005), MEPs call for an analysis of decentralisation and its effects on Commission staff. They call on the Commission to follow more closely the cash balances of the agencies and to strengthen the agencies' obligation to submit, in their payment requests, rigorous forecasts of their real cash requirements in order to avoid unnecessary cash movements;
 - Community's building policy: lastly, MEPs are concerned about the global structural deficit which reached EUR 5 million for maintenance and refurbishment projects concerning all the buildings that are owned by the Commission (including the Berlaymont). They reiterate the view that a study should be made of the feasibility of establishing a European property authority with responsibility for the construction and maintenance of the buildings of the EU institutions and bodies.

2006 discharge: EC general budget, Section III, Commission

PURPOSE: to grant discharge to the Commission for the implementation of the European Union general budget for the financial year 2006.

LEGISLATIVE ACTS: Decisions 2009/187/EC, Euratom and 2009/190/EC, Euratom of the European Parliament on the discharge for implementation of the European Union general budget for the financial year 2006 and the closing of the accounts of the same budget (Section III - Commission).

CONTENT: with the present decisions, the European Parliament grants the European Commission discharge for the implementation of the general budget for 2006 and definitively closes the accounts for the year 2006. The Parliament also grants discharge to the Commission's Education, Audiovisual and Culture Executive Agency and the Intelligent Energy Executive Agency.

Moreover, the Parliament recalls that 80% of Community expenditure is administered by the Member States under shared management, and that, therefore, each Member State must be able to take responsibility for the management of EU funds received by it. It therefore urges all Member States to publish national declarations on the use and implementation of EU funds received.

The Parliament also makes a number of other observations in a resolution annexed to the discharge decision (please refer to the summary of the opinion of 22/04/2008).

2006 discharge: EC general budget, Section III, Commission

The European Parliament adopted, by 582 votes in favour, 77 against and 18 abstentions, a Decision to grant the Commission discharge in respect of the implementation of the European Union general budget for the financial year 2006, as well as to the Commission's Education, Audiovisual and Culture Executive Agency and the Intelligent Energy Executive Agency. The decision to grant discharge also constitutes closure of the accounts.

At the same time, the Parliament adopted by 582 votes in favour, 49 against and 54 abstentions, a Resolution containing the comments which form part of the decision giving discharge. The report had been tabled to plenary by Dan JØRGENSEN (PES, DK) on behalf of the Committee on Budgetary Control.

Firstly, the Resolution recalls that 80% of Community expenditure is administered by the Member States under shared management, and that, therefore, each Member State must be able to take responsibility for the management of EU funds received by it, either through a single national management declaration or in the form of several declarations within a national framework.

In line with the position of the committee responsible, the plenary returned to the issue of shared management and responsibility, at all levels, of the implementation of the Community budget.

Overall, the Parliament made the following points:

Main conclusions: the Parliament welcomes the progress made by the Commission towards a more efficient use of EU funds and in the overall control environment. It welcomes the ECA's statement of assurance, particularly regarding the level of error, and calls on the Court to apply this principle to all chapters of its annual report in the future. It welcomes the considerable progress made by the Commission in the management of common agricultural policy (CAP) funds, thanks to the functioning of the Integrated Administrative Control System (IACS), as well as the commitment by the Commission to report on a monthly basis to the Parliament's Committee on Budgetary Control on the follow-up to the discharge procedure, so that, every month, the Parliament has an idea of the latest developments, covering national declarations and annual summaries, external actions and the implementation of the action plan to strengthen the Commission's supervisory role under shared management of structural actions. However, plenary abandoned the idea of calling for the setting up of a joint Parliament-Commission working group for the follow-up to the discharge in respect of the financial year 2006, as the Committee responsible had called for.

National management declarations: the Parliament welcomes the Commission's commitment to give firm political support to Member States in the drawing up and publishing of national declarations, following the example of the Netherlands, the UK, Denmark and Sweden. In particular, plenary insists that the Commission must react to fulfil important requests made in Parliament's resolution accompanying the discharge decision in respect of the financial year 2005, which is not the case in the field of national declarations, where Parliament asked the Commission to submit to the Council before the end of 2007 a proposal for a national management declaration covering all Community funds

under shared management. Parliament regrets the Commission's tacit acceptance of Member States' collective irresponsibility concerning financial management in the European Union, with the exception of Denmark, the Netherlands, Sweden and the UK, who decided to follow Parliament's requests in terms of national declarations.

Concerning recoveries, the Commission must present complete and reliable figures for recoveries, specifying the exact budget line and year to which the recovery relates, given that any other presentation makes serious control by the Parliament impossible (even though it is aware that the Commission to a large extent has to obtain this information from the Member States). It is also recalled that, for the last three years, Parliament has proposed the introduction of national management declarations in order to put the Commission in a position where it is able to fulfil its information role.

Overall, the Parliament expects the Commission to include a new action point 'promoting national management declarations', as part of its follow-up to its action plan towards an integrated internal control framework. Therefore, it completely rejects the Commission's position, which decided not to continue developing a single standard declaration for all Member States.

Structural Funds: Parliament welcomes the publication of an action plan to strengthen the Commission's supervisory role under shared management of structural actions in reaction to the concerns raised by Parliament in the course of the discharge procedure in respect of the financial year 2006. It also welcomes the firm commitment made by the Commission to ensure that any undue payments are recovered in the time remaining before the closure of winding-up procedures for the period 2000 to 2006 and considers a major achievement of the 2006 discharge procedure to be the commitment made by the Commission to correct all individual errors found in the ECA's Annual Report, and in particular the commitment to make 100% corrections in all cases of serious breach of public procurement procedures and to apply financial corrections whenever it finds systemic tendering problems. Parliament fully approves the Commission's initiative to apply a policy of suspending payments as soon as possible following detection of serious weaknesses in Member States' control systems. In this context, it hopes to set up a reporting scheme allowing recoveries made ex post to be linked to the year when the actual funding was allocated.

External actions: the Parliament welcomes the Commission's increasing awareness of the importance of transparency, visibility and political guidance for all EU funds implemented in the area of external actions, be it directly by the Commission or via international trust funds. In this context, Parliament invites the Commission to revise, as soon as possible, the Financial and Administrative Framework Agreement between the European Community and the United Nations (FAFA) and it expects to be kept informed regarding this agreement. It calls on the Commission to provide a series of technical information with the aim of improving the visibility of Community funds, particularly when implementing aid via other organisations.

In addition to these general observations, the Parliament makes a certain number of horizontal observations on the Statement of Assurance and on the implementation of different budgetary headings during the financial year 2006.

Horizontal issues: while overall the Parliament notes with satisfaction the Court of Auditor's positive opinion concerning the reliability of the final annual accounts for 2006, it deplores, nonetheless, the fact that in areas such as structural measures, internal policies and external actions, payments are still affected by high material errors at the level of implementing organisations. In particular, it regrets the lack of clarity about legality, and the inevitable impact on the media, of EU funds being received by railway companies, horse riding/breeding clubs, golf leisure clubs and city councils.

The Parliament notes the significant efforts made by the Commission in terms of budgetary management but once again regrets the financial drain caused by the RAL (outstanding commitments unused and carried over to be implemented in subsequent financial years), corresponding to 28% of the total amounts of the related financial perspective headings for the whole of the period 2000-2006.

Sectoral issues: the Parliament looked in detail at the implementation of the budget for each of the budget headings and made the following points:

- CAP: although Parliament is generally satisfied, it considers that CAP expenditure is still materially affected by errors and controls and checks implemented under IACS are still not effectively enforced or are not yet completely reliable in some Member States. It is therefore necessary to reinforce the implementation of the IACS, where it is needed the most (for example, Greece) and to give due consideration to the pertinence of eligibility conditions for certain CAP measures;
- Structural measures: recalling that the Court of Auditors estimated that "at least 12% of the total amount reimbursed in structural policies should not have been reimbursed", the Parliament urges the Commission to make use of ex ante checks to verify whether supervisory and control systems for the period 2007 to 2013 are in place in all the Member States. Parliament believes that legislation applicable to structural funds must be simplified and that it is necessary to encourage Member States to effectively control this type of expenditure and to start infringement procedures against those Member States which have not fulfilled their obligations. The Commission should also start suspension procedures against Member States whose first level control systems are inadequate;
- Internal policies: Parliament deeply regrets the critical assessment of the Court of Auditors in this area, which is under the Commission's direct financial management. Therefore, next year, the Commission should rectify the weaknesses highlighted by the Court, and take measures to put an end to the current practice of delayed payments;
- External actions: Parliament calls for a clear definition of a non-governmental organisation, focussing not only on legal aspects but also on the non-governmental financing of these organisations. Given the lack of reliability of the accounts of the EuropeAid Co-operation Office and of ECHO, the Parliament calls on the Commission to react and to strengthen its controls at all levels. It underlines that, in the period 2000-2006, EU contributions to the UN increased by 700% (from EUR 200 million in 2000 to EUR 1.4 billion in 2007): it is therefore essential to follow up these funds transferred to international trust funds. It also calls for concrete measures to be taken to aid the implementation of projects managed by UN agencies or to improve the monitoring of pre-accession expenditure. Once again, Parliament calls for clarification on what has been done to alleviate the situation of Iraqi refugees and displaced persons, and on EU assistance to Afghanistan and requests annual lists of projects funded by the EU;
- Administrative expenditure: given the large increase in the number of agencies in operation (24 in 2006, including 2 executive agencies, compared to 16 in 2005), Parliament calls for an analysis of decentralisation and its effects on Commission staff. The Commission must follow more closely the cash balances of the agencies and oblige agencies to submit, in their payment requests, rigorous forecasts of their real cash requirements. Lastly, the Parliament expresses concern over the structural deficit of maintenance and renovation projects of Community buildings, which amounted to EUR 5 million (including the Berlaymont, which is owned by the Commission). It reiterates its support for the creation of a European property authority with responsibility for the construction and maintenance of the buildings of the EU institutions and bodies.