

European Parliament resolution on the postponement of the discharge in respect of the 1996 financial year (31 March 1998)

Caption: In its resolution of 31 March 1998, the European Parliament informs the Commission of the reasons for the postponement of the decision on the discharge in respect of the implementation of the general budget of the European Union for the 1996 financial year.

Source: Official Journal of the European Communities (OJEC). 04.05.1998, No C 138. [s.l.]. ISSN 0378-6986.

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Publication date: 05/09/2012

Resolution informing the Commission of the reasons for the postponement of the discharge in respect of the implementation of the general budget of the European Union for the 1996 financial year

A4-0097/98

The European Parliament,

- having regard to Article 206 of the Treaty establishing the European Community,
 - having regard to Rule 86 of its Rules of Procedure,
 - having regard to the revenue and expenditure account, the financial analysis and the balance sheet of the European Union for the 1996 financial year (C4-0196/97),
 - having regard to the Annual Report for 1996 (C4-0599/97) ⁽¹⁾ and the special reports of the Court of Auditors and the replies of the Institutions,
 - having regard to the Council recommendation of 9 March 1998 (C4-0168/98),
 - having regard to the report by the Committee on Budgetary Control and the opinions of the Committee on Agriculture and Rural Development, the Committee on External Economic Relations, the Committee on Regional Policy, the Committee on Transport and Tourism, the Committee on the Environment, Public Health and Consumer Protection, the Committee on Civil Liberties and Internal Affairs, the Committee on Fisheries, the Committee on Women's Rights, the Committee on Culture, Youth, Education and the Media, the Committee on Employment and Social Affairs and the Committee on Research, Technological Development and Energy (A4-0097/98),
- A. whereas pursuant to Article 205 of the EC Treaty the European Commission bears responsibility for implementing the budget in accordance with the principles of sound financial management,
- B. whereas the Commission must in so doing ensure the legality and regularity of revenue and expenditure,
- C. whereas the European Parliament must give a discharge to the Commission in respect of the implementation of the budget and thereby assumes responsibility for ensuring that the Commission meets its Treaty obligations in full,
- D. whereas it is thus responsible to the citizens of the Union for ensuring that their money is spent as economically and efficiently as possible and that the Institutions of the Union do everything in their power jointly to secure maximum protection against fraud, corruption and organized crime,
- E. whereas it is deeply concerned about the many problems in nearly all categories of the budget, amounting to an unacceptable number of cases where the execution of the budget has been inappropriate,
- F. having regard to the report from its ad-hoc delegation to Bosnia-Herzegovina,
- G. having regard to Article 206(2) of the EC Treaty, which provides that the Commission should submit any necessary information on the execution of expenditure and on the operation of financial control systems to the European Parliament,
- H. having regard to Article 206(3) of the EC Treaty, which stipulates that the Commission should take all appropriate steps to act on the observations by the European Parliament relating to the execution of expenditure,
- I. whereas the European Court of Auditors declined to provide positive global assurance as to the legality

and regularity of the transactions underlying the payments for the financial year ⁽²⁾,

Council recommendation

1. Informs the Commission that it cannot give the discharge, as provided in Article 89(1) of the Financial Regulation, before 30 April 1998; sets out in the indents below the main reasons for the postponement of this decision and requests the Commission, in accordance with Article 89(4) of the Financial Regulation, to inform it by 15 September 1998 of all the steps it has taken to remove the obstacles to this discharge decision;

(a) the non-execution of the recommendations of its Committee of Inquiry into the Transit System, especially regarding the computerised control system,

(b) the lack of democratic accountability in the fight against fraud inside the European Institutions,

(c) the lack of coherence and sound financial management which led to a low level of execution of all major foreign policy programmes ie. Bosnia-Herzegovina, PHARE, TACIS and MED,

(d) regarding the agricultural sector, the delay in the implementation of the Integrated Control System and the number of recommendations still not implemented from the BSE committee,

(e) the lack of any precise information as to the results of the proposed measures for job creation in SMEs through the Structural Funds;

Implementation of the recommendations of the Committee of Inquiry into the Transit System

2. (a) Finds that action taken by the Commission to implement the recommendations of its Committee of Inquiry into the Transit System, especially in the field of computerisation, which is the cornerstone of any meaningful reform of the system, is insufficient; asks the Commission to give full information on the technical and administrative progress of the computerisation;

(b) Particularly regrets the deficiencies in the reporting of these implementation delays to Parliament; considers the response to the recommendations of a Committee of Inquiry unsatisfactory; the implementation of the NCTS, as one of the most crucial recommendations of the Committee of Inquiry into the Transit System, is the issue on which the final decision to grant or refuse discharge could hang;

The fight against mismanagement and fraud: the lack of democratic accountability

3. Recalls its resolution of 17 February 1998 on the Commission's conduct in respect of alleged fraud and irregularities in the tourism sector ⁽³⁾ and declares that it will not give the discharge until

(a) the information called for in paragraph 4 of the abovementioned resolution (the regular submission of lists of all current internal investigations involving allegations of fraud and corruption on the part of officials of the European institutions and lists of all special audits carried out by the Directorate-General for Financial Control of the Commission) is supplied and is found to be adequate,

(b) measures have been taken to ensure that the competent national judicial authorities will in future be swiftly and without exception informed of any case of alleged fraud, corruption or any other offence when there is a suspicion that EU officials might be involved;

4. Notes that the principle laid down in paragraph 3(b) applies likewise to the case of the MED programmes; recalls paragraph 3 of its resolution of 17 July 1997 on Court of Auditors Special Report No 1/96 on the MED programmes (submitted pursuant to Article 188c(4), second subparagraph, of the EC Treaty) together with the Commission's replies ⁽⁴⁾ in which it requested the Commission to forward to the judicial authorities of the Member States concerned all of the details of the case so that they may themselves decide on the

question of their competence in this area and for consideration of any possible legal implications;

5. Notes that the Commission has taken no action in response to this request; notes that, given the Commission's failure to act, the possibly reprehensible nature of the confusion of interests which, in this particular case, has persisted for years, and the circumstances which led to this confusion of interests have not been clarified;

6. Notes the statement by the Commission to the effect that the facts uncovered are not such as to entail disciplinary procedures in so far as the internal administrative inquiry did not provide conclusive evidence of fraud or intentional individual failure to fulfil their obligations by officials or other staff of the Commission; reminds the Commission, however, that Article 86 of the Staff Regulations provides for disciplinary action for any failure by an official to comply with his obligations, not only where this is intentional but also where it occurs through negligence;

7. Instructs its competent committee to submit a report to Parliament on further developments in this matter by 31 July 1998;

8. Notes the fact that the Council, in its recommendation on the discharge to be given to the Commission in respect of the 1996 financial year, considers that all the European institutions should empower UCLAF to carry out inquiries in appropriate cases; notes that such a decision could represent a decisive contribution to ensuring that the institutions of the Union do everything in their power jointly to provide optimum protection against fraud, corruption and organised crime; will take account of the recommendations in the report on the independence, role and status of UCLAF to be submitted to it by its Committee on Budgetary Control pursuant to paragraph 13 of its resolution of 22 October 1997 ⁽⁵⁾ as soon as the Court of Auditors has published a special report on UCLAF;

External policy areas

9. Is deeply concerned about the fact that wrong decisions made in 1996 still continue to produce a negative effect on the management of the reconstruction programmes in Bosnia-Herzegovina due to an inappropriate legal basis, a highly centralized decision structure, the lack of a decentralized approach on the ground and insufficient staffing in Sarajevo, which have resulted in an under-execution of funds thus damaging the reputation of the EU, delaying the return of refugees and, most important, prolonging the suffering of the people of the region which could have been avoided;

10. Notes that the Commission has recently announced measures which, after the failures of the last two years, are intended to permit effective implementation of the reconstruction programme in the former Yugoslavia; affirms that a small delegation of the parliamentary committees concerned must carry out an on-the-spot inspection in summer of this year to establish whether these measures have actually been implemented and are having an effect;

11. Urges the Commission to concentrate as soon as possible all decision-making powers on the spot in Sarajevo in the hands of a Director-General who, in close cooperation with the High Representative on the spot, would be required to coordinate and direct all the operations of the Commission and its departments;

12. Notes that the Commission has not yet acted upon paragraph 10 of its resolution of 6 November 1997 on Court of Auditors Special Report No 3/97 on the decentralized system for the implementation of the PHARE Programme, together with the Commission's replies ⁽⁶⁾ and expects from the Commission

(a) a proposal under which, as from the 1999 financial year, at least one PHARE country would assume full responsibility for the implementation of its national PHARE programme, in accordance with the terms of the Financial Regulation (Articles 107 and 109(4)), and subject to regular *ex post* checks by the Commission,

(b) a decision to the effect that at least one Commission delegation in a PHARE country with which accession negotiations have not opened assumes complete responsibility for financial management of that

country's national programme as from the 1999 financial year;

13. Deplores the fact that the TACIS programme has not been able to find a solution to the nuclear safety problems in Ukraine as pointed out in its resolution of 12 March 1998 ⁽⁷⁾ on Court of Auditors Special Report No 6/97 concerning TACIS subsidies allocated to the Ukraine, together with the Commission's replies (C4-0350/97), and urges the Court of Auditors to publish rapidly the special report on nuclear safety;

14. Regrets the deficiencies in the current execution of the TACIS Programme; insists that improvements take place in the management of the programmes, in particular by giving more powers of decision to the delegations in the TACIS countries, and asks the Commission to report back to it on these improvements;

15. Recalls paragraph 14 of its aforementioned resolution of 17 July 1997 on the MED programmes in which it had already approved the principle of relaunching decentralized cooperation programmes;

16. Notes the statement by the Commission to the effect that it is now ready to relaunch these programmes and requests it to do so without delay and in compliance with the conditions specified in paragraph 14 of its aforementioned resolution of 17 July 1997;

17. Consents to the MED programmes being relaunched by calling initially on the services of two separate external firms for technical management and for financial management; requests the Commission to submit suitable proposals to Parliament with a view to its taking over direct responsibility either for technical management or for financial management of the programmes after two years;

18. Calls on the Commission to exclude from involvement in the new programmes any operators who in the past signed a co-financing obligation and failed to honour it; requests the Commission to arrange for the full recovery of any amounts identified as recoverable during the current financial audit;

Agricultural spending

19. Notes, in connection with the Integrated Control System, that

(a) the deadline for the full introduction of this system, which is supposed to prevent irregularities in respect of the payment of land area and livestock premiums and under which payments totalling about ECU 20 billion are to be monitored annually, was extended from the original date of the end of 1995 to the end of 1996 at the latest (and for Finland, Austria and Sweden to the end of 1997) and in spite of that has been delayed still further in some Member States;

(b) the Commission's departments are still not in a position to determine whether the Integrated Control System is now operating satisfactorily in all Member States;

(c) according to the Court of Auditors, field inspections have shown that, on average, every fifth application proves to be incorrect;

(d) the Commission does not have sufficiently reliable figures for all Member States indicating the extent to which the erroneous applications have been corrected;

(e) moreover, the Commission does not have sufficiently reliable data either as to how many cases of fraud or serious neglect have been detected and penalised by the Member States;

20. Expects the Commission, in this context,

(a) to submit a report to Parliament, with a breakdown by Member State, on the state of progress with regard to the introduction of the Integrated System, the amount of checks carried out by the Member States in 1996 and the results achieved, the number and extent of the corrections made and the number of cases in which there is a suspicion of fraud or serious negligence;

(b) to make financial adjustments in the context of the clearance of the accounts in all cases, without exception, in which the Integrated Control System was not operational by the prescribed deadlines;

(c) pursuant to Article 13 of Council Decision 94/729/EC of 31 October 1994 on budgetary discipline ⁽⁸⁾, to suspend or reduce payments and initiate infringement proceedings immediately in all cases in which the Integrated Control System is still not, or is only incompletely, operational or where Member States have failed to supply adequate information;

21. Restates its decision, contained in its resolution of 21 February 1997 informing the Commission of the reasons for the postponement of the giving of discharge to the Commission in respect of the EAGGF clearance of the accounts for the 1992 financial year ⁽⁹⁾, not to give the discharge for the 1992 clearance of accounts until the staff increase Parliament requested for the Commission unit responsible for clearance of the EAGGF accounts has not only been announced but implemented;

Measures in favour of SMEs

22. Is alarmed at the Court of Auditors' revelation that while funds have been made available in the Community budget for a virtually unmanageable number of measures to promote small and medium-sized enterprises (SMEs), the relevant appropriations are being taken up only very slowly or not at all and it is often totally unclear whether they will help to meet the aim of creating more jobs;

23. Notes that the European Council has recently adopted new measures in favour of SMEs linked to guarantees by the EIB; notes also that significant funds were allocated in the Structural Funds for helping SMEs in the 1994-1999 programming period, but the Commission until now was totally unable to explain how this money has been allocated; asks the Commission to present an inventory of all measures aimed at providing aid for SMEs, in the Structural Funds, before 30 June 1998;

Audit and control of the EIF

24. Notes that the Court of Auditors, as it did not have access to the necessary information, is still not in a position to audit the European Investment Fund (EIF) and is therefore unable to submit an opinion to the discharge authority; recalls paragraph 56 of its resolution of 10 April 1997 on the discharge for 1995 ⁽¹⁰⁾ and calls on the Commission, in its capacity as representative of the European Community shareholding in the EIF, to ensure the introduction of transparent public audit and control arrangements providing the taxpayer-investor with the necessary assurances as to the accountability of the EIF for its use of public funds;

Administrative and budgetary management

25. Calls on the Commission to redefine its staff policy, in particular by submitting realistic estimates of its needs to the budgetary authority, and to review its human resources management in the light of policy priorities, especially enlargement and the requirements in terms of deconcentration which it implies;

26. Recalls that, pursuant to Article 205 of the Treaty, the Commission has sole responsibility for implementation of the budget; notes that in recent years it has become accustomed to delegating public administration prerogatives to third parties without obtaining all the requisite guarantees and that, according to the Court of Auditors, this practice has assumed dangerous and reprehensible proportions; notes that during the 1996 financial year this practice led to numerous irregularities, and in particular confusions of interests, and a deterioration in the Commission's monitoring of the regularity and effectiveness of expenditure; requests the Commission to submit a report to Parliament on the measures it has taken to put an end to this practice;

27. Is concerned at the obvious absurdities in the results of the competition organized by the Commission in 1996 for the recruitment of accountants; expects the Commission to submit a report giving details of how the Commission ensures that staff for the EU institutions are recruited on the widest possible geographical

basis;

28. Notes that the Commission has not yet or not fully complied with the requests for reports contained in its aforementioned resolution of 17 July 1997 on Court of Auditors Special report No 1/96 on the Mediterranean Programmes, its resolution of 17 February 1998 on Court of Auditors Special report No 3/96 on Tourism Policy and the Promotion of Tourism, together with the Commission's replies ⁽¹¹⁾, its resolution of 16 January 1998 on Court of Auditors Special report No 2/97 on European Union Humanitarian Aid - 1992-1995 ⁽¹²⁾, and its aforementioned resolution of 6 November 1997; notes that it must verify, point by point, whether the Commission has taken all the appropriate measures to comply with the requests formulated by Parliament on the basis of these reports; requests the Court of Auditors to deliver an opinion to Parliament on the matter by July 1998;

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29. Instructs its President to forward this resolution to the Commission and the Court of Auditors.

⁽¹⁾ OJ C 348, 18.11.1997.

⁽²⁾ Volume II of the Annual Report, p. 8.

⁽³⁾ Minutes of that sitting Part II, Item 5(a).

⁽⁴⁾ OJ C286, 22.9.1997, p. 263.

⁽⁵⁾ Minutes of that sitting, Part II, Item 14.

⁽⁶⁾ OJ C 358, 24.11.1997, p.50.

⁽⁷⁾ Minutes of that sitting, Part II, Item 9(b).

⁽⁸⁾ OJ L 293, 12.11.1994, p. 14.

⁽⁹⁾ OJ C 85, 17.3.1997, p.184.

⁽¹⁰⁾ OJ L 162, 19.6.1997, p.32.

⁽¹¹⁾ Minutes of that Sitting, Part II, Item 5(b).

⁽¹²⁾ Minutes of that Sitting, Part II, Item 2(b).