

I

(Information)

COURT OF AUDITORS

SPECIAL REPORT No 10/98

concerning the expenses and allowances of the Members of the European Parliament together
with the replies of the European Parliament

*(submitted pursuant to Article 188c(4)(2) of the EC Treaty)**(98/C 243/01)*

CONTENTS

	<i>Paragraph reference</i>	<i>Page</i>
INTRODUCTION	1.1 — 1.4	2
Scope of the audit	1.1 — 1.3	2
Financial data	1.4	2
FORMAL COMPLIANCE WITH THE REGULATIONS	1.5 — 1.7	2
MEMBERS' IMPREST ACCOUNT TRANSACTIONS	1.8 — 1.26	3
Lump-sum travel and subsistence allowances	1.15 — 1.24	3
Travel allowance limited to ECU 3 000	1.25 — 1.26	4
GENERAL EXPENDITURE ALLOWANCE — SECRETARIAL ASSISTANCE ALLOWANCE	1.27 — 1.38	5
General expenditure allowance	1.30 — 1.31	5
Secretarial assistance allowance	1.32 — 1.38	5
CONCLUSION	1.39 — 1.44	6
Improving the system of administrative management	1.41	6
Making the allowance mechanism more realistic	1.42	6
Making the system more transparent and easier to check	1.43	6
Reducing the existing loopholes	1.44	6
Reply of the European Parliament		11

INTRODUCTION

Scope of the audit

1.1. Members of the European Parliament receive salaries paid by their national parliaments which vary according to the country. They are not remunerated by Parliament but are indemnified by it in respect of the costs which they incur in performing their duties, on the basis of a set of regularly updated 'Rules governing the payment of expenses and allowances to Members' which were adopted in 1984 by the Bureau of the European Parliament (EP 133.116) ⁽¹⁾.

1.2. The Court's audit dealt exclusively with the implementation of the rules concerning the following payments by Parliament to cover Members' costs:

- (a) the lump-sum travel allowance ⁽²⁾;
- (b) the travel allowance with an upper limit of ECU 3 000 ⁽³⁾;
- (c) the subsistence allowance ⁽⁴⁾;
- (d) the secretarial assistance allowance ⁽⁵⁾;
- (e) the general expenditure allowance ⁽⁶⁾;
- (f) the reimbursement of travel and subsistence expenses associated with attending language and computer courses ⁽⁷⁾.

1.3. The audit concentrated on developments in the allowance system since the Court's last audits concerning the 1990 and 1991 financial years ⁽⁸⁾. The documentary audits mainly concerned the 1996 financial year. The administrative and accounting procedures were examined

⁽¹⁾ See E.P. 133.116 / QUEST./ rev VII / 1-97.

⁽²⁾ The lump-sum travel allowance is intended for the reimbursement of all costs associated with travel by Members between their place of residence and the place of the meeting, on the occasion of their proven and authorised attendance at the meetings of the official organs of Parliament.

⁽³⁾ The travel allowance, irrespective of the possibilities covered by the lump-sum travel and subsistence allowances, aims to refund, up to a maximum of ECU 3 000 per year, expenditure incurred by Members when travelling on official business outside the country in which they were selected.

⁽⁴⁾ The subsistence allowance is paid for each day on which Members are engaged in activities in respect of which the lump-sum travel allowance is payable.

⁽⁵⁾ The secretarial assistance allowance is intended to cover expenditure associated with recruiting or using the services of one or more assistants.

⁽⁶⁾ The general expenditure allowance is intended to cover those costs resulting from Members' parliamentary activities which are not covered by other allowances.

⁽⁷⁾ The audit did not give rise to any significant observation concerning this type of allowance.

⁽⁸⁾ OJ C 324, 13.12.1991, Chapter 15 and OJ C 330, 15.12.1992, Chapter 18.

for their conformity with Parliament's rules, with the Community financial regulations and with the principles of sound financial management. The weaknesses and risks that this report brings to light are all supported by audit observations.

Financial data

1.4. The annexed tables (*Tables 1, 2 and 3*) chart the evolution of the payments corresponding to the allowances under review between 1990 and 1997. The total amount of this expenditure came to ECU 142,6 million in 1997, representing 16 % of Parliament's total administrative expenditure. 48 % was for the secretarial assistance allowance, 33 % for the various travel and subsistence allowances and 16 % for the general expenditure allowance. The average annual expenditure per Member, either directly or indirectly, in respect of these allowances increased from ECU 138 000 in 1990 to ECU 227 000 in 1997 — i.e. an average increase of 7,4 % per year ⁽⁹⁾. Upward adjustments to the payment scale for the secretarial assistance allowance (+10,6 % as an annual average) account for most of this increase. Since June 1996 this allowance has been paid directly to the assistants or to third-party paying agencies designated for the purpose by the Members.

FORMAL COMPLIANCE WITH THE REGULATIONS

1.5. Except for the reimbursement of costs related to language and computer courses, the Members' allowances service manages the allowances under review; it is composed of two separate sections:

- the Members' imprest account is used to pay travel and subsistence allowances under the supervision of an authorising department which is responsible for checking payments made from the imprest account, establishing what recoveries or additional payments may be necessary, and entering these operations in the budget,
- the 'secretarial assistance and general expenditure allowances' section is responsible for authorising and checking the related payments and allowances.

1.6. The internal management systems within the Members' allowances service ensure, in general, that the rules adopted by Parliament are correctly applied.

⁽⁹⁾ 82 % of the Members in office at 1.11.1996 had received a sum of between 20 % above and 20 % below the average annual amount.

1.7. The procedures, whether for payments from the imprest account or for the other allowances, all rely on efficient and well-designed computer systems. They are consistent, reliable and rapid. Formal compliance of the expenditure with the rules adopted by the Parliament's Bureau is ensured by requiring the Members to submit the documents stipulated in the rules, which are then systematically checked.

MEMBERS' IMPREST ACCOUNT TRANSACTIONS

1.8. In Brussels and Strasbourg, the Members' imprest account is used to pay the lump-sum travel allowance and the travel and subsistence allowances. In 1997 payments made from this imprest account totalled ECU 46,9 million, which represents 33 % of the allowances relating to the Members. The upper ceiling of the renewable advance granted to this imprest account has been set at ECU 3,2 million since 1991.

1.9. The Court believes⁽¹⁰⁾ that the use of an imprest account to pay out such large sums does not comply with the principles set out in the Financial Regulation (Article 54), or with its implementing procedures (Article 82 et seq.). The nature of the expenditure in question cannot justify this disregard for the usual rules of payment and control, nor are such payments attended by any special urgency.

1.10. Furthermore, Members of the European Parliament also have the option of purchasing travel tickets for their private use from the Parliament's travel office, in application of Article 4(5), of Parliament's rules, the cost of which is then deducted from the travel and subsistence allowances for which they are eligible. As a result Parliament finds itself making provisional payments in respect of bills that are unrelated to its activities. In addition it subsequently recovers the money in a manner not consistent with the rules stipulated by the Financial Regulation and thereby provides the Members with advances.

1.11. Contrary to the Financial Regulation, this imprest account is used to recover sums owed by Members on various counts (notably for travel tickets for private use and for allowances paid for uncorroborated attendance) before payment authorisation and without the intervention of the Financial Controller.

1.12. Whereas Article 23(3), of Parliament's rules of procedure authorises cash settlement only for subsistence payments, a decision by the Quaestors suspended this provision in 1990 and offered Members the possibility of receiving all the allowances paid from the imprest account in cash. In 1997, 42 % of the total number of transactions carried out through the imprest account were settled in cash.

1.13. These derogations have led to high management costs and risks. The very system of an imprest account, which requires both a cash fund and a control and authorisation department, requires considerable resources in both financial and personnel terms. The advances granted to Members for private use also take up staff time and deplete the imprest's cash resources. At present, most of the staff in the parliamentary allowances department are employed to deal with the payment and checking of a small proportion by value of the total allowances. Furthermore, the practice of making cash payments, which in this case involves considerable sums, entails a higher management risk than other forms of payment.

1.14. Normal payment and control procedures would allow better distribution of the workload and would limit the risks associated with handling cash. They could include a permanent system for making advances that was in accord with the Financial Regulation (Article 46) and which would avoid the need for Members to pay sums out of their own pockets, but in better security conditions than those afforded by an imprest account.

Lump-sum travel and subsistence allowances

1.15. According to Articles 1 to 7 of Parliament's rules, the lump-sum travel allowance is intended to reimburse all costs associated with travel by Members between their place of residence and the place of a meeting, in respect of proven and authorised attendance at meetings of the official organs of Parliament. The subsistence allowance is, according to Articles 11 and 12 of the rules, paid for each day on which Members are engaged in activities in respect of which the lump-sum travel allowance is payable.

1.16. The lump-sum travel allowance is calculated by applying a kilometric scale to the distance between the place of the meeting and the Member's declared place of residence. Since 1994, this scale has been 'frozen'. The subsistence allowance is calculated by applying a daily rate to the number of days' attendance declared by the Member.

1.17. The scale of the lump-sum travel allowance does not correspond to the actual transport costs incurred by

⁽¹⁰⁾ Paragraphs 15.22 to 15.23 of the Annual Report concerning the 1990 financial year and 18.7 to 18.8 of the Annual Report concerning the 1991 financial year.

Members. The Court's analysis shows that in 1996 travel between Members' places of residence and the places of Parliamentary meetings resulted in payments (ECU 27,6 million) which were, as a global average, 30 % higher than the cost of flying business class; this represents an overall discrepancy of approximately ECU 6,5 million. The individual discrepancies vary considerably, depending on the Member's place of origin, and increase in line with the distance. The actual discrepancy is larger because, in practice, less expensive modes of transport are often used (by train, or by air in economy class) and a few national parliaments grant European Parliament Members reduced fares on national transport routes.

1.18. Until the end of 1997, lump-sum travel and subsistence allowances were paid out of the imprest account on the strength of Members' declarations. Checks were not made to establish whether the journeys and the days spent in the location corresponded to reality but rather to establish that the Members had actually attended the meeting, which in principle was proved by their signatures in a register open in the meeting room.

1.19. The rules also allow a Member's actual participation in Parliament's work to be established by other forms of supporting document. Members holding certain offices⁽¹¹⁾ may be exempted from having to sign a register in the meeting room if they initial a specific list instead. All Members may also, if they omit to sign the register, produce alternative proof, such as, for example, travel tickets or hotel bills. The presentation of such proof may, however, be authorised only on five occasions for each period of two and a half years.

1.20. The degree of proof provided by documents such as air or train tickets or hotel bills, if they are accepted in lieu of a signature in the attendance list or register, is flimsy. In 1996, such documents were provided in approximately half the cases where alternative proof was offered. In all the cases examined in 1996, the hotel bills submitted to the administration in lieu of other proof of attendance all referred to dates at the beginning or end of weekly meetings.

1.21. Nor does a signature in an attendance register prove that the Member concerned actually participated in Parliament's work.

1.22. In the absence, up to the end of 1997, of any checks to verify that journeys declared to qualify for the lump-sum travel allowance had in fact been made, sums

of money could be disbursed without the corresponding journey having occurred.

1.23. Furthermore, the Court observed that there were no criteria defining the point of departure (Members declare their place of residence at their discretion): as a result, there was no transparency and no checks were carried out.

1.24. The Court notes the efforts of the Bureau of Parliament, which, in 1997, took certain steps to remedy these weaknesses:

- (a) a permanent system was set up to check the justification for the lump-sum travel allowances by requiring the submission of documentary proof. Since 1 November 1997, the payment of the lump-sum travel allowance has been conditional on the presentation of the boarding card or train ticket in the case of air or rail travel, or of a personal, detailed declaration in the case of travel by private car;
- (b) from February 1st 1998, all Members who are not present for at least half of the roll-call votes on the days when Parliament deals with legislative issues (Tuesdays, Wednesdays and Thursdays during Strasbourg part-sessions and Thursdays during Brussels part-sessions) will lose half their daily allowance;
- (c) in Brussels, Members have the choice of either initialling the attendance register at committee and political group meetings and during other official Parliament meetings, or signing a central signing-in register.

Travel allowance limited to ECU 3 000

1.25. Apart from the possibilities covered by the lump-sum travel and subsistence allowances, this allowance (see Article 10 of the rules) is intended to refund, up to a maximum of ECU 3 000 a year, expenditure incurred by Members when travelling on official business outside the country in which they were elected.

1.26. Expenditure by Members when on official travel which is covered by this allowance is reimbursed from the imprest accounts on the basis of a declaration accompanied by documentary proof of the journey, an invitation or the programme of the visit. The adoption of criteria specifying when Members may be considered to be travelling in the performance of their official duties would also facilitate checks of the eligibility of expenditure.

⁽¹¹⁾ President, vice-presidents, quaestors, committee chairmen and vice-chairmen, rapporteurs, etc.

GENERAL EXPENDITURE ALLOWANCE —
SECRETARIAL ASSISTANCE ALLOWANCE

1.27. The 'secretarial assistance and general expenditure allowances' section validates and authorises amounts due in respect of these allowances, which are paid on a monthly basis by bank transfer in one of the Community currencies designated by the Member, up to the maximum rate fixed by Parliament's Bureau. In 1997, the corresponding expenditure totalled ECU 93,6 million.

1.28. Article 11(4), of the Financial Regulation applicable to the general budget of the European Union lays down that conversions between the ecu and national currencies must, in principle, be made at the exchange rate applicable on the day in question or, in exceptional and duly substantiated cases, by applying the rate applicable on the penultimate day of the month prior to the month for which the rates were established.

1.29. For the purpose of converting monthly payments of secretarial assistance and general expenditure allowances into national currencies, Article 26 of Parliament's rules selects the exchange rate applicable on the penultimate day of November in the year prior to the year in question and guarantees that throughout the life of a Parliament — i. e. until the next elections — the secretarial allowance, as expressed in national currency, will be kept at the previous year's level. Moreover, the Members freely choose and change the currencies in which they are reimbursed. These derogations from the normal conversion rules may entail considerable expense for the institution. Other mechanisms, which conform to the terms of the Financial Regulation, should be found so as to satisfy the legitimate requirement that the pay of assistants should be shielded from exchange risks.

General expenditure allowance

1.30. The general expenditure allowance is, according to Article 13 of the rules, intended to cover expenses which result from Members' parliamentary activities but which are not covered by other allowances. It is paid at the rate fixed by the Bureau (ECU 38 304 per year in 1997) following an annual application. This allowance is halved for Members who attend fewer than half the part-sessions.

1.31. The scale for this flat-rate allowance is not based on any precise figures for the various expenses covered and takes no account of overheads that

may be reimbursed, for example, by a few national parliaments.

Secretarial assistance allowance

1.32. The secretarial allowance is, according to Articles 14 to 16 of the rules, intended to cover expenses resulting from the recruitment, or the use of the services, of one or more assistants. It is paid on a monthly basis up to an annual ceiling set by the Bureau (ECU 110 460 in 1997).

1.33. The rules do not specify the real cost factors justifying the fixed ceiling. The only instructions provided by the Parliament in this respect appeared in the comments on the 1993 and 1994 budgets, specifying that each Member may recruit two assistants, one in Brussels and the other in the Member State of origin. This comment is absent from subsequent budgets. As a result, the subsequent appreciable increase in the rate of this allowance is not justified by any transparent reference to the expenses it is intended to defray. Furthermore, the payment of the secretarial assistance allowance takes no account of similar allowances that a few national parliaments pay to their nationals who are Members of the European Parliament.

1.34. The payment of the secretarial allowance each month is conditional on the submission of a request for payment by the Member for a single payment or for repeated payments to a parliamentary assistant, or on the production of an invoice for research, documentation or secretarial work. Since June 1996, assistants have been paid directly or by a third party designated by the Member. With the exception of restrictions on the recruitment of staff from the political groups or from the European institutions, the choice of assistants is left to the Members' discretion.

1.35. The rules specify that Members are required to sign a contract with their assistants which is subject to the applicable national legislation, but do not require Members to file a copy of this document. Parliament does not make any check of whether the contracts for which the rules provide have actually been signed, whether the fiscal or social provisions of these contracts are valid or whether the corresponding invoices are eligible.

1.36. In practice, no distinction is made between payment based on a contract and payment for services based on invoices. In fact, assistants may submit invoices in addition to their contract of employment or be considered not as permanent employees but as providers

of individually invoiced services. Similarly, a request for payment may be submitted in respect of a fixed contract or of a 'single payment' that is indistinguishable from a standard invoice.

1.37. The flexibility of the adopted regulatory framework, which is characterised by a lack of transparency and of scrutiny of the nature and content of contracts, does not provide the budgetary authority with reasonable insurance against the risk of inappropriate use of the secretarial allowance. As things stand, the regulatory framework has allowed excessive diversity in terms of contractual legal arrangements and of the types of expenditure that are reimbursed, without sufficiently ensuring that the services paid for were genuinely provided.

1.38. The current regulatory framework is likely to change in the near future. The Commission has prepared a draft proposal for a Regulation introducing a new Article concerning the status of parliamentary assistants into the Regulations on the terms of employment of other servants of the Communities. Within this new framework, it will be Parliament's responsibility to determine the exact terms of employment of parliamentary assistants. According to the latest information available, the future status of a 'European assistant' is expected to complement, but not replace, current employment possibilities under national legislation, with a view to increasing transparency in the way assistants are managed while maintaining the flexibility of the current system.

CONCLUSION

1.39. The rules governing allowances relating to MEPs must aim to ensure that expenses incurred by Members in the context of their duties are adequately reimbursed. On the whole, the existing administrative and accounting procedures ensure compliance with the rules adopted by Parliament. During the 1997 financial year, Parliament's Bureau adopted various measures which aimed to remedy some of the weaknesses in the system. Furthermore, a draft of parliamentary assistants' terms of employment is being prepared.

1.40. Nevertheless, the Court's audit gave rise to the following observations and recommendations, which should justify a profound overhaul of the regulatory framework.

Improving the system of administrative management

1.41. Some of the provisions of Parliament's rules contravene the Community's Financial Regulation

and entail high management costs. This is true of the imprest-account procedure, as also of the system of advances to Members for private travel. The exchange rates used should be calculated on the basis of the rules laid down by the Financial Regulation, and the exchange should be covered, where necessary, by other mechanisms (see paragraphs 1.13 and 1.29).

Making the allowance mechanism more realistic

1.42. The procedures do not make it possible to ensure that the principle of sound financial management is being observed. Most of the allowances are of the lump-sum variety or take the form of annual entitlements with fixed ceilings that are not linked closely enough to actual situations or costs. Costs that may be reimbursed under the general expenditure and secretarial allowances should be clearly defined and quantified, taking due account, should the occasion arise, of benefits and payments that may be made to Members from other sources. The reimbursement of travel expenses on the basis of actual expenditure should be envisaged. Where appropriate, this reimbursement could comprise a system of regular advances, thereby ensuring that Members continue not to be required to make payments out of their own pockets. Modern means of payment, such as credit cards, negotiated with carriers, could also make it possible to settle travel invoices directly with the service providers concerned (see paragraphs 1.14 to 17, 1.31 and 1.33).

Making the system more transparent and easier to check

1.43. Payment of these allowances is based for the most part on a system of declarations with limited requirements in respect of supporting documents and checks. Furthermore, in several areas, the basic rules have been amended by provisions which make them less restrictive. The system of allowances must provide for a reasonable degree of scrutiny and transparency so as to ensure that the funds disbursed are used in accordance with the rules (see paragraphs 1.18 to 1.23, 1.26 and 1.35).

Reducing the existing loopholes

1.44. The loopholes in the regulatory framework may lead to the inappropriate use of funds. If an allowance system based on entitlements to certain sums with upper

limits is to be maintained, it should operate through transparent payment methods, conditional on the submission of conclusive documentary evidence (such as contracts and properly made out invoices). The introduction of formal terms of employment for parliamentary assistants, which could prove more costly

to the budget, can only lead to greater transparency and improvements in the management of expenses resulting from the recruitment of such assistants if the new arrangements are compulsory and make it possible to verify whether the services paid for were actually provided (see paragraphs 1.36 to 1.38).

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 July 1998.

For the Court of Auditors

Bernhard FRIEDMANN

President

ANNEX

TABLE 1

EVOLUTION OF THE EXPENSES AND ALLOWANCES OF THE MEMBERS OF THE EUROPEAN PARLIAMENT 1990 to 1997

(Payments in ecu)

	1990 out-turn	1991 out-turn	91/90 (as %)	1992 out-turn	92/91 (as %)	1993 out-turn	93/92 (as %)	1994 out-turn	94/93 (as %)	1995 out-turn	(¹) 95/94 (as %)	1996 out-turn	(¹) 96/95 (as %)	1997 committed	97/96 (as %)	Average annual rate 97/90 (as %)
appror. 1004 — Travel and subs. allow.	27 922 700	30 887 238	10,6	32 331 931	4,7	35 096 345	8,6	34 173 834	-2,6	45 806 085	34,0	46 999 898	2,6	47 323 473	0,7	7,8 %
appror. 1005 — Special travel expenses	369 103	490 162	32,8	496 792	1,4	621 409	25,1	522 231	-16,0	720 335	37,9	856 053	18,8	1 000 000	16,8	15,3 %
appror. 1006 — Gen. expend., telem. allow.	14 755 036	15 527 609	5,2	16 570 839	6,7	17 343 114	4,7	20 309 700	17,1	22 601 640	11,3	23 241 252	2,8	24 024 304	3,4	7,2 %
appror. 1050 — Language courses	463 023	460 766	-0,5	413 949	-10,2	481 659	16,4	532 193	10,5	617 094	16,0	525 077	-14,9	541 703	3,2	2,3 %
appror. 1051 — Data-processing courses	35 788	58 827	64,4	113 985	93,8	102 758	-9,8	99 386	-3,3	99 150	-0,2	101 141	2,0	111 400	10,1	17,6 %
appror. 106 — Members' sec. expenses	27 847 411	33 495 866	20,3	38 568 359	15,1	46 206 872	19,8	56 839 962	23,0	60 337 199	6,2	67 232 235	11,4	69 605 045	3,5	14,0 %
TOTAL Expenses and allowances (in payments)	71 393 061	80 920 467	13,3	88 495 856	9,4	99 852 158	12,8	112 477 306	12,6	130 181 503	15,7	138 955 656	6,7	142 605 925	2,6	10,4 %
Number of Members	518	518		518		518		567		626		626		626		
TOTAL of Parliament's administrative expenditure (in payments)	421 229 367	481 172 959	14,2	573 272 757	19,1	616 208 926	7,5	644 973 515	4,7	822 715 204	27,6	758 114 685	-7,9	867 715 417	14,5	10,9 %
RATIOS																
Exp. and allow./Parliament's admin. expend. (as %)	16,9 %	16,8 %		15,4 %		16,2 %		17,4 %		15,8 %		18,3 %		16,4 %		
Expenses and allowances per Member	137 824	156 217	13,3	170 841	9,4	192 765	12,8	198 373	2,9	207 958	4,8	221 974	6,7	227 805	2,6	7,4 %

(¹) The overall increase in expenditure in 1995 and 1996 must be relativised by taking into account the election of Members in the new Member States (see the ratio 'expenses and allowances per Member').

Source: General budget of the European Communities — payments made in respect of commitments of the financial year n.

TABLE 2
 EVOLUTION OF THE EXPENSES AND ALLOWANCES OF THE MEMBERS OF THE EUROPEAN PARLIAMENT
 Average expenditure per Member 1990 to 1997 (not including the allowances payable for the office of the President) ⁽¹⁾

(Payments in ecu)

	1990 out-turn	1991 out-turn	91/90 (as %)	1992 out-turn	92/91 (as %)	1993 out-turn	93/92 (as %)	1994 out-turn	94/93 (as %)	1995 out-turn	95/94 (as %)	1996 out-turn	96/95 (as %)	1997 committed	97/96 (as %)	Average annual rate 97/90 (as %)
Number of Members	518	518		518		518		567		626		626		626		
appropri. 1004 — Travel and subs. allow.	53 905	59 628	10,6	62 417	4,7	67 754	8,6	60 271	-11,0	73 173	21,4	75 080	2,6	75 597	0,7	4,9 %
appropri. 1005 — Special travel expenses	713	946	32,8	959	1,4	1 200	25,1	921	-23,2	1 151	24,9	1 367	18,8	1 597	16,8	12,2 %
appropri. 1006 — Gen. expend., telem. allow.	28 485	29 976	5,2	31 990	6,7	33 481	4,7	35 820	7,0	36 105	0,8	37 127	2,8	38 377	3,4	4,4 %
appropri. 1050 — Language courses	894	890	-0,5	799	-10,2	930	16,4	939	0,9	986	5,0	839	-14,9	865	3,2	-0,5 %
appropri. 1051 — Data-processing courses	69	114	64,4	220	93,8	198	-9,8	175	-11,6	158	-9,6	162	2,0	178	10,1	14,5 %
appropri. 106 — Members' sec. expenses	53 759	64 664	20,3	74 456	15,1	89 202	19,8	100 247	12,4	96 385	-3,9	107 400	11,4	111 190	3,5	10,9 %
TOTAL Expenses and allowances/number of Members (in payments)	137 824	156 217	13,3	170 841	9,4	192 765	12,8	198 373	2,9	207 958	4,8	221 974	6,7	227 805	2,6	7,4 %

⁽¹⁾ Total annual expenditure borne by Parliament for the expenses and allowances referred to in paragraph 1.2 of the observations, paid to the MEPs or third parties (assistants, training bodies), divided by the total number of Members.

Source: General budget of the European Communities — payments made in respect of commitments of the financial year n.

TABLE 3
RESPECTIVE SHARE OF EACH ALLOWANCE

	1990 (as %)	1991 (as %)	1992 (as %)	1993 (as %)	1994 (as %)	1995 (as %)	1996 (as %)	1997 (as %)
appropri. 1004 — Travel and subs. allow.	39,1	38,2	36,5	35,1	30,4	35,2	33,8	33,2
appropri. 1005 — Special travel expenses	0,5	0,6	0,6	0,6	0,5	0,6	0,6	0,7
appropri. 1006 — Gen. exp., telemat. allow.	20,7	19,2	18,7	17,4	18,1	17,4	16,7	16,8
appropri. 1050 — Language courses	0,6	0,6	0,5	0,5	0,5	0,5	0,4	0,4
appropri. 1051 — Data-processing courses	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
appropri. 106 — Members' sec. expenses	39,0	41,4	43,6	46,3	50,5	46,3	48,4	48,8
TOTAL Expenses and allowances/number of Members (in payments)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: General budget of the European Communities.

EUROPEAN PARLIAMENT REPLIES

INTRODUCTION

Points 1.1 to 1.4

For the report of the Court of Auditors to assist Parliament in improving the transparency of the system of Members' allowances, Parliament would like to underline the context in which its system of allowances has developed, the constraints under which it organises its activities, the very nature of a parliamentary institution, the role of its Members and the reforms already made by the Bureau to the current system — a process initiated before the Court's audit.

In this context, it is important to note the absence of a common level of remuneration resulting from the fact that Members of Parliament do not as yet have a common statute, unlike the Members of the Commission, the Court of Justice, the Court of First Instance or the Court of Auditors.

There are particular circumstances pertaining to a Parliament operating at a supranational level: the numbers of citizens represented by each Member, the size of constituencies, the very heavy burden of travel for each Member (from his or her own Member State to the working places, between the working places, and to other Member States). These points have not been addressed by the Court.

Also omitted is a recognition that Members in a parliamentary institution, are 'on duty' not only when attending formal meetings of official bodies of the institution, but also when attending a very wide range of public events in which parliamentarians have a role.

The Court recognises the sustained efforts already made by Parliament, on its own initiative, to provide a sounder basis for the allowances system:

- Parliament's insistence that the Commission bring forward a proposal to provide a Community legal framework for Members' assistants; this proposal has now been tabled,
- the introduction of measures requiring documentary proof for travel undertaken,
- the linking of payment of the attendance allowance to participation in roll-call votes,
- the freezing of the travel allowance for several years.

The Court makes no mention of any comparison with systems and checks in place in national parliaments. For example, the obligation for Members of the European Parliament to prove attendance by signing a register is not required in a majority of national parliaments. Nor is documentary proof for travel always a requirement at national level. The Court does not explain what yardstick it has used to measure the efficiency of the controls that have been put in place, but it is clear that whatever criteria it may have in mind, they are not based on standard practice in parliaments in the Member States.

The growth of expenditure (point 1.4) is due to the budgetary authority increasing the allowance in order to improve the level of assistance provided to Members, in particular in the light of the new powers conferred on the institution and its Members following the entry into force of the Maastricht Treaty.

It should also be pointed out that the most recent enlargement, with two of the three countries involved being situated far from the centre of Europe, has been a relevant factor in the increase in travel and subsistence expenses. Taking these factors into account, readers will be able to gain a clearer picture of trends in the two most important categories of expenditure relating to Members, i.e. expenditure on Members' assistants and travel costs (82 % of the total).

MEMBERS' IMPREST ACCOUNT TRANSACTIONS

Points 1.8 to 1.14

As regards Members' imprest account transactions (points 1.8 to 1.14), Parliament once again rejects the view which the Court of Auditors has already expressed in its previous reports on this matter, that the use of an imprest account to pay the travel and subsistence allowances is not consistent with the principles set out in the Financial Regulation and the detailed implementing rules. Parliament takes the view that the large number and the frequency of such payments fully justify the use of the imprest account system provided for by Article 54 of the Financial Regulation and Article 82 et seq. of the detailed implementing rules. Parliament thus stands by its replies to the Court's annual report for the 1990 and 1991 financial years, to the effect that '*Article 54 of the Financial Regulation permits an imprest account to be set up in order to pay certain categories of expenditure. The Financial Regulation lays down no conditions with regard to the level of the amounts to be paid*' (see OJ C 324, 13.12.1991, p. 14, and OJ C 330, 15.12.1992, p. 453). Parliament would also like to stress, in connection with these payments, that the standard system involving the issue of a payment order signed by the authorising officer and approved by the Financial Controller before the accounting officer can make the payments concerned would, in this particular case, give rise to substantial delays without reducing to any significant degree the workload of the departments concerned or the related management costs.

As regards the observation that advances on the said allowances may be paid '*for uncorroborated attendance*' (point 1.11), it should be emphasised that in these infrequent cases systematic steps are taken to make the requisite recoveries once the signatures on the attendance lists which entitle Members to the payments in question have been checked. Payments from imprest accounts become final and are charged to the budget only after they have been regularised — the authorising officer who signs the regularisation order and then submits it to the Financial Controller for approval must first have carried out all the checks laid down in the Financial Regulation.

The observation that payments are made from the imprest account to cover non-official travel by Members (point 1.10), payments which are then regularised and recovered, is accurate. However, the number of tickets concerned is relatively small and Parliament is prepared to review this issue.

The same applies to the payment procedures with a view to reducing or even eliminating the risks involved in the handling of cash.

The Court of Auditors acknowledges that the improved system it suggests could usefully include '*a permanent system for making advances, which would avoid the need for Members to pay sums out of their own pockets*'. This would in practice, result in 626 individual MEP accounts and be extremely cumbersome to manage. Parliament will carefully consider the suggestions for the modernisation of its current system with a view to revising it accordingly.

Lump-sum travel and subsistence allowances

Points 1.15 to 1.26

It is in the very nature of a lump-sum reimbursement that it should not tally exactly with the costs actually incurred.

In this connection, since 1997 Parliament's Bureau has, as the Court itself acknowledges, strengthened the system of checks in connection with the condition governing payment of the lump-sum travel allowance (payment on submission of proof that the journey concerned has been undertaken).

The Court describes as flimsy the nature of the '*degree of proof provided by documents such as air or train tickets or hotel bills, if they are accepted in lieu of a signature in the attendance list or register*' (point 1.20) and the fact that a signature in an attendance register does not prove that the Member concerned actually participated in Parliament's work (point 1.21). The nature of parliamentary work, which may often involve, for example, talks and meetings held off and indeed, inside, Parliament's premises has not been taken into account.

As regards the eligibility of expenditure in connection with journeys undertaken by Members '*in the performance of their official duties*', which is charged to the special ECU 3 000 allowance, in the absence of criteria by which the nature of such journeys can be established (point 1.26) the Court's judgments should also be placed in context, since, as politicians, Members are required to take part in a wide range of public events. In practice, every claim is examined to see whether there is an official programme involved. In case of doubt the matter is referred to the responsible Quaestor. Finally, it should be pointed out that this type of expenditure makes up only a very small proportion of total spending on Members' allowances, that payments are made solely on the basis of supporting documents (costs actually incurred) and that one third of Members makes no call on this allowance.

GENERAL EXPENDITURE ALLOWANCE – SECRETARIAL ASSISTANCE ALLOWANCE

Points 1.27 to 1.38

Although accurate, the Court's observation concerning the exchange rate laid down by the rules for conversions between the ecu and national currencies when these allowances are paid (points 1.27 to 1.29) is essentially of historical interest, since, with the introduction of the euro, exchange differences will no longer exist for the currencies of the Member States eligible to take part in EMU. As the Court acknowledges, the use of a fixed annual exchange rate was dictated by the '*legitimate requirement that the pay of assistants should be shielded from exchange risks*'. Appropriate transitional solutions could be found for the currencies of the other Member States.

The lump-sum general expenditure allowance is intended to cover a whole range of expenses which Members have to bear, chiefly – in their country of origin, such as office management

costs, telecommunications and postal charges, the cost of data-processing equipment, etc. Its lump-sum nature is justified by the wide range of expenditure it covers and as a means of avoiding the substantial management costs and delays inevitable in a system based on the submission of supporting documents by 626 Members from 15 Member States and combined with non-cumulation rules which differ from country to country.

The Court of Auditors' observations concerning the secretarial assistance allowance relate to the rules themselves, rather than their implementation. Parliament would stress the following points:

- whereas Parliament has the responsibility to ensure that expenditure for assistants is properly executed, the recruitment of assistants creates a private law relationship between the Member and his assistant or assistants which in no way renders Parliament liable as an institution. It follows that Parliament's administration, if it wishes to avoid the risk of being deemed by a national judge to be the assistants' direct employer, cannot intervene to check that these private law contracts are consistent with the applicable national laws (civil, commercial, fiscal and social),
- the flexible nature of the regulatory framework (employment contracts, service contracts, single payments on the basis of invoices, etc.) is designed to offer Members the scope to bring the arrangements for meeting their assistance requirements into line with the constantly changing nature of their duties and the specific tasks allotted to them.

As the Court points out, this regulatory framework is being revised, in cooperation with the Commission and Council, with a view to incorporating into the Conditions of employment of other servants a new category of staff, i. e. Members' assistants. That reform should make the arrangements for managing assistants more transparent and more efficient, as the Court concedes (point 1.38).

The Court indicates the possibility of Members receiving certain travel allowances from the Member States in addition to allowances from Parliament for the same purpose. This is not a widespread practice. Nevertheless, Parliament is ready to introduce into its rules a provision prohibiting such duplicate payments and to ensure that the appropriate checks are carried out.

Parliament is aware of no cases where national parliaments are paying or have paid additional secretarial assistance allowance to Members of the European Parliament, except where a Member has a dual mandate.

CONCLUSIONS

Points 1.39 to 1.44

Parliament notes the Court's overall conclusions that the existing administrative and accounting procedures ensure compliance with the rules adopted by Parliament.

The Court's observations should be read in the context in which the current allowance systems operate: namely, the absence of a common statute for Members and of a common level of remuneration, and the particular working conditions of Members of a supranational parliamentary institution.

Parliament believes that the measures taken during the 1997 financial year have improved the current system as will the proposal from the Commission for a new legal framework for Members' assistants.

Parliament is continuing its review of the current allowances system, which it began in 1995, with a view to increasing transparency and improving the checks and the coherence of the system. It will consider the recommendations from the Court where they are practicable.

Notwithstanding its continued commitment to improve the present rules, Parliament will continue its work on the draft common statute for Members, in order to provide a sound and fair basis for the remuneration of its Members in the future.
