

2014 discharge: EU general budget, European External Action Service (EEAS)

2015/2163(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: **European External Action Service (EEAS)**.

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) Implementation of the EEAS's appropriations for the financial year 2014: the document comprises a series of detailed tables, the most important concerning the implementation of the budget.

As regards the EEAS's expenditure, the document stated that the available appropriations in 2014 amounted to 897 million, with an implementation rate of payments of 86.2%.

The information is drawn from the [Report on Budgetary and Financial Management 2014](#) which sets out that the budget for this institution is presented as follows:

The implementation of the EEAS's budget in 2014 was marked by the intense progress in the construction of the Service in general since 2011.

After the European elections of May 2015 and the formation of a new European Commission, the new High Representative **Federica Mogherini** took up office on 1 November 2014.

2014 also saw the start of the implementation of the **reform of staff regulations**. This reform implies important changes in the working conditions of EEAS staff, both at headquarters and in the delegations. Another important implementing reform saw the introduction of a new method for the annual salary review of local staff in delegations (about 3 000 local staff).

A series of decisions were also taken on staff mobility.

The document also noted:

- continued progress towards the objective of the use of at least one third of all EEAS staff at AD level (the level of 33.4% is now achieved with 25% at Headquarters and 45% in the delegations) - this reform has had significant budgetary consequences;
- maintenance of all delegations in third countries, even if resources continue to lack at local level in some delegations;
- securing HQ delegations.

The report noted the **complexity in budget sources**. The number of budget lines used to finance the operations related to Commission staff in the delegations (33 different lines originating in both Heading IV (Europe as a global player) and Heading V (Administration) of the Commission, plus the EDF Funds) and the necessity to finance considerable parts of the administrative expenditure using envelopes (a composition of several budget lines) increases the complexity of budget management.

In addition, as the administrative budget emanates from different sections of the EU budget, the budget available on the various budget lines to finance shared common costs is often not in **equilibrium** and leads to difficulties in execution. This situation will be partially resolved in 2015 with the transfer to the EEAS budget of the Commission's appropriations in respect of delegations common costs, with the exception of the share financed by the EDF.

Lastly, the document noted:

- the exposure to exchange rate fluctuations and local inflation in the delegations;

- the difficulty in managing a network of 139 delegations which often exposes the Institution to crisis situations (Libya, Syria, Yemen, Ukraine, etc...) which have heavy budgetary implications in terms of security and evacuation costs.