2011 discharge: EU general budget, Court of Justice

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PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2011, as part of the 2011 discharge procedure.

Analysis of the accounts of the EU Institutions: Section IV – **Court of Justice**.

Legal reminder: the consolidated annual accounts of the European Union for the year 2011 have been prepared on the basis of the information presented by the institutions and bodies under Article 129.2 of the Financial Regulation applicable to the general budget of the European Union. They were prepared in accordance with Title VII of this Financial Regulation and with the accounting principles, rules and methods set out in the notes to the financial statements.

The objective of the financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users. The objective is to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

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 2011**. It recalls that the 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 or indirect centralised management (by means of bodies or agencies of public law or other); decentralised management where the Commission delegates certain tasks for the implementation of the budget to third countries; and, thirdly, shared management where budget implementation tasks are delegated to Member States, in areas such as agricultural expenditure 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 (the consolidated financial statements of the EU comprise all significant controlled entities –institutions, organisations and agencies, this being 50 controlled entities, 5 joint ventures and 4 associates. In comparison with 2010, the scope of consolidation has been extended by 7 controlled entities (one institution, 6 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 (cash advances intended for the benefit of an EU organ);
- 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 recap, 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. When granting the discharge, Parliament may highlight some observations that it considers important, often by recommending that the Commission **takes action on the aspects in question**.

The document also details specific expenditure of the institutions, in particular: i) pensions of former Members and functionaries of institutions; ii) joint sickness insurance scheme and iii) buildings.

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 IV of the budget for the financial year 2011: the document comprises a series of detailed tables, the most important concerning the implementation of the budget. Concerning the expenditure of the Court of Justice, information drawn from the "Annual Report 2011 of the Court of Justice of the European Union" shows that:

- the total of commitments granted to this institution for 2011 was **EUR 341.2 million**;
- the rate of payments was 98.4%.

3) Budgetary implementation - conclusions: the main characteristics of the Court of Justice's budgetary implementation for the financial year 2011 were chiefly marked by:

- **greater intensity of judicial activity:** with 1 569 new cases and 1 518 cases closed, the Court saw a sharp rise in the number of proceedings brought before the three courts, and settled by them. Nevertheless, this increase in the volume of cases calls for a certain vigilance on the part both of the Court of Justice of the European Union and of the legislative authorities of the Union, in order that the effectiveness of the judicial system of the Union may not be jeopardised and in order that European citizens may continue to be served as well as is possible. With that in mind, the Court last year proposed a series of amendments to its Statute and a thorough recasting of its Rules of Procedure with a view, on the one hand, to improving its and the General Court's efficiency and productivity and, on the other, to modernising its procedures;
- **IT projects:** the objective was to bring the Court closer to the citizen. The opening of the e-Curia system which enables procedural documents to be lodged and served electronically, the launch of a more efficient, new search engine for consulting case-law and the putting on line of the catalogue of the Court's library are designed to make the Court of Justice more accessible and more transparent;
- **replacement of certain members of the institution:** 2011 also saw the departure of the President and two members of the Civil Service Tribunal as a result of the partial renewal of its membership, and the departure of one member of the Court of Justice and of one member of the General Court.