# 2012 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 2012, as part of the 2012 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 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 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 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 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 2012**: 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 2012 of the Court of Justice of the European Union" shows that:

- the total of commitments granted to this institution for 2012 was **EUR 351 million** of which EUR 345 was used;
- the rate of payments was 98.36%.

**3) Budgetary implementation – conclusions**: in more general and political terms, the Court's activity in 2012 concerned:

- **Intensity of legal activity**: sustained productivity and a very significant improvement in efficiency as regards the duration of proceedings. In addition, a **slight decrease in the number of cases brought** is to be noted, a fall which, having regard to the change in the caseload over the last five years, could be rather short-term in nature. Thus, the Court completed 527 cases in 2012 (net figure), a slight decrease compared with the previous year (550 cases completed in 2011). Of those cases, 357 were dealt with by judgments and 168 gave rise to orders. The Court had 632 new cases brought before it which amounts to a decrease of approximately 8% compared with 2011 (688 new cases) but nevertheless constitutes the second highest annual number of cases brought in the Court's history. This decrease in the total number of cases brought relates principally to the slight decrease, compared with the previous year, in the number of appeals lodged. As far as the duration of proceedings is concerned, the statistics are very positive. The average duration amounted to 15.7 months and the average time taken to deal with direct actions and appeals was 19.7 months and 15.3 months respectively. The average time taken to deal with references for a preliminary ruling reached its shortest in 2012.
- **60 years of the Court of Justice (1952–2012)**: in the past year the Court completed 60 years of existence, throughout which it has contributed to the European project. In this context, the Court published a collective work devoted to the role of the institution and of its case-law in the construction of Europe, which was presented at a Forum to which the presidents of the constitutional and supreme courts of the Member States of the European Union were invited.
- **New Rules of Procedure**: in 2012 the Court's new Rules of Procedure and certain amendments to its Statute were adopted, following a long but productive legislative process. These reforms are designed, first, to modernise procedures before the Court and, second, to enable it to continue to improve its efficiency.
- **Partial replacement of the membership of the Court**: 2012 saw a partial replacement of the membership of the Court and the departure of four of its members. The governments of the Member

States were again concerned, in this partial renewal, to make the appointments without delay and to safeguard the stability of the institution as far as possible, thereby enabling it to continue smoothly in the performance of its task.