2011 discharge: EU general budget, Court of Auditors

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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 V – **Court of Auditors**.

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 V of the budget for the financial year 2011: the document also comprises a series of detailed tables, the most important of which concern the implementation of the budget. Concerning the Court of Auditor's expenditure, information drawn from the Annual Activity Report 2011 Court of Auditors of the European Union shows the following financial information:

- final appropriations: 2011: EUR 144.331 million;
- commitments: EUR 134.337 million(rate of commitments entered into: 93%);
- payments: EUR 121.250 million.

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

- 42 specific annual reports published on the EU’s agencies, decentralised bodies
- and other institutions including annual reports on the EU budget and on the European Development Fund (EDF) for the 2010 financial year;
- 16 special reports adopted on specific budgetary areas or management topics
- 7 opinions providing contributions on budget reform, such as the modernisation of
- public procurement policy and the Commission’s legislative proposal for the rules
- governing Cohesion spending after 2013
- Position paper on the consequences for public accountability and public audit in
- the EU and the role of the European Court of Auditors (ECA) in the light of the current financial and economic crisis.
- The budget implementation was also notable for:
- the putting in place of performance indicators on the quality and impact of the work of the Court;
- adoption of ethical guidelines for the audit management framework;
- revision of the auditing and reporting processes;
- deployment of staff from administration to core audit tasks;
- major construction work on the ECA’s second extension building project (construction of building K3 at an estimated total cost of EUR 79 million).