

European Communities

EUROPEAN PARLIAMENT

Working Documents

1984-1985

11 March 1985

DOCUMENT 2-1802/84

Report

drawn up on behalf of the Committee on Budgetary
Control

on the proposal for a decision on the discharge to be
granted to the Commission of the European Communities
in respect of the ECSC accounts for the financial year
1983

Rapporteur: Mr. B. HÄRLIN

PE 95.814/fin.
Or. De.



By letter of 10 September 1984, the Commission of the European Communities forwarded to the European Parliament the report of the Court of Auditors on the financial statements at 31 December 1983 of the European Coal and Steel Community.

On 9 October 1984 the President of the European Parliament referred the report to the Committee on Budgetary Control.

On 20 November 1984 the Committee on Budgetary Control confirmed the appointment of Mr Härlin as rapporteur.

It considered the draft report at its meeting of 29 February-1 March 1984 and unanimously adopted the motion for a resolution and proposal for a decision.

The following took part in the vote: Mr Aigner, chairman; Mr Martin and Mrs Boserup, vice-chairmen; Mr Härlin, rapporteur; Mrs Barbarella, Mr Bardong, Mr Cornelissen, Mr Dankert, Mr Früh, Mrs Fullet, Mr Guermeur, Mrs Lentz-Cornette, Mr Papoutsis, Mr Pitt, Mr Price, Mr Ryan, Mr Schön, Mr Schreiber, Mrs Scrivener and Mr Wawrzik (deputizing for Mr Giummarra).

The report was tabled on 5 March 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

C O N T E N T S

	<u>Page</u>
A. I. PROPOSAL FOR A DECISION	5
II. MOTION FOR A RESOLUTION	9
B. EXPLANATORY STATEMENT	11
<u>ANNEX:</u> Questions to be answered by the Commission	12

The Committee on Budgetary Control hereby submits to the European Parliament the following proposal for a decision and motion for a resolution together with explanatory statement:

I

PROPOSAL FOR A DECISION

on the discharge to be granted to the Commission of the European Communities in respect of the ECSC accounts for the financial year 1983

The European Parliament,

grants the Commission a discharge in respect of the European Coal and Steel Community for the 1983 financial year, on the basis of the following figures taken from its accounts as at 31 December 1983, and in the light of the statement by the Court of Auditors recognizing the compliance by the Commission with proper accounting practice and the principles of sound financial management.

A. BALANCE SHEET

<u>Assets</u>	<u>1983</u> <u>ECU</u>
- Cash in hand and balances with central banks	39 020 734
- Claims on credit institutions:	
. repayable on demand	27 334 442
. with agreed maturity dates or periods of notice	890 768 726
- Debt securities held in portfolio	437 644 829
- Loans outstanding	6 646 152 831
- Recoverable issuing costs	41 338 595
- Bank deposits for coupons and bonds due but not yet presented for payment	37 499 892
- Land and buildings	453 319
- Other assets	129 371 754
- Accruals and deferred income	203 940 097
	<hr/>
	8 453 525 219

Liabilities1983
ECU

- Coupons and bonds due but not yet presented for payment	37 499 892
- Amount owed to credit institutions:	
. repayable on demand	2 760 832
. with agreed maturity dates or periods of notice	6 651 590
- Long-term and medium-term debts	6 539 006 887
- Other liabilities	74 355 141
- Accruals and deferred income	327 389 285
	<hr/>
- Total liabilities towards third parties	6 987 663 627
- Commitments for ECSC operating budget	
. financial assistance	764 840 593
. other	113 200 000
	<hr/>
	878 040 593
- Reserves	
. guarantee fund	380 000 000
. special reserve	163 000 000
. former pension fund	44 742 334
	<hr/>
	587 742 334
- Surplus not allocated	78 665
	<hr/>
	8 453 525 219
	<hr/>

B. REVENUE AND EXPENDITURE

<u>Expenditure</u>	<u>1983</u> <u>ECU</u>
- Interest payable	588 033 104
- Commissions payable	4 968 803
- Administrative expenditure (fixed amount)	5 000 000
- Charges for value adjustments in respect of claims	69 227 095
- Charges for value adjustments in respect of securities	9 200 306
- Capital losses on securities	1 705 059
- Issuing costs and redemption premiums	21 913 444
- Extraordinary charges	10 838 888
- Other expenditure	541 526
- Expenditure on:	
. redeployment	107 915 687
. measures in connection with the restructuring of the steel industry	16 097 755
. research	45 222 289
. interest subsidies (Article 54)	11 835 283
. interest subsidies (Article 56)	16 549 933
. coking coal and metallurgical coke	3 000 000
- Surplus of revenue over expenditure to be allocated	136 674 822
	<hr/>
	1 048 723 994

Revenue

- Interest receivable	759 124 606
- Issuing premiums	11 893 357
- Gains on own securities	11 392 790
- Gains on other securities	7 994 886
- Other revenue	530 353
- Levies	136 839 095
- Fines	64 980 095
- Contribution from the general budget of the European Communities	50 000 000
- Income from value adjustments in respect of claims	794 896
- Income from value adjustments in respect of securities	-
- Net exchange gains	5 173 916
	<hr/>
	1 048 723 994

MOTION FOR A RESOLUTION

- on the report of the Court of Auditors on the financial statements at 31 December 1983 of the European Coal and Steel Community

and

- on the report (annexed to the 1983 ECSC Annual Report) of the Court of Auditors on the accounting and financial management

The European Parliament,

- having regard to the balance sheet and the revenue and expenditure account of the ECSC as at 31 December 1983,
 - having regard to the report of the Court of Auditors on the financial statements at 31 December 1983 of the European Coal and Steel Community (Doc. 2-580/84),
 - having regard to the report of the Court of Auditors annexed to the 1983 ECSC Annual Report and the Commission's replies thereto (Doc. 2-580/84/Annex),
 - having regard to the Commission's 1983 ECSC financial report (COM(84) 392 final/2),
 - having regard to the report of the Committee on Budgetary Control (Doc. 2-1802/84),
- A. having regard to Articles 2, 5 and 51 of the ECSC Treaty,
 - B. having regard to its resolution of 14 December 1984 on the fixing of the ECSC levy rate and on the drawing up of the ECSC operating budget for 1985¹,
1. Considers that the question of the level of reserves, referred to by the Court of Auditors in its report on the accounting and financial management of the ECSC in 1983, is the most important issue regarding the implementation of the operating budget; considers that this question requires thorough investigation, with regard, inter alia, to the points listed in the Annex, and instructs its Committee on Budgetary Control to draw up a report on the creation, suitability and level of ECSC reserves;
 2. Does not consider that this question or the other comments made by the Court of Auditors should stand in the way of the discharge for 1983, but believes that these points must be clarified in full;

¹ OJ No. C 12, 14.1.1985, p. 129

3. Is not prepared in future to accept that negligence can be justified by the fact that computerized accounting and management systems are about to be introduced; the application of new technologies should not mean that the computer, as the future answer to all problems, is used for several years before its introduction as an excuse for not taking measures which are necessary in the short term; considers this to be a remarkable extension of the already familiar statements made after the introduction of computers, according to which every conceivable fault is the result of inadequate systems development, programming errors or adaptation problems;
4. Calls on the Court of Auditors and the Commission to give a more detailed account in future of the facts referred to by the Court of Auditors in paragraphs 1.7, 1.8, 1.13, 1.14, 1.15 and 1.18;
5. Considers that the practices described in paragraphs 1.8, 1.9 and 1.11 allow for the possibility of granting certain borrowers preferential treatment; does not share the Commission's view that it should be left to the discretion of the Directorate-General concerned to determine differing loan conditions by rounding up or down when calculating interest rates or by waiving additional interest charges; requests the Commission to provide the Committee on Budgetary Control with a confidential list of cases involving this practice, specifying in each instance the official responsible and the recipient;
6. Requests the Commission to submit to the Committee on Budgetary Control the plans and timetable for the changes in the accounting system referred to in paragraph 1.14; points out that it is not familiar with the use of the term 'exceptional case' in proper accounting practice;
7. Calls on the Commission to lay before the Committee on Budgetary Control the instructions referred to in paragraph 1.15 of its replies;
8. Takes note of the Commission's reply in paragraph 1.10 and asks for a more detailed explanation of why these operations did not involve any additional cost;
9. Calls on the Commission, in the light of the incident described in paragraph 1.5, to undertake a more thorough investigation of similar occurrences and to submit a report to the Committee on Budgetary Control as soon as possible;
10. Is concerned to learn that, contrary to the rule that the person responsible for issuing an order may not also execute the corresponding banking operation, amounts totalling several hundred million ECU were transferred by unauthorized persons;
11. Instructs its President to forward this resolution to the Commission, the Council, the Court of Auditors and the Governments of the Member States.

EXPLANATORY STATEMENT

The ECSC discharge for 1983 raises a number of fundamental problems which, while not affecting the discharge decision, require thorough investigation. These problems emerge from the observations and comments made by the Court of Auditors in its report for 1983 and some of them have already been mentioned by Parliament in connection with the fixing of levy rate for 1985¹. They concern, inter alia, the development of reserves and their use, the creation of surpluses and the state of liquidity. These problems relating to financial mechanisms and implementation of the operating budget are closely linked with the achievement of the objectives of the ECSC.

Further investigation is also necessary to answer some of the comments made by the Court of Auditors, either because the Commission's replies are insufficient or because the extent of the errors discovered is not specified.

It is therefore appropriate:

- (a) to grant the discharge. The Court of Auditors has declared the financial management and accounting to be satisfactory and there is no reason to call into question the credibility of the ECSC by refusing or delaying the discharge;
- (b) to deal with the remaining unresolved problems in another report.

The rapporteur wishes to thank the Court of Auditors for the work it has done.

¹HOFF report - Doc. 2-1143/84

ANNEX

QUESTIONS TO BE ANSWERED BY THE COMMISSION

I. Information concerning the achievement of ECSC objectives between 1979-80 and 1983 (by country)

- Productivity - competitiveness
 - . Development of production capacity
 - . Price trends
 - . Import/export trends
 - . Survey of ECSC measures to supervise production and prices (nature, description, cost)
- Restructuring
 - . Employment trends in the ECSC
 - . Number of jobs created by ECSC restructuring measures
- Social measures
 - . Number of beneficiaries
 - . Nature of benefits
 - . Size of the ECSC contribution and share of the total cost
- Research
 - . Aims
 - . Contracts
 - . Results
- Procedures
 - . Who submits the applications for aid/loans to the Commission?
 - . Application forms
 - . How many DGs in the Commission are responsible for the different ECSC measures? Which? How are they coordinated?
 - . How does the Commission verify that the finance is used for the purpose intended?

II. Budgetary management and financial activities

- Revenue
 - . Levies
 - Criteria for calculation
 - . Fines
 - Possibilities open to the Commission if an undertaking is unable to pay because of bankruptcy
 - . Customs duties
 - What is the annual revenue from customs duties on ECSC products?
 - Why is it not included in the Community's own resources?
 - Contributions from the general budget

- Expenditure

- . How is the level of expenditure determined?
- . Why does expenditure on redeployment aid differ so greatly among the Member States?

- Surplus

- . Information on the surpluses over the period 1979-84
- . Source of the surplus

- Reserves: use

- Position of the ECSC on the capital markets

- . Is the strong position of the ECSC on the capital markets not due to the volume of its reserves and also the guarantee offered by a public institution with a source of revenue similar to taxation?
- . How low could the volume of reserves fall before this position was jeopardized?

