2010 discharge: EU general budget, Section I - European Parliament

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PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2010, as part of the 2010 discharge procedure.

Analysis of the accounts of the EU Institutions: Section I - **European Parliament**.

CONTENT: this Commission document sets out the consolidated annual accounts of the European Union for the financial year 2010 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 Parliament.

(1) Purpose: the document helps to bring insight into the EU budget mechanism and **the way in which the budget has been managed and spent in 2010**. 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.

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:

- accounting principles applicable to the management of EU spending (business continuity, consistency of accounting methods, comparability of information ...);
- consolidation methods of figures for all major controlled entities (institutions and agencies);
- the recognition of financial assets in the EU (tangible and intangible assets, financial assets and other miscellaneous investments);
- the way in which EU public expenditure is committed and spent, including pre-financing;
- 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.

(2) Implementation of appropriations under Section I of the budget for the financial year 2010: the document comprises a series of detailed tables, the most important concerning the implementation of the budget. Concerning the European Parliament's expenditure, the table on the financial and budgetary implementation of this institution shows the following:

A) Table showing the commitment appropriations:

Commitments: EUR 1 586 million (90.5% rate of implementation)

Carry-overs to 2011: EUR 111 million (6.31% of authorised appropriations)

Cancelled: EUR 56 million

B) Table showing the implementation of payments:

Payments: EUR 1 506 million (77.74% rate of implementation)

Carry-overs to 2011: EUR 351 million (18.10% of authorised appropriations)

Cancellations: EUR 81 million.

Lastly, the annexes detail specific expenditure of the institutions, in particular:

- **pensions**: an administrative budget heading includes the pension obligations towards Members and former Members of the EU institutions. Also included under this heading is a liability relating to the pensions of certain Members of Parliament;
- **joint sickness insurance scheme**: a valuation is also made for the estimated liability that the EU has regarding its contributions to the Joint Sickness Insurance Scheme in relation to its retired staff. This gross liability has been valued at EUR 3 791 million;
- **buildings**: another heading covers the amounts included correspond to amounts committed to be paid during the term of the contracts. Included here is the outstanding contractual obligation of EUR 434 million relating to building contracts of the Parliament in 2010.

(3) Budget implementation – conclusions: following the 2009 European elections, in 2010 the Parliament gradually resumed full activity during the year. It was a year of continued adaptation as concerns the improvement of working methods and modernisation, which go hand in hand with its political and legislative responsibilities, and the evaluation concerning a series of major multiannual initiatives launched during the past few years.

Following the ratification of the Lisbon Treaty and its entry into force on 1 December 2009, necessary adaptations requiring budget expenditure had to be dealt with. An amending budget 1/2010 was adopted on 19 May 2010 amounting to **EUR 9 397 164** to finance additional expenditure directly stemming from the entry into force of the Lisbon Treaty amending the Treaty on European Union and the Treaty establishing the European Community. The amending budget increased the staff figures by 150. A total of 75 temporary posts reinforced the assistance to Political groups, 70 posts were assigned to committees' secretariats and 5 posts were dedicated to the Directorate for the Relations with National Parliaments. Two

budget items were strengthened in particular: Item 1 2 0 0 ‘Remuneration and allowances’ and Item 4 2 2 0 /01 ‘Parliamentary assistance: local assistants’.

For further details on the budgetary implementation of expenditure of Section I of the budget (European Parliament), please refer to the Report on budgetary and financial management for the financial year 2010 (European Parliament).