2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 23/07/2015 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2014, as part of the 2014 discharge procedure.

Analysis of the accounts of the EU Institutions: **Section III - European Commission**.

Legal reminder: the consolidated annual accounts of the European Union for the year 2014 have been prepared on the basis of the information presented by the institutions and bodies under Article 148(2) of the Financial Regulation applicable to the general budget of the European Union.

(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 2014**, including the different expenses of the European institutions. It should be recalled that only the Commission budget contains administrative appropriations and operating appropriations. **The other Institutions have only administrative appropriations.**

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 performance indicators in the framework of the financial implementation;
- the modus operandi of the accounting system;
- the audit process followed by the European Parliament's granting of the discharge.

Discharge procedure: 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 discharge, Parliament may make observations which it considers important and often recommends the Commission and the other institutions to **take actions concerning these matters.**

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.

The document also 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) Balance sheet of financial implementation: **achievements and difficulties in implementation**: in addition to legal aspects regarding the way in which the Union's expenditures are implemented, the document highlights the difficulties relating to the management and execution of certain of the Union's expenditures:

The document provides an overview of the correction of errors and irregularities discovered in 2014. Financial corrections and recoveries made at source totalling EUR 782 million – Agriculture EUR 6 million, Cohesion EUR 494 million, internal policies EUR 207 million, external policies EUR 71 million and administration EUR 4 million.

The document also focuses on preventive mechanisms of the Commission to **protect the EU budget**. Under direct management, preventive actions include checks made by the responsible services on eligibility of expenditure being claimed by beneficiaries. These ex-ante controls are embedded in the programmes' management processes and are intended to provide reasonable assurance on the legality and regularity of expenditure being paid. The Commission services can also provide guidance, particularly on contractual issues, with the aim of ensuring a sound and efficient management of funding and therefore a lower risk of irregularities.

Risk management policies have also been put into place to ensure the correct management of risks when using the financial instruments.

RAL (budgetary commitments made, payments still pending): the budgetary RAL ("Reste à Liquider")) is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. At 31 December 2014, the budgetary RAL amounted to EUR 189.585 billion (a significant decrease since 2013: EUR 222.4 billion).

(3) Implementation of the budget for the 2014 financial year: the document also comprises a series of annexes containing figures, the most important of which relates to budgetary implementation.

The year 2014 was the first year of the new programming period 2014-2020.

(a) table on the implementation of commitment appropriations by heading:

- Sustainable growth: EUR 63.98 billion;
- Preservation and management of natural resources: EUR 59.2 billion;
- Citizenship, freedom, security and justice: EUR 2.17 billion;
- EU as a global player: EUR 8.3 billion;
- Administration: EUR 8.4 billion;

Total commitments: EUR 142.69 billion (including special instruments).

(b) table on the execution of payment appropriations by heading:

- Sustainable growth: EUR 65.86 billion;
- Preservation and management of natural resources: EUR 55.9 billion;
- Citizenship, freedom, security and justice: EUR 1.66 billion;
- EU as a global player: EUR 6.2 billion;
- Administration: EUR 8.4 billion;

Total payments: EUR 139.03 billion (including special instruments).

(**c) budget implementation – conclusions**: lastly, the document provides details on the implementation of the budget in more political terms.

For **commitments**, the final adopted budget for commitments was implemented at a 76% level in the first year of the new programming period mostly because of the delay in the adoption of the operational programmes for the funds under shared management. Modifications via amending budgets were negligible apart from the mobilisation of the European Union Solidarity Fund for EUR 127 million.

Payment appropriations were, after a cut of EUR 556 million to the Draft Budget 2014 (including Amending Letters 1 and 2). This meant a decrease of 6 % (EUR 9 billion) compared to the final adopted budget for 2013. This initial level of appropriations left a margin of only EUR 711 million below the MFF ceiling. The ceiling of payments for this first year of the new programming period was set exceptionally low, i.e. more than EUR 8 billion below 2013 and EUR 6 billion below 2015 level. It was clear from the outset that in view of the amount of outstanding commitments, **the heavy pressure on payments** would continue throughout 2014 with a need to revise the amount of appropriations required and very active management of the budget.

The net reinforcement of payment appropriations of operational budget lines via amending budgets amounted to EUR 3.599 billion. This brought at year-end the level of payment appropriations above the ceiling of the MFF through recourse to the Contingency Margin, and the new and last-resort Special Instrument to react to unforeseen circumstances.

The total implementation of final budget payment appropriations was **EUR 137.136 billion** (compared to EUR 142.883 billion in 2013).