

28 April 2005

Contribution from the Netherlands' delegation for the discussion on the "implementation of the EU budget" at the XXXII COSAC in Luxembourg on 17-18 May 2005.

Under the Irish Presidency of the European Union (EU) the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC) in May 2004 called for a closer co-ordination between the Parliaments concerning scrutiny and implementation of the general budget of the European Union.

Article 274 of the Treaty establishing the European Community states that the European Commission implements the budget "[...] on its own responsibility and within the limits of the appropriations, having regard to the principles of sound financial management. Member States shall cooperate with the European Commission to ensure that the appropriations are used in accordance with the principles of sound financial management."

Article I-53 of the Treaty establishing a Constitution for Europe states that the budget shall be implemented "in accordance with the principle of sound financial management. Member States shall cooperate with the Union to ensure that the appropriations entered in the budget are used in accordance with this principle." Contrary to the Treaty establishing the European Community, the Treaty establishing a Constitution for Europe now lays down that a European law (Article III 407 and Article III-412) "shall establish the control and audit obligations of the Member States in the implementation of the budget and the resulting responsibilities. It shall establish the responsibilities and detailed rules for each institution concerning its part in effecting its own expenditure."

These articles lay the present and especially future foundation for implementing the principles of sound financial management, and more specifically the obligations and responsibilities of all parties concerned.

In its latest annual report¹, however, the European Court of Auditors concluded again it had no reasonable assurance that the control and monitoring systems are implemented correctly. The Court underlined the need for efficient and effective control mechanisms on all administrative levels implementing the EU budget. Substantial improvements must be made to this effect in order to make sure that the EU's budget is administered and implemented effectively and efficiently.

This need also exists from the perspective of "Communicating Europe" to our citizens. In many Member States, the EU's finances are a main concern to citizens. The fact that some national Courts of Auditors lack adequate means of control whereas almost 85% of the EU-budget is spent by the Member States, can only add to citizens' lack of confidence in the EU and its finances.

In order to achieve what COSAC set out to do in May 2004 and to help us communicate Europe to our citizens, but even more so as our citizens' representatives, COSAC must highlight the importance of good, confidence-building budget management, and the need for

¹ Court of Auditors — Annual report concerning the financial year 2003 (OJ C 293, volume 47, 30-11-'04)

strong improvements to the management and control systems used for EU budget expenditures.

Taking into consideration that

- progress has been made with the reform of the internal control system of the European Commission, but greater efforts are needed to improve control of expenditures carried out by more than one actor and/or through (indirect) decentralised and shared management;
- in order to achieve more effective control and, eventually, more efficiency, it is necessary that all actors take a long-term commitment. This is the essence of taking responsibility for the control of the EU budget;
- the current arrangement, in which (part of) the EU budget is spent through (indirect) decentralised and/or shared management whereas the European Commission has final responsibility, leads to control risks;
- budget procedures which are more comprehensible, clearer and transparent for citizens, will also lend greater legitimacy to the EU's finances;
- continuing underexpenditure of several European budget lines also contributes to the EU's confidence deficit with its citizens;
- more actors, especially on the national level, should be held to account for a better communication to our citizens regarding the EU's finances;
- several forms of cooperation could be set up between the national Courts of Auditors, for instance on the matter of financial management;

Therefore states the following

- COSAC and its members take the long-term commitment that is needed to improve the control of EU expenditure, especially regarding control on the national level.
- The responsibility structure regarding control of the EU's budget must be improved within the Member States. The division of responsibilities should in real terms match the provisions in the Treaty establishing a Constitution for Europe. It is necessary to strengthen the management, audit and control structures and to improve the accountability of the Member States.
- The European Commission, in cooperation with other EU institutions and the Member States, must step up its efforts to increase this sense of responsibility in real terms, in order to improve the efficiency and effectiveness of future EU budgets.
- As a first step towards better control and responsibility and for that purpose to enhance the position of the European Commission, COSAC supports the proposal to introduce "a single audit model" in the European Union. Although the European Commission has the final responsibility, Member States have to fulfil their obligations and therefore the COSAC would welcome the introduction of a comprehensive ex-ante Disclosure Statement and an annual ex-post Declaration of Assurance from the European Ministers of Finance².
- Calls upon the EU institutions involved and upon the Council in particular to do their utmost in order to introduce the single audit model in the nearby future.
- In addition to the necessary improvement of the budgetary control system in the European Union, more efforts are needed to tackle the confidence deficit with European

² Report on the discharge for implementing the European Union general budget for the financial year 2003, Committee on Budgetary Control of the European Parliament (A6-0070/2005 FINAL; 22-03-2005)

- citizens. More actors, especially on the national level, should undertake efforts to address citizens' concerns on the EU's finances. Stepping up cooperation between the national Courts of Auditors (and the European Court of Auditors) can make a valuable contribution. The COSAC therefore welcomes the working group on national reports on EU financial management set up by the national Courts of Auditors, and calls upon its members to stimulate that every national Court of Auditors publishes an annual report on the EU expenditures in that Member State.
- The members of the COSAC will do their utmost to place the communication with European citizens on the EU's finances and a better control of EU finances on their national parliamentary agenda's.

The COSAC will forward this statement to the European Commission, the Court of Justice, the Court of Auditors, the European Investment Bank, the Member States' national parliaments and national Courts of Auditors.