

2009 discharge: EU general budget, Section III, Commission

2010/2142(DEC) - 20/07/2010 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2009, as part of the 2009 discharge procedure.

Analysis of the accounts of the EU Institutions: Section III – **European Commission.**

CONTENT: this Commission document sets out the consolidated annual accounts of the European Union for the financial year 2009 as prepared on the basis of the information presented by the institutions, organisations and bodies of the EU, in accordance with Article 129 (2) of the Financial Regulation applicable to the EU's General Budget, including the European Commission.

The document helps to bring insight into the EU budget mechanism and the **way in which the budget has been managed and spent in 2009**. It recalls that European Union's operational expenditure covers the various headings of the financial framework and takes different forms, depending on how the money is paid out and managed.

In accordance with the Financial Regulation, the Commission implements the general budget using the following methods:

- **direct centralised management:** direct implementation of the budget by the Commission services;
- **indirect centralised management:** the Commission confers tasks of implementation of the budget to bodies of EU law or national law, such as the EU agencies of public law or with public service missions;
- **decentralised management:** the Commission delegates certain tasks for implementation of the budget to third countries;
- **shared management:** under this method of management budget implementation tasks are delegated to Member States. The majority of the expenditure falls under this mode “Shared Management” involving the delegation of tasks to Member States, covering such areas as agricultural spending and Structural Actions;
- **joint management:** under this method, the Commission entrusts certain implementation tasks to an international organisation.

The document also presents the different financial actors involved in the budget process (accounting officers, internal officers and authorising officers) and recalls their respective roles in the context of the tasks of sound financial management.

Amongst the other legal elements relating to the implementation of the EU budget presented in this document, the paper focuses on the following issues:

- the way in which EU public expenditure is committed and spent;
- the means of recovery following irregularities detected;
- the *modus operandi* of the accounting system;
- the audit process followed by the European Parliament's granting of the discharge.

To recall, the final control is the discharge of the budget for a given financial year. The discharge represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission from its responsibility for management of a given budget by marking the end of that budget's existence (please refer to the follow-up reports presented in this procedure file).

Lastly, the document presents a series of tables and detailed technical indicators on (i) the balance sheet; (ii) the economic outturn account; (iii) cashflow tables; (iv) technical annexes concerning the financial statements.

EU expenditure and recoveries of wrongly made payments: in addition to the legal elements on how EU expenses are implemented, the document highlights the basic accounting principles that govern the management and implementation of EU expenditure. Among the figures provided, the main issues concern the recovery of wrongly made payments (mainly in the agriculture or cohesion sectors).

At 31 December 2009, the amount of EAGF expenditure subject to future corrections following audits which were not yet finalised totalled **EUR 2.8 billion**. At 31 December 2009, **EUR 1.1 billion** is estimated as the amount of potential financial corrections in the process of being decided.

The document also clarifies the following:

- **undrawn commitments financial activities:** undrawn commitments financial activities amounted to EUR 5 733 at 31 December 2009 (against EUR 4 885 million the previous year): the main amounts relate to Balance of Payments loan agreements signed in 2008 and 2009 but not yet disbursed before year-end;
- **budgetary commitments made, payments still pending:** the budgetary RAL ("Reste à Liquider") is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. At 31 December 2009 the budgetary RAL totalled **EUR 177 272 million**;
- **the amount of financial corrections:** for 2009, the Commission was able to recover **EUR 2 873 million** in financial corrections and **EUR 446 million** in recoveries, totalling an amount of **EUR 3 319 million (compared with EUR 2 873 million in 2008)**.

Implementation of appropriations under Section III of the budget for the financial year 2009 : the annexes include the following tables:

A) Table showing the commitment appropriations by heading (including the % of implementation):

1. Sustainable growth: EUR 62 444 million (97.69%)
2. Preservation & management of natural resources: EUR 61 484 million (98.03%)
3. Citizenship, freedom, security and justice: EUR 2 264 million (97.27%)
4. The EU as a global partner: EUR 8 481 million (97.34%)
5. Administration: EUR 7 662 million (95.48%)
6. Compensations: EUR 209 million (100%)

Total commitments: EUR 142 545 million (97.69%).

B) Table showing the implementation of payments by heading:

1. Sustainable growth: EUR 44 684 million (94.03%)

2. Preservation & management of natural resources: EUR 55 877 million (97.85%)
3. Citizenship, freedom, security and justice: EUR 1 993 million (91.66%)
4. The EU as a global partner: EUR 7 983 million (90.67%)
5. Administration: EUR 7 615 million (86.99%)
6. Compensations: EUR 209 million (100%)

Total payments: EUR 118 361 million (95.03%).

Lastly, the document states that the year 2009 saw the EU Budget still in transition, from one multi-annual Financial Framework to the next. Commitment appropriations reflected the spending orientations agreed for the new programming period 2007 – 2013, whereas the part of the payment claims still related to the previous 2000 – 2006 Financial Framework was close to 12%. For commitments, the initial budget and hence the political targets set were carried out virtually as planned. The implementation rate for payments, excluding unused Emergency Aid reserve, was 95% of the initial budget.

For further details on the budgetary implementation of expenditure of Section III of the budget, please refer to the [EU budget 2009 Financial Report](#) as well as the [Commission's annual activity reports](#).