2011 discharge: EU general budget, Economic and Social Committee

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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 VI - **European Economic and Social Committee**.

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 the 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 cashflow of a body that is useful to a wide range of users. The objective is to provide information that is 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.

The document also details specific expenditure of the institutions, in particular: i) pensions of former Members and officials of institutions; ii) joint sickness insurance scheme and iii) buildings. For the Parliament, the outstanding contractual obligation relating to building contracts totalled EUR 434 million in 2011.

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 VI of the budget for the financial year 2011: the document also comprises a series of detailed tables, the most important concerning the implementation of the budget. Concerning the expenditure of the European Economic and Social Committee (EESC), the information drawn from the EESC's Annual Activity Report 2011 shows that:

- commitments granted to this institution for 2011 were **EUR 128.6 million;**
- amount actually spent: **EUR 122.6 million**;
- the rate of budgetary implementation was 95.4%

3) Budgetary implementation - conclusions: in more general and political terms, the Committee's budgetary implementation for the financial year 2011 was marked by the following:

- **in the context of the Hungarian Presidency:** organisation of events in the economic, social, cultural and educational field on a wide variety of subjects, reflecting, in particular, the theme addressed by the Europe 2020 strategy, partnership with eastern European countries, energy policy and SME policy (including taxation);
- **in the context of the Polish Presidency:** organisation of events in the economic, social, cultural and educational field on the financial crisis, sustainable development, innovation and combating poverty. In the cultural field, work focused on Polish literature and music;
- strengthening of the involvement of civil society and citizens in the framework of the institution's work;
- organisation of international and pan-European debates and dialogues;
- organisation of public events targeted at wider audiences.

In parallel, internally, the EESC's activities involved:

- budgetary consolidation and the management of the budget procedure with a view to the complete autonomy of the Committee's budget;
- mid-term evaluation of the cooperation agreement with the Committee of the Regions;
- modernisation of member support services and the digitisation of the archives (Mota Project);
- creation of a pilot action to strengthen the involvement of civil society in the Committee's activities, thanks to the creation of a data base of civil society organisations.