

2010 discharge: EU general budget, Section II - Council

2011/2203(DEC) - 08/09/2011

PURPOSE: to present the report of the Court of Auditors on the implementation of the budget for the financial year 2010 (Section II – European Council and Council).

CONTENT: this is the Court's 34th Annual Report on the implementation of the EU budget. It covers the 2010 financial year.

Pursuant to the provisions of the Treaty on the Functioning of the European Union (TFEU) the Court has audited: (a) the annual accounts of the European Union which comprise the consolidated financial statements and the consolidated reports on implementation of the budget for the financial year ended 31 December 2010; and (b) the legality and regularity of the transactions underlying those accounts.

The central part of the annual report is the Court's statement of assurance (the 'DAS') on the reliability of the annual accounts of the EU and on the legality and regularity of transactions (referred to in the report as 'regularity of transactions'). The statement of assurance itself begins the report; the material which follows reports mainly on the audit work underlying the statement of assurance.

This particular audit concerns the budget implementation of the European Council and the Council.

Based on its audit testing, the ECA concludes that the payments for the policy group Administrative and other expenditure were on the whole free from material error. **The estimated error rate was 0.4%.**

The Court found that supervisory and control systems for administrative and other expenditure were effective in ensuring the regularity of payments. However, **the ECA found a number of errors and weaknesses in the implementation of procurement procedures** by the EU institutions and bodies, and **in one institution (European Council/Council) repeated under-utilisation of certain budget lines resulting in significant budget transfers to finance building projects.** Recruitment decisions were also not always appropriately documented. These weaknesses were not material for the policy group as a whole, but were significant in the context of the individual institution or body concerned and need to be addressed by their administrations.

For 2010, the ECA recommends the EU institutions and bodies should ensure that:

- appropriate documentation is established to justify recruitment decisions and that eligibility criteria set out in vacancy notices are respected; and
- authorising officers establish appropriate checks and benefit of better guidance in order to improve the design, coordination and performance of procurement procedures.

The Court makes a certain number of particular observations as regards each EU institution or body of the European Union and which do not call into question the overall positive assessments set out above because they do not affect significantly administrative expenses as a whole.

In the specific case of the audit of the Council and the European Council, the Council notes the following:

- **Financing of the 'Residence Palace' building project:** the convention for the construction of the Residence Palace Building in Brussels, signed with the Belgian State in 2008 for planned

completion in 2013 and for a total estimated cost of 310 million euro (estimated prices 2013), provides for the possibility of making advance payments. In the period 2008-2010, the Council made advance payments totalling 235 million euro, of which 30 million euro were included in the budget line for the acquisition of buildings in the Council's initial budget. The additional funds of 205 million euro (i.e. 87 % of the total funds paid in advance) came from budgetary transfers made at the end of each year from 2007 to 2010 (mostly from budget lines for interpretation costs and delegations' travel expenses).

- The repeated under-utilisation of these budget lines throughout the 2008-2010 period and the size of the amounts transferred with respect to total advance payments made **does not comply with the principle of budget accuracy**. In addition, the payment in the first 3 years of EUR 235 million out of the convention's total value of EUR 310 million did not match payments to the progress of the building work.