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on

THE CHANGING ROLE OF PARLIAMENT
IN THE BUDGET PROCESS

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Budget Reforms and Parliament’s Role in the Process:
Experiences in Turkey and Selected EU Member Countries

Active Parliamentary Scrutiny of Use of Public Money:
Some European Experiences

by

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Summary

The paper outlines some general considerations as regards parliamentary scrutiny and accountability. Why is parliamentary scrutiny of how the executive body uses public money important? Then follows an explanation of the legal framework in which the Committee on Budgetary Control in the European Parliament carries out its activities. The final part of the paper deals with how this scrutiny can be performed and reinforced.

Biography


Mr Bösch was a member of the Bundesrat (1989-1994) and a member of the Nationalrat (1994-1995). He has been a member of European Parliament since 1995 and was Delegation Chairman, EU – Slovak Republic Joint Parliamentary Committee (1995-1999). Mr Bösch is currently Chairman of the Committee on Budgetary Control, a member of the Conference of Committee Chairmen and of the Committee on Budgets and a substitute of the Committee on Agriculture and Rural Development and of the Delegation to the EU-Ukraine Parliamentary Cooperation Committee.
Introduction

Parliaments' role in the budgetary process is essentially focused on two activities. The first activity is to establish the budget. It is a forward-looking activity in which discussions on the priorities for the next budget will take place. Which policy areas shall have what amount of money? This work is in general carried out in Budget Committees or Finance Committees.

The second activity is a retrospective activity during which parliaments exercise control over the implementation of the budget. Parliaments will check whether the last budget was spent wisely, for its intended purposes and in accordance with all regulations. This activity is normally carried out by Budgetary Control Committees or committees with a different name but similar functions.

In the case of the European Union the different stages in the budget process - preparation, adoption, implementation, and control - are "regulated" by different legal texts such as the Treaty, the Financial Regulation, inter-institutional agreements and internal rules of procedures.

The title of the symposium is "The changing Role of Parliament in the Budget Process". There is an implicit assumption that the role of Parliaments in the budget process is changing. Is this the case? And if it is from what to what? Have parliaments over a certain period of time changed attitude, interest, attention from one of the stages in the procedure to another?

Change is clearly ongoing in the European Parliament. In recent reports\(^1\) the European Parliament has given increasing attention to accountability issues. This is not to say that Plenary is dealing less seriously with the forward looking budget procedures. It is more correct to say that the attention now being given to accountability issues is being expressed in more qualitative terms and with more emphasis than before.

Who is the author?

Since 1995 I have been a Member of the European Parliament's Committee on Budgetary Control. From July 1999 I was vice-chairman and since January 2007 I have had the honour and privilege of being Chairman of the Committee.

Based on my work in the European Parliament and in the Committee on Budgetary Control as well as in the Committee on Budgets over the last 13 years I will present my personal points of view and considerations as regards the changing role of the European Parliament in the control of the implementation of the Community budget.

The views expressed do not necessarily reflect the views of the European Parliament as an institution.

Organisation of the Paper

The first chapter will outline some general considerations as regards parliamentary scrutiny and accountability. Why is parliamentary scrutiny of how the executive body uses public money important?

Then follows a chapter on the legal framework in which the Committee on Budgetary Control in the European Parliament carries out its activities.

A third and final chapter will deal with how this scrutiny can be performed and reinforced.

Why is Parliamentary Scrutiny Important?

Governments have the power to take money from the public and spend it on their behalf. Each year governments all over the world raise and spend billions of euros of public money. The way the spending is done determines the quality of daily life for millions of people.

The public has a right to know how it is governed. Taxpayers in particular want to know how public money - taxpayers' money - is spent and to receive assurance that it has been spent well.

In the private sector the result of management's efforts are expressed in the accounts, and the bottom line indicates whether management has been successful or not. It is not that simple in the public sector in as far as public activities do not in general generate a "surplus". Other ways of "measuring" managements' efforts have to be found and other questions have to be put.

Parliament is the public's representative body and as such it is Parliament's responsibility to pose the right questions with a view to holding the executive to account for the money that it raises and spends.

Democratic societies were not born out of an abstract idea. They were based on the down-to-earth insistence that those who pay the taxes shall have control over how the taxes are used. It therefore follows that democracy as well is about the possibilities that citizens have of making holders of public office accountable for their decisions and actions.

**Accountability**

Accountability is the relation between one who allocates responsibility and one who accepts this responsibility. The one accepting responsibility will be required to give an account of actions taken in order to assume the given responsibility.

It is not sufficient to say "I have assumed my responsibility". Holders of public office must also clearly explain the process they have followed and the activities they have carried out in order to enable themselves to say that they have assumed responsibility. The way in which "assurance" is achieved must be explained. Otherwise the given assurance is nothing more than window dressing.

Parliaments provide financial authority and powers. They therefore have the right and responsibility to hold governments and its entities accountable for the management and use of the resources entrusted to them. Accountability is one of the most fundamental democratic principles. Democracy is a question of confidence, not only to people, but also to institutions. The more confidence citizens have in institutions using public money, the more there is democratic legitimacy.

Democratic legitimacy is, however, not only a question of creating democratic institutions. The life of democratic institutions and their way of working must constantly be maintained and developed. A "living democracy" needs active parliamentary scrutiny to build confidence, legitimacy and public trust.

**Some instruments at the disposal of parliaments:**

**New elections**

In a democracy, voters have the possibility to vote for someone else at the next elections if they have been dissatisfied with the performance of the current government. The power delegated to ministers can be taken back and given to someone else. One of the obvious shortcomings of new elections being the control instrument is that it can only be used every fourth or fifth year, depending on the length of the legislature.

**Motion of censure**

Due to this weakness the "new elections" as a control instrument has been supplied with a variant which allows Parliament to adopt a motion of censure against a specific minister or the whole government. In EU Member States this classical expression of "parliamentary control" is certainly a powerful instrument, but it is not very subtle. Modern societies are complicated and it will often be difficult to obtain sufficient insight into complex structures in order to pinpoint responsibility.
Other instruments

Elections and motions of censure must be supplied with other instruments in order to assure accountability. Some supplementary instruments are transparency in public administration, specialised legal structures, evaluations, an "Ombudsman" or petitions\(^2\). State audit is another possibility.

State audit

State audit can be organised in many different ways. From a purely intellectual point of view it is interesting to note the great variation in the institutional set up of state audit in different EU Member States. The non existence of one general accepted model of external audit could indicate that the control of the executive authority has played a minor role in the theoretical development of democracy.

The result of the absence of a uniform approach makes it more difficult to carry out effective scrutiny, but it does not make it impossible and it certainly does not mean that it will be done arbitrarily. Good practices for audit and accountability arrangements have been established by INTOSAI (International Organization of Supreme Audit Institutions). Due to the absence of one general accepted model for external audit adherence to these good practices seems of utmost importance.

Increasing awareness

Members of the Committee on Budgetary Control in the European Parliament have in recent years shown an increasing awareness of the importance of active parliamentary scrutiny.

It has been acknowledged that the role and functions of a budgetary control committee are not set once and for all. They change over time as a consequence of developments in society in general, reforms in the administrative and financial management system in the executive body as well as changes in the accounting and audit sectors.

The central question for a parliamentary control committee is to achieve effective political control over strong technical bureaucracies. With which means can this be achieved?

Before indicating some possible replies as regards the how it seems appropriate to briefly mention the legal framework in which the Committee on Budgetary Control in the European Parliament carries out its activities. This will allow for a more complete understanding of the influence of the Committee.

Readers who are familiar with the legal framework may want to skip the following chapter. However, readers unfamiliar with the Treaty may want to continue because an introduction to the role of the European Court of Auditors as well as fundamental concepts such as "discharge" will help in understanding the Committee's future challenges.

The Legal Framework

For ease of reference the main articles of the Treaty\(^3\) with direct relevance for the discharge procedure are reproduced in annexe 1. Here follows a short summary of the content of these rules.

The Treaty

Article 248 of the Treaty gives the European Court of Auditors the role of "assisting" the European Parliament and Council in exercising their powers of control over the implementation of the budget. The Court is the external auditor of the European Union. Despite the name it has no judicial powers. It is a collegiate body which adopts reports and opinions which have no binding

\(^2\) Each of these instruments is very important as control mechanism. However, time and space do not allow for a more detailed discussion.

force but are a help to those managing EU funds (the Commission⁴ and the Member States) as well as those controlling the implementation of the budget (the Parliament and the Council).

The tasks of the Court are to audit the EU's accounts and the legality and regularity of all EU revenue and expenditure, to provide the Parliament and the Council with a "Statement of Assurance", to audit the soundness of financial management and to provide opinions on new legislative proposals with financial impact.

Article 274, paragraph 1 of the Treaty gives the European Commission final responsibility for the implementation of the budget. Member States shall "cooperate" with the Commission. This division of tasks, not responsibility, is at the origin of what is called "shared management". The rules according to which "shared management" shall be carried out are spelled out in Article 53 of the Financial Regulation⁵ which lays down detailed rules for the establishment and implementation of the general budget of the European Communities.

Article 276 of the Treaty provides that "the European Parliament, acting on a recommendation from the Council (...) shall give discharge to the Commission in respect of the implementation of the budget (...)".

The "discharge procedure" is a process during which the Committee on Budgetary Control, on behalf of the European Parliament, scrutinises the Commission's implementation of the budget. At the end of the process Parliament will adopt a decision to grant or to refuse discharge to the Commission as well as a resolution in which it comments the implementation and may propose changes to current procedures and practises.

The discharge decision and the discharge resolution are expressions of Parliament's political appraisal of the implementation of the budget and are largely based on the European Court of Auditors' Annual Report and Special Reports.

Formally the discharge decision releases the Commission, the executive body, from further liability for management of the budget for a particular year and marks the end of the budget's existence.

Before giving discharge to the Commission, Parliament may ask to hear the Commission with regard to the execution of expenditure or the operation of financial control systems. Each year the Committee invites a number of Commissioners to a hearing in the Committee during which the Commissioner will have to reply to questions from Members of the Committee mainly based on audit findings in the Court of Auditors' last Annual Report. The Commission is required to submit any necessary information to Parliament at the latter's request (Article 276(2)).

The Internal Rules of the House

As article 276 of the Treaty does not give any practical advice on how the discharge shall be given the detailed provisions have been laid down in the Internal Rules of the House.

According to these rules, which are attached in annexe 2, the committee may invite Parliament to grant, postpone or refuse discharge in respect of implementation of the budget. By granting discharge through a resolution voted in April, Parliament approves the implementation of the budget in respect of the financial year under examination.

If Parliament concludes that there are serious issues to be addressed and that more information is necessary before discharge may be granted, it may postpone the discharge decision. In that case Parliament must set out the reasons for postponement, the further action that the Commission is expected to take and the deadlines for doing so and then stipulate the documents required for Parliament to then take an informed decision.

⁴ In this text "Commission" refers to the European Commission, the executive body in the EU system.
The refusal to grant discharge has no legal consequences but may be regarded as a serious political sanction. Refusal of discharge is a strong weapon and the consequences of using this instrument cannot always be foreseen.

There seems to be a widespread misunderstanding that refusal of discharge equates to a motion of censure. This is however not the case as far as the voting procedures foresee a different majority for the two decisions. Where granting/refusal of discharge are decided by "a majority of the votes cast"\(^6\), a motion of censure requires "a two-thirds majority of the votes cast, representing a majority of the Members of Parliament"\(^7\).

Furthermore, a vote on a motion of censure does not take place on the same day it is submitted ("by one tenth of the component Members of Parliaments")\(^8\). The whole procedure is spread over several part-sessions\(^9\).

It is often said that a refusal of discharge would have serious political and institutional consequences. So far this has not been proven and it could be assumed that the political and institutional consequences of such a move would depend on the reasons for doing it.

### How Can Parliamentary Scrutiny be Strengthened?

The overall lesson to be drawn from 13 years of experience in the Committee on Budgetary Control is the importance of learning and the constant development of working methods. It is extremely important to ask oneself at least once a year "Are things being done in the right way? Are the right things being done? Which good practices can be identified?"

However, the efficiency of a parliamentary control committee does not depend only on the committee's working methods. It also depends on external factors such as the audit office as well as on the position of the committee in the House. The committee as such has only an indirect influence on these factors, but it is clear that if the committee is not satisfied with the information it receives from the audit office or with its status in the parliament of which it is a part, it will have to engage in - often time consuming - dialogue and discussions in order to improve the situation.

The following issues have been the subject for some consideration and discussion in the Committee on Budgetary Control in the European Parliament. They are presented here as examples of issues which might have an influence on a control committee's possibilities for achieving results. The list of topics is not exhaustive.

#### Relations with the audit office

A precondition for effective parliamentary scrutiny is the existence of an independent and efficient state audit office performing its functions in accordance with good practices as established by INTOSAI and providing sufficient, timely, interesting and top quality audit reports that have had full contradiction to ensure they are fair and factual.

In the EU Member States National Audit Offices and Court of Accounts - often referred to as Supreme Audit Institutions (SAI) - make an important, even essential contribution to the accountability process. Despite different national traditions for external audit they play an important role by providing to Parliament independent information, assurance and advice about the accounts and the executive managers' performance.

Parliaments and Supreme Audit Institutions have a common objective which is to improve public financial management, strengthen accountability of the executive and thereby ensure a high level of management and the delivery of results.

The two institutions have different roles and responsibilities. The external audit institution is a tool for the parliament to which it reports and by pulling forces and knowledge the two

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\(^{7}\) Article 201 of the Treaty.  
\(^{9}\) European Parliament's Rules of Procedure, Rule 100, paragraph 4-6.
institutions would be in a strong position to encourage the executive to take appropriate corrective actions where needed.

Some general preconditions for an active parliamentary scrutiny of the use of public money are

- that the Supreme Audit Institution produces good knowledge about the delivery of the government's programmes informing Parliament whether the programme correspond to the intentions as set out in the law and the budget adopted by the legislative authority and whether implementation is carried out in an economic, effective and efficient way
- that the Supreme Audit Institution is independent of the legislature and the executive and at the same time sufficient powerful to have an impact
- that sanctions will be taken against those not fulfilling accountability requirements
- that all areas of the public budget are open for external scrutiny.

Some more specific areas where there might in general be "room for improvements" as auditors often say could be

**Business relationship**

The Supreme Audit Institution and the parliamentary committee have a mutual interest in establishing a strong business relationship and thereby achieving a more prominent position for parliamentary scrutiny on the political agenda. Quite often discussions on the budget focus on the allocation of resources. Other aspects - such as effects, results, responsibility, accountability, transparency - tend to have a secondary position in the debate. The two institutions have a common interest in changing this situation.

**Audit strategy and plan**

Synergy between the two institutions can be achieved if there is a possibility to discuss the respective work programmes before final adoption. It would be a step forward if each institution could give input to the other institution's annual work programme as this can help to identify where joint efforts are possible and to avoid duplication of work.

In the EU Member States the control committees have varying degree of possibilities for influencing the work programme of the Supreme Audit Institution. In the EU system, Parliament's Committee on Budgetary Control may simply express its wishes in an informal way and the European Court of Auditors decides independently if it is in a position to meet Parliament's wishes.

In as far as Supreme Audit Institutions are tools for Parliaments a certain parliamentary influence on the Supreme Audit Institution's work programme would not be a violation of the Supreme Audit Institution's independence.

**Informal assessments**

It is helpful for the work of the control committee if informal assessments of managerial information by the auditor can be provided. Sufficient and competent support from the Supreme Audit Institution to the control committee allows the committee to take swift action on current matters of importance outside the more formal reporting procedures.

**Follow up on implementation of recommendations**

The Supreme Audit Institution's recommendations as regards the implementation of the different programmes will only have effect if they are transformed from written paper into concrete action. It is useful for the control committee regularly to receive updated information on the state of play of the implementation of recommendations. If certain departments of the executive have recurrent difficulties in giving proper follow up to the auditors' recommendations it might be necessary for Parliament to take action.
Exchange of staff

Audit resources are scarce and expensive and it seems inappropriate to build up the same level of expertise in the control committee as in the audit office. However, the control committee will need a certain level of expertise, professionalism as well as independent research capacity in order to give adequate follow-up to audit findings. An exchange of staff could be an acceptable solution.

The control committee's position in the House

For parliamentarians it is not a secret that some committees in a parliament are traditionally seen to be more important and more prestigious than others. It is equally well known that there are many ways of undermining the formal competences of a committee. It is also a fact that in many parliaments there is a certain difference of opinion - if not tension - between those Members giving priority to setting ambitious policies for the future and those looking critically backwards on the achieved results, the seriousness of the shortcomings, weak procedures or inadequate working methods in the executive.

If control committees and their activities are considered to be "inferior" to other committees, Members of control committees will have an important task of explaining the importance of parliamentary scrutiny and how action on audit findings can ensure better delivery and enhance public trust, accountability, legitimacy and finally democracy.

If the political leaders of a parliament take the view that any political question is more important, more urgent and more interesting than the supervision of the use of public money, a Committee on Budgetary Control and its Members seem only to have two options. The first is to invest enormous efforts in communication and dialogue in order to change the prevailing opinion. The second is to wait for the next scandal.

A Committee for Budget and another for Budgetary Control

The increasing complexity - and workload - as regards both the establishment and the control of the budget for a modern society makes it necessary for a parliament to have a specific committee for the two different functions. Parliaments are free to organise the work as they find best and the absence of a constitutional provision for the creation of a specific control committee cannot be seen as a hindrance. On the contrary. A parliamentary initiative to create a separate control committee would be a strong signal to the public showing that Parliament cares about the use of public money.

The Committee's composition

Historically, budgetary control committees are often "born" in the budget committee. Many control committees began their existence as "sub-committees" under a budget committee before they became fully independent committees. In theory and in order to respect the division of work and influence between the two committees it could be seen as an anomaly that one Member can be a Member of both committees. This is however the case in the European Parliament where the prevailing point of view is that the presence of Members of the Committee on Budgetary Control in the Committee on Budget has a positive influence on the deliberations of the next budget in that committee.

A parliamentary control committee should not be too big. The Committee on Budgetary Control in the European Parliament has 40 Members which some consider being a bit too many. The point of view is that the committee would be more efficient and obtain better results if it was smaller and if it focused its efforts on absolute fundamental control issues identified in dialogue with the audit institution.

In some national parliaments in the EU, membership of the control committee is restricted to "senior MPs". Seniority is maybe not the only valid criteria. The 2006 discharge procedure showed that the whole matter was handled very competently by a relative young Member of the
European Parliament. But it seems clear that the political groups of the House should only send highly interested and dedicated Members to the control committee. Important results can be achieved even with only a handful of engaged Members with a common objective.

**The Committee's access to Plenary**

The Supreme Audit Institution provides audit reports to the control committee. The control committee should be free to evaluate the need for parliamentary action. Not all audit reports may need specific action, but the committee should be empowered to decide and have the possibility to present its own report on the Supreme Audit Institution's report to Plenary if this was found necessary in order to achieve improvements in the area under audit.

**Matters mainly depending on the committee's own decisions**

Some aspects of the functioning of a control committee are mainly dependent on the committee's own decisions and are therefore open for change - if a majority of the Members of the committee so wish. In this respect the role of the committee chair is essential.

**Focus**

Effective exercise of public accountability requires that control committees are able to keep focussed on fundamentally important control issues and avoid getting side-tracked into details (however juicy for the press). Committee meeting time is limited and should be used as useful as possible. Supreme Audit Institutions are in the world in order to work for parliaments so a substantial part of the available time should be dedicated to a thorough debate on the SAI's reports.

**Accept the role**

A parliamentary committee on budgetary control should act like what it actually is: a parliamentary body and not an investigative body. It should not try to "replace" the auditor because it does not have the resources - time, staff, and knowledge - to undertake investigations itself. A parliamentary committee which aspires to be investigative will in fact be an unhappy mix of legislative and investigative authorities.

**Relations with the sector specific committees**

This aspect might prove to be a relatively difficult one as every parliamentary committee always is keen of defending its competences. It is an eminent political question - not a "technical" or "administrative" one - to establish an adequate balance between horizontal committees and sector specific committees. In the European Parliament the mandate as well as the number of committees is open for modification after each election and the strength and influence of a control committee will reflect the attention given to accountability issues by the political leaders in the House.

**Communication strategy**

An agreed policy on how the control committee should interact with the press and the media would seem to be advantageous. This could be helpful in creating understanding for the importance of parliamentary scrutiny and to publicise knowledge about the work of the committee.

**Developing good practice**

Parliamentarians are first and foremost politicians and cannot be expected to be experts in public financial scrutiny. This is a fact which should be acknowledged. However, this does not mean that parliamentary scrutiny cannot be carried out to the highest standards. Information, formation and other training activities could be integrated in the committee's normal activities.
Staff

A precondition for carrying out effective scrutiny is the committee disposing of a professional secretariat which can assist the committee in its work. It is therefore important that the committee offers interesting working conditions.

In some EU Member States private sector companies offer Mini Coopers to newly graduated candidates as a lure for coming to work at their companies. In the public sector this kind of hardware is neither available nor desirable. Instead, software can be used to create a culture to enable the recruiting and retaining of competent staff.

Innovation, value-based management, recognition, responsibility, motivation, career-planning and personal development are just some of the key concepts in this regard. A work place offering possibilities for continuous learning will be more attractive to engaged and dynamic people than one in which you mainly perform routine tasks.

Conclusion

The principle of holding the executive accountable was very well formulated in Article 15 of the French Declaration of the Rights of Man and of the Citizen from 1789:

"La société a le droit de demander compte à tout agent public de son administration".

More than 200 years after putting this principle on paper it is as relevant as never before. Why?

Probably because the principle is neither right wing nor left wing. It is simply common sense.

How exactly the executive can be held accountable is an open question. There are many ways and instruments available and the action to be taken will depend on the actual legislative, institutional and political context. Some European experiences have been mentioned. They might serve as inspiration but not as "Instructions for use".

On the question raised at the beginning of the paper whether parliaments over a certain period of time have changed their attitude, interest, attention from one of the stages in the budget process to another it seems clear that as regards the European Parliament more focus is being put on the principle of holding the executive accountable for its actions.

This is maybe the beginning of a much needed "back to basic" movement in which parliamentarians and citizens will require the scrutiny processes to be continually developed and adapted with a view to achieve better public financial management and - at the bottom line - better public delivery.

The challenge for a control committee is to confirm the fundamental democratic principle that the budget is controlled by the legislature, not the executive. To do this the control committee must first of all state its willingness and ability to question the executive and then put itself in a position where it has the necessary influence and power to transform audit findings into remedial action as efficient as possible.

This process can be facilitated if the executive considers the discharge procedure as a constructive process which support the executive's own efforts towards excellence in stead of an annual punishment to go through as quickly as possible.

Effective parliamentary scrutiny is not a given thing. It is an enormous challenge for most control committees and new ways of working might have to be invented in order to achieve this objective. Control committees can benefit from each others' experiences. It is useful for one control committee to know where another succeeded and why and where it failed and why.

The time may well have come to explore the possibilities of creating a permanent forum for dialogue and an exchange of views in the form of a parliamentary network composed of Members of parliamentary control committees.
Article 201

If a motion of censure on the activities of the Commission is tabled before it, the European Parliament shall not vote thereon until at least three days after the motion has been tabled and only by open vote.

If the motion of censure is carried by a two-thirds majority of the votes cast, representing a majority of the Members of the European Parliament, the Members of the Commission shall resign as a body. They shall continue to deal with current business until they are replaced in accordance with Article 214. In this case, the term of office of the Members of the Commission appointed to replace them shall expire on the date on which the term of office of the Members of the Commission obliged to resign as a body would have expired.

Article 248

1. The Court of Auditors shall examine the accounts of all revenue and expenditure of the Community. It shall also examine the accounts of all revenue and expenditure of all bodies set up by the Community in so far as the relevant constituent instrument does not preclude such examination.

The Court of Auditors shall provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions which shall be published in the Official Journal of the European Union. This statement may be supplemented by specific assessments for each major area of Community activity.

2. The Court of Auditors shall examine whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management has been sound. In doing so, it shall report in particular on any cases of irregularity.

The audit of revenue shall be carried out on the basis both of the amounts established as due and the amounts actually paid to the Community.

The audit of expenditure shall be carried out on the basis both of commitments undertaken and payments made.

These audits may be carried out before the closure of accounts for the financial year in question.

3. The audit shall be based on records and, if necessary, performed on the spot in the other institutions of the Community, on the premises of any body which manages revenue or expenditure on behalf of the Community and in the Member States, including on the premises of any natural or legal person in receipt of payments from the budget. In the Member States the audit shall be carried out in liaison with national audit bodies or, if these do not have the necessary powers, with the competent national departments. The Court of Auditors and the national audit bodies of the Member States shall cooperate in a spirit of trust while maintaining their independence. These bodies or departments shall inform the Court of Auditors whether they intend to take part in the audit.

The other institutions of the Community, any bodies managing revenue or expenditure on behalf of the Community, any natural or legal person in receipt of payments from the budget, and the national audit bodies or, if these do not have the necessary powers, the competent national departments, shall forward to the Court of Auditors, at its request, any document or information necessary to carry out its task.

In respect of the European Investment Bank's activity in managing Community expenditure and revenue, the Court's rights of access to information held by the Bank shall be governed by an agreement between the Court, the Bank and the Commission. In the absence of an agreement, the Court shall nevertheless have access to information necessary for the audit of Community expenditure and revenue managed by the Bank.
4. The Court of Auditors shall draw up an annual report after the close of each financial year. It shall be forwarded to the other institutions of the Community and shall be published, together with the replies of these institutions to the observations of the Court of Auditors, in the Official Journal of the European Union.

The Court of Auditors may also, at any time, submit observations, particularly in the form of special reports, on specific questions and deliver opinions at the request of one of the other institutions of the Community.

It shall adopt its annual reports, special reports or opinions by a majority of its Members. However, it may establish internal chambers in order to adopt certain categories of reports or opinions under the conditions laid down by its Rules of Procedure.

It shall assist the European Parliament and the Council in exercising their powers of control over the implementation of the budget.

The Court of Auditors shall draw up its Rules of Procedure. Those rules shall require the approval of the Council, acting by a qualified majority.

**Article 274, paragraph 1**

The Commission shall implement the budget, in accordance with the provisions of the regulations made pursuant to Article 279, 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 Commission to ensure that the appropriations are used in accordance with the principles of sound financial management.

**Article 275**

The Commission shall submit annually to the Council and to the European Parliament the accounts of the preceding financial year relating to the implementation of the budget. The Commission shall also forward to them a financial statement of the assets and liabilities of the Community.

**Article 276**

1. The European Parliament, acting on a recommendation from the Council which shall act by a qualified majority, shall give a discharge to the Commission in respect of the implementation of the budget. To this end, the Council and the European Parliament in turn shall examine the accounts and the financial statement referred to in Article 275, the annual report by the Court of Auditors together with the replies of the institutions under audit to the observations of the Court of Auditors, the statement of assurance referred to in Article 248(1), second subparagraph and any relevant special reports by the Court of Auditors.

2. Before giving a discharge to the Commission, or for any other purpose in connection with the exercise of its powers over the implementation of the budget, the European Parliament may ask to hear the Commission give evidence with regard to the execution of expenditure or the operation of financial control systems. The Commission shall submit any necessary information to the European Parliament at the latter's request.

3. The Commission shall take all appropriate steps to act on the observations in the decisions giving discharge and on other observations by the European Parliament relating to the execution of expenditure, as well as on comments accompanying the recommendations on discharge adopted by the Council.

At the request of the European Parliament or the Council, the Commission shall report on the measures taken in the light of these observations and comments and in particular on the instructions given to the departments which are responsible for the implementation of the budget. These reports shall also be forwarded to the Court of Auditors.
ANNEX V: Procedure for the consideration and adoption of decisions on the granting of discharge

Article 1: Documents

1. The following documents shall be printed and distributed:

(a) the revenue and expenditure account, the financial analysis and the balance sheet forwarded by the Commission;

(b) the Annual Report and special reports of the Court of Auditors, accompanied by the Institutions' answers;

(c) the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors pursuant to Article 248 of the EC Treaty;

(d) the Council recommendation.

2. These documents shall be referred to the committee responsible. Any committee concerned may deliver an opinion.

3. Where other committees wish to deliver opinions, the President shall set the time limit within which these shall be communicated to the committee responsible.

Article 2: Consideration of report

1. Parliament shall consider a report from the committee responsible concerning discharge by 30 April of the year following the adoption of the Court of Auditors' Annual Report as required by the Financial Regulation.

2. Parliament's Rules relating to amendments and voting shall apply unless otherwise provided in this Annex.

Amendments to the motion for a resolution to be put to the vote in plenary must be referred to the committee responsible for consideration.

Article 3: Content of the Report

1. The discharge report drawn up by the committee responsible shall comprise:

(a) a proposal for a decision granting discharge or postponing the discharge decision (April part-session vote) or a proposal for a decision granting or refusing to grant discharge (October part-session vote);

(b) a proposal for a decision closing the accounts of all the Community's revenue, expenditure, assets and liabilities;

(c) a motion for a resolution containing comments accompanying the proposal for a decision referred to in point (a) including both an assessment of the Commission's budgetary management over the financial year and observations relating to the implementation of expenditure for the future;

(d) as an Annex, a list of the documents received from the Commission and those requested but not

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received;

(e) the opinions of the committees concerned.

2. If the committee responsible proposes postponing the discharge decision, the relevant motion for a resolution shall also set out, inter alia:

(a) the reasons for postponement;

(b) the further action that the Commission is expected to take and the deadlines for doing so;

(c) the documents required for Parliament to take an informed decision.

**Article 4 : Deleted**

**Article 5 : Consideration and vote in Parliament**

1. Any report by the committee responsible concerning the discharge shall be included on the agenda of the first part-session following its tabling.

2. Amendments shall be admissible only to the motion for a resolution tabled pursuant to Article 3(1)(c).

3. Unless otherwise stipulated in Article 5a, the vote on the proposals for decisions and the motion for a resolution shall follow the order of Article 3.

4. Parliament shall decide by a majority of the votes cast, pursuant to Article 198 of the EC Treaty.

**Article 5a : Procedural variants**

1. April part-session vote

   In the first instance, the discharge report shall propose either to grant or to postpone discharge.

   (a) If a proposal to grant discharge secures a majority, discharge is granted. This shall also constitute closure of the accounts.

   If a proposal to grant discharge fails to secure a majority, discharge will be deemed to be postponed and the committee responsible shall table a new report within six months containing a new proposal to grant or refuse to grant discharge.

   (b) If a proposal to postpone discharge is adopted, the committee responsible shall table a new report within six months containing a new proposal to grant or refuse to grant discharge. In this case the closure of accounts shall also be postponed and retabled with the new report.

   If a proposal to postpone discharge fails to secure a majority, discharge shall be deemed granted. In this instance the decision shall also constitute closure of the accounts. The motion for resolution may still be put to the vote.

2. October part-session vote

   In the second instance, the discharge report shall propose either to grant or to refuse to grant discharge.

   (a) If a proposal to grant discharge secures a majority, discharge is granted. This shall also constitute closure of the accounts.

   If a proposal to grant discharge fails to secure a majority, this shall constitute refusal of discharge. A
formal proposal to close the accounts for the year in question shall be submitted at a subsequent part-

(b) If a proposal to refuse discharge secures a majority, a formal proposal to close the accounts for the year
in question shall be submitted at a subsequent part-session at which the Commission shall be invited to
make a statement.

If a proposal to refuse discharge fails to secure a majority, discharge shall be deemed granted. In this
instance the decision shall also constitute closure of accounts. The motion for resolution may still be put to
the vote.

3. In the event of the motion for resolution or the proposal on closure containing provisions which
contradict Parliament's vote on the discharge, the President, after consulting the chairman of the committee
responsible, may postpone that vote and fix a new deadline for tabling amendments.

Article 6: Implementation of discharge decisions

1. The President shall forward any decision or resolution of Parliament pursuant to Article 3 to the
Commission and to each of the other institutions. He shall arrange for their publication in the Official
Journal in the series appropriate to acts of a legislative character.

2. The committee responsible shall report to Parliament at least annually on the action taken by the
institutions in response to the comments accompanying the discharge decisions and the other comments
contained in Parliament's resolutions concerning the implementation of expenditure.

3. On the basis of a report by the committee responsible for budgetary control, the President, acting on
behalf of Parliament, may bring an action before the Court of Justice against the institution concerned,
pursuant to Article 232 of the EC Treaty, for failure to comply with the obligations deriving from the
comments accompanying the discharge decision or the other resolutions concerning implementation of
expenditure.