

European Communities

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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 1982

Rapporteur: Mr V. GABERT

By letter of 27 July 1983, the Commission of the European Communities forwarded to the European Parliament the ECSC financial report for 1982.

On 21 December 1983 the Court of Auditors of the European Communities forwarded to Parliament its report on the financial statements at 31 December 1982 of the ECSC.

On 12 September 1983 the Commission's report was referred to the Committee on Budgetary Control.

On 3 November 1983 Mr GABERT was appointed rapporteur.

The draft report was considered at the meetings of 2 February 1984 and 19 March 1984 and at the latter meeting the motion for a resolution and proposal for a decision were adopted unanimously.

The following took part in the vote: Mr AIGNER, chairman, Mrs BOSERUP, second vice-chairman, Mr GABERT, rapporteur, Mr BATTERSBY, Mr COUSTE, Mr FRÜH, Mr IRMER, Mr MART, Mr NIELSEN, (deputizing for Mr JÜRGENS), Mr NOTENBOOM and Mr RYAN.

The report was tabled on 21 March 1984.

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.

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

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 1982

The European Parliament,

grants the Commission a discharge in respect of the European Coal and Steel Community for the 1982 financial year, on the basis of the following figures taken from its accounts as at 31 December 1982, 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. <u>BALANCE SHEET</u>	<u>1982</u>
<u>Assets</u>	ECU
- Cash in hand and balances with central banks	3,698,224
- Claims on credit institutions, repayable on demand with agreed maturity dates or periods of notice	21,480,285
	776,630,441
	<hr/>
	798,110,726
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- Debt securities held in portfolio	365,079,067
- Loans outstanding	6,257,641,735
- Recoverable issuing costs	51,732,445
- Bank deposits for coupons and bonds due but not yet presented for payment	48,441,521
- Land and buildings	387,595
- Other assets	63,519,436
- Accrued and deferred income	205,601,620

	7,794,212,369
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<u>Liabilities</u>	<u>1982</u>
	ECU
- Coupons and bonds due but not yet presented for payment	48,413,654
- Long and Medium-term debts	6,116,392,709
- Other liabilities	11,420,838
- Accrued and deferred income	288,798,398
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- Total liabilities towards third parties	6,465,025,599
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- Commitments for ECSC operating budget	
. Financial assistance	584,065,989
. Other	204,759,406
	<hr/>
	788,825,395
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- Reserves	
. Guarantee fund	340,000,000
. Special reserve	156,500,000
- Former pension fund	43,772,724
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	540,272,724
	<hr/>
- Unallocated balance	88,651
	<hr/>
	7,794,212,369
	<hr/> <hr/>

B. REVENUE AND EXPENDITURE

1982

Expenditure

ECU

- Interest payable	557,758,483
- Commissions payable	4,794,793
- Administrative expenditure (fixed amount)	5,000,000
- Value adjustment for losses on claims	92,895,684
- Value adjustments in respect of securities	-
- Capital losses on securities	-
- Issuing costs and redemption premiums	17,861,111
- Other expenditure	509,331
- Expenditure on redeployment	94,073,836
- Expenditure for the social measures connected with the restructuring of the steel industry	6,963,342
- Expenditure on research	42,479,294
- Expenditure on interest subsidies - Article 54	11,599,443
- Expenditure on interest subsidies - Article 56	14,846,965
- Expenditure on coking coal and metallurgical coke	8,978,562
- Surplus of revenue over expenditure to be allocated	197,378,129
	<u>1,055,138,973</u> =====

Revenue

- Interest received	726,028,522
- Issuing premiums	8,534,245
- Gains on own securities	11,730,529
- Realized gains on other securities	21,674,806
- Other revenue	2,076,601
- Levies	117,306,366
- Fines	42,924,254
- Contribution from the general budget of the European Communities	112,000,000
- Income from value adjustments in respect of securities	10,045,924
- Exchange gains, net	2,817,726
	<u>1,055,138,973</u> =====

II.

MOTION FOR A RESOLUTION

- on the report of the Court of Auditors on the financial statements at 31 December 1982 of the European Coal and Steel Community and
- on the report (annexed to the 1982 ECSC annual report) of the Court of Auditors on accounting practices and financial management

The European Parliament,

- having regard to the balance sheet and to the revenue and expenditure account of the ECSC for the financial year which closed on 31 December 1982,
- having regard to the report of the Court of Auditors on the financial statements at 31 December 1982 of the European Coal and Steel Community (Doc. 1-640/83),
- having regard to the report of the Court of Auditors (annexed to the 1982 ECSC annual report) and to the Commission's replies thereto,
- having regard to the Commission's ECSC financial report 1982 and to the additional information relating thereto (COM(83) 400 final),
- having regard to the report of the Committee on Budgetary Control (Doc.1-39/84),
- A. having regard to the resolutions of 18 November 1982¹, 19 May 1983² and 7 July 1983³ on combatting the crisis in the European steel industry,
- B. having regard to the decisions of 16 November 1982⁴ and 15 April 1983⁵ on the discharge to be granted to the Commission of the European Communities in respect of the ECSC accounts for the financial years 1980 and 1981;

¹ OJ No. C 334, 20.12.1982

² OJ No. C 161, 20.6.1983

³ OJ No. C 242, 12.9.1983

⁴ OJ No. C 334, 20.12.1982

⁵ OJ No. C 128, 16.5.1983

With regard to the remarks on the method of accounting

1. Takes note of the fact that the Commission has undertaken to do everything in its power to complete the transfer to the new computerized accounting system by the end of 1984, thereby providing an essential tool of management and making it possible to dispense with much of the manual bookkeeping conducted in parallel;
2. Notes further that the Commission proposes to follow the recommendations of the Court of Auditors on the harmonization of the various accounting systems and loans to officials, and on the selection of issuing institutes;
3. Welcomes the Commission's announcement that the supervision of loans is to be increased in the future;

With regard to redeployment aid

4. Emphasizes the usefulness of assessing the cost and effect of ECSC aid for the redeployment which the Commission proposes to undertake, and is of the opinion that the submission at regular intervals of a report on the activities of the Commission as suggested by the Court of Auditors would assist Parliament and the Court of Auditors in determining the suitability of this policy;
5. Is of the opinion that the imposition of fixed limits for the various phases in the allocation of aid could be of considerable help in expediting administrative formalities;
6. Calls on the Commission to examine in detail the modifications which the Court of Auditors suggests with respect to the agreements concluded with the Member States; the Commission should in particular devote exhaustive study to the possibility of a flexible rate for ECSC contributions, to be governed by specific criteria;

With regard to the social measures in the steel sector

7. Considers it intolerable, given the difficult situation in the steel sector, that the inordinately slow decision-making process in the Council should have delayed until 1982 the first allocation of financial support for

measures which the Commission had deemed necessary as long ago as 1978 and for which the European Parliament declared its support on 11 July 1980¹;

8. Finds it incomprehensible, as it already observed in connection with the discharge in respect of the 1981 financial year², that two Member States should still be in arrears with the payment of the special contribution to finance the social measures and expects vigorous representations to be made in this case.

General observations

9. Notes that the Commission has drawn up and forwarded to the Institutions the general objectives for the steel sector listed in Parliament's resolution of 19 May 1983²; stresses the need to adjust these general objectives at shorter intervals and takes the view that both the objectives and the adjustments thereto should be published;
10. Instructs its President to forward this resolution to the Commission, the Council, the Court of Auditors and the Governments of the Member States.

¹ Resolution of 11.7.1980, OJ No. C 197

² OJ No. C 161

EXPLANATORY STATEMENTI. GENERAL STATISTICS

The financial situation of the ECSC for 1982 was as follows:

- assets: 7,749,212,369 (1981: 7,262,439,074)
- operating budget: 1,055,138,973 (1981: 883,692,780).

In 1982 revenue exceeded expenditure by 197,378,129 ECU, as against a surplus of 190,199,113 ECU in 1981.

II. PROBLEMS OF ACCOUNTING MANAGEMENT

1. In its report, annexed to the 1982 report on the ECSC accounts, the Court of Auditors draws attention first of all to the considerable delay in completing the new computer system (about 12 months behind schedule) which was introduced at the Court's own instigation.

The Court also makes a series of observations about the accounting management, pointing in particular to cases in which insufficient follow-up has been given to recommendations it has made for previous financial years.

2. With regard to most of the comments, the Commission has stated its willingness to take the necessary measures.

In particular, the new computerized system should be operational some time during 1984, while improvements will be made in the preparation of financial statements (point 2.2.2), the processing of data relating to the tax levy (point 2.4.1) and the reconciliation of the various accounts with the adjustments that this necessitates (point 2.4.2.2).

3. Borrowings

The problems in this area centred principally on the question of what information should be included in the borrowing files, and in particular whether they should contain an analysis of the different offers received and a justification of the choice of lender (point 2.5.2).

This problem had already been dealt with in the report of the Court of Auditors on loans and borrowing (Annex to the 1980 report) and the Commission had undertaken to comply with the Court of Auditors' requests (points 87-89).

The Commission has recently declared its willingness to examine possible solutions with the Court of Auditors.

4. Loans

The monitoring of loans is a question of particular importance. The Commission had in fact previously undertaken (in its 1980 replies, point 10.1) to set up a special unit of officials which would, as from 1 October 1981, be responsible for monitoring loans.

In its resolution on the financial activities of the ECSC (16 September 1983), the European Parliament also welcomed the fact that the Commission had formed a separate department to monitor loans.

In its replies to the Court's comments for 1981 (Commission replies, point 6), the Commission affirmed its belief that the Court's controls in 1982 would testify to the importance attributed by the Commission to extending internal controls and monitoring loans.

However, the 1982 report of the Court of Auditors (point 2.6.5.) notes that 'this unit does not yet carry out the task allotted to it under the Internal Rules'. The Court's comments refer in particular to the financial statements of debtor undertakings, a valuation of all the debts which these undertakings owe to the ECSC, an analysis of the financial position of the undertakings and a listing of loans by type of guarantee.

In its replies for 1982, the Commission promises some improvements in the future but cites the inadequate number of staff assigned to the task of monitoring loans.

Improvements will also be made to the procedure for granting loans to officials (point 2.6.6.2).

III. OBSERVATIONS ON THE FINANCIAL MANAGEMENT

(A) Readaptation aids

5. The system of readaptation aids, governed by Article 56(2)(b) of the ECSC Treaty, gives rise to a series of comments. The payment of Community aid is in fact conditional upon payment by the State concerned of a contribution of not less than the amount of that aid (unless an exception is authorized by the

Council, acting by a two-thirds majority). Agreements are therefore made between the Commission and the Member States which take account of the diversity of the social security systems in the Member States.

Nevertheless, the Court recognizes (point 3.1.4) that it is difficult to 'attain uniform arrangements for aid'.

As a result, there is a certain disparity between the degree of coverage of job losses in the various Member States (from a minimum of 25% in the Netherlands to a maximum of 86% in the United Kingdom) and also an imbalance between the amount of aid granted per worker in the different Member States. In addition, it is possible to detect a concentration of aid in the United Kingdom, particularly in 1982.

Of particular significance is the Court's comment (point 3.1.9) concerning the difficulties it has 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'.

While lamenting its lack of manpower and resources, the Commission acknowledges the usefulness of this information and announces its intention to draw up a study of the cost and impact of ECSC readaptation aid. This initiative is most welcome: it has recently become clear that an assessment of the effectiveness of Community policies is vital for the optimum management of budget resources. In this connection, reference should be made to the report by the Court of Auditors drawn up in compliance with the decisions of the European Council of 18 June 1983¹.

6. Recommendations of the Court

The Court of Auditors recommends that the Commission should strengthen the role it plays in respect of readaptation measures by means of a number of amendments to the agreements concluded with the Member States. In particular (point 3.1.32), the Court is in favour of greater homogeneity between the systems in the various Member States; an improvement in the information supplied when applying for aid; the inclusion of provisions laying down precise time scales for the submission of applications and the closing of the accounts, as well as for the controls performed by the Court itself.

¹ OJ No.C287, 24.10.1983

The Court also calls for the inclusion of clauses 'allowing the Commission to vary its rate of participation every year in accordance with resources and the validity of the project'. However, a provision of this kind would be likely to introduce an element of excessive uncertainty into the planning of the measures in question.

Nevertheless, one should not discount the option of a scale of rates, to replace the present fixed rate of Community assistance (i.e. 50%) and modulated on the basis of agreed priorities (regional and social criteria etc.).

7. Administrative delays

The Court of Auditors (point 3.1.17) points to the considerable delays in the decision-making procedures which result from the fact that the Directorate-General for Employment, Social Affairs and Education has to obtain the opinions of four other directorates-general and of the Legal Service and must also consult the national administrations. A period of time ranging from 5 weeks to 11 months can elapse between the receipt of the application for aid and the decision. Another 9 weeks is required for the letters of notification of the granting of aid to be sent out.

It would therefore seem appropriate to set precise deadlines for obtaining the opinions of the services concerned and sending out the letters of notification.

In particular, if an opinion has not been delivered within the set period, the department concerned should be deemed to have given its consent.

The Commission recognizes the need for the letters of notification to be dispatched more rapidly but stresses that 'it is not possible to shorten significantly the time limits involved' as regards the consultation of the services concerned.

8. Control of implementation

The Court's comments reveal (point 3.1.27) that on-the-spot checks were performed in four of the seven countries which received payments. The Court's view that on-the-spot checks should in principle be made at least once a year in the countries receiving payments can be endorsed.

The Commission accepts this principle for 'countries whose receipts in readaptation aid are of sufficient magnitude'.

In line with its comments on the need to assess the effectiveness of the measures financed, the Court also called for special efforts to be made to evaluate the effectiveness of the vocational training courses (point 3.1.29) intended to provide workers with retraining. In particular the Court stresses the need to systemize the information at the Commission's disposal and, in the case of training courses held within an undertaking, feels that the undertaking concerned should agree to re-employ the trained workers.

The Commission intends to deal with these problems by progressively extending the range of questions covered in the course of financial inspection visits.

(B) SOCIAL ASPECTS OF THE STEEL SECTOR

9. Financing of social measures

Your rapporteur can only endorse the Court's remark on (point 3.2.6) the slowness of the Community decision-making process. The Commission's first communication to the Council dates from 31 October 1978, while the Council's first decision on a transfer of finance from the general budget was adopted in February 1982 and the second Council decision was taken on 21 September 1982. Only after this latter decision was the Commission able to commit and distribute the 1981 and 1982 tranches for the social measures.

Nevertheless, at 31 December 1982 (point 3.2.7), there was still a total of 7.03 million ECU in special contributions to be paid by Member States, which were decided on 8 December 1981. In its replies, the Commission notes that of the four Member States which were in arrears on the abovementioned date, two have still not paid the contribution due.

The delay in paying the ECSC special contributions had already been severely criticised by the European Parliament in the 1981 discharge decision.

10. Implementation of the appropriations

It should be noted that the 50 million ECU transferred to the operating budget by the Council on 21 September 1982 were entered into the general budget following an amendment by the European Parliament. Particular attention should therefore be given to the implementation of these appropriations.

At 31 December 1982 the legal commitments amounted to 162 million ECU, out of the 162 million ECU available. As far as payments are concerned, the first payment made during the financial year, in December 1982, consisted of 7 million ECU for Belgium.

It is therefore evident that there is an extremely long time-lag between the initial proposal to grant aid and the first actual payments.

CONCLUSIONS

11. In the reports referred to above, relating to the financial year 1982, the Court of Auditors raises an extremely complex problem with wide implications - to what extent do the Community's readaption policy and social measures correspond to precise objectives and how successful have they been in achieving these aims.

The Court of Auditors (point 3.3.7) considers that 'no operational Community objectives have been established and that it is therefore impossible to appraise the effectiveness of the Community measures'. The Commission rejects this charge and points out 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'.

In this connection, it may be noted that the European Parliament, in its resolution of 11 July 1980¹ on the decision concerning contributions to be granted to the ECSC out of the general budget of the Community, has already affirmed that 'the difficulties currently being experienced by the Community's coal and steel industry must be alleviated by a Community programme for the restructuring of these branches of industry', and called for 'social measures designed to improve the serious situation on the labour market'. Similarly, in its resolution of 18 November 1982² on overcoming the European steel crisis, Parliament called on the Commission to draw up special regional support and

¹ OJ No. C 197, 4.8.1980

² OJ No. C 334, 20.12.1982

assistance programmes and to ensure closer coordination of the Community's financial instruments.

Although there is no doubt as to the utility of the measures financed by the Community in the sector concerned, a more specific framework allowing a more thorough assessment of the effectiveness of the measures and dispelling doubts that the aid is too widely spread, would move the sector more in the direction advocated by the Commission itself, notably in its document on the reform of the Community's structural funds (COM(83) 501 final).

