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Contents

I Acts whose publication is obligatory

.....

II Acts whose publication is not obligatory

European Parliament

2004/707/EC:

- * **Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Agency for Reconstruction for the financial year 2002** 1

Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2002 2

2004/708/EC:

- * **Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Agency for Safety and Health at Work in respect of the implementation of its budget for the financial year 2002** 8

Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Agency for Safety and Health at Work in respect of the implementation of its budget for the financial year 2002 9

2004/709/EC:

- * **Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Environment Agency in respect of the implementation of its budget for the financial year 2002** 14

Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Environment Agency in respect of the implementation of its budget for the financial year 2002 15

2004/710/EC:

- * **Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Agency for the Evaluation of Medicinal Products in respect of the implementation of its budget for the financial year 2002** 20

Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Agency for the Evaluation of Medicinal Products in respect of the implementation of its budget for the financial year 2002 21

Price: 30 EUR

(Continued overleaf)



Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

The titles of all other Acts are printed in bold type and preceded by an asterisk.

2004/711/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the Translation Centre for the bodies of the European Union in respect of the implementation of its budget for the financial year 2002	27
Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the Translation Centre for the bodies of the European Union in respect of the implementation of its budget for the financial year 2002	28
2004/712/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2002	34
Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2002.....	35
2004/713/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of Eurojust in respect of the implementation of its budget for the financial year 2002	40
Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of Eurojust in respect of the implementation of its budget for the financial year 2002.....	41
2004/714/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Training Foundation in respect of the implementation of its budget for the financial year 2002	46
Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Training Foundation in respect of the implementation of its budget for the financial year 2002	47
2004/715/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2002	53
Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2002	54
2004/716/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Monitoring Centre for Drugs and Drug Addiction in respect of the implementation of its budget for the financial year 2002	59
Resolution of the European Parliament containing the comments accompanying the Decision on the discharge to the Director of the European Monitoring Centre for Drugs and Drug Addiction in respect of the implementation of its budget for the financial year 2002	60
2004/717/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge to the Director of the European Monitoring Centre on Racism and Xenophobia in respect of the implementation of its budget for the financial year 2002	66
Resolution of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Monitoring Centre on Racism and Xenophobia in respect of the implementation of its budget for the financial year 2002	67
2004/718/EC:	
★ Decision of the European Parliament of 21 April 2004 concerning discharge for the financial management of the European Coal and Steel Community (ECSC) for the financial year ended 23 July 2002	73
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge for the financial management of the European Coal and Steel Community (ECSC) for the financial year ended 23 July 2002	74



2004/719/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)	78
2004/720/EC:	
* Decision of the European Parliament of 21 April 2004 closing the accounts in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)	80
Resolution of the European Parliament accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)	82
2004/721/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the 2002 financial year	123
2004/722/EC:	
* Decision of the European Parliament of 21 April 2004 on closing the accounts of the sixth, seventh and eighth European Development Funds for the 2002 financial year	125
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the 2002 financial year	128
2004/723/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section II — Council	137
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section II — Council.....	138
2004/724/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section IV — Court of Justice	140
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section IV — Court of Justice	141
2004/725/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section V — Court of Auditors	143
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section V — Court of Auditors.....	144
2004/726/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VI — European Economic and Social Committee	149
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VI — European Economic and Social Committee	150
2004/727/EC:	
* Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VII — Committee of the Regions	152
Resolution of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VII — Committee of the Regions.....	153



2004/728/EC:

- * **Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VIII — Ombudsman** 156
- Resolution of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VIII — Ombudsman** 157

2004/729/EC:

- * **Decision of the European Parliament of 21 April 2004 concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Section I — European Parliament)** 158
- Resolution of the European Parliament accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Section I — European Parliament)** 160

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⁽²⁾ Nine new official languages of the European Union as of 1 May 2004.

⁽³⁾ Multilingual: 11 languages until 30 April 2004, thereafter 20 languages.

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II

(Acts whose publication is not obligatory)

EUROPEAN PARLIAMENT

DECISION OF THE EUROPEAN PARLIAMENT

of 21 April 2004

concerning discharge to the Director of the European Agency for Reconstruction for the financial year 2002

(2004/707/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Agency for Reconstruction for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0632/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0149/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾ and in particular Article 185 thereof, and to Council Regulation (EC) No 1646/2003 of 18 June 2003 amending Regulation (EC) No 2667/2000 on the European Agency for Reconstruction ⁽³⁾, and in particular Article 8 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0212/2004),
1. Gives discharge to the Director of the European Agency for Reconstruction, in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this Decision and the accompanying Resolution to the Director of the European Agency for Reconstruction, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 16.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Agency for Reconstruction in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Agency for Reconstruction for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0632/2003),
- having regard to the Council's recommendation of 9 March 2004 (C5-0149/2004),
- having regard to the EC Treaty, and in particular Article 276 thereof,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾ and in particular Article 185 thereof, and to Council Regulation (EC) No 1646/2003 of 18 June 2003 amending Regulation (EC) No 2667/2000 on the European Agency for Reconstruction, and in particular Article 8 thereof ⁽³⁾,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
- having regard to Rule 93 *a* of and Annex V to its Rules of Procedure,
- having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0212/2004),
- A. whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular,
- B. whereas on 8 April 2003 Parliament gave discharge ⁽⁵⁾ to the Director of the Agency in respect of the implementation of its budget for the 2001 financial year, on the basis of the report of the ECA, and in so doing Parliament in its resolution, *inter alia*:
 - insisted that the Agency, in line with previous observations of the ECA on financial statements and accounts, take all necessary steps to avoid the risk of errors occurring as a result of using spreadsheets for the purpose of keeping its accounts,
 - called on the Commission to report back to Parliament on the results of an administrative investigation into possible liability for mismanagement, as well as on measures taken were any disciplinary measures to have been deemed appropriate,

⁽¹⁾ OJ C 319, 30.12.2003, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 16.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 148, 16.6.2003, p. 95.

- invited the Agency, with the aim of securing the protection of the financial interests of the Community, to ensure the systematic monitoring of all projects in the energy sector financed by EU funds; to take all relevant measures, in cooperation with UNMIK, the Kosovo Power Corporation (KEK) and the external supervisory contractors, with a view to achieving the long-term sustainability of investment in the energy sector; and to establish an overall plan for monitoring projects financed and evaluating their consistency with EU policy in the region;
1. Notes the following figures for the accounts of the European Agency for Reconstruction for the financial years 2002 and 2001;

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue		
Comission subsidies ⁽¹⁾	462 804	517 633
Financial revenue	5 978	2 915
Miscellaneous revenue	495	135
Couterpart funds	497	5 787
Earmarked revenue	500	0
Total revenue (a)	470 274	526 469
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	17 771	13 418
Appropriations carried over	206	337
<i>Administration — Title II of the budget</i>		
Payments	6 211	5 908
Appropriations carried over	2 037	1 217
<i>Operating activities — Title III of the budget</i>		
Payments	138 512	327 345
Appropriations carried over	293 106	176 863
Total expenditure (b)	475 844	525 088
Outturn for the financial year (a - b) ⁽²⁾	12 430	1 328
Balance carried over from the previous financial year	- 73 127	- 35 768
Payments on the Commission's behalf ⁽¹⁾	- 25 407	- 70 050
2001 payment appropriations which lapse (Title III)	0	31 061
2001 appropriations carried over which lapse (Titles I and II)	135	254
Cancellations of 2001 appropriations carried over	5 463	0
Carry-overs of further 2001 appropriations	- 32 423	0
Exchange-rate differences	22	- 5
Balance for the financial year	- 122 908	- 73 127

⁽¹⁾ Includes payments made by the Commission for the Agency to make payments on its behalf.

⁽²⁾ Calculated according to the principles laid down in Article 15 of Council Regulation (EC,Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: Agency data

Implementation of the budget

2. Notes the ECA recommendation that forecasts for administrative expenditure (Title II) should be given careful attention so as to ensure that carry-overs and appropriations which lapse do not account for too great a part of the total administrative budget; expects the Agency, in line with the principle of budget accuracy, to take the necessary steps to comply with that recommendation;

Financial statements

3. Welcomes the fact that the Agency gave a positive follow-up to previous ECA observations, making progress in strengthening its internal control system by the introduction of the SI2 accounting system;
4. Invites the Agency rapidly to give an equally positive follow-up to the ECA's and the Parliament's suggestion to introduce a reliable general accounting tool in all its centres and abandon the use of spreadsheets for its general accounts;
5. Expects the Agency to promptly respond to the ECA invitation to clarify the status of funds made available to specialised bodies for the financing of loan programmes in specific fields and to adopt appropriate solutions as regards the way in which these funds should be recorded in the Agency's financial statements;
6. Expresses its deep concern over the ECA's findings that a bank account had been opened in the Agency's name of whose existence the accounting officer had not been advised; notes the explanation provided by the Director of the Agency with regard to this matter; takes the view that in a complex decentralised environment, such as the one in which the Agency operates, matters relating to transactions with banks should be handled with the utmost care and transparency;
7. Notes the measures that the Agency has taken, stated in its replies to the questionnaire, to avoid such a situation occurring again; invites the Agency to improve coordination between its accounting officer and the delegated accountants in the operational centres; also invites the Agency and the Commission to improve coordination between the Agency's accounting officer and the Commission's accounting Directorate;
8. Invites the Commission's Internal Audit Service to look into this matter to identify potential systemic failures and make the necessary recommendations for remedying such problems;

Legality and regularity of the underlying transactions

9. Shares the concern expressed by the ECA in its report about the risk of a weakening of the Agency's internal control system which might come about through the proliferation of delegations issued by the Director for the implementation of the budget; stresses that cases such as the ones identified by the ECA, where commitments and payments were signed by employees not duly authorised to do so, are unacceptable as they are in breach of the financial rules; expects the Director to provide a full explanation of the circumstances in which this was allowed to happen and, further, to indicate the measures taken or initiated to prevent such incidents from occurring again;
10. Expects the Agency to fully comply with the procedures for implementing the budget laid down in both the new Financial Regulation and the Framework Financial Regulation for the Agencies; invites the Director to give assurances that delegations will be reduced to the strict minimum, which is indispensable for the smooth running of the Agency and the implementation of its budget in accordance with sound financial management;

11. Recalls that the European Parliament requested ⁽¹⁾ the Commission to present, before June 2004, the evaluation report provided for in Article 14 of Regulation (EC) No 2667/2000 on the application of this regulation and a proposal on the status of the Agency;

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

12. Reiterates the position taken in its resolutions ⁽²⁾ accompanying the discharge given to the Agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the Agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the Agencies is established;
13. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;
14. Stresses that it is essential that the Agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽³⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽⁴⁾ on internal investigations by OLAF did so in the same terms as those laid down in the Annex to this Agreement;

Financial Management

15. Notes that in some of the Agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multi-annual nature might be financed by such appropriations;
16. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

17. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
18. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;

⁽¹⁾ OJ C 272 E, 13.11.2003, p. 482.

⁽²⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

⁽³⁾ Texts adopted, 13.1.2004, P5_TA(2004) 0015.

⁽⁴⁾ OJ L 136, 31.5.1999, p. 15.

19. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many Agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many Agencies see opportunities in this regard, as listed in the questionnaire;
20. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the Agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the Agencies' specific needs;
21. Encourages the Agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the Agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the Agencies;

New sources of financing

22. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain Agencies; calls on the Commission and the Agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
23. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

24. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾, so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
25. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

Staff policy

26. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
27. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
28. Considers that the staff policy of the Agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
29. Recalls the principle that the Agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
30. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
31. Is of the opinion that selection procedures organised by Agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
32. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT

of 21 April 2004

concerning discharge to the Director of the European Agency for Safety and Health at Work in respect of the implementation of its budget for the financial year 2002

(2004/708/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Agency for Safety and Health for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0636/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0141/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1654/2003 of 18 June 2003 amending Regulation (EC) No 2062/94 establishing a European Agency for Safety and Health at Work ⁽³⁾, and in particular Article 12a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
1. Gives discharge to the Director of the European Agency for Safety and Health at Work, in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Agency for Safety and Health at Work, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 8.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 38.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Agency for Safety and Health at Work in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Agency for Safety and Health for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0636/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0141/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾ and in particular Article 185 thereof, and to Council Regulation (EC) No 1654/2003 of 18 June 2003 amending Regulation (EC) No 2062/94 establishing a European Agency for Safety and Health at Work ⁽³⁾, and in particular article 12a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
- A. whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular;
- B. whereas on 6 November 2003 Parliament gave discharge ⁽⁵⁾ to the Director of the Agency in respect of the implementation of its budget for the 2001 financial year, on the basis of the report of the ECA, and in so doing Parliament in its resolution, *inter alia*:
- accepted the explanation given by the Agency on the circumstances that resulted in a large amount of operating appropriations being carried over from 2001 to 2002, the main reason being the late approval of the SME accident prevention scheme that the Agency was called upon to implement;
 - noted the good overall assessment of the Agency's performance contained in the external evaluation report and took the view that consideration should be given to the Agency's position in favour of transforming the above SME scheme into a multiannual programme;
 - called on the Agency to improve the programming of its work in relation to the activities of the national focal points and noted with satisfaction the cooperation between the Agency and the Dublin Foundation;

⁽¹⁾ OJ C 319, 30.12.2003, p. 8.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 38.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 333, 20.12.2003, p. 52.

1. Notes the following figures for the accounts of the European Agency for Safety and Health for the financial years 2002 and 2001;

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue		
Commission subsidies	12 324	9 400
Other subsidies	252	184
Miscellaneous revenue	8	0
Financial revenue	73	91
Total revenue (a)	12 657	9 676
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	3 024	2 654
Appropriations carried over	136	168
<i>Administration — Title II of the budget</i>		
Payments	1 140	846
Appropriations carried over	247	229
<i>Operating activities — Title III of the budget</i>		
Payments	2 030	1 543
Appropriations carried over	5 623	5 814
Total expenditure (b)	12 199	11 255
Outturn of the financial year (a - b) (1)	458	- 1 579
Balance carried over from the previous financial year	- 2 185	- 886
Appropriations carried over from the previous financial year and cancelled	609	242
Sums to be re-used carried over from the previous financial year and not used	0	9
Exchange-rate differences	4	2
Adjustment entries	7	27
Balance for the financial year	- 1 108	- 2 185

(1) Calculation according to the principles of Article 15 of Council Regulation(EC, Euratom) No 1150/2000 (OJ L 130, 31.5.2000, p. 8).

NB: Differences in totals are due to the effects of rounding.

Source: European Agency for Health and Safety at Work.

Implementation of the budget

2. Reiterates the view, expressed in its abovementioned resolution of 6 November 2003 (point 8) accompanying the discharge for 2001, that it expects the Agency to do its utmost to improve the programming of its activities in order to reduce the large amount of carry-overs; stresses that, despite the apparent divergence of views between the ECA and the Agency as to the latter's efforts to observe the annuality principle, it nevertheless insists that further efforts should be made to reduce the amount of carry-overs through tighter programming of operational activities, even if these involve a life cycle of projects that exceed the financial year;
3. Expects to be further informed by the Agency, in this respect, on its analysis of options offered by the new Financial Regulation framework in order to reconcile a proper implementation of the programmes while, at the same time, observing the principle of the annuality of the budget;

4. Notes the Agency's plan to improve its system of internal control, involving the possible setting up of an Internal audit capability, and the initiatives it announced for implementing, in 2004, the internal control standards; expects to be informed on these matters by the Agency once it has completed its internal procedures;

Legality and regularity of the underlying transactions

5. Notes the ECA's criticism over the way the Agency carried out the controls of the beneficiaries under the SMEs funding scheme, in particular as regards the veracity of declared expenditure, and the ECA's observations concerning the Agency's final evaluation of some of these projects; notes also the Agency's reply that, as a consequence of such evaluations, half of the 51 project holders did not receive the full grant amount; invites the Agency to use the 'lessons learned' in managing the 2002 SME funding scheme to ensure greater rigour and better value for money in subsequent schemes;
6. Invites the Agency to forward to its competent committees the external evaluation report of the second SME funding scheme by September 2004 and to provide information on the follow-up to the evaluation report for 2001 to 2002;

Horizontal points on the agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

7. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the Agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
8. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS.
9. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽²⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽³⁾ on internal investigations by OLAF did so in the same terms as those laid down in the annex to this Agreement;

Financial Management

10. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the agencies to better explain their analysis and to indicate in particular which of their activities of a multi-annual nature might be financed by such appropriations;

(1) OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

(2) Texts adopted, 13.1.2004, P5_TA(2004) 0015.

(3) OJ L 136, 31.5.1999, p. 15.

11. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

12. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
13. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
14. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
15. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
16. Encourages the Agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the Agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the Agencies;

New sources of financing

17. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
18. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

19. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;

(1) P5_TA(2004) 0015 (paragraphs 13 and 14).

(2) P5_TA(2004) 0015 (paragraph 24).

20. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

21. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
22. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
23. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
24. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
25. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
26. Is of the opinion that selection procedures organised by Agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
27. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT

of 21 April 2004

concerning discharge to the Director of the European Environment Agency in respect of the implementation of its budget for the financial year 2002

(2004/709/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Environment Agency for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0635/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0140/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1641/2003 of 22 July 2003 amending Regulation (EEC) No 1210/90 on the establishment of the European Environment Agency and the European Environment Information and Observation Network ⁽³⁾, and in particular Article 13 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Consumer Policy (A5-0212/2004),
1. Gives discharge to the Director of the European Environment Agency, in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Environment Agency, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 15.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 1.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Environment Agency in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Environment Agency for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0635/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0140/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1641/2003 of 22 July 2003 amending Regulation (EEC) No 1210/90 on the establishment of the European Environment Agency and the European Environment Information and Observation Network ⁽³⁾, and in particular Article 13 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Consumer Policy (A5-0212/2004),
- A. whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular,
- B. whereas on 6 November 2003 Parliament gave discharge to the Director of the European Environment Agency in respect of the implementation of its budget for the 2001 financial year and at the same time Parliament in its resolution ⁽⁵⁾, *inter alia*:
- welcomed the Agency's efforts to improve the planning of its operational activities aimed at reducing the level of carry-overs and took the view that the carry-overs, mainly due to the contractual relation of the Agency with the Topic Centres, constituted a 'systemic' problem that called for stricter control of the implementation of contracts by such Centres; called also for the development of a harmonised approach among agencies, based on best practice, when dealing with such problems of a 'systemic' nature,
 - invited the Agency to implement appropriate measures for improving its system of filing and archiving with a view to complying with the requirement of having in its files all necessary supporting documentation,
 - expected the Agency to intensify its efforts in the area of interinstitutional cooperation on matters such as tendering procedures,

⁽¹⁾ OJ C 319, 30.12.2003, p. 15.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 1.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 333, 20.12.2003, p. 71.

1. Notes the following figures for the accounts of the European Environment Agency for the financial years 2002 and 2001;

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue		
Own revenue		
Commission subsidies	18 749	18 342
Miscellaneous revenue	1 136	1 493
Financial revenue	198	369
Total revenue (a)	20 083	20 204
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	9 714	8 126
Appropriations carried over	1 018	735
<i>Administration — Title II of the budget</i>		
Payments	2 054	1 423
Appropriations carried over	247	521
<i>Operating activities — Title III of the budget</i>		
Payments	6 493	3 738
Appropriations carried over	5 611	6 856
Total expenditure (b)	25 137	21 399
Outturn for the financial year (a - b) (1)	- 5 054	- 1 195
Balance carried over from the previous financial year	- 3 274	- 3 117
Appropriations carried over and cancelled	888	939
Sums for re-use from the previous financial year not used	8	86
Amounts refunded to the Commission		
Exchange-rate differences	4	13
Balance for the financial year	- 7 428	- 3 274

(1) Calculated according to the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: The Agency's data.

Implementation of the budget - Audit and control

- Notes the Agency's reply to the questionnaire concerning carry-overs and in particular its position concerning the multi-annual nature of several of its projects; invites the Agency therefore to explain further its analysis of the options offered by the new Financial Regulation, in particular the use of differentiated appropriations in the case of agreements with the European Topic Centres with a view to reducing carry-overs and better complying with the annuality principle;
- Welcomes the establishment by the Agency of an internal audit capability but stresses the importance of cooperation with the Commission's Internal Audit Service;
- Reiterates its call to the Agency to implement rapidly the measures needed to support the decentralised filing and archiving system with a view enabling the financial departments to better monitor the Agency's activities and programmes;

Legality and regularity of the underlying transactions

5. Is deeply concerned by the repeated criticism voiced by the ECA as regards the deficiencies in the documents supplied in support of requests for payments; expects the Agency to take swift action to remedy this problem and to report to Parliament's competent committee once the filing, archiving and mail registration system is up and running;
6. Notes the Agency's undertaking given in the replies to the questionnaire that no further grant agreements with international bodies will be established in future and that they will be restricted to the specific context of the EEA Regulation and the new Financial Regulation;
7. Notes also the Agency's clarification as regards facilities offered to the Royal Awards Foundation and in particular that the latter has paid, since 1 January 2003, the cost of the office which it occupies at the Agency's premises; notes also the Agency's intention to cease hosting the Foundation; expects nonetheless the Agency to take stock of the ECA's observations so as to avoid similar criticism being voiced again in the future;

Horizontal points on the agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

8. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the Agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the Agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the Agencies is established;
9. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS.
10. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽²⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽³⁾ on internal investigations by OLAF did so in the same terms as those laid down in the annex to this Agreement;

Financial Management

11. Notes that in some of the Agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;

⁽¹⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

⁽²⁾ Texts adopted, 13.1.2004, P5_TA(2004) 0015.

⁽³⁾ OJ L 136, 31.5.1999, p. 15.

12. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

13. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
14. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
15. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
16. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
17. Encourages the Agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the Agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

New sources of financing

18. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain Agencies; calls on the Commission and the Agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
19. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

20. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;

21. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

22. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
23. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
24. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
25. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
26. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
27. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
28. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the *Court of Auditors' specific report for 2002* (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT

of 21 April 2004

concerning discharge to the Director of the European Agency for the Evaluation of Medicinal Products in respect of the implementation of its budget for the financial year 2002

(2004/710/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Agency for the Evaluation of Medicinal Products for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0638/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0143/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1647/2003 of 18 June 2003 amending Regulation (EEC) No 2309/93 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Agency for the Evaluation of Medicinal Products ⁽³⁾, and in particular Article 57a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Consumer Policy (A5-0212/2004),
1. Gives discharge to the Director of the European Agency for the Evaluation of Medicinal Products, in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Agency for the Evaluation of Medicinal Products, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 22.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 19.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Agency for the Evaluation of Medicinal Products in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Agency for the Evaluation of Medicinal Products for the financial year 2002, together with the Agency's replies ⁽¹⁾ (C5-0638/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0143/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1647/2003 of 18 June 2003 amending Regulation (EEC) No 2309/93 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Agency for the Evaluation of Medicinal Products ⁽³⁾, and in particular Article 57a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Consumer Policy (A5-0212/2004),
- A. Whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.
- B. Whereas, in accordance with Article 185 of the new Financial Regulation, Parliament is exercising for the first time its competence to give discharge to the Agency's Director in respect of the implementation of the EMEA budget for the financial year 2002.
- C. Whereas in inaugurating this new relationship with the Agency, Parliament's competent committee received information from this Agency in reply to questions it had forwarded to it.

(1) OJ C 319, 30.12.2003, p. 22.

(2) OJ L 248, 16.9.2002, p. 1.

(3) OJ L 245, 29.9.2003, p. 19.

(4) OJ L 357, 31.12.2002, p. 72.

1. Notes the following figures for the accounts of the European Agency for the Evaluation of Medicinal Products for the financial years 2002 and 2001;

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue received during the financial year ⁽¹⁾		
Commission subsidy	14 534	14 000
Community subsidy for orphan medicines	2 407	1 300
Fees	38 372	42 708
EEE contribution	313	288
Sundry revenue	1 750	4 504
Total revenue (a)	57 376	62 800
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	25 793	22 437
Appropriations carried over	424	538
<i>Administration — Title II of the budget</i>		
Payments	8 807	8 143
Appropriations carried over	1 910	4 851
<i>Operating expenditure — Title III of the budget</i>		
Payments	16 990	17 687
Appropriations carried over	4 477	8 113
Total expenditure (b)	58 401	61 769
Outturn for the financial year (a - b) ⁽²⁾	- 1 025	1 031
Balance carried over from the previous financial year	4 040	1 926
Reimbursement to the Commission	- 4 040	0
Sums carried over from the previous financial year and cancelled	1 377	1 258
Exchange rate differences	- 141	345
Other adjustments	- 211	- 520
Balance for the financial year	0	4 040

(1) This amount includes 5,2 million euro of revenue due in respect of the financial year 2002 (10,7 million euro in 2001).

(2) Calculation based on the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: Discrepancies in totals are due to the effects of rounding.

Source: The Agency's data. These tables summarise the data provided by the Agency in its own financial statements.

Implementation of the budget — Financial rules

2. Expects the Agency in adopting its financial rules to take full account of the suggestions contained in the Court of Auditors' opinion No 6/2003 of 17 July 2003;
3. Welcomes the agreement that was reached between the Agency and the Commission on the payment of the Community subsidy in three instalments, intended to help reduce carry-overs; notes furthermore the revised procedure put in place, in agreement with the Court of Auditors, for the processing of commitments in the event that an inspection is decided upon, with a view to better complying with the annuality principle; invites the Agency to further comment on whether the use of differentiated appropriations might have a positive effect on the level of carry-overs;

4. Stresses however that, despite the agreement reached, the carry-overs situation resulting from the procedure applied for inspections by a national agency would need to be improved;
5. Notes with interest the agreement reached between the Agency and the Commission allowing, in compliance with the new Financial Regulation, for the positive balance of the outturn account of the Agency to be available on the budget line of the Community subsidy should its income from fees prove to be lower than forecast; points out that the responsibilities of the Agency, particularly in the field of pharmaco-vigilance, exceed those attributable to fees paid by companies seeking authorisation for medicinal products; takes the view that this solution, which allows for a different treatment to be reserved to carry-overs relating to Community subsidy revenue and fee income, is pragmatic and introduces the necessary flexibility, given the Agency's particular characteristics;

Financial statements

6. Notes the Agency's reply concerning the steps taken to improve the processing of advances paid for inspections and fees actually due; expects the Agency to further clarify the information given on the use of customers deposits;

Legality and regularity of the underlying transactions

7. Notes the steps taken to improve internal control procedures; expects the Agency to adequately comply with the requirement for providing systematically the necessary supporting documents against which payments are to be made;

Other

8. Welcomes the Agency's decision to formalise the functioning of an internal audit service; expects the Agency and the Commission to take further steps towards improving cooperation between that service and the Commission's Internal Audit Service (IAS);

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation — Internal audit and control

9. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the Agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the Agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
10. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS.

(¹) OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

11. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽¹⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽²⁾ on internal investigations by OLAF did so in the same terms as those laid down in the Annex to this Agreement;

Financial Management

12. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the agencies to better explain their analysis and to indicate in particular which of their activities of a multi-annual nature might be financed by such appropriations;
13. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

14. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
15. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
16. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
17. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the Agencies' specific needs;
18. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the Agencies;

New sources of financing

19. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the

(1) Texts adopted, 13.1.2004, P5_TA(2004) 0015.

(2) OJ L 136, 31.5.1999, p. 15.

activities of certain agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;

20. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

21. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
22. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

23. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
24. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
25. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
26. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
27. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽³⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

⁽³⁾ See paragraph 13 of the Court of Auditors's specific report for 2002 (p. 64).

28. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
 29. Invites the Commission to make proposals in order to ensure that the agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.
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DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Director of the Translation Centre for the bodies of the European Union in respect of the implementation of its budget for the financial year 2002**

(2004/711/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the Translation Centre for the bodies of the European Union for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0637/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0142/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1645/2003 of 18 June 2003 amending Regulation (EEC) No 2965/94 setting up a Translation Centre for the bodies of the European Union ⁽³⁾, and in particular Article 19 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control (A5-0212/2004),
1. Gives discharge to the Director of the Translation Centre for the bodies of the European Union in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the Translation Centre for the bodies of the European Union, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 29.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 13.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the Translation Centre for the bodies of the European Union in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the Translation Centre for the bodies of the European Union for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0637/2003),
- having regard to the Council's recommendation of 9 March 2004 (C5-0142/2004),
- having regard to the EC Treaty, and in particular Article 276 thereof,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1645/2003 of 18 June 2003 amending Regulation (EC) No 2965/94 setting up a Translation Centre for the bodies of the European Union ⁽³⁾, and in particular Article 19 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
- having regard to Rule 93 *a* of and Annex V to its Rules of Procedure,
- having regard to the Report of the Committee on Budgetary Control (A5-0212/2004),
- A. whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular,
- B. whereas on 6 November 2003 Parliament gave discharge ⁽⁵⁾ to the Director of the Translation Centre in respect of the implementation of its budget for the 2001 financial year and at the same time Parliament in its resolution, *inter alia*:
 - called on the Centre to step up its efforts, together with the Luxembourg authorities, to find a permanent solution to its premises problem,
 - encouraged the Centre's action, in view of the forthcoming enlargement, to ensure better cooperation between institutions,

⁽¹⁾ OJ C 319, 30.12.2003, p. 29.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 13.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 333, 20.12.2003, p. 65.

1. Notes the following figures for the accounts of the Translation Centre for the bodies of the European Union for the financial years 2002 and 2001:

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue received for the financial year		
Revenue paid by EU bodies	17 200	19 550
Revenue paid by the European Institutions	913	633
Miscellaneous revenue	0	5
Financial revenue	494	458
Total revenue (a)	18 607	20 646
Budgetary expenditure for the financial year		
<i>Staff — Title I of the budget</i>		
Payments	10 005	13 862
Appropriations carried over	98	892
<i>Administration — Title II of the budget</i>		
Payments	1 388	1 090
Appropriations carried over	676	929
<i>Operating activities — Title III of the budget (1)</i>		
Payments	3 274	0
Appropriations carried over	473	0
Total expenditure (b)	15 914	16 773
Outturn for the financial year (a - b) (2)	2 693	3 873
Balance carried over from the previous financial year	7 875	4 977
Appropriations carried over which lapsed	259	240
Miscellaneous revenue	33	-
Allocations to provision for liabilities	- 2 532	- 1 221
Exchange-rate differences	2	6
Balance for the financial year	8 330	7 875

(1) In 2002 the Centre decided for the sake of clarity to create a Title III in its budget, grouping together all expenditure in respect of translation contracts concluded with natural or legal persons.

(2) Calculation based on the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: Centre data. These tables summarise the data supplied by the Centre in its own financial statements.

2. Notes the Centre's plan to take measures to strengthen its internal control system and in particular its risk assessment; expects the Centre to inform its competent committee of such organisational changes once these internal steps have been taken;

Implementation of the budget

3. Welcomes the Centre's reply to the questionnaire concerning the trend in its carry-overs in recent years which shows a clear reduction; encourages the Centre to continue its efforts to make further improvements in this field;

4. Notes the Centre's effort to respond positively to the ECA's observation concerning the way in which the Centre should apply financial rules when the balance for one financial year is entered as revenue in the budget for the subsequent year; expects the Centre to finalise a solution in line with the ECA's recommendation;

Translation Centre premises

5. Approves the Centre's efforts to reach agreement with the Luxembourg authorities on the question of its premises; notes that no solution has yet been found; recalls that, in general, as regards buildings policy, the institutions consider, on the basis of a cost/benefit analysis, that the solution of purchasing is preferable to that of renting; stresses that, as regards building projects, Article 179 of the Financial Regulation applies; encourages the Centre to make further efforts, together with the Luxembourg authorities, to find a permanent solution to the problem, finding premises suitable to its needs;

Horizontal points on the agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

6. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the Agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
7. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;
8. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽²⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽³⁾ on internal investigations by OLAF did so in the same terms as those laid down in the Annex to this Agreement;

Financial Management

9. Notes that in some of the Agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;
10. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

⁽¹⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

⁽²⁾ Texts adopted, 13.1.2004, P5-TA(2004) 0015.

⁽³⁾ OJ L 136, 31.5.1999, p. 15.

Review of the agencies

11. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
12. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
13. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
14. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
15. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

New sources of financing

16. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
17. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;
18. Considers that the Translation Centre should be able to use any spare capacity, without prejudice to the priority to be given to the European Institutions, to provide services to other international organisations for a fee, which would gradually reduce dependency on the Community budget;

Harmonised operating framework

19. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
20. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

21. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
22. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
23. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
24. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
25. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽³⁾; is very concerned that this might not be an isolated case but that agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
26. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;

⁽¹⁾ P5-TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5-TA(2004) 0015 (paragraph 24).

⁽³⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

27. Invites the Commission to make proposals in order to ensure that the agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.
-

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2002**

(2004/712/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the Centre for the Development of Vocational Training for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0630/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0136/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1655/2003 of 18 June 2003 amending Regulation (EEC) No 337/75 establishing a European Centre for the Development of Vocational Training and repealing Regulation (EEC) No 1416/76 ⁽³⁾, and in particular Article 12a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
1. Gives discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the Centre for the Development of Vocational Training, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 36.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 41.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the Centre for the Development of Vocational Training in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the Centre for the Development of Vocational Training for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0630/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0136/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1655/2003 of 18 June 2003 amending Regulation (EEC) No 337/75 establishing a European Centre for the Development of Vocational Training and repealing Regulation (EEC) No 1416/76 ⁽³⁾, and in particular Article 12a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
- A. Whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.
- B. Whereas, on 8 April 2003 Parliament gave discharge ⁽⁵⁾ to the Management Board of the Centre in respect of the implementation of its budget for the 2001 financial year and at the same time Parliament in its resolution, *inter alia*:
- regretted that the Centre had not followed the tendering procedures for the awarding of contracts entirely properly and called upon it to proceed with its efforts to better programme its work with a view to avoiding emergencies which have in the past resulted in non-compliance with the rules of tendering procedures,
 - suggested that in view of the forthcoming enlargement the results of the cooperation between Cedefop and the European Training Foundation (ETF) should be monitored and the possibility of further enhancing such cooperation should be examined,
 - called, on the basis of the external evaluation of the Centre's activity, for an effort to raise the public profile of Cedefop and for an improvement in the dissemination and targeting of information by the Centre,

⁽¹⁾ OJ C 319, 30.12.2003, p. 36.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 41.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 148, 16.6.2003, p. 82.

1. Notes the following figures for the accounts of the Centre for the Development of Vocational Training for the financial years 2002 and 2001:

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue		
Commission subsidies	12 135	13 200
Revenue from previous financial years	25	724
Sundry revenue	3	0
Assigned revenue (Phare + other)	333	402
Financial revenue	50	104
Total revenue (a)	12 546	14 430
Budgetary expenditure for the financial year		
<i>Staff — Title I of the budget</i>		
Payments	7 570	7 231
Appropriations carried over	298	266
<i>Operational activities — Title II of the budget</i>		
Payments	767	700
Appropriations carried over	345	323
<i>Operational activities — Title III of the budget (excluding assigned revenue)</i>		
Payments	2 491	2 720
Appropriations carried over	2 189	2 059
<i>Assigned revenue (Phare + other)</i>		
Payments	0	277
Appropriations carried over	187	453
Total expenditure (b)	13 847	14 029
Outturn for the financial year (a - b) ⁽¹⁾	- 1 301	401
Balance carried over from the previous financial year	532	- 228
Appropriations carried over which lapse	215	349
Unused reallocations from the previous financial years	8	12
Exchange-rate differences	1	- 2
Balance for the financial year	- 545	532

(1) Calculated as specified in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8)

Source: European Centre for the Development of Vocational Training

2. Notes the Centre's reply to the ECA's observation regarding the need to formalise the Centre's arrangement with the Commission for paying the costs of their joint participation in international events; expects to be informed by the Centre and the Commission of the exact terms of the agreement, in particular as regards the checks to be performed, as the ECA suggested;

Other observations

3. Expects the Centre to inform its competent committee once the internal audit capability is up and running and to indicate when it expects to have completed the work needed to ensure compliance with internal control standards;

4. Notes the Summary Joint Progress report on cooperation between the Centre and the European Training Foundation (ETF), of 23 September 2003, which outlines joint initiatives and action taken, in particular, with a view to preparing for accession and for the candidate countries' effective participation in the Centre's activities by the time of enlargement; stresses that the joint action should continue; invites the Centre, ETF and the Commission to report to Parliament, once the ten new countries have acceded, on the results of transferring the ETF's work in these countries under the responsibility of Cedefop;

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation — Internal audit and control

5. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
6. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;
7. Stresses that it is essential that the Agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽²⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽³⁾ on internal investigations by OLAF did so in the same terms as those laid down in the Annex to this Agreement;

Financial Management

8. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;
9. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

10. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;

⁽¹⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

⁽²⁾ Texts adopted, 13.1.2004, P5_TA(2004) 0015.

⁽³⁾ OJ L 136, 31.5.1999, p. 15.

11. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
12. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
13. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
14. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

New sources of financing

15. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain Agencies; calls on the Commission and the Agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
16. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

17. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
18. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

Staff policy

19. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
20. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
21. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
22. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
23. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
24. Is of the opinion that selection procedures organised by Agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
25. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Director of Eurojust in respect of the implementation of its budget for the financial year 2002**

(2004/713/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of Eurojust for the financial year 2002, together with Eurojust's replies ⁽¹⁾ (C5-0662/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0150/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Decision 2003/659/JHA of 18 June 2003 amending Decision 2002/187/JHA setting up Eurojust with a view to reinforcing the fight against serious crime ⁽³⁾, and in particular Article 36 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Citizen's Freedoms and Rights, Justice and Home Affairs (A5-0212/2004),
1. Gives discharge to the Director of Eurojust in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of Eurojust, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 42.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 44.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of Eurojust in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of Eurojust for the financial year 2002, together with the Eurojust's replies ⁽¹⁾ (C5-0662/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0150/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Decision 2003/659/JHA of 18 June 2003 amending Decision 2002/187/JHA setting up Eurojust with a view to reinforcing the fight against serious crime ⁽³⁾, and in particular Article 36 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Citizen's Freedoms and Rights, Justice and Home Affairs (A5-0212/2004),
- A. Whereas the European Court of Auditors (ECA) stated in its above-mentioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.
- B. Whereas Eurojust became operational at the end of 2002 and Parliament, in accordance with Article 185 of the new Financial Regulation, is exercising for the first time its competence to give discharge to Eurojust's Director in respect of the implementation of its budget.
- C. Whereas Parliament's competent committee received information from Eurojust in reply to questions it had forwarded to it,

⁽¹⁾ OJ C 319, 30.12.2003, p. 42.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 44.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

1. Notes the following figures for the accounts of Eurojust for the financial year 2002:

Revenue and expenditure account for the financial year 2002

(1 000 euro)	
	2002
Revenue	
Commission subsidies	1 478
Total revenue (a)	1 478
Expenditure	
<i>Staff — Title I of the budget</i>	
Payments	205
Appropriations carried over	42
<i>Administration — Title II of the budget</i>	
Payments	793
Appropriations carried over	268
<i>Operational activities — Title III of the budget</i>	
Payments	213
Appropriations carried over	37
Total expenditure (b)	1 558
Outturn for the financial year (c = a - b) ⁽¹⁾	- 80

(¹) Calculated as specified in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

Source: Eurojust data. These tables summarise the data supplied by Eurojust in its own financial statements.

Budget implementation

2. Notes Eurojust's position that it is at present concentrating on setting up and that problems that might be encountered during the initial stage of its work with regard to budget implementation are expected to be overcome in the financial year 2004;

Financial Regulation

3. Expresses its satisfaction that agreement seems imminent on Eurojust's compliance with the framework Financial Regulation; asks to be fully informed about the final agreement on this matter;

Interinstitutional cooperation

4. Welcomes Eurojust's readiness to draw on the experience, mechanisms and working methods of existing institutions; notes its remark on the difficulties that a small agency may encounter when dealing with a far bigger and complex institution such as the Commission;
5. Welcomes Eurojust's position that it looks forward to receiving help and guidance from the Commission's services in particular in the areas of accounting and internal audit and control;
6. Invites Eurojust to endeavour to establish a good working relationship with Parliament and its competent committees as regards both the discharge procedure and issues relating to its specific role and tasks;

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

7. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the Agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
8. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;
9. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽²⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽³⁾ on internal investigations by OLAF did so in the same terms as those laid down in the Annex to this Agreement;

Financial Management

10. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the agencies to better explain their analysis and to indicate in particular which of their activities of a multi-annual nature might be financed by such appropriations;
11. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

12. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
13. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;

⁽¹⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

⁽²⁾ Texts adopted, 13 January 2004, P5_TA(2004) 0015.

⁽³⁾ OJ L 136, 31.5.1999, p. 15.

14. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
15. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
16. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

New sources of financing

17. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
18. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

19. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
20. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

Staff policy

21. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
22. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
23. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
24. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
25. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
26. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
27. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Director of the European Training Foundation in respect of the implementation of its budget for the financial year 2002**

(2004/714/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Training Foundation for the financial year 2002, together with the Foundation's replies ⁽¹⁾ (C5-0641/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0144/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1648/2003 of 18 June 2003 amending Regulation (EEC) No 1360/90 establishing a European Training Foundation ⁽³⁾, and in particular Article 11 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
1. Gives discharge to the Director of the European Training Foundation in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Training Foundation, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 47.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 22.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Training Foundation in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Training Foundation for the financial year 2002, together with the Foundation's replies ⁽¹⁾ (C5-0641/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0144/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1648/2003 of 18 June 2003 amending Regulation (EEC) No 1360/90 establishing a European Training Foundation ⁽³⁾, and in particular Article 11 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
- A. whereas the European court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular;
- B. whereas Parliament, in accordance with Article 185 of the new Financial Regulation, is exercising for the first time its competence to give discharge to the Foundation's Director in respect of the implementation of its budget for the financial year 2002;
- C. whereas in inaugurating this new relationship with the Foundation, Parliament's competent committee received information from it in reply to the questions it addressed to the Foundation;

(1) OJ C 319, 30.12.2003, p. 47.

(2) OJ L 248, 16.9.2002, p. 1.

(3) OJ L 245, 29.9.2003, p. 22.

(4) OJ L 357, 31.12.2002, p. 72.

1. Notes the following figures for the accounts of the European Training Foundation for the financial years 2002 and 2001:

Revenue and expenditure account for the financial years 2002 and 2001 ⁽¹⁾

(1 000 euro)

	2002	2001
Revenue		
Own revenue		
Commission subsidies	13 179	16 800
Miscellaneous revenue	23	47
Financial revenue	140	290
Total revenue (a)	13 342	17 137
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	10 153	9 746
Appropriations carried over	215	356
<i>Administration — Title II of the budget</i>		
Payments	805	862
Appropriations carried over	559	541
<i>Operating activities — Title III of the budget</i>		
Payments	2 307	2 572
Appropriations carried over	2 591	2 595
Total expenditure (b)	16 631	16 672
Outturn for the financial year (a - b) ⁽²⁾	- 3 289	465
Balance carried over from the previous financial year	4 055	3 352
Appropriations carried over and cancelled	424	258
Sums for re-use from the 2001 (2000) financial year, not used	0	0
Reimbursements to the Commission	- 3 352	0
Exchange-rate differences	6	- 20
Balance for the financial year	- 2 155	4 055

(1) The revenue and expenditure account and balance sheet only take account of the Foundation's specific activities: they ignore programmes managed on behalf of the Commission or other bodies.

(2) Calculated according to the provisions of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: Foundation data.

Implementation of the budget - Audit and control

2. Notes the ECA's criticism that the volume of carry-overs of operating appropriations remains high and its observation that the Foundation should improve the monitoring of its programme; notes also the Foundation's reply in which it suggested that a reduction in the level of carry-overs is to be expected for the year after 2002 and that the introduction of multiannual payment appropriations would help solve the problem;
3. Invites the Foundation to further explain its analysis of options offered by the new Financial Regulation, with a view to reducing carry-overs and better complying with the annuality principle;

4. Notes with satisfaction the Foundation's plan to adopt the 24 internal control standards with a view to complying fully with those standards by the end of 2004; notes also steps taken towards establishing an internal audit capability; stresses the importance of cooperation with the Commission's Internal Audit Service;
5. Notes that the Community subsidy to the Foundation is paid in periodic instalments; notes also the Foundation's remark in its replies to the questionnaire that delays in the payment of instalments resulted in a cashflow problem; takes the view that such situations may have adverse effects on the implementation of the work programme;
6. Invites the Commission and the Foundation to improve their coordination and to prevent, by appropriate means, such problems occurring again; invites the Commission to inform its competent committees of the problem and of the measures taken to remedy that situation;

Financial statements

7. Notes the Foundation's reply to the ECA's observation as regards the presentation in its financial statements for the year 2003 of the convention funds it manages from Tacis, Phare and Tempus technical assistance; notes the Foundation's readiness, following consultation with the Commission, to find the appropriate solution in response to the ECA's observation;

Legality and regularity of the underlying transactions

8. Invites the Foundation, in cooperation with the Commission, to ensure the proper follow-up to the ECA's observation with regard to checks that should be applied in order to verify that only those former employees of the Foundation who are entitled to the unemployment allowance actually receive it;

Other

9. Notes the Foundation's readiness to take up additional tasks; reiterates its call to the Commission to use the Foundation's expertise in a wider geographical context than at present and for providing technical assistance to programmes such as Tempus and Erasmus Mundus;
10. Notes the Summary Joint Progress Report on cooperation between the Foundation and Cedefop, of 23 September 2003, which outlines joint initiatives and action taken with a view to preparing the candidate countries' participation in Cedefop's activities from the moment enlargement is effective; stresses that the joint action should continue; invites the ETF, Cedefop and the Commission to report to Parliament, once the ten new countries have acceded, on the results of transferring ETF's work in these countries under the responsibility of Cedefop;

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

11. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the Agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;

⁽¹⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

12. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;
13. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions (1); invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 (2) on internal investigations by OLAF did so in the same terms as those laid down in the annex to this Agreement;

Financial Management

14. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;
15. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

16. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
17. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
18. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
19. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
20. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

(1) Texts adopted, 13.1.2004, P5_TA(2004) 0015.

(2) OJ L 136, 31.5.1999, p. 15.

New sources of financing

21. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
22. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

23. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
24. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

25. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
26. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
27. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
28. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

29. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
 30. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
 31. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.
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⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Director of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2002**

(2004/715/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2002, together with the Foundation's replies ⁽¹⁾ (C5-0631/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0137/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1649/2003 of 18 June 2003 amending Regulation (EEC) No 1365/75 on the creation of a European Foundation for the Improvement of Living and Working Conditions and repealing Regulation (EEC) No 1417/76 ⁽³⁾, and in particular Article 16 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
1. Gives discharge to the Director of the European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Foundation for the Improvement of Living and Working Conditions, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 55.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 25.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION

of the European Parliament containing the comments accompanying the decision on the discharge to the Director of European Foundation for the Improvement of Living and Working Conditions in respect of the implementation of its budget for the financial year 2002

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0631/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0137/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1649/2003 of 18 June 2003 amending Regulation (EEC) No 1365/75 on the creation of a European Foundation for the Improvement of Living and Working Conditions and repealing Regulation (EEC) No 1417/76 ⁽³⁾, and in particular Article 16 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A5-0212/2004),
- A. Whereas the European Court of Auditors (ECA) stated in its above-mentioned report that it had obtained reasonable assurance that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.
- B. Whereas on 8 April 2003 Parliament gave discharge ⁽⁵⁾ to the Management Board of the Foundation in respect of the implementation of its budget for the 2001 financial year and at the same time Parliament in its resolution, *inter alia*:
- regretted that the Foundation had not followed the tendering procedures in all its service contracts entirely properly and called upon the Foundation to remedy that problem,
 - welcomed the overall positive appraisal of the external evaluation of the Foundation's work and called on it to pursue its efforts with a view to improving cooperation with the Commission and the Parliament and introducing internal control processes,
 - congratulated the Foundation on the high quality of the work carried out and encouraged it to pursue its information efforts to make this work known to a wider audience,

⁽¹⁾ OJ C 319, 30.12.2003, p. 55.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 25.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 148, 16.6.2003, p. 89.

1. Notes the following figures for the accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial years 2002 and 2001:

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue		
Commission subsidies	16 500	14 958
Sundry revenue	62	16
Financial revenue	57	96
Total revenue (a)	16 619	15 070
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	9 111	7 583
Appropriations carried over	216	190
<i>Administration — Title II of the budget</i>		
Payments	938	854
Appropriations carried over	683	245
<i>Operational activities — Title III of the budget</i>		
Payments	3 290	3 129
Carry-overs	3 105	3 148
Total expenditure (b)	17 343	15 150
Outturn for the financial year (a - b) ⁽¹⁾	- 724	- 80
Balance carried over from the previous financial year	- 1 209	- 1 210
Appropriations carried over and cancelled	81	59
Sums from the financial year 2001 for re-use that were not used	13	24
Exchange-rate differences	3	- 2
Balance for the financial year	- 1 836	- 1 209

(¹) Calculation according to the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 (OJ L 130, 31.5.2000, p. 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: The Foundation's data. These tables present, in summary form, the data supplied by the Foundation in its own financial statements

Implementation of the budget

2. Notes the ECA's criticism concerning the large amount of carry-overs in operational activities; welcomes the efforts made by the Foundation and the outline of measures it presented aimed at improving planning and monitoring so as to reduce carry-overs considerably; considers that sharing these measures with other agencies in the context of best practices could be helpful in managing carry-overs;
3. Invites the Foundation to present its analysis of options offered by the new Financial Regulation, with a view to further reducing carry-overs;

Financial statements

4. Calls on the Foundation to intensify its efforts to have an integrated accounting system up and running as soon as possible and to adopt the measures needed for monitoring its fixed assets, including depreciation; calls on the Commission to provide the Foundation with the assistance this may require especially as regards integration of the accounting system;

Underlying transactions

5. Expects the Foundation to take all necessary steps, in line with the new Financial Regulation, to respond rapidly to the ECA's call for it to improve the transparency of its tendering procedures;

Horizontal points on the agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

6. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
7. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS.
8. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽²⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽³⁾ on internal investigations by OLAF did so in the same terms as those laid down in the annex to this Agreement;

Financial management

9. Notes that in some of the Agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;
10. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

⁽¹⁾ OJ L 148, 16.06.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

⁽²⁾ Texts adopted, 13.1.2004, P5_TA(2004) 0015.

⁽³⁾ OJ L 136, 31.05.1999, p. 15.

Review of the agencies

11. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
12. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
13. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the Agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
14. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
15. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the Agencies;

New sources of financing

16. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain Agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
17. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

18. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;

⁽¹⁾ P5_TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5_TA(2004) 0015 (paragraph 24).

19. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

20. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
21. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
22. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
23. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;
24. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
25. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
26. Invites the Commission to make proposals in order to ensure that the agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Director of the European Monitoring Centre for Drugs and Drug Addiction in respect of the implementation of its budget for the financial year 2002**

(2004/716/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0634/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0139/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1651/2003 of 18 June 2003 amending Regulation (EEC) No 302/93 on the establishment of a European Monitoring Centre for Drugs and Drug Addiction ⁽³⁾, and in particular Article 11a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Citizens' Freedoms and Rights, Justice and Home Affairs (A5-0212/2004),
1. Gives discharge to the Director of the European Monitoring Centre for Drugs and Drug Addiction in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Monitoring Centre for Drugs and Drug Addiction, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 62.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 30.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the Decision on the discharge to the Director of the European Monitoring Centre for Drugs and Drug Addiction in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0634/2003),
- having regard to the Council's recommendation of 9 March 2004 (C5-0139/2004),
- having regard to the EC Treaty, and in particular Article 276 thereof,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1651/2003 of 18 June 2003 amending Regulation (EEC) No 302/93 on the establishment of a European Monitoring Centre for Drugs and Drug Addiction ⁽³⁾, and in particular Article 11a thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
- having regard to Rule 93a of and Annex V to its Rules of Procedure,
- having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Citizens' Freedoms and Rights, Justice and Home Affairs (A5-0212/2004),
- A. Whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurance that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.
- B. Whereas on 6 November 2003 Parliament gave discharge ⁽⁵⁾ to the Director of the European Monitoring Centre for Drugs and Drug Addiction in respect of the implementation of its budget for the 2001 financial year and at the same time Parliament in its resolution, inter alia:
 - welcomed the measures introduced by the Centre aimed at ensuring better monitoring, implementing, reporting on and assessment of its activities, and encouraged it to follow closely its operational activities with a view, in particular, to reducing carry-overs,
 - invited the Centre to intensify interinstitutional cooperation in the areas of purchasing goods and services and tendering procedures on the basis of best practice,
 - took the view that the Centre should seek an appropriate solution to its premises problem in line with the budgetary authority recommendations and stated that it would follow up this issue in the context of the next discharge procedure,

⁽¹⁾ OJ C 319, 30.12.2003, p. 62.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 30.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 333, 20.12.2003, p. 59.

1. Notes the following figures for the accounts of the European Monitoring Centre for Drugs and Drug Addiction for the financial years 2002 and 2001:

Revenue and expenditure account for the financial years 2002 and 2001 (1)

(1 000 euro)

	2002	2001
Revenue		
Subsidies received from the Commission	9 000	8 750
Subsidies received from Norway	413	399
Other subsidies	735	1 153
Other revenue	133	99
Total revenue (a)	10 280	10 401
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	4 951	4 174
Appropriations carried over	80	490
<i>Administration — Title II of the Budget</i>		
Payments	632	620
Appropriations carried over	509	624
<i>Operating activities — Title III of the budget</i>		
Payments	2 525	2 146
Appropriations carried over	1 001	2 026
Total expenditure (b)	9 698	10 079
Outturn for the financial year (a – b)	582	322
Balance carried over from the previous financial year (2)	639	2 076
Appropriations carried over and cancelled	392	301
Unused sums for re-use from the previous financial year	9	18
Amount refunded to the Commission	0	- 2 076
Exchange-rate difference	3	- 2
Balance for the financial year (3)	1 625	639

(1) In its accounts the Monitoring Centre included under revenue and expenditure the use of earmarked revenue not used in 2001.

(2) The balance for the financial year 2001 is to be refunded to the Commission and is equivalent to the total of the outturn for the financial year plus depreciation (82 000 + 557 000 euro).

(3) Calculated in accordance with the principles laid down in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: Monitoring Centre's data.

Implementation of the budget

2. Notes the Centre's reply to the questionnaire concerning the trend in carry-overs; welcomes the downward trend that emerges, which suggests that measures taken with a view to better planning, implementing and monitoring of the Centre's activities resulted in a reduction of carry-overs; encourages the Centre to continue its efforts in this regard;

3. Expects the Centre to indicate whether the framework of the new Financial Regulation might offer further opportunities for reducing carry-overs;
4. Acknowledges the Centre's undertaking that operations such as the one criticised by the ECA, where appropriations were unduly transferred with a view to having the amount carried over, will not happen again;

Legality and regularity of the underlying transactions

5. Notes the Centre's position that it will henceforth fully observe the principle of the separation of duties as between authorising officer and accounting officer;

Personnel management

6. Expresses deep concern over the ECA's findings in its report on the way in which selection procedures were carried out by the Centre and on the serious anomalies detected in the process of an internal competition; notes the Centre's reply that the shortcomings identified were of a procedural nature and did not undermine the validity of the procedure or its outcome; expects the Centre to fully inform Parliament of any complaints lodged with the Court of Justice in this connection and on their outcome;
7. Takes the view that transparency, compliance with specified procedures and equal treatment in the recruitment process reflect on the credibility of Community institutions and bodies; expects the Centre therefore to make every effort to prevent such phenomena occurring in future recruitment procedures;
8. Notes the Centre's position that in future it will call upon the services of EPSO to organise competitions;

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

9. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;
10. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;

(1) OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

11. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions ⁽¹⁾; invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 ⁽²⁾ on internal investigations by OLAF did so in the same terms as those laid down in the annex to this Agreement;

Financial Management

12. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;
13. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

14. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
15. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
16. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
17. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
18. Encourages the Agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

⁽¹⁾ Texts adopted, 13 January 2004, P5_TA(2004) 0015.

⁽²⁾ OJ L 136, 31.5.1999, p. 15.

New sources of financing

19. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain agencies; calls on the Commission and the agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
20. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

21. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
22. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

23. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
24. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
25. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
26. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;

(1) P5_TA(2004) 0015 (paragraphs 13 and 14).

(2) P5_TA(2004) 0015 (paragraph 24).

27. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that Agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
28. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
29. Invites the Commission to make proposals in order to ensure that the agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.

⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT

of 21 April 2004

concerning discharge to the Director of the European Monitoring Centre on Racism and Xenophobia in respect of the implementation of its budget for the financial year 2002

(2004/717/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0633/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0138/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1652/2003 of 18 June 2003 amending Regulation (EC) No 1035/97 on establishing a European Monitoring Centre on Racism and Xenophobia ⁽³⁾, and in particular Article 12a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Citizens' Freedoms and Rights, Justice and Home Affairs (A5-0212/2004),
1. Gives discharge to the Director of the European Monitoring Centre on Racism and Xenophobia in respect of the implementation of its budget for the financial year 2002;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Director of the European Monitoring Centre on Racism and Xenophobia, the Council, the Commission and the Court of Auditors and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julien PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 319, 30.12.2003, p. 69.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 33.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

RESOLUTION**of the European Parliament containing the comments accompanying the decision on the discharge to the Director of the European Monitoring Centre on Racism and Xenophobia in respect of the implementation of its budget for the financial year 2002**

THE EUROPEAN PARLIAMENT,

- having regard to the Court of Auditors' report on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2002, together with the Centre's replies ⁽¹⁾ (C5-0633/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0138/2004),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof, and to Council Regulation (EC) No 1652/2003 of 18 June 2003 amending Regulation (EC) No 1035/97 on establishing a European Monitoring Centre on Racism and Xenophobia ⁽³⁾, and in particular Article 12a thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the Report of the Committee on Budgetary Control and the opinion of the Committee on Citizens' Freedoms and Rights, Justice and Home Affairs (A5-0212/2004),
- A. Whereas the European Court of Auditors (ECA) stated in its abovementioned report that it had obtained reasonable assurances that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.
- B. Whereas on 6 November 2003 Parliament gave discharge ⁽⁵⁾ to the Director of the European Monitoring Centre on Racism and Xenophobia in respect of the implementation of its budget for the 2001 financial year and at the same time Parliament in its resolution, inter alia:
- invited the Centre to monitor more closely the implementation of appropriations and its work programme and encouraged it to make further efforts to solve recurrent problems in its relations with the RAXEN network,
 - took the view that the Centre should intensify its cooperation with other Agencies faced with similar 'systemic' problems in their relations with the networks of National Points so that progress might be made in developing a harmonised approach to such problems based on best practice,
 - stressed that the Centre should continue its efforts in particular in the areas of internal audit and control so as to improve its financial management,

⁽¹⁾ OJ C 319, 30.12.2003, p. 69.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ OJ L 245, 29.9.2003, p. 33.

⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁵⁾ OJ L 333, 20.12.2003, p. 78.

1. Notes the following figures for the accounts of the European Monitoring Centre on Racism and Xenophobia for the financial years 2002 and 2001:

Revenue and expenditure account for the financial years 2002 and 2001

(1 000 euro)

	2002	2001
Revenue		
Own revenue		
Commission subsidy	4 320	5 000
Miscellaneous revenue		
Financial revenue	43	46
Total revenue (a)	4 363	5 046
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	2 416	2 072
Appropriations carried over	187	67
<i>Administration — Title II of the budget</i>		
Payments	377	662
Appropriations carried over	60	151
<i>Operating activities — Title III of the budget</i>		
Payments	1 686	990
Appropriations carried over	1 324	1 181
Total expenditure (b)	5 960	5 123
Outturn for the financial year (a - b) (1)	- 1 597	- 77
Balance carried over from the previous financial year	- 8	179
Appropriations carried over, cancelled	52	75
Appropriations for re-use from the previous financial year, not utilised	151	0
Repayment to the Commission	- 179	- 174
Exchange-rate differences	2	- 11
Balance for the financial year	- 1 579	- 8

(1) Calculation based on the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p 8).

NB: Any discrepancies in totals are due to the effects of rounding.

Source: Centre data.

Implementation of the budget

2. Notes the ECA's recommendation that the Monitoring Centre should continue its efforts to reduce carry-overs still further; notes also the Centre's position that the substantial carry-overs in operating appropriations are mainly related to the cycle of contract implementation by the RAXEN network; expects the Centre to improve its planning in this respect;
3. Invites the Centre to further explain its analysis of options offered by the new Financial Regulation, in particular with regard to the contracts relating to the RAXEN network, with a view to reducing carry-overs and ensuring compliance with the annuality principle;

4. Notes the Centre's acknowledgment of the improper carry-over of provisional commitments and its assurance that article 6 of the Centre's Financial Regulation will be properly applied in future;
5. Expects the Centre to comply with the ECA's observations on the timely issuing of recovery orders so as to ensure the effective monitoring of revenue;

Financial statements

6. Shares the ECA's concern over the problem of the balance for the financial year 2002 (a deficit of EUR 1,6 million); notes also the adverse effects which the low level in payment appropriations may have on carrying out the Centre's work programme; takes the view that the difference between commitment and payment appropriations may not be such as to put at risk the proper implementation of the work programme;
7. Notes that the Community subsidy to the Centre is paid in four instalments; notes also the Centre's remark in its replies to the questionnaire that a situation similar to that of 2002, with a low level of payments and delays in the payment of instalments, was reoccurring in 2003, resulting in a similar cashflow problem;
8. Invites the Commission and the Centre to improve their co-ordination in order to avoid such problems occurring again; invites the Commission to inform its competent committees about the problem and the measures taken to remedy the situation;

Legality and regularity of the underlying transactions

9. Expresses deep concern over the fact that despite repeated observations by the ECA on persistent internal control problems the desired improvements were still not put in place; takes the view that the implementation of the new Financial Regulation will help bring about such improvements; invites the Centre to increase its efforts in this regard;
10. Stresses the need for proper evaluation of results before renewal of contracts with the RAXEN national focus points, especially since problems with the network have already in previous years been considered 'systematic'; welcomes the Centre's plans to continuously evaluate the work of the focus points; stresses the importance of proper evaluation before new financial obligations are undertaken;
11. Invites the Centre to make sure that the ECA's recommendations, in particular as regards contract management, are followed up; stresses the need for efficiency in satellite bodies as the relative size of administrative expenditure is high compared with operational expenditure;

Horizontal points on the Agencies and the Commission

Implementing the new Financial Regulation - Internal audit and control

12. Reiterates the position taken in its resolutions ⁽¹⁾ accompanying the discharge given to the agencies for 2001 as regards the implementation of the new Financial Regulation; invites the Commission and the agencies to continue their cooperation, in particular in the areas of accounting, internal audit, management and control procedures, so as to ensure that a coherent harmonised framework for the functioning of the agencies is established;

⁽¹⁾ OJ L 148, 16.6.2003, p. 83 and OJ L 333, 20.12.2003, p. 53 (point 18).

13. Recalls that it expressed concern in the discharge resolution for 2001 concerning the lack of controls on the agencies carried out by the internal audit service of the Commission (IAS); expresses grave concern that such controls do not seem to have been carried out this year; asks the Commission and the IAS to explain the reasons for this and to provide data about the number of staff available to the Internal Auditor to carry out controls in the agencies; Expects the Commission to indicate how it can guarantee that sufficient and correct controls are carried out in the satellite bodies, in particular the IAS;
14. Stresses that it is essential that the agencies be required to submit to the investigative powers of OLAF under the same conditions as the institutions (1); invites the ECA to provide information, in time for adoption of the discharge resolution, on whether the Community bodies which acceded to the Interinstitutional Agreement of 25 May 1999 (2) on internal investigations by OLAF did so in the same terms as those laid down in the annex to this Agreement;

Financial Management

15. Notes that in some of the agencies' replies to the questionnaire concerning the way in which the recurrent problem of substantial carry-overs might be addressed, mention is made of the possibilities offered by the new Financial Regulation, which provides for the use of 'differentiated appropriations'; invites the Agencies to better explain their analysis and to indicate in particular which of their activities of a multiannual nature might be financed by such appropriations;
16. Invites the Commission to present its position on such a solution and, should it consider that this solution is not feasible, to outline alternatives allowing for a substantial reduction in carry-overs;

Review of the agencies

17. Stresses that, prior to any decision to set up an agency, the Commission must make a rigorous analysis of the need for and added value of the functions that the agency will perform, with an eye to the principles of subsidiarity, budgetary rigour and procedural simplification;
18. Calls on the Commission to make a general study of activities currently carried out by various Community bodies that might overlap or serve the same goals, and to propose appropriate solutions, including the possible mergers of agencies;
19. Is concerned by the fact that there is an imbalance between administrative and operational expenditure in many agencies, with administrative expenditure exceeding expenditure for operational purposes; calls therefore on the Commission and the agencies to set targets and a timetable to reduce the level of administrative expenditure as a proportion of total expenditure; notes that many agencies see opportunities in this regard, as listed in the questionnaire;
20. With reference to the replies to the questionnaire on interinstitutional cooperation, encourages the agencies to improve cooperation between themselves in order to meet their needs in specific areas (for example, software development) and reduce costs, rather than adopt solutions which were initially designed for the purposes of the Commission but which often prove to be too cumbersome and complicated for the agencies' specific needs;
21. Encourages the agencies to organise and develop a close working relationship with the competent parliamentary committees; invites its standing committees with competence in the areas of activity of each of the agencies to coordinate their action with the Committees of Budgets and Budgetary Control, with a view to ensuring efficient monitoring of the activity of the agencies;

(1) Texts adopted, 13 January 2004, P5-TA(2004) 0015.

(2) OJ L 136, 31.5.1999, p. 15.

New sources of financing

22. Welcomes the responses and ideas that emerged from the questionnaire concerning the possibilities of other sources of financing; notes that many current sources and proposals concern the letting of buildings and facilities and the sale of publications and information; realises that for reasons of independence, among other things, not all agencies are to accept additional financial sources; stresses the economies of scale and financial benefits of the participation of non-EU countries in the activities of certain agencies; calls on the Commission and the Agencies to come forward with constructive proposals with regard to further development of new sources of additional financing, which would increase the level of self-financing;
23. Welcomes the financial contributions of some Member States and regions to the agencies located on their area; considers it important for Council and the Commission to demand such contributions, especially when new agencies are set up;

Harmonised operating framework

24. Recalls its position ⁽¹⁾ that the multitude of different forms in the existing agencies' structures was thought to be 'neither transparent nor comprehensible, and, even bearing in mind the differences in tasks, not justified'; invites the Commission to conduct a review of all the existing agencies with a view to proposing, where appropriate, amendments to their basic instruments ⁽²⁾ so as to adapt them to the models that the future regulatory framework should encompass; instructs its competent committees to follow up this comprehensive review exercise, which should be conducted as soon as possible, and to take into consideration the horizontal issues mentioned in this discharge resolution;
25. Invites the Commission to present appropriate proposals, aimed at creating such a harmonised framework for the agencies, prior to or at least in parallel with the presentation of the legislative proposals for the new agencies; insists that an interinstitutional agreement spelling out common guidelines is a pre-condition for creating the harmonised framework;

Staff policy

26. Notes that, as a result of the new Financial Regulation, the organigrams of the agencies are established by the budgetary authority; stresses the importance of this change for the agency discharge procedure in the years to come as regards checking application of the Staff Regulation in matters of recruitment, promotion policy, vacancy rates and recruitment policy;
27. Notes that, in response to a questionnaire tabled in the course of the budgetary procedure for 2004, it was established that, on average, it took considerably fewer years to obtain promotion at several agencies than is the policy in the Commission, that vacancy rates were considerably higher compared to other institutions and that several of the requested new posts were not proposed at the lowest grade; considers that staff policy should form an important part of a review of the existing agencies;
28. Considers that the staff policy of the agencies should comply with the Financial Regulation, the Staff Regulations and the best practice generally followed by the Institutions; considers that the Commission has been requested to give, before the 2005 budgetary procedure, guidelines concerning staff policy, notably the rate of vacant posts, the rate of promotions, the level of recruitment and the standard career profile;
29. Recalls the principle that the agencies should as far as possible employ staff on temporary contracts, in order to maintain flexibility and efficiency;

⁽¹⁾ P5-TA(2004) 0015 (paragraphs 13 and 14).

⁽²⁾ P5-TA(2004) 0015 (paragraph 24).

30. Is concerned about the serious anomalies detected in connection with the selection procedures of the European Monitoring Centre for Drugs and Drug Addiction, including: imprecise notice, incomplete selection committee minutes, criteria for assessing candidates not defined in advance ⁽¹⁾; is very concerned that this might not be an isolated case but that agencies in general might have difficulty in managing these rather complex procedures in a fair and transparent manner;
 31. Is of the opinion that selection procedures organised by agencies should meet the same standards as those organised by the European Personnel Selection Office (EPSO) and that they should not be perceived as a backdoor for easy entry into the European civil service;
 32. Invites the Commission to make proposals in order to ensure that the Agencies benefit from appropriate support from the EPSO when organising selection procedures and that there is a mechanism in place to validate the outcome of such procedures externally before recruitment takes place.
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⁽¹⁾ See paragraph 13 of the Court of Auditors' specific report for 2002 (p. 64).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge for the financial management of the European Coal and Steel Community (ECSC) for the financial year ended 23 July 2002**

(2004/718/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the communication from the Commission on the financial statements of the ECSC at 23 July 2002 ⁽¹⁾,
 - having regard to the Court of Auditors' report on the financial statements of the ECSC at 23 July 2002 ⁽²⁾, which includes the statement of assurance of 27 March 2003 concerning the reliability of the Commission's accounts in accordance with Article 45c(5) of the ECSC Treaty,
 - having regard to the Court of Auditors' annual report and statement of assurance concerning the ECSC of 26 June 2003, in accordance with Article 45c(1) and (4) of the ECSC Treaty, for the financial year ended 23 July 2002, together with the Commission's replies (C5-0646/2003) ⁽³⁾,
 - having regard to the ECSC Treaty, in particular Articles 78g and 97 thereof,
 - having regard to Rules 93 and 93a of and Annex V to its Rules of Procedure,
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to the report of the Committee on Budgetary Control (A5-0201/2004),
1. Gives discharge to the Commission for the financial management of the ECSC for the financial year ended 23 July 2002;
 2. Records its observations in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the Economic and Social Committee and the European Investment Bank and to have them published in the *Official Journal of the European Union* (L series);

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 127, 29.5.2003, p. 2.

⁽²⁾ OJ C 127, 29.5.2003, p.2.

⁽³⁾ OJ C 224, 19.9.2003, p.1.

RESOLUTION

of the European Parliament containing the comments accompanying the decision concerning discharge for the financial management of the European Coal and Steel Community (ECSC) for the financial year ended 23 July 2002

THE EUROPEAN PARLIAMENT,

- having regard to Articles 78g and 97 of the ECSC Treaty,
- having regard to the Protocol on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel, annexed to the Treaty establishing the European Community, adopted in Nice on 26 February 2001 ⁽¹⁾,
- having regard to the Joint Declaration of the European Parliament, the Council and the Commission concerning post-ECSC arrangements adopted on 21 November 2001 in the context of the budgetary procedure dialogues ⁽²⁾,
- having regard to the resolutions of the Council and of the representatives of the governments of the Member States, meeting within the Council, of 20 July 1998 ⁽³⁾ and 21 June 1999 ⁽⁴⁾ concerning the expiry of the Treaty establishing the European Coal and Steel Community,
- having regard to the Commission communication of 6 September 2000 to the Council, the European Parliament, the ECSC Consultative Committee, the Economic and Social Committee and the Committee of the Regions entitled 'Expiry of the ECSC Treaty: Financial activities after 2002' (COM(2000) 518),
- having regard to Decision 2002/234/ECSC of the representatives of the governments of the Member States, meeting within the Council, of 27 February 2002 on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel ⁽⁵⁾, in order to govern the administration of the 'ECSC in liquidation' pending the entry into force of the Treaty of Nice, and having regard to the statements ⁽⁶⁾ made in connection therewith by the Commission and the Representatives of the Governments of the Member States, meeting within the Council,
- having regard to Council Decision 2003/76/EC of 1 February 2003 establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel ⁽⁷⁾,
- having regard to Council Decision 2003/77/EC of 1 February 2003 laying down multiannual financial guidelines for managing the assets of the ECSC in liquidation and, on completion of the liquidation, of the Research Fund for Coal and Steel ⁽⁸⁾,
- having regard to Council Decision 2003/78/EC of 1 February 2003 laying down the multiannual technical guidelines for the research programme of the Research Fund for Coal and Steel ⁽⁹⁾,
- having regard to the 2002 ECSC Financial Report for the period from 1 January 2002 to 23 July 2002 ⁽¹⁰⁾ published by the Commission's Directorate-General for Economic and Financial Affairs (Financial Operations Service),

⁽¹⁾ OJ C 80, 10.3.2001, p. 1 (see p. 67).

⁽²⁾ Doc SN 4609/01 Rev 1 of the Council of the European Union.

⁽³⁾ OJ C 247, 7.8.1998, p. 5.

⁽⁴⁾ OJ C 190, 7.7.1999, p. 1.

⁽⁵⁾ OJ L 79, 22.3.2002, p. 42.

⁽⁶⁾ OJ L 79, 22.3.2002, p. 60.

⁽⁷⁾ OJ L 29, 5.2.2003, p. 22.

⁽⁸⁾ OJ L 29, 5.2.2003, p. 25.

⁽⁹⁾ OJ L 29, 5.2.2003, p. 28.

⁽¹⁰⁾ ISBN 92-894-5199-8, Office for Official Publications of the European Union, 2003.

- having regard to the Court of Auditors' report on the financial statements of the ECSC as at 23 July 2002 ⁽¹⁾, which includes the statement of assurance of 27 March 2003 concerning the reliability of the Commission's accounts pursuant to Article 45c(5) of the ECSC Treaty,
 - having regard to the Court of Auditors' annual report and statement of assurance concerning the ECSC of 26 June 2003, in accordance with Article 45c(1) and (4) of the ECSC Treaty, for the financial year ended 23 July 2002, together with the Commission's replies (C5-0646/2003) ⁽²⁾,
 - having regard to the Commission communication entitled 'Financial statements of the ECSC in liquidation at 31 December 2002' ⁽³⁾,
 - having regard to the Court of Auditors' Annual Report concerning the financial year 2002 ⁽⁴⁾, and in particular paragraphs 10.18 to 10.20 (Loans and Borrowings of the ECSC in liquidation),
 - having regard to the Commission communication entitled 'Definitive Annual Accounts of the European Communities - Financial Year 2002' ⁽⁵⁾,
 - having regard to Article 89(7) of the Financial Regulation of 21 December 1977 ⁽⁶⁾ and to Article 147(1) of the Financial Regulation of 25 June 2002 ⁽⁷⁾, pursuant to which all Community institutions must take all appropriate measures to act on the observations accompanying the discharge decisions,
 - having regard to the Commission report of 29 October 2003 on the follow-up to the 2001 discharges (COM(2003) 651) and the follow-up (see Section III of that report) to the Resolution of the European Parliament on discharge for the financial management of the ECSC for the financial year 2001 supplemented by a communication of 30 January 2004 from Commission DG BUDG to the Secretariat of the Committee on Budgetary Control,
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Articles 93 and 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0201/2004),
- A. Whereas from 1 January to 23 July 2002 the ECSC continued to finance redeployment aid for workers and research grants from its operating budget, EUR 35 million for the former and EUR 72 million for the latter, plus further commitments of EUR 21 million for the Rechar Programme of social measures in the coal industry.
- B. Whereas on 1 January 1998 the ECSC levy on coal and steel products, which was until then one of the main resources of the ECSC budget, was set by the Commission at 0 %.
- C. Whereas, over the last few years, the ECSC's main sources of revenue have been the net profit on financial fixed assets, withdrawals from reserves and the cancellation of unused commitments.
- D. Whereas the ECSC balance sheet total has been declining since 1997 and at 23 July 2002 posted a fall of EUR 839 million since 31 December 2001.

⁽¹⁾ OJ C 127, 29.5.2003, p. 2.

⁽²⁾ OJ C 224, 19.9.2003, p. 1.

⁽³⁾ OJ C 245, 11.10.2003, p. 2.

⁽⁴⁾ OJ C 286, 28.11.2003, p. 1.

⁽⁵⁾ OJ C 316, 29.12.2003, p. 1 (see p. 45).

⁽⁶⁾ OJ L 356, 31.12.1977, p. 1.

⁽⁷⁾ OJ L 248, 16.9.2002, p. 1.

- E. Whereas, chiefly because of value adjustments, net losses on financial operations rose from EUR 12 million to EUR 69 million.
- F. Whereas interest received fell from EUR 215 million to EUR 91 million and net profit on financial operations fell from EUR 19 million to EUR 16 million, and income relating to the ECSC operating budget, for the final ECSC financial year of just under seven months, fell from EUR 65 million to EUR 21 million.
- G. Whereas bond-financed loans still outstanding on 23 July 2002 which are not covered by Member State guarantees were fully covered by the Guarantee Fund, and whereas those loans totalled EUR 529 million.
- H. Whereas the ECSC-administered liquid assets stood at EUR 1 557 million at 23 July 2002.
- I. Whereas the Resolution of the European Council on growth and employment adopted on 16 and 17 June 1997 in Amsterdam and the above-mentioned Council resolution of 21 June 1999 called for the revenues from outstanding reserves to be used for a research fund for activities related to the coal and steel industries.
- J. Whereas the sum remaining after deduction of the repayment of outstanding debt should be deemed to be EU budget 'own resources', which should yield annual interest of some EUR 60 million, to be allocated to research related to the coal and steel industries outside the framework programme for research.
- K. Whereas the expiry of the ECSC Treaty on 23 July 2002 entailed the complete disappearance of the ECSC's legal regime and the dissolution of the Consultative Committee set up by that Treaty.
- L. Whereas the annual report on the ECSC for the financial year ended 23 July 2002 was adopted by the Court of Auditors on 26 June 2003.
- M. Whereas the Court of Auditors concludes that the financial statements give a true and fair view of the assets and financial situation of the European Coal and Steel Community at 23 July 2002 and of the results of its operations for the year then ended.
- N. Whereas the Court of Auditors notes that, taken as a whole, the legality and regularity of the transactions underlying the ECSC financial statements for the financial year ended 23 July 2002 are sufficiently assured.
1. Acknowledges the achievements of all those who instituted and shaped the European Coal and Steel Community and who in so doing have made a major contribution to the peaceful unification of Europe;
 2. Calls, therefore, on the Commission, as it has done in previous years, to publish in the official languages an overview suitable for the general public of the work undertaken by the ECSC since it was established; acknowledges that the Commission has made a start on groundwork in this connection which must however promptly be taken further;
 3. Welcomes the progress made in connection with the cessation of ECSC activities, in particular the abovementioned Decision of the representatives of the governments of the Member States, meeting within the Council, of 27 February 2002 which created the requisite legal basis for the 'ECSC in liquidation', pending the entry into force of the Treaty of Nice on 1 February 2003;
 4. Urges the Commission, as it has already done in previous years, to carry out without delay an overall assessment of research originally funded by the ECSC, in particular an assessment of the coal research programme and of the criteria proposed for the selection of new coal research projects, as has already been done for the steel sector; regards such assessments as an important basis for the activities of the new Research Fund for Coal and Steel;

5. Notes that, over the last 15 years, the ECSC has disbursed some EUR 800 million to firms and institutes for applied research in the steel sector alone without, as a rule, and contrary to what is expressly provided for in ECSC research contracts, receiving its contractual share of proceeds from the patents this has made possible; calls on the Commission to enforce its legal claim to its share of proceeds from research funding by means of a registration procedure for patents and other suitable measures;
 6. Acknowledges a measure of progress in overcoming the security problems affecting the IT system used for ECSC research management; expects the Commission, however, to comply immediately with all the Court of Auditors' and external auditors' observations on the reliability of the IT system;
 7. Notes that all the loans outstanding after 23 July 2002 which are not covered by guarantees from a Member State are covered in full by the ECSC reserves and acknowledges the strategy adopted by the Commission for prudent financial management of the ECSC, and the 'ECSC in liquidation';
 8. Notes the progress made in reducing administrative costs reported in the document entitled 'Expiry of the ECSC Treaty: Impact on Administrative Costs of the Commission' (submitted to the Committee on Budgetary Control by DG BUDG on 30 January 2004), and calls on the Commission to inform Parliament at regular intervals of the outcome of its Annual Policy Strategy with regard to redeployment of staff members involved in administering the 'ECSC in liquidation';
 9. Welcomes the progress made in transferring the ECSC Consultative Committee's acquired knowledge to the European Economic and Social Committee (EESC) and, in particular, the fact that the EESC'S new Consultative Commission on Industrial Change (CCIC), which comprises members of the ECSC and delegates from the professional organisations representing the coal and steel sector and related sectors, was established on 24 October 2002 and held its inaugural meeting on 28 November 2002; invites the CCIC to publish the findings of its deliberations on a regular basis in the official languages;
 10. Welcomes the successful conclusion of the negotiations with the accession countries on the conditions for their participation in the new Research Fund for Coal and Steel, whereby the payment of their contributions, determined in accordance with the size of their mineral resources, will be staggered to take account of their respective economic situations, and calls on the Commission to give it regular progress reports on the implementation of the decisions taken as a result of those negotiations;
 11. Calls on the Commission to continue to conduct a regular review of all outstanding dormant commitments and to cancel only amounts in respect of which it is unlikely that there will be any movement in the future;
 12. Notes that the financial statements for the ECSC in liquidation as at 31 December 2002 were not published in the Official Journal until 11 October 2003; none the less welcomes the detailed and informative way in which they are set out, which should be the benchmark for subsequently published financial statements for the ECSC in liquidation, and calls on the Commission to ensure maximum transparency with regard to figures on trends in, and use of, ECSC assets and on revenue from them;
 13. Expects the Court of Auditors, which has submitted no specific report on the financial statements for the ECSC in liquidation as at 31 December 2002, to carry out the necessary audits each year and to publish the results in the Official Journal;
 14. Stresses that it will continue to keep an eye on the mandatory use of revenues from ECSC assets for the benefit of research in the coal and steel sector.
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DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)**

(2004/719/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the definitive annual accounts of the European Communities for the financial year 2002 - Volume I - Consolidated statements on budgetary implementation and consolidated financial statements (SEC(2003) 1104 - C5-0564/2003, SEC(2003) 1105 - C5-0565/2003) ⁽¹⁾,
 - having regard to the annual report of the Court of Auditors concerning the financial year 2002, accompanied by the replies of the institutions audited (C5-0583/2003) ⁽²⁾, and the special reports of the Court of Auditors,
 - having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty (C5-0583/2003) ⁽³⁾,
 - having regard to the Council recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Articles 274, 275 and 276 of the EC Treaty and Articles 179a and 180b of the Euratom Treaty,
 - having regard to Article 3 of Council Decision 2003/76/EC of 1 February 2003 establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel ⁽⁴⁾,
 - having regard to Annex 1(3) to Decision 2002/234/ECSC of the Representatives of the Governments of the Member States, meeting within the Council, of 27 February 2002 on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel ⁽⁵⁾,
 - having regard to the Financial Regulation of 21 December 1977, and in particular Article 89 thereof, and to the Financial Regulation of 25 June 2002 ⁽⁶⁾, in particular Articles 145 to 147 thereof,
 - having regard to Article 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A5-0200/2004),
- A. Whereas under Article 274 of the EC Treaty, the Commission implements the budget on its own responsibility, taking account of the principle of sound financial management,
1. Grants discharge to the Commission in respect of the implementation of the general budget of the European Union for the 2002 financial year;

⁽¹⁾ OJ C 316, 29.12.2003, p.1.

⁽²⁾ OJ C 286, 28.11.2003, p. 1.

⁽³⁾ OJ C 286, 28.11.2003, p. 12.

⁽⁴⁾ OJ L 29, 5.2.2003, p. 22.

⁽⁵⁾ OJ L 79, 22.3.2002, p. 42.

⁽⁶⁾ OJ L 248, 16.9.2002, p. 1.

2. Records its comments in the accompanying resolution;
3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank, and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****closing the accounts in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)**

(2004/720/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the general budget of the European Union for 2002,
 - having regard to the definitive annual accounts of the European Communities for the financial year 2002 - Volume I - Consolidated statements on budgetary implementation and consolidated financial statements (SEC(2003) 1104 - C5-0564/2003, SEC(2003) 1105 - C5-0565/2003) ⁽¹⁾,
 - having regard to the annual report of the Court of Auditors concerning the financial year 2002, accompanied by the replies of the institutions audited (C5-0583/2003) ⁽²⁾, and the special reports of the Court of Auditors,
 - having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty (C5-0583/2003) ⁽³⁾,
 - having regard to the Council recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Articles 274, 275 and 276 of the EC Treaty and Articles 179a and 180b of the Euratom Treaty,
 - having regard to Article 3 of Council Decision 2003/76/EC of 1 February 2003 establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel ⁽⁴⁾,
 - having regard to Annex 1(3) to Decision 2002/234/ECSC of the Representatives of the Governments of the Member States, meeting within the Council, of 27 February 2002 on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel ⁽⁵⁾,
 - having regard to the Financial Regulation of 21 December 1977, and in particular Article 89 thereof, and to the Financial Regulation of 25 June 2002 ⁽⁶⁾, in particular Articles 145 to 147 thereof,
 - having regard to Article 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A5-0200/2004),
- A. Whereas pursuant to Article 275 of the EC Treaty, responsibility for drawing up the accounts lies with the Commission,
1. Approves the closure of the accounts in respect of the implementation of the general budget for the 2002 financial year;

⁽¹⁾ OJ C 316, 29.12.2003, p. 1.

⁽²⁾ OJ C 286, 28.11.2003, p. 1.

⁽³⁾ OJ C 286, 28.11.2003, p. 12.

⁽⁴⁾ OJ L 29, 5.2.2003, p. 22.

⁽⁵⁾ OJ L 79, 22.3.2002, p. 42.

⁽⁶⁾ OJ L 248, 16.9.2002, p. 1.

2. Instructs its President to forward this decision to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank, and to have it published in the *Official Journal of the European Union* (L series).

The Secretary-General

Julian PRIESTLEY

The President

Pat COX

RESOLUTION**of the European Parliament accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Commission)**

THE EUROPEAN PARLIAMENT,

- having regard to the general budget of the European Union for 2002,
 - having regard to the definitive annual accounts of the European Communities for the financial year 2002 - Volume I - Consolidated statements on budgetary implementation and consolidated financial statements (SEC(2003) 1104 - C5-0564/2003, SEC(2003) 1105 - C5-0565/2003) ⁽¹⁾,
 - having regard to the annual report of the Court of Auditors concerning the financial year 2002, accompanied by the replies of the institutions audited (C5-0583/2003) ⁽²⁾, and the special reports of the Court of Auditors,
 - having regard to the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty ⁽³⁾ (C5-0583/2003),
 - having regard to the Council recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Articles 274, 275 and 276 of the EC Treaty and Articles 179a and 180b of the Euratom Treaty,
 - having regard to Article 3 of Council Decision 2003/76/EC of 1 February 2003 establishing the measures necessary for the implementation of the Protocol, annexed to the Treaty establishing the European Community, on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel ⁽⁴⁾,
 - having regard to Annex 1(3) to Decision 2002/234/ECSC of the Representatives of the Governments of the Member States, meeting within the Council, of 27 February 2002 on the financial consequences of the expiry of the ECSC Treaty and on the research fund for coal and steel ⁽⁵⁾,
 - having regard to the Financial Regulation of 21 December 1977, and in particular Article 89 thereof, and to the Financial Regulation of 25 June 2002 ⁽⁶⁾, in particular Articles 145 to 147 thereof,
 - having regard to Article 93 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinions of the other committees concerned (A5-0200/2004),
- A. whereas implementation of EU policy is characterised mainly by 'shared management' between the Commission and the Member States,
- B. whereas 'implementation tasks shall be delegated to Member States' where the Commission implements the budget by shared management, according to Article 53(3) of the Financial Regulation,

⁽¹⁾ OJ C 316, 29.12.2003, p. 1.

⁽²⁾ OJ C 286, 28.11.2003, p. 1.

⁽³⁾ OJ C 286, 28.11.2003, p. 12.

⁽⁴⁾ OJ L 29, 5.2.2003, p. 22.

⁽⁵⁾ OJ L 79, 22.3.2002, p. 42.

⁽⁶⁾ OJ L 248, 16.9.2002, p. 1.

- C. whereas one of the main aims of modernisation of the accounting system of the European Communities (MAS), as presented in the Commission communication of 17 December 2002 (COM(2002) 755), is to develop an integrated accrual system which would provide a fuller picture of the Communities' financial situation, registering all assets and liabilities as soon as they arise, rather than waiting until a receipt or payment is affected,
- D. recalling that administrative reform has been one of the main objectives of the present Commission, that the White Paper 'Reforming the Commission' (COM(2000) 200) was adopted on 1 March 2000, and that the Commission committed itself to an ambitious programme designed to strengthen independence, accountability, efficiency, transparency and provide the highest standards of responsibility,
- E. stressing its view that the discharge procedure is a process seeking, inter alia, to improve financial management in the EU by improving the basis for decision-taking in the light of the Court of Auditors' reports and the replies and opinions of the institutions,
- F. recalling the need for clear performance indicators for each major spending department of the Commission in order to evaluate progress in financial management from year to year;

A. HORIZONTAL ISSUES

Shared management

General issues

1. Recalls that the two largest areas of expenditure in the budget, agriculture and the Structural Funds, are subject to shared management, and notes that the Court of Auditors recommends that these two areas should be monitored particularly attentively 'due to their complexity and the many layers of administration involved' (Annual Report for the 2002 financial year, point 0.11);
2. Endorses the Court of Auditors' view that there is a need for both the Commission and the Member States to pay greater attention to a form of management which separates the financing of a Community policy from its implementation and, in the case of the Community, affected 77,6 % of commitment appropriations in 2002;
3. Stresses that 'shared management' has its Community legal basis, in primary law, in Article 274 of the Treaty ('Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management'), as well as in secondary law, in Article 53(3) of the Financial Regulation (Where the Commission implements the budget by shared management, implementation tasks shall be delegated to Member States ...);
4. Stresses that it is clear from the above two provisions that the Commission has primacy in the management of the Community funds concerned; calls on the Commission, accordingly, to draw up measures that reflect the subordinate position of the Member States and are aimed at ensuring sound financial management in this area;
5. Considers that there are no rules that would give the Commission clear grounds for avoiding its financial accountability by transferring it to the Member States in cases where they are at the origin of the irregularity;
6. Considers, therefore, that meaningful use of the term 'shared management' must be based on the fundamental principle that the Union delegates some of its powers to the Member States and that the Member States are obliged to carry out their part of the work in accordance with the guidelines adopted by the Union;

7. Points out that the salient financial feature of shared management is that national authorities appointed by the Member States make payments to those entitled to aid and that, even if the Member States pay out Community funds, where fraud and irregularities are not discovered or reported the cost is borne by the EU budget and not by the Member States;

Commission's responsibility

8. Stresses that, even though the day-to-day management is shared, financial responsibility remains indivisible and ultimate responsibility for implementation lies with the Commission, in accordance with Article 274 of the Treaty (the Commission shall implement the budget ... on its own responsibility ..., having regard to the principles of sound financial management);
9. Calls on the Commission substantially to increase the number of 'sunset clauses' enshrined in legislation and detailed impact assessments;
10. Points out that Article 53(5), of the new Financial Regulation reiterates the indivisibility of financial responsibility as follows: 'in cases of shared or decentralised management, in order to ensure that the funds are used in accordance with the applicable rules, the Commission shall apply clearance-of-accounts procedures or financial correction mechanisms which enable it to assume final responsibility for the implementation of the budget in accordance with Article 274 of the EC Treaty and Article 179 of the Euratom Treaty';

Member States' responsibility

11. Points out that the Member States' responsibility is laid down in:

— Article 280 of the Treaty:

'The Community and the Member States shall counter fraud and any other illegal activities affecting the financial interests of the Community through measures to be taken in accordance with this Article, which shall act as a deterrent and be such as to afford effective protection in the Member States.

Member States shall take the same measures to counter fraud affecting the financial interests of the Community as they take to counter fraud affecting their own financial interests.

Without prejudice to other provisions of this Treaty, the Member States shall coordinate their action aimed at protecting the financial interests of the Community against fraud. To this end they shall organise, together with the Commission, close and regular cooperation between the competent authorities.'

— and in Article 274 as amended by the Amsterdam Treaty:

'Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principle of sound financial management';

Position of the Court of Auditors on shared management

12. Points out that since 1994 the Court of Auditors has noted in its declarations on the correctness of the accounts that the underlying transactions are often materially affected by errors, particularly in the case of payments made by the Member States in areas subject to shared management; regrets the fact that the 2002 financial year is no different from previous financial years in this respect
- (a) 'in the case of the EAGGF Guarantee Section, the payments were, again, materially affected by errors. Arable crops are less exposed to the risk of error than animal premiums, whereas the other categories of expenditure, which are not subject to the integrated administration and control system (IACS), are exposed to greater risk, as well as being subject to less efficient controls;
- (b) in the case of the structural measures, in spite of an improvement in supervisory systems and controls, especially at Commission level, the same types of error occurred at Member State level with the same frequency as in previous years' ⁽¹⁾;
13. Points to the Court's most important audit results for the two main areas under shared management during the 2002 financial year ⁽²⁾:

AGRICULTURE

- the certifying bodies have reservations regarding expenditure of EUR 300 million owing to the way transactions are dealt with by the paying agencies (4.8(b));
- the Commission has not accepted the accounts in respect of one-quarter of the total amount declared (4.8(b));
- the certifying bodies' audits do not provide assurance that the information supplied to paying agencies by claimants under CAP schemes is correct (4.7(d));
- the IACS ⁽³⁾ is a valuable source of information concerning the legality and the formal correctness of EAGGF payments, but it only covers approximately 58 % of these payments (1.43) and is only fully implemented in 14 Member States (4.23), despite the fact that 'IACS inspection results represent an important source of evidence on the legality and regularity of the CAP transactions' (4.13); takes the view that Member States which fail to implement IACS should lose their corresponding right to agricultural support from the EAGGF Guarantee Fund;
- CAP expenditure taken over one year was, as in previous years, 'materially affected by error' (4.49);

⁽¹⁾ Annual report for the 2002 financial year, point V.

⁽²⁾ Annual report for the 2002 financial year, chapters 1, 4, and 5.

⁽³⁾ Each Member State is required to set up an integrated administration and control system (IACS) which comprises an electronic database of farms and applications for aid, a system for identifying land, a system for identifying and registering animals and an integrated control system for administrative control and on-the-spot checks.

STRUCTURAL FUNDS

System faults

- not until the end of 2002 did the Member States give all managing and paying authorities and the intermediate bodies the necessary guidance for the management and control systems to be set up in respect of forms of intervention in the 2000 to 2006 programming period (5.27);
- not all the management and control systems examined by the Court meet the requirements, three years into the 2000 to 2006 programming period (5.32);
- approximately 15 % of total expenditure for the 2000 to 2006 period have been paid without the Commission having assurance that the national supervisory and control systems are operating as required (5.32);

Substantive audit

- of the areas at the final beneficiary stage affecting the eligibility of the expenditure for aid, the Court mentions the inclusion of actions or persons unrelated to the programmes concerned, failure to take account of revenue generated or other income when calculating the net cost of projects, the same expenditure being declared more than once, expenditure without supporting documents, use of arbitrary cost allocation rates, calculation errors, 'and several other failures to respect Community rules' (5.40);
14. Points to the Court's repeated highlighting of serious weaknesses in the Member States' supervisory control systems, and regrets the Member States' unwillingness to cooperate with the Commission to ensure that appropriations are used in accordance with the principle of sound financial management. Regrets, in addition, the fact that this obligation appears to be translating into action only slowly and with difficulty;
 15. Points out the following key factors by way of explanation of this situation:
 - (a) the legal basis for shared management lies in secondary legislation (mainly sectoral legislation concerning the EAGGF Guarantee Section and the Structural Funds) and not in the Treaty;
 - (b) the Commission has the right of initiative for sectoral legislation and is fully responsible in legal terms for implementing the budget under Article 274 of the Treaty, but its powers may be limited by sectoral legislation adopted by the Council and Parliament;
 - (c) the Commission is not able to act in any other way than as laid down in sectoral legislation, which generally does not provide it with any means other than supervisory instruments and procedures and financial corrections;
 16. Stresses that, without prejudice to the Commission's obligations as reflected in the Treaty, it is the legislative authority that defines the Commission's competence in the areas to which sectoral legislation applies; takes the view that there may be a risk of a mismatch between these two areas and that this may have an adverse effect on the scope for ensuring that the appropriations are used in accordance with the principle of sound financial management;
 17. Points out that, pursuant to the Treaty, general political responsibility lies unequivocally with the Commission; notes that responsibility for the many weaknesses, as highlighted by the Court of Auditors, should be attributed both to the Commission's failure to ensure that those control systems are working and to the complex nature of the legislation and the shortcomings of the supervisory and control systems in the Member States;

Recommendations

18. Takes the view that it is absolutely necessary, *inter alia*, because of enlargement, to find the right balance between the Commission's responsibility and the legislative means it has at its disposal to exercise that responsibility;
19. Believes that in areas with shared management there is a need for a climate of coordination, cooperation and dialogue between the parties involved in implementing the budget, and that without such a climate it will be difficult to envisage the budget being implemented in accordance with the principle of sound financial management;
20. Believes likewise that such a climate of understanding can help forge a common perception of the risks and weaknesses in the implementation of the budget in these areas;
21. Points out that the Commission has a paramount interest in the full implementation of these supervisory and control provisions, and that indulgence in this area on the Commission's part only undermines its position in areas with shared management;
22. Calls on the Commission to improve implementation of the budget in the forthcoming financial years by:

IN GENERAL

- (a) ensuring that exemptions are not incorporated in sectoral legislation concerning implementation of the Financial Regulation;
- (b) taking greater account of Member States' dual role as both members of the Council and as national states with regard to the Commission's obligation to implement the budget in accordance with the principle of sound financial management;
- (c) complying to the letter with the provisions of the Treaty and of secondary law in the Commission's and Member States' practice in areas with shared management;
- (d) introducing, where applicable, new common standards to improve the national authorities' ability to carry out their part of the work;
- (e) fully assuming the role of guardian of the Community's financial interests, which do not necessarily coincide with those of the individual Member States;

AGRICULTURE

- (f) making proposals for higher fixed correction rates for system weaknesses,
- (g) undertaking whatever action is needed to ensure that IACS is implemented in all Member States,

THE STRUCTURAL FUNDS

- (h) carrying out a study of old and new Member States' administrative capacity and increasing the frequency of controls in countries and regions with relatively weak administrative structures;
- (i) considerably improving its instruments for monitoring compliance with the additionality principle and the provisions on eligibility for aid;
- (j) making full use of the right to carry out on-the-spot checks and use financial corrections in respect of the Member States;

23. Takes the view that shared management is well-suited as a form of management to implementing Community policies in the two major budget areas of agriculture and the Structural Funds, which have a very high number of final recipients of aid and involve very considerable amounts (77,6 % of commitment appropriations in the 2002 budget); stresses, nonetheless, that sound implementation of these policies requires both the Commission and the national authorities to carry out their respective tasks;

Auditing and shared management

24. Applauds the Commission's initiatives with a view to coordinating and harmonising the audit programmes and the methods introduced in order to achieve an integrated auditing approach;
25. Expresses its interest in this initiative, and asks to receive up-to-date information on successes achieved, reservations entered, obstacles removed and the timetable for future actions in the Commission's follow-up report;
26. Welcomes the approach underlying the 'confidence contracts'; is aware that there is a lack of information on the matter, given the embryonic nature of the pilot project, but asks to be informed in good time of the results and of the measures adopted to encourage signature of such contracts despite their voluntary nature; notes with pleasure the willingness of Austria and Denmark to submit themselves to this measure, and strongly urges all other Member States to follow their lead;
27. Is concerned at the absence of 'confidence contracts' for the area of the European Social Fund with the Member States (1);
28. Takes the view that both the Member States and the Commission should work towards establishing a single audit strategy for the shared management programmes; welcomes in this respect the efforts undertaken by the Commission and certain Member States to establish confidence contracts; takes the position that such efforts should be coupled with the carrying out of a reliable statement of assurance procedure, implemented annually at the level of the relevant authorities for the structural funds within the Member States, the result of which would be, in turn, taken up at Community level; takes note of the resistance expressed by a large number of Member States to the idea of such a yearly declaration of assurance as first proposed by the Commission at a meeting of the relevant ministers of the Member States on 7 October 2002; notes with criticism however the demonstrated unwillingness of the Commission to push forward such proposals more actively;

Recovery

29. Notes, in the light of the Commission's replies (2), the existence of a high degree of fragmentation in the area of the recovery of funds unduly paid;
30. Asks for information on the criteria for administrative harmonisation in this respect and the degree of compliance;
31. Calls on the Commission to provide, in its follow-up report, a comprehensive framework permitting standardised and regularly updated comparisons to be made and containing sufficient information on outstanding sums, numbers of dossiers closed and still open, and the efficiency levels of the individual recovery units;

(1) Replies to the questionnaire - part 1, Commission's reply to question No 92 (PE 328.732/fin. 1).

(2) Replies to the questionnaire - part 1, annex to question No 19, pp. 120-121 (PE 328.732/fin. 1).

The reform of the Commission

General aspects

32. Notes that uneven progress has been made in the implementation of the various actions set out in the White Paper; observes that, despite such progress, there are delays and difficulties to overcome in many areas;
33. Notes the Commission communication of 10 February 2004 on completing the reform mandate: progress report and measures to be implemented in 2004 (COM(2004) 93); acknowledges that adoption of virtually all of the 98 reform measures marks the completion of the legislative phase, but insists that the reform momentum needs to be maintained so as to ensure full implementation;
34. Points out that rapid progress must be made as regards 'administrative culture', in which connection every effort must be made to ensure that the system around the authorising officer by delegation works perfectly; considers that further efforts must be made in order to bring about an appropriate change in mentality as regards giving staff a sense of responsibility, so that each official or other employee, irrespective of his or her position within the hierarchy, feels actively involved in the collective task; expects management to be unstinting in its efforts to achieve this objective;
35. Insists that the efforts still required if the reform is to be optimised must be made as quickly as possible, with particular regard to human-resource management (identification of priorities, including 'negative' ones; redistribution of resources so that they can be allocated to priority activities; assessment of needs and appropriate training initiatives designed to fill 'skills gaps') and the implementation of the 24 control standards; expects such progress to be reflected in the forthcoming annual activity reports;
36. Welcomes the measures adopted by the Commission to ensure further progress in the harmonisation of the terms and conditions under which Directors-General express reservations in their annual reports; hopes that these measures will be applied in the next annual report drafting exercise, so as to enable the reservations expressed to be assessed and to facilitate identification of corrective measures;
37. Considers that the part of the reform linked to the amendment of the Staff Regulations is also important, since it constitutes an essential means of monitoring the reform of human-resource management; therefore expects the Commission to take Parliament's opinion into account;
38. Approves the Commission's efforts to establish a comprehensive 'whistleblower's doctrine', notes that such a doctrine is truly effective only if staff members are aware of it, and encourages the Commission to ensure that this information is freely available to its staff;

Decentralised financial control and risk assessment

39. Acknowledges that the Commission has worked hard to ensure the transition from a centralised to a decentralised control system (i.e. the Administration controlling itself), involving, *inter alia*, the transfer of more than 200 posts from DG Financial Control to, in some cases, other directorates-general, with a view to strengthening their internal control systems, and, in others, for the new internal audit function;
40. Points out that a key feature of any debate on the most appropriate structure and form for financial control is the question of striking a suitable balance between operational requirements and control requirements; takes the view that painstaking compliance with rules and directives does not necessarily always go hand in hand with effective problem-solving;
41. Considers that control efforts focusing solely on preventing formal errors can militate against improvements in effectiveness if they encourage an excessively rule-based approach, with the familiar consequences of a lack of flexibility and excessive red tape; is therefore of the opinion that risk assessment is a crucial component of internal control arrangements in so far as it alone makes it possible to ensure that internal control outcomes are commensurate with costs;

42. Notes that the 24 internal control standards making up the framework for internal controls at the Commission, as adopted by the Commission in 2000 and modified in 2001, have still not come fully into force; observes that Standard 11 reads as follows: 'Each DG shall systematically analyse risks in relation to its main activities at least once a year, develop appropriate action plans to address them and assign staff responsible for implementing those plans' (1);
43. Considers, in view of the vital role of risk assessment within internal control, that the Commission's report on the implementation of that standard is both disquieting and unsatisfactory (2); calls, therefore, on the Commission to give higher priority both to the performance of risk assessments and to implementation of the internal control system's other features; expects that the rules on internal control (3) will be applied rapidly and universally;
44. Deplores the lack of accountants in the Commission; notes the high turnover of accounting officers in 2002;

The reform of the accounting system

45. Considers that the future accounting system should ensure full accrual accounting capacity, data consistency and secure access;
46. Stresses that one of the questions thus far has been whether the Commission should adopt a 'big bang' approach and move directly to a fully integrated, single-package system, or phase it in by means of an interim phase which takes account of the needs of local systems;
47. Notes that the Commission prefers the latter, as a safer and surer method and because a large-scale validation exercise is necessary before local systems can be switched to the central system;
48. Notes the following progress in implementing the first stages of reform in 2003:
- (a) definition of accounting standards;
 - (b) documentation of user requirements;
 - (c) definition of accounting events;
 - (d) chart of accounts for coding of all transactions;
 - (e) accounting manual;
49. Takes note of the feasibility study conducted by Price Waterhouse Coopers on the Commission's MAS (modernisation of the accounting system) project and its chief recommendations for the project's successful completion;
50. Recalls that the Financial Regulation is based on a dual system combining accrual accounting for the purposes of the general financial accounts and cash-based accounting for the budget accounts; notes that this arrangement of public-sector accounting practices is in line with the criteria of the International Federation of Accountants and is the system operated by most Member States; points out, however, that this system requires permanent reconciliation between budget implementation and out-turn;

(1) [http://europa.eu.int/comm/commissioners/schreyer/Reform/SEC %20_2001_2037_Internal_Control_Standards_en.pdf](http://europa.eu.int/comm/commissioners/schreyer/Reform/SEC%20_2001_2037_Internal_Control_Standards_en.pdf).

(2) 'Moreover, it is clear from the limited progress made in general, that DGs and services are some way short of having a fully embedded risk management culture in place (COM(2003) 391, point 3.2).

(3) Replies to the questionnaire - part II, Commission's reply to question No 1 (PE 328.732/fin. 2).

51. Notes that this 'dual system' enables the use of double-entry bookkeeping for the general financial accounts, while single entry is maintained for the budget accounts which are used by the budgetary authority to verify the state of budget implementation;
52. Appreciates the Commission's efforts to keep to the timetable laid down by the legislation in force, while recognising that it is extremely tight, given the experience in several Member States which have embarked upon a similar process of modernising public-sector accounts; suggests, therefore, adopting a phased approach which focuses first of all on eliminating any significant security weaknesses and accounting discrepancies, secondly on ensuring that the 2005 accounts will be presented on an accrual basis, and lastly that a coherent and integrated system is put in place to support the new architecture;
53. Considers that all EU institutions and decentralised agencies must ensure that they also have accounting systems compatible with the new framework and based on principles and standards analogous to those required by the Financial Regulation;
54. Considers the full cooperation and input of all Commission departments (stakeholders) essential to the success of MAS; likewise expects DG Budget to take account as much as possible of user needs;
55. Underscores the high priority which Parliament attaches to data uniformity of the new system, and, in particular, to the establishment of a central invoice register and contractors' database that will provide full, accurate and detailed information on the status of the institutions' contractual relations;
56. Points to the 2005 deadline for the validation process of interfaces between local systems and the central system, after which data provided by non-validated systems will not be recognised; seeks assurances that this deadline will be met for all services without exception;
57. Recognises that Option 3, as presented in the abovementioned Commission communication on MAS, represents the only realistic, although interim, approach to meeting the key requirements of a modern accrual-based accounting system by 1 January 2005, as well as the sectoral needs of the operational services; stresses that the 2005 deadline, as required by the new Financial Regulation and thus a priority objective for Parliament, is not the end of the reform process, as the IT system supporting the new accounting architecture will still need to be installed to meet the goal of a fully integrated system (as laid down in Option 2);
58. Recalls the observer status on the Accounting Standards Committee and Project Oversight Board of both the Internal Audit Service and the Court of Auditors in the context of the MAS project; underlines their duty to follow closely the progress of the reform and to offer constructive and timely advice, as well as, where necessary, issuing early warnings that the project leaders must take into account when implementing the various stages;

The post-reform control structures

General issues

59. Recalls that the administrative reform has been one of the main objectives of the present Commission, that the White Paper 'Reforming the Commission' was adopted on 1 March 2000, and that the Commission has committed itself to an ambitious programme for strengthening independence, accountability, efficiency, transparency and the highest standards of responsibility; notes that a great number of very necessary and important steps in the right direction have been taken but that there are still potential obstacles to reform which have to be overcome;
60. Takes the view that the general conditions of contracts with the European institutions must oblige the contracting party to fully cooperate in clarifying the final ownership of important positions within that undertaking in the case where there is reason to suspect a possible conflict of interests;

61. Draws attention to the fact that the examination of the problems at Eurostat identify the need for safeguards against concealment of critical information;
62. Notes that the financial management and control structures now comprise the following key organisational elements:
 - (a) the directors-general as delegated authorising officers;
 - (b) the Internal Audit Service;
 - (c) the Audit Progress Committee;
 - (d) the Internal Audit Capabilities (DG level);
 - (e) the Accounting Officer, and
 - (f) the Central Financial Service in DG Budget;
63. Takes the view that the Eurostat affair has emphasised the need to review relations between the different actors and between the individual Commissioners and the College of Commissioners, as well as the functioning of the accountability chain, in order to ensure progress not only in the area of financial management but also in the governance structure of the Commission;
64. Reiterates the statement it made in paragraph 1 of its resolution of 4 December 2003 on the Commission report on the evaluation of the activities of the European Anti-Fraud Office (OLAF) ⁽¹⁾ that 'it was a mistake to concentrate the competences for drawing up the budget and keeping accounts and for combating fraud in the hands of one Member of the Commission, because this inevitably creates a conflict of interests'; reiterates its demand that this conflict of interests be avoided in the future; calls on the Commission to take steps to separate Commissioner responsibility for the functions of budgets and those of budgetary control;
65. Stresses the political importance that it ascribes to the statements made and conclusions drawn under the heading 'Eurostat' in its resolution of 29 January 2004 ⁽²⁾, with respect to the 2001 discharge, with a view to clarifying responsibility for the events at Eurostat; notes that the presentation to the legal authorities by OLAF of the Eurostat irregularities points to the need for vigilance should the outcome of the legal proceedings under way make it necessary to demand political explanations from the Commissioners concerned;

The directors-general as delegated authorising officers

66. Believes that, as a result of the introduction of a system requiring each director-general or head of service to present an annual activity report accompanied by a statement of assurance concerning the degree of effectiveness of his department's controls, efficiency, transparency and accountability are improving to such an extent that they have actually become a key tool in the Court of Auditors' annual assessment of budgetary management;
67. Reiterates the demands and recommendations set out in paragraph 20 of its abovementioned resolution of 4 December 2003 that the Financial Regulation provides for more effective supervision of the directors-general in their capacity as authorising officers, in order to prevent any misuse of power, that the Commission's Accounting Officer should verify the information supplied to him by the authorising officers, at least by carrying out spot checks, and that the 'internal audit capacities' in the directorates-general should no longer answer only to the directors-general but also to the Internal Auditor;

⁽¹⁾ P5_TA(2003) 0551.

⁽²⁾ P5_TA(2004) 0049.

68. Expressly regrets the fact that the Commission took no action on its demand, set out in paragraph 21 of its abovementioned resolution of 4 December 2003, that the Commission should submit the requisite legislative proposals for the amendment of the Financial Regulation and/or the implementing provisions relating thereto;
69. Believes that each individual Commissioner is accountable for the services under his responsibility and must ensure that their objectives have been achieved on the basis of full respect of the principles of sound financial management;
70. Expects the request made in the first indent of paragraph 30 of its resolution of 29 January 2004 for structural changes in the relations between the Commissioners and the directors-general to be acted upon;

The Internal Audit Service

71. Recalls that the Internal Auditor is independent in the discharge of his duties as set out in the Financial Regulation (Chapter 8, Article 85); stresses that Article 85 of the Financial Regulation refers directly to 'the relevant international standard' and that these standards are 'International Standards for the Professional Practice of Internal Auditing' as drawn up by the Institute of Internal Auditors (www.theiia.org);

72. Draws attention, in particular, to the following standards ⁽¹⁾:

'1100 Independence and objectivity:

The internal audit activity should be independent, and internal auditors should be objective in performing their work.

1110 Organisational independence

The chief audit executive should report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities.

1110.A1

The internal audit activity should be free from interference in determining the scope of internal auditing, performing work, and communicating results';

73. Takes, consequently, the view that the Internal Audit Service should be closely integrated into the Commission Presidency; emphasises that it is crucial for that Service to be established independently of the hierarchical structure of any individual directorate-general so that effective internal control may be guaranteed;

The Audit Progress Committee

74. Notes that the Audit Progress Committee was set up under the Charter of the Internal Audit Service of the European Commission (SEC(2000)1801/2) ⁽²⁾ with the principal task of monitoring the measures put in place by the DGs and services in the light of the analyses, evaluations and recommendations of the internal and external auditors;
75. Stresses that the Audit Progress Committee has the further function of assisting the College of Commissioners in its task of ensuring that the work of the Internal Audit Service is taken into account by the Commission's services, and that it may therefore make proposals to the Commission for suitable action;

⁽¹⁾ http://www.theiia.org/iaa/index.cfm?doc_id=1499.

⁽²⁾ http://europa.eu.int/comm/dgs/internal_audit/charter/charter_en.pdf.

76. Welcomes the Commission's reply to the effect that the Audit Progress Committee has the task of making it aware of any possible area of conflict related to its work on which it believes the Commission should act, accordingly making its minutes available to the Secretary-General ⁽¹⁾;
77. Notes that the Court of Auditors, in its Annual Report for 2001 ⁽²⁾, stated that the existing practice is 'contrary to the usual rules forbidding the chairman of an audit board from playing a role in the organisation that is likely to give rise to a confusion of interest' (9.56); believes that, in this connection, it would be desirable to revise the Committee's rules in order to:
- (a) ensure the absence of conflicts of interest;
 - (b) attach its secretariat directly to the Secretary-General's office, as suggested by the Committee itself in its annual report; and
 - (c) ensure publicity for its annual reports, which should include an assessment of follow-up action on the recommendations of the auditors' reports;

The Internal Audit Capabilities (DG level)

78. Notes that, whilst the Financial Regulation only provides for an Internal Auditor, the Commission decided in 2000 to set up Internal Audit Capabilities (IAC) in each department in order to assist directors-general and heads of service in their new responsibilities as regards financial management;
79. Trusts that the Commission will improve the channels of communication between the central and peripheral auditing bodies and the central and peripheral control bodies ⁽³⁾;
80. Calls on the Commission to review the rules governing the Internal Audit Capabilities in the light of the new Financial Regulation;
81. Considers that this reform must ensure the smooth flowing and functional autonomy of relations between the Internal Audit Capabilities and the Internal Audit Service, consolidating where applicable all the links and relationships referred to in Vice-President Kinnock's communication to the Commission on the conditions for establishing Internal Audit Capabilities in each Commission service (SEC(2000) 1803/3) ⁽⁴⁾;

The Central Financial Service in DG Budget

82. Recalls that the reform places a strong emphasis on the decentralisation of financial controls; believes that this in turn highlights the urgent need to develop more suitable and accountable forms of central management supervision of the control systems operating in individual departments; takes the view that this central management supervision should result in a formal opinion on the quality of the departments' internal control systems, which should be published in its original form within the synthesis report;
83. Is concerned about the high turnover of administrative staff at the Commission and calls on the Commission to take the measures required to investigate and eliminate the causes of this problem within its organisation;
84. Believes that there must be a fluid relationship between the central financial control bodies and the individual DGs' or services' financial control organs, so as to ensure the same relationship as is considered desirable in the audit field;

(1) Replies to questionnaire - Part 1; Commission's reply to Question No 28 (PE 328.732/fin. 1).

(2) OJ C 295, 28.11.2002, p. 1.

(3) Replies to questionnaire - Part 1; Commission's reply to Question No 28 (PE 328.732/fin. 1).

(4) http://europa.eu.int/comm/dgs/internal_audit/documents/audit_dg_sec1803_en.pdf.

85. Welcomes the Commission's statements to the effect that both the Internal Audit Service and the Internal Audit Capabilities could assess the control systems and that the results of the audits and controls will be transmitted to the Central Financial Service and will be included in the annual synthesis report ⁽¹⁾;

The Accounting Officer's Department in DG Budget

86. Recalls that the Accounting Officer, according to Article 61(e) of the Financial Regulation, is responsible for 'laying down and validating the accounting systems and where appropriate validating systems laid down by the authorising officer to supply or justify accounting information';
87. Points out that Article 61(2) of the Financial Regulation states that in order to assume this responsibility the Accounting Officer 'shall obtain from authorising officers, who shall guarantee its reliability, all the information necessary for the production of accounts which give a true image of the Communities' assets and of budgetary implementation';
88. Agrees with the Commission on the need to maintain operational synergies for financial management without prejudice to the functional independence of the supervisory bodies and the proper recognition of the roles of those responsible for the services concerned;

The European Anti-Fraud Office (OLAF)

89. Welcomes the Commission proposal (COM(2004) 103) amending Regulation (EC) No 1073/1999 of the European Parliament and of the Council ⁽²⁾; reiterates paragraph 38 of its resolution on the 2002 annual report on the fight against fraud, in which it states that the legislative proposals submitted by the Commission point to some extent in the right direction but that the following points are totally unacceptable and must almost be regarded as provocation:
- (a) instead of stipulating that OLAF should finally carry out to the full extent its long-neglected core task of internal investigations, the Commission's proposal expressly offers OLAF the possibility of not opening internal investigations even when there is sufficiently strong suspicion that acts of fraud or corruption or other illegal acts have been committed to the detriment of the financial interests of the Community;
 - (b) instead of assigning the secretariat of the OLAF Supervisory Committee administratively to the Secretariat of the European Parliament, the Commission now proposes that the Secretariat should be administratively assigned to the Commission, thereby calling into question the independence of the Supervisory Committee;
 - (c) instead of strengthening the rights of persons subject to an internal investigation, they are to be deprived of the possibility hitherto provided by the OLAF Regulation to appeal to the European Court of Justice if OLAF, in the course of its investigations, acts in a way which adversely affects them; this would open the floodgates to abuses of power (e.g. opening an investigation without sufficient grounds, inordinately long investigations) as such offences would no longer be subject to the scrutiny of a court;
90. Welcomes the Commission's intention to establish that communications from the DGs to OLAF should be forwarded to the relevant Commissioner ⁽³⁾;

⁽¹⁾ Replies to questionnaire - Part 1; Commission's reply to Question No 189 (PE 328.732/fin. 1).

⁽²⁾ OJ L 136, 31.5.1999, p. 1.

⁽³⁾ Replies to questionnaire - Part 1; Commission's reply to Question No 12 (PE 328.732/fin. 1).

91. Recalls its abovementioned resolution of 4 December 2003 in which it supported the announcement made by the President of the Commission that he would accord greater priority to OLAF's core tasks, improve the flow of information between OLAF and the institutions, do more to safeguard the rights of defence of persons under investigation and enhance the role of the Supervisory Committee;
92. Cannot understand why the Commission was more than a year late in submitting the progress report required by Article 15 of Regulation (EC) No 1073/1999 and why now, after Parliament's adoption of its abovementioned resolution of 4 December 2003, the Commission required almost three months before taking a decision on a corresponding set of proposals on 9 February 2004; notes that these delays have made it practically impossible for improvements to be made to Regulation (EC) No 1073/1999 before the European elections;
93. Believes that the OLAF Supervisory Committee should be fully independent of the Commission;
94. Is deeply disturbed by the announcement of the Director of OLAF to the effect that he does not intend to follow the Ombudsman's recommendation to reopen the case of the firm of Blue Dragon; notes that the OLAF Supervisory Committee has raised serious doubts about OLAF's handling of the case; calls on OLAF to comply with the recommendations of the Supervisory Committee; welcomes the Commission's reopening of the case;
95. Notes that most of the 1 000 cases which OLAF inherited from UCLAF have been closed; calls on the Supervisory Committee to investigate how many of the cases were closed without any result; calls on the Supervisory Committee to pay particular attention to ensuring that cases have not been closed without proper justification;

Presentation of audit results

96. Stresses the importance of the principle of an auditee's right to comment on audit results submitted by an auditor, and draws attention to the fact that the effectiveness of parliamentary oversight over financial management in the EU is very much dependent on the quality and information value of the Court of Auditors' special reports and annual reports;
97. Stresses its view that the discharge procedure is a process seeking, *inter alia*, to improve financial management in the EU by improving the basis for decision-making in the light of the Court's reports and the replies and opinions of the institutions; welcomes the fact that, in practice, the Court contributes not only to correcting mistakes, but also to developing and improving management in the EU by identifying and pointing to sub-optimal solutions; points out that improvements naturally presuppose that an auditee is receptive to audit recommendations;
98. Notes that the Court of Auditors, despite its name, is not a court of law, does not have decision-making powers and can only achieve results on the strength of the quality of its reports;
99. Takes the view that the impact of examinations by the Court of Auditors is very much dependent on how the discharge authority deals with, and follows up, the results of the Court's examinations, and that improvement in the quality of reports, and in the way in which the competent committee deals with them, is therefore in the common interest of the Court and the discharge authority;
100. Observes that the Commission's position on the results of Court audits often varies, depending on the areas examined; notes that, with regard to own resources, the Commission often declares itself to be in agreement with the Court's recommendations, but that, with regard to the common agricultural policy, structural policy and external actions, it is frequently critical of the results of the Court's audits and its observations;

101. Takes the view that the Commission and the Court can self-evidently have differing views as to the importance to be accorded to the results of an audit, but points out that it is unsatisfactory for the two institutions not always to be in agreement about the underlying premises and criteria for an audit, since this affects the clarity of the message;
102. Looks to both the Commission and the Court of Auditors to make greater efforts in future to ensure that audit results are presented to the discharge authority as clearly and as unambiguously as possible;
103. Welcomes the positive development as regards cooperation between the Court of Auditors and Parliament's competent committee, and points in particular to the new procedure for submitting reports for the committee, under which, *inter alia*, special reports are made public at a meeting of the competent committee and at the relevant preparatory meetings;
104. Hopes that it will be possible for this personal contact, which is positive and highly important for continuing development of cooperation between the two institutions, to be maintained and expanded in the future; considers it appropriate for more precise rules and procedures to be laid down on how the competent committee deals with the Court of Auditors' special reports;
105. Calls on both sides to develop the procedure further so that both the results of audits and the Commission's replies are satisfactorily considered in committee; is convinced that consideration in the competent parliamentary committee makes a major contribution towards drawing attention to the problems identified in the audit report and thus helps to improve financial management in the Union;
106. Stresses also the Commission's crucial role in disseminating information on financial management to the discharge authority and the public; calls on the Commission to continue to ensure that policy implementation is given at least as much attention as policy development; takes the view that many instances of irregularities and 'creative management methods' are an inevitable consequence of the dominant tradition at the Commission of according far more importance and prestige to policy development than to the implementation of policies already decided on;

Corruption

107. Calls on the Commission to make greater efforts to support the anti-corruption strategies of the accession countries, candidate countries and of the Member States, in particular as regards areas such as public procurement, customs and border control services, and the financing of political parties;
108. Takes the view that there is a need everywhere to raise awareness concerning public administration transparency, accountability and efficiency and, by means of campaigns, to make the public aware that corruption jeopardises the economy and society as a whole; calls on the Commission to support national and, in particular, local NGOs working for greater public awareness of corruption;
109. Expects the Commission, therefore, to carefully consider to which NGOs it gives support and to insist that NGOs given support present accounts and audit statements drawn up by independent auditors, on the same basis as ordinary undertakings;
110. Calls on the Commission to undertake the necessary verification to ensure that the NGOs it supports practise transparency in their activities and that their governing bodies operate correctly;

B. SECTORAL ISSUES

Own resources**The taxpayers and the EU budget**

111. Recalls that the European Union's revenue for financing its expenditure consists of three categories of 'own resources': traditional own resources (agricultural levies, sugar levies and customs duties), own resources calculated on the basis of VAT collected by the Member States and own resources calculated on the basis of the Member States' gross national product;
112. Notes that the Community's revenue via these own resources has hitherto been insufficient to finance the European Union's activities and policies, but points out that since 1970, when the system of Member States' financial contributions was replaced with own resources, and the introduction of own resources based on GNP in 1988, numerous changes have been made to the system, frequently under pressure from the Member States;
113. Points out that the VAT and GNP resources are based on macroeconomic statistics forwarded by the Member States and that the Court of Auditors is unable to test the underlying data directly; notes the Court of Auditors' view that '(these observations) cast doubt on the accuracy and reliability of the VAT statements produced by the Member States' (point 3.37 of the 2002 Annual Report) ⁽¹⁾;
114. Considers that there are several good reasons for reorganising the financing of the EU budget, and that the aim should be to secure the European Union's financial independence from national contributions subject to the decisions of national parliaments, and funding for all the tasks to be undertaken in a Union of 25 Member States, without thereby further burdening European taxpayers;
115. Notes that the annual EU budget made up, in 2002, only 3,4 % of Member States' total tax revenue ⁽²⁾, and that many of the public's notions about the size of the EU budget simply have no foundation in reality;
116. Calls on the Commission to draw up a report on the possibilities of introducing a more direct link between taxpayers and the EU budget, since such a scheme would not only be financially advantageous, but would also be an important political instrument for achieving all the objectives set out in Article 2 of the Treaty;

⁽¹⁾ OJ C 286, 28.11.2003, p. 88.

⁽²⁾ The following table shows the EU budget (outturn figures) as a percentage of Member States' total tax income for the years 2000 to 2002:

Year	EU budget (outturn) ⁽¹⁾ euro million	Total tax income EU-15 ⁽²⁾ euro billion	EU budget in % of Member States' tax income
	(1)	(2)	(3) = (1)/(2)/ 1 000
2000	83 331,1	2 414,4	3,5 %
2001	79 987,3	2 450,2	3,3 %
2002	85 144,5	2 488,1	3,4 %

⁽¹⁾ Payments in the year in question under payment appropriations of the year as well as under payment appropriations of the previous year carried forward.

⁽²⁾ Total tax income of the 15 Member States. Social security contributions are not included.

Source: Commission services.

The Community's transit system

117. Welcomes the success of the hearing held to follow up the recommendations made by the first temporary committee in 1997; recalls that the background to the setting-up of the temporary committee was the introduction of the internal market and the need for rapid and effective customs clearance and an effective transit system to ensure the correct payment of VAT and customs duties, and that Parliament and the Council, as a result of the work of the committee of inquiry, called on the Commission to review the Community's transit system and implement the New Computerised Transit System (NCTS);
118. Is pleased that all the compulsory administrative measures have been taken in the Member States and that all customs offices in the EU are linked to NCTS; welcomes the fact that in the development stage of NCTS, account has already been taken of enlargement, and that NCTS is now showing itself to be a particularly flexible instrument;
119. Is aware that it is probably too early to assess the success of the system from the point of view of transit firms, but notes that the business world is apparently rather reluctant to use it; calls on the Commission to promote the transition to phase 3.2 of NCTS, which is mainly a national matter, since it is expected that the guarantee guidance function, which will only be implemented with phase 3.2, will act as a strong incentive to businesses to use the system;
120. Considers that the EUR 68 million which have so far been spent on the project can only pay off if there is a far greater number of users; also considers that one reason for the low level of use is the decision to apply a 'decentralised architecture', whereby the national customs administrations will use a national application, as opposed to a 'centralised architecture' based on a common application to which all customs administrations are linked;
121. Notes that the reality still lags far behind the recommendation of the committee of inquiry that all customs administrations should act as a single administration in relation to businesses; notes with regret that, while this objective is shared by the Commission and by business associations, the national customs administrations are being very passive;
122. Further notes that NCTS cannot directly prevent or combat fraud committed using false customs declarations, which can only be detected by physical checks; welcomes the fact that NCTS, by simplifying the administrative tasks of customs workers, can help free up human resources to combat this type of fraud; calls on the Member States to make use of the resources thus released for effective and comprehensive physical checks;
123. Notes that the Commission allows goods which have been incorrectly or falsely declared to be regarded as not being involved in the transit procedure, with the result that the guarantee cannot be reclaimed, that the papers have to be sent back to the country of entry into the EU, and that the campaign to combat fraud is impeded; calls on the Commission to put an immediate end to this practice and to propose an appropriate amendment to the Customs Code;
124. Notes that, in many customs administrations, staff numbers are being reduced rather than increased, with the result that false declarations and other irregularities, which can be exposed only by means of on-the-spot physical inspections, are going undetected; notes that the costs involved in increasing the number of inspection staff are more than offset by the increase in customs revenue; calls on the Commission to urge the Member States to increase the number of staff required for physical inspection duties, especially now that the share of customs revenue allocated to the Member States has been increased from 10 to 25 %;

125. Trusts that the Commission will abide by its statement to the effect that the objective of fraud reduction is being achieved and that NCTS will attain in full the objectives for which it was created ⁽¹⁾;
126. Calls on the Commission to draw up, no later than 15 June 2004, a survey showing the implementation of the 38 recommendations made by the committee of inquiry in 1997;
127. Calls also on the Commission, in its competent committee and on the basis of a brief written report on the situation forwarded to that committee prior to the follow-up report, to report on (any problems with) the continued implementation of NCTS, with regard inter alia to the implementation of phase 3.2, the number of users, user satisfaction, implementation in the Member States (new and old) and the commitment of the national customs administrations;

Agriculture

Setting of export subsidy rates

128. Notes, in relation to the Commission's reply under point 25 of Special Report No 9/2003 concerning the system for setting the rates of subsidy on agricultural products ⁽²⁾, that neither the Commission nor the Court of Auditors has supplied the discharge authority with details on the content and nature of the 'extremely important circumstances' for which the Commission opted for 'a rate different from the theoretical calculated rate';
129. Recalls that the expenditure in the EU budget for export refunds is dependent on the quantity of products for export and the export refund rate set by the Commission, and that the investigation by the Court of Auditors as to how, by means of which procedures and on what basis the Commission decides to set that rate is therefore both welcome and useful, as the setting of the rate is an important cog in the entire export refund mechanism;
130. Understands that, in their reply to the auditors' observations, auditees will seek to defend and explain their actions; also understands that a special report is a snapshot of management at a particular time before the publication of the special report, and that changes may have been made during the period it takes to carry out and complete an audit;
131. Finds, despite the above acknowledgement, that the gap between the two institutions' understanding of, on the one hand, 'what the situation is' and, on the other hand, 'what the situation should be' puts the discharge authority in a difficult and unsatisfactory situation;
132. Reminds the Court of Auditors and the Commission that the object of an audit is to bring about constant improvements in the relevant management process and that the outcome of audits and replies thereto should be drawn up in such a way as to be comprehensible to the European public, and expects rapid progress towards that objective;
133. Notes that the Court last investigated this matter in 1990 ⁽³⁾ and concluded in regard to the method of setting export refunds that 'documentation of the facts, the Commission's consideration of the facts, the decisions taken and the outcome was not maintained, and, as a consequence, independent third party and audit and management control were virtually impossible' (Special Report 9/2003, paragraph 9);
134. Recalls that, in its resolution on the Court's Special Report No 2/90, Parliament concluded that 'for reasons of public accountability, the Commission's internal decision-making procedures must be recorded and justified in writing so that its reasoning can be followed by the monitoring bodies at any time' (Special Report 9/2003, paragraph 10);

(1) Replies to the questionnaire - part 1; Commission's reply to question No 60 (PE 328.732/fin. 1)

(2) OJ C 211, 5.9.2003, p. 1.

(3) Special report No 2/90 on the management and control of export refunds (OJ C 133, 31.5.1990, p. 1).

135. Notes that, in its latest report, the Court concludes that:
- (a) the Commission has access to extensive market information but that this is not always up-to-date, complete or objective;
 - (b) in many cases it is unclear how the information is used and what impact it has on the final refund rates set;
 - (c) in setting the refund rates, the Commission gives no details of its working methods or any systematic and coherent justification for the rates set (Special Report 9/2003, paragraph 39);
136. Regrets the slow progress made in the 13 years between the two audits, and calls for further improvement following the recommendations of the Court of Auditors and the discharge authority and the full implementation of its 2002 comprehensive action plan;
137. Expects the Commission to account in its follow-up report for the following:
- (a) the slow and limited nature of the progress made in the 13 years between the two audits (Special Report 9/2003, paragraph 39);
 - (b) the results achieved by the working group set up by the Commission in response to the Court's audit (Special Report 9/2003, paragraph 40a, footnote 7);
 - (c) to what extent DG Agriculture meets standard No 15 of the internal control standards, which reads:

‘The procedure used in the DG for its main processes shall be fully documented, kept up to date and available to all relevant staff and shall be compliant with the Financial Regulation and all relevant Commission decisions’ ⁽¹⁾;
138. Also expects the Commission to submit as soon as possible:
- (a) an overall framework for the information to be included in the calculation of the rate;
 - (b) reliable documentation for the information selected;
 - (c) quality control of the information selected;
 - (d) a clear statement of the division of tasks and responsibilities internally in the Commission;
 - (e) a clear and unambiguous description of the procedures to be followed; and, in particular,
 - (f) a description of control procedures and criteria for assessment;
139. Calls on the Court of Auditors to keep it informed of the Commission's implementation of the recommendations set out in paragraph 40(a) to (h) of Special Report 9/2003;

The prefinancing regime

140. Notes with interest the Court of Auditors' investigation of the Commission's administration and the national authorities' implementation of the prefinancing regime, which is an important part of the export refund system, which in turn is a part of the common agricultural policy adopted by the Council;

(1) [http://europa.eu.int/comm/commissioners/schreyer/Reform/SEC %20_2001_2037_Internal_Control_Standards_en.pdf](http://europa.eu.int/comm/commissioners/schreyer/Reform/SEC%20_2001_2037_Internal_Control_Standards_en.pdf).

141. Recalls that this is a very complex area, in which the Commission actively intervenes on the agricultural markets after taking difficult decisions, in which very considerable sums are paid out daily from the EU budget and which the Court of Auditors has described in earlier special and annual reports as a high-risk area;
142. Notes that some 11 % of the refunds paid in 2000, some EUR 600 million, were paid out under the prefinancing regime (Special Report 1/2003 ⁽¹⁾, paragraph 2);
143. Notes that the Commission's own investigations in 1997 into the national authorities' checks on the regime revealed such significant shortcomings that the Commission imposed financial corrections of over EUR 166 million on the Member States (Special Report 1/2003, paragraph V), but did not subsequently carry out an in-depth analysis of the regime's procedures;
144. Considers that financial corrections reflect not only the Member States' ability and willingness to implement a regime correctly, but also the possibility of implementing the regime correctly; believes in a general sense that many legal provisions concerning the common agricultural policy are so difficult to interpret, and the checking provisions in many cases so lacking in transparency, that the Member States' authorities do not have much opportunity to implement the regimes correctly;
145. Finds it hard to understand why the Commission does not pay greater attention to large financial corrections or treat them as alarm signals that may mean that a regime and its associated procedures should be made subject to a thorough investigation with a view to simplification or amendment;
146. Notes the Court of Auditors' conclusions to the effect that:
- (a) the legal provisions are hard to interpret, which makes it difficult for the Member States to implement the regime;
 - (b) the prefinancing regime makes the already complex export refund system still more complicated;
 - (c) the checking provisions are so unclear that there are large discrepancies not only between Member States but also between regions within the same Member State regarding the nature and extent of the checks;
 - (d) the original purpose of the system has fallen by the wayside,
- and that the Court of Auditors recommends, in the light of these conclusions, that consideration should be given to the removal of the regime;
147. Regrets that the Commission, while sharing some of the Court of Auditors' points of view, has not followed up the Court's recommendation to work towards the removal of the prefinancing regime, but has instead adopted two new regulations which further complicate an already complex system;
148. Considers that the prefinancing regime operates in practice as a provider of free capital to those undertakings which make use of the export refund regime;
149. Is aware that the common agricultural policy is adopted by the Council, and that the Commission therefore has only a limited influence over it; regrets, however, that the Commission is not making a greater effort to make it clear to the Council that a detailed follow-up to the Court of Auditors' recommendations is an important step on the necessary road to improving the EU's financial management; calls, therefore, on the Commission to submit a proposal by December 2004 for the abolition of the pre-financing scheme;

(1) OJ C 98, 24.4.2003.

150. Deeply regrets that the Council has still not adopted the Commission proposal for a Council regulation amending Regulation (EC) No 1258/1999 on the financing of the common agricultural policy (COM(2002) 293), which seeks to extend from 24 to 36 months the maximum period to which an expenditure correction may apply, and has received favourable opinions from both the Court of Auditors ⁽¹⁾ and the European Parliament ⁽²⁾;

Support for less-favoured areas

151. Recalls that the support scheme for agricultural holdings in less-favoured areas is one of 22 support measures for agriculture and that it has been in existence since 1975 and was radically overhauled in 1999; stresses that the overall budget for the scheme is EUR 2 billion a year, approximately 50 % of which comes from Community funds, accounting for 1 % of the overall annual budget and 12.5 % of the total budget for rural development measures, while 55,8 % of all farms in the EU receive support under this regime;
152. Recalls that the term 'less-favoured area' was first defined in 1975, when Community support for such areas was introduced, and that since that time only slight adaptations have been made to this definition (Special Report 4/2003 ⁽³⁾, paragraph 5), so that current Community legislation now distinguishes between three categories of less-favoured area, which are:
- mountain areas,
 - other less-favoured areas, and
 - areas affected by specific handicaps;
153. Notes that since 1975 support rules have never been subject to a general assessment, and calls on the Commission to submit to Parliament, in good time for consideration during the next discharge procedure, a comprehensive evaluation report, whether or not all the Member States have complied with the legal obligation to supply the data required for such a report;
154. Notes two points of apparent concern:
- (a) it is the Member States' responsibility to classify areas as less-favoured;
 - (b) in some Member States, these areas have been expanded considerably over the years ⁽⁴⁾;
155. Notes, furthermore, that this increase inevitably concerns the last two categories, where 'less-favoured' and 'handicaps' are determined with the aid of statistical criteria related to national averages;
156. Recalls that criteria may be adapted, and that changes may be made to the statistical basis used for the classification of 'normal' areas, which means that the definition of those areas which may be included in the last two categories is somewhat more flexible than, if not more vague than, the definition of areas that are clearly mountainous, as the rising number of the latter confirms;

⁽¹⁾ OJ C 285, 21.11.2002, p. 1.

⁽²⁾ OJ C 273 E, 14.11.2003, p. 66.

⁽³⁾ OJ C 151, 27.6.2003.

⁽⁴⁾ The Court of Auditors points out that between 1975 and 1998, the percentage of less-favoured areas in Italy rose from 37,7 to 53,6 % and in Ireland from 51,2 to 70,9 % (SR4/2003:8). Previous reports show that the percentage in the Federal Republic of Germany went up from 33,1 to 50,9 % in 1986 and from 50,9 to 53,5 % in 1989, and in France from 40 to 45,1 % in 1989 (Annual Report for 1990, paragraph 9.21 (OJ C 324, 13.12.1991).

157. Notes with satisfaction that the Commission responded to the Court of Auditors' previous remarks in 1993 by attempting to carry out an investigation into the classifications, but deeply regrets the fact that, under pressure from some Member States, the Commission failed to complete the investigation;
158. Is concerned at the Commission's difficulty in effectively asserting the Community's interests over national interests, and agrees with the Court that the provisions are seriously flawed in allowing the classification to be determined or altered by the individual Member States instead of by the Community;
159. Calls on the Commission to undertake, in its next follow-up report, a comprehensive and thorough review of the current classification of all less-favoured areas and, in addition, to draft a proposal for a periodic review of the situation of less-favoured areas and introduce an effective system not only to prevent the areas concerned from being extended but also allowing them to be reduced;
160. Notes that the individual Member States use a very wide range of different indicators to establish the boundaries of less-favoured areas (17 indicators for productivity, 12 for economy and three for population) (Special Report 4/2003, paragraph 33 and Annex II), and that the Court noted during its audit on the spot that the wide range of different indicators may lead to discriminatory treatment of beneficiaries, particularly in border regions;
161. Calls, in this connection, for a review, no later than 15 June 2004, of the suitability and relevance of the current series of indicators, restricting them where possible and for them to be defined (or redefined) in such a way that they provide fewer opportunities for 'manipulation' by the Member States;
162. Regrets the fact that the Commission has not reacted to the risk of negative repercussions deriving from the unfortunate combination of Member States' responsibility for classification of less-favoured areas, the use of the wide range of indicators and the lack of evaluation;
163. Considers it absolutely essential for the Commission to monitor the situation, since individual Member States cannot be expected to send it information which may entail the Member State in question receiving less support; also takes the view that the Commission should have paid more attention to the inherent and obvious conflict of interest in the scheme between the Member States' and the Community's interests;
164. Calls on the Commission to investigate, and publicise in its next follow-up report, the effect of the introduction, since 1990, of conservation of the countryside as one of the grounds for entitlement to compensatory payments and the impact it has had on the scale of support payments;
165. Calls on the Commission to review the existing regime on overcompensation, so as to ensure that farms in similar conditions receive similar compensation and that the Member States take measures to prevent overcompensation that are mutually comparable, also supplying a clear and workable definition of the term 'overcompensation';
166. Suggests, in addition, that the compensatory allowances regime should include an appraisal of the structure of holdings' expenditure, so that, where the cost structure in a certain region is significantly higher than that of the average agricultural holding in other, normal regions, then this circumstance should be taken into account when granting compensatory allowances;
167. Calls on the Commission to adapt and update the definition of 'good farming practices', and to ensure that the Member States apply this condition consistently and supply the requisite documentation which proves that they have actually done so; points out, in this connection, that, in the 2004 budget, Parliament made available appropriations so that the use of environmental indicators might be further developed;
168. Believes that the Commission should play a much more active role in the management and supervision of the compensatory allowance scheme and should, to this end, establish uniform minimum standards of control to be complied with when applications for aid are examined or on-the-spot checks are carried out; also believes that the Commission should brief Parliament on the

extent to which Member States have satisfied the requirements of Article 48(2) of Council Regulation (EC) No 1257/1999 ⁽¹⁾ and on exactly what action it is taking in response; expects the Commission to lay down penalties in the event that Member States fail to comply and do not supply the requisite information about the manner in which they have administered the support scheme, for example, by reducing or suspending the payment of compensatory allowances;

169. Believes, furthermore, that since the Financial Regulation requires support measures to have specific and quantifiable objectives, it would be better if the indicators for less-favoured areas were established on the direct basis of concrete objectives and the criteria for granting aid to farms were defined in performance-related terms; this would help prevent manipulation by the Member States;
170. Is concerned that, while the Management Committee plays a crucial role in implementing the support scheme, there is virtually no supervision of its activities and decisions;
171. Suggests that the Commission review the existing 22 agricultural support measures and consider whether some of them could be combined in the interests of more effective monitoring;

The Structural Funds

Implementation of the budget in 2002

172. Draws attention to the following analysis:

in 2002, implementation of commitment appropriations was close to 98 % (see table 1). However, for payment appropriations the implementation rate was considerably lower, as was also the case in 2000 and 2001.

TABLE 1

Implementation of EU budget, 2000-2002

	Commitment appropriations			Payment appropriations		
	Authorised appropriations	Implemented	Implementation rate	Authorised appropriations	Implemented	Implementation rate
	(EUR million)		(%)	(EUR million)		(%)
2000	96 620	79 601	82,4	95 034	83 440	87,8
2001	106 924	103 333	96,6	97 160	79 987	82,3
2002	100 977	98 875	97,9	98 579	85 144	86,4

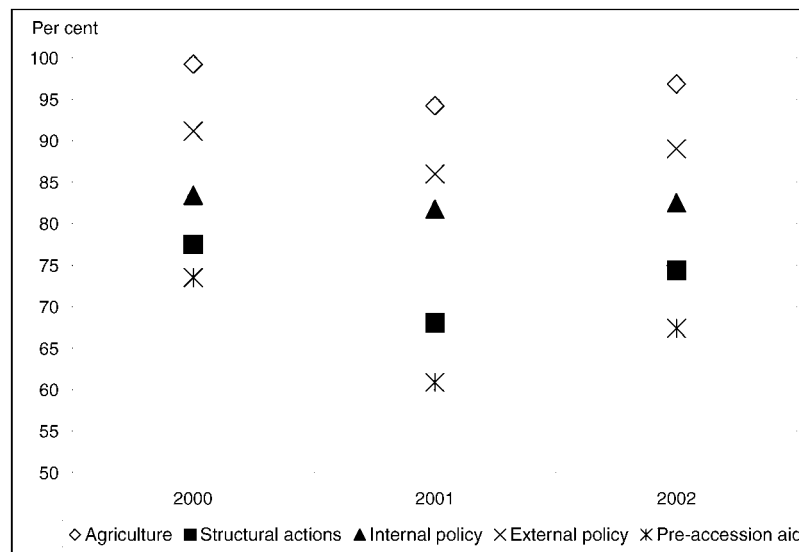
Source: Annual accounts of the European Communities for 2001 and 2002.

⁽¹⁾ 'Article 48

1. The Commission and the Member States shall ensure effective monitoring of implementation of rural development programming.
2. Such monitoring shall be carried out by way of jointly agreed procedures. Monitoring shall be carried out by reference to specific physical and financial indicators agreed and established beforehand. Member States shall submit annual progress reports to the Commission.
3. Where appropriate, monitoring committees shall be established.' (OJ L 160, 26.6.1999, p. 80).

The budget consists of seven headings: 1. Agriculture; 2. Structural actions; 3. Internal policies; 4. External policies; 5. Administrative expenditure; 6. Reserves; and 7. Preaccession aid. Implementation rates for payment appropriations vary significantly between the headings, with lowest rates for structural actions and preaccession aid, see figure 1.

FIGURE 1
Implementation rates, payment appropriations, 2000 to 2002



Note: Implementation rates for administrative expenditure (heading 5) and Reserves (heading 6) are not included in the figure as the appropriations for these headings are of a different nature than for other headings.

Source: Annual accounts of the European Communities for 2001 and 2002.

The varying characteristics of the headings should be noted when comparing the implementation rates, for example, for agriculture (heading 1), the implementation rate will, to a large extent, reflect developments in world market prices of agriculture products as well as the euro-dollar exchange rate. A low implementation rate may therefore rather indicate, for example, a more advantageous development in the euro-dollar exchange rate than inefficient management.

For other parts of the budget (Structural Funds, internal policies, external policies and preaccession aid), appropriations are mainly linked to multiannual programmes. The implementation of such programmes goes through various phases, from the calling and choosing of projects to actual implementation by contractors following tendering procedures. A low implementation rate may therefore indicate problems in one or more of these phases. Shared management exists for several programmes, i.e. some phases of implementation are mainly managed by the Commission, others mainly by the relevant authorities in Member States/beneficiary countries.

Structural Funds

In 2002, the implementation rate for payments to structural actions was just below 75 %. Around three quarters of the under-implementation was due to lower than expected payments on old programmes (see table 2). All types of old programmes experienced very low implementation rates, for example, the three largest headings (Objective 1, Objective 2 and Community initiatives) all had implementation rates below 20 % .

TABLE 2
Payments for structural actions, 2002

	Authorised appropriations	Implemented appropriations	Difference	Implementation rate
	(EUR million)			(%)
New programmes (2000 to 2006)	24 289	22 326	1 964	91,9
Old programmes (before 2000)	7 314	1 173	6 141	16,0
Of which:				
Objective 1	3 388	609	2 779	18,0
Objective 2	1 600	243	1 357	15,2
Objective 3	500	0	500	0,0
Other actions	240	80	160	33,2
Community initiatives	1 478	181	1 297	12,2
Innovative actions/ technical assistance	108	61	47	56,2
Total	31 603	23 499	8 104	74,4

Source: Annual accounts of the European Communities for 2002.

In 2002, payments on old programmes represented reimbursements of actual expenditure in Member States. The Commission based its proposal for payment appropriations on forecasts received from Member States. Thus, the very low implementation rates indicate that closure of old programmes progressed much more slowly than expected by the Commission and Member States.

Preaccession aid

Preaccession aid (heading 7) consisted of three programmes: Phare (administrative assistance), ISPA (structural assistance) and Sapard (agriculture) ⁽¹⁾. All three programmes had relatively low implementation rates of payments — with Sapard showing a significantly lower rate than the two other programmes (see table 3).

⁽¹⁾ In 2002, amounts paid out to candidate countries from the Solidarity Fund were also included in heading 7. However, these amounts are not included in this analysis of implementation of preaccession aid.

TABLE 3

Implementation of payments for preaccession aid, 2002

	Authorised payment appropriations	Implemented payment appropriations	Implementation rate	Outstanding commitments (RAL)
	(EUR million)		(%)	(%)
Sapard	370	124	33,5	1 469
ISPA	506	398	78,7	2 642
Phare	1 596	1 101	69,0	4 305
Total	2 472	1 623	65,7	8 416

Source: Annual accounts of the European Communities 2002.

Sapard had been considerably delayed, as it had taken longer than expected to establish decentralised management and control systems in candidate countries, a condition under the programme. For example, accreditation of the competent authorities did not take place until the second half of 2002 for Poland, Romania and Hungary. These three countries represented two thirds of appropriations ⁽¹⁾.

For ISPA, the Commission explained that commitment appropriations were delayed and concentrated in the end of the year due to the fact that the ISPA management committee did not meet until mid-July. This naturally also caused delays in the implementation of payment appropriations.

For Phare, the Commission explained the low implementation rate by low payment requests from beneficiary countries by comparison with initial forecasts, as well as a concentration of commitment appropriations at the end of the year.

At the end of 2002, a considerable amount of outstanding commitments had been accumulated for all three programmes. For Sapard and ISPA, the outstanding commitments totalled more than EUR 4 billion. Contrary to Sapard and ISPA, Phare was established earlier than 2000. However, of the outstanding commitments at the end of 2002, less than 12 % related to years earlier than 2000.

173. Notes with satisfaction that implementation of commitment appropriations was higher in 2002 than in 2001 and 2000, but regrets that implementation of payment appropriations remained at an unsatisfactory low rate, leading to a very high surplus of the EU budget for the third year in a row;
174. Is in particular worried about the continuing low implementation of payment appropriations for structural actions and preaccession aid, although the level of payment appropriations implemented in 2002 for these two headings in the budget was higher than in 2000 and 2001;
175. Notes that the main reason for the low implementation rate for payment appropriations for structural actions in 2002 was the far slower than expected closure of the old programmes; notes the Commission's progress report to the discharge authority examining the causes of this delay and evaluating means of preventing similar delays in closure for the programmes for 2000 to 2006;
176. Is surprised that the Commission has not published the guidance notes relating to the Sapard programme in all the languages of the new Member States, as requested in paragraph 81 of Parliament Resolution of 8 April 2003 ⁽²⁾ concerning discharge for the 2001 financial year; insists that the Commission remedies this situation at the earliest opportunity;

⁽¹⁾ The Commission's explanations on implementation of preaccession aid are available in section 2.6.5 of the Commission's Report on Budgetary and Financial Management for the Financial Year 2002.

⁽²⁾ OJ L 148, 16.6.2003, p. 21.

Member States' forecasts

177. Notes that a significant number of Member States failed to submit their forecasts for payment applications for the budget years 2002 and 2003 before the deadline of 30 April 2002 as required under the terms of Article 32(7) of Council Regulation (EC) No 1260/1999 ⁽¹⁾ on Structural Funds; observes further that the overall error rate for the forecasts for all programmes amounted to 73 %, with two thirds of this total being attributable to the excessively unrealistic forecasts coming from five Member States;
178. Urges the Commission to consider introducing a sanctions mechanism in the Regulation (EC) No 1260/1999 for the upcoming programme period (2007 to 2013), particularly in the case where the 2004 and 2005 forecasting exercises fail to demonstrate a continued improvement;
179. Calls on the Commission to consider a system whereby a difference between the amount requested and actual requirements of more than x % in a specific year will entail the obligation to submit estimates for subsequent years accompanied by a report drawn up by an independent auditor, and, if this difference persists, the amount granted may be reduced by the same proportion as the surplus;

Simplification

180. Notes that the Commission has taken an initiative to ensure simplification, clarification, coordination and flexible management of the structural policies for 2000 to 2006, and notes the Commission's report to the discharge authority on measures taken and on to what extent the measures have contributed to faster and/or better implementation;

The N+2 rule

181. Welcomes the N+2 rule as a means of providing Member States with an incentive to implement Structural Fund programmes and considerably reducing the volume of RAL; insists that this rule must be consistently and conclusively applied, not only during the current programming period (2000 to 2006) but also during the next programming period (2007 to 2013);
182. Welcomes the Commission's announcement that it will provide Parliament every quarter with a breakdown of the situation as regards the application of the N+2 rule, as Parliament requested in paragraph 27 of its Resolution of 22 October 2003 ⁽²⁾ on Structural Funds; trusts that cooperation between the two institutions in connection with this 'monitoring' activity will bear fruit, with particular regard to the identification of the reasons for the constant problems encountered in project realisation and of the best methods for managing projects;

Reasons for underutilisation

183. Takes the view, having regard to continued underutilisation of payment appropriations under the Structural Funds, which are a part of non-compulsory expenditure and one of Parliament's high-priority objectives, that the Commission must improve its analysis of the reasons for underutilisation;
184. Requests the Commission to draw up an analysis discussing in detail:
- (a) all stages in the management of a project plus associated activities;
 - (b) which stages come under Member State and Commission management and responsibility respectively;
 - (c) indicators for satisfactory/unsatisfactory implementation of the various activities at each stage;

⁽¹⁾ OJ L 161, 26.6.1999, p. 1.

⁽²⁾ P5_TA(2003) 0448.

- (d) what problems have been identified at what stage;
 - (e) a comprehensive analysis of the problem which clearly identifies the source (Member States or Commission);
185. Requests the Commission to note that a significantly improved analysis of the reasons for underutilisation is necessary in order to counter the widespread (erroneous) view that the Union's executive authority, the Commission, is refusing to implement the policy adopted by the Union's legislative authority, Parliament and the Council, in this domain;
186. Takes the view that the Commission can usefully publish the results of its checks in the Member States concerning the application of vital elements such as, for instance, the additionality principle, financial control, expenditure eligibility and public procurement because, in addition to improving management transparency, it will enable the institutions and bodies involved to compare their results in the same way that present and future programme staff can benefit from former colleagues' experience;
187. Welcomes the Commission's initiative to ask the Member States to submit yearly reports on the implementation of control activities in 2002 and expresses the wish to receive a summary report thereon;

Structural Fund effectiveness

188. Asks the Commission to include in its annual cohesion report to Parliament an assessment of the influence of the Structural Funds on the degree of economic inequalities between regions, comparing the results obtained by region and by fund, and referring where relevant to the influence on effectiveness of the quality of the institutions in the beneficiary regions;

Implementation of Regulations (EC) No 1681/94 and (EC) No 438/2001

189. Notes the findings of the review carried out by OLAF and the Regional Policy DG into the systems and procedures used by the Member States for reporting irregularities and the recovery of amounts unduly paid; notes, on the basis of those findings, that, in 2002 and 2003, the Member States were still uncertain as to the correct application of some of the provisions of Commission Regulations (EC) No 1681/94 ⁽¹⁾ and (EC) No 438/2001 ⁽²⁾; notes the follow-up and/or simplification measures announced by the Commission with a view to the elimination of such uncertainty; calls on the Commission to report back to Parliament on the progress made towards the attainment of that objective;

Issues related to the future of the Structural Funds

190. Asks the Commission to undertake an initiative to guarantee, as far as possible, the allocation of Objective 2 funds to the areas most gravely affected by structural problems, with national decisions being harmonised at Community level ⁽³⁾;
191. Shares the Commission's hope that delays can be avoided for the legislative proposals for the forthcoming programming period and that the procedure can be prepared by 1 January 2007 ⁽⁴⁾;
192. Shares the Commission's concern over the problems related to translation that will arise soon, and urges it to prepare the appropriate budgetary forecasts ⁽⁵⁾;

⁽¹⁾ OJ L 178, 12.7.1994, p. 43.

⁽²⁾ OJ L 63, 3.3.2001, p. 21.

⁽³⁾ Replies to the questionnaire - Part I; Commission's reply to question no. 75 (PE 328.732/fin. 1)

⁽⁴⁾ Replies to the questionnaire - Part I; Commission's reply to question no. 78 (PE 328.732/fin. 1)

⁽⁵⁾ Replies to the questionnaire - Part I; Commission's reply to question no. 79 (PE 328.732/fin. 1)

193. Urges the Commission not to relax its efforts to obtain a review of the systems for administration and supervision of Community initiatives so as to secure a 'reasonable guarantee' (1);
194. Strongly welcomes the coupling of the map of regions eligible for Structural Fund aid with the map of authorisations of national regional aid (2);
195. Calls on the Commission to study the effects of the participation of private funds in co-financing projects benefiting from the Structural Funds, and to adopt measures where appropriate to encourage such participation;

Internal policies and research

196. Notes that responsibility for implementing internal policies is divided among 13 directorates-general;
197. Asks the Commission to devise procedures to enhance the consistency of the *ex ante* and mid-term evaluation processes so as to ensure that a more consistent information basis is created for *ex post* evaluation;
198. Calls on the Commission to submit a report on the progress of and the activities planned to enhance the integration of the social and environmental objectives laid down in Lisbon and Gothenburg in the programming and evaluation of the Structural Funds at both Community and Member State level;
199. Congratulates the Court of Auditors on its interesting analysis of selected annual activity reports and declarations for 2002 of certain directorates-general (3), and notes that:
 - (a) all the directorates-general concerned claimed to have reasonable assurance that the funds for which they were responsible had been legally and regularly spent (6.11);
 - (b) all the directorates-general examined included reservations concerning the regularity of payments for the multiannual research programme and the failure to implement internal control standards (6.19);
200. Fully endorses the Court's conclusion that 'the weaknesses reported in the reservations are not consistent with the reasonable assurance given in the declarations of the directors-general' (6.19);
201. Looks to the Commission to intensify implementation of internal control standards, to put a figure to the financial or economic effect of the reservations and to bring coherence and consistency to relations between 'reservation' and 'reasonable certainty';
202. Notes that the rates of utilisation of payment appropriations (Chapter B2-7) for transport policy, particularly security in this sector, are once again inadequate, although there are reasons for this, such as delays in the implementation of actions by contractors and stricter rules applied by the Commission, entailing a slowdown in payments;
203. Notes that the Court of Auditors has consistently developed and expanded its examination of the management system for the trans-European transport networks (TEN-T) which it launched in the 2001 annual report, and that it has monitored in detail the Commission's follow-up of the 2001 recommendations;

(1) Replies to the questionnaire — Part I; Commission's reply to question No 83 (PE 328.732/fin. 1).

(2) Replies to the questionnaire - Part II; Commission's reply to question no. 39 (PE 328.732/fin. 2).

(3) Directorate-General for Energy and Transport, Directorate-General for Research, Directorate-General for the Information Society and the Directorate-General for Legal and Internal Affairs.

204. Notes, in particular, that the Court adheres to its previous view that in order to remedy a number of weaknesses in Commission decisions, there is a need to strengthen the legal framework for the TEN-T programme by concluding contracts between the Commission and the recipient after the Commission's decisions to grant aid have been taken (6.25);
205. Expresses concern regarding the highly disappointing progress made with several TEN-transport projects, despite the high level of utilisation of payment appropriations; the Court of Auditors in its 2002 annual report indicated that some of the projects monitored in 2002 would have proceeded even without Community financial assistance, which may suggest that some projects are not of sound quality or that implementation mechanisms are inadequate;
206. On the basis of the conclusions of the Court of Auditors, calls on the Commission to use part of these resources to fund projects in the transport sector which would have difficulty securing funding from other sources;
207. Notes that the Court puts forward the following recommendations, among others, with a view to improving controls:
- (a) more precise definition of 'eligibility of costs' (6.27);
 - (b) introduction of a standardised cost claim form (6.26);
 - (c) coherent and consistent application of the TEN-T rules in all Member States (6.38);
 - (d) checks to be more effective and better documented (6.40);
 - (e) *ex post* financial and technical audits to complement on-the-spot checks prior to final payment (6.41);
208. Welcomes the fact that the Commission, in its replies to the Court of Auditors, has announced its willingness to comply with the Court's recommendations and, in some cases, that it has already started to do so;
209. Calls on the Court to continue its detailed monitoring of the management system for the trans-European transport networks and to report ⁽¹⁾ on the following questions which are of fundamental importance for the discharge authority:
- (a) which of the recommendations proposed by the Court in 2001 and/or 2002 has the Commission accepted and satisfactorily implemented?
 - (b) which recommendations does the Commission reject, what is its justification for rejecting them and what is the Court's position on that justification?
 - (c) which recommendations is the Commission in the process of implementing and what is the Court's view regarding the pace at which these accepted recommendations are being implemented?
210. Notes that the Court points out that the five directorates-general ⁽²⁾ involved in implementing the research framework programmes manage and coordinate *ex post* audits in different ways and that they do not follow the same procedures when selecting contractors to be audited (6.47);
211. Considers that the Commission could introduce a coordination or synthesis system which will make it possible to obtain synergies from the remarks contained in the audit reports for each Directorate-General;

⁽¹⁾ Possibly in the form of a letter to the chairman of its competent Committee on Budgetary Control before the next annual report.

⁽²⁾ Directorate-General for Research, Directorate-General for the Information Society, Directorate-General for Energy and Transport, Directorate-General for Industrial Policy and Directorate-General for Fisheries.

212. Calls on the Commission, following, *inter alia*, the criterion of simplification, to consider how it would be possible to avoid the numerous errors at the final recipient level, where audits have shown that in many cases expenditure was over-declared (6.51); also expects the Commission to step up the process of recovering amounts unduly paid;
213. Welcomes the introduction of audits to certify statements of expenditure under the sixth framework programme for research and technological development, and expects to receive a final report on the audits carried out in relation to previous framework programmes;
214. Calls on the Commission to carry out a study, on the basis of an analysis of the geographical destination of funds under the fifth framework programme, into how research funding can help to strengthen regional development and thereby counteract the increasing concentration of scientists and researchers in an ever smaller number of universities and research institutions, using new technologies to achieve scientific cooperation and promote deconcentration;

Employment and social affairs

215. Expresses general satisfaction with the implementation rates of budget headings for employment and social affairs in terms of internal policies;
216. Deplores, however, the very low rate of implementation of headings B5-502 (Labour market), B5-502A (Labour market - expenditure on administrative management), and B5-503 (Preparatory measures for a local commitment for employment);

Environment, public health and consumer protection

217. Expresses general satisfaction with the high implementation rates of the budget headings for environment, public health and consumer policy;
218. Welcomes the decision by the Commission to transfer part of the administrative appropriations in budget heading B7-8110A to operational expenditure to reduce under-utilisation of funds; urges the Commission to transfer any administrative appropriations that will probably not be used by the year end to lines for operational expenditure, by means of requests for transfers of appropriations; this would allow optimum use to be made of the available funds;
219. Underlines the fact that the impact of environment programmes is often hampered by the lack of assessment of environmental impacts of other Community legislation and programmes, especially in the field of the Structural Funds, and believes that a systematic use of strategic environment assessments (SEAs) can be a powerful instrument to avoid such problems in future;
220. Is concerned about the low number of officials in DG Environment dealing with infringement procedures, in particular as environment-related cases represent almost one-half of the infringement cases started in 2002 and over one third of all complaints related to bad application of EU law, and calls upon the Commission to significantly increase the number of officials in this sector in accordance with its task of being the guardian of the Treaties, thus responsible for the correct implementation of EU environmental legislation;
221. Calls for increased use of environmental criteria in selection procedures for Community appropriations (invitation to tender, awarding of contracts) in order for the EU to take the lead in greening public procurement;

Equal opportunities

222. Notes that, in the framework of the establishment of the budget for 2002, the Commission organised its activity around six priority objectives, namely the euro, sustainable development, development cooperation, the Mediterranean, enlargement, and the new governance, and that these objectives have guided the Commission's work planning, the process of drawing up the budget and the use of resources; while endorsing the priorities, notes that under Article 3(2) of the Treaty the promotion of gender equality is a fundamental principle of the EU and a horizontal objective of all Community actions and policies; calls on the Commission, therefore, to ensure that gender equality

is henceforth one of the priority objectives of its strategic planning, in such a way as to ensure gender mainstreaming in the definition of income and expenditure under all policies included in the budget;

223. Welcomes the fact that the Action Programme for equality between men and women (2001 to 2005) will be opened up in 2002 to the participation of the accession countries; stresses that, under the 2002 budget and, in particular, in the framework of Community assistance to the accession countries, gender mainstreaming should be applied to all measures; calls, therefore, on the Commission to submit a state-of-progress report on the projects and actions for promoting equality in those beneficiary countries of the Community's contribution, as well as on the level of that contribution; calls on the Commission, in addition, to draw up an interim evaluation report on the 2001 to 2005 action programme, including data on the funds allocated to the projects undertaken in the different fields of the programme;
224. Regrets, in the absence of proof to the contrary, the circumstance of funds having been allocated from the indubitably important Community initiative EQUAL to activities whose impact on promoting equality has not been assessed;

Enlargement

Enlargement and sound financial management

225. Points out that the forthcoming enlargement to include Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia is the largest ever enlargement in terms of both scale and diversity;
226. Draws attention to the fact that the enlargement will put pressure on economic resources, will make complicated decision-taking procedures even more complicated, and will thus make further demands in terms of financial management; considers that the Commission and the Member States ought to use the opportunity to initiate a process designed to enhance financial management transparency in order to boost public confidence in Community management;
227. Calls on the national supreme audit institutions to play an active part in this process with a view to adopting a specific policy on auditing EU funds, drawing up an annual report on the management and use of EU funds in their country, and submitting it to their government and parliament, the other Member States' governments, parliaments and audit institutions, the Commission and the European Parliament;
228. Considers not only that there should be more audits of the use of EU funds, but also, in particular, that auditing should be made more effective, and urges all the parties involved to do everything possible to ensure that:
- (a) common audit standards are introduced in the present and future Member States;
 - (b) the national supreme audit institutions in the present and future Member States are provided with mechanisms which will make it possible to perform the same audit tasks as those performed by the Court of Auditors at Community level;
 - (c) cooperation between national supreme audit institutions is encouraged;
229. Congratulates the accession countries on the progress they have made in meeting the criteria for their accession;
230. Takes the view that enlargement will make great demands in terms of the information to be provided by the Commission to the discharge authority and to the public, and that it can be improved if the Commission:

- (a) structures the information in the report on budgetary and financial management in the financial year (Article 128(3) of the Financial Regulation) in such a way that it corresponds to the various policy areas;
 - (b) provides detailed information on implementation of the various funds in the individual Member States;
 - (c) states clearly, in a concise overview, which DGs are involved in the implementation of the various policy areas;
 - (d) compiles information in such a way that it can be used by national supreme audit institutions in their own audits;
 - (e) publishes its audits of Member States' management and control systems;
 - (f) adjusts in general to the fact that information must be compiled in such a way that it is accessible and comprehensible to all, not only to Member State finance ministries;
231. Takes the view that, since far and away the largest proportion of the EU budget is implemented on a shared-management basis, meaning that the Commission delegates budget implementation duties to the Member States, i.e. to 15 and, after 1 May 2004, 25 heterogeneous ministries and administrative bodies and traditions, EU standards ought to be laid down which make it possible to verify that all 25 Member States use budget appropriations in accordance with the principle of sound financial management, i.e. in accordance with the principles of economy, efficiency and effectiveness;
232. Notes that it is the Commission's responsibility to ensure that EU legislation is implemented by the Member States; notes that the average infringement case takes three years before a final judgment is handed down and that there have only ever been two cases where a Member State was fined for not implementing EU legislation; is concerned that enlargement will increase the workload of the Commission with regard to its monitoring of the implementation of legislation and will further slow the infringement procedure; is concerned that no Commissioner is responsible for such an important issue; urges the incoming Commission President to include special responsibility for infringements in the portfolio of one of the new Commissioners;

Preaccession environmental projects and twinning arrangements

233. Calls for particular attention to the needs of national, regional and local authorities in institution-building in the environmental sector when awarding aid before or after accession;
234. Notes that twinning is seen not only by the Commission but also by the candidate countries as an important way of strengthening the latter's administrative capacity; would nonetheless like to see the following improvements made to the programme so that the Commission can achieve the desired outcomes:
- (a) setting of specific and realistic objectives;
 - (b) all stages of project preparation should be rationalised;
 - (c) payment procedures should be speeded up and simplified;
 - (d) use of twinning on the basis of an informed choice between various instruments;
 - (e) the Commission should establish a network of seconded national experts (preaccession advisers) so as to preserve specific experience and expertise;

235. Expects that the Commission will produce a global report, no later than 15 June 2004, on the successes and shortcomings of the 503 projects approved between 1998 and 2001 ⁽¹⁾;
236. Calls for the extended decentralised information system (EDIS) to be implemented in all the applicant countries as soon as possible and once a Commission audit has validated the quality of their management and control systems; notes that thanks to EDIS the Commission should be able to move from *ex ante* to *ex post* control of tendering and contracting;
237. Calls on the applicant countries to draw up sustainable and viable environmental and financial strategies;
238. Draws attention to the importance of cooperation with the international financial institutions with regard to financial aid;
239. Draws attention to the need to improve absorption capacity by allocating more resources to project design and the organisation of tendering procedures;
240. Wishes to know the level of participation of private companies in the twinning projects and the effects of such participation ⁽²⁾;

External measures

Organic issues

241. Notes that, as a result of the complicated reorganisation of Commission departments dealing with external relations, the Court regards 2002 as 'a transitional year'; considers that the reorganisation could have been more extensive since there are still six different DGs and various departments sharing responsibility for external relations ⁽³⁾;
242. Therefore urges that the number of DGs responsible for external policy be substantially reduced;
243. Notes with satisfaction that the Court's audit concentrated on the supervisory and control systems designed to ensure the legality and regularity of transactions and welcomes the Court's findings that both 'administrative procedures and organisational structures have been adjusted appropriately by both the EuropeAid Cooperation Office and the Humanitarian Aid Office to cater for the introduction of the new Financial Regulation which entered into force on 1 January 2003' (7.40);

Controls relating to external measures

244. Notes that the Court finds it questionable whether the Director-General of the EuropeAid Cooperation Office had sufficient information to declare that he had obtained reasonable assurance as to the quality of the supervisory and control systems set up to ensure the legality and regularity of the underlying transactions (7.39);
245. Notes also that the Court attributes the lack of quality in the supervisory and control systems to the fact that no overall auditing strategy was established to ensure that sufficient information was available at senior management level (7.10);
246. Looks to the Commission, therefore, to lay down guidelines for the use of independent external auditors, their selection, their terms of reference and reporting requirements; considers that the Court's recommendation in this respect should be accompanied by guidance designed to improve the drafting of these guidelines;

(1) Replies to questionnaire - part I; Commission's reply to question No 99.

(2) Replies to the questionnaire - Part I; Commission's reply to question No 103

(3) External relations, EuropeAid, Trade, ECHO, Enlargement and Development

247. Stresses that, under any circumstances and as recommended by the Court, it should be the Commission or its delegations - and not the implementing organisations - that decide on the selection of external auditors and lay down detailed terms of reference and precise requirements in respect of the presentation of audit reports (7.44);
248. Underlines the importance of evaluating the results of the reform of the external aid management as soon as sufficient experience of new structures and procedures has been gained; would welcome a specific evaluation report from the Court of Auditors;
249. Stresses that major and recurrent implementation problems like the ones encountered in the TACIS region and in other regions should routinely be reported by the Commission to the Budgetary Authority and the Court; emphasises that these reports should include analyses of causes as well as accounts of action taken or planned in response to the problems - all in clear language and indicating how further succinct information on different aspects can be obtained;
250. Stresses that greater coherence between different EU policies can improve the efficiency of EU expenditure; points to the simultaneous provision of macrofinancial assistance to Moldova and the maintenance of high import barriers against most products which that country could export to the EU as a clear example of incoherent policies causing an efficiency loss;
251. Fully shares the Court's view that there is a need for stronger measures to render cross-border cooperation over the external borders more effective; calls on the Commission and Council to ensure that Neighbourhood Programmes are launched without delay and that a Neighbourhood Instrument is created, so that a definitive end can be put to the problems caused by the mismatch of the instruments currently used for cross-border cooperation;
252. Welcomes, also, the Court's call for consideration to be given to amending Commission Regulation (EC) No 2760/98 ⁽¹⁾ on the Phare cross-border cooperation programme, so as to make regions bordering third countries also eligible for support;
253. Expects the Commission to provide an explanation each time it does not follow a provision laid down in a budgetary remark;

Development policy

254. Draws attention to the principal objective of the Community's development policy, which is to reduce poverty with a view to its eventual eradication ⁽²⁾, and highlights the endorsement given by the Commission and all Member States to the Millennium Development Goals (MDGs) as the means by which this objective is to be achieved;
255. Recalls that in the past a lack of statistical data hampered attempts to analyse the level of poverty focus in the Commission's development programmes; welcomes the introduction of the Common Relex Information System (CRIS) which, along with other databases, gave fully reliable figures for the first time in 2002;
256. Congratulates the Commission on meeting the global benchmark, introduced in the 2002 budget, requiring 35 % of annual development commitments to be allocated to 'social infrastructure and services' as defined by the OECD Development Assistance Committee (DAC); observes, however, that aid reported to the DAC under this heading amounted to only 31,4 % and that the shortfall was made up of 'macroeconomic assistance with social sector conditionality', which was included in the benchmark formula at the request of the Commission and for which the link to poverty reduction is less direct;

⁽¹⁾ OJ L 345, 19.12.1998, p. 49.

⁽²⁾ The European Union's Development Policy, conclusions of the 2304th meeting of the Development Council 10 November 2000.

257. Notes that the benchmark formula requires the 35 % to be allocated 'mainly (to) education and health' which are the two sectors most prominent in the MDGs; observes, further, that the figures reported to the DAC for 2002 commitments in these sectors ⁽¹⁾ remain far from this target, and that structural adjustment programme conditionalities are most unlikely to make up such a large shortfall; notes, however, that the regional figures for Asia and Latin America show notable progress; calls on the Commission to build on this achievement by making improvements in the figures for other geographical areas in future years;
258. Points out that the figure for 'social infrastructure and services' includes an allocation of 13,5 % for 'government and civil society' of which the largest single element is EUR 319,9 million for 'economic and development planning'; notes that this is principally aimed at administrative support and that its direct relevance for poverty reduction is therefore questionable;
259. Regrets that the Commission has not provided an analysis of its contribution towards achieving the MDGs but has limited its study ⁽²⁾ to measuring the progress made by developing countries towards this objective; considers that assessment of the effectiveness of Commission programmes is hampered by the absence of such an analysis;
260. Supports the Commission's policy of deconcentrating decision-making to the external delegations, 44 of which completed the process in 2002; welcomes the improvements that have already resulted from this ⁽³⁾; derives reassurance from the reinforcement of delegation staff and the training programmes established for them, as well as from the controls exercised by headquarters; warns nevertheless that delegation staff should not be burdened with excessive levels of reporting to headquarters as this would risk negating the benefits of deconcentration;
261. Expresses concern at the increase in the use of macroeconomic assistance in 2002, and particularly at the Commission's willingness to use this modality in cases where other donors consider minimum requirements have not been met; notes that the Commission has drawn up an analysis of the risk associated with external assistance, and calls for this to be communicated to Parliament without delay; takes the view that budget support is more effective when targeted on a specific sector, and that key horizontal fields ⁽⁴⁾ may be addressed through a sector-wide approach in the area of public finance;
262. Recognises the achievement of the Commission in reducing year-on-year levels of abnormal RAL but remains concerned that the total level continues to rise when successive budget years are added into the figures; calls on the Commission to redouble its efforts to bring this problem under control;

Humanitarian aid

263. Notes that the 2002 annual report from the Humanitarian Aid Office - ECHO (COM(2003) 430), setting out the humanitarian actions financed by the Commission to a total, over the year in question, of EUR 537,8 million, provides large numbers of details which, albeit useful, do not allow the reader to form a global picture of Community action, since insufficient attention is paid to horizontal issues;
264. Calls on the Commission to find and utilise a larger number of NGOs and charity partners;

(1) 4,1 % for education and 3,0 % for health. These figures include sector-specific budget support.

(2) Outlined in the Annual Report on the EC Development Policy and the Implementation of External Assistance in 2002, Chapter 3.

(3) Among improvements observed by the Commission are: reduction in time taken for tenders and calls for proposals and implementation of better-quality programmes.

(4) Public service, public contracts, external audit etc.

265. Takes the view that no NGO or organisation should be able to bid exclusively or to receive 100 % of the appropriations entered against any one budget heading;
266. Calls on the Commission to supplement its future annual report with a general presentation of the strategic lines followed over the financial year, including an analysis of the value added supplied by Community humanitarian aid and an outline of ECHO's procedures; believes the report should also include a presentation of the methods used to estimate humanitarian requirements, together with detailed information on the assessments and audits carried out during the year concerned by the report, as well as their conclusions; considers, finally, that other horizontal issues should be included, e.g. the risk of manipulation, abuse and looting, and measures to ensure that humanitarian aid reaches its proper destination, where they impact on the definition and implementation of Community humanitarian aid;
267. Trusts that the evaluation of the food security instrument in 2004 will provide a sound diagnosis and that, in the case of integration into the overall development programme, there will be no devaluation or dilution of the food security objectives ⁽¹⁾;

Transparency of the Commission's operations vis-à-vis the European Parliament

268. Deeply regrets that, since 2000, the Commission has failed to submit an annual report to the European Parliament on the operations financed under Council Regulations (EC) No 975/1999 ⁽²⁾ and (EC) No 976/1999 ⁽³⁾ (on the European Initiative for Democracy and Human Rights, Chapter B7-70, where the 2002 appropriation amounted to EUR 104 000 000) in breach of Article 18(2) and Article 19(2) of those Regulations; demands that the Commission provide the European Parliament immediately with the annual reports for 2001, 2002 and 2003, which, as laid down in the Regulations, should include 'a review of any external evaluation exercises which may have been conducted'; calls on the Committee on Budgetary Control to review the Commission's failure in this regard and also to provide a qualitative analysis of the results achieved by the Commission's operations under this chapter of the budget;

Administrative expenditure

The invalidity pensions scheme of the European institutions

269. Expresses its satisfaction at the Special Report No 3/2003 of the Court of Auditors on the invalidity pensions scheme of the European institutions ⁽⁴⁾ and notes with satisfaction that, according to the Court's medical experts, invalidity pensions are awarded correctly (point III);
270. Draws attention to the fact that periods of sick leave have considerable economic consequences and it is therefore necessary and important for the institutions to apply a general policy laying down the measures necessary to manage all aspects of sick leave in an appropriate manner;
271. Deplores the fact that, according to the Court, the institutions are not able to guarantee fully:
- (a) the necessary assistance for staff who are unable to work for long periods;
 - (b) the efforts required to reduce absences as far as possible, in the interests of staff and the corresponding department,
 - (c) that regular attendance at work is not adversely affected by inappropriate assignments of duties or inappropriate working conditions (Special Report 3/2003, paragraph 21);

⁽¹⁾ Replies to the questionnaire - Part I; Commission's reply to question No 104 (PE 328.732/fin. 1)

⁽²⁾ OJ L 120, 8.5.1999, p. 1.

⁽³⁾ OJ L 120, 8.5.1999, p. 8.

⁽⁴⁾ OJ C 109, 7.5.2003.

272. Regrets that, as stated by the Court, the imprecise allocation of roles and responsibilities between the parties involved, the department in which the official or other servant works and the medical and personnel services, has led to a situation where only the most mechanical and bureaucratic aspects of the management of absence actually function — reporting absence and maintaining records — whilst it is not clear who is responsible for essential functions and activities of an effective and forward-looking policy on the management of sick leave, such as:
- (a) contact with the member of staff during his or her absence;
 - (b) monitoring absence rates for each member of staff and in the institution as a whole, and the benchmarks to be applied;
 - (c) identifying patterns of absence which cause concern and taking the necessary measures;
 - (d) deciding whether to carry out medical checks and in what circumstances;
 - (e) deciding whether interviews should be conducted with the member of staff after his return to work, and by whom, in what circumstances, how and for what purpose (Special Report 3/2003, paragraph 22);
273. Expresses its deep concern on noting that the inadequacies and shortcomings in policy on the management of absences and cases of invalidity are due to 'a lack of senior management commitment' (Special Report 3/2003, paragraph 74c);
274. Points out that the Court estimates that around EUR 10 million could be saved each year if monitoring systems were set up making early detection and treatment possible for people who are absent on sick leave repeatedly or for prolonged periods (Special Report 3/2003, paragraph 55);
275. Considers that a sound workplace is characterised by a low rate of sick leave and that improved opportunities for development, greater variety of work, greater recognition and increased opportunities for the future strengthen the motivation not to be absent from work;
276. Expects the institutions to carry out an analysis of sick leave as soon as possible, with a breakdown of leave by department, gender, age, category and duration of sick leave, with the aim of acting on the Court's recommendations as regards the introduction of a general policy on the management of sick leave and invalidity;
277. Expects the institutions to draw up a report every two years on the implementation of the above measures, and expects the senior management of the institutions to pay greater attention to the scheme's economic management as well as to the aspects concerning the working environment and personnel management;

Procurement practices

278. Notes that the calls for tender issued by the Commission before 2000 for the supply of office paper specified a whiteness degree of just 80 % but notes, further, that the corresponding calls for tender issued since 2000 have specified a degree of whiteness of more than 90 % and that this has resulted not only in higher costs for the Community budget but also in the elimination of competition and a deterioration in the ecological situation with regard to paper use; calls on the Commission, therefore, to set the specified degree of whiteness at an appropriate level once again so that due account may be taken of those factors which affect the environment and competition;

Financial instruments

279. Recalls its resolution of 21 November 2002 ⁽¹⁾ on the EIB Annual Report for 2001 which called on the EIB, the Court of Auditors and the Commission to amend the tripartite agreement; is satisfied that the new tripartite agreement signed on 27 October 2003 significantly improves the procedures involving the three institutions; is particularly satisfied with the clarification that the Court of Auditors is authorised to audit both the guarantee and the underlying transaction when the EIB provides loans guaranteed by the EU budget; recalls that such EIB loans guaranteed by the EU budget amounted to almost EUR 14 billion at year-end 2002;
280. Fully supports the conclusions of the Court with regard to the Financial Mechanism (paragraphs 10.35 and 10.39 of the 2002 Annual Report), that final payments should be carried out only on the basis of appropriate certificates issued by the competent authorities of the Member States and that greater efforts are needed to identify suitable investments and to take into account overall project realisation, particularly in order to avoid damage to the environment;
281. Calls on the Commission to report as soon as possible to Parliament and to the Court of Auditors on the findings of the internal audit of its banking operations, currently being carried out under the direct responsibility of the Commission, which should address the need for changes in the control environment, including *ex post* controls;
282. Calls on the Court to include in its work programme an audit of projects financed through EIB loans backed by a Community guarantee; recommends that environmental projects in the Baltic Sea basin of Russia ⁽²⁾ be included in the audit programme;
283. Recalls that the audit of the financial management of the Guarantee Fund for external actions is subject to audit by the Court of Auditors in accordance with procedures to be agreed upon by the Court of Auditors, the Commission and the European Investment Bank; calls for a revision of these procedures in the spirit of the new tripartite agreement;
284. Notes that the fee structure for the management of the Guarantee Fund for external actions was negotiated on a commercial basis with the EIB; regrets that neither the Commission nor the Court has been provided with detailed information on the EIB's cost structure with regard to the treasury management of the Guarantee Fund; calls on the Commission to submit a proposal for the amendment of the current Council Regulation on the Guarantee Fund so that it may take over the portfolio management from the EIB from 2005 onwards;
285. Recalls that the Commission holds 30 % (EUR 600 million) of the shares of the European Investment Fund (EIF), the cumulative portfolio of signed EIF operations (investment in venture capital funds and in the SMU guarantee markets) amounting to about EUR 7 billion at year-end 2002; notes that there is currently no agreement in force for the audit of the EIF by the Court of Auditors; emphasises that, pursuant to Article 248 of the Treaty, the Court is none the less entitled to undertake a comprehensive audit of the EIF and its operations; calls on the Court to include an overall audit of the EIF in its work programme so as to ensure that the financial management of the Fund is sound (compliance with the principles of economy, efficiency and effectiveness);
286. Takes the view that the rulings of the Court of Justice (in Cases C-11/00 and C-15/00) on EIB and European Central Bank cooperation with OLAF must be applied, by analogy, to the EIF as well; calls on the EIF, therefore, to take an immediate decision on internal OLAF inquiries in accordance with the Regulation (EC) No 1073/1999;

⁽¹⁾ OJ C 25 E, 29.1.2004, p. 390.

⁽²⁾ Council Decision 2001/777/EC (OJ L 292, 9.11.2001, p. 41).

287. Is concerned by the statement made by the Court of Auditors (point 10.36 of the Annual Report) that the EEA financial mechanism clearly caused undesirable displacement; shares the Court's view (point 10.35) that greater efforts are needed to identify suitable investments; calls for any environmental damage caused during project realisation to be avoided or made good, and insists that final payments should be carried out only on the basis of appropriate certificates issued by the competent authorities or by an independent auditor;
288. Notes that the Commission has not yet answered the question posed by the Court of Auditors (point 10.33 of the Annual Report) as to whether the regional authorities in Galicia gave preference to national products in breach of the Protocol on the Statute of the European Investment Bank which states: 'Neither the Bank nor the Member States shall impose conditions requiring funds lent by the Bank to be spent within a specified Member State'; recalls that, where appropriate, the recovery of undue payments may be required; calls, in this instance too, on the Commission to submit a report on this issue by September 2004 at the latest and to include in that report, where appropriate, an assessment of similar problems with regard to the Cohesion Fund where, in the past, the Commission had complained about non-compliance with the provisions relating to the award of public contracts.
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DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the 2002 financial year**

(2004/721/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the balance sheets and accounts of the sixth, seventh and eighth European Development Funds for the 2002 financial year (COM(2003) 475 - C5-0496/2003),
 - having regard to the annual report of the Court of Auditors on the activities of the sixth, seventh and eighth European Development Funds for 2002 together with the institutions' replies (C5-0584/2003) ⁽¹⁾,
 - having regard to the Court of Auditors' Statement of Assurance on the European Development Funds (C5-0584/2003),
 - having regard to the Council's recommendations of 9 March 2004 concerning the discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2002 (C5-0146/2004, C5-0147/2004, C5-0148/2004).
 - having regard to Article 33 of the Internal Agreement of 20 December 1995 between the representatives of the governments of the Member States, meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention ⁽²⁾,
 - having regard to Article 276 of the EC Treaty,
 - having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention ⁽³⁾,
 - having regard to Rules 93 and 93a, third indent of, and Annex V to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A5-0183/2004),
- A. Whereas, in its Statement of Assurance on the European Development Funds, the Court of Auditors concludes that, with certain exceptions, the accounts for the financial year 2002 reliably reflect the revenue and expenditure for the financial year and the financial situation at the end of the year.
- B. Whereas the Court of Auditors' conclusion on the legality and regularity of the underlying transactions is based inter alia on the audit of a sample of transactions.
- C. Whereas the Court of Auditors, on the basis of the documentation examined, is of the opinion that the revenue entered in the accounts, the amounts allocated to the EDF's commitments and payments are, taken as a whole, legal and regular,
1. Gives discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the financial year 2002;

⁽¹⁾ OJ C 286, 28.11.2003, p. 325.

⁽²⁾ OJ L 156, 29.5.1998, p. 108.

⁽³⁾ OJ L 191, 7.7.1998, p. 53.

2. Presents its comments in the accompanying resolution;
3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors and the European Investment Bank and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****on closing the accounts of the sixth, seventh and eighth European Development Funds for the 2002 financial year**

(2004/722/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the balance sheets and accounts of the sixth, seventh and eighth European Development Funds for the 2002 financial year (COM(2003) 475 - C5-0496/2003),
 - having regard to the annual report of the Court of Auditors on the activities of the sixth, seventh and eighth European Development Funds for 2002 together with the institutions' replies (C5-0584/2003) ⁽¹⁾,
 - having regard to the Court of Auditors' Statement of Assurance on the European Development Funds (C5-0584/2003),
 - having regard to the Council's recommendations of 9 March 2004 concerning the discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2002 (C5-0146/2004, C5-0147/2004, C5-0148/2004),
 - having regard to Article 33 of the Internal Agreement of 20 December 1995 between the representatives of the governments of the Member States, meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention ⁽²⁾,
 - having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention ⁽³⁾,
 - having regard to Rules 93 and 93a, third indent of, and Annex V to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A5-0183/2004),
1. Notes that the financial situation of the sixth, seventh and eighth European Development Funds as at 31 December 2002 was as follows:

⁽¹⁾ OJ C 286, 28.11.2003, p. 325.

⁽²⁾ OJ L 156, 29.5.1998, p. 108.

⁽³⁾ OJ L 191, 7.7.1998, p. 53.

Cumulative utilisation of EDF resources as at 31 December 2002

(EUR million)

	Situation at end of 2001			Budgetary implementation during the financial year 2002					Situation at end of 2002				
	Global amount	Implementation rate (%)	Implementation rate (%)	Sixth EDF	Seventh EDF	Eighth EDF (€)	Global amount	Sixth EDF	Seventh EDF	Eighth EDF (€)	Global amount	Implementation rate (%)	Implementation rate (%)
A – RESOURCES (1)	32 797,3						0,0	7 829,1	11 511,7	13 499,6	32 840,4		
B – UTILISATION													
1. Primary commitments	28 152,8	85,8		2,8	126,0	1 639,6	1 768,4	7 484,7	10 928,7	11 507,8	29 921,2	91,1	
– programmable aid	15 648,6			1,2	151,0	660,2	812,5	4 875,5	5 754,4	5 831,1	16 461,1		
– non-programmable aid	9 324,5			-1,1	-15,6	574,4	557,7	2 511,2	3 667,4	3 703,6	9 882,2		
– structural adjustment and macroeconomic support	2726,1			0,0	-0,6	405,0	404,3	6,0	1 151,4	1 973,1	3 130,5		
– on transfers from previous EDFs	453,6			2,7	-8,8	0,0	-6,1	92,0	355,5	0,0	447,5		
2. Secondary commitments	22 681,3	69,2		33,5	328,1	1 781,3	2 142,9	7 318,9	9 985,4	7 519,9	24 824,2	75,6	
– programmable aid	11 282,7			36,3	212,6	890,7	1 139,7	4 741,8	4 973,7	2 706,8	12 422,4		
– non-programmable aid	8 716,9			-4,2	99,2	403,2	498,2	2 483,0	3 549,4	3 182,6	9 215,1		
– structural adjustment and macroeconomic support	2 298,7			-0,7	-1,0	487,3	485,7	5,3	1 148,6	1 630,5	2 784,4		
– transfers between EDFs	383,0			2,0	17,3	0,0	19,3	88,7	313,6	0,0	402,3		
3. Payments	19 683,6	60,0		48,5	326,1	1 478,1	1 852,7	7 235,1	9 232,4	5 068,9	21 536,4	65,6	
– programmable aid	9 739,4			46,3	239,2	650,0	935,5	4 669,0	4 488,1	1 517,8	10 674,9		
– non-programmable aid	7 512,6			1,3	56,5	467,7	525,5	2 475,1	3 315,9	2 247,1	8 038,1		
– structural adjustment and macroeconomic support	2 088,5			-0,1	8,5	360,4	368,8	5,3	1 148,0	1 304,0	2 457,4		
– transfers between EDFs	343,1			1,0	21,9	0,0	22,9	85,7	280,4	0,0	366,0		
C – Outstanding payments (B1-B3)	8 469,2	25,8						2 49,6	1 696,3	6 438,9	8 384,8	25,5	
D – Available balance (A-B1)	4 644,5	14,2						344,4	583,0	1 991,8	2 919,2	8,9	

(1) Initial endowment of the sixth, seventh and eighth EDFs (of which 60 million euro from the special EIB contribution), interest, sundry resources and transfers from previous EDFs.

(2) As a percentage of resources.

(3) Including 7 32,9 million euro in primary commitments, 347,4 million euro in secondary commitments and 97,7 million euro in payments for advance implementation of the Cononou Agreement.

Source: Court of Auditors, annual report concerning the financial year 2003 (O) C 286, 28.11.2003, p. 331).

2. Instructs its President to forward this decision to the Commission, the Council, the Court of Auditors and the European Investment Bank, and to have it published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

RESOLUTION

of the European Parliament containing the comments accompanying the decision concerning discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the 2002 financial year

THE EUROPEAN PARLIAMENT,

- having regard to the balance sheets and accounts of the sixth, seventh and eighth European Development Funds for the 2002 financial year (COM(2003) 475 - C5-0496/2003),
 - having regard to the Commission communication to the Council, the European Parliament and the Court of Auditors of 7 August 2003 on financial information on the sixth, seventh and eighth European Development Funds 2002 (COM(2003) 491 - C5-0619/2003),
 - having regard to the annual report of the Court of Auditors of the activities of the sixth, seventh and eighth European Development funds for 2002 together with the institutions' replies (C5-0584/2003) ⁽¹⁾,
 - having regard to the Court of Auditors' Statement of Assurance on the European Development Funds (C5-0584/2003),
 - having regard to the Annual Report 2003 from the Commission to the Council and the European Parliament on the EC development policy and the implementation of external assistance in 2002 (COM(2003) 527),
 - having regard to its resolution of 1 March 2001 on the Commission communication to the Council and the European Parliament on the European Community's development policy ⁽²⁾,
 - having regard to the EuropeAid Cooperation Office's annual activity report 2002,
 - having regard to the Council's recommendations of 9 March 2004 concerning the discharge to be given to the Commission in respect of the implementation of the operations of the European Development Funds for the financial year 2002 (C5-0146/2004 - C5-0147/2004 - C5-0148/2004),
 - having regard to Article 33 of the Internal Agreement of 20 December 1995 between the representatives of the governments of the Member States, meeting within the Council, on the financing and administration of the Community aid under the Second Financial Protocol to the fourth ACP-EC Convention ⁽³⁾,
 - having regard to Article 74 of the Financial Regulation of 16 June 1998 applicable to development finance cooperation under the fourth ACP-EC Convention ⁽⁴⁾,
 - having regard to Rules 93 and 93a, third indent of, and Annex V to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Development and Cooperation (A5-0183/2004),
- A. Whereas, pursuant to Article 74 of the Financial Regulation of 16 June 1998 the Commission shall take all appropriate steps to act on the comments appearing in the decision giving discharge and to report, at the request of the European Parliament, on measures taken in light of these comments.

⁽¹⁾ OJ C 286, 28.11.2003, p. 325.

⁽²⁾ OJ C 277, 1.10.2001, p. 130.

⁽³⁾ OJ L 156, 29.5.1998, p. 108.

⁽⁴⁾ OJ L 191, 7.7.1998, p. 53.

- B. Whereas the present Commission took office in September 1999, launched the reform of the management of EC external assistance in May 2000 ⁽¹⁾ and the reform of the European Communities' development policy in November 2000 ⁽²⁾.
- C. Whereas the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000 (the Cotonou Agreement) ⁽³⁾, which entered into force on 1 April 2003, has reformed aid to the ACP States and increased focus on poverty reduction.
- D. Whereas, due to the long ratification process for the Cotonou Agreement, the ninth European Development Fund (EDF) covering the period 2000 to 2005 had not entered into force at the end of 2002, making it necessary for the Commission during 2002 to use funds from the eighth EDF in order to initiate financing decisions based on programming for the ninth EDF.
- E. Whereas the ACP-EU Joint Parliamentary Assembly, at its meeting in Rome from 11 to 15 October 2003, adopted a resolution ⁽⁴⁾ on the use of the EDF, calling on the Commission to speed up implementation of funds,

Statement of Assurance

1. Notes that the Court of Auditors is of the opinion that the revenue entered in the accounts, the amounts allocated to the European Development Funds (EDFs), the commitments and the payments of the financial year are, taken as a whole, legal and regular;
2. Notes that the Court of Auditors has formed its opinion based on an analysis and testing of the supervisory systems and controls of the Commission as well as on controls carried out on a number of underlying transactions in Brussels and on the spot in six ACP States;
3. Supports the Court of Auditors' approach of giving analysis of supervisory systems and controls high priority;
4. Supports the Court of Auditors' intentions to perform on-the-spot controls in ACP States; invites the Court of Auditors to ensure that all delegations of the Commission are visited and controlled within a limited number of years;
5. Notes that the Court of Auditors made the following critical remarks:
 - (a) the Commission has not sufficiently addressed weaknesses relating to the terms of reference, reporting and follow-up of audit reports carried out on EDF operations;
 - (b) key controls are not always reliably carried out by the National Authorising Officer and/or the Head of Delegation;
 - (c) monitoring information and performance indicators on the evolution of the quality of public finance management in ACP States do not exist, preventing the Court of Auditors from giving an opinion on the use of direct budgetary aid;
 - (d) the Director-General of the EuropeAid Cooperation Office (AIDCO) did not have sufficient information available when he declared without reservation in the AIDCO annual activity report for 2002 that control procedures put in place provided the necessary guarantees in respect of the legality and regularity of the underlying transactions;

⁽¹⁾ See Communication to the Commission on the Reform of the Management of External Assistance, adopted by the Commission on 16 May 2000.

⁽²⁾ See Statement by the Council and the Commission on The European Community's Development Policy adopted by the General Affairs Council (Development) on 10 November 2000.

⁽³⁾ OJ L 317, 15.12.2000, p. 3.

⁽⁴⁾ OJ C 26, 29.1.2004, p. 17.

Declaration of the Director-General of AIDCO

6. Notes with satisfaction that the annual activity report and declaration of the Director-General of AIDCO for 2002 also covered the EDF, even though the charter for authorising officers by delegation did not at that time extend to EDF transactions; however, also notes that the Court of Auditors considers that, from the viewpoint of methodology, the Director-General of AIDCO did not yet have all the requisite information concerning the reality, legality and regularity of the on-the-spot transactions as regards the following information:
 - (a) the management of funds by ACP countries had not yet been subjected to risk analysis and formalised evaluation, particularly in the context of the use of budgetary aid. AIDCO was not yet able to determine the extent to which Internal Control Standard No 17 on supervision had actually been implemented as regards the transactions that were managed by the Delegations and National Authorising Officers;
 - (b) the coverage and findings of external audits were neither quantified nor analysed. These external audits were still not included within the scope of Internal Control Standard No 21 on audit reports;
 - (c) the amounts to be recovered were not entered in the accounts and were not always identified. There was therefore no guarantee that advances were correctly cleared;

Calls on the Director-General of AIDCO to address the abovementioned weaknesses pointed out by the Court of Auditors;

7. Notes that the Commissioner for Development and Humanitarian Aid does not believe it to be part of his responsibilities to ensure that the Director-General of AIDCO includes a reliable declaration in the AIDCO annual activity report;
8. Does not find that the opinion of the Commissioner for Development and Humanitarian Aid on this issue is in accordance with the Code of Conduct for Commissioners and Departments, which states that 'directors-general shall be answerable to their Commissioner for the sound implementation of the policy guidelines laid down by the Commission and the Commissioner.');
9. Questions the value of such a declaration when it does not have any consequence for a director-general if serious criticism is raised against the approach taken in working out the declaration;

Budgetary support

10. Notes that budgetary support has increased its share of implemented primary commitments from 14 % in 2001 to 23 % in 2002; notes that the Commission intends to increase this share further in future years;
11. Acknowledges that budgetary support may be effective in achieving the objectives of poverty reduction and better management of public finances in beneficiary countries, inter alia by increasing ownership of the beneficiary country;
12. Notes that according to the Cotonou Agreement, direct budgetary assistance in support of macroeconomic or sectoral reforms shall be granted where ⁽¹⁾:
 - (a) public expenditure management is sufficiently transparent, accountable and effective;
 - (b) well-defined macroeconomic or sectoral policies established by the country itself and agreed to by its main donors are in place; and
 - (c) public procurement is open and transparent;

⁽¹⁾ See Cotonou Agreement, Article 61(2).

13. Acknowledges that when budget support funds have been released to an ACP State, these funds are spent and controlled according to national and not EDF control procedures; is aware that this necessitates a change in the Commission's follow-up procedures away from traditional controls and checks of transactions towards an assessment of the state of public finance management based on monitoring information and performance indicators; however, notes that the Court of Auditors finds that criteria used to release budget support funds essentially consist of macroeconomic indicators but provide only partial information about public finance management, and that no separate, clear analysis and evaluation of the quality of public finance management is produced;
14. Is deeply concerned that the Commission is increasing the use of budget support at the same time as the Court of Auditors - in the absence of monitoring information and of performance indicators on the evolution of the quality of public finance management in ACP States - is not able to give an opinion on the use of direct budgetary assistance by the ACP States;
15. Has been informed that other donors are also increasing the use of budgetary support and that the Commission is cooperating with such donors, notably the World Bank, on the development of performance indicators;
16. Invites the Commission to continue to cooperate with other donors in order to ensure a harmonised approach among donors towards ACP States, not just on performance indicators but also on requirements placed on ACP States as regards, for example, controls and reporting;
17. Strongly supports the Court of Auditors' intentions to adopt a special report during 2004 on the use of budgetary support;
18. Asks the Commission to include a list of countries granted budgetary support, including information on whether tranches of budgetary support have been withheld, in a communication on financial information on the EDFs for the 2003 financial year; asks the Commission also to outline in this communication - for each country receiving direct budgetary aid - whether the three main conditions for receiving such aid as stated in Article 61(2) of the Cotonou agreement are met;
19. Asks the Commission to report, by 1 September 2004, on the state of play of work within the public expenditure and financial accountability programme, including information on the expected deadline for agreement on a final list of public finance management performance indicators;
20. Calls on the Commission, in connection with the upcoming negotiations on possible amendments of the Cotonou Agreement, to enter into a dialogue with the ACP States on the possibility of making budgetary support conditional on the beneficiary country agreeing to spend the equivalent of 5 to 10 % of any amount received as budgetary support for institutional support measures;

Supreme audit institutions

21. Recalls its opinion regarding the importance of involving ACP States' supreme audit institutions in EDF control ⁽¹⁾;
22. Notes that the Court of Auditors regrets the absence of a clear, structured approach to strengthening the national control and audit institutions on the part of the Commission;
23. Asks the Commission to include information on funds spent on projects involving supreme audit institutions in a communication on financial information on the EDFs for the 2003 financial year;

⁽¹⁾ See paragraphs 21 to 24 of the Resolution containing the comments accompanying the decision concerning discharge to the Commission in respect of the implementation of the budget of the sixth, seventh and eighth European Development Funds for the financial year 2001 (OJ L 148, 16.6.2003, p. 3).

24. Invites the Commission to consider entering the condition that an ACP State must agree to introduce a multiannual programme for creating and/or strengthening a supreme audit institution before budgetary support can be granted;

Decentralisation of management of aid and support

25. Supports the Commission's devolution of resources and decision-making powers to the delegations of the Commission; expects this to contribute to even higher implementation levels for commitments and payments than those achieved by the Commission in 2002; is aware that the deconcentration exercise is ongoing and expected to be fully implemented during 2004;
26. Emphasises that the audit and evaluation strategy of the Commission must reflect the change in the management of aid and support and be underpinned by a risk assessment; stresses that audits and evaluations must be independent and of high quality; asks the Commission to communicate its working document on risk assessment as soon as it has been finalised and by 1 July 2004 at the latest;
27. Stresses that heads of delegation must ensure that key controls are carried out and take action if the national authorising officer does not fulfil the obligation of performing such controls; is concerned that delegations may not have sufficient qualified staff available in order to respect new obligations regarding financial control;
28. Is concerned that headquarters' overview of audit and evaluation activities in the delegations is inadequate; notes that EDF activities are expected to be integrated into the CRIS system during first half of 2004; notes the Court of Auditors' concern that in the short term the CRIS-system is not likely to address weaknesses relating to the terms of reference, audit reports and follow-up of audit reports; asks the Commission to report by 1 September 2004 on whether: 1. the process of linking the OLAS accounting system to the CRIS system has been successful; and 2. whether audits concerning EDF funds have been included in the CRIS system;
29. Regrets that the Commission does not systematically collect audits and evaluations from delegations and therefore has not been able to react in a timely manner to a request from the rapporteur to receive a number of audit and evaluation reports; regards this as confirmation of headquarters' lack of an overview of audit and evaluation activities; notes that lists of audits received by the rapporteur in some cases contained wrong information about the prices of an audit, the size of the underlying project etc.; regards this as a further confirmation of headquarters' lack of an overview of audit activities;
30. Asks the Commission to provide a structured plan by 1 July 2004 as to how headquarters should control delegations' controls within a deconcentrated management system; stresses that financial audits and evaluation should be coordinated, monitored and followed up by Headquarters; is especially worried by the apparent lack of systematic follow-up of audits and evaluations;
31. Asks the Commission to present by 1 July 2004 a list of audits and evaluations performed in 2003 by delegations and headquarters as well as providing information on how audits and evaluations have been followed up; stresses that the requested list shall only include audits and evaluations actually performed, not merely planned;
32. Notes that the Commission is not certain that it has full information about evaluations carried out by delegations ⁽¹⁾; asks the Commission to include information on how this situation has been resolved when it forwards the list of evaluations performed in 2003;

⁽¹⁾ See the Commission's answer to question No 75 in Replies to Questionnaire to the Commission regarding discharge 2002 - Part II (PE 328.732/FIN2): 'It is not possible to say with any degree of certainty to what extent the attached list, which is based on information provided by EC delegations in ACP countries, is complete.'

Implementation, RAL and budgetisation

33. Considers that the level of unspent EDF resources, currently standing at EUR 11,3 billion ⁽¹⁾, is regrettable in a fund aimed at assisting many of the poorest countries in the world; appreciates the factors that limit the Commission's ability to redress this problem, such as the responsibility of the National Authorising Officer for processing invoices, the need to obtain the National Authorising Officer's agreement for decommitments, the circumstances preventing the implementation of programmes in certain countries in crisis and the absence of any time-limit on the use of funds; recognises the value of changes to the Financial Regulation and new Financing Agreements aimed at keeping RAL under control for the ninth EDF; stresses the fact that many of these problems would be resolved if the EDF were to be brought within the Community budget;
34. Notes that resources not yet committed under the sixth, seventh and eighth EDFs in total amounted to EUR 2,9 billion (or 8,9 % of total resources) at the end of 2002, even though it was respectively 17, 12 and five years since the three EDFs entered into force;
35. Notes that implemented secondary commitments (contracts) and payments amounted to respectively EUR 2,1 billion and EUR 1,9 billion, thereby maintaining a relatively high level compared to earlier years; however, is also aware that increased use of budgetary support is the main reason for achieving higher implementation levels;
36. Notes that outstanding commitments, or RAL (*reste à liquider*), amounted to EUR 8,4 billion at the end of 2002, of which EUR 1,2 billion was considered to be abnormal RAL ⁽²⁾,
37. Asks the Commission to include in a communication on financial information on the EDFs for the 2003 financial year a table showing the RAL per sector and per year of commitment as well as information on the level of abnormal RAL and specific actions taken in 2003 in order to reduce the abnormal RAL;
38. Welcomes the Communication from the Commission to the Council and the European Parliament of 8 October 2003 entitled 'Towards the full integration of cooperation with ACP countries in the EU budget' (COM(2003) 590);
39. Considers that the EDF shall be budgetised, i.e. integrated into the general budget of the European Union, in order to grant the EDF the same status as other parts of the *acquis communautaire* and eliminate the current democratic deficit;
40. Emphasises that, apart from the political significance of budgetisation, considerable advantages related to budgetary management can be achieved by integrating the EDF into the general budget of the European Union, for example, more efficient implementation due to the possibility of harmonising existing procedures, greater level of flexibility in implementation, a higher level of transparency concerning total Community aid, and avoiding the current complications of transitional measures between EDFs;
41. Notes that a new Financial Protocol succeeding the ninth EDF has to be determined at the same time as negotiations start on respectively a new financial perspective for the European Union and possible amendments of the Cotonou Agreement, offering an exceptionally good opportunity to budgetise the EDF;
42. Calls on the Commission and the Member States to decide on and implement budgetisation of the EDF without delay;
43. Considers it essential that the Commission continue to speed up implementation of commitments and payments from the EDF in order for the European Community and its Member States to fulfil the political commitments to the ACP States, as well as minimising possible complications related to budgetisation of the EDF;

⁽¹⁾ EUR 2,9 billion is yet to be committed, while EUR 8,4 billion relates to outstanding payments.

⁽²⁾ Abnormal RAL is defined as commitments on which no contracts or payments have been made in the last two years as well as commitments made before 1997 and not yet paid (see abovementioned Communication from the Commission on Financial Information on the sixth, seventh and eighth European Development Funds 2002, section 3.1).

44. Invites the Commission to enter into a dialogue with the ACP States on how to eliminate the RAL, taking into account the specific problems that may be encountered in connection with budgetisation;
45. Stresses that budgetisation of the EDF must not lead to a decrease in total funds available to the ACP States; asks the Commission to ensure transparency so that the discharge authority continues to be able to ascertain the level of funds spent for purposes set out in the Cotonou Agreement;

Poverty reduction

46. Draws attention to the principal objective of the Community's development policy, which is to reduce poverty with a view to its eventual eradication ⁽¹⁾, and highlights the endorsement given by the Commission and all Member States to the millennium development goals (MDGs) as the means by which this objective is to be achieved; furthermore recognises that there has to be careful monitoring of whether appropriate resources are going to health and education at country level;
47. Notes that the benchmark formula requires the 35 % to be allocated 'mainly (to) education and health' which are the two most prominent sectors in the MDGs; observes that the figures reported to the Development Assistance Committee for 2002 commitments in these sectors ⁽²⁾ remain far from this target, and that structural adjustment programme conditionalities are most unlikely to make up such a large shortfall; expresses concern about the figures given for EDF commitments ⁽³⁾ in these sectors; calls on the Commission to improve its performance in this area in future years;
48. Regrets that the Commission has not provided an analysis of its contribution towards achieving the MDGs but has limited its study ⁽⁴⁾ to measuring the progress made by developing countries towards this objective; considers that assessment of the effectiveness of Commission programmes is hampered by the absence of such an analysis; calls for an analysis of aid effectiveness to be included in the mid-term review of the Cotonou Agreement;

Programming

49. Congratulates the Commission on the results of its assessment of the involvement of non-state actors in the programming process for the ninth EDF, which showed that consultations were carried out in 62 countries out of 68; notes, however, that changes to draft country strategy papers only resulted in 36 countries, raising questions about the impact of consultations in the remaining cases; calls particularly for regular and formal consultation of ACP parliaments and the ACP-EU Joint Parliamentary Assembly;

CESD contracts

50. Notes that several EDF financed contracts have been signed with one of the companies at the centre of the Eurostat scandal in the context of the Common Market of eastern and southern Africa; notes that serious questions regarding these contracts were raised in the final Internal Audit Service report of October 2003;

(1) The European Union's Development Policy, conclusions of the 2304th meeting of the Development Council of 10 November 2000.

(2) 4,1 % for education and 3,0 % for health. These figures include sector-specific budget support.

(3) 1 % for education and 4 % for health.

(4) Outlined in the Annual Report on the EC Development Policy and the Implementation of External Assistance in 2002, Chapter 3.

51. Regrets that Eurostat's consistent advice in favour of using CESD did not raise concern within AIDCO despite what was known internally about the company; notes this as another example of inadequate transparency and lack of communication between Commission departments;
52. Finds it deeply dissatisfying that AIDCO did not issue a recovery order on EUR 200000, outstanding since 1999, before the Eurostat scandal broke in July 2003; expects the Commission to inform the European Parliament as soon as possible as to whether the recovery order on EUR 324 088 (accrued interest) issued to CESD has been fulfilled;
53. Welcomes the fact, however, that AIDCO has ended contractual relations with the company in question;

ACP Secretariat

54. Recalls that the Court of Auditors in its annual report for the 2000 financial year, had serious criticism for the ACP Secretariat, as well as for the EUR 18 million financing agreement for 2000 to 2004 benefiting the ACP Secretariat and signed by the Commission on 9 March 2000;
55. Recalls the European Parliament resolution relating to discharge for the 2000 financial year ⁽¹⁾, in which the Commission was asked to inform the ACP Secretariat that it must, in all cases, respect the final rulings of the Belgian Courts on matters still pending;
56. Is aware that the ACP Secretariat has not yet complied with a ruling from the Belgian Courts and paid compensation to a former employee, arguing that the ACP Secretariat seeks diplomatic immunity; notes that the ACP Secretariat has appealed to the Belgian Cour de Cassation; does not agree that diplomatic immunity should make it possible for the ACP Secretariat not to honour its responsibilities as an employer;
57. Notes that the present agreement on the financing of the ACP Secretariat will expire at the end of 2004; calls on the Commission to include in any agreement on future financing a mechanism ensuring suspension of the financing agreement if the ACP Secretariat does not respect a final ruling of the Belgian courts;
58. Asks the Commission to inform the discharge authority by 1 July 2004 at the latest about the result of contact made with the ACP Secretariat as requested above, as well as the expected content of a proposal for a future financing agreement benefiting the ACP Secretariat;
59. Invites the Court of Auditors to follow up on observations on the ACP Secretariat made by the Court of Auditors in its annual report concerning the financial year 2000; invites the Court of Auditors, at the same time, to consider whether the ACP-EU Joint Parliamentary Assemblies are organised in accordance with the principles of sound financial management;

Peace facility

60. Takes note of the Decision of the ACP-EC Council of Ministers on 11 December 2003 on the use of EUR 250 million from the long-term development envelope of the ninth EDF for the creation of a Peace Facility for Africa;
61. Welcomes the creation of a Peace Facility for Africa, but is concerned about the risk of such funds being used on purposes other than those for which they were intended, for example, on military spending; invites the Commission to enter into a dialogue with the Parliament on the use of the Peace Facility for Africa within the overall development policy framework;

⁽¹⁾ OJ L 158, 17.6.2002, p. 28.

62. Asks the Commission to specify in the annual accounts the amounts used for the Peace Facility for Africa and to inform the discharge authority, on an annual basis and in good time, and to be taken into account during the discharge procedure, about the management of such funds, including information about the specific activities financed by the funds;

CDE

63. Notes that EUR 90 million in the Financial Protocol of the Cotonou Agreement are reserved for the CDE (Centre for the Development of Enterprise, formerly Centre for the Development of Industry); notes that the legal status of CDE is unclear and its objectives not well defined; deplores that there are still management shortcomings and weaknesses in internal and external control despite repeated criticism in different audits over the last years; calls on the Commission to follow up on the criticism raised by the Commission's own audits as well as in the Court of Auditors' annual report for 2002.
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DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section II — Council**

(2004/723/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the Annual Report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Articles 276, 272(10) and 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Grants the Secretary-General of the Council discharge in respect of the implementation of the budget for the 2002 financial year (operational expenditure);
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

RESOLUTION**of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section II — Council**

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the Annual Report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Articles 276, 272(10) and 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Underlines the need for a more comprehensive exchange of information between the Council and the European Parliament; welcomes therefore the Council's readiness to hold an informal dialogue between the two Institutions prior to the discharge procedure;
 2. Points out that the Committee on Budgetary Control asked the Council to forward the following documents to it: a list of contracts concluded with third parties, the complete documentation for the contract with the largest financial impact, the provisions governing the use of official cars, and the Financial Controller's reports;
 3. Notes, and finds unacceptable, the reply given by the chairman of the Committee of Permanent Representatives on 11 December 2003 to the questionnaire sent by the Committee on Budgetary Control on 26 November 2003: 'The questions raised in your questionnaire under the heading General Questions to all Institutions are not directly related to the accounts of the Council over the year 2002 or to the annual report of the Court of Auditors concerning that year. The Council's position is that these questions go beyond the scope of the discharge procedure';
 4. Notes further that the Court of Auditors' annual report for 2002 contains general comments on administrative expenditure by the Community institutions, but no specific comments whatever on the Council's budget; welcomes the announcement by the Court of Auditors that its next annual report will contain comments on administrative expenditure for each Community institution;
 5. Stresses that its request for information to the Council is fully in line with the provisions of the Financial Regulation (in particular Articles 146 and 182);

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

6. Calls on the Council to respond to the questionnaire submitted by the Committee on Budgetary Control no later than 1 July 2004;
 7. Notes that as from next year the Council, pursuant to Article 86(4) of the Financial Regulation, will forward to the European Parliament a report summarising the number and type of internal audits carried out, the recommendations made and the action taken on those recommendations;
 8. Asks for information on the measures taken by the Council in 2002 to improve the analysis of its financial management;
 9. Points out that in 2001 there were differences between the physical and accounting inventories; asks whether that shortcoming has been rectified;
 10. Would like the Court of Auditors to pay appropriate attention to verifying financial management and the inventory within the Council's 2003 budget;
 11. Underscores the importance Parliament attaches, in the light of experience, to mobility for authorising officers;
 12. Welcomes the joint declaration by the Council, the Commission and Parliament of 25 November 2002 ⁽¹⁾ on the prior notification of Parliament in the decision-taking process on the Common Foreign and Security Policy (CFSP), and asks how this has been reflected in practical cooperation;
 13. Again draws attention to the recommendation by the Court of Auditors in its Special Report No 13/2001 on the management of the Common Foreign and Security Policy ⁽²⁾ on the basis of its audit findings that Parliament, the Council and the Commission should lay down clear operational principles and rules at interinstitutional level with regard to the role of the Commission and of the Council in CFSP implementation and that the financing of CFSP actions should be made more transparent.
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⁽¹⁾ Texts adopted, 19.12.2002, P5_TA(2002) 0624, Annex 1.

⁽²⁾ OJ C 338, 30.11.2001, p. 1.

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section IV — Court of Justice**

(2004/724/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (15-0034/2003 — C5-0088/2004),
 - having regard to the Annual Report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2003 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Grants the Registrar of the Court of Justice discharge in respect of the implementation of the budget for the 2002 financial year;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

RESOLUTION**of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section IV — Court of Justice**

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the Annual Report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Notes the replies given by the Court of Justice on 17 December 2003 to the questionnaire sent by the Committee on Budgetary Control on 26 November 2003;
 2. Notes that as from next year the Court of Justice, pursuant to Article 86(4) of the Financial Regulation, will forward to the European Parliament a report summarising the number and type of internal audits carried out, the recommendations made and the action taken on those recommendations;
 3. Regards as appropriate the Court of Justice's measures based on the European Court of Auditors' Special Report No 5/2000 ⁽⁴⁾; notes the audit report by the company KPMG ⁽⁵⁾; also notes the report dated 21 October 2003 on new building projects, maintenance and infrastructures generally, which the Court of Justice has forwarded to the European Parliament;
 4. Notes the letter of 18 February 2004 from the Registrar to the chairman of the Committee on Budgetary Control, in which the Registrar announces a series of measures both to counter the increase which has emerged over the last few years in the average length of proceedings and to take account of enlargement; calls on the Registrar to submit a detailed progress report to the European Parliament in time for the discharge procedure for the 2003 budget;

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ OJ C 109, 14.4.2000, p. 1.

⁽⁵⁾ Letter of 6 June 2003 to the chairman of the Committee on Budgetary Control.

Non-official use of official cars

5. Notes that the Court of Justice, in addition to the official journeys authorised by it or by its President, defrays the cost of the use of official cars by its Members up to a ceiling of 30 000 km a year (Members of the Court of First Instance: 25 000 km; President of the Court of First Instance: 30 000 km);
6. Notes that the Members of the Court thus enjoy benefits in kind although no corresponding decision has been taken by the EU Council of Ministers, which is responsible for their emoluments;
7. Calls for the Court of Justice to amend its rules by 1 July 2004 to require its Members themselves to bear in full the cost of non-official use of official cars;

Increases in remuneration as a result of weightings

8. Notes that on the basis of an internal administrative ruling the Members of the Court of Justice have the possibility of benefiting from increases in remuneration by having it transferred in part to other EU Member States, and taking advantage of 'weightings' in the process, rather than receiving a transfer to accounts in their country of employment, Luxembourg;
9. Points out that that decision is an internal administrative ruling by the Court of Justice and can under no circumstances be regarded as a ruling in its judicial capacity;
10. Points out furthermore that that decision by the Court of Justice's Administrative Committee was taken on 25 September 2002, but that, on a proposal by the Council, Parliament and the Council subsequently deleted a remark from the Court of Justice's 2003 preliminary draft budget (Item A-1090) which provided for weightings to be applied 'by analogy' with the provisions of the Staff Regulations of officials to the Members of the Court of Justice too;
11. Notes that, in doing so, the budgetary authority made it perfectly clear that it expected an end to be put to the practice, which, since 1 January 2003, has not been authorised either by provisions in the relevant regulations on the remuneration of Members of the Institutions or by corresponding remarks in the budget;
12. Points out that the Members of the Commission no longer claim weightings and calls on the Members of the Court of Justice to follow that example;
13. Asks in this connection what progress the Court has been made in establishing a specific legal basis for the application of weightings, as insisted on by Parliament (1);
14. Is pleased that the Court of Justice adheres to the same 'whistleblower's doctrine' as the Commission; notes that such a doctrine is only truly effective if staff members are aware of it; encourages the Court of Justice to ensure that this information is freely available to its staff;
15. Invites its Committee on Budgets to place part of the 2005 administrative appropriations for the Court of Justice in reserve if there is no satisfactory response to the concerns raised in this resolution over non-official car use and the system of salary weightings.

(1) Resolution of 8 April 2003, paragraph 6 (OJ L 148, 16.6.2003, p. 46).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section V — Court of Auditors**

(2004/725/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the Annual Report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Article 143 of the Financial Regulation of 25 June 2002, and in particular paragraph 4 of that article,
 - having regard to Article 276 of the EC Treaty,
 - having regard to Rule 93 a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Grants the Court of Auditors discharge in respect of the implementation of the budget for the 2002 financial year;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

RESOLUTION**of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section V — Court of Auditors**

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Article 143 of the Financial Regulation of 25 June 2002, and in particular paragraph 4 of that article,
 - having regard to Article 276 of the EC Treaty,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Notes the replies given by the President of the Court of Auditors on 19 December 2003 to the questionnaire sent by the Committee on Budgetary Control on 26 November 2003;
 2. Notes further the additional information forwarded by the President of the Court in his letters of 16 and 20 February 2004;
 3. Notes the report by the independent auditor on the accounts of the Court of Auditors for the 2002 financial year together with the auditor's certificate concerning the regularity and fairness of the financial statements at 31 December 2002 ⁽⁴⁾;
 4. Stresses that cooperation between Parliament and the Court of Auditors on the presentation of the annual report and special reports has further improved;
 5. Points out that a number of financial and management-related problems had initially arisen with regard to completion of the K2 extension which must be avoided in connection with the next extension;

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ OJ C 259, 28.10.2003, p. 1.

6. Notes that the Court of Auditors, in the course of enlargement from 15 to 25 Members, will be transferring a larger proportion of its work to its audit groups;
7. Expressly recommends that the Members of the Court of Auditors ensure that the make-up of their private offices is multinational and, in particular, that at least one of the two attaché posts at their disposal is filled by an individual whose nationality is different from their own;

Statement of assurance

8. Notes with approval that, when taking office, the Members of the Court of Auditors lodge declarations of their financial interests which are considerably more comprehensive and more detailed than the equivalent declarations by Members of the Commission or MEPs and which furthermore, where appropriate, also include details concerning spouses; regards it as proper that those declarations should not be published; expects the competent authorities to be given access to those declarations, however, if investigations need to be conducted concerning a Member of the Court;
9. Notes that, when verifying administrative expenditure, the Court of Auditors will in future evaluate internal control systems, internal auditors' reports and a representative number of transactions;
10. Realises that the Court of Auditors' statement of assurance is essentially based on sample checks and is therefore not a tool for the targeted detection of fraud and irregularities, but, rather, is intended to allow an overall appraisal to be made of the financial management of the Institutions audited; points out that such an overall appraisal is reliable only if a sufficiently large sample of payments is audited;
11. Encourages the Court in its review of annual DAS evaluation and to work in close collaboration with the other institutions to provide some form of performance indicators that can measure progress from year to year;
12. Expects the Court of Auditors to ensure, in preparing its annual report and annual statement of assurance, that it bases its assessment on the latest international accounting practices and principles;
13. Is taken aback that, in its annual report for 2002, the Court of Auditors supplied details of the scale of the sample of the transactions it had audited within agriculture, but, even when asked to do so, was unwilling to provide information as to the number of transactions audited by it in connection with the Institutions' administrative expenditure;
14. Asks the Court of Auditors in future to give the number of transactions audited by it, broken down by Institution;
15. Asks the Court of Auditors to bring the structure of its annual report, in future, into line with Article 143(3) and (4) of the Financial Regulation, which read as follows: 'The annual report shall contain an assessment of the soundness of financial management. The annual report shall contain a section for each institution. The Court of Auditors may add any summary report or general observations which it sees fit to make';
16. Reminds the Court that Parliament requires information on every Community Institution, otherwise, it cannot perform its discharge duties; regrets the fact that the Court's annual report does not comply with this and contains no specific information whatever on the administrative expenditure of the Council, the Court of Justice, the Court of Auditors or the Economic and Social Committee; regards this as unwarranted, one reason being that, year in, year out, the Court submits a separate report for every single decentralised Community agency;

17. Welcomes the announcement by the Court of Auditors that in its annual reports, in future, it will make provision for a separate section for each Community Institution;

Lessons to be learned from the Eurostat case and combating fraud

18. Notes that the Court of Auditors has repeatedly found fault in the past with individual Eurostat operations;
19. Points out that to date, however, Eurostat as a whole has never been the subject of an in-depth and comprehensive audit by the Court; is concerned that that is also true of other Commission directorates-general and might be one cause of undesirable developments within the Commission;
20. Is concerned that, in the past, not only were the audit reports by the decentralised audit units in Commission directorates-general ignored by the Members of the Commission, but, rather, the Court of Auditors did not insist that such reports be systematically forwarded; asks the Court of Auditors to carry out a comprehensive evaluation of those reports in future and to publish a summary of the key results in its annual report;
21. Asks the Court of Auditors to take advantage of its expansion from 15 to 25 Members to ensure that, in future, its Members carry out an in-depth audit of each and every Commission directorate-general;
22. Would very much welcome being notified by the Court, at the latest when its next annual report is presented, which Members have taken on special audit responsibility for which directorate-general; regards such specific terms of reference as totally compatible with the collective nature of the Court, provided that the Court has the final say;
23. Asks the Court of Auditors to review its internal decisions on cooperation with OLAF in the light of the provisions of the new Staff Regulations, in particular as regards the right of staff to approach OLAF with information directly; calls on the Court of Auditors to forward to Parliament a copy of the currently applicable provisions and the changes which have been made;
24. Asks the Court of Auditors to comment as to whether, in connection with the awarding procedure at the Committee of Regions described in paragraph 9.23 of its annual report, referral to the competent judicial authorities is necessary, since this might constitute restraint on freedom to participate in tendering procedures, which is a criminal offence under Belgian law (Article 314 of the Belgian Criminal Code);

Dismissal of a Court of Auditors official

25. Points out that, in April 2002, an official of the Court of Auditors publicly made the most serious allegations against Members and officials of his Institution;
26. Points out that some of the allegations made by the official had previously been brought to OLAF's notice by another party or had been the subject of administrative inquiries;
27. Notes that, according to OLAF, the other allegations made by the official could not be substantiated; notes further that Parliament has been given access to no evidence which might substantiate doubts as to OLAF's declaration;
28. Notes that, following disciplinary proceedings, the official was dismissed in summer 2003;
29. Regards that decision as a harsh penalty; points out that, pursuant to Articles 90 and 91 of the Staff Regulations, a complaint may be lodged against it and an appeal may be brought before the Court of Justice of the European Communities;

30. Calls in this connection for the Community's staff regulations to be amended so as to make it possible for 'whistle blowers' to turn to a body outside their institution so as to ensure that their anonymity remains intact ⁽¹⁾;
31. Points out to the Court of Auditors that its action against the official must also be gauged against the measures it is taking against a former Member who is alleged to have seriously breached the obligations arising from his office;
32. Is pleased that the Court of Auditors adheres to the same 'whistleblower's doctrine' as the Commission; notes that such a doctrine is only truly effective if staff members are aware of it; encourages the Court of Auditors to ensure that this information is freely available to its staff;

Proceedings against a former Member of the Court

33. Points out that, on the initiative of a member of the Committee on Budgetary Control, OLAF instituted an inquiry into the former member of the Court of Auditors in 2002;
34. Points out further that, following on from that inquiry, OLAF referred the matter to the Luxembourg judicial authorities and that those proceedings have not yet been concluded; acknowledges that the Court is pressing ahead with recovering misappropriated monies;
35. Points out to the Court of Auditors that, in tandem with the Luxembourg court proceedings, an application could be made to the European Court of Justice, as the Commission has done in the case of a former Commissioner; expects the Court of Auditors to refer the matter to the European Court of Justice, too, in order to have it established, pursuant to Article 247 of the EC Treaty, whether the former Member seriously breached the obligations arising from his office;

Private use of official cars

36. Asks the Court to confirm that official cars, the cost of which is borne by the Community budget, can be used exclusively for official journeys;
37. Notes that, supposedly, the Members of the Court of Auditors can use official cars for private purposes up to a limit of 40 000 km a year and that even holiday travel at taxpayers' expense is evidently not ruled out;
38. Calls on the Court, if necessary, to amend its rules by 1 July 2004 so as to require its Members to meet, in full, the cost of the private use of official cars (non-official business);
39. Draws the attention of the Court to the fact that, pursuant to Article 276(3) of the EC Treaty, it is required to take all appropriate steps to comply with that demand;

Increases in remuneration as a result of weightings

40. Notes that, since 1 January 2003, the Members of the Court have again given themselves the possibility of benefiting from considerable increases in remuneration by having it transferred in part to other EU Member States, and taking advantage of 'weightings' in the process, rather than receiving a transfer to accounts in their country of employment, Luxembourg; states that this is defended by citing a corresponding decision by the Administrative Committee of the European Court of Justice;
41. Points out that that decision is an internal administrative ruling by the Court of Justice and can under no circumstances be regarded as a ruling in its judicial capacity;

⁽¹⁾ Texts adopted, 29.1.2004, P5_TA(2004) 0049.

42. Points out furthermore that that decision by the Court of Justice's Administrative Committee was taken on 25 September 2002, but that, on a proposal by the Council, Parliament and the Council subsequently deleted a remark from the Court of Justice's 2003 preliminary draft budget (Item A-1090) which provided for weightings to be applied, 'by analogy' with the provisions of the Staff Regulations of officials, to the Members of the Court of Justice too;
 43. Notes that, in doing so, the budgetary authority made it perfectly clear that it expected an end to be put to the practice, which, since 1 January 2003, has not been authorised either by provisions in the relevant regulations on the remuneration of Members of the Institutions or by corresponding remarks in the budget;
 44. Points out that the Members of the Commission no longer claim weightings; calls on the Members of the Court of Auditors to follow that example ;
 45. Invites its Committee on Budgets to place part of the 2005 administrative appropriations for the Court of Auditors in reserve if there is no satisfactory response to the concerns raised in this resolution over non-official car use and the system of salary weightings.
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DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VI — European Economic and Social Committee**

(2004/726/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Grants the Secretary-General of the European Economic and Social Committee discharge in respect of the implementation of the budget for the 2002 financial year;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

RESOLUTION**of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VI — European Economic and Social Committee**

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93 *a* of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Notes the replies given by the European Economic and Social Committee (EESC) on 17 December 2003 to the questionnaire sent by the Committee on Budgetary Control on 26 November 2003;
 2. Thanks the EESC for forwarding its internal rules governing budget implementation and the charter of the internal auditor;
 3. Notes the EESC's assurance that there have been no further irregularities whatever with regard to the settlement of travel expenses;
 4. Notes that, on 10 December 2003, the EESC adopted a statute for its Members; asks the Court of Auditors for an opinion on the financial implications of the provisions thereof; asks the Court of Auditors to submit that opinion no later than in the context of its annual report for 2003;
 5. Welcomes the fact that the EESC has given an account of the extent to which the objectives it set itself for the period 1998 to 2002 were met ⁽⁴⁾; is convinced that a critical evaluation of activities can be the basis for better public awareness of the EESC's work;

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ The EESC Secretariat's activities in the 1998-2002 period. Report presented to the Bureau on 17 September 2002.

6. Thanks the EESC for the progress report of 26 June 2003 ⁽¹⁾ on renovating the Belliard Building, according to which it will be handed over on 31 May 2004; asks, however, for an explanation of the Financial Controller's comment on 2002 budget implementation that 'Shortcomings in the management of the "Belliard" dossier, meaning that the Committees had a lack of oversight of certain aspects, were noted and pointed out.' ⁽²⁾;
 7. Welcomes the fact that the two committees have managed to make early payments to the owner of the Belliard Building, Cofinimmo, so as to reduce liabilities more quickly;
 8. Asks the EESC whether it updated the inventory in 2002 and whether, as Parliament insisted ⁽³⁾, the Court of Auditors has verified the inventory.
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⁽¹⁾ Note to the Committee on Budgetary Control, Belliard building progress report, 26 June 2003.

⁽²⁾ Reply to questionnaire, question 4, general section.

⁽³⁾ Resolution of 8 April 2003, paragraph 8 (OJ L 148, 16.6.2003, p. 55).

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VII — Committee of the Regions**

(2004/727/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (15-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Grants the Secretary-General of the Committee of the Regions discharge in respect of the implementation of the budget for the 2002 financial year;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

RESOLUTION**of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VII — Committee of the Regions**

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (15-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93 a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Notes the replies given by the President of the Committee of the Regions on 16 December 2003 to the questionnaire sent by the Committee on Budgetary Control on 26 November 2003;
 2. Notes that in its report concerning the financial year 2002 the Court of Auditors established the same irregularities as the Anti-Fraud Office (paragraph 9.23);
 3. Points out that Parliament did not grant the Committee of the Regions discharge in respect of financial management in 2001 until 29 January 2004 ⁽⁴⁾ and, in the resolution accompanying the discharge decision, called on the Committee of the Regions 'to provide a full report on the current discharge decision in good time for it to be taken into account in the context of the discharge procedure for the 2002 financial year' (paragraph 21);
 4. Welcomes the setting up of working groups, with the involvement of staff of the institution and an external advisor, to examine and propose solutions to the various structural, administrative and financial problems; remains however to be convinced that they will lead to significant improvements as long as the administrative culture remains the same; points out that, following the example of the Commission in the Eurostat affair, a root and branch overhaul of senior management, working methods and respect for internal audit is essential to create a climate of reform and renewal;
 5. Awaits confirmation that the Committee has strengthened its internal audit unit with the A 7 and B 5 posts agreed by Parliament and seeks a justification for any further delay in recruitment procedures;

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ OJ L 57, 25.2.2004, p. 8.

6. Expresses its general surprise at the dismissal of the OLAF findings and recommendations and suggests that real reform can only begin by acknowledging past mistakes and weaknesses;
7. Notes that the European Parliament in its resolution on the Committee of the Regions ⁽¹⁾ was very critical of the Institution; deplores the treatment of the Financial Controller, as stated in the OLAF report;
8. Notes that, on 17 February 2004, the President of the Committee of the Regions forwarded a work plan on administrative reform to the committee chairman and rapporteur which must be implemented over the next few months; points out at this early juncture that implementation of the measures will be verified during the budget discharge procedure for 2003; points out that improvements must be introduced in such a way that the progress achieved can be gauged;
9. Thanks the European Economic and Social Committee (EESC) and the Committee of the Regions for the progress report of 26 June 2003 ⁽²⁾ on renovating the Belliard Building, according to which it will be handed over on 31 May 2004;
10. Criticises the Committee of the Regions for failing to replace the staff of the Financial Controller or to give him the necessary information to carry out an audit report in 2002;
11. Notes with satisfaction that the Committee of the Regions will take over the standard decision on the conditions and arrangements for internal investigations to combat fraud, corruption and other unlawful actions harmful to the Communities' interests;
12. Asks the Committee of the Regions to take the necessary steps to ensure the total independence of the Internal Auditor;
13. Welcomes in this connection the Bureau's decision of 10 February 2004 to bring its 'whistleblowing' provisions into line with rules currently in force in the Commission which make it possible for officials to turn to a body outside their Institution, so as to ensure that their anonymity remains intact;
14. Notes that such a doctrine is only truly effective if staff members are aware of it; encourages the Committee of Regions to ensure that this information is freely available to its staff;
15. Points out that on 18 November 2003 the President of the Committee of the Regions called on the acting Secretary-General to clarify whether disciplinary proceedings ought to be instituted against staff; criticises the fact that, on the one hand, the administrative inquiry is not to be concluded until April, but that, on the other, the Administration has already been able to establish that the Internal Auditor has not been intimidated or harassed at all;
16. Recalls Parliament's abovementioned resolution of 29 January 2004 and paragraph 22 thereof in particular, which stresses that the President of the Committee of the Regions must ensure that the office and person of the Internal Auditor are respected and that his advice and counsel are taken seriously;

⁽¹⁾ Texts adopted, 29 January 2004, P5_TA(2004) 0048.

⁽²⁾ Note to the Committee on Budgetary Control, Belliard Building progress report, 26 June 2003.

17. Notes that the Committee of the Regions introduced a new staff policy in 2003; will return to this in its discharge report for the 2003 financial year;
 18. Notes that the Committee of the Regions spent some EUR 100 000 on studies in 2002; asks how the topics were selected and to what use the studies were put; asks whether an assessment was made of their usefulness.
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DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VIII — Ombudsman**

(2004/728/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93a of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Grants the Ombudsman discharge in respect of the implementation of the budget for the 2002 financial year;
 2. Records its comments in the accompanying resolution;
 3. Instructs its President to forward this decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the Ombudsman and to have them published in the *Official Journal of the European Union* (L series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

RESOLUTION**of the European Parliament containing the comments accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year — Section VIII — Ombudsman**

THE EUROPEAN PARLIAMENT,

- having regard to the revenue and expenditure account and balance sheet for the 2002 financial year (I5-0034/2003 — C5-0088/2004),
 - having regard to the Annual Report of the European Court of Auditors for the 2002 financial year, together with the replies of the institutions (C5-0583/2003) ⁽¹⁾,
 - having regard to the statement of assurance by the European Court of Auditors, pursuant to Article 248 of the EC Treaty, as to the reliability of the accounts and the legality and regularity of the underlying transactions (C5-0583/2003),
 - having regard to the Council's recommendation of 9 March 2004 (C5-0145/2004),
 - having regard to Article 272(10) and Article 275 of the EC Treaty,
 - having regard to Article 22(2) and (3) of the Financial Regulation of 21 December 1977 ⁽²⁾ and Article 50 of the Financial Regulation of 25 June 2002 ⁽³⁾,
 - having regard to Rule 93 *a* of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0228/2004),
1. Notes the replies given by the Ombudsman on 15 December 2003 to the questionnaire sent by the Committee on Budgetary Control on 26 November 2003;
 2. Considers it reasonable that the Ombudsman has concluded an agreement with Parliament on cooperation on administrative, budgetary and financial matters;
 3. Acknowledges that the Ombudsman is looking for a low-cost way of regularly travelling to Frankfurt am Main and Zurich airports; asks the Ombudsman to notify Parliament as to what solution he prefers; asks Parliament, at the same time, to consider to what extent it can be of assistance to him;
 4. Welcomes the Financial Controller's confirmation that the Ombudsman's financial management for 2001 and 2002 was satisfactory;
 5. Also welcomes the fact that the Internal Auditor will carry out a critical review of the new financial management structures and procedures for the financial year 2003;
 6. Welcomes the fact that the Ombudsman has undertaken to forward to the discharge authority the annual activity report drawn up by the principal authorising officer.

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

DECISION OF THE EUROPEAN PARLIAMENT**of 21 April 2004****concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Section I — European Parliament)**

(2004/729/EC)

THE EUROPEAN PARLIAMENT,

- having regard to the Revenue and Expenditure Account and Balance Sheet in respect of the financial year 2002 (I5-0034/2003 — C5-0088/2004),
 - having regard to the annual report of the Court of Auditors concerning the financial year 2002 and the institutions' replies (C5-0583/2003) ⁽¹⁾,
 - having regard to the Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty (C5-0583/2003),
 - having regard to Article 275 of the EC Treaty, Article 78 *d* of the ECSC Treaty and Article 179a of the Euratom Treaty,
 - having regard to Article 77 of the Financial Regulation of 21 December 1977 ⁽²⁾ and Articles 145 to 147 of the Financial Regulation of 25 June 2002 ⁽³⁾ and Article 13 of the internal rules for the implementation of the European Parliament's budget ⁽⁴⁾,
 - having regard to Article 89(7) of the Financial Regulation of 21 December 1977, pursuant to which each Community institution is required to take all appropriate steps to act on the comments appearing in the decisions giving discharge,
 - having regard to Rules 93a and 184(3) of its Rules of Procedure, and Annex V thereto, in their versions applying before 1st January 2003 and as from that date,
 - having regard to the report of the Committee on Budgetary Control (A5-0218/2004),
1. Grants its Secretary-General discharge in respect of the implementation of the budget for the 2002 financial year;
 2. Records its comments in the accompanying resolution;
 3. Authorises the giving of discharge to the Accounting Officer for the 2002 financial year in accordance with the transitional provisions ⁽⁵⁾ governing the discharge procedure in respect of the period prior to the entry into force of the new Financial Regulation;

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ PE 265.492/BUR/FIN.

⁽⁵⁾ Article 267 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357, 31.12.2002, p. 1).

4. Instructs its President to forward this Decision and the accompanying resolution to the Council, the Commission, the Court of Justice, the Court of Auditors and the Ombudsman and to have them published in the *Official Journal of the European Union* (L-series).

The Secretary-General
Julian PRIESTLEY

The President
Pat COX

RESOLUTION

of the European Parliament accompanying the decision concerning discharge in respect of the implementation of the general budget of the European Union for the 2002 financial year (Section I — European Parliament)

THE EUROPEAN PARLIAMENT,

- having regard to the Revenue and Expenditure Account and Balance Sheet in respect of the financial year 2002 (15-0034/2003 — C5-0088/2003),
 - having regard to the annual report of the Court of Auditors concerning the financial year 2002 and the institutions' replies (C5-0583/2003) ⁽¹⁾,
 - having regard to the Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty (C5-0583/2003),
 - having regard to Article 275 of the EC Treaty, Article 78*d* of the ECSC Treaty and Article 179*a* of the Euratom Treaty,
 - having regard to Article 77 of the Financial Regulation of 21 December 1977 ⁽²⁾ and Articles 145 to 147 of the Financial Regulation of 25 June 2002 ⁽³⁾ and Article 13 of the internal rules for the implementation of the European Parliament's budget ⁽⁴⁾,
 - having regard to Article 89(7) of the Financial Regulation of 21 December 1977, pursuant to which each Community institution is required to take all appropriate steps to act on the comments appearing in the decisions giving discharge,
 - having regard to Rules 93*a* and 184(3) of its Rules of Procedure, and Annex V thereto, in their versions applying before 1 January 2003 and as from that date,
 - having regard to the report of the Committee on Budgetary Control (A5-0218/2004),
- A. Whereas the Financial Regulation adopted on 25 June 2002 and the Rules of Procedure of Parliament amended on 23 October 2002 apply with effect from 1 January 2003 as regards procedural rules governing the discharge procedure.
- B. Whereas the substantive provisions of the Financial Regulation of 21 December 1977 and the Rules of Procedure of Parliament applying in 2002 continue to govern the responsibilities of financial actors in 2002.
- C. Whereas Parliament's Rules of Procedure were amended on 23 October 2002 to stipulate that discharge shall be given to the President rather than to the Secretary-General.
- D. Whereas, however, that amendment cannot be applied retrospectively as it concerns a substantive rule governing responsibility; for the 2002 financial year discharge must therefore continue to be given to the Secretary-General,

⁽¹⁾ OJ C 286, 28.11.2003, p. 1.

⁽²⁾ OJ L 356, 31.12.1977, p. 1.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ PE 265.492/BUR/FIN.

1. Takes note of the figures with which the European Parliament's accounts for the 2002 financial year were closed, namely:

(in euro)

Use of appropriations	Appropriations for the 2002 financial year	Appropriations carried over from 2001 financial year	
		Article 7(1)(b) of the Financial Regulation	Article 7(1)(a) of the Financial Regulation ⁽¹⁾
Appropriations available	992 310 000 ⁽²⁾	136 621 422	—
Commitments entered into	977 212 022	—	—
Payments made	876 911 049	126 254 342	—
Appropriations carried over to 2003			
— Article 9(1) and (4) of the Financial Regulation	100 300 973		
— Article 9(2a) and (5) of the Financial Regulation	3 302 900	—	—
Cancelled appropriations	11 795 078	10 367 080	—

Balance Sheet at 31 December 2002: 1 403 669 148

⁽¹⁾ Financial Regulation of 21 December 1977.

⁽²⁾ Including supplementary and amending budget No 1/2002 and No 6/2002.

Implementation of the budget

2. Congratulates the Secretary-General on the efficient use of the budgetary appropriations made available by Parliament; thanks all Parliament staff for the effective support provided to Members during the 1999 to 2004 term;
3. Notes that the principal changes to the appropriations in the 2002 budget as originally adopted concerned:
- the European Convention, whose financing necessitated a supplementary and amending budget (No 1), the addition of a budgetary heading to Section I of the budget (Parliament) (Article 372) and the transfer of EUR 1 million from Chapter 101,
 - preparations for enlargement, including 'frontloading' operations whereby as a result of a supplementary and amending budget, the Commission was able to utilise appropriations available in 2002 in respect of expenditure initially planned for 2003 and a similar amount was added to Parliament's budget for 2003;
4. Notes that in 2002 the European Parliament received revenue of EUR 67 256 006 (2001: EUR 68 415 805);
5. Takes cognisance of the note forwarded by the Court of Auditors on 17 November 2003 in accordance with Article 39(3) of the Financial Regulation evaluating the four withholdings of approval during 2002;

6. Points to the overall opinion expressed in the section of the Court of Auditors' annual report for 2002 on administrative expenditure (paragraph 9.14), concerning the results of testing carried out at the European Parliament on a sample of transactions in the financial year 2002, to the effect that, apart from specific findings set out in the annual report, no material errors were noted in the sample of transactions tested;
7. Persists in the view that the error-identification service hitherto provided by Financial Control must now be at least matched by the detection and correction capacity of the authorising officers' own services;

Presentation and content of the accounts

8. Applauds the improved readability of the analysis of budgetary management accompanying the accounts, as called for in previous annual reports by the Court of Auditors;
9. Repeats its request to the Secretary-General, contained in paragraph 16 of the 2001 discharge resolution of 8 April 2003 ⁽¹⁾, for a report on the feasibility of publishing Parliament's accounts together with the analysis of budgetary management on Parliament's website;
10. Takes note of the Secretary-General's reply to question 37 of the 2002 discharge questionnaire (PE 338.137) that 'formal management and control procedures within Parliament up to the end of 2002 (Advisory Committee on Procurement and Contracts (ACPC), Financial Control, Legal Service) and the importance attached to sound financial management both by Parliament's Administration and by its control authorities, make it unlikely that situations similar to that found at Eurostat could have occurred within Parliament';

Governance

11. Recalls the statement contained in paragraph 3 of the abovementioned 2001 discharge resolution that 'the scope of the discharge procedure should cover not only the management activities of Parliament's Secretary-General and Administration, but also the decisions taken by its governing bodies, i.e. its President, Bureau and Conference of Presidents';
12. Notes that in accordance with Rule 93a, first indent, of the Rules of Procedure, discharge will in future be given to the President of the European Parliament rather than to the Secretary-General;
13. Believes that in the context of current debates on corporate and institutional governance there is a convincing case for strengthening the degree of accountability prevailing not only at the level of authorising officers in respect of the commitment and disbursement of budget appropriations, but also at the level of the political authorities in cases where they take decisions having significant financial consequences;
14. Points out that, under the Financial Regulation, an authorising officer is liable to disciplinary action and payment of compensation for his acts or omissions in his official capacity (Article 65(2)); notes further that an authorising officer by delegation must in future report to the Institution by way of an annual activity report (Article 60(7));
15. Notes that according to the list of their responsibilities ⁽²⁾ certain Members of the Bureau now oversee specific sectors of the Administration's activities and may participate in that capacity in negotiations with third parties and give undertakings on behalf of the Institution (in accordance with a mandate determined by the Bureau) in such a way as to create legal and/or financial commitments in matters potentially having significant budgetary consequences;

⁽¹⁾ OJ L 148, 16.6.2003, p. 62.

⁽²⁾ PE 315.557/BUR/DEF. See EP website: governing bodies/Bureau/composition.

16. Notes that there is at present no definition of the precise practical meaning of the political responsibility attaching to Parliament's governing bodies as regards the exercise of powers and the taking of decisions with significant financial consequences; instructs its competent committee and Bureau to consider this matter and draw up specific proposals;
17. Takes the view that in the interest of greater transparency and accountability such proposals might include:
 - an annual financial review by the President on behalf of the Bureau (similar to the report of a company's board of directors to its shareholders) setting out and commenting on the principal financial events and trends, as well as positive and negative developments during the financial year under review,
 - an examination of the changes which would be necessary in order to anchor political responsibility for financial matters more firmly within Parliament's internal rules on the budget or its Rules of Procedure, including possibly the requirement for Vice-Presidents with responsibility for management functions to submit an annual declaration;

Follow-up to the 2001 discharge

18. Recalls that in paragraph 11 of its discharge resolution of 10 April 2002 ⁽¹⁾ concerning the 2000 financial year, Parliament requested its Secretary-General to provide the Committee on Budgetary Control with the sector letter from the Court of Auditors and the Administration's replies;
19. Notes that this request was fully complied with in the discharge procedure concerning the 2001 financial year;
20. Considers that the absence of any corresponding provisions in the internal rules ⁽²⁾ on the implementation of the budget adopted by the Bureau on 4 December 2002 cannot be advanced as a justification for the Administration's failure in the context of the current discharge process to comply with a request contained in an earlier higher-ranking text (Parliament's resolution of 10 April 2002);
21. Takes the view that there can be no reasonable objection to the disclosure of sector letters to the competent committee, or its rapporteur, on a confidential basis once the Court of Auditors' annual report has been published;
22. Calls upon the Secretary-General to give clear instructions for the forwarding of the sector letters, in accordance with confidentiality procedures, to the competent committee in the context of the discharge procedure for the 2003 financial year;

Implementation of the recast Financial Regulation

23. Recognises the achievement of the Administration in having successfully completed the steps necessary to put the recast Financial Regulation into practical effect in the short time between the date of its adoption (25 June 2002) and the date of its entry into force (1 January 2003); points out, however, that there should be an in-depth analysis of the effects brought about by applying the detailed rules for implementing the new Financial Regulation so that there is no recurrence of the operational failures which took place in 2003, the Info Points Europe being one example of such lack of foresight;

⁽¹⁾ OJ L 158, 17.6.2002, p. 43.

⁽²⁾ PE 324.692/BUR/FIN. See DG8 website.

24. (a) Notes that according to Article 13(8) of the Internal Rules ⁽¹⁾ implementing the recast Financial Regulation, adopted by the Bureau on 4 December 2002, the activities of the Internal Auditor do not extend to the conditions under which use is made of the appropriations against Item 3701, 'Secretarial expenses, current administrative expenditure and expenditure relating to the political and information activities of the political groups and non-attached Members';
- (b) Notes further that the revised text of the Rules governing the utilisation of appropriations entered against Item 3701 adopted by the Bureau on 30 June 2003 departs in several respects from the provisions of the Financial Regulation; considers that any derogations from the general rules contained in the Financial Regulation must be based on sound legal and practical considerations;
- (c) Welcomes the report of the Secretaries-General of the political groups of 4 February 2004 in which they propose a number of changes to the rules governing the utilisation of appropriations entered against Item 3701; believes that these changes represent an important step in the right direction;
- (d) Calls on the Bureau to bring Parliament's Internal Rules and the Rules governing the utilisation of appropriations entered against item 3701 more closely into line with the provisions of the Financial Regulation and the Implementing Rules on the basis of the proposals made by the Secretaries-General;
- (e) Asks the Secretaries-General of the political groups to present a further report, by 1 July 2004, setting out how the remaining divergences between the Financial Regulation and the Parliament's internal rules can be addressed, including, if necessary, a recommendation on how the Financial Regulation and/or the Implementing Rules could be amended to take account of the specific status of political groups;
- (f) Stresses in particular the necessity, in accordance with the indications of the Court of Justice, to apply the relevant provisions governing item 3701 to non-attached Members in a strictly analogous manner in order to avoid any discrimination in the use of these funds;
25. Notes that the Internal Auditor's work programme for 2003 included an audit of the Parliament's internal control framework, whose main objective is to reassess the level of general compliance with the Institution's minimum standards of internal control; notes that its competent committee will be informed of the results of the audit when the Internal Auditor's annual report is issued;
26. Notes that the Internal Audit Service is conducting an audit of the procurement process, under the new Financial Regulation, the findings of which are expected during the first half of 2004; insists that the Secretary-General inform its competent committee of those findings and of the follow-up action which he decides on in relation thereto as soon as the procedures laid down in the Internal Rules have been completed;
27. Welcomes the Secretary-General's undertaking ⁽²⁾ in future to supply the Committee on Budgetary Control on request with copies of the annual activity reports drawn up by the authorising officers by delegation pursuant to Article 60(7) Financial Regulation;

Staff and administration

28. Asks the Bureau to ensure that all appointments at A 1 and A 2 level take place in a fully open, transparent and competitive manner with staff committee representatives with observer status being present on selection committees;
29. Recalls that in paragraph 28 of the resolution on the 2001 discharge it asked for proposals to be made before 1 July 2003 to remedy the situation of former LA officials who had passed an internal competition and moved to an A-category post before the introduction of 'décloisonnement' and were thereby placed at the starting grade (A 7) in the A category irrespective of their seniority in the LA category; notes that, in his reply of 18 February 2004, the Secretary-General recognised that

(1) PE 324.692/BUR/FIN. See DG8 website.

(2) Source: Secretary-General's reply to paragraph 5 of EP resolution of 8 April.2003.

these LA officials had been 'prejudiced in comparison with other LA officials who benefited from "décloisonnement"'; therefore asks the Secretary-General, in observance of the principle of non-discrimination among officials, to put forward specific proposals aimed at compensating the 'small number' of LA officials whose initiative and energy have paradoxically placed them in a very unfavourable position;

30. Welcomes the model adopted by a number of divisions in the Translation Directorate, by which divisions are split into specialised teams reflecting the terms of reference of parliamentary committees; notes that this system has led to an increase in productivity; calls on the Parliament's Administration to examine whether this system could be extended to all divisions in the translation service;
31. Recalls that security measures were tightened up following the terrorist attacks of 11 September 2001; calls on the Secretary-General, in light of recent events and the current international security climate, to review and update all security arrangements, anticipating potential threats and making contingency plans, seeking expert advice and ensuring that properly trained security personnel are employed on Parliament's premises;

Political group accounts

32. Points out that the political groups only partially answered the questionnaire submitted by its Committee on Budgetary Control in the context of the 2002 discharge process;
33. Welcomes the fact that the annual accounts of the political groups are now published on Parliament's website; regrets, however, that no action has been taken in response to the request contained in paragraph 80(d) of Parliament's resolution of 8 April 2003 calling for the groups' internal financial rules for the use of the budget line 3701 appropriations also to be published on Parliament's website;
34. Considers it necessary, in order to avoid potential conflicts of interest, to ensure that the same audit firm does not provide related services;
35. Calls on the Secretary-General to examine a proposal for the rotation of group audit firms (or at least of the person within the audit firm responsible for the group's audit) every five years;
36. Recalls paragraph 85 of its resolution of 8 April 2003 instructing its competent committee to continue to dedicate a section of its annual discharge report to the accounts of the political groups and non-attached Members giving particular attention to any specific remarks made by the Court of Auditors in the context of the discharge for the 2002 financial year;
37. Points out that the 2002 annual report by the Court of Auditors contains a section examining the follow-up to its special report No 13/2000 ⁽¹⁾ on the expenditure of the European Parliament's political groups;

⁽¹⁾ OJ C 181, 28.6.2000, p. 1.

38. Notes that in 2002 the appropriations entered in budget heading 3701 were allocated pursuant to the Bureau's decision of 4 February 2002 as follows:

Total available: EUR 34 988 000

Non-attached Members (33): EUR 1 154 604

Amount available for groups: EUR 33 833 396

Group	Number of Members	Total allocated 1.1.2002	Carried over from 2001 (*)	Expenditure in 2002 (*)	Utilisation rate %	Carried forward to 2003 (*)
PPE	232	12 922 519	7 234 352	15 870 767	122,82	4 775 841
PSE	179	10 067 849	7 592 863	13 575 568	134,84	4 573 736
ELDR	53	3 042 382	1 292 952	3 334 600	110,44	1 079 435
VERTS	45	2 656 812	2 313 851	4 105 303	155,20	952 607
GUE/NGL	44	2 684 778	1 923 255	3 650 792	135,37	1 081 653
UEN	22	1 328 517	1 034 056	2 009 402	151,25	383 067
EDD	18	1 130 539	717 208	1 456 489	128,83	465 517
TOTAL	593	33 833 396	22 108 537	44 002 921	130,06	13 311 856

(*) Including groups' own resources, adjustments and recoveries during the year (source: DG 8)

39. Recalls that Article 2(1)(6) of the rules ⁽¹⁾ governing budget heading 3701 allows the groups and the non-attached Members to carry forward a maximum of 50 % of the annual appropriations received from the European Parliament's budget; notes that no political group exceeded the limit of 50 % on appropriations to be carried forward from 2002 to 2003 ⁽²⁾;
40. Notes the following remark by the Court of Auditors with regard to the political groups' accounts of 2002 (annual report, paragraph 9.29. et seq.):
- both cash-based and accrual accounting are used (or sometimes a mixture of both), depending on the political group involved, which makes comparison difficult,
 - the financial statements do not provide the detailed information on decentralised expenditure required by the accounting plan,
 - considerable progress has been made in including information on fixed assets in both the accounting records of the groups and Parliament's own inventory system,
 - as regards the external audit of the groups' accounts, the content of the audit statements varied for the seven sets of accounts certified (by five different firms);
41. Shares the view that the informative value of the groups' annual reports on the utilisation of the appropriations continues to be limited, because the rules do not require, in addition to the financial statements, the provision of information on the objectives, the type and the cost of the main activities financed;

⁽¹⁾ Bureau minutes of 1 February 2001.

⁽²⁾ European Parliament, DG8.

42. Instructs its Secretary-General to report on the feasibility of establishing a standard format laying down the matters to be covered in both (i) the analysis of budgetary management accompanying the groups' accounts; and (ii) the opinions drawn up by the external auditors;
43. Instructs its competent bodies in any future review of the rules governing budget heading 3701 to remedy the absence of global reporting on the use of the appropriations;
44. Agrees that unless and until the political groups acquire a separate legal personality, the amounts of appropriations carried forward by political groups should be shown on the assets side of the balance sheet of the European Parliament;
45. Notes that expenditure by national delegations represents half of the total expenditure and that compliance with specific provisions requires on-the-spot verification in addition to audits in the central premises of the political groups; suggests that the audit provisions of the relevant rules should be amended accordingly;
46. Notes that under Article 1(6)(2) of the rules ⁽¹⁾ governing budget heading 3701 the political groups may at present give up to 5 % of their annual subsidy to political parties; recalls that according to Article 6 of Regulation (EC) No 2004/2003 ⁽²⁾ on political party funding a European political party may not accept donations from the budgets of political groups in the European Parliament; instructs its competent bodies to take note of this provision when next revising the relevant rules;

Non-attached Members

47. Notes that not all non-attached Members have submitted the necessary documentation to the Administration concerning the financial year 2002;
48. Points out that under Article 2(9)(6) of the rules currently in force as regards non-attached Members ⁽³⁾, the Administration is required to draw up a statement of revenue and expenditure and a balance sheet for each Member demonstrating the regularity of the accounts and their consistency with the rules;
49. Recalls that, until these new rules were adopted, responsibility for submitting the reports and accounts required by the rules governing budget heading 3701 lay with each individual non-attached Member;
50. Regrets that the Administration has been unable to forward the reports and accounts for 2002 to the competent committee because not all non-attached Members have yet provided a satisfactory account of their use of the relevant appropriations in 2002;
51. Notes that unlike the political groups the accounts of the non-attached Members are not subjected to an external audit;
52. Considers that the use by the non-attached Members of budget heading 3701 appropriations falls within the purview of Parliament's internal auditor and that Article 13(8) of Parliament's internal rules on the implementation of the budget should be interpreted accordingly;

⁽¹⁾ Bureau minutes of 1 February 2001 and 30 June 2003.

⁽²⁾ OJ L 297, 15.11.2003, p. 1.

⁽³⁾ Bureau minutes of 30 June 2003.

Members' allowances

53. Regrets the failure of the Council to approve the Statute for Members which had the support of Parliament and would have been a fair system for all members;
54. Believes that the introduction of a Statute for Members accompanied by reform of the system of expenses, as supported by the Parliament, would have been the best way of ensuring the fair and equal treatment of all Members; considers, however, that the Council's failure to approve the Statute does not relieve the Parliament of its responsibility for ensuring that EU funds are spent in an honest and transparent manner;
55. Recalls paragraph 104 of the abovementioned 2001 European Parliament discharge resolution and the recommendations made by the Court of Auditors that there should be no difference between the travel expenses paid by the Parliament and actual costs incurred by a Member, an issue which is being addressed by the Parliament's Bureau as the only body competent to make the appropriate adjustments;
56. Requests the Bureau and Quaestors to review the whole system of Members' allowances and the manner in which they are applied and controlled with a view to ensuring fair and adequate resources for legitimate parliamentary work based on a transparent and accountable system and an efficient and non-bureaucratic disbursement procedure;
57. Calls on the Bureau, in the absence of an agreement on a common Statute for Members, to adopt, as a matter of urgency, new rules governing the payment of expenses and allowances using as a basis the decision of the Bureau of 28 May 2003; considers these new rules should enter into force at the beginning of the next parliamentary term and should provide for, inter alia, the reimbursement of travel expenses on the basis of actual costs incurred;

Secretarial allowance

58. Notes that, according to the European Parliamentary Assistants Association, the Court of Auditors, the Parliament's own Financial Controller and Mr Onesta, the Vice-President responsible for the Statute for Assistants, the new rules on the payment of the secretarial allowance which entered into effect on 1 January 2001 still pose a number of problems, both in terms of ensuring compliance with the Financial Regulation and with relevant national legislation (taxation, social security and so on), and also in terms of user-friendliness; welcomes, therefore, the changes to the rules governing the payment of the secretarial allowance adopted by the Bureau on 9 February 2004; calls on the Secretary-General to ensure that the new rules are strictly enforced; considers, however, that the new requirement that, in the case of service contracts, invoices or fee statements should be accompanied by statements certifying that the staff concerned are duly affiliated to a social security scheme and that tax and social security contributions are duly paid should not be limited to contracts with a duration exceeding six months;
59. Believes that, as soon as practically feasible, all payments to parliamentary assistants should be made by Parliament's Administration, either directly or through a national paying agent; points out that under such a system the Member would continue to be responsible for decisions such as recruitment, dismissal, leave and level of remuneration, but that Parliament's Administration would be responsible for ensuring that all payments comply with the Financial Regulation and with applicable national legislation; notes that according to Parliament's Administration ⁽¹⁾, the cost of such a system should not exceed EUR 120 per Member per month;
60. Further considers that, in order to ensure maximum transparency in the use of the secretarial allowance, all assistants paid from the secretarial allowance must be accredited with the Parliament and that, if necessary in order to achieve this, the new category of 'constituency-based accreditation' should be created; notes that as a consequence, the names of all assistants would have to be included in the public register of assistants;

(1) Question No 5, 2002 discharge questionnaire (PE 338.137).

61. Calls on the Secretary-General to inform the Court of Auditors, within two weeks of adoption of this resolution by the European Parliament in plenary sitting, of those accredited assistants who were not paid either from the secretarial allowance or from any other source given in the declaration of financial interests in 2002; instructs the Court of Auditors, in the cases forwarded by the Secretary-General, to ascertain which funds these assistants were paid from and whether there was any infringement of Parliament's prevailing Rules of Procedure or of national rules;
62. Asks the Secretary-General to ensure that the restrictions imposed by current EU Member States on the free movement of workers from the new Member States will not prevent Members from the new Member States from employing assistants from their home country, or impair the ability of those assistants to move freely within the territory of the European Union;

Subsistence allowance

63. Considers that the attendance registers available for signature by Members must be supervised by a Parliament official at all times; notes that steps have been taken to ensure that this is now the case;
64. Takes the view that the subsistence allowance is a flat-rate sum intended to cover all personal costs incurred by a Member whilst attending Parliament, including taxis; considers therefore that the separate taxi allowance (requiring receipts) introduced in September 2003 and extended in January 2004 is superfluous and should be abolished;

Health insurance

65. Points out that Members are entitled to free health insurance cover under Parliament's rules, even when national health care schemes are available to them; considers that Parliament's health insurance cover for Members should be additional to any national scheme, whether public or private, and based on market conditions; further considers that Members who choose to take part in the Parliament's scheme should be required to pay a health insurance premium; believes that a change in the rules to this effect should be introduced with effect from the beginning of the next parliamentary term;

System of advance payments

66. Considers that the existing system of advance payments, whereby Members' expenses claims are reimbursed by Parliament's Administration before the documentary evidence supporting the claim has been verified, should be replaced by a system of individual accounts into which all amounts due to and from each Member would be consolidated, and on the basis of which a single payment to Members would be made once a month;
67. Considers further that until such a system is introduced, and in order to meet the concerns of the Court of Auditors, Members' contributions to the voluntary additional pension scheme should be deducted from payments of the daily subsistence allowance rather than from the general expenditure allowance;

Parliament's places of work

68. Calls on Parliament's Administration to continue and intensify the dialogue with local residents in the Quartier Léopold area, adjacent to the Parliament's Brussels buildings, in view of the ongoing construction work on the new D4 and D5 buildings; considers that Parliament's Administration must ensure that living conditions do not fall below an acceptable minimum as a result of the construction work, and that every effort must be made to accommodate the wishes of local residents with respect to the future configuration of, and access to, the area immediately surrounding the Parliament's buildings;

Environment

69. Asks for the comprehensive review of Parliament's internal environmental policy conducted by the consultancy specialising in environmental management and expected ⁽¹⁾ to be available at the end of 2003 to be forwarded to its Committee on Budgetary Control;
70. Points out that according to the World Health Organisation exposure to tobacco causes death, disease and disability;
71. Notes the Decision of the European Ombudsman of 23 January 2004 on complaint 260/2003 against the European Parliament, which includes a finding of maladministration and concludes that 'the European Parliament has failed to take adequate measures to promote compliance with its internal rules on smoking in European Parliament premises';
72. Believes that the continued failure by the European Parliament to enforce non-smoking measures poses a serious health threat to all users of Parliament's buildings and could lead to significant claims for damages;
73. Takes note of the decision taken by the Commission to ban smoking throughout its buildings (including bars and restaurants) as from 1 May 2004; calls on Parliament's Administration and on the College of Quaestors to institute a ban on smoking throughout the public spaces in Parliament's buildings in the three working places with effect from 1 May 2004; takes the view that special rooms should be designated for people wishing to smoke;
74. Notes that many official documents are still being distributed to Members on paper despite their availability online; points out that in many cases, these documents are discarded without ever being used, which results in a huge waste of money and paper; calls on the College of Quaestors to instruct the Administration to cease the automatic and general distribution of the following types of document to the extent that they are also available online and/or can be transmitted electronically:
 - Commission documents,
 - Council documents,
 - DG 2 and 3 working documents and research papers,
 - Session documents,
 - Notices from the Quaestors, the Bureau and other official notices;
75. Asks instead for limited but sufficient numbers of these documents to be available in paper form at the document counter;
76. Calls for a system of electronic signature to be introduced, whereby a Member's signature can be applied to documents such as amendments and parliamentary questions without having to have recourse to transmission of documents on paper.

(1) Secretary-General's reply to paragraph 112 of European Parliament resolution of 8 April 2003.