EUROPEAN PARLIAMENT

DECISION OF THE EUROPEAN PARLIAMENT

of 9 May 1973

on the giving of a discharge to the Commission in respect of the implementation of the European Communities' budget for the financial year 1970 and on the Report of the Audit Board

(73/116/ECSC, EEC, Euratom)

THE EUROPEAN PARLIAMENT,

Having regard to the accounts and statements for the financial year 1970 and the accounts of the Euratom Supply Agency (Doc. 163/71-II and IV);

Having regard to the Report of the Committee on Budgets (Doc. 38/73);

Having regard to the Council Decision of 20 February 1973 [1] on the giving of a discharge to the Commission, and to the reservations continued in the Annex to the Council Decision which it endorses;

Having regard to the Report of the Audit Board on the accounts for the financial year 1970 and the answers of the institutions to that Report (Doc. 163/71-III A and B);

I

Decision on a discharge

1. Establishes the total of the Communities' expenditure for the financial year 1970 at 2 521 275 009·61 u.a., made up as follows:

— Administrative expenditure	117 466 553·89 u.a.
— European Social Fund	37 041 700·72 u.a.
— EAGGF	2 366 766 755·00 u.a.

2. Decides to give the Commission a final discharge in respect of the implementation of the 1970 budget and refers to the following critical remarks:

II

The accounting procedures of the Funds, of the administrative budget and of the research and investment budget

(a) *EAGGF*

3. Notes again with great regret that the largest single expenditure heading of the European Budget, namely the expenditure of the 'Guarantee' section of the Agricultural Fund, is not subject to adequate external control and that the Audit Board is unable to give the official bodies binding information on the financial management of the Fund (Section 110, paragraph 7, of the Audit Report for the financial year 1970);

---

[1] See p. 23 of this Official Journal.

4. Regrets once again the inadequate local supervision by EAGGF services; this situation must be remedied in view of the new financial regulations for the common agricultural policy and the transition to the Communities' own resources;

5. Finds it intolerable that there are still delays in meeting the due dates for closure of the accounts; as a result the Fund's expenditure is only audited five years after the measures in question are put into effect;

6. Urges the Commission to present an immediate report on the frequent instances of fraud which still occur in the agricultural sector, on their budgetary significance and on the consequences of measures taken up to now by the Commission of the European Communities and by the Member States, and reminds the Commission of its obligations deriving from Article 10 of Regulation (EEC) No 729/70;

7. Urges the Commission to concentrate on spot-check auditing operations covering individual projects in all their aspects on a random sample basis;

8. Believes, in view of the constantly recurring shortcomings in EAGGF financial management and the difficulty of supervising them, that the Commission must make considerably greater efforts to achieve substantial progress in this matter;

9. States therefore now that it can give the Commission of the European Communities no further discharge for future financial years, unless progress is made in the financial administration and control of the Agricultural Fund and the Commission moves closer to the Parliament's views on auditing procedures;

(b) *European Social Fund*

10. Deplores the long delays even in 1970 in the submission and examination of applications for assistance, the inadequate cooperation with national administrations, the shortage of staff in the Social Fund, the low rate of utilization of funds and, as a result, the fact that they are allowed to lie unused, and the difficulty of controlling expenditure calculated in lump sums;

11. Is astonished by the differences between the average costs of retraining programmes, which vary between the different Member States in a ratio of 1 to 9, and by the alleged difficulty of levelling out these differences within the overall activities of the Social Fund;

12. Believes that control by the Audit Board ought not to be restricted by Commission procedures which the Audit Board stated are the reasons why it can no longer satisfactorily perform its duties in regard to the expenditure of the Social Fund;

13. Considers therefore that the Parliament's positive decision on a discharge for the Social Fund's accounts for future financial years must be withheld if matters of auditing procedure cannot be clarified with the Commission and the remarks of the budgetary authorities are not taken into account;

14. Gives the final discharge in respect of the accounts of the Social Fund for the financial year 1969 on the basis of the judgment handed down in the meantime by the Court of Justice;

(c) *The Administrative Budget of the Institutions*

15. Urges the Commission to take note of the observations of the Audit Board, with particular reference to:

(a) the over-frequent entries of funds in accounts outside the budget which at times make subsequent auditing of certain budget transactions impossible;

(b) the annually recurring over-spending and transfer of funds under certain budget headings which falsify the appropriations authorized by the budget authorities;

(c) the strict application of the principle of separation of the power of authorization from accounting;

(d) the criticism that deposited and cash holdings in securities and funds cannot be supervised;

(e) the lack of opportunity to determine the results of investigations and surveys and the use to which they can be put;

(f) the availability of realistic revenue accounts;

16. Demands an immediate report from the Commission on the correction of the shortcomings in the Luxembourg computer centre, which, according to the Audit Board, appear to be in striking contrast to the requirements of sound financial management;

17. Is therefore setting up an investigating committee within the framework of the Committee on Budgets with the task of working out a constructive solution with the Commission;

(d) *The research and investment budget*

18. Urges the Commission to ensure that the departments responsible for the research and investment budget submit to the Audit Board or prepare the documents which the latter regards as necessary for the performance of its duties; this applies in particular to:

(a) the checking of the classification of expenditure according to different programme measures for which only material accuracy of the calculations could be determined and not the accuracy of the content;

(b) the list of code numbers for payment orders; although these were changed during the financial year, the audit board was either not informed of this or informed only subsequently;

(c) the entry of a large number of transactions in accounts other than the normal ones;

(d) the lack of documentation on the progress of research work and the execution of contracts (the Audit Board had raised these matters in its 1965 Report);

19. Notes that infringements of the principle that the budget is restricted to one year are contrary to the existing rules and bypass the decisions of the budget authorities;

20. Urges the Commission, when presenting the operational budget, to prepare full details on the administration of the various funds, an essential precondition for making an evaluation;

III

European Development Fund

21. Urges the Council to give the Commission a discharge in respect of the implementation of the 1970 budget after agreeing to the remarks and reservations contained hereinafter;

22. Expresses its earnest desire that, in harmony with the evolution of the right to audit and give discharges in respect of the implementation of the general budget as a result of the Treaty of 22 April 1970, it will also be authorized to give discharges in respect of the budgetary measures of the EDF;

23. Welcomes the recent speeding up of the allocation of the resources of the third European Development Fund;

24. Appreciates the fact that all records of administrative accounts and balances are being kept on cards so that accounts can be balanced every month, thus facilitating the task of auditing;

25. Considers that, if certain errors and omissions to which attention was drawn in the Audit Board's Report for 1970 are to be avoided:

(a) the Commission of the European Communities should ensure painstaking and strict application of the regulations governing the working procedure of the Development Fund and also of its financial regulations, both of which have already been supplemented and improved by the Commission;

(b) a more precise definition of the terms of reference and division of responsibilities of the various auditors, authorizing officers, accounting officers, bookkeepers and officials empowered to authorize advances, would help to create the best possible conditions for financing and administering Community aid;

(c) it is essential, pursuant to Article 49 of the Financial Regulations, for normal conditions of competition to be ensured when contracts are awarded;

(d) the choice of consultancy offices to assist with technical aid related to investments and with the general technical cooperation for which the Commission is responsible, should be made under conditions which allow of a minimum of competition, and if the projects are not carried out or not completed by the agreed time limit financial penalties should be laid down;

(e) the present percentage figure for over-spending due to technical difficulties and to the use of quantities of supplies exceeding those estimated for the execution of projects must be lowered;

26. Is convinced that greater vigilance and stringency in applying the current regulations would have enabled many of the problems encountered in the financing of the three programmes for the training of supervisory staff for the operation and management of OTRACO to be avoided; regrets that these projects were marred by several of the problems referred to above, but recognizes that the Commission did try to remedy the situation;

27. Requests the Commission to remedy the delays which have occurred in submitting the accounts of the European Cooperation Association and also to improve the provisions for the payment of scholarship funds.

Done at Strasbourg, 9 May 1973.

For the European Parliament

Maurice DEWULF

Vice-President