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Report

drawn up on behalf of the Committee on Budgetary Control

on the special report of the Court of Auditors at the request of the Parliament on the accounts for 1977 and 1978 on entertainment and representation allowances and expenses of the members of the Commission and on their mission expenses

Rapporteur: Mr Brian KEY

1.2.2



On 6 November 1979 the President of the European Parliament charged the Committee on Budgetary Control with the preparation of a report concerning the special report of the Court of Auditors on the accounts for 1977 and 1978 on entertainment and representation allowances and expenses of the members of the Commission and on their mission expenses.

At its meeting on 1/2 October 1979 the Committee on Budgetary Control appointed Mr Brian Key rapporteur. The committee considered the matter at its meetings on 27 September 1979, 1/2 October 1979, 4 October 1979, 29/30 October 1979 and 19/20 November 1979. At its meeting on 19/20 November 1979, the committee adopted the report unanimously save for one abstention.

Present: Mr Aigner, chairman; Mrs Boserup, vice-chairman; Mr Price, vice-chairman; Mr Key, rapporteur; Mr Colla, Mr Filippi, Mr Gabert, Mr Gouthier, Mr Irmer, Mr Kellett-Bowman, Mr Notenboom, Mr Simonnet, Mr Simpson (deputizing for Mr Battersby), Mr John Mark Taylor and Mr Wettig.

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The Committee on Budgetary Control hereby submits the following motion for a resolution to the European Parliament, together with explanatory statement.

MOTION FOR A RESOLUTION

on the special report of the Court of Auditors at the request of the Parliament on the accounts for 1977 and 1978 on entertainment and representation allowances and expenses of the members of the Commission and on their mission expenses

The European Parliament

- having regard to the special report of the Court of Auditors, furnished in accordance with the provisions of Article 206a of the Treaty, on entertainment and representation allowances and expenses of the members of the Commission and on their mission expenses ;
 - having regard to the observations of the Commission on this report (COM (79) 507 final) ;
 - having regard to the report of the Committee on Budgetary Control (Doc 1-537/79) ;
- (a) Conscious of (i) Parliament's responsibilities in regard to the control of the implementation of the budget of the European Community and (ii) the obligation on it to examine fully - and where considered desirable, in public session - all alleged malpractices and possible excesses in regard to the use of Community funds ;
- (b) anxious to ensure that (i) the procedures relating to the commitment of expenditure are as clear as possible and (ii) excessive or unnecessary use of appropriations is avoided ;
- (c) deeply concerned that investigations revealed inadequate control of, a lack of rules governing the use of, and, on the part of some members of the Commission, a cavalier attitude towards the spending of appropriations under items 1300 and 2400 of part III of the Community budget ;

- (d) noting, however, that the Commission has taken steps to improve control of the use of the appropriations in question ;
 - (e) insisting that appropriate common rules be adopted as soon as possible, for all institutions, regarding the commitment and use of appropriations for mission expenses, entertainment, representation and associated incidental expenses ;
 - (f) expecting that sums paid out of the budget for unvouchered claims, and for outlays not properly authorised, be repaid forthwith ;
1. Notes that the bulk of the sums concerned in this report was spent correctly and in accordance with normally accepted accounting and auditing standards but finds that, on the part of some members of the Commission, there were certain extravagances in regard to the use of appropriations available under items 1300 and 2400 of part III of the Community budget;
 2. Deplores the failure of some members of the Commission to comply with existing internal rules thereby giving rise to irregular payments out of the budget ;
 3. Expects repayment of those sums drawn from the Community budget in circumstances in which the operative rules were not respected and where the Court of Auditors was not satisfied that the relevant criteria had been complied with ;
 4. Will verify, in the context of the 1978 discharge report, the making of the repayments called for ;
 5. Will pronounce in a future report in June 1980 on the use of these appropriations in the light of the practical experience of their operation in the first four months of 1980,
 6. Expects, in particular, stricter discipline in regard to the hiring of air taxis and to mission expenditure generally;

7. Shows its disapproval of the irregularities revealed in the report of the Court of Auditors by its amendments to the 1980 draft budget;
8. Insists that all Community Institutions should adopt, as soon as possible, rules of general application-analogous to those adopted for the Commission and annexed to COM (79) 507 final - for the use of appropriations for mission expenses, entertainment and representation expenses and associated incidental expenses,
9. Instructs its President to forward this resolution together with its committee's report to the Council and Commission of the European Communities.

The background

1. During the course of the opening weeks of 1979, a number of press reports concerning the representation expenditure of the Commission in recent years came to the attention of the Control Sub-Committee of the Committee on Budgets of the European Parliament. The Sub-Committee wished to consider the matter in the full knowledge of the facts and, through its chairman, Mr. Aigner, asked the President of Parliament to request the Court of Auditors to examine the use of the appropriations in question.

The President of Parliament conveyed this request to the Court of Auditors by letter of 12 February 1979.

2. At a subsequent meeting of the Control Sub-Committee, the desirability of extending the examination to Article 130 of the Commission's part of the budget became apparent. A request for the inclusion of data on this Article in its special report was conveyed to the Community auditors by way of a letter from the President of the European Parliament, dated 15 March 1979.

The budgetary lines concerned

3. In the interests of clarity, the lines concerned are set out hereunder:

(Source: 1980 Draft Budget)

	EUA Appropriations 1980	EUA Appropriations 1979	EUA Expenditure 1978
Item 1003 Representation allowances	78,000	78,000	73,815
Article 130 Mission expenses, travel expenses and incidental expenditure			
Item 1300 Members of the institution	700,000 ¹	737,000	669,908
Item 1301 Staff	10,530,000	10,500,000	7,656,851
Item 1302 Special equipment for missions	33,000	37,400	8,689
Article 240 Entertainment and representation expenses			
Item 2400 Members of the institution	317,000	306,000	290,009
Item 2401 Staff	358,000	345,000	258,161

4. However, the present report concerns primarily only items 1003, 1300 and 2400 which relate to expenditure by the members of the Commission since it was to these lines that the attention of Parliament was drawn initially.² (In the following paragraphs, the pattern set by the Community auditors in citing sums in Belgian francs is adopted.)

¹ As amended by Parliament.

² The items in question (1003, 1300 and 2400) amount to 1.1 m EUA or about 0.07% of the total for Part III of the budget.

The report of the Court of Auditors

5. On 20 June 1979, the Court of Auditors adopted a report on the subjects at issue and transmitted it to the President of the European Parliament. Further action was held over until the establishment of the Committee on Budgetary Control. An exchange of views took place within the Committee on the subject at its inaugural meeting on 4 September 1979: the report was introduced and summarised by Mr. Mart, a member

of the Court of Auditors, at the Committee's meeting on 27 September 1979; your rapporteur was appointed on 1 October 1979 and a special public meeting of the Committee was held on 4 October 1979 to consider the matter in full; Mr. Jenkins, President of the Commission of the European Community, attended the latter meeting and gave frank answers to the questions put to him by the Committee's chairman, the rapporteur and several members.

6. As well, on 19 September 1979, the Commission prepared a memorandum¹ which gave its observations on the report of 20 June 1979 and drew the conclusions that it considered to be necessary as a result of the ECA recommendations.

Basis of the report

7. The Treaty amendments that established the Court of Auditors provide (i) that it "may, at any time, submit observations on specific questions and deliver opinions at the request of one of the institutions of the Community", and (ii) that "It shall assist Parliament and the Council in exercising their powers of control over the implementation of the budget."²

8. The report now under consideration falls within these terms. The document shows the fruits of a careful auditing of the expenditure in 1977 and 1978 under the budgetary headings concerned. The analysis and research involved has facilitated the work of the Committee on Budgetary Control and has enabled the Committee to get down to considering the political and control aspects concerned. The report did not attempt to put forward judgments - except where a rule had been broken - and endeavoured to set out the basic facts. In this aim, it has succeeded and the Committee and its rapporteur expressed their appreciation of the document.

The role of any Parliament is to ensure that public money is spent correctly and that the appropriate budgetary control rules have been respected. Nothing reduces public confidence in an institution more than the abuse of appropriations available to members.

¹ COM(79) 507 final

² Article 206a.

Overall situation

9. Before going into issues of principle and points of detail, it must be stated that the appropriations concerned in this report are but a relatively small share of the total Community budget.¹ Moreover, a great part of the funds in question was spent in a regular manner. Nevertheless, there were certain irregularities and these must be set right quickly. Even though these sums concern only a small percentage of the budget, the loose practices involved reveal some weakness in financial correctness, a lack of proper accountability and a breach of faith to the citizens of Europe. It must be stressed, too, that the President of the Commission responded promptly to the situation and that the majority of the members of the Commission was found to have acted in a fully responsible manner. These comments aim to bring the situation into perspective; nevertheless, as the following paragraphs show, a rather cavalier approach was adopted in regard to expenditure on travel, entertainment and incidental expenditure by some members of the Commission and this situation led to the present report being required.

Absence of certain rules

10. The report of the Court of Auditors refers² to the absence of rules regarding expenditure under items 1300 and 2400 which left members of the Commission in some uncertainty because they had very little guidance on what was admissible. This situation reveals a gap in the procedures for implementing the budget - a gap that should have been closed earlier. It is regrettable that the Commission should have allowed deficient practices to continue thus giving rise to adverse publicity before coming forward with appropriate rules. Incidentally, the absence of such rules in no way absolved individual members of the Commission from their duty to be circumspect, responsible and reasonable in their use of Community funds. On the contrary, where there are no clear rules, those responsible for implementing the budget should be doubly cautious - especially where they themselves are the beneficiaries.

¹ Moreover, the upward trend was slow.

	<u>Index of salaries</u>	<u>Index of Item 1003</u>	<u>Index of Item 2400</u>
1973	100.0	100.0	100.0
1974	115.1	97.1	110.8
1975	129.3	96.8	105.3
1976	140.1	111.8	105.3
1977	155.9	115.0	108.3
1978	164.6	111.0	113.2

² At paragraphs 1.7 and 1.8.1.

Breach of annuality

11. At paragraph 1.8.2. of the report under consideration, it is stated that expenditure totalling FB 3.5 million spent in 1978 was wrongly charged to 1979. Responding to this point, at the meeting of the Committee on Budgetary Control on 4 October 1979, Mr. Jenkins said that the procedure followed was technically allowable under the Financial Regulation. Because of the importance which Parliament attaches to the ¹ concept of annuality, this "safety valve" should be used sparingly. Moreover, it is understood that the Commission will ensure that the situation does not recur - by keeping carefully within the budgetary allocations in future. The Committee on Budgetary Control will regularly examine the use of these lines.

Cursory completion of claims

12. The report of the Court of Auditors highlighted the incomplete way in which claims for reimbursement were submitted by members of the Commission. Often, the nature and purpose of missions were unclearly stated or even omitted. Taxpayers' money is involved and scrupulous care should be taken to ensure that enough data is furnished on claim forms to enable normal verification and control procedures to be effected.

13. In support of claims, it was usual to furnish a dated restaurant bill but the Decision of 8 June 1977, which governed the Members' spending of representation money, did not stipulate that Members should indicate the number or the names of those entertained. The Office of the President of the Commission wrote to the private offices of all the other members on 27 July 1978 suggesting that at least the name of the principal guest should be indicated in every instance. Astonishingly, this suggestion was not followed by all the Members of the Commission - but this information was set out in every one of the President's claims. Indeed, the "audit examination of the claim forms supporting the FB 5,988,976 spent during 1978 on meals in public restaurants or hotels shows that, except in the case of the President, the members almost without exception did not indicate either the identity or occupation of the principal guest on the claim forms, and only two members regularly stated the number of persons attending" ².

¹ So as not to over-extend the flexibility permitted under Article 5, third sub-paragraph of the Financial Regulation.

² Para 4.2.1 of the ECA report.

14. When the ECA followed up some 289 cases spread over the members, it was found possible to identify the name and occupation of the principal guest in 214 cases by reference to diaries and so on. In 75 cases, the name was not disclosed. In 22 cases, four members gave the occupation of the principal guest but withheld the names.

15. The report states that

- one Member "took the view that disclosure, even to the Court, was not in the Communities' interests, and withheld the names and occupations in 22 cases where 2 people had been dining. He stated that they were political contacts, journalists or industrialists."

- two Members "withheld the names but gave the occupation of the principal guest in 18 cases questioned by the Court;"

- two Members "withheld the names but gave the occupation of the principal guest in 2 specific cases each;"¹

16. These responses to the Community's auditors prompt varied reactions. They would seem to indicate a certain lack of contact with the real world and a failure to realise that a curt answer to the Community auditors could prompt the budgetary authority to cut back on the appropriations in question. Also, the possibility of entertaining privately out of the lump sum allowance appears to have been overlooked.

17. In these cases as well as in the 31 cases involving eight other Members where "the identity of the principal guest was no longer known to the member", your rapporteur considers that repayment of the sums involved is called for in the 75 cases described. As well, of course, the points made at paragraph 5.7 regarding recoupment in other cases are endorsed. Further, the question of refund arises in the case of the air-taxis hired without the prior approval of the President of the Commission contrary to the decision of 8 June 1977.

Entertainment in the office

18. One further matter which has attracted some adverse public comment is the amount of drink ordered for entertainment in the offices of members of the Commission. The experience has been quite varied with some members offering no spirituous beverages while one member ordered 128 bottles in 1978. Clearly, moderation should be the keynote here and, now that the matter has been brought to public attention, a responsible attitude can be expected to prevail in future.

¹ Para 4.2.1 of the ECA's Report; these are, of course, only some examples of the problems encountered by the ECA.

Use of air-taxis

19. The report under consideration also drew attention to (a) the fact that the rules laid down by the Commission regarding the use of air-taxis were not fully respected by members and (b) the apparent failure to justify always the relatively heavy expenditure involved in the use of this means of transport.

20. In its response to the report, the Commission agrees that the major item of expenditure under the mission expenses heading has been related to the use of air-taxis. However, while prepared to accept the need for more rigorous internal control of the use of air-taxis - in future, the prior authorization of the President¹ will be required - the Commission puts up a strong case for the defence and has contested the attitude of the Community auditors in relation to certain points. In particular, the Commission's memorandum plays down the luxury element in the use of air taxis. It states that the ECA report does not publish the details of the schedules of the air-taxi journeys of two members - but, curiously, the Commission does not annex these details to its memorandum either².

21. The Committee on Budgetary Control welcomes the Commission assurance that a considerable reduction of expenditure under this heading has been achieved since the introduction of the new rules in September 1979.

Visits by Members of the Commission to home States

22. The auditing of the mission expenses of members of the Commission disclosed that a relatively large number of missions had been carried out in the members' home countries.

23. Out of 544 missions, 191 were combined with week-ends or official holidays. Five members spent 52, 52, 72, 81 and 104 missions days in their country of origin in 1978. (This, of course was additional to whatever share of their annual leave they saw fit to spend in their home country).

24. In its memorandum, the Commission makes a strong case for the desirability of members keeping reasonably close contacts with their home country. The memorandum agrees that 'a Commissioner should obviously not travel home at the public expense except when he has a genuine public engagement'³. This criterion can hardly be said to have applied in the case of a member who has spent, on average, some two days per week 'on mission' in his home country.

¹ Responding to a question put by Mr Kellett-Bowman at the public meeting of the Committee on Budgetary Control held on 4 October 1979, Mr Jenkins, President of the Commission of the European Community, gave an assurance that, should it be necessary to delegate the power of giving such prior authorization, the delegation would be to a Vice-President of the Commission and not to an official

² Indeed, on enquiring, the rapporteur was told by the ECA that this information was furnished to it, in confidence

³ Para. 2 on page 8 of COM(79) 507 final

25. There is a danger, perhaps remote, that members who keep too closely in contact with the domestic scene in their home countries may be less communautaire in their attitude to the work entrusted to them as members of the Commission. Parliament has been concerned at the tendency of the Commission to submit readily to pressure from the Council. Such pressure can usually be most conveniently applied through home State channels; hence the desirability of exercising restraint.

Absence of justifications

26. The audit revealed that nine members regularly failed to give any justification for the purpose of their missions and the four others provided only summary explanations ¹. This situation was quite unsatisfactory and should have been rectified earlier. It is noted, however, that, at Article 3 of the new procedures for authorising missions, the purposes of the mission must be indicated on the relevant form. This new requirement, though belated, is welcomed. Only time will tell whether this requirement will be complied with by members or whether it will be allowed to fall into abeyance - as was the case with the decision of 8 June 1977 regarding the prior authorisation by the President of the Commission for the hire of air-taxis.

A wider review

27. The Committee on Budgetary Control considers that there is need for an overall review of the situation of Members of the Commission not only in regard to the lump sum but also in regard to residence allowance. Consolidation of these arrangements would appear to be eminently desirable.

28. However, since the present members of the Commission may have acquired rights to these arrangements, the Committee felt that the revision should take effect from the beginning of 1981.

¹ If articles 8 and 9 of the new rules are applied fully, some of the difficulties referred to in this report will never recur.

Use of the transfer of appropriations mechanism

29. The amount of entertainment and representation expenditure for the six years 1973 to 1978 was virtually stable in the range of 10.1 million Belgian francs to 11.7 million Belgian francs. However, this stability conceals the fact that there was large-scale recourse to the mechanism for transferring appropriations (from item 2401) to add to the original budget provision in item 2400. The following table shows the scale of this feeding of item 2400 during the course of the budgetary year.

Transfers from item 2401 to item 2400

<u>Financial year</u>	<u>%</u>
1973	64
1974	58
1975	45
1976	33
1977	29
1978	2

30. Parliament has recognised the importance of allowing a degree of flexibility and discretion as regards recourse to the transfer of appropriations. However, the systematic use of the transfer mechanism can be held to diminish budgetary clarity and transparency. For this reason, when Parliament considered a major revision of the Financial Regulation at its sitting on 14 December 1976, it deleted the Commission's proposal that

"Each institution may transfer appropriations for payment between chapters in its section of the budget to meet its requirements."

31. In reaching this decision, Parliament followed the recommendation of the SHAW report ¹ which stated that the Committee on Budgets had devoted much time to considering the merits of the Commission's proposal but decided unanimously to delete it because it considered the provision to be too sweeping. As regards transfers within chapters, of course, a far less strict approach was followed because Parliament tended to regard the act of transfer as representing a step in the implementation of the budget with the role of Parliament being related to its control of expenditure responsibilities. The explanation furnished to Council stated ² that "In principle, this role is of an a posteriori nature. However, in politically important circumstances - for instance, where non-compulsory expenditure is concerned - Parliament's role is also a priori in nature."

¹
² Doc. 469/76, para 39
T/795/77, page 7.

32. Events have proved that transfers between items in the same chapter can have political consequences - apart altogether from the impact on transparency and the apparent sustained unwillingness to live within the framework of the budget as adopted. If it were essential to use larger sums out of item 2400, this could have been arranged by way of higher estimates in the preliminary draft budget. Failure by the budgetary authority to accept such higher estimates would be a clear indication to the Commission that higher levels were not approved. On the other hand, to follow the patterns shown in 1973 to 1977 without seeking an adequate rise in appropriations would appear to reflect a degree of laxity.

33. It is accepted, however, that the provisions of the Treaty and of the Financial Regulation do not prohibit recourse to the transfers which took place. Nevertheless, as the Commission agrees, such transfers should not be a regular feature. The Committee on Budgetary Control welcomes the fact that the Commission has recognised this and that it has adopted the measures that it hopes will ensure that it can stay within the total annual budgetary allocation for item 2400.¹ A degree of flexibility in the implementation of the budget is desirable but this must not become a "normal" perennial feature for certain lines.

Some exaggeration

34. In certain press reports, it was suggested that the Commission had exceeded its 1978 budgetary allocation for representation allowances by 23%. In fact, the Commission underspent slightly on this line. The actual situation was set out in the report 'under consideration' and was reiterated in the Commission's memorandum.

Combined engagements

35. At page 8 of its rejoinder, the Commission takes the Court of Auditors to task for its "implication that it is wrong to combine official engagements with a weekend....". In fact, such an implication is not contained in the report which pointed out that, as the Commission normally meets on Wednesdays, Members most often carry out their missions at the beginning or the end of the week. The Committee has no objection to missions taking place on Fridays or Mondays provided, of course, that they do not lead to the inclusion of a holiday weekend in the cost of the mission.

¹ An assurance to this effect was given to the Committee by Mr. Jenkins at the public meeting on 4 October 1979.

Slow growth of the allowances

36. Whereas Community salary rates rose by 64½% between 1973 and 1978, the provision for lump-sum allowances for representation (at item 1003) and for reimbursement of specific entertainment and representation expenditure (at item 2400) rose by 11% and 13¼% respectively over the same period - see footnote to paragraph 9.

37. This restraining pressure, which has been exercised by the budgetary authority on the level of these appropriations, has limited the scope for excessive expenditure on entertainment and allied outlays generally. There still remained scope for certain loose practices. Closer auditing control will help to ensure stricter adherence to disciplined use of these appropriations over the years ahead.

Discharge aspect

38. Discharge was given to the Commission for the implementation of the budget for past financial years - including the budgetary lines which are the subject of this report. The granting of discharge did not, of course, imply in any way that Parliament endorsed the practices that have now come to light.

39. It was to probe more effectively into the possibilities of the existence of irregularities or wastefulness in the use of Community appropriations that the Court of Auditors was set up.

40. The Committee on Budgetary Control was set up by Parliament to ensure better political control of the implementation of the budget. The rooting out of undesirable practices will not be accomplished overnight; however, scrutiny in Committee - where considered desirable in public session - will make for a steady improvement.

41. As regards the present issues, final judgment will be pronounced in the context of the 1978 discharge report. ¹

The other Institutions

42. The letters referred to at paragraphs 1 and 2 above leading to the report now under consideration were confined to the Commission because they were prompted by the practices of certain members of the Commission which had come to notice. Therefore, the analysis of the Court of Auditors was limited to that institution. While the Committee has no reason to suspect that similar difficulties or inconsistencies exist in regard to entertainment etc. expenditure in the other institutions, its

¹ i.e. before end-April 1980, in accordance with Article 85 of the Financial Regulation; this time span will enable repayment procedures etc. to be completed.

rapporteur has contacted the responsible persons in these other institutions and will inform the Committee on Budgetary Control of the results of his enquiries. ¹

The financial controller

43. It is scarcely necessary to stress the importance of the role of the financial controller as an element of internal control. Article 19 of the financial regulation requires that

"Each institution shall appoint a financial controller who shall be responsible for monitoring the commitment and authorisation of all expenditure....."

44. Article 33 of the financial regulation requires that

"proposals for commitments, accompanied by the supporting documents, shall be transmitted to the financial controller" and

"they shall be registered, after approval by the financial controller"

Article 34 of the financial regulation stipulates that

"The purpose of the approval of proposals for commitments of expenditure given by the financial controller shall be to establish that"

(d) the principles of sound financial management have been applied."

45. In view of the tenor of these provisions, the Committee on Budgetary Control considers that the financial controller should be fully satisfied that the agreed procedure is carried out for the approval of the hire of air-taxis from the earliest possible stage. ²

¹ Indeed, the rapporteur demands that standardised rules for these types of expenditure be adopted for all institutions as soon as possible.

² If found to be necessary, amendments to the Financial Regulation can be effected in the context of the 1980 revision envisaged under Article 107, so as to strengthen the position of the financial controller.

Amendments to the 1980 draft budget

46. On 7 November, Parliament adopted an amendment on Item 1300 of the 1980 draft budget put forward by the Committee on Budgetary Control. The aim of this amendment is:

- (a) to reduce by 37,000 EUA the amount provided in the draft 1980 budget for mission and travel etc. expenses;
- (b) to ensure that tighter control will be exercised over the total that may be spent on the hire of air-taxis; and
- (c) to have a review of the new procedures within the Commission to judge their efficacy in the light of the practical experience of the first four months of their operation.

As well, Parliament adopted a modification to Item 1003 and an amendment to Item 2400.

Repayment in certain cases

47. The Committee on Budgetary Control endorses the conclusions of the Court of Auditors at paragraph 5.7 of its report regarding the recovery of the amounts charged to Item 2400 which should have been met from the lump-sum allowances. Further, the unvouched expenditure mentioned in paragraph 4.6 must also be recovered. As stated at paragraph 17 above, repayment of the sums involved in 75 cases described at paragraph 4.2.3 (b), and (c) plus those at (d) would appear to be called for. As well, the situation in regard to the hire of jet air-taxis without the prior approval of the President of the Commission will need to be cleared up.¹ Final decisions on the issues raised in this paragraph may be reached in the context of the preparation of the 1978 discharge report.

Entertainment of officials

48. The Commission raised the issue of the paying for entertainment of officials out of Article 240². Your rapporteur feels that expenses claimable under Article 240 are those which can be supported by vouchers and which relate directly to the work of Members of the Commission. Other outlays of a more social and personal nature can be met from the not insignificant provision of 78,000 EUA at Item 1003³.

¹ Para 8.2.5.5 of the ECA report; the new rule in regard to air-taxis is welcomed.

² Pending the clarification of the common rules for all institutions, the rapporteur feels that the existing customs and procedures could be allowed to continue.

³ For the President, Vice-Presidents and members 34,205 FB, 21,980 FB and 14,655 FB, respectively, per month each.

The two points raised at the second and third sub-paragraphs on page 5 of COM(79)507 final are not chargeable to Art 240 as reimbursable expenditure in the light of the budget remark. These and similar issues will be looked at again by the Committee in the context of the review referred to in para 42 above.

Leak of information

49. It is unfortunate that the contents of the report of the Court of Auditors dealing with these sensitive and complicated matters should have been disclosed in advance of formal release. This irregular publicity is regrettable for several reasons. First of all, a mis-reading of certain passages of the text gave rise to scare headlines that incorrectly magnified some matters. Secondly, some journalists, who were prepared to act responsibly and await the formal release of the report, felt deluded by the irresponsible disclosure and harboured doubts as to the motives behind it. Thirdly, issues of such political significance should not be divulged generally until the appropriate forum - in this case the Committee on Budgetary Control - had given initial consideration to the matter. Fourthly, there is the danger that the impression might be given that the premature publication could be motivated by pecuniary considerations. Because the Committee primarily concerned has developed a confidential procedure for handling sensitive documents, it can cope with the issue of security of documents under embargo: similar watertight arrangements need to be evolved for all Community agencies and institutions so as to preserve the mature and responsible image of the Community in regard to the handling of newsworthy texts.

Informing the public

50. The preceding paragraph sets out some of the objections to the piecemeal leaking of sensitive documents. If scoops by certain favoured journals were avoided, then, overall, more balanced reporting could be ensured. The Committee on Budgetary Control favours the giving of maximum publicity to issues of interest to the Community

taxpayer. Meetings of the Committee, open to the press, will be a regular feature of its work programme so that the consideration given to problems of control can be fully reported. It was to this end that the meeting on 4 October, referred to above ¹, was held in public.

51. Parliamentary proceedings normally lend themselves to public debate. In this way, the taxpayer and the beneficiary can have a clear picture of the stance of their representatives. Therefore, the Committee on Budgetary Control appreciated the readiness of the President of the Commission and of the representative of the Court of Auditors to participate in the public meeting held on 4 October 1979.

The new procedures

52. Annexed to the Commission's observations (COM(79)507 final) are two decisions of the Commission regarding rules for -

- (a) entertainment and representation expenses incurred by members of the Commission, and
- (b) mission expenses of members of the Commission.

53. These rules represent a tightening up in procedures and a putting right of certain deficiencies and weaknesses revealed in existing arrangements. The Commission received the report of the Court of Auditors formally on 28 August from Parliament. The comprehensive revision was decided on by the Commission on 19 September and the new procedures were brought into effect on 1 October. The Commission accepted the major part of the recommendations of the Court of Auditors and, in the two instances where it differed, it gave lengthy explanations.

54. The Committee on Budgetary Control considered the new procedures at the meeting on 4 October and found much merit in them. However, in adopting a draft amendment to the 1980 draft budget, it decided to defer pronouncing on the new procedures until mid-1980 when their practical operation could be judged in the light of experience over some months. In addition, the other Institutions are called on to adopt forthwith watertight rules for similar expenditures.

Para 5.

General comments

55. In using the appropriations at items 1300 and 2400, members of the Commission should have the moderate prudence of a responsible person who is spending money out of the public purse - knowing always that any excess may have to be accounted for before the Parliamentary representatives of the taxpayer meeting in public session. If the outlay can be clearly shown to be related directly to the discharge of duties arising from the responsibilities of Community work, it would be allowable - provided the appropriate supporting vouchers and information (names, numbers involved, receipts, justification, and evidence of compliance with the internal rules) are given. It must be possible also for normal internal and external controls and audit checks to operate. In the matter of any borderline outlay¹ - on bouquets, restaurants, transport etc. - or when deciding whether an outlay was mainly private, whether it should come out of the lump sum or out of item 2400, members of the Commission should display the dignified responsibility of approach that the citizens of Europe expect of those to whom such high office has been entrusted.

Reaction of the Committee on Budgetary Control

(a) Conclusions

56. The Committee on Budgetary Control -

- (i) observes that the bulk of the amounts at issue was spent correctly and in accordance with normally acceptable accounting standards ;
- (ii) notes however that the sums concerned in the present report represent but a relatively small portion of the Community budget ;
- (iii) finds, however, that there were certain extravagances - and carelessness - on the part of some members of the Commission in regard to the adherence to practices that would have permitted the usual auditing and control procedures to apply;
- (iv) deplores the fact that the absence of watertight guidelines for the use of these appropriations helped to bring about the loose practices now being set right ;
- (v) regrets that the Commission should have awaited adverse publicity before drafting the appropriate internal rules ;
- (vi) also regrets that some members of the Commission did not comply fully with the Commission's decision² nor with the recommendation of the President - whose claims procedures were favourably pronounced on by the Court of Auditors ;

¹ Incidentally, it is noted with approval that the incongruous "overnighting" allowance has been discontinued.

² of 8 June 1977.

- (vii) will insist on closer observation of tighter budgetary rules in future in regard to the spending of these appropriations;
- (viii) expects repayment of those sums where the appropriate rules were not respected and where the Court of Auditors was not satisfied;
- (ix) expects for stricter discipline in the use of air-taxis;
- (x) observes that the financial controller has a special role in regard to sound management of appropriations;
- (xi) insists that the justification for all missions be set out fully and clearly;
- (xii) will pronounce definitively on the operation of the new procedures in the context of a mid-1980 review, by which time practical experience will have been had of the functioning of these new procedures;
- (xiii) stresses that it has carried out this analysis in the framework of Article 206a of the Treaty and that it will give its final views on the repayment aspect in the report on the discharge for the 1978 financial year;
- (xiv) demands that all Institutions adopt appropriate rules in regard to the use of these appropriations before the completion of the second reading of the 1980 budget;
- (xv) considers that there should be a general review of the allowances and remuneration of Members of the Commission - to be completed before 1.1.1981.

(b) Concrete steps taken or pending

57. The Committee on Budgetary Control -

- (i) put down a draft amendment¹ to the budget designed
 - (a) to reduce the amount in the budget for travel outlay by the Commission;
 - (b) to enable a considered judgment to be reached on the Commission's new procedures by mid-1980; and
 - (c) to place a ceiling on the amount that may be spent on air-taxis.

¹ This draft amendment to Item 1300, another draft amendment to Item 2400, and a proposed modification to Item 1003 were adopted by Parliament on 7 November.

- (ii) will give its opinion on the use of the 1978 appropriations - and will verify the making of the repayments called for above - in the framework of the 1978 discharge report;
- (iii) will consider putting forward proposals for appropriate amendments to the Financial Regulation in the context of the 1980 revision.

PROPOSED
MODIFICATION

BUDGET

EUROPEAN PARLIAMENT

31 October 1979

Doc. 378, 342

DRAFT
GENERAL BUDGET OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1980

PROPOSED MODIFICATION No. 342..

SECTION III - COMMISSION

PAYMENTS

Title 1	: Expenditure relating to persons working with the Institution
Chapter 10	: Members of the Institution
Article 100	: Salaries, allowances and payments related to salaries
Item 1003	: Representation allowances

A - Expenditure

-

B - Compensation

-

C - Revenue

-

COMMITMENTS

-

REMARKS

Modify remarks to read as follows:

Item 1003:

Article 4 of the Regulation determining the emoluments of Members of the Commission; the appropriation is intended to cover the representation allowances of Members of the Commission. In June 1980 the Committee on Budgetary Control will consider expenditure during the first four months of the 1980 financial year.

Justification

The action taken recently by the Commission, following submission of the report of the Court of Auditors on 'The accounts for 1977 and 1978 on entertainment and representation allowances and expenses of the Members of the Commission, and on their mission expenses', is to be welcomed.

However, it will be for the responsible body of the European Parliament, the Committee on Budgetary Control, to consider expenditure during the first four months of the 1980 financial year.


The Committee on Budgets has unanimously delivered a favourable opinion on this proposed modification.

AMENDMENT

BUDGET

EUROPEAN PARLIAMENT

30 OCTOBER 1979...

Doc. 378/ 326 DRAFT
GENERAL BUDGET OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1980

AMENDMENT No. 326..

SECTION III - COMMISSION

PAYMENTS

- Title 1 : Expenditure relating to persons working with the Institution
- Chapter 13 : Expenditure relating to missions and duty travel
- Article 130 : Mission expenses, travel expenses and incidental expenditure
- Item 1300 : Members of the Institution

A - Expenditure

Reduce the payment appropriation by 37,000 EUA (from 737,000 to 700,000 EUA)

B - Compensation

-

C - Revenue

Reduce revenue by the same amount

COMMITMENTS

-

REMARKS

Add the following to the remarks on Item 1300:

In June 1980 the Committee on Budgetary Control will consider the expenditure incurred in the first four months of the 1980 financial year. Reimbursement of the cost of air taxis is subject to prior approval by the President of the Commission.

Expenditure on air taxis financed out of Article 130 must not exceed 300,000 EUA in the 1980 financial year.


Justification

The Committee on Budgets and the Committee on Budgetary Control have on a number of occasions discussed the problems connected with the expenses of members of the Commission and in particular mission and travel expenses.

At its meeting of 29 October 1979 the Committee on Budgetary Control considered the draft report by Mr KEY on the special report by the Court of Auditors requested by Parliament on the allowances and representation costs of Commissioners and their mission expenses. It adopted this draft amendment.

EUROPEAN PARLIAMENT

31 October 1979..

Doc. 378/343 

DRAFT

GENERAL BUDGET OF THE EUROPEAN COMMUNITIES
FOR THE FINANCIAL YEAR 1980

AMENDMENT No. 343.

SECTION III - COMMISSION

PAYMENTS

Title 2 : Buildings, equipment and miscellaneous operating
expenditure

Chapter 24 : Entertainment and representation expenses

Article 240 : Entertainment and representation expenses

A - Expenditure

-

B - Compensation

-

C - Revenue

-

COMMITMENTS

-

REMARKS

Add the following remark:

In June 1980 the Committee on Budgetary Control will consider expenditure during the first four months of the 1980 financial year.

Justification

The action taken recently by the Commission, following submission of the report of the Court of Auditors on 'The accounts for 1977 and 1978 on entertainment and representation allowances and expenses of the Members of the Commission, and on their mission expenses', is to be welcomed.

However, it will be for the responsible body of the European Parliament, the Committee on Budgetary Control, to consider expenditure during the first four months of the 1980 financial year.

The Committee on Budgets has unanimously delivered a favourable opinion on this draft amendment.

