2011 discharge: EU general budget, European Council

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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: **Council and European Council**.

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 II 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 Council's expenditure, the table on the financial and budgetary implementation of this institution is presented as follows (information drawn from the Financial Activity Report 2011 (Section II - European Council and Council).

Budget 2011: the European Council and Council budget 2011 was established at **EUR 563.3 million**. At the end of the financial year 2011 an amount of EUR 506.8 million was committed (corresponding to an implementation rate of 90 %).

The main reasons for the under spending of EUR 56.4 million are:

- under-spending of the delegations' travel envelopes (EUR 20.9 million);
- under-occupation of the establishment plan and lower salary costs (EUR 9.1 million);
- the lower need for organising meetings, technical installations and office equipment
- (EUR 6.8 million);
- the lower need for interpretation (EUR 6 million);
- non activation of the reserve (EUR 6 million);
- fewer needs for other staff expenditure (e.g. contractual agents, seconded national
- experts, other outside services) (EUR 4.7 million);
- fewer needs in fitting-out works in the Council buildings (EUR 2.2 million).

N.B.: the 2011 budget for the European Council and Council was drawn up with the goal of not increasing payments in real terms, with the exception of preparing for the accession of Croatia. The Secretary General of the Council has not introduced any demands for new staff, **except for the Cabinet of the President of the European Council**. This position indicates that new initiatives and the need for supplementary resources will be covered by reductions in other areas.

Appropriations carried over: the implementation of amounts carried over from 2010 to 2011 totalled EUR 40.2 million out of EUR 49.8 million. The objective remains to further increase the implementation of the carried over amounts.

Revenue: The General Secretariat of the Council (GSC)'s revenue operations in 2011 amounted to EUR 128.6 million. From this amount EUR 117.5 million was recovered during the financial year while the rest will be recovered in 2012. More than half (EUR 62.4 million, or 53 %) of these recovered revenues are related to the Community taxes, levies and dues which were collected from the GSC's staff in 2011.

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

- **EEAS:** the creation of the European External Action Service (EEAS), as foreseen in the Treaty of Lisbon, reduced the expenditure foreseen for the functioning of the European Council and the Council. A letter of amendment to the draft budget for the financial year 2011 for the European Council and Council reduced the resources of section II by 411 establishment plan posts and EUR 79.7 million in terms of appropriations. These resources and related activities were transferred as the Council's contribution to the establishment of the EEAS;
- **Council administrative modernisation process:** the GSC continued the process of its administrative modernisation. In this context, the GSC transferred its Sickness Insurance Antenne to the Paymaster Office (PMO of the Commission;
- **Progress of construction projects:** the project for the Europa Building passed from the consolidation phase to the actual construction work. Note that the project foresees the renovation of the Résidence Palace to act as the seat of the European Council.