2012 discharge: EU general budget, European Council and Council

2013/2197(DEC) - 26/07/2013 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2012, as part of the 2012 discharge procedure.

Analysis of the accounts of the EU Institutions: **Section II – Council.**

Legal reminder: the consolidated annual accounts of the European Union for the year 2012 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 cashflow 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 2012**. 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);
- 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 officials 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 2012: 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 2012 (Section II - European Council and Council).

Budget 2012: the European Council and Council budget 2012 was established at **EUR 533.9 million**. At the end of 2012, an amount of EUR 489.9 million was committed whereas EUR 44 million was cancelled. Thus, the implementation rate of the EC/C budget was 91.8 %.

The main reasons for the cancelled appropriations of EUR 44 million are:

- underspending of the delegations' travel envelopes (EUR 14.7 million),
- underspending in interpretation (EUR 5.9 million),
- no salary adjustment (EUR 7.4 million),
- reduced need for the Official Journal (EUR 0.9 million),
- under-occupation of posts in the establishment plan and lower salary costs (EUR 6.4 million),
- smaller need for other staff expenditure (e.g. contractual agents, SNEs,), and missions (EUR 3 million),
- lower need for organising meetings, technical installations and office equipment (EUR 1.5 million),
- non-activation of the reserve (EUR 2 million).

3) Budgetary implementation - conclusions: in more general and political terms,

The main administrative objectives of the General Secretariat of the Council for 2012 were: (i) to ensure continuous support to the President of the European Council and to the Council; (ii) to proceed further with the process of administrative modernisation with the objective to reinforce the quality of its organisation; (iii) to prepare the adaptation of its organisation to the accession of Croatia in July 2013.

Building policy: the project to renovate the Residence Palace and convert it into the seat of the European Council and the Council of Ministers (Europa Building) continued in 2012 with the actual construction work including, among other things, starting to building up floors, insulation and various technical installations.

Difference between the final budget and implementation:

- **no adjustments of remuneration in 2011 and 2012**: EUR 2 million of underspent appropriations mainly relate to a smaller need on entitlements as foreseen by the Staff Regulations (e.g. house hold and other allowances);

- **other staff expenditure**: almost half of the global saving (EUR 1.4 million out of EUR 3 million) in the category of other staff expenditure relates to fewer payments for contractual agents, seconded national experts and other outside services. Smaller spending in mission related costs corresponds to a saving of EUR 1.1 million;
- **building related expenditure** (excluding the Europa-Building): the global implementation of the building related expenditure resulted in a saving of EUR 0.9 million due to lower costs in water, gas and electricity as well as installation and maintenance works;
- underspending in appropriations for interpretation and delegations' travel envelopes which made it possible to **transfer EUR 10 million as an additional payment for the Europa Building in 2012**, EUR 1.3 million for fitting out and installation works in Justus Lipsius building and EUR 0.3 million for certain meeting expenditure in Brussels;
- other miscellaneous expenditure concerned reduced financial need for meetings including protocol, conference, transport and furniture.

The overall underspending of the budget made it possible to reallocate EUR 10 million in addition to the EUR 5 million earmarked in the budget for advance payments for the Europa Building.