2000 discharge: EC general budget, others institutions

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PURPOSE : to present the Annual Report of the Court of Auditors concerning the financial year 2000.
CONTENT : the Annual Report concerning the financial year 2000 focuses on the all the accounts and operations involving administrative expenditure of the European Union's institutions. These appropriations are managed directly by these authorities and are used primarily to pay the salaries, allowances and pensions of persons working for the Community institutions, as well as rent, property purchases and miscellaneous administrative expenditure. The Court has reviewed the information presented in Volumes I to IV of the revenue and expenditure account. Volumes I and III provide a commentary on budgetary management for the year and, in particular, explanations of variations between the initial approved budget and the appropriations finally available, as well as between the appropriations finally available and those utilised. This review did not seek to provide assurance as to the reliability of these explanations. Rather, it sought to identify any significant variations for which explanations are not provided and to identify any explanation that might be considered misleading. The review did not reveal any case where the explanations appeared to be implausible, except at the Council, where mission costs totalling some 0,5 million euro relate to missions carried out in 1999 in the absence of any appropriations and pre-commitment. The Court indicates that the general approach adopted by the institutions to the analysis of budgetary management fails to inform readers of the most significant features of expenditure for the year. All of the institutions focus on explaining variances between out turn and the budget, sometimes in great detail. The way they do this is, however, inconsistent both within and between institutions. The analysis often obscures key issues in budgetary management. For the Court, it is desirable for the institutions to provide a more global analysis in the future, focusing on the main trends in expenditure, and the major capital items, as well as offering key measures of economy and efficiency. In view of all the results of its audit, the Court is of the opinion that the transactions underlying the financial statements, taken as a whole, are legal and regular in respect of revenue, commitments and administrative expenditure but declines to provide this assurance in respect The way in which the budget implementation process is split up in terms of place and time thus makes the task of verifying the legality and regularity of all the transactions a particularly complex one. The Commission, which, under Article 274 of the EC Treaty, is responsible for implementing the budget, is dependent on the good cooperation of the national authorities and other bodies involved. This system is characterised by great diversity in terms of the administrative and accounting cultures, traditions and practices involved. of the other payments. The Court reveals that for the first time the budgetary accounts and financial statements supporting the consolidated balance sheet faithfully reflect the administrative expenditure of Community institutions and bodies. The off-balance-sheetcommitments present future pension costs in a more informative manner. The annual cost of pension rights acquired during the financial year is now shown. However, in the view of the Court it would be better for the liability to be presented in the balance sheet and the annual charge included in the calculation of the economic result. As regards the Council, the Court of Auditors states that although the Justus Lipsius building was commissioned in 1995, it is entered, for an amount of 339,1 million euro, under the heading 'Fixed assets under construction' on the grounds that the official deed has still not been signed, and as a result it has not been depreciated at all. The fact is, however, that this building has been paid for in full and the property's inherent risks and benefits have actually, in substance, been transferred to the Council. This asset should therefore have been entered under the heading 'Land and buildings' for a net accounting value of 257,7 million euro, With regard to the Court of Justice, the Court highlights that leased buildings are shown in the balance sheet for the first time. Their net accounting value, i.e. 96 million euro, is underestimated by some 2,1 million euro because, in the case of Annex B, depreciation was calculated on the basis of the financial year following that in which it was commissioned. In addition, the notes to the balance sheet make no reference to the provisional nature of this value, since negotiations are still underway to determine the financial consequences of certain

construction faults. With regard to the Commission, the administrative expenditure of the Commission and the related assets and liabilities form a small part of the overall consolidated financial statements. The Court notes that for the first time the financial statements mention the liabilities taken on by the Commission in connection with the renovation work on the Berlaymont building, which is estimated at 374 million euro. This real-estate operation also calls for examination with regard to sound financial management, given, inter alia, the Commission's lack of control over these renovation costs. Other observations concern the respective balance sheets of the ESC and the Committee of the Regions (COR) neither disclose the value of the buildings worth 225 million euro for which they signed long-lease contracts with an option to purchase in December 2000, nor even the advance of 26 million euro that was paid (which the Commission nevertheless included in the consolidated balance sheet). A formula for apportioning these joint assets between the ESC and the COR has still not been determined. In general, the Court found systems operated as intended at each of the institutions, but the following weakness was found to apply to all institutions. The ACPC and Financial Control, although they operate ex ante (i.e. prior to the commitment being entered into), are detective controls designed to highlight errors in procedures already carried out. When problems with procedures are identified, the options for remedial action available are often very costly and impractical for the institution. Therefore, in practice, ACPCs' opinions reflect the overall interests of the institutions and are not limited to giving an opinion on whether the tendering procedure was in order. This is one element contributing to the low rate ofnegative opinions given at the larger institutions and the adoption of policies of never giving negative opinions by some of the other institutions. As a result, in a number of cases ACPCs gave favourable opinions combined with explicit criticism of certain aspects of the tendering procedure and recommendations aimed at improving future practice.