

COURT OF AUDITORS OF THE EUROPEAN COMMUNITIES

**REPORT**  
**(Annex to the Annual Report ECSC 1982)**  
**by the Court of Auditors**  
**on**  
**the accounting and financial management**



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This report was adopted by the Court of Auditors at its meeting of 7 December 1983. Prior to this, on 30 June 1983, it had been sent, for comment, to the Commission, whose replies are reproduced in the Annex hereto.

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## 1. INTRODUCTION

1.1. In accordance with Article 78f(5) of the Treaty establishing the European Coal and Steel Community, the Court of Auditors sent its report on the financial year 1982 to the Commission and the Council on 30 June 1983; that report states whether the accounting has been effected in a regular manner and results in certification of the financial statements.

1.2. This report, an annex to the annual report referred to above, includes observations on the accounting management and social expenditure from the point of view of sound financial management.

This year, bearing in mind the continual rise in the operational budget of the ECSC,<sup>(1)</sup> the Court has focused its attention on the ECSC's social expenditure (readaptation and social measures for steel), the budget's largest constituent part.

The Court's choice was also influenced by the worsening crisis in the iron and steel industry - which has led to increased intervention by the Commission in the social sphere - and by the development of a new aid programme called "social aspects of the iron and steel policy".

## 2. OBSERVATIONS ON THE ACCOUNTING MANAGEMENT

### 2.1. FOLLOW-UP TO EARLIER OBSERVATIONS

Following the comments made by the Court of Auditors

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(1) In the absence of a budget in the legal sense of the word, the Commission every year establishes an "operational budget" which, within the meaning of the Treaty, is like an estimate of expenditure and revenue. This budget nevertheless constitutes a political commitment (ANNEX II ).



concerning the financial year 1978<sup>(1)</sup> and the observations of the Court on the accounting system of the ECSC,<sup>(2)</sup> the Commission decided in 1980 to set up a new computerized accounting system which was supposed to become operational during the financial year 1982.

According to information received from the Commission, the Court notes that implementation of the plans drawn up in February 1981 for the new computer system (borrowings, loans and the accounts) is about twelve months behind schedule.

Moreover, the Court deplores the fact that some of the criticisms and recommendations which it made in earlier reports have not been taken into consideration by the Commission. These criticisms and recommendations are indicated by a footnote in this report.

## 2.2. GENERAL ACCOUNTS

### Drawing up and checking of vouchers

2.2.1. Most of the vouchers are not signed by the person who made them out nor by a second person responsible for checking them. The absence of these two signatures, laid down by the "Internal Rules",<sup>(3)</sup> means that it is theoretically possible for anyone to make out vouchers. A system of checking these signatures should be set up to prevent unsigned vouchers being processed.

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(1) Observations on the financial management of the ECSC - financial year 1978.

(2) Observations on the financial management of the ECSC - financial year 1979.

(3) "Internal Rules" of the Directorate-General "Credit and investments", April 1982 version.

Preparation of financial statements <sup>(1)</sup>

2.2.2. Before starting to draw up the financial statements, the accounts department made no in-depth analysis of the balance-sheet accounts and the profit and loss accounts at the various stages of preparation.

The lack of checks on the financial statements has led to a whole series of inconsistencies which have for the most part been corrected by the accounts department at the request of the Court.

The Court urges that a procedure for proving the balances of all the balance-sheet accounts be introduced forthwith and that suitable analyses be carried out.

Offsetting of entries

2.2.3. Certain accounting entries are offset, with the accounts showing only a net debit or credit amount.

Offsetting is frequently used by the Commission in respect of adjusting entries.

Any offsetting is contrary to generally accepted accounting principles which require that a transaction be entered in full in the accounts without any adjustment against a similar transaction on the opposite side of the balance sheet.

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(1) Recommendations in respect of the financial year 1980 of the ECSC, pages 2 and 3.

## 2.3. FUND MANAGEMENT

### List of banks approved by the Director-General

2.3.1. The list as at 31 December 1981 of banks authorized to receive deposits, which was sent in by the Commission, was not signed by the Director-General in office at that time.

Moreover, certain investments have been made at banks not included in the list.

This practice is contrary to the provisions laid down in the "Internal Rules" and does not allow checks on the management of the cash funds to be carried out.

The Commission should draw up a list of nostro accounts, a list of authorized banks for investments and those for portfolio and a list of authorized stockbrokers.

It should always have at its disposal complete lists, signed by the competent Director-General, and it should ensure that these are kept up to date and that no transaction can take place with unauthorized partners.

### List of authorized signatures

2.3.2. The last list of authorized ECSC signatures drawn up by the Commission dates from 1 January 1982.

On 31 December ten banks sent in an out-of-date list of authorized signatures.

Twenty-eight banks have not sent a list, despite the fact that they replied to the Court's request for confirmation. Nevertheless, eight of the ten banks which sent an out-of-date list, had acknowledged receipt of the list dated 1 January 1982. Of the twenty-eight banks which have failed to send a list, seventeen had acknowledged receipt of the 1 January 1982 list.

Moreover, in the course of the financial year 1982, several persons with authority to sign left the institution without the banks being advised of these changes.

The Court considers that the Commission should immediately notify the banks of any change which occurs in the list of authorized signatures (by issuing an addendum to the original list) and send a reminder to banks which have not sent an acknowledgement of receipt.

#### Signing of confirmations and transfer orders

2.3.3. Certain transfers or confirmations are countersigned by a head of division other than that of the fund management or bear no signature whatsoever. In one instance the confirmation of an investment was signed by the "dealer" who carried out the transaction.

This practice, which does not ensure the separation of tasks, is contrary to all principles of security and internal control.

The Commission should ensure strict observance of the "Internal Rules" which lay down that confirmations, payments and transfer orders and telexes must be checked and signed by an official other than the one who carried out the transaction and countersigned by the head of division. Furthermore, arrangements should be made for a formal delegation of the power to sign, in the event of the head of division of the fund management department being absent.

Investments exceeding 15 million ECU

2.3.4. In respect of investment, the "Internal Rules" stipulate that the officials responsible for fund management operations are authorized to make investments up to a ceiling of 15 million ECU. In excess of that amount, "they must consult their superiors".

This provision is extremely vague and does not allow a proper control of the authorization procedure to be made.

The Commission should have a more specific authorization procedure for investments in excess of 15 million ECU.

Interest accrued but not yet due on portfolio and fixed deposits

2.3.5. The interest accrued but not yet due is calculated by means of a specific programme which makes no provision for reference to the ledger, but uses the data supplied by the accounts department.

This programme does not therefore make it possible to ensure that the interest accrued has been calculated in respect of all the deposits and all the securities. The checks made by the Court revealed an under-statement of the interest accrued on portfolio and fixed deposits.

Until the new computer system is finally set up, the Commission should make arrangements for a suitable control of the list of interest accrued by reconciling it with the portfolio list and the fund-management list, in order to check that the interest accrued and not yet due has been calculated on all the securities and all the deposits.

## 2.4. LEVY ON PRODUCTION

### Computer system

2.4.1. The computer system currently in use for the levy does not meet the requirements of the levy service.

Because of the delays in processing the data and the inadequacy of the system, the levy service staff have to carry out numerous tasks manually and keep parallel records (registers).

Within the context of the new system<sup>(1)</sup> to be set up, the Commission should consider reducing the period of time for processing by the levy service and by the computer centre.

The "statement of balances" should be published early enough for the levy service to be able to contact the undertakings, before the due date, in the event of any error in their declaration.

The arithmetical check currently carried out manually by the levy service for each declaration received should be abolished.

In this connection, arrangements should be made for the annual rates applicable to the five categories of products to be entered in a data base.

In addition, the system should:

- (a) ensure that the declarations sent to the computer centre for processing have been encoded and returned by the centre (totals by country, counting of declarations);
- (b) make provision for sending the undertakings three copies<sup>(2)</sup> of the declaration form, two of which should be returned to the Commission:

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(1) Some of the proposed changes could be introduced into the existing system.

(2) At present, two copies of the form are sent.

- (i) the first would be used for encoding at the computer centre,
- (ii) the second, classified by undertaking, could usefully replace the register (limiting the risk of error by eliminating transcription);
- (c) enable the publication of clear listings (numbering of pages, headings for the different columns);
- (d) provide for a chart of accounts for the tax accounts;
- (e) enable direct links to be made with the general accounts, following checks of the tax accounts listings.

#### 2.4.2. General accounts

##### Accounting procedure for bad debts

2.4.2.1. The internal transfers in the tax accounts of the levy debts owed by undertakings by rule of Court are recorded in the general accounts with a delay of up to several months. The transfers made in February 1982 in the tax accounts had still not been entered in the general accounts when the audit visit was made (November 1982).

Reconciliation of the general accounts and the tax accounts

2.4.2.2 The Commission does not make monthly reconciliations of the general and the tax accounts.

If it had done so, the reconciliations would have brought to light certain discrepancies.

In order to check the validity of the figures in the general accounts, the Commission should try to make a monthly reconciliation of the figures in the two sets of accounts. This should be carried out by somebody who is very familiar with both accounting systems.

Monitoring of levy declarations

2.4.3. The levy service's monitoring of minor undertakings which do not regularly declare their production should be more strict.

Conversion rate applicable to payments

2.4.4. At present, the current regulations state that the rate of conversion to ECU applicable to payments in national currencies is that valid on the day preceding the date of payment.

This system is extremely complex to apply (the rates used by the banks differ from the official rate given in the Official Journal).



Commission reports on on-the-spot checks

2.4.5. From reading the Commission's reports on on-the-spot checks, it is clear that most of the corrections which need to be made to the declarations arise because of the complexity and lack of precision of the current legislation.

The Commission should endeavour to adapt these legal texts to the prevailing technical situation and to explain them to the undertakings.

2.5. BORROWINGS

Authorized signatures

2.5.1. The "Internal Rules" defining the sphere of application of the authorized signatures in respect of

borrowing contracts and interim certificates, are not uniform. The general provisions of the "Internal Rules" stipulate on page 13<sup>(1)</sup> that, in respect of borrowing contracts and interim certificates, the Commission is validly committed by the joint signatures of two persons of category "B,"<sup>(2)</sup> whereas the summary table on page 15 is more restrictive, in that it requires the joint signature of the Director-General of the Commission or the Director of Borrowings and of another person of category "B."

The lack of uniformity of the "Internal Rules" makes it impossible to judge whether they are being observed.

The Commission should try to clarify the "Internal Rules".

Justification of choice of lender<sup>(3)</sup>

2.5.2. The "borrowings" files do not always contain an analysis of the different offers received. The summary analysis is generally too succinct to provide any proper justification of the choice of lender. The Commission should try to make this analysis more explicit.

Telexes sent to the competent Member of the Commission<sup>(4)</sup>

2.5.3. With regard to authorization of borrowings, the "Internal Rules" stipulate that the telex must be sent to the competent Member of the Commission within the twenty-four hours following acceptance of the banks' final offer by the officials delegated from the "Credit and investments" Directorate-General.

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(1) This text is also included in the list of authorized signatures sent to the banks.

(2) The "category B" signatures cover Directors-General, Directors and Heads of Division.

(3) Report (Annex to the Annual Report ECSC 1980) of the Court of Auditors on loans, borrowings and interest rate subsidies, pages 30 and 31.

(4) Ibid, pages 29 and 30.

On several occasions, the telexes summarizing the main terms of the borrowing have been sent to the competent Member the day the contract was signed. This practice is contrary to the provisions laid down in the "Internal Rules" and prevents the competent Member from giving his authorization.

#### "Coupons and bonds" accounts

2.5.4. At present, the Commission has on both the assets and the liabilities sides of the balance sheet "coupons and bonds" accounts which represent, on the assets side, the amounts paid to the financial bodies servicing its debt and, on the liabilities side, the total amount of the coupons and bonds which have come to maturity, less the payments made.

The balance of these accounts does not give a true view of the situation.

Some financial agents send the Commission statements on the payments made only very irregularly and, moreover, the Commission does not keep any "coupon accounts" either for private bonded debts or for public bonded debts for which the financial agents do not send a statement of payments made.

The Court considers that the Commission should adopt a single uniform system and check any special revenue (prescribed coupons and securities) on the basis of the cremation certificates sent in by the financial agents.

## 2.6. LOANS

### Calculation of accrued interest

2.6.1. The computer programme currently in use for calculating the interest accrued but not yet due on loans and borrowings, is not based on the essential features of the loans and borrowings - i.e. nominal value, rate, basis of calculation,<sup>(1)</sup>

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(1) Number of days to take into consideration over the calendar year or the year of 360 days.

due date - but on the due date, the amount of interest to be paid on the next due date and a tally of days, which frequently does not correspond to the real basis laid down by the contracts.

Although the Court's audit enquiries have not revealed any significant errors, this programme is open to criticism in that it applies an ill-adapted method of calculation and multiplies the likelihood of errors by making it necessary to input data at each due date.

The new system should remedy these shortcomings by providing for an adequate data base.

#### Organization of files

2.6.2. The information relating to any one undertaking is dispersed over several types of classification, a fact which hampers both control and management. The Commission should investigate the possibility of compiling, for each undertaking, a single file pooling all useful information (contracts, balance sheets, financial analyses, etc.).

#### Disbursement of loans

2.6.3. The "Internal Rules" state that a loan may be disbursed only on the orders of the Loans Division, bearing two "category B" signatures.

The audit enquiries made by the Court revealed that loans are disbursed even when the note sent to the fund-management department bears only one signature.

The internal control system should ensure that any order which does not comply with the "Internal Rules" cannot be acted upon by the fund-management department.

Loan contracts

2.6.4. At present the loan contracts do not require the guarantor to send his financial statements to the Commission.

The Court considers that the analysis of the risk regarding a debtor also includes an examination of the financial position of the guarantor (banks, undertakings or industrial groups).

It consequently recommends that the Commission add an extra clause to the standard loan contract.

Unit for the follow-up of loans

2.6.5. Set up at the end of 1981, the unit for the follow-up of loans became operational during the financial year 1982.

In the light of the information which it had at its disposal during its enquiries, the Court notes that this unit does not yet carry out the task allotted to it under the "Internal Rules".

The "follow-up" files:

- (a) do not contain a valuation of all the debts which an undertaking owes to the ECSC: principal to be repaid, interest due, schedule of due dates;
- (b) give no analysis of the conditions for realizing the guarantees received;
- (c) do not always contain the latest financial statements of the undertakings nor a recent analysis of their financial position; those financial analyses which do exist give no more than calculations of ratios with hardly ever a comment on them.

The follow-up of loans unit has not reviewed the listing of loans by type of guarantee in order to satisfy itself as to its validity and obtain a general idea of the risks incurred by the ECSC.

It has also failed to classify the debtors according to their credit rating.

The Court accompanied the Commission on an on-the-spot audit visit to examine several files. Moreover, it took note of the reports drawn up by the Commission concerning other on-the-spot

visits. It found a certain laxness in the organization and carrying out of the missions, as well as in the preparation of the reports and in the follow-up.

The Commission should make every effort to ensure the proper operation of this unit, which is an essential instrument for the sound management of funds, and that all the risks incurred by the ECSC are evaluated.

#### 2.6.6. Loans to officials

##### Reconciliations<sup>(1)</sup>

2.6.6.1. In 1982, the accounts in Brussels were not properly reconciled with those in Luxembourg.

The account "loans outstanding" in the Luxembourg accounts tallies with the Brussels accounts, but all the other accounts show substantial differences.

The departments concerned should analyse these discrepancies and make the requisite adjusting entries, should try to keep their entries parallel and in future make reconciliations every month.

##### Supporting documents

2.6.6.2. The disbursement of loans is not always effected on the basis of a supporting document, but sometimes on an oral statement by the official.

Furthermore, third-party beneficiaries do not always send acknowledgements of receipt of funds.

The Commission should require all supporting documents to be supplied to it within reasonable periods of time.

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(1) Recommendations in respect of the financial year 1981 of the ECSC (Article 78f(5) ECSC) - Annex, page 1.

## 2.7. OPERATIONAL BUDGET EXPENDITURE

### Research

2.7.1. When a research project is completed, that part of the amount paid which exceeds the ECSC's share in the expenditure actually disbursed by the recipient, is not entered as a debt receivable from the recipient, but appears in the books as a negative commitment.

The Commission should record its debts receivable from recipients, in order to follow their recovery more easily.

### Interest-rate subsidies

2.7.2. The payment orders for the interest-rate subsidies on loans, granted on the basis of Article 56, are signed by the financial administering officer of the "Credit and Investments" Directorate-General, and not by the technical administering officers of the "Employment, Social Affairs and Education" Directorate-General or of the "Regional Policy" Directorate-General, thus contravening the provisions laid down by the "Internal Rules on the implementation of the operational budget of the ECSC".<sup>(1)</sup>

### Readaptation

2.7.3. The examination of the accounting system for readaptation has been particularly thorough, given that this subject has been chosen for an analysis of sound financial management.

The comments apply in general - except where special mention is made - to the total social expenditure (readaptation and social measures).

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(1) As a result of the absence of a financial regulation in the ECSC institutional system, the Commission has established the "Internal Rules for the drawing up and implementation of the operational budget," which requires the departments to follow a certain procedure in examining and granting the aid financed.



Internal control

2.7.3.1. According to the "Internal Rules", the Directorate-General for Employment, Social Affairs and Education assumes the responsibilities of both the technical administering officer and the financial administering officer, which means that at present all the accounting documents are drawn up by the one officer. The role of the accounting unit for the ECSC - a department of the Directorate-General for Budgets - is restricted to supplying, on request by telephone, the numbers of the accounting documents according to a serial register, co-signing the payment orders and sending them to the sole computer centre.

The Court considers it would be useful to keep the tasks of the administering officer and the accounting officer separate. Apart from the fact that this separation of tasks is an essential element of internal control, the execution of all the accounting work by the accounting unit for the ECSC - bearing in mind the large number of documents to be drawn up at present ( creations of provisions , general payment orders, individual payment orders, despatch notes, documents for miscellaneous operations) - could release the capacities necessary for better technical administration (for example, to increase the on-the-spot checks, see paragraph 3.1.27).

2.7.3.2. Accounting system

Link between the operational budget and the ledger.

2.7.3.2.1. For the social measures, the ledger has included all the amounts entered in the operational budget in the item "future commitments".

For readaptation, on the other hand, the Court notes that there is no accounting link between the amounts entered in the operational budget and the ledger.

With the aim of increasing the usefulness of the operational budget accounts for controlling the implementation of that budget, it would be advisable to bring the accounting practice used for readaptation in line with that used for the social measures.

Moreover, the "Internal Rules" expressly provide that the future commitments for readaptation be entered in the accounts.

In fact, the Commission's decision, to earmark for certain activities the funds which become available during the following financial year, is taken at the time of the approval of the operational budget. In this connection, appropriations can be made available at the beginning of the financial year in the item "future commitments" by debiting the item "Commission decisions". The two items would therefore use the same Chapters and articles as in the operational budget.

Consequently, legal commitments for readaptation would also be constituted by debiting the item "future commitments" which would give greater consistency to the accounting practice at the level of the operational budget.

The same approach of establishing a link between the operational budget and the ledger could be applied to entry in the accounts of all the expenditure and all the revenue provided for in the operational budget.

#### Application of the ECU

2.7.3.2.2. The Court notes that the "Internal Rules" for the drawing up and implementation of the operational budget provide for the application of different rates for the conversions to be made into ECU:

- (a) With regard to commitments in ECU, they stipulate:
  - (i) the rate obtaining on the day of receipt of the application for aid, applied to creation of provisions;
  - (ii) the rate obtaining on the day of receipt of the request for payment, applied to the entry of expenditure in the accounts;

- (iii) the rate obtaining on the day preceding the execution of the operation, applied by the banks which receive payment orders in ECU and make the payment;
- (b) With regard to commitments in national currencies, the Commission draws up the payment orders in national currencies and enters them in the accounts in ECU using the rate obtaining on the first working day of the month in which the payment is made. These commitments in currencies represent a small part of the total commitments and are disappearing.

According to the agreements, the Commission is obliged to make the payments in national currencies (50% of national expenditure). The application of three different conversion rates for charging the commitments and expenditure and for effecting the payments deprives the accounts of their role as an instrument of control in the implementing of commitments.

The "Internal Rules" lay down that in the event of a lack or an excess of appropriations in ECU, following the change in the conversion rates, the Commission decides to increase or cancel appropriations. In order to do this, the administrative department, since it cannot base itself on the accounts, is obliged to have recourse to the files to establish the situation regarding each commitment. In view of the fact that the hundreds of readaptation projects at present in progress represent several hundreds of files, the Commission corrects the accounting valuation in ECU only at the request of the Member State. Because of this, all the corrections concern only the increases, whilst the cancellations are carried over until the projects have been completed. All these manipulations entail a very cumbersome administrative procedure, which each time requires a formal decision by the Commission.

This problem arose specifically in 1982, when the administrative department had to make a somewhat difficult reconciliation of its accounts with those of the United Kingdom; this reconciliation

led to an increase in appropriations of 4,9 million ECU.

The Court considers that the approach of having commitments in ECU and the resultant accounting practice are inconsistent with the nature of operations which involve contractual obligations to third parties in national currencies.

The Court suggests that solutions be sought to make the accounts more effective as an instrument of control and of permanent information for the administering officer. In this connection, the possibilities might be considered of charging the expenditure both in the national currency and in ECU (at the rate valid for payment), and of the regular, automatic revaluation of commitments when a payment is made and at year end.

Information contained in the narrative of the accounts

2.7.3.2.3. In the opinion of the Court, the accounts would be more accessible to the administering office and to external control if the narrative of the accounts specified, in national currency, the amount of the decision, the opening balance and the payments. By means of this slight amendment, the real position regarding the settlement of each commitment would be immediately obvious, without having to refer to the files, statements, listings and handwritten card indexes of the administrative department. At present, the narrative does not even give the amount of the initial decision in ECU.

Valuation of the expenditure of the financial year

2.7.3.2.4. The Commission uses a cash basis system of accounting, without making any adjustments at the end of the financial year.

Consequently, the expenditure which appears in the profit and loss account does not represent the real expenditure incurred during the financial year, but solely the payments made.

The Court recalls in this connection its comments in the report on the accounting system<sup>(1)</sup> to the effect that the balance sheet and the revenue and expenditure account are based on different, incompatible sets of accounts.

### 3. OBSERVATIONS ON THE FINANCIAL MANAGEMENT

#### 3.1. READAPTATION

##### The system set up by the Commission

##### Legal basis

3.1.1. Article 56 (1c) and (2b) of the ECSC Treaty constitutes the legal basis of the financial intervention of the ECSC for the readaptation of redundant workers in the coal and steel sectors.

##### Bilateral agreements

3.1.2. Only the prescriptions of the Treaty, under Article 56(2b), have been put into practice through bilateral agreements and, in the Member States, through the corresponding national regulations. These legal instruments lay down the criteria for application and, taking into account the diversity of the social systems in the Member States, determine the types, amounts and duration of the aid, and the persons eligible for Community aid.

3.1.3. By virtue of the fact that it is proving increasingly difficult to re-employ those workers referred to in Article 56, and given the development of instruments of social policy in

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(1) Observations on the financial management of the ECSC - financial year 1979, page 4, paragraph 1.2.

the Member States, the range of aids laid down in Article 56 (2b) has been extended in the agreements

- (a) to lump-sum redundancy payments, and
- (b) to the use of tideover allowances and redundancy payments for financing early-retirement pensions for the older workers.

This approach puts into practice the wish to adapt Article 56 to a general crisis in employment, which makes it difficult to re-employ workers. Re-employment, which is the aim implicit in the definition of the aid for readaptation given in the Article 56(2b), no longer plays any role in the two types of aid mentioned above.

3.1.4. The differences in the definition of the aids from one agreement to another may explain, in part, the differences in the amounts of aid per worker.

The Court recognizes that it is difficult, within the system set up by the Commission, to attain uniform arrangements for aid, when the Treaty itself makes the Commission's intervention dependent on a Member State's request for aid. Because of this, the disparities between the social systems of the Member States are reflected in the agreements.

3.1.5. On the other hand the Treaty gives the Commission the power to fix the amount of aid from the Community.

In practice, the Commission includes in the agreements concluded with the Member States and in any adjustments which it may make to these, certain assurances:

- as to the eligibility of national measures;
- as to the amount of aid, which in most cases is fixed as equal to the share of the request financed by the Member State.

### Commitment of appropriations

3.1.6. The operational budget of the ECSC covers, under Chapter 2 - Social expenditure - Article 2.1., the readaptation aids (Article 56(2b)(ECSC)). The amounts, entered each year for the following financial year, are estimates of financial requirements, payments for which may be spread over several future financial years.

3.1.7. The commitment decisions for the individual projects submitted by the Member States are taken during the financial year by the Commission, within the limits of the operational budget. As they are also commitments within the framework of the existing bilateral agreements, they are entered in the accounts as "legal commitments".

Table 1 shows the commitments entered into by the Commission in the period 1976-1982, and the number of workers for whom aid has been granted.

### The Community's achievements

3.1.8. The Commission's activity in the social sphere should be assessed in the light of the trend in employment in the ECSC industries. Table 2 gives the Commission's official statistics and shows that overall employment in the ECSC sectors has decreased markedly, with considerable differences from one country to another and from one year to another.

Between 1976 and 1982, the country with the largest number of job losses was the United Kingdom, followed by France and Germany.

3.1.9. As regards the use of Community funds, the Court has encountered difficulties in assessing the impact of the aid, since the Commission has not made available to it analyses providing information on the commitments, the payments by type of aid, the number of workers initially forecast and the



number of workers who finally received aid.

3.1.10. The only examination which is at present possible concerns commitments; this does not allow a full assessment to be made of the effectiveness of the Commission's aid policy but does raise a number of questions.

3.1.11. By comparing<sup>(1)</sup> the job losses with the number of workers for whom ECSC aid has been planned, it is found that about 76% of the job losses have been covered by the commitments entered into by the Commission. By looking at the figures for each Member State, considerable differences become apparent - ranging from a degree of coverage of 25% for the Netherlands to 86% for the United Kingdom. In respect of Italy and Germany, the number of workers forecast even exceeds the job losses.

3.1.12. A comparison between the commitments entered into by the Commission between 1976 and 1982 for the various Member States, and the job losses in the ECSC sectors, reveals a certain imbalance. As Table 3 shows, the percentage for the United Kingdom in the overall reduction in ECSC jobs in Europe was 43,3%, whilst its percentage of the readaptation aid amounts to 63,8%. The overall imbalance even concerns the aid granted per worker. From the Commission's decisions between 1976 and 1982, it can be seen that, for example, for a Luxembourg worker the Commission made available to the Member State an average of 2 695 ECU, whereas for a worker from Belgium, the average aid amounted only to half as much ( 1 293 ECU). This situation is shown in Table 4.

3.1.13. A full analysis of Table 4 shows that the amounts of aid granted per worker vary considerably from one country to another and from year to year, without any common trend being apparent.

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(1) See Tables 1 and 2.

This can be attributed to the system of agreements, under which the granting of aid by the Commission is dependent on decisions by the Member States. It is difficult to detect any move towards a Community objective, such as bringing the material situation of the affected workers in the Member States to a common level.

#### Decisions concerning the financial year 1982

##### Commitments

3.1.14. For the financial year 1982, the Commission entered in the operational budget<sup>(1)</sup> an amount of 117 million ECU, which was followed by commitment decisions during the year for a total of 115 million ECU. The commitments therefore amounted to 98,3% of the total provided for in the operational budget. Table 5 shows the changes in the total legal commitments between 31 December 1981 and 31 December 1982, broken down by country and by sector.

##### Restriction of resources

3.1.15. A special agreement had to be made in 1982 between the United Kingdom and the Commission to commit only 4,5 million ECU from the operational budget for 1982, whilst the remaining 28,2 million ECU had to be deferred to decisions to commit them for future budgets. Otherwise they would have been added to the commitments already entered into in 1982 for the United Kingdom and the amount provided for in the operational budget would have been exceeded.

The Court considers that the procedure used by the Commission in the case of the United Kingdom should become the rule for balancing the operational budget.

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(1) COM(81)652 final of 6.11.1981, Annex D reproduced in the Annex hereto.

#### Distribution of commitments

3.1.16. Table 5 shows that 82% of the appropriations were committed for the United Kingdom, thus aggravating the imbalance noted in paragraph 3.1.12.

In Table 1 it can be seen that an amount almost equal to that of the financial year 1981 was committed for the United Kingdom for a number of workers totalling only 60% of the number for 1981. This distribution leads to a situation where the readaptation of a worker from one country may cost the Community far more than that of a worker from another country.

#### Administrative delays

3.1.17. With regard to the decision-making procedures, the "Employment, Social Affairs and Education" Directorate-General must obtain the opinions of four other directorates-general as well as that of the Legal Service, and must also consult the national administrations.

The complexity of these procedures entails considerable delays.

Thus the Court noted that for 1982 on average four months<sup>(1)</sup> elapsed between receipt of the application and the decision. Moreover, it is not at all clear why it takes an additional nine weeks, on average, for the letters of notification to be issued. This is particularly undesirable in the cases where commencement of payments to the workers is dependent on receipt of the said letters by the government of the Member State; this applies, for instance, to the private sector of the United Kingdom iron and steel industry.

3.1.18. The lack of specific rules regarding the time between the start of the measures and the submission of the applications led, in 1982, to a situation in which, out of 42 projects decided, 25 applications related to closure projects or reduction of activity projects which had already been

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(1) The shortest time was 5 weeks, the longest 11 months.

completed, 11 applications related to projects in progress and only 6 applications referred to projects which had yet to start. Of the 25 projects already finished at the time of submission of the applications, four had been completed between two to six years ago.

The Court considers this situation unsatisfactory. Taking into account the different conditions and systems in the Member countries, two situations may arise, both of which jeopardize the effective use of Community funds:

- (a) if the national system is such (as, for example, in Ireland or the United Kingdom, for the private sector) that the workers do not receive anything prior to the Commission's decision, they receive aid at a time when the social problem might already be solved;
- (b) if the national system is such that it provides, from the outset, for payment of aid to the workers concerned, either through the national budget, or by the undertakings themselves (as, for example, in the Federal Republic of Germany and in Luxembourg), the Commission's intervention is then no more than a mere reimbursement of funds for a policy which, in principle, is implemented at national level.

The situation could be improved by introducing into the agreements rules setting time-limits.

#### Role of the financial controller in decision-making

3.1.19. According to the "Internal Rules", the financial controller, in granting his approval, is supposed to ensure:

- (a) that the draft legal text is in accordance with the decision to allocate funds and the decision to create a provision;

- (b) the correctness and conformity of the legal text in respect of the ECSC Treaty and the regulations and decisions adopted pursuant to this Treaty;
- (c) the application of the principles of sound financial management.

3.1.20. With regard to confirming the correctness of the legal text, the draft grant decision drawn up by the administering officer is already subjected to checks by departments independent of the former, as explained in paragraph 3.1.17. In principle, it is the Directorates-General which are technically responsible for ensuring that the projects are in keeping with the economic, social and legal aspects of the Treaty and the secondary regulations and decisions.

The current practice, whereby the financial controller receives the draft decisions at the same time as the other departments and gives his approval without knowing the views of the technical departments, is contrary to the spirit of the "Internal Rules".

For the financial controller's interventions to be effective, the draft should be sent to the Commission for a decision only when the financial controller has received in writing and checked all the agreements and reasoned opinions from the technical departments. To prevent this process entailing even longer administrative delays, the Commission should consider the possibility of giving each department a deadline for issuing its agreements and opinions.

3.1.21. As regards the application of the principles of sound financial management - already provided for, moreover, in the "Internal Rules" since 1976 - the Court has found no sign of any checks having been made by the financial controller. His role is difficult because neither the "Internal Rules" nor the other Commission documents define the expression "sound financial management" or the resultant criteria for financial control. There is thus no indication that a system has been set up whereby he could determine the extent to which the aims were being attained or the likelihood of achieving these same aims with a different, less costly policy. He would also need to ensure that the Community aid is granted at a time when the measure is justified and within acceptable procedural time-limits.

#### Implementation of the decisions

##### Settlement of commitments

3.1.22. The Court notes that there has been a considerable improvement in the overall rate at which the commitments for readaptation have been cleared.

Whereas in 1978 payments represented only 16,5% of the average level of commitments, the figures for the financial year 1982 show that this percentage now stands at 33%.

3.1.23. Nevertheless, an analysis by country shows that this overall improvement is due to the regularity with which the United Kingdom clears payments (average duration of commitments is less than two years). Whereas for the other countries, the rate of payment has remained unchanged and unsatisfactory. If the present rate of requests for reimbursement by the other countries continues, the existing commitments will be cleared in eleven years for the Netherlands, seven years for Belgium and Germany and six years for France.

3.1.24. In particular, the Court has noted that no movement has been recorded for three years for the commitments entered into in part before 1976. The Court has sent a list of these

commitments to the department concerned, requesting it to check the situation regarding the commitments and to make the necessary cancellations.

Payments of the financial year

3.1.25. Together with the request for payment, some Member States send supporting documents consisting, in most cases, of computer listings, but no rule has been laid down.

France sends the most comprehensive documentation, giving a breakdown of payments even by individual recipient. The United Kingdom sends summaries of payments by undertaking and since 1982 has broken these down into types of aid. Germany gives statements for each undertaking, accompanied by computer listings by individual, bearing the official stamp of the "Land" Employment Office.

The other countries send less detailed documentation. As in the case of the aid applications, the Court considers that the Commission could draw up a standard form for applications for payment, bringing together the information necessary for the follow-up of projects and containing a breakdown of payments by project and by type of aid, and an indication of the number of recipients concerned.

3.1.26. The administrative department makes payment by way of block payments to avoid having to pay numbers of small sums separately. This involves an average delay, between receipt of the application for payment and actual payment, of 102 days: 72 days for payment of applications already submitted en bloc by the Member States, and 251 days for payments which the administering officer, by agreement with certain Member States, is responsible for consolidating. The lengths of time taken by the internal implementation procedures are, by and large, acceptable.

A random sample check shows that it takes on average 17 days for the financial controller to grant approval and 9 days for the payment to be effected.

#### Follow-up

##### On-the-spot checks

3.1.27. In 1982 the Commission carried out on-the-spot checks, and the Court notes that they took place in four of the seven countries which received payments. In France, they have been entirely replaced by scrutiny of the listings referred to in paragraph 3.1.25. In the Court's view, the Commission should make on-the-spot checks at least once a year in the countries receiving payments.

The sending of listings by France and their arithmetical checking in Brussels cannot be a substitute for the on-the-spot check, given that they refer exclusively to the computer outputs and not its inputs.

Moreover, the findings of the checks on the basis of records do not warrant the effort involved in an exhaustive control of listings.

3.1.28. In March 1983, the Court participated in an audit visit in the United Kingdom, organized by the Commission. The audit was concerned with the payments by the Commission for the last quarter of 1981 and the first and second quarters of 1982, involving a total amount of UKL 34,2 million, of which UKL 27,6 million was for 1982.

The Court found that the checks were carried out by the Commission in a satisfactory manner in accordance with a predetermined programme.



The Court would merely draw the Commission's attention to two points:

- (a) there seem to be insufficient national controls to ensure that recipients actually belong to the ECSC sector;
- (b) the Commission could make its checks more effective by making use of the internal control of the bodies receiving the payments.

#### Vocational training courses

3.1.29. The vocational training courses should enable workers to be retrained. The Court found signs of endeavours by the administrative department to assess the effectiveness of these courses, during the on-the-spot visits. But these very recent endeavours have as yet been too ad hoc for their findings to allow any overall conclusions to be drawn. However, the differences discovered in the numbers of workers who subsequently found a new job (77% for the three training courses in Luxembourg, 22% for a limited sample in the United Kingdom) and the differences in the cost of training per worker ( 11 500 ECU for certain training courses in the undertaking, 1 500 ECU for external training courses - figures noted during an audit in England), underline the need to systemize the information available within the administrative department and to carry out a study at global level by country. The assessment of the information obtained and its continual updating should be borne in mind by the Commission when it determines its rate of participation in the cost of the training courses.

In the case of training courses held in the undertaking, the Commission should insist that the undertaking agree to re-employ the trained workers. With regard to outside training courses, the Commission should ensure that there is a sufficient number of suitable jobs available in the region in question.

## Recommendations

3.1.30. At its meeting of 6 April 1982,<sup>(1)</sup> the Commission decided to re-examine the bilateral agreements with a view to improving budgetary control of readaptation expenditure, and to harmonizing the general framework of the readaptation policy and the form of the agreements.

3.1.31. It can be seen from the explanation given in paragraph 3.1.5 that the Commission, within the framework of the Treaty which the agreements and their amendments are supposed merely to implement, should strengthen its role not only in the qualitative choice of measures, but also in respect of the amount and relative value of the Community financial aid.

The basis of these agreements should continue to be choosing the types of common intervention without necessarily providing for a long-term financial commitment which will be a fetter on the use of Community resources in the future.

The growing crisis in the iron and steel industry, which leads both to a reduction in tax resources and a rise in the number of applications for aid of a social nature, should encourage a cautious approach in this field.

3.1.32. The Court would summarize as follows the amendments which should be made to the present agreements:<sup>(2)</sup>

- (a) adjustment of Community measures in order to reduce the sometimes substantial differences between Member States in respect of the amount, duration, and methods of application; .
- (b) inclusion of clauses prescribing the information to be supplied when applying for aid;

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(1) COM(82) PV 644, 6.4.1982.

(2) In 1982 the agreements for three member countries were renewed and/or altered (written procedure E/871/82 of 23.7.1982), but the amendments related only to maintaining the real value of the aids; for these amendments the Commission's decision does not envisage a full review of the agreements concerned from the point of view of standardization.

- (c) definition of predetermined limits on the time between the start of the measures and submission of the application;
- (d) inclusion of clauses allowing the Commission to vary its rate of participation every year in accordance with resources and the validity of projects;
- (e) inclusion of instructions for closing the accounts of individual projects;
- (f) inclusion of audit provisions which take account of the role of the Court of Auditors.

### 3.2. SOCIAL ASPECTS OF THE IRON AND STEEL POLICY

#### The system set up by the Commission

##### Legal basis

3.2.1. The crisis in the iron and steel industry, whose social repercussions are illustrated in Table 1, has brought iron and steel undertakings face to face with the need to restructure their production facilities. In order to tackle the inevitable reduction in employment accompanying restructuring, the Commission submitted to the Council an initial draft decision,<sup>(1)</sup> concerning four types of aid, for which it considered it useful to have recourse to the procedure laid down in Article 95 of the ECSC Treaty. However, in the absence of a decision by the Council, the Commission cut to two the number of eligible types of aid, namely:<sup>(2)</sup>

- (i) aid for financing early retirement measures;
- (ii) aid for financing partial unemployment.

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(1) COM(78) 570 final of 31.10.1978.

(2) COM(80) 676 final of 28.10.1980.

3.2.2. The Commission considers that these two types of aid are compatible with Article 56(2b) of the ECSC Treaty because, firstly, aids for early retirement have already in the past partially replaced the tideover allowances (explicitly provided for in the first indent of the above-mentioned Article) and, secondly, the legal basis for the aid for partial unemployment could be found in the second indent of the same Article, which has rarely been applied up until now.<sup>(1)</sup>

3.2.3. Unlike current practice for readaptation, these are social measures outside the bilateral agreements, restricted as to time and with a fixed ceiling on their amount. The Commission has provided for a total of 212 million ECU to be divided between the financial years 1981-1983 as follows:

1981:	112 million ECU
1982:	50 million ECU
1983:	50 million ECU.

The Commission has consequently entered a sum of 50 million ECU in Chapter 2.2. of the operational budget of the ECSC for the financial year 1982.

### Financing

3.2.4. Realizing that the ECSC's traditional revenue and the Member States' special contributions, paid to the ECSC for the last time in 1981, were insufficient to finance such a programme, the Commission also requested the Council to transfer additional appropriations from the general budget to the operational budget of the ECSC.

3.2.5. It was planned to finance these social measures as follows:

1981:	50 million ECU as a special contribution by the Member States to the operational budget of the ECSC;
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(1) It states that the Commission may provide aid towards "...the payment of allowances to undertakings to enable them to continue paying such of their workers as may have to be temporarily laid off as a result of the undertakings' change of activity."

62 million ECU as a transfer from the general budget of the Communities to the operational budget of the ECSC;

1982: 50 million ECU as a transfer from the general budget of the Communities to the operational budget of the ECSC;

1983: 50 million ECU as a transfer from the general budget of the Communities to the operational budget of the ECSC.

3.2.6. The Court notes that there have been considerable delays between the Commission's first communication to the Council, dated 31 October 1978, and the final implementation of the social measures. The Council's first decision, on a transfer from the general budget, was taken only in February 1982 for the 62 million ECU remaining from the first 1981 tranche (the Commission's proposal on this matter was submitted to the Council on 18 April 1980<sup>(1)</sup>). Following another transfer decision by the Council for the 1982 tranche, taken on 21 September 1982,<sup>(2)</sup> the Commission managed to commit and distribute the 1981 and 1982 tranches in the course of the financial year 1982.<sup>(3)</sup>

3.2.7. At 31 December 1982, there is still a total of 7,03 million ECU in special contributions remaining to be paid by Member States, made up as follows:

Belgium	:	0,4 million ECU
Greece	:	0,2 million ECU
Italy	:	6,4 million ECU
United Kingdom	:	0,03 million ECU

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(1) OJ No C 118, 13.5.1980, page 6.

(2) OJ No L 277, 29.9.1982, pages 13 and 14.

(3) Written procedure E/867/82 of 16.7.1982 and COM(82) PV 674 of 21.12.1982.

Decisions

Changes in and distribution of the appropriations committed

3.2.8. The overall decisions by year are entered in the accounts in the form of future commitments; these amounted in 1982 to 113,4 million ECU. These commitments, plus 48,6 million ECU from the previous year, were converted into legal commitments per country upon the Commission's letter of notification being sent to the Member State. At 31 December 1982, the legal commitments amounted to 155 million ECU, divided as follows:

Belgium	:	12,3 million ECU
Denmark	:	-
Germany	:	9,0 million ECU
Greece	:	-
France	:	58,2 million ECU
Ireland	:	-
Italy	:	16,0 million ECU
Luxembourg	:	1,1 million ECU
Netherlands	:	1,2 million ECU
United Kingdom	:	57,2 million ECU.

Payments

3.2.9. The first payment under the social measures was made in December 1982 and consisted of 7 million ECU for Belgium. Belgium's application for reimbursement refers to the different bases on which the Commission's contribution should be calculated:

- (i) 50% of the cost of the interest borne by the state for the advances made to undertakings to cover the allowances paid to workers during the first three years of early retirement;
- (ii) 50% of the special unemployment allowances for early retirement paid to workers who are not the head of a household, for the second and third years;
- (iii) 50% of the costs connected with the payment of pensions and social benefits for a maximum of three years up to a total of two thousand ECU per worker.

3.2.10. The application for reimbursement raises problems which are due partly to the late start in implementing the social measures and partly to a want of clarity in the Council's decisions.

The Commission, having estimated the requirements for the social measures in 1978 on the basis of the applications received at that time, paid in 1982 for the financing of early retirement measures which took place between 1978 and 1980.

The two Council decisions - especially the September 1982 one which expressly relates to the period from 1981 to 1984 - do not provide any clear indication of the retroactive effect for the period prior to 1981.

3.2.11. The Council's two transfer decisions require that there be a link between the measures financed and the restructuring plans adopted, in conformity with the general objectives of the iron and steel policy, by the undertakings, the groups of undertakings or the public authorities. The implementation of a common restructuring programme<sup>(1)</sup> does not therefore seem to be a requirement of which the two decisions take any heed. The Community therefore runs the risk of the payments under its social measures scheme becoming simply reimbursements of funds to the national budgets for social measures which accompanied a restructuring determined solely at national level.

### 3.3. GENERAL CONCLUSIONS

#### Scope of the observations

3.3.1. The observations show that the main problems are connected not with the way in which the different departments of the Commission operate in the present system, but with the design of the management system itself.

#### Observations on the accounting management

3.3.2. As is clear from the observations in paragraph 2.7.3.2, the accounts are only of limited value for the administering officer, who tends instead to use what the departments of the Commission call "the accounts of the administering officer," which is merely a set of handwritten cards kept outside the central accounts.

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(1) Wish of the European Parliament expressed in a resolution published in OJ C 197, 4.8.1980, pp. 60-61.



It is therefore necessary to centralize all the accounting work. As mentioned in other observations, the responsibilities of the accounting officer and the administering officer must be kept separate, and the role of the financial controller should be redefined in order to restore reliability to the accounting system.

3.3.3. This reform will require a constant flow of information between the accounting department and the administrative department, and daily (instead of monthly) computer processing of accounting data.

3.3.4. Moreover, if the studies currently under way on the possibilities of using new computer techniques lead to positive results, it will be necessary to ensure that:

- (i) the accounting data are processed immediately;
- (ii) the users have constant access to the information;
- (iii) the system contains the bases necessary for supplying the administering officer with a broader range of data.

Care should be taken to ensure separation, as is the rule, of the tasks of administering officer, accounting officer and paymaster on the one hand, and of the operator, programmer and user on the other.

#### Observations on sound financial management

3.3.5. In all the reflections on this matter, it is assumed that it is possible to apprehend the policy of the Community as it should result from Community aims, even though the greatest portion of the management is entrusted to the Member States.

3.3.6. The system set up by the Treaty:

- (a) provides for Community action only after the submission of applications for aid by the Member States;
- (b) makes provision, as a social objective, for the equalization of the workers' living conditions. Article 56 aims to regulate their material situation in the limited cases of closures and curtailment of activities due to changes in market conditions. The social measures, for their part, are aimed at cases of restructuring.

3.3.7. The foregoing comments show that no operational Community objectives have been established and that it is therefore impossible to appraise the effectiveness of the Community measures. Moreover, the Court was unable to assess the efficiency of the measures because the present system does not make any selection of priorities based on the relation between results obtained and Community methods used.

The present system does not allow a choice to be made between the various types of aid in the light of their cost.

3.3.8. From an analysis of the action taken so far, it can be seen that:

- (a) for the majority of the workers affected, the situation at the outset, which is very diversified because of

the different national systems, is not influenced by the granting of Community aid, which remains strictly modelled on the national aid;

- (b) the ECSC aid constitutes no more than a reimbursement of a given amount to the national budgets; the resemblance to mere reimbursement is all the greater when the time of actual payment of the aid is taken into consideration.

This Report, the original of which was drafted in French, was adopted by the Court of Auditors at its meeting of 7 December 1983.

Luxembourg, 21 December 1983

For the Court of Auditors

Pierre Lelong  
President

- ANNEX I: Tables 1-5
- II: ECSC Operational Budget for 1982
- III: Replies from the Commission

## ANNEX I

Table 1: ECSC 1982: Commitments for readaptation and number of workers affected

	Belgium		Denmark	F.R. of Germany		Greece	France		Ireland	
	Appropriations	Workers		Appropriations	Workers		Appropriations	Workers	Appropriations	Workers
	(1)	(2)		(1)	(2)		(1)	(2)	(1)	(2)
1976	3 324	2 558		8 995	10 228		2 175	820	-	-
1977	4 255	3 512		5 954	4 355		13 824	6 330	-	-
1978	4 959	3 805		9 574	11 860		16 157	10 309	-	-
1979	2 294	1 284		11 273	12 753		30 783	5 245	-	-
1980	469	610		2 481	3 656		4 490	7 278	339	229
1981	2 444	2 354		16 544	10 783		4 866	1 059	-	-
1982	1 989	1 142		16 360	12 968		1 986	615	-	-
Total	19 734	15 265		71 181	66 603		74 281	31 656	339	229

Continuation of Table 1.

	Italy		Luxembourg		Netherlands		United Kingdom		Community	
	Appropriations	Workers	Appropriations	Workers	Appropriations	Workers	Appropriations	Workers	Appropriations	Workers
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1976	-	-	-	-	-	-	10 268	7 631	24 762	21 237
1977	-	-	-	-	-	-	1 723	2 792	25 756	16 989
1978	1 321	2 528	1 398	541	-	-	27 113	22 146	60 522	51 189
1979	-	-	1 062	894	-	-	21 609	14 366	67 021	34 542
1980	-	-	2 860	450	-	-	56 284	22 448	66 923	34 671
1981	916	987	281	193	1 750	700	97 186	31 684	123 987	47 760
1982	-	-	-	-	-	-	94 665	18 982	115 000	33 707
Total	2 237	3 515	5 601	2 078	1 750	700	308 848	120 049	483 971	240 095

Source : General Reports on the activities of the European Communities - Commission 1976 - 1982

(1) in millions of ECU.

(2) in thousands.

Table 2 - ECSC 1982: Job losses in the main sectors of the ECSC by country in absolute figures

(in thousands)

Year	Belgium			Denmark			F. R. of Germany			Greece			France			Ireland		
	Iron & steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total
1976	-2	-2	-4	0	0	0	-3	-6	-9				-2	-5	-7	0	0	0
1977	-7	-2	-9	0	0	0	-10	-4	-14				-11	-5	-16	0	0	0
1978	-1	-1	-2	0	0	0	-6	-8	-14				-11	-5	-16	0	0	0
1979	0	-1	-1	0	0	0	+2	-2	0				-11	-6	-17	0	0	0
1980	-4	-1	-5	-1	-1	-1	-8	+5	-3	0	0	0	-16	-3	-19	0	0	0
1981	-1	0	-1	0	0	0	-5	+1	-4	0	0	0	-5	-2	-7	0	0	0
1982*	-1	0	-1	0	0	0	-11	-5	-16	-1	-1	-1	-3	0	-3	0	0	0
Total	-16	-7	-23	-1	-1	-1	-41	-19	-60	-1	-1	-1	-59	-26	-85	0	0	0

Continuation of Table 2.

	Italy			Luxembourg			Netherlands			United Kingdom			Community		
	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total	Iron & Steel	Coal	ECSC Total
1976	+2	0	+2	+1	0	+1	0	0	0	-3	-4	-7	-7	-17	-24
1977	-1	0	-1	-5	0	-5	-2	0	-2	-3	-2	-5	-39	-13	-52
1978	-1	0	-1	-1	0	-1	-2	0	-2	-12	-7	-19	-34	-21	-55
1979	+3	0	+3	0	0	0	0	0	0	-9	+1	-8	-15	-8	-23
1980	+1	0	+1	-1	0	-1	0	0	0	-44	-5	-49	-73	-4	-77
1981	-2	0	-2	-1	0	-1	0	0	0	-16	-13	-29	-30	-14	-44
1982*	-2	0	-2	0	0	0	0	0	0	-14	-7	-21	-32	-12	-44
Total	0	0	0	-7	0	-7	-4	0	-4	-101	-37	-138	-230	-89	-319

Sources: Iron and Steel Yearbook 1981, Eurostat, Statistical Office of the E.C., Luxembourg  
 Iron and Steel - Monthly Bulletin 1-1983, Eurostat of the E.C., Luxembourg  
 Employment - Coal-mining (ECSC) Eurostat Statistical Bulletin  
 Doc. XVI/55/83: ECSC Conversion policy.

\* Estimates

0: The figure zero means that the number of job losses is lower than 500 persons.

Table 3: Comparison of the reduction in the number of jobs with the distribution of the aid granted between 1976 and 1982.

C O U N T R Y	1) Reduction in number of jobs in absolute figures between 1976 and 1982 in thousands.	Reduction in number of jobs as a percentage of the reduction in the Community.	Total aid granted between 1976 and 1982 in Mio ECU.	Total aid by country, as a percentage.	Difference between job losses and aid granted, as a percentage.
Belgium	23	7,2	19,8	4,-	-3,2
Denmark	1	0,3	-	-	-0,3
F.R. of Germany	60	18,8	71,2	14,7	-4,1
Greece	1	0,3	-	-	-0,3
France	85	26,6	74,6	15,4	-11,2
Ireland	-	-	-	-	-
Italy	-	-	2,2	0,5	+0,5
Luxembourg	7	2,2	5,6	1,2	-1,-
Netherlands	4	1,3	1,8	0,4	-0,9
United Kingdom	138	43,3	308,8	63,8	+20,5
Total	319	100,-	484,-	100,-	0

Sources: 1) See Table 1.

Table 4 - ECSC 1982: Changes in the aid granted - by worker, by sector and by country - between 1976 and 1982.

	Belgium			<del>Den- mark</del>	F.R. of Germany			Greece			France			Ireland			Italy			Luxembourg			Netherlands			United Kingdom			Community		
	Coal	Iron & Steel	Total		Coal	Iron & Steel	Total	Coal	Iron & Steel	Total	Coal	Iron & Steel	Total	Coal	Iron & Steel	Total	Coal	Iron & Steel	Total	Coal	Iron & Steel	Total	Coal	Iron & Steel	Total	Coal	Iron & Steel	Total			
1976	1 330	1 198	1 290	1 041	318	879	2 652	-	2 652	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	596	1 166	991
1977	1 306	1 195	1 217	1 495	478	1 367	8 221	982	2 184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	617	2 783	926
1978	1 560	1 111	1 301	1 035	234	807	3 894	1 328	1 567	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 775	1 224	1 526	
1979	2 165	1 361	1 787	1 399	545	884	4 186	5 276	5 869	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 504	1 504	1 950
1980	-	769	769	-	679	679	617	617	617	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 427	2 400	2 507
1981	-	1 038	1 038	-	1 534	1 534	4 595	-	4 595	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 704	3 014	3 050
1982	-	1 741	1 741	1 453	1 163	1 267	-	3 229	3 229	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 990	4 986	4 987
Average	1 541	1 175	1 293	1 222	945	1 070	4 826	1 891	2 347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 500	2 500	2 930

Sources: General Reports on the activities of the European Communities - Commission 1976-1987.

Table 5: ECSC 1982: Changes in the legal commitments for readaptation

(in Mio ECU)

Country - sectors	Commitments at 31.12.1981	Payments in 1982		Cancellations in 1982		Change in exchange parities		New commitments		Commitments at 31.12.1982	
		Total	S(1)	Total	S(1)	Total	S(1)	Total	S(1)	Total	S(1)
<u>Belgium:</u>	10,3	1,5	-	-	-	-	-	2,0	-	10,8	-
- Steel	6,8		1,0	-	-	-	-	2,0	-	7,8	-
- Coal	3,5		0,5	-	-	-	-	-	-	3,0	-
- Iron-ore mines	0,0		-	-	-	-	-	-	-	-	-
<u>Denmark:</u>	-	-	-	-	-	-	-	-	-	-	-
<u>Germany:</u>	55,3	8,3	-	-	+ 1,4	-	-	16,4	-	64,8	-
Steel	21,8		2,1	-	-	-	-	9,4	-	29,1	-
Coal	33,0		6,2	-	+ 1,4	-	-	6,8	-	35,0	-
- Iron-ore mines	0,5		-	-	-	-	-	0,2	-	0,7	-
<u>Greece:</u>	-	-	-	-	-	-	-	-	-	-	-
<u>France:</u>	39,1	6,3	0,4	-	-	-	-	2,0	-	34,4	-
- Steel	22,7		2,5	0,3	-	-	-	0,1	-	20,0	-
- Coal	12,3		1,6	-	-	-	-	-	-	10,7	-
- Iron-ore mines	4,1		2,2	0,1	-	-	-	1,9	-	3,7	-
<u>Ireland:</u>	0,2	-	-	-	-	-	-	-	-	0,2	-
- Steel	0,2		-	-	-	-	-	-	-	0,2	-
<u>Italy:</u>	2,2	0,1	-	-	-	-	-	-	-	2,1	-
- Steel	2,2		0,1	-	-	-	-	-	-	2,1	-
<u>Luxembourg:</u>	2,3	2,3	-	-	-	-	-	-	-	-	-
- Steel	2,3		2,3	-	-	-	-	-	-	-	-
<u>Netherlands:</u>	9,3	0,8	-	-	+ 0,4	-	-	-	-	8,9	-
- Steel	1,8		-	-	-	-	-	-	-	1,8	-
- Coal	7,5		0,8	-	+ 0,4	-	-	-	-	7,1	-
<u>United Kingdom:</u>	133,0	74,7	-	-	-	-	-	94,6	-	152,9	-
Steel	120,4		67,5	-	-	-	-	60,3	-	113,2	-
Coal	12,6		7,2	-	-	-	-	34,3	-	39,7	-
<b>TOTAL FOR COMMUNITY</b>	<b>251,7</b>	<b>94,0</b>	<b>0,4</b>	<b>0,3</b>	<b>+ 1,8</b>	<b>- 1,8</b>	<b>-</b>	<b>115,0</b>	<b>-</b>	<b>274,1</b>	<b>-</b>
- Steel	178,2		75,5	0,3	-	-	-	71,8	-	174,2	-
- Coal	68,9		16,3	-	-	-	-	41,1	-	95,5	-
- Iron-ore mines	4,6		2,2	0,1	-	-	-	2,1	-	4,4	-

Source: Chronological ledgers in ECU at 31.12.1981 and 1982; ECSC operational budget.

(1) S = Sectors.



## ECSC OPERATIONAL BUDGET FOR 1982

(million ECU)

Requirements	Estimates	Resources	Estimates
<b>I. Operations to be financed from the resources of the financial year (non-recoverable)</b>		<b>I. Resources of the financial year</b>	
1. Administrative expenditure	5	1. Current resources	
2. Social expenditure	167	1.1. Levy yield at 0.31 %	140
2.1. Resettlement (Article 56)	117	1.2. Interest on investments and on loans from non-borrowed funds	75
2.2. Social measures — steel restructuring	50	1.3. Fines and late payment surcharges	Token entry
3. Aid to research (Article 55)	43	1.4. Miscellaneous	Token entry
3.1. Steel	19	2. Cancellation of commitments unlikely to be used	3
3.2. Coal	14	3. Reassessment of assets and liabilities	Token entry
3.3. Social	10	4. Unused resources carried over from the financial year 1981	Token entry
4. Interest subsidies	47	5. Extraordinary revenue	50
4.1. Investment (Article 54)	7		
4.2. Redevelopment (Article 56)	40		
5. Aid to coking coal and metallurgical coke (Article 95)	6		
	268		268
<b>II. Reserve</b>		<b>II. Reserve</b>	
Possible supplementary aid (2)	25	Customs duties (1)	25
Aid to research	21 (3)		
Interest subsidies	4 (4)		
	293		293
<b>Operations financed with loans from non-borrowed funds</b>		<b>Origin of non-borrowed funds</b>	
Social housing	15	Special reserve and former ECSC pension fund	15

(1) A proposal to allocate customs duties on ECSC products to the ECSC (COM(78) 181 final of 16 May 1978) has been before the Council since May 1978. The amount entered corresponds to the customs duties for about six months. This reserve has been opened as a result of Parliament's resolution of 15 December 1981.

(2) To be financed when the allocation of customs duties has been decided on.

(3) Steel 12 million ECU, coal seven million ECU, social two million ECU.

(4) Investments (Article 54).

REPLIES TO THE COMMENTS BY THE COURT OF AUDITORS IN ITS REPORT ON  
ECSC ACCOUNTS AND FINANCIAL MANAGEMENT FOR 1982

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2. ACCOUNTING

Paragraph 2.2.1

The Commission will take steps in 1983 to tighten up procedures for preparing accounting documents. However, it believes that only someone working in the accounting department would have sufficient technical knowledge to produce such documents.

Paragraph 2.2.2

The accounting department (DG XVIII) analyses the balance sheet accounts in two stages: the first time is after preparation of the interim accounts on 30 June and the second between the first and second versions of the balance sheet. The Commission has always considered these checks to be sufficient but will look into ways of improving still further the procedures applied, along the lines requested by the Court of Auditors.

Paragraph 2.2.3

The Commission will in future be stricter in its application of the rule against offsetting, in particular as regards adjusting entries.

Paragraph 2.3.1

The list of banks was approved by the Director-General at the time and has always served as a reference for the department responsible for making deposits. No deposits in the strict sense of the word, i.e. sight and fixed-term deposits, are made at banks not on the list. However, banks not on the list may be used as intermediaries, for example for the purchase or sale of securities. Moreover, the list is not meant to be exhaustive: there are other reputable banks throughout the world which might well have been included on the list, but with which the Commission does not have regular dealings. Consequently funds may sometimes be deposited with a major bank which is not on the list, subject to the approval of the Director or Director-General and subsequent amendment of the list. Given the inherent risk of any deposit operation, it is quite normal that a list of approved banks should be drawn up, as is in fact required by the Internal Rules. However, the same does not apply to deposits of securities, and it is even less true as regards stockbrokers, who play only an intermediary role.

Paragraph 2.3.2

Lists of authorized signatures are regularly sent to the banks with which the Commission has regular dealings. The Commission will follow the Court's recommendation on the updating of these lists.

Paragraph 2.3.3

Pursuant to the Internal Rules, the Commission has now made the necessary arrangements for designating the officials who are authorized to sign confirmations and transfer orders, and these documents are now signed by those persons.

Paragraph 2.3.4

The Commission will look at ways of acting on the Court's suggestion.

Paragraph 2.3.5

The Commission will do all it can to step up the monthly checks on the listing.

Paragraph 2.4.1

The Commission began considering ways of improving the computerized system in 1980. So far it has not been able to give priority to action in this field, but it will attempt to improve the present system as much as it can.

Paragraph 2.4.2.2

The Commission will act on the Court's recommendation.

Paragraph 2.4.3

The Commission will take stricter action, as requested by the Court.

Paragraph 2.4.5

The levy collection system has to use some rough approximations. Differences in manufacturing processes and production arrangements between the ten Member States inevitably throw up a continual stream of very complex problems. The Commission makes every effort to adapt the levy rules to technical reality and to explain them to undertakings. The most recent example was circular 1/83 of 16 March 1983, which the Commission sent to every undertaking, giving explanatory details as regards the levy payable on hot wide strip and continuous cast steel.

The circular was intended to clear up any possible misunderstandings and thus clarify the situation as regards the assessment of these two products for the purposes of the levy.

Paragraph 2.5.1

The Internal Rules will be amended in order to make them consistent in this respect. However, two category B signatures from the list of authorized persons will be sufficient to approve the operations in question.

Paragraph 2.5.2

Since the beginning of 1982 files for borrowing operations have contained a summary memorandum signed by the person responsible, which includes an explanation of the choice of lender. The Commission is prepared, however, to discuss with the Court what additional information could be included in the memorandum.

Paragraph 2.5.3

Where the Commission has delegated powers to one of its Members, that Member enjoys full powers for authorizing an operation.

In some exceptional cases it has not been possible - because of the circumstances of the operation - to observe the Internal Rules to the letter. In future such cases will be specifically signalled.

Paragraph 2.5.4

The Commission will consider the Court's suggestion. It would point out, however, that a single uniform system seems hardly possible given the differences in banking practices and customs from one country to another.

Paragraph 2.6.1

The program developed within the new "CRIMSON" system will remedy the shortcomings. It has already been tested and can be brought into use as soon as the new system becomes operational.

Paragraph 2.6.2

For logistical and practical reasons certain very specialized documents have to be kept in different places, in particular because of the different responsibilities of the administrative units concerned.

Paragraph 2.6.3

The rule requiring two signatures is very strict and all the officials concerned received a reminder in December 1982.

Paragraph 2.6.4

The loan contracts provide that the Commission may ask for the annual reports of guarantors at any time. It seemed pointless to require them to be sent automatically since in many cases the guarantors are states or large banks. However, the Commission will in future request such information in the case of industrial guarantors.

Paragraph 2.6.5

The unit became operational in 1982. Because of the limited number of staff available and in view of the rather exceptional situation in this sector, it had to concentrate initially on the most urgent tasks. An effort is being made to improve the situation to take account of the Court's comment.

Paragraph 2.6.6.1

In the course of 1982 the departments in Brussels and Luxembourg carried out an analysis and reconciliation of the "current loans" and "insurance" accounts for 1976-81.

Checks will continue in 1983 in order to eliminate all discrepancies.

Paragraph 2.6.6.2

The Commission requires officials to provide evidence that they have used the loan for the immovable property transaction for which it was granted within 30 days following payment of the loan.

Paragraph 2.7.1

The computerized system for the management of the ECSC operating budget reopens only non-balanced accounts on 1 January. In the two cases in question (out of some 700 contracts current at 31 December 1982) the debts owing were maintained as negative debits so that the accounts could be reopened on 1 January. This makes it easier to monitor progress in recovery of the debt when the ledger is examined each month. The Commission will do as the Court suggests in future.

Paragraph 2.7.3.1

As regards redeployment, the Internal Rules (Article 18) make no distinction between the technical manager and the financial manager. The Director-General of DG V has sole responsibility.

See also the reply to paragraph 3.3.2 (first subparagraph).

Paragraph 2.7.3.2.1

The review referred to in paragraphs 2.7.3.1 and 3.3.2 will also cover the possibility of doing as the Court suggests on this point.

Paragraph 2.7.3.2.2

The Commission is considering the Court's suggestion as regards future commitments (provisions).

Paragraph 2.7.3.2.3

The Commission accepts the Court's suggestion.

Paragraph 2.7.3.2.4

The Commission will examine the Court's suggestion very carefully and take whatever action is appropriate.

### 3. RE-ADAPTATION

3.1.3 By accepting in the conventions the grant of "tideover allowances" to workers entering formal early retirement schemes in certain countries, the Commission has ensured that ECSC workers who are required to leave the labour market are no worse off than their counterparts in other Member States who continue to be required to justify their availability for alternative employment, when for all practical purposes their situation is identical. As far as lump sum severance payments are concerned, there is no contradiction between the granting of this type of aid and the implicit aim of Article 56. The frequency of payment of an allowance is a matter of policy choice. While the Commission has demonstrated its preference for regular weekly/monthly payments, limited lump sum benefits (currently maximum 1.000 Ecus) are a perfectly legitimate policy instrument.

3.1.4 The aid granted by the Commission cannot be uniform in all the Member States, but in its efforts to achieve a degree of homogeneity, the Commission's policy is certainly even-handed. The Community cannot operate in a vacuum and is bound to take account of the differing systems of social security with which its own contribution must mesh. The Commission has sought to exploit Article 56 to the full. The Community approach is not to direct individual programmes from the centre, but rather to operate a demand-oriented instrument which, with appropriate incentives towards one type of benefit or another, allows an immediate response to individual needs while guaranteeing redundant workers an equal opportunity to draw on the range of benefits available.

The Commission continues to bring its influence to bear in negotiating the terms of the various benefits with the Member States, i.e. when discussing amendments to conventions where they exist, and new arrangements where they do not. In this way, the conventions have progressively taken shape and been adapted both to policy changes adopted by the Member States and to the objectives being pursued by the Community. It is true that Member States' individual requests for aid generally give details only of expenditure justifying a Community contribution in terms of the relevant convention. In fact, however, the effective ECSC contribution towards total gross expenditure is subject to considerable variation.



- 3.1.9 The reconciliation of original estimates and actual outturn on a year by year basis would afford a better means of assessing the impact of ECSC aid. Most of the information is available for this purpose, but processing and analysing the information in a systematic manner as requested by the Court would be feasible only if a greater input of manpower and resources were placed at the disposal of the Commission than has thus far been possible. The Commission has already decided to initiate a study of the cost and impact of ECSC re-adaptation aid which it is hoped will make it possible to assess the effectiveness of Community benefits in their wider context.
- 3.1.11 The disparities mentioned by the Court may be attributed to various factors. First, the date of the Commission's decision rarely corresponds with the date of redundancy. Reductions in numbers unemployed are typically phased over a period which may begin before or after the Commission's decision and be spread over several years. The commitment decisions of the Commission are thus a poor guide to job losses in a given period. Second, not all job losses result in the application of Article 56, in particular where they relate to demanning programmes, as has been the case, for example, in the Dutch steel sector. Third, job losses at the level of an individual plant, which determine the number of eligible beneficiaries, may be offset in the global statistics by increases elsewhere, as has undoubtedly been the case in the steel sector in Italy and Germany. And finally, the Commission may assist in cases where, for example, only a small number of employees is dismissed while the remainder is retrained for redeployment in the same undertaking following a change in activity.
- 3.1.12 The average levels of aid per worker set out in Table 4 of the Court's report cannot be expected to be consistent from year to year since increases in commitments for cases approved at an earlier date do not involve an increase in the number of beneficiaries. Similarly, a number of beneficiaries may be granted aid without necessarily increasing an earlier commitment. That there are differences in the real levels of aid per worker is due to two principal factors. First, certain types of aid, eg. retraining, involve considerably greater expenditure than others, eg. make-up of current earnings of re-employed workers to a proportion of former earnings. Differences in the extent to which different Member States - or in individual cases different workers - have recourse to the range of benefits promoted by the Community is bound to produce variation in per capita expenditure. Second, in an effort to harmonise the relative positions of former ECSC workers throughout the Community, the Commission has taken existing social provisions as its starting point. Thus, for example, the application of an earnings-related ECSC benefit to a less generous social security benefit system such as exists in the UK involves greater spending than where the social security benefit is itself earnings-related.
- 3.1.13 An analysis of Commission commitment decisions is bound to present an incomplete picture of considerations inspiring that policy.

The lines of Community policy can rather be traced in the conventions themselves - which translate a common set of Community objectives into practice, in the discussions regarding their amendment and in the negotiation of new aid schemes with the Member States.

A study of the costs and impact of re-adaptation schemes, such as that referred to under 3.1.9. enables the Commission to adjust and update the objections.

3.1.15 The commitment system recommended by the Court is in line with the Commission's own thinking and appears generally acceptable to the Member States, although any arrangements must ensure equal treatment of workers where redundancies are spread over a period of years.

It is clear that a certain number of conditions must be fulfilled, in particular relating to the accounting system, if the introduction of annual commitments is to be feasible in practice and to allow the systematic monitoring of expenditure at Community level which such a system would require.

3.1.16 The general background to apparent differences between per capita commitments in different years is set out above. In particular, a significant increase in the provision made for cases approved in earlier years inflated the overall commitments in the UK in 1982 without an accompanying increase in beneficiaries. Another factor affecting the disparity between the 1982 and 1981 commitments is the variation in the mix of different benefits, with reemployment (low cost benefit) becoming increasingly rare and extensive retraining (high cost benefit) undergoing significant expansion. Finally, it cannot be ruled out that the 1981 and 1982 commitments represent respectively an under and an overestimate of the true cost, particularly in relation to wage costs. A preliminary analyses of outturn to date on cases approved in 1981 suggests that this may be the case.

3.1.17 In order to ensure appropriate safeguards in the scrutiny of applications for aid, it will continue to be necessary for the lead department to consult the departments responsible for examining the technical aspects relating to productive capacity and market conditions as well as the Directorates General dealing with the more general budgetary and financial aspects of re-adaptation aid. In these circumstances, and taking into account the number of staff available for this task, it is not possible to shorten significantly the time limits involved.

The Commission has taken steps to ensure that notification letters are despatched more rapidly.

3.1.18 Where the granting of benefits is dependent on a Commission decision (UK private sector only), applications are presented and processed as rapidly as possible. Where payment is already under way and a convention exists, the Commission reimburses expenditure made on the basis of Community policy, a method which safeguards the position of the individual while ensuring the Commission's freedom to verify that the payment has been advanced by the firm or Member State in conformity with the regulations the Commission has agreed. It is important also to bear in mind that while equipment may be shut down on a given date, the resultant redundancies are usually spread over a period of time depending, for example, on the availability of alternative employment, age qualifications for taking early retirement or the need for a site to be cleared. In 1982, the Commission in fact agreed 50 cases,

of which 3 were presented to the Commission more than two years after the event giving rise to the granting of aid. 10 applications were made at or before the beginning of the measures, while 37 involved programmes already under way.

It is not self-evident that time limits would contribute towards the shortening of the period between the implementation of the redundancy programme and the Commission's agreement. In particular, the decision that a closure should be permanent, in accordance with the requirements of Article 56 (2) (b), may intervene only some time after the event. It would also seem impossible to introduce stricter time limits than those accepted by the national authorities which themselves contribute substantial amounts of aid. If the Commission refused to reimburse employers who have financed benefits if they apply with excessive delay, the effect in practice might well be to deprive the redundant workers of Community benefits at the time of greatest need.

3.1.20. The Commission confirms that the practices currently followed correspond to the "Internal rules". However, it notes the Court of Auditors' remarks and will examine the suggestion they include, in particular as far as a redefinition of the role of financial control is concerned, among other things.

3.1. 22 While the bulk of the funds committed are spent fairly rapidly,  
3.1.24 the tail end of any redundancy programme can justifiably extend for several years. For its part, the Commission has made efforts to ensure that funds set aside are promptly disbursed.  
As regards the list drawn up by the Court of accounts from which no payments had been made for three years, detailed written comments have been sent to the Court at departmental level.

3.1.25 The Commission's current payment procedures are based on Member States' existing documentation. The Commission is prepared to examine the possibility of requesting summary information in a common format.

3.1.27 It is accepted that inspection visits should not be entirely replaced by the examination of documentary evidence in Brussels. Annual inspections are certainly justifiable in the countries whose receipts in re-adaptation aid are of sufficient magnitude. For other countries, however, the repeated re-inspection of single cases at each stage of payment in, say, a three year programme may not represent the most effective use of staff resources.

3.1.28 The Commission is generally satisfied that national administrations are sufficiently experienced in ensuring that the aid beneficiaries were engaged in ECSC activities. The Commission repeatedly draws attention to this requirement which in cases of doubt is usually verified by the Member State before making an application for aid in consultation with Commission departments.  
As regards the Court's suggestion at point b), the Commission would appreciate further details.

3.1.29 The Commission will continue its efforts to obtain more systematic evidence of the effectiveness of training courses, as well as its other types of assistance. In practice, however, it is obliged to leave the decisions regarding individual workers' applications to undergo training in the hands of national administrations, while emphasising that training should be relevant in the light of employment opportunities. In common with the normal arrangements of the European Social Fund, the ECSC provides a 50 % contribution to expenditure considered eligible for reimbursement from public funds, and it is clear that the Commission's overall approach to retraining must be consistent. As it is clearly not feasible for Commission officials to ascertain the local circumstances in which individual training courses are being followed, the Commission intends, to the extent that staffing allows, progressively to extend financial inspection visits to cover on the spot discussions of training standards and local employment prospects.

3.1.31 The Commission already takes an active role in shaping and implementing the bilateral conventions, taking account of the socio-economic context in which the ECSC industries are operating, Community employment policy objectives and the additionality of Community aid. Negotiations with the Member States determine the range of benefits available, the categories of eligible beneficiary and the duration and level of support provided.

3.1.32 The Commission presently reimburses part of national expenditure on policies agreed with the Community. Uncertainty from year to year about the rate of the Commission's contribution would oblige the Member States to undertake such measures as they alone saw fit, as part of a national rather than a Community programme. The use of variable rates as a method of short-term budgetary control would thus tend to undermine the Commission's role in determining policy and vest this function solely in the Member States, relegating the Commission to the role of reimbursing expenditure already incurred on national policies, which the Court apparently seeks to avoid.

A provision unilaterally to vary the level of contribution according to the value attached to different applications for aid would, moreover, be both difficult to implement fairly and quite inappropriate for measures of income support related to former earnings, which constitute the bulk of ECSC re-adaptation spending. As far as training programmes are concerned, the need to ensure consistency between ECSC and Social Fund policy is commented on in paragraph 3.1.29. As regards the Court's remaining procedural suggestions, the Commission is prepared to examine their justification and feasibility.

3.2.7 Only special contributions from one Member-State are still outstanding. The Commission is in close contact with the responsible authorities in the Member State with a view to the recovery of the amount in question.

3.2.10 The periods covered by the Social volet programmes are set out for information in Annex II of the Commission's proposal for a new Social Support Scheme (1). That these would begin as early as 1978 was made clear when the Commission put forward its original proposals and a number of Member States made arrangements with this in view. The first two instalments of resources agreed by the Council were certainly not earmarked for programmes implemented from 1981 onwards, while the Council decision of September 1982 (2) was drafted to demonstrate that funds transferred in 1982 and 1983 were intended to allow completion of the programmes over the period 1981-1984.

3.2.11 The measures financed through the Social volet have been the subject of lengthy discussions with the Member States and have been recognized by the Commission as having been taken in pursuance of Community restructuring policy. It is in this context that programmes have been put into effect and have qualified as a result for Community aid.

3.3.2 The Commission is examining the current situation, with a view to better defining the separation between authorisation and accounting, in the light of the Court of Auditors' suggestions.

As regards the role of the Financial Controller, see replies to point 3.1.20.

3.3.7 - The Commission does not accept that it has negotiated conventions devoid of any policy objective.  
3.3.8. The degree of stability which the Court has detected in the bilateral conventions reflects an effort to make aid arrangements as homogeneous as possible in the different Member States while guaranteeing comparable support and reasonable security for workers affected by reductions in activity at different times and in different undertakings. At the same time, this is matched by a flexible approach both to the objectives being pursued and to the nature of the individual aids. The conventions, which were signed at different times over a period of some 20 years or more and which have been variously amended since, certainly bear the mark of the prevailing economic situation, but they have evolved, for example in the definition of measures considered eligible, in the light of new concepts, both at national and at Community level, in the field of social protection for the workforce. There can be no doubt that the availability of Community aid under Article 56 ECSC has been instrumental in inducing national governments to introduce or to improve measures to safeguard the income of former ECSC workers and facilitate their re-employment in alternative work.

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(1) COM(83) 158 final of 13 April 1983.

(2) OJ N° L 277 of 29 September 1982, pp. 13 & 14.



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