

EUROPEAN PARLIAMENT

Working Documents

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DOCUMENT 469/76

Report

drawn up on behalf of the Committee on Budgets

on the proposals from the Commission of the European Communities to the Council for

- a regulation amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities (Doc. 166/76)
- application of the unit of account to the European Community budget (draft Council resolution and proposal for a Council regulation (ECSC, EEC, EURATOM) amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities) (Doc. 360/76)

Rapporteur: Mr M. SHAW



By letter of 11 June 1976, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on a proposal from the Commission of the European Communities to the Council for a regulation amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities.

The President of the European Parliament referred the proposal to the Committee on Budgets on 15 June 1976.

The Committee on Budgets appointed Mr Shaw rapporteur on 23 June 1976.

By letter of 12 October 1976 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on a proposal from the Commission of the European Communities pursuant to Article 149(2) of the EEC Treaty to consider the part of this general proposal relating to the application of the unit of account to the European Communities' budget for 1978 separately from the rest of the proposal.

The President of the European Parliament referred the proposal to the Committee on Budgets on 21 October 1976.

The Committee on Budgets appointed Mr Shaw rapporteur on 3 November 1976.

The Committee on Budgets considered the proposals at its meetings of 23 June, 22 September, 7 October, 3 November, 23 November and 1 and 2 December 1976. It unanimously adopted the motion for a resolution and explanatory statement at its meeting of 1 and 2 December 1976.

Present: Mr Lange, chairman; Mr Shaw, rapporteur; Mr Albertini, Mr Artzinger, Lord Bruce of Donington, Mr Cointat, Mr Früh, Mr Haase, Mr Hansen, Mrs Kellett-Bowman (deputizing for Lord Bessborough), Mr Notenboom, Mr Patijn, Mr Radoux, Mr Suck and Mr Yeats.

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The Committee on Budgets hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on the proposals from the Commission of the European Communities to the Council for

- a regulation amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities
- the application of the unit of account to the European Community Budget (draft resolution of the Council and proposal for a Council regulation (ECSC, EEC, EURATOM) amending the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities)

The European Parliament,

- having regard to the proposals from the Commission of the European Communities to the Council (COM(76) 210 final and 515 final),
- having been consulted by the Council (Doc. 166/76 and 360/76),
- having regard to the interim reports of the Committee on Budgets (Doc. 305/75 and Doc. 296/76);
- having regard to the report of the Committee on Budgets on the inter-institutional dialogue on certain budgetary questions (Doc. 97/76);
- having regard to the report of the Committee on Budgets (Doc. 469/76),
 - (a) aware of the special significance which attaches to the Financial Regulation in so far as it sets out the procedure for establishing and implementing the budget and for presenting and auditing accounts;
 - (b) recalling that, over the past three years, certain shortcomings in the Financial Regulation came to notice which require to be corrected;
 - (c) considering that the present revision enables proposals to be put forward for setting right certain anomalies in the Financial Regulation;
 - (d) having regard to the experience of the Control Sub-Committee;
 - (e) believing that urgency attaches to the adoption of the package of amendments now proposed so that the preliminary draft budget 1978 may be prepared in accordance with the revised text;

1. Notes that the Commission's draft takes account of many of the proposals for amendments put forward by Parliament over the past two years;
2. Expresses satisfaction with the proposals for the setting out in the budget of particulars of borrowing and lending operations and attaches special importance to the text of Article 1(1), final sub-paragraph, and of Article 16(3) of the draft amended Financial Regulation;
3. Considers it highly desirable that, as proposed in the draft amendment to Article 15(3), the budgetary nomenclature shall be decided during the budgetary procedure;
4. Believes that the situation in regard to draft supplementary or amending budgets and to amending letters needs to be clarified and strengthened so as to safeguard the position of Parliament and to remove the possibility of problems arising in the future in regard to these aspects of the budgetary process;
5. Considers that its proposals in regard to the commitments authorizations aspect of the budget will add to budgetary transparency and will provide much needed flexibility and coherence in regard to the coverage of multi-annual projects;
6. Stresses that safeguarding annuality is essential to the effective execution by Parliament of its role in regard to the general budget and considers that the Financial Regulation, as amended by the following proposals, conforms with the criteria of annuality and transparency;
7. Attaches special importance to the future role of the proposed Court of Auditors, insofar as effective control of Community income and expenditure is concerned;
8. Reiterates, in the present context, its earlier calls for the swift ratification of the Treaty of 22 July 1975 and for the rapid establishment of the Court of Auditors;
9. Expects that, after the members of the Court of Auditors have been appointed, Parliament and Council, acting by common accord on the basis of a proposal from the Commission of the European Communities and from the Court of Auditors will amend the Financial Regulation further in so far as provisions relating to the competence, powers and methods of operating the Court's powers are concerned;

10. Notes with satisfaction that some of its earlier demands for the simplification of the presentation of the research part of the budget have been incorporated in the present review;
11. Calls on the Commission to present, in one year's time, proposals for a fresh revision of the research part of the budget so as to improve its transparency further in the light of experience;
12. Regards the provisions in relation to the European unit of account as a step towards the unification of the system of units of account in use in the Communities;
13. Adheres to its belief that the provision in the Treaty in regard to the artificial division of expenditure into compulsory and non-compulsory categories is obsolete;
14. Allows, nevertheless, references in the amended Financial Regulation to this distinction to stand, for pragmatic reasons, without in any way endorsing the categorization;
15. Notes with approval that the system of non-automatic carry forwards of appropriations, which considerably distorted the annual budgetary pattern in recent years, will disappear under the amended Financial Regulation;
16. Considers that the Financial Regulation should be re-examined, once every three years, to ensure that it is kept up to date, on the basis of a proposal from the Commission, recourse being had to the concertation procedure, if called for.
17. Calls for the earliest possible setting up of the common basis of assessment of VAT so that it may enter into operation on 1 January 1978, and that the financial autonomy of the Communities, envisaged in the Decision of 21 April 1970, may be fully realized;
18. Believes that it is essential that the text of the Financial Regulation should be consolidated and, therefore, calls on the Commission to produce a unified text as soon as may be after the amendments to the Financial Regulation are adopted;
19. Stresses the need for a harmonized translation of the revised text into all the official languages of the Communities so as to avoid possible misunderstandings arising;
20. Requests the Commission to incorporate the following amendments in its proposal pursuant to Article 149 (2) of the EEC Treaty;

21. Insists that the amendments to the Financial Regulation constitute a subject to which the provisions of the joint declaration¹ of the European Parliament, the Council and the Commission of 4 March 1975 regarding the conciliation procedure should apply;
22. Calls as a consequence for recourse to conciliation procedure should the Council intend to depart from the text as amended by the European Parliament.

¹ OJ No. C 89/1, 22.4.1975

Proposal for a Council Regulation (ECSC, EEC, Euratom) amending the Financial Regulation of 25 April 1973¹ applicable to the general budget of the European Communities

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Coal and Steel Community, and in particular Article 78f thereof,

Unchanged

Having regard to the Treaty establishing the European Economic Community, and in particular Article 209 thereof,

Unchanged

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 183 thereof,

Unchanged

Having regard to the proposal from the Commission,

Unchanged

Having regard to the opinion of the European Parliament,

Unchanged

Whereas the Treaty of 22 July 1975 amended certain budgetary provisions of the Treaties establishing the European Communities and of the Treaty establishing a Single Council and a Single Commission for the European Communities; and whereas, in the light of these amendments, changes need to be made to the provisions of the Financial Regulation relating to the adoption of the budget and the measures to be taken if, at the beginning of a budget year, the budget has not yet been adopted;

Unchanged

Whereas account should also be taken of the changed distribution of the powers of the two amending the provisions concerning transfers to reflect the fact that the European Parliament makes the final decision on transfers relating to expenditure which does not necessarily result from the Treaties or from Acts adopted in accordance therewith;

Whereas account should also be taken of the changed distribution of the powers of the two institutions which hold the budgetary authority by amending the provisions concerning transfers to reflect the fact that both these institutions, i.e. the Council and the European Parliament, are involved and that the Council takes the final decision on transfers relating to expenditure resulting necessarily from the Treaty and acts adopted in accordance therewith at the European Parliament the final decision on transfers of all other expenditure;

¹ Doc. C171 26.7.76

Whereas the Treaty of 22 July 1975 established a Court of Auditors which replaces the Audit Board and the Auditor of the European Coal and Steel Community; whereas the Court of Auditors should have the same status as an institution in matters concerning the establishment and implementation of the budget, and whereas the provisions covering the jurisdiction and powers of the Court of Auditors should be reviewed once the Court has been constituted;

Whereas the Treaty of 22 July 1975 established a Court of Auditors which replaces the Audit Board of the European Coal and Steel Community; whereas, moreover, the Court of Auditors should have the same status as an institution in matters concerning the establishment and implementation of its budget; whereas, however, the Financial Regulation should define more clearly the jurisdiction and powers of the Court and the manner in which it should exercise those powers once it becomes operational; and whereas it is therefore appropriate to stress the need to review that part of the Financial Regulation which relates to the Court of Auditors;

Whereas there should be conferred upon all the institutions the right to apply the practices current in some of the institutions in respect of the implementation of their budgets, and whereas in particular all the institutions should be empowered to effect themselves any necessary transfers within their own budget section; whereas in respect of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund the Commission should — because of the requirement that the accounts be closed on 31 March — be empowered to carry out between 1 January and 31 March of the subsequent financial year any transfers between chapters that may be required; whereas, pursuant to the provisions of Regulation (EEC) No 2681/74, it is essential that the Commission should be empowered to make transfers as necessary between chapters of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and the Food Aid chapter;

Unchanged

Whereas the definition of the unit of account and the methods applicable to making conversions between the unit of account and the currencies of the Member States, embodied in the text of Article 10 of the Financial Regulation of 25 April 1973 ⁽¹⁾ are no longer appropriate to the current international monetary situation, and whereas in its report of 4 March 1975 the Monetary Committee took the view that a unit of account based on a basket of Community currencies would be best suited to the requirements of the Community in general;

Unchanged

Whereas the Council has already adopted such a unit of account to express the amounts of aid mentioned in Article 42 of the ACP-EEC Convention of Lomé in Decision No 75/250/EEC ⁽²⁾; whereas the Commission of the European Communities has adopted the same unit of account for the implementation of the ECSC Treaty in Decision No 3289/75/ECSC; and whereas the same definition should be adopted for the purposes of implementing the EEC and ECSC Treaties;

Unchanged

⁽¹⁾ OJ No L 116, 1. 5. 1973, p. 1.

⁽²⁾ OJ No L 104, 24. 4. 1975, p. 35.

Whereas it is necessary to harmonize the various budgetary procedures currently used for the Social Fund, the Regional Fund and the European Agricultural Guidance and Guarantee Fund Guidance Section; whereas it is essential that these procedures be brought in line with the general system; whereas, notwithstanding this, transitional provisions must be introduced to enable the arrangements used for these Funds to be gradually adapted to the general system;

Whereas a distinction should be made between appropriations for commitment and appropriations for payment in the case of projects lasting several years and the projects to which such a distinction applies should be determined under budgetary procedure;

Whereas, in the light of the experience acquired in the preparation and management of the function-orientated budget applicable to research and investment appropriations, the system used needs to be rationalized and simplified;

Whereas the Office for Official Publications carries out work for all the institutions, thus constituting a joint service, and it is consequently necessary to improve the presentation and implementation of the budget for this Office; whereas the appropriations for the Office for Official Publications should consequently be entered in an Annex to the 'Commission' section in which all these appropriations will be entered under a specific budget heading and — in order to avoid unnecessary inflation of the budget — the institutions should no longer be required to make payments to the Office;

Unchanged

Whereas a distinction should be made between commitment authorizations and appropriations for payment in the case of projects lasting several years and whereas the projects to which such a distinction applies should be determined under the budgetary procedure;

Whereas, in the case of research and investment appropriations, account should be taken of the need for budgetary clarity which is essential if the budgetary authority is to be able to discharge its functions and whereas an initial breakdown of research appropriations by article and item should be given in a special chapter of the section of the budget relating to the Commission; whereas, moreover, in the light of the experience acquired in the preparation and management of the function-orientated budget applicable to these research and investment appropriations, the system used for their functional presentation needs to be rationalized and simplified;

Unchanged

Whereas the budgetary nomenclature needs to be decided each year under the budgetary procedure to take account of the trends in the activities of the Communities;

Whereas, to take account of developments, in Community activities, the budgetary nomenclature may be changed each year under the budgetary procedure;

Whereas the definitive application of the own resources system from 1 January 1978 necessitates the modification of certain financial provisions and the introduction of new provisions in order to ensure the Communities' financial autonomy by the assignment of the total sum of own resources;

Unchanged

Whereas, once this financial autonomy is achieved, the effecting of expenditure will no longer require the carrying-over of appropriations which had not been committed by the end of the financial year; whereas the provision for such carry-overs should therefore be abolished;

Unchanged

Whereas the Community must nevertheless be able to meet the commitments into which it has entered; whereas it is consequently necessary for the appropriations corresponding to these commitments and not spent during the financial year to be maintained in full to cover these obligations;

Unchanged

Whereas borrowing has been recognized as a means of financing Community activities and the provisions of the Financial Regulation call for modification to take account of this possibility;

Unchanged

Whereas account must be taken of the trends in prices since the Financial Regulation of 25 April 1973 was drawn up and to modify the amounts referred to in Articles 62, 64, 65 and 103 accordingly,

Unchanged

HAS ADOPTED THIS REGULATION:

Article 1

Article 1

The Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities (73/91/ECSC, EEC, Euratom) shall be amended as follows:

Unchanged

¹ (of the Draft Regulation shown in Doc. 166/76 amending the Financial Regulation of 25 April 1973)

Article 1¹

Article 1

1. The Budget of the European Communities (hereinafter called 'budget') is the instrument which sets out forecasts of, and authorizes in advance, the expected revenue and expenditure of the Communities for each budget year. For the purposes of this Financial Regulation, the revenue and expenditure of the Communities shall comprise:

- the administrative expenditure of the European Coal and Steel Community and the corresponding revenue,
- the revenue and expenditure of the European Economic Community,
- the revenue and expenditure of the European Atomic Energy Community.

The abovementioned expenditure shall comprise that arising from the activities of the institutions.

The budget also sets out forecasts of, and authorizes, borrowing and lending operations.

2. The appropriations entered annually in the budget shall be used to finance the commitments entered into during the financial year and the relevant payments without prejudice to the provisions of paragraph 3 relating to multiannual projects.

No expenditure may be incurred or authorized in excess of the authorized appropriations.

3. The appropriations intended to finance multiannual projects shall include appropriations for commitment and appropriations for payment.

The appropriations for commitment authorize the signature of the legal obligations which have to be contracted to cover the total cost of projects which are to be implemented over several financial years. They represent the upper limit of that expenditure the commitment of which has been authorized in order to enable the projects in question to be implemented.

The appropriations for payment enable expenditure which has been committed during the current or preceding financial years to be paid. They represent the upper limit of expenditure involved in the payment of the commitments in question.

1. Unchanged

2. The appropriations shown in the budget shall be authorized for one financial year

Unchanged

3. Appropriations intended to finance multiannual activities may give rise to appropriations for payment and commitment authorizations.

Appropriations for payment shall cover, up to the limit of the amount entered in the budget, expenditure arising from commitments entered into in the current financial year and/or preceding financial years.

Commitment authorizations shall cover, for the current financial year, the total of the legal obligations to be entered into for activities which are to be implemented over more than one financial year.

The entries intended for multiannual activities and consisting of appropriations for payment and commitment authorizations shall be shown in the budget as follows:

- (a) As regards payments to be made in the current financial year
- by entry of the amount under the appropriate item in the budget;

¹(of the Financial Regulation of 25 April 1973), as amended

Save as otherwise provided in the provisions relating to research and investment appropriations, the projects in respect of which a distinction is made between appropriations for commitment and appropriations for payment shall be decided during the budgetary procedure.

(b) As regards commitment authorizations

- by entry in the remarks column:
 - of the total amount authorized for the current financial year;
 - of the annual amounts needed on the basis of an estimated implementing schedule.

The amounts entered as commitment authorizations in the remarks column for the budget of the current year shall be binding for that year.

Multiannual projects in respect of which a distinction is to be made between appropriations for payment and commitment authorizations shall be decided during the budgetary procedure. This principle shall not apply to research and investment appropriations covered by special provisions.

4. Without prejudice to the provisions of the preceding paragraph, expenditure may be authorized for a period going beyond the financial year only in accordance with the detailed rules provided for in the budget.

4. Unchanged

Operating expenditure arising from contracts which have been concluded in accordance with local usage for periods going beyond the financial year is not subject to the provisions of the preceding subparagraph. Such expenditure shall be charged to the budget for the financial year in which it is incurred.

Article 2 unchanged

Article 3

Article 3

All revenue and all expenditure shall be entered in full in the budget and in the accounts without any adjustment against each other.

1. All estimated revenue and all estimated expenditure shall be entered in full in the budget.
2. All revenue and all expenditure shall be entered in full in the accounts.

Article 4

Article 4

1. The total revenue shall be used to finance the total expenditure.

The total revenue shall be used to finance the total expenditure, subject to the provisions of the second paragraph of Article 93.

In the case of budget headings under which appropriations for commitment and appropriations for payment have been entered, it is the amount entered as appropriations for payment which is to be used for the purposes of the preceding paragraph.

In the case of budget headings under which appropriations for payment and commitment authorizations have been entered, it is the amount entered as appropriations for payment which is to be used for the purposes of the preceding paragraph.

2. The financing of the expenditure relating to the supplementary research programmes is governed by the provisions of Article 4(6) of the Decision of 21 April 1970.

Transferred to Article 93(2).

3. Notwithstanding the provisions of paragraph 1, the revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, shall not be used for any other purpose.

The Commission may accept any donation made to the Communities, and in particular foundations, subsidies, gifts and bequests.

The Commission may accept donations which may involve some financial charge only subject to prior authorization from the European Parliament and the Council, which shall act on the matter within two months from the date of receipt of the request from the Commission. If no objection has been made within this period, the Commission shall take a final decision of acceptance.

Article 5

No revenue shall be collected and no expenditure affected unless credited to or charged against an article in the budget.

Article 6

1. The financial year shall correspond to the calendar year.
2. The revenue of a financial year shall be entered in the accounts for that financial year on the basis of the amounts collected during the financial year.
3. The following rules shall govern the utilization of appropriations:
 - (a) Under the budget headings where there is a distinction between appropriations for commitment and appropriations for payment:
 - the commitments shall be entered in the accounts on the basis of the commitments contracted up to the end of the financial year. The portion of the appropriations for commitment which is not utilized by the end of the financial year shall lapse, unless the Budgetary Authority decides otherwise during the budgetary procedure.

New Article 5

Notwithstanding the provisions of Article 4, the revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, shall not be used for any other purpose.

The Commission may accept any donation made to the Communities, and in particular foundations, subsidies, gifts and bequests.

The Commission may accept donations which may involve some financial charge only subject to prior authorization from the European Parliament and the Council, which shall act on the matter within two months from the date of receipt of the request from the Commission. If no objection has been made within this period, the Commission shall take a final decision of acceptance.

Transferred to Article 17.

Article 6

1. The financial year shall run from 1 January to 31 December.
2. The revenue of a financial year shall be entered in the accounts for that financial year on the basis of entitlements recorded up to and including 31 December.
3. The following rules shall govern the utilization of appropriations:
 - (a) Subject to the exceptions provided for at (b) and (c) below, in the case of appropriations entered under items, articles, chapters and titles of the budget:
 - the commitments entered in the accounts shall be those contracted up to the end of the financial year. The portion of the appropriations not committed by the end of the financial year shall lapse,

- the payments for a financial year shall be entered in the accounts for that year on the basis of the expenditure in respect of which the authorization reached the Financial Controller not later than 31 December, and for which payment was effected by the accounting officer not later than the following 15 January. The portion of the appropriations for payment which has not been utilized by the end of the financial year, but which corresponds to commitments incurred shall not lapse but shall be used in the subsequent financial year(s) towards the total amount of the commitments contracted but not paid in the preceding financial year(s),
 - the portion of the appropriations for payment which, at the end of the financial year, exceeds the total amount of commitments entered into in the preceding financial year(s) shall lapse;
- (b) Under the budget headings where there is no distinction between appropriations for commitment and appropriations for payment (non-differentiated appropriations):
- the commitments shall be entered in the accounts on the basis of the commitments contracted up to the end of the financial year. The portion of the appropriations which has not been committed by the end of the financial year shall lapse,
 - the payments for a financial year shall be entered in the accounts for that year on the basis of the expenditure in respect of which the authorization reached the Financial Controller not later than 31 December, and for which payment was effected by the accounting officer not later than the following 15 January. The portion of the appropriations which was committed but not paid by the end of the financial year shall not lapse but shall be used in the subsequent financial year(s) towards the total amount of the commitments contracted but not paid in the preceding financial year(s).
- the payments entered in the accounts for the financial year shall be those which correspond to authorized expenditure communicated to the Financial Controller by 31 December at the latest and paid by the accounting officer by the following 15 January at the latest. The portion of the appropriation for each item committed but not paid by the end of the financial year shall not lapse but shall be used in the subsequent financial year(s) towards the corresponding commitments contracted but not paid.
- (b) in the case of appropriations for commitment as defined at Article 176 of the Euratom Treaty and at Article 95 below and appropriations for payment and
- (c) in the case of appropriations intended for the implementation of multiannual projects and giving rise to appropriations for payment and commitment authorizations:
- the commitments entered in the accounts shall be those contracted up to the end of the financial year.
The portion of the commitments authorized but not used by the end of the financial year shall lapse unless the budgetary authority decides otherwise during the budgetary procedure.
 - the payments entered in the accounts for the financial year shall be those which correspond to authorized expenditure communicated to the Financial Controller by 31 December at the latest and paid by the accounting officer by the following 15 January at the latest. The portion of the appropriation for each item committed but not paid by the end of the financial year shall not lapse but shall be used in the subsequent financial year(s) towards the corresponding commitments contracted but not paid,
 - the portion of the appropriations for payment which, at the end of the financial year, exceeds the total amount of the commitments entered into in the current and or preceding financial year(s) shall lapse.

4. However, the appropriations for the Guidance Section of the European Agricultural Guidance and Guarantee Fund may be used by way of exception to finance projects for which they were not initially committed in accordance with Council Regulation (E.E.C.) No 3171/75 of 3 December 1975 ⁽¹⁾.

4. Unchanged

5. The budgetary authority is to be informed, in the context of the quarterly report provided for at Article 31 of this Financial Regulation, of the utilization of the appropriations referred to at paragraphs 3 and 4 above.

Article 7

Once the budget for the following financial year has been finally adopted, the appropriations entered therein may be committed with effect from 1 January.

However, irrespective of the adoption of this budget, current administrative expenditure which is chargeable to the next financial year and which, by its nature, arises at the beginning of that financial year may, as from 15 November of each financial year, be charged as an expected commitment against the appropriations provided for in respect of the next financial year up to a maximum of one quarter of the total corresponding appropriations for the current year. However,

such commitments shall not apply to new expenditure of a kind not yet approved in principle in the budget of the current financial year. Similarly the advances within the meaning of Articles 107 and 114, intended to finance the expenditure of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and expenditure on food aid, may be paid from 10 December onwards.

Article 7

The appropriations entered in the budget may be committed with effect from 1 January, once the budget has been finally adopted.

This provision shall not apply to current administrative expenditure which, as from 15 November of each financial year, may be charged as an expected commitment against the appropriations provided for in respect of the next financial year. Such commitments shall not, however, exceed one quarter of the total corresponding appropriations for the current financial year. However, such commitments shall not apply to new expenditure of a kind not yet approved in principle in the budget of the current financial year.

The advances intended within the meaning of Articles 107 and 114 to finance the expenditure of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund and expenditure on food aid may be paid from 10 December onwards.

¹OJ L 315 5.12.75

Article 8

If the budget is not finally adopted at the beginning of the financial year, Article 78b of the Treaty establishing the European Coal and Steel Community, Article 204 of the Treaty establishing the European Economic Community and Article 178 of the Treaty establishing the European Atomic Energy Community shall apply to commitments and payments of expenditure of a kind already approved in principle in the last budget duly adopted.

Payments may be made monthly in respect of any chapter up to one-twelfth of the appropriations in respect of the relevant chapter for the preceding financial year; this may not, however, have the effect of placing at the disposal of the Commission monthly appropriations in excess of one-twelfth of the sum provided for in the draft budget or, in the absence thereof, in the preliminary draft budget. Commitments may be entered into up to one quarter of the total appropriations in respect of the relevant chapter for the preceding financial year increased by one-twelfth for each completed month; these commitments may not, however, exceed the limit of the appropriations provided for in the draft budget or, in the absence thereof, in the preliminary draft budget.

At the request of the Commission, and without prejudice to the provisions of the second paragraph, the Council may, acting by a qualified majority, and as dictated by administrative requirements, authorize the simultaneous expenditure of two or more provisional twelfths.

If this decision concerns expenditure other than compulsory expenditure arising from the Treaty or acts adopted thereunder, the Council shall forward such decision forthwith to the European Parliament within 30 days; the European Parliament may, acting by a majority of its members and three-fifths of the votes cast, take a differing decision on this expenditure in respect of the portion exceeding the one-twelfth referred to in paragraph 2. This part of the Council Decision shall be suspended until the European Parliament has taken its decision. If the European Parliament has not taken a decision differing from that of the Council within the period laid down, the Decision of the Council shall be deemed to be finally adopted.

The decisions referred to in the previous paragraphs shall include the requisite measures in respect of resources for the purposes of this Article.

As regards research and investment appropriations, the provisions of Article 101 shall apply.

Article 8

Unchanged

Unchanged

At the request of the Commission, and without prejudice to the provisions of the second paragraph, the Council may, acting by a qualified majority, and as dictated by administrative requirements, and after consulting the European Parliament, authorize the simultaneous expenditure of two or more provisional twelfths.

Decisions concerning several provisional twelfths and relating to expenditure other than that necessarily resulting from the Treaty or from acts adopted in accordance therewith shall be taken pursuant to the procedure laid down in the third subparagraph of Article 204 of the Treaty establishing the European Economic Community as amended by Article 13 of the Treaty of 22 July 1975.

Unchanged

Unchanged

Articles 9 - 11 unchanged

Article 12

1. - The Commission shall prepare a general statement of revenue of the European Communities and shall consolidate the estimates referred to in Article 11 in the preliminary draft budget and shall place it before the Council each year not later than 1 September. It shall, at the same time, forward the preliminary draft budget to the European Parliament.

2. The Commission shall prepare a general introduction to the preliminary draft budget, containing in particular:

(a) financial tables covering the entire budget;

(b) as regards the Commission section:

- a definition of the policies justifying the requests for appropriations,
- an explanation of the changes in appropriations from one financial year to the next,
- a general statement on the borrowings and loans policy.

3. Every other section of the preliminary draft budget shall be preceded by an introduction prepared by the institution concerned.

4. The preliminary draft budget shall be accompanied by working documents containing the following information:

(a) in respect of staff:

- for each category of staff, a detailed list of budgetary posts and numbers of persons in post on the date of the submission of the preliminary draft budget, indicating their distribution by grade and administrative unit (or principal operational unit for the establishments of the Joint Research Centre),
- where a change in the number of persons in post is proposed, a statement justifying such changes;

(b) in respect of expenditure including appropriations for commitment and appropriations for payment:

- a table showing all the appropriations for commitment and the corresponding appropriations for payment for the financial year in question;

(c) in respect of subsidies to the Supply Agency, to the bodies set up pursuant to the Treaties and to the European schools;

- a forecast of revenue and expenditure.

Article 12

1. Unchanged

2. The Commission shall prepare a general introduction to the preliminary draft budget, containing in particular:

(a) financial tables covering the entire budget,

(b) as regards the Commission section:

- a definition of the policies justifying the requests for appropriations;
- an explanation of the changes in appropriations from one financial year to the next;
- a detailed statement on the borrowings and loans policy.

3. Unchanged

4. Unchanged

(a) Unchanged

(b) Unchanged

(c) in respect of subsidies to the bodies set up pursuant to the Treaties or acts adopted in accordance therewith, to the Supply Agency and to the European schools:

- a forecast of revenue and expenditure prefaced by an explanatory statement drawn up by the bodies concerned.

5. Furthermore, the Commission shall attach to the preliminary draft budget:

- a balance sheet of assets and liabilities for the preceding financial year, as envisaged in Article 83, and
- an opinion on the estimates in respect of the other institutions; that opinion may contain different estimates, duly supported.

6. The Commission may, on its own initiative and, if appropriate, at the request of the European Parliament, the Council, the Court of Justice and the Court of Auditors, present - by means of a letter of amendment - proposals for changes to the preliminary draft budget necessitated by the receipt of new information which was not available at the time the budget was drawn up.

7. The Commission may, if necessary, submit supplementary or amending preliminary draft budgets. Requests for supplementary or amending budgets from the European Parliament, the Council, the Court of Justice or the Court of Auditors shall be forwarded by the Commission to the Budgetary Authority. The Commission may attach a different opinion. These budgets shall be submitted, examined, prepared and finally adopted in the same form and according to the same procedure as for the budget whose estimates they are amending. They must be substantiated by reference to the latter. The competent authorities shall discuss them in the light of their urgency. All supplementary budgets must be forwarded to the Council by the date laid down for the submission of the preliminary draft budget for the following financial year.

5. Furthermore, the Commission shall attach to the preliminary draft budget:

- an analysis of the financial management for the preceding financial year, as envisaged in Article 83, and a balance sheet of assets and liabilities of the Communities as at 31 December of the preceding financial year as envisaged at Article 84, and
- an opinion on the estimates in respect of the other institutions; that opinion may contain different estimates.

6. The Commission may, on its own initiative and, if appropriate, at the request of the European Parliament, the Council, the Court of Justice and the Court of Auditors, present - by means of a letter of amendment - proposals for changes to the preliminary draft budget necessitated by the receipt of new information which was not available at the time the budget was drawn up.

However, such a letter of amendment must be put before Parliament by the Council at least 15 days before the first reading of the draft budget, save in very exceptional circumstances.

7. In the event of unavoidable, exceptional and unforeseen circumstances arising, the Commission may submit preliminary draft supplementary budgets. Also, particularly to enable policies to be adapted, the Commission may submit preliminary draft amending budgets which would not alter the total amount of the annual budget and to which would be attached the necessary draft corresponding regulations. Requests for supplementary or amending budgets from the European Parliament, the Council, the Court of Justice or the Court of Auditors shall be forwarded by the Commission to the Budgetary Authority. The Commission may attach a different opinion. These budgets shall be submitted, examined, prepared and finally adopted in the same form and according to the same procedure as for the budget whose estimates they are amending. They must be substantiated by reference to the latter. The competent authorities shall discuss them in the light of their urgency. All supplementary budgets must, as a general rule, be forwarded to the Council by the date laid down for the submission of the preliminary draft budget for the following financial year.

Article 13

The Council shall establish the draft budget in accordance with the procedure laid down in Article 78 of the Treaty establishing the European Coal and Steel Community, Article 203 of the Treaty establishing the European Economic Community and Article 177 of the Treaty establishing the European Atomic Energy Community.

The draft budget shall be forwarded to the European Parliament and placed before it not later than 5 October. The Council shall attach to that draft budget an explanatory memorandum defining in particular:

- the relationship between the principal objectives of the Communities and the requests for appropriations,
- the changes in appropriations compared with the preceding financial year,
- the Council's reasons for departing from the preliminary draft budget, if it has done so.

Article 13

1. Unchanged

The draft budget shall be forwarded to the European Parliament and placed before it not later than 5 October. The Council shall attach to that draft budget an explanatory memorandum defining in particular:

- the relationship between the principal objectives of the Communities and the requests for appropriations,
- the changes in appropriations compared with the preceding year,
- the Council's detailed reasons for departing from the preliminary draft budget, if it has done so.

2. The provisions of paragraph 1 are applicable, mutatis mutandis, to draft supplementary and/or amending budgets.

Articles 14 and 15 unchanged

Article 16

The budget shall show:

1. In the general statement of revenue:
 - forecasts of revenue in respect of the European Communities for the financial year in question divided into titles, chapters, articles and items;
 - revenue for the preceding financial year divided into titles, chapters, articles and items;
 - appropriate comments on each subdivision.
2. In the section referring to each institution:
 - (a) as regards the statement of revenue:
 - the forecast of revenue for each institution for the financial year in question, divided into titles, chapters, articles and items, following a decimal classification system,
 - the revenue entered in the budget for the preceding financial year and the revenue established for the last financial year for which accounts have been closed, using the same decimal classification,
 - appropriate comments for each revenue heading.

Article 16

1. Unchanged

2. (a) Unchanged

(b) as regards the statement of expenditure:

- concerning the budget headings which do not include appropriations for commitment and appropriations for expenditure:
 - the budget appropriations made available for the financial year in question divided into titles, chapters, articles and items, following a decimal classification system,
 - the budget appropriations made available for the preceding financial year and the actual expenditure for the last financial year for which accounts have been closed, using the same decimal classification,
- as for the budget headings which include appropriations for commitment and appropriations for expenditure:
 - the appropriations for payment made available for the financial year in question and the preceding financial year and the actual expenditure for the last financial year for which the accounts have been closed, using the same decimal classification system,
 - in the remarks column the appropriations for commitment entered for the financial year in question and for the previous financial year, and the commitments incurred during the last financial year for which the accounts have been cleared,
- appropriate comments on each subdivision; such comments may be binding, in which case this fact shall be specifically mentioned;

(c) as regards the staff in post:

- in an annex to the budget, a list of posts fixing the number of posts for each grade in each category and in each service,
- annexed to the Commission section, a list of posts in respect of officials, establishment staff of the Joint Research Centre and temporary staff occupying permanent posts, classified by categories and grades, whose appointment is authorized within the limits of the budget appropriations.

(b) as regards the statement of expenditure:

- for the various items, articles, chapters and titles:
 - the budget appropriations made available for the financial year in question, these appropriations being the appropriations for payment for the items for which the distinction between appropriations for payment and commitment authorizations has been agreed,
 - the budget appropriations made available for the preceding financial year,
 - the actual expenditure for the last financial year for which the accounts have been closed,
- for the appropriations intended for the implementation of multiannual projects and consisting of appropriations for payment and commitment authorizations:
 - in the remarks column, an indicative implementing schedule concerning the preceding financial year, the financial year in question and future financial years corresponding to the duration of the multiannual projects.
- appropriate comments on each subdivision; such comments may be binding, in which case this fact shall be specifically mentioned.

(c) Unchanged

However, as regards scientific and technical staff, the classification may be based on different groups of grades, in accordance with the conditions laid down in each budget. The list of posts must mention the number of highly-qualified technical or scientific personnel who are accorded special advantages under the Staff Regulations applicable to these officials.

The list of posts shall constitute an absolute limit for each institution; no appointment may be made in excess of the limit set.

3. as regards borrowing and lending operations:

(a) in the Commission section:

- the budgetary headings corresponding to the categories of operation which are generally accorded a token entry,
- remarks which show in particular the legal basis, as the case may be, the annual volume of operations envisaged and the financial guarantee given by the Commission in respect of these operations.

(b) annexed to the Commission section:

- the current capital operations and management of the debt,
- for information, the capital operations and management of the debt for the financial year in question.

3. Unchanged

Article 17

The Budget shall be implemented in accordance with the principle that the authorizing officers and accounting officers are different individuals.

The appropriations shall be administered by the authorizing officer who alone is empowered to enter into commitments regarding expenditure, establish sums due to be collected and issue receivable orders and payment orders. The operations of collection or payment shall be carried out by the accounting officer. No financial controller or accounting officer can exercise the functions of an authorizing officer.

Unchanged

Unchanged

No revenue shall be collected and no expenditure effected unless credited to or charged against an article in the budget.

Articles 18 - 20 unchanged

Article 21

1. The appropriations shall be classified by chapter and article.

2. Each institution may transfer appropriations for payment between chapters in its section of the budget to meet its requirements. It shall inform the Commission and the Budgetary Authority accordingly.

3. (a) The European Parliament, the Council, the Court of Justice and the Court of Auditors may make transfers between chapters of a title in their sections of the budget and within each chapter.

Transfers by the Economic and Social Committee shall be decided by the Council. The Commission and the Budgetary Authority shall be informed of these transfers.

(b) The Commission may make transfers between chapters of titles relating to staff and operating expenditure, and, in any title, within each chapter.

Article 21

1. Unchanged

2. Deleted

3. (a) The European Parliament, the Council, the Court of Justice and the Court of Auditors may make transfers between chapters of titles relating to staff and operating expenditure in their sections of the budget and in any title within each chapter

Unchanged

(b) Unchanged

4. Other transfers shall be subject to the following procedure:

Requests for transfers shall be sent to the Commission and forwarded by the latter to the European Parliament and the Council.

Transfers relating to expenditure necessarily resulting from the Treaty or from acts adopted in accordance therewith shall be deemed to be approved if the Council, acting by qualified majority and after consulting the European Parliament, has not taken a decision to the contrary within six weeks from the date on which the Council received the request.

Transfers relating to expenditure not necessarily resulting from the Treaty or from acts adopted in accordance therewith shall be deemed to be approved if the European Parliament, after consulting the Council, has not taken a decision to the contrary within six weeks from the date on which the European Parliament received the request.

Transfers relating to expenditure necessarily resulting from the Treaty or from acts adopted in accordance therewith and other expenditure shall be deemed to be approved if neither the Council nor the European Parliament have taken a decision to the contrary within six weeks from the date on which the two institutions received the request.

If, in the case provided for in the preceding subparagraph, the European Parliament and the Council reduce the transfer by different amounts the lower amount accepted by one of the two institutions shall be deemed to be approved.

5. Every proposal for an amendment to the appropriations for payment or for a transfer within a chapter or between chapters shall be subject to the approval of the Financial Controller, who shall attest that the appropriations are available.

6. Unless otherwise decided in due and proper form under the budgetary procedure, appropriations can be transferred only to articles in the budget for which the budget has authorized appropriations or carries a 'token entry'.

7. This Article shall apply to the appropriations for revenue allotted to a purpose under Article 4 (3) only as long as the allotment of such revenue to that specific purpose is maintained.

4. As regards all other transfers of appropriations for payment within the section relating to the Commission:

(a) the Council, after consulting the European Parliament, shall act within six weeks on requests for transfers submitted by the Commission and relating to expenditure necessarily resulting from the Treaty or acts adopted in accordance therewith.

If no decision has been taken by the Council within this time limit, these requests for transfers shall be deemed to be approved.

(b) the European Parliament, after consulting the Council, shall act within six weeks on requests for transfers from the Commission relating to expenditure other than that resulting necessarily from the Treaty or acts adopted in accordance therewith.

If no decision has been taken within this time limit, these requests for transfers shall be deemed to be approved.

Transfers relating to expenditure necessarily resulting from the Treaty or from acts adopted in accordance therewith and other expenditure shall be deemed to be approved if neither the Council nor the European Parliament have taken a decision to the contrary within six weeks from the date on which the two institutions received the request.

If, in the case provided for in the preceding subparagraph, the European Parliament and the Council reduce the transfer by different amounts the lower amount accepted by one of the two institutions shall be deemed to be approved.

5. Unchanged

6. Unchanged

7. This Article shall apply to the appropriations for revenue allotted to a purpose under Article 5 only as long as the allotment of such revenue to that specific purpose is maintained.

Article 22 unchanged

Article 23

1. Every measure such as to give rise to or to modify a debt due to the Communities must be preceded by a proposal from the competent authorizing officer. Such proposals shall be forwarded to the Financial Controller of the institution for his approval. They shall mention, in particular, the type, the estimated amount and the budget item to which the revenue is booked and also the name and description of the debtor. The purpose of the approval of the Financial Controller shall be to establish that:

- (a) the revenue is booked to the correct budget item;
- (b) the proposal is in order and conforms to the relevant provisions, in particular, of the budget and of the regulations and also of all acts made in implementation of the Treaty and of the Regulations, and to the principles of sound financial management.

Estimates of certain items of current revenue may be proposed in accordance with the measures of implementation envisaged in Article 118.

The Financial Controller may withhold his approval. The superior authority of the institution may, by a decision stating the full reasons therefor, and on its sole responsibility, disregard this. This decision shall be final and binding; it shall be communicated for information to the Financial Controller. The superior authority of each institution shall periodically inform the Court of Auditors of all such decisions.

Article 23

Unchanged

Unchanged

The Financial Controller may withhold his approval. The superior authority of the institution may, by a decision stating the full reasons therefor, and on its sole responsibility, disregard this. This decision shall be final and binding; it shall be communicated for information to the Financial Controller. The superior authority of each institution shall quarterly inform the Court of Auditors of all such decisions.

2. The competent authorizing officer shall draw up, in respect of every debt established, a receivable order which shall be sent with supporting documents to the Financial Controller for his prior approval. Such receivable orders shall, after they have received the approval of the Financial Controller, be recorded by the accounting officer in accordance with the measures of implementation envisaged in Article 118.

2. Unchanged

The purpose of the approval shall be to establish that:

- (a) the revenue is booked to the correct budget item;
- (b) the order is in order and conforms to the relevant provisions;
- (c) the supporting documents are in order;
- (d) the debtor is correctly described;
- (e) the due date is indicated;
- (f) the order conforms to sound financial management;
- (g) the amount and currency of the sum to be recovered are correct.

If approval is withheld, the second subparagraph of paragraph 1 of this Article shall apply.

Article 24

Article 24

1. The accounting officer shall assume responsibility for the receivable orders duly drawn up.

1. Unchanged

He shall exercise all due diligence to ensure that the resources due to the Communities are recovered at the due dates indicated in the receivable orders, and he shall see to it that the rights of the Communities are safeguarded.

The accounting officer shall inform the authorizing officer and the Financial Controller of any revenue not recovered within the time limits laid down.

Unchanged

2. If the authorizing officer waives the right to recover an established debt, he shall send beforehand a proposal for cancellation to the Financial Controller for his approval and to the accounting officer for information.

Unchanged

The purpose of the approval of the financial controller shall be to establish that the waiver is in order and conforms with the principles of sound financial management. The proposal concerned shall be recorded by the accounting officer.

Unchanged

If approval is withheld, the superior authority of the institution may, by a decision stating the full reasons therefor, and on its sole responsibility, disregard this. This decision shall be final and binding; it shall be communicated for information to the Financial Controller. The superior authority of each institution shall periodically inform the Court of Auditors of all such decisions.

If approval is withheld, the superior authority of the institution may, by a decision stating the full reasons therefor, and on its sole responsibility, disregard this. This decision shall be final and binding; it shall be communicated for information to the Financial Controller. The superior authority of each institution shall quarterly inform the Court of Auditors of all such decisions.

3. When the Financial Controller finds that a document establishing a debt has not been drawn up, or that a sum due has not been recovered, he shall inform the institution thereof.

3. Unchanged

4. The measures of implementation in respect of this Article shall be laid down in accordance with the provisions of Article 118.

4. Unchanged

Articles 25 and 26 unchanged

Article 27

Article 27

Deleted

The own resources paid by the Member States pursuant to Title II of Council Regulation (EEC, Euratom, ECSC) No 2/71 of 2 January 1971 shall be credited to the current financial year regardless of the date of establishment defined in Article 2 of this Regulation.

Articles 28 - 30 unchanged

Article 31

The Commission shall, four times a year, present the European Parliament and the Council with a report on the Communities' financial situation.

Article 31

The Commission shall, four times a year, present the European Parliament and the Council with a report on the Communities' financial situation, including both receipts and expenditure.

There shall be attached to these reports a comprehensive statement on the sums maintained from previous years, as well as on any changes brought about by supplementary or amending budgets.

Articles 32 - 41 unchanged

Article 42

The purpose of the approval of proposals for commitments of expenditure given by the Financial Controller shall be to establish that:

- (a) the expenditure has been charged to the correct item in the budget;
- (b) the appropriations are available;
- (c) the expenditure is in order and conforms to the relevant provisions, in particular of the budget and the Regulations, and of all acts made in implementation of the Treaties and of the Regulations;
- (d) the principles of sound financial management have been applied.

The Financial Controller shall take into account the comments in the decision giving discharge.

The measures of implementation of these provisions shall be determined in accordance with Article 118.

Article 42

Unchanged

Deleted and transferred to Article 92

Unchanged

Articles 43 - 72 unchanged

Article 73

Except for the advances referred to in Articles 107 and 114, any advance, other than regular advances which are periodically re-examined, shall be entered in a suspense account and settled at the latest during the financial year which follows the payment of this advance.

However, the advances referred to in the third subparagraph of Article 50 shall be settled within the two months following completion of the project for which they were granted.

Article 73

Unchanged

However, the advances referred to in the third subparagraph of Article 50 shall be settled within six weeks as a general rule following completion of the project for which they were granted.

Article 74 unchanged

Article 75

The accounts shall be closed at the end of the financial year to enable a balance sheet of the Communities and the revenue and expenditure account referred to in Title VI to be drawn up. The revenue and expenditure account shall be submitted to the Financial Controller.

The adjustment operations and those in respect of additional periods shall be appended to the sheets for 31 December of the year in question.

Unchanged

Deleted

Articles 76 - 80 unchanged

Article 81

The Commission shall draw up, not later than 1 June a revenue and expenditure account for the Communities, which shall include the following tables broken down in accordance with the budget nomenclature:

1. A table of revenue including:
 - estimated revenue for the financial year,
 - amendments to the revenue estimates as a result of supplementary or amending budgets,
 - revenue collected during the financial year;

2. Tables showing the trend in appropriations in respect of the financial year, distinguishing between appropriations for commitment, appropriations for payment and appropriations where no such distinction is made, and indicating:
 - the initial appropriations,
 - any amendments introduced by means of supplementary or amending budgets,
 - any amendments to appropriations introduced by means of transfers,
 - the final appropriations for the financial year;

3. Tables of expenditure showing the utilization of the appropriations for the financial year, indicating:
 - the final appropriations, distinguishing between appropriations for commitment, appropriations for payment and appropriations where no such distinction is made,

Article 75

Unchanged

Deleted

Article 81

The Commission shall draw up, not later than 1 June of the following year, a revenue and expenditure account for the Communities, which shall include the following tables broken down in accordance with the budget nomenclature:

1. A table of revenue including:
 - estimated revenue for the financial year,
 - amendments to the revenue estimates as a result of supplementary or amending budgets,
 - revenue collected during the financial year,
 - entitlements still to be collected from the preceding financial year,
 - entitlements established in the course of the financial year,
 - amounts still to be collected at the end of the financial year;
2. Tables showing the budgetary pattern for the financial year distinguishing between appropriations entered under items, articles, chapters and titles of the budget, commitment authorizations, appropriations for commitment and indicating:
 - the initial entries,
 - any amendments introduced by means of supplementary or amending budgets,
 - any amendments to appropriations introduced by means of transfer,
 - the appropriations maintained under Article 6(3)
 - the final figures for appropriations for the financial year;
3. Tables showing the utilization of the figures entered as at paragraph 2 above: appropriations maintained and cancellations shall also be indicated.

- the commitments entered into and chargeable to the financial year, distinguishing between appropriations for commitment and appropriations where no such distinction is made,
- the payments made and chargeable to the financial year, distinguishing between appropriations for payment and appropriations where no such distinction is made,
- the settlement of the commitments in respect of the financial year and the calculation of the amounts still to be paid at the close of the financial year,
- the appropriations for commitment carried forward in accordance with Article 95 and with the decision taken by the Budgetary Authority pursuant to Article 6 (3) (a), first indent,
- the appropriations for payment carried over pursuant to Article 6 (3) (a), first indent,
- the appropriations where no such distinction is made, carried over pursuant to Article 6 (3) (b),
- the appropriations cancelled, distinguishing between appropriations for commitment, appropriations for payment and non-differentiated appropriations.

A statement shall be annexed to these tables, where appropriate, showing the revenue, expenditure and balances for the re-use referred to in Article 22 (2);

Unchanged

4. Tables showing the use of the appropriations carried forward from preceding financial years, indicating:
- the amount of appropriations carried forward, distinguishing between appropriations for commitment and other appropriations,
 - the commitments entered into and chargeable to the appropriations for commitment carried forward,
 - the payments made against the appropriations for payment and against the non-differentiated appropriations carried forward,
 - the validation of the amounts still to be paid at the close of the preceding financial year and the amounts still to be paid at the close of the current financial year,
 - the unused appropriations to be carried forward to the next financial year,
 - the appropriations cancelled, distinguishing between appropriations for commitment and other appropriations;

4. Tables showing the use of the authorizations and appropriations maintained from preceding financial years, indicating a detailed breakdown of the figures into commitments, payments made, unused appropriations being maintained and cancellations.

5. Annexed to the revenue and expenditure account shall be a document showing capital transactions and the management of the debt, indicating:

— A

- (a) the total amount of loans approved;
- (b) the total amount of the repayments made on borrowings contracted and of the charges on such borrowings;

— B

- (a) the amount of borrowings contracted;
- (b) the total amount of repayments of capital and payments of interest made on loans granted.

5. Unchanged

Articles 82 - 84 unchanged

Article 85

The revenue and expenditure account, the financial analysis and the balance sheet shall be forwarded to the Council and the European Parliament by 1 June at the latest.

The Court of Auditors shall be informed that these documents have been sent.

Article 85

The Commission shall forward the revenue and expenditure account, the financial analysis and the balance sheet to the European Parliament, the Council and the Court of Auditors by 1 June at the latest.

Article 85a

The members of the Court of Auditors shall act and be responsible collectively for performing its duties.

The Court may instruct one or more of its members to carry out certain tasks or certain audits. Any member or members so instructed may on their initiative seek assistance from officers of the Court.

Tasks delegated to officials pursuant to the foregoing provisions must be specified and limited to the time necessary for their completion. The Court itself or one of its members shall notify these tasks to the authorities with which the person delegated is to do his work.

Articles 86 - 89 unchanged

Article 90

Any comments which are, in the opinion of the Court of Auditors, of a nature such that they should appear in the report provided for in Article 78d of the Treaty establishing the European Coal and Steel Community, Article 206 of the Treaty establishing the European Economic Community, and Article 180 of the Treaty establishing the European Atomic Energy Community shall be communicated to the Commission and the institutions concerned.

Each institution shall address its reply to the Court of Auditors. The replies of the institutions other than the Commission shall be forwarded simultaneously to the Commission.

The Court of Auditors shall attach to the annual report an assessment of the soundness of the financial management.

Article 90

The Court of Auditors shall transmit to the Commission and the institutions concerned, by 15 July at the latest, any comments which are, in its opinion, of a nature such that they should appear in the report provided for in Article 78f of the Treaty establishing the European Coal and Steel Community, Article 206a of the Treaty establishing the European Economic Community and Article 180a of the Treaty establishing the European Atomic Energy Committee.

Each institution shall address its reply to the Court of Auditors by 31 October at the latest. The replies of the institutions other than the Commission shall be forwarded simultaneously to the Commission.

Unchanged

Before or after the accounts for a financial year have been closed, any institution may request the Court of Auditors to forward, in addition to the annual report, reports or analyses in respect of specific problems relating to the General budget of the European Communities.

The Court of Auditors may, on its own initiative, place similar reports or analyses before any institution.

Article 91

The Court of Auditors shall transmit its report to the institutions 45 days after receiving the revenue and expenditure account.

The replies from the institutions shall be forwarded to the Court of Auditors three months after they have received the report and the comments referred to above.

Article 92

The European Parliament, upon a recommendation from the Council which shall act by a qualified majority, shall, before 30 April of the next year, give a discharge to the Commission in respect of the implementation of the budget. If that date cannot be met, the European Parliament or the Council shall inform the Commission of the reasons for the postponement.

The institutions shall take all appropriate steps to take action on the comments appearing in the decisions giving discharge. At the request of the European Parliament or the Council, the institutions shall report on the measures taken in the light of these comments and, in particular, on the instructions given to their departments which are responsible for the implementation of the budget. Such reports shall also be forwarded to the Court of Auditors.

Subject to the provisions of the second sentence of the second subparagraph, the institutions must give an account, in the Annex to the revenue and expenditure account for the next financial year, of the measures taken in the light of the comments appearing in the decision giving discharge.

Article 91

The Court of Auditors shall transmit to the authorities responsible for giving discharge and to the other institutions, by 30 November at the latest, its annual report accompanied by the replies, and it shall ensure publication thereof in the Official Journal.

Article 92

Unchanged

The Financial Controller and all the institutions are to conform with the comments given by the European Parliament in the decisions giving discharge. The institutions shall report to the European Parliament on the measures taken in the light of these comments and, in particular, on the instructions given to their departments which are responsible for the implementation of the budget. Such reports shall also be forwarded to the Court of Auditors and to the Commission of the European Communities.

Delete

Article 92a

All institutions and all agents of the European Communities shall provide to the European Parliament any information and any documents which it calls for in the context of its exercise of control of the general budget of the European Communities.

Article 93

This Financial Regulation shall apply to the research and investment appropriations set out in the Annex provided for in Article 94, hereinafter called Annex, and the financial scheme referred to in Article 98, save as otherwise provided in this title or where they are incompatible with the special provisions of this title.

Article 94

The total amount of research and investment appropriations in terms of appropriations for commitment and appropriations for payment to be financed in accordance with the Decision of 21 April 1970 shall be entered in a special chapter in the section of the budget relating to the Commission; these research and investment appropriations shall be set out in detail in an Annex to that section.

That Annex, which forms an integral part of the budget, shall contain:

- appropriations intended to finance all the research and investment objectives,
- appropriations for other activities.

Article 93

1. Unchanged
2. The financing of the expenditure relating to the supplementary research programmes is governed by the provisions of Article 4(6) of the Decision of 21 April 1970.

Article 94

Research and investment appropriations shall be entered in a special chapter in the section of the budget relating to the Commission.

A detailed functional breakdown of these appropriations shall be given in an annex to this section.

This annex, which is to form an integral part of the budget, shall contain:

- appropriations intended to finance all the research and investment objectives,
- appropriations for other activities.

Articles 95 - 97 unchanged

Article 98

1. In addition to the documents referred to in Article 12, a financial scheme shall be drawn up to support the preliminary draft in the Annex. This shall contain, in the form of appropriation accounts, the appropriations made available in the chapters and articles of the abovementioned Annex corresponding to the instruments of implementation.

For example, such instruments are:

- the scientific divisions,
- the general services,
- the scientific and technical services.

In addition, the financial scheme shall contain an account for staff expenditure.

2. The financial scheme, amended if necessary after the adoption of the budget, shall serve as the basis for management.

Expenditure of the instruments of implementation and the account for staff expenditure shall be entered provisionally in this scheme.

Article 98

1. Unchanged

2. The financial scheme, amended if necessary in accordance with the budget as adopted, shall serve as the basis for management.

Unchanged

3. An appropriation account shall be provided for each instrument of implementation. The appropriations entered therein in the different chapters of the Annex for these instruments shall be classified according to their nature pursuant to the second subparagraph of Article 97.

This same classification shall also be used for expenditure in the staff expenditure account.

4. The expenditure entered provisionally in the staff expenditure account shall not exceed the amounts made available in the appropriation accounts.

The expenditure entered provisionally in each appropriation account shall not exceed the appropriations authorized in respect of the chapters and articles in the Annex for the instrument in question, save where, as a result either of transfers within chapters and articles of this Annex or of additional amounts made available for outside bodies or individuals, surplus resources make it possible to increase expenditure accordingly. These additional amounts shall be shown as:

- commitments, up to the amount of the repayment provided for in the contracts concluded with requesting third parties,
- payments, up to the amount of the entitlements for repayment.

5. The provisional entries in the staff expenditure account shall be distributed over the appropriation accounts each month after deduction of the Community tax.

The provisional entries in the appropriation accounts shall be distributed — by means of final entries — over the research objectives and other activities each month proportionately according to the work done by the instruments.

6. A document shall be appended to the revenue and expenditure account showing the results of the operations provisionally charged to each appropriation account and operations charged to the staff expenditure account.

3. Unchanged

4. Unchanged

5. The provisional entries in the staff expenditure account shall be distributed over the appropriation accounts each month.

Unchanged

6. Unchanged

Articles 99 - 106 unchanged

Article 107

Provisional global commitments shall be entered into, corresponding to the advances to be made to the Member States, in respect of the appropriations for the Guarantee Section of the European Agricultural Guidance and Guarantee Fund.

The Commission Decisions fixing the amounts of these advances, in accordance with point (a) of Article 5(2) of Regulation (EEC) No 729/70 constitute provisional global commitments. The approval of the Financial Controller shall have the sole purpose of establishing that the commitments correspond to the amount of the advances made by the Commission, after consultation with the Fund Committee, and that they are within the limits of the total amount of appropriations in the Guarantee Section of the European Agricultural Guidance and Guarantee Fund.

Article 107

1. Unchanged

Unchanged

However, when the Commission considers that a measure may be of a nature that would result in the appropriations under a particular chapter being exceeded substantially, the proposal in question should be transmitted to the European Parliament for its opinion. In such cases, Parliament should give its reaction within one month.

Articles 108 - 112 unchanged

Article 113

1. Transfers from one article to another within each chapter shall be made by decision of the Commission taken not later than 31 March of the subsequent financial year, in accordance with the procedure provided for in Article 13 of Regulation (EEC) No 729/70.

2. Notwithstanding Article 21, for payments chargeable to the financial year concerned, transfers within the Guarantee Section of the European Agricultural Guidance and Guarantee Fund may be effected between 1 January and 31 March of the subsequent financial year by decision of the Commission acting in accordance with the procedure provided for in Article 13 of Regulation (EEC) No 729/70.

3. However, for payments chargeable to the financial year concerned, and up to the limits required for implementing Regulation (EEC) No 2681/74 of 21 October 1974, the Commission may take transfers between the 'Food Aid' Chapter and the 'Guarantee Section' chapters of the European Agricultural Guidance and Guarantee Fund up to 31 March at the latest.

4. The Budgetary Authority shall be informed immediately of any decisions to make transfers under paragraphs 2 and 3 of this Article.

Article 113

Unchanged

Deleted

Deleted

Deleted

2. Transfers between chapters, whether within or between the titles created in the budget for the guarantee section of the European Agricultural Guidance and Guarantee Fund, shall be made by the Commission, as necessary, up to 31 March of the following year,

3. The Commission may make transfers between the 'Food Aid' chapter and the chapters of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund up to 31 March of the following financial year in accordance with the limits set by the application of Regulation (EEC) 2681/74 of 21 October 1974 for payments imputed to the financial year concerned.

4. It shall take decisions to transfer not earlier than one month after it has informed the budgetary authority of its proposals in regard to such transfers.

Articles 114 - 113 unchanged

Article 119

1. (a) The provisions amending Articles 26, 28 and 29 shall not apply until 1 January 1978.
- (b) The provisions of Articles 26 to 31, 33, 34 (1), the first subparagraph of Article 34 (2), and Articles 37 (1) and 38 of Financial Regulation No 73/91/ECSC, EEC, Euratom of 25 April 1973 shall remain in force until 31 December 1977.

When the accounts for the 1976 and 1977 financial years are closed, the Commission shall draw up a statement of sums paid, comparing the sums actually paid by the Member States with those due to have been paid under the statements of revenue and expenditure for the financial year in question. This shall be followed by a clearance of the difference shown in the statement.

- (c) The provisions of Article 38 shall remain in force until the final date set for implementing the finance mechanism established by Council Regulation No ...

2. The provisions of the fourth paragraph of Article 8, and Article 9 and the first paragraph of Article 92 (in so far as they amend the current rules) and the provisions concerning the Court of Auditors shall not come into force until the date of the ratification of the Treaty of 22 July amending certain financial provisions of the Treaties establishing the European Communities and the Treaty establishing a single Council and a single Commission of the European Communities.

Article 119

Unchanged

Unchanged

3. The provisions of Articles 86 to 92 shall be reviewed, in accordance with the procedure laid down for this purpose in the Treaties, after the Court of Auditors has issued its opinion on these provisions.

Pursuant to the provisions of Article 28 of the Treaty of 22 July 1975, the terms of office of the members of the Audit Board and that of the auditor shall expire on the day they submit their report on the financial year preceding that in which the members of the Court of Auditors are appointed; their powers of audit shall be confined to operations relating to that financial year. These powers shall be exercised in accordance with the provisions of Articles 85 to 92 of Financial Regulation No 73/91/ECSC, EEC, Euratom of 25 April 1973.

4. Appropriations committed but not paid at the end of the financial year (date of entry into force of the amendments) shall be regarded as appropriations carried over under Article 6 (3) (b).

5. Commitment authorizations for the Social Fund issued on (date of the entry into force of the amendments) on the basis of Article 104 of Financial Regulation No 73/91/ECSC, EEC, Euratom of 25 April 1973 shall remain in force during the financial year for which they were issued and the sums committed under these authorizations shall be added to the appropriations for commitment for the financial year for which they were opened.

6. Exceptionally:

— payments made up to 31 January 1973 for the Guarantee Section of the European Agricultural Guidance and Guarantee Fund by the bodies and departments referred to in Article 4 of Regulation (EEC) No 729/70 shall be included in the account for 1972,

— in the case of the Guidance Section of the European Agricultural Guidance and Guarantee Fund a special entry shall be made in the remarks column of the budget regarding the appropriations reserved for improving agricultural structures which have been carried over from previous financial years but commitment of which is not planned during the financial year concerned. In that year they will not require to be covered by revenue. However, in so far as they were the subject of commitment decisions pursuant to the provisions established under the common agricultural policy, they constitute commitment authorizations. Where this is the case, the appropriate amendments on the revenue side shall be effected through budgetary procedure.

3. Unchanged

Unchanged

After the members of the Court of Auditors have been appointed, the three authorities responsible for external control shall confer and take the appropriate measures to assure continuity of control.

Unchanged

Unchanged

Unchanged

7. The appropriations for commitment entered in the budgets for 1975, 1976 and 1977 for the European Regional Development Fund and not committed by the end of the financial year for which they were entered in the budget shall remain available for the two subsequent financial years.

Unchanged

8. (a) The provisions amending Articles 10 and 71 shall not enter into force until 1 January 1978.

Unchanged

From that date the term 'unit of account' used in this Financial Regulation shall be taken to mean the European unit of account (EUA) as defined in Article 10.

Until 31 December 1977 the provisions of Articles 10, 27 and 71 of Financial Regulation No 73/91/ECSC, EEC, Euratom of 25 April 1973 shall remain in force.

(b) The conditions in which the unit of account (EUA) is to be applied to revenue and expenditure shall be decided in accordance with the implementing measures envisaged in Article 118 of this Financial Regulation.

Article 2¹

Unchanged

new Article 3

At three yearly intervals the European Parliament and the Council of the European Communities shall examine the financial regulation in the light of a proposal from the Commission of the European Communities to take account of developments. Any amending regulations shall be adopted by the Council after recourse to the concertation procedure if Parliament so requests.

Article 3¹

Renumbered Article 4 and is unchanged

¹ of the Commission's proposal
Doc. 166/76

B

EXPLANATORY STATEMENT

Significance attaching to the proposed amendments
to the Financial Regulation applicable to the general budget
of the European Communities

1. The proposal from the Commission¹ contains a considerable number of amendments to the Financial Regulation which are of great importance to the European Parliament in executing its responsibilities in the budgetary sphere.

Some of the proposed amendments reflect a response to calls made by Parliament over recent years while others take up the provisions of the Treaty of 22 July 1975; as well, the Commission's text contains draft amendments which are designed to correct shortcomings observed in the existing Financial Regulation during its three-and-a-half years' existence.

2. Among the suggested changes which are of major significance are provisions for the following:

-
- The generalisation of provisions relating to commitment **authorizations** and payment appropriations which would make the budget more transparent, more flexible and give it a multiannual content so as to cater for projects which extend over several years, while respecting annuality;
 - The budgetization of Community borrowing so that the Budgetary Authority - which, of course, includes the European Parliament - may exercise its due responsibility in regard to borrowing;
 - The fixing of the nomenclature in the framework of the budgetary procedure;
 - Providing for the collection in full of the Communities' own resources, instead of calling up the part needed during the course of the financial year;
 - An enhancement of the power of the European Parliament reflecting the Treaty of 22 July 1975;

¹. Doc. 166/76.

- The effective termination of the non-automatic carry forwards of appropriations, an arrangement in regard to which Parliament had protested in the past because it had tended to disturb the annual budgetary pattern;
- Providing for the European unit of account to replace the outdated unit of account now applying to the general budget;
- A simplification of the part of the budget dealing with research;
- An overhaul of the provisions regarding the Office for Official Publications;
- The inclusion in the Financial Regulation of references to the Court of Auditors;
- Clarification of the position in regard to draft supplementary budgets and rectifying budgets; and
- A number of other amendments designed to tidy up the Financial Regulation generally in the light of experience over the recent past.

3. In addition, the Committee on Budgets has inserted some forty amendments which aim at, inter alia,

- clarifying the position in regard to authorisations for activities extending over several years;
- setting out the special circumstances which should surround draft supplementary and amending budgets;
- improving the position of Parliament in so far as the processing of amending letters is concerned;
- requiring Council to explain its inaction should it decide not to put forward a draft supplementary or amending budget after having received a preliminary draft from the Commission;
- strengthening the position as regards follow up to comments given by Parliament in discharge decisions;
- adding to the clarity of the text generally;

- requiring all institutions to inform the Court of Auditors of those cases where it was decided to abide by the financial controller's decision to withhold approval of proposals for commitments of expenditure;
- rendering more transparent the position in regard to the payment appropriations available to meet commitments entered into in earlier years;
- providing for examination by the Court of Auditors of matters of topical interest even before the end of the financial year;
- altering the situation under Article 107 so that, in future years, the possibility of the difficult situation which arose in regard to the butter sale to the USSR in 1973 being repeated will be rendered less likely.

4. As can be seen from the preceding paragraphs, the amendments proposed to the financial regulation cover a broad field. In many cases, they touch on issues that have been explored by Parliament over the past three years in the context of the reports on the annual general budget of the European Communities and in reports on the non-automatic carry forward lists. In particular, the proposed changes reflect the work of Parliament's special Ad Hoc Working Group insofar as the issues of commitment authorizations, budgetization of loans, fixing of nomenclature in the budgetary procedure and greater budgetary transparency and clarity are concerned. They also take account of the experience of the Sub-Committee on Control.

5. In examining the Commission's proposal, the Committee on Budgets paid special heed to the need to guard jealously the prerogatives of Parliament in regard to its responsibility in the budgetary sphere. The Committee wished to ensure that the amendments to be made follow up the wishes expressed by Parliament repeatedly over recent years. As well, the Committee tried to ensure, in particular, that the criteria of improved budgetary clarity and transparency were observed.

6. As is apparent from the preceding comments, the changes being effected in the financial regulation are far reaching. While the regulation as a whole is not being redrafted - many articles remain unchanged because they have stood up satisfactorily to the test of experience - over eighty articles are affected by the amendments and a further eight are proposed for deletion.

Thus, the overhaul is of quite considerable proportions and the revised financial regulation will be improved, in several respects, as compared with the existing version.

Commitment authorizations and payment appropriations

7. The Committee on Budgets is firmly of the opinion that, to respect the provisions of the Treaty and the wishes of Parliament, provision for commitment authorizations should exist only where multiannual projects are involved and where payments are spread over a period of years.

The system should not enter into play, of course, where current ongoing activities are concerned; for instance, commitment authorizations are not called for where remuneration or guarantee payments are concerned.

The objective of generalising the scope for commitment authorizations is to add to budgetary flexibility by enabling all parties concerned - Budgetary Authority, Commission, Member States and beneficiaries, to cope effectively with projects extending over a number of years; as well, greater transparency is sought.

As was indicated in Doc. 97/76, p.44, the technique would safeguard annuality; annual revision would be a key element, summary particulars of commitment authorizations should, ideally, be grouped for ready reference; provisions in the financial regulation relating to the technique should be consolidated; the system should not in any way erode the budgetary power of Parliament; a closer scrutiny of the triennial forecasts would be called for because the implications of certain expenditures could be seen more clearly when set in a medium-term context.

8. The Commission's proposals in regard to the wider use of commitment authorizations were carefully considered by the Committee on Budgets¹ which found it necessary to alter the proposed text of Articles 1 and 6, in the interests of transparency and clarity and so as to conform with the wishes expressed by Parliament.

The following table sets out the presentation of the commitments authorization format which the Committee on Budgets accepted after an extensive discussion.

Budgetization of loans

9. The view held by Parliament in regard to budgetary operations is clear and consistent: (i) all the Community's borrowing and lending operations should be recorded in the budget and (ii) the principle of such operations and their financial ceiling must be approved each year by the Budgetary Authority.

¹ A further examination of this question is contained in the interim report (Doc. 305/75)

Example of budgetary presentation of an item involving
appropriations for payment and commitment authorizations

In units of account

Left hand page of the Budget						Right hand page of Budget								
Nomenclature	Heading	Appropriations 1977	Appropriations 1976	Expenditure		Remarks								
Item x	1,000,000	Item x	<p>The usual style of remarks - legal basis - nature of expenditure etc.</p> <p>Commitment authorizations for this activity for 1977 amount to 4,000,000</p> <p>The estimated schedule of implementation is as follows:</p> <table border="1" data-bbox="1369 1059 2004 1167"> <thead> <tr> <th>1977</th> <th>1978</th> <th>1979</th> <th>1980</th> </tr> </thead> <tbody> <tr> <td>1,000,000</td> <td>1,500,000</td> <td>1,000,000</td> <td>500,000</td> </tr> </tbody> </table>	1977	1978	1979	1980	1,000,000	1,500,000	1,000,000	500,000
1977	1978	1979	1980											
1,000,000	1,500,000	1,000,000	500,000											

10. The Committee on Budgets is satisfied that the amendments to the financial regulation now proposed will enable Parliament to exercise a full role in regard to the annual authorising of the Commission to raise and grant loans, to limit total borrowing and lending and to keep an overall picture of Community capital operations. Moreover, as a consequence of these amendments, the general budget will, in the future, constitute a clear guarantee to Community creditors.

Supplementary and amending budgets

11. Parliament's view is that supplementary budgets ought to be introduced only when unavoidable and unforeseeable circumstances arise. In other words, Parliament has been consistently opposed to recourse being made to supplementary budgets unless special circumstances arose which warranted a departure from the annual budget's provisions. The amendments now put forward by the Committee on Budgets to Article 12 of the Financial Regulation stipulate the criteria which should apply where supplementary budgets are acceptable. As well, the situation in regard to amending budgets is clarified in the amendments proposed to Article 12.

12. Furthermore, to ensure that Parliament, the Committee on Budgets and the rapporteur on the general budget are not, in future years, placed in an impossible situation because of the very late arrival of a letter of amendment, a further amendment is proposed which specifies that such letters are to be put before Parliament at least fifteen days before the first reading of the draft budget.

Budgetary nomenclature

13. At present, the budgetary nomenclature is annexed to the Financial Regulation. This appears to be an unnecessarily cumbersome requirement. Parliament has considered that, broadly, any amendment to the nomenclature should be decided by the budgetary authority under the annual budgetary procedure.

The amendment proposed by the Commission at Article 15(3) would resolve the situation satisfactorily.

Consolidated text

14. The Committee on Budgets has always attached considerable importance to the availability of Community legislation in a consolidated and readily accessible form so as to facilitate the general public as well as, of course,

making the work of Parliamentarians and officials concerned with the operations of the Communities more straightforward. Legislation by reference back to earlier texts has clear drawbacks, especially in the context of the European Communities. Therefore, the Committee on Budgets asks the Commission to make available, as soon as may be after the present set of amendments have been adopted, a single document containing in full the text of the revised financial regulation.

15. Great importance attaches also to the fact that the versions in the different languages should be identical and that turns of phrase should not give rise to any conflict of interpretation at a later date. Thus, a rigorous examination of the text finally adopted will be necessary.

'At this point, reference should be made to the special nature of the Financial Regulation which is, essentially, a legal working tool which has considerable importance for the Council and the Commission as well as for Parliament. It is abundantly clear that the developments over the past three-and-a-half years - as well as certain imperfections in the drafting of a document of this nature - have made many revisions necessary at the present juncture. Over the years ahead, in an evolving situation, it is considered that, as a matter of course, the Financial Regulation should be formally reviewed at, say, three-yearly intervals.'

European Unit of Account

16. Article 10 (1) of the financial regulation of 25 April 1973 defines the unit of account, in which the budget is expressed, as having a value of 0.88867088 grammes of fine gold. While this unit of account worked effectively for a time it has long ceased to reflect market relationships and has given rise to distortion.. In an earlier opinion ¹ the Committee of Budgets expressed the following view:

"The provision in question relating to the unit of account and its conversion into national currencies was based on the Bretton Woods agreement on the International Monetary Fund which introduced the system of an official price for gold and convertible currencies. Over recent years, the arrangements springing from the Bretton Woods agreement were steadily eroded by international monetary developments and, today, practically no currency can be defined in terms of gold - let alone converted. This gave rise to wide disparities. To improve the situation, the European unit of account (EUA) was devised."

The operation of the existing unit of account gives rise to problems referred to at paragraph 3 of the general comments of the Audit Board's Report of 1972 and at paragraph 6 of the general comments of the Audit Board's Report of 1973. As well, its shortcomings have given rise to general unfavourable comment both in Parliament and outside.

¹ Doc. 394/75 paras. 2/3

In an effort to find a common neutral way of expressing the revenue and expenditure of the Communities, the European unit of account (EUA), based on a basket of Member States' currencies, has been suggested. This new unit of account has already been applied by the European Investment Bank since 18 March 1975 and it has applied to the operational budget of the European Coal and Steel Communities since 1 January 1976. It is also used to express the amounts of aid mentioned in Article 42 of the ACP - EEC Convention of Lomé.

The Commission's proposal for revision of the financial regulation contains provisions for the substitution of the European unit of account for the present unit of account. The Committee on Budgets considered this matter and decided to accept the European unit of account as a step towards the unification of the system of units of account in the Communities. The Committee on Budgets noted that it will return to a detailed study of the application of the European unit of account in the context of its consideration of the proposal from the Commission for a regulation on the procedure for applying the European unit of account (EUA) to the legal acts adopted by the Institutions of the Communities.¹

Possible need for concertation

17. **In view** of the special significance which attaches to the financial regulation, because it sets out the procedure for establishing and implementing the budget and for presenting and auditing accounts, recourse to the concertation procedure in accordance with the procedure set out in the Joint Declaration of the European Parliament, the Council and the Commission (O.J. C89/1 of 22 April 1975) would be essential should Council intend to depart from the text as amended by Parliament following consideration of this report.

As the matter is urgent in many respects and deals, in several instances, with issues which have been put before Council in the context of past reports, a concertation procedure should not last for an unduly long span of time, given political goodwill and readiness to achieve progress in this area.

Presentation of the amendments

18. As indicated at paragraph 3 above, the Committee on Budgets has put forward amendments affecting a number of Articles which were not altered in the Commission's proposal. Therefore, it was considered appropriate, in the part of the draft report which sets out the amendments, to indicate those Articles in the revised text which are not affected by the present proposals. This is in accordance with the views expressed at paragraph 14 above.

¹ Doc. 362/76

Brief notes on the amendments put forward

Recitals

19. Changes are proposed to the recitals to the draft revision of the financial regulation which are designed to render the text clearer and add to the significance which attaches to certain of the considerations underlying the amendments being put forward. These changes are self-explanatory.

Annualty aspect

20. The amendment put forward in regard to Article 1, paragraph 2 is designed to highlight the annuality aspect of the budget. Parliament's role in relation to the budget revolves around the annual authorisation of expenditure which enables it to control revenue and expenditure at regular intervals. The later provisions concerning commitment authorisations do not involve Parliament relinquishing any of its rights in regard to the adoption of the annual budget.

Article 1(3)

21. The object of the amendment is to:
- (a) specify the means of entering in the budget appropriations intended for the implementation of multiannual projects;
 - (b) introduce in respect of such appropriations a distinction between appropriations for payment and commitment authorizations;
 - (c) specify the legal implications vis-à-vis third parties of the commitment authorizations entered in the remarks column of the budget;
 - (d) determine the nature of payment appropriations for multiannual projects;
 - (e) present payment appropriations and commitment authorizations in the budget in a different form from that proposed by the Commission.

The text proposed signifies that appropriations intended for the implementation of multiannual projects will henceforth be entered in the budget as follows:

Appropriations for payment necessary in the financial year in question for the implementation of multiannual projects will be recorded on the left-hand pages (breakdown of budget by title, chapter, article and item).

The right-hand pages of the budget (remarks column) will include an indicative implementing schedule setting out both the total necessary for a given multiannual project and the anticipated annual rate of implementation. Such a mode of presentation is decidedly much clearer than that used by the Commission in the 1977 preliminary draft budget. Moreover, it appears to be closer to the procedure currently followed in certain Member States.

Article 3

22. The Committee on Budgets proposes to adhere to the present text in the Financial Regulation and to reject the Commission's proposal. It considers it perfectly normal for all revenue and expenditure to be entered in full in the budget. However, a clause stipulating that there should be no adjustment in the budget between revenue and expenditure is not only superfluous but may prove undesirable by calling into question a fundamental principle of budgetary accounting.

23. It is considered that some adjustments are possible, but only insofar as they relate to administrative projects of extremely limited scope, i.e. those provided for in Article 22 of the proposal for a regulation.

The Committee considered the adjustments proposed for EAGGF appropriations (Articles 108 to 114 of the proposal) to be contrary to the general principle that revenue and expenditure should be entered in the budget in full.

It is recognised however, that appropriate amendments in the Financial Regulation will require a revision of Regulation No. 729 of 21 April 1970 on the financing of the common agricultural policy.

Article 4 (1)

24. The first sub-paragraph is amended to include a reference to the provisions for the financing of expenditure relating to the supplementary research programmes. The second sub-paragraph is amended to take account of the amendments proposed to Articles 1(3) and 6(3).

Article 4 (2)

25. This deletion is prompted by the consideration that the paragraph in question would be included, more appropriately, at another point in the regulation and it is suggested that the paragraph be inserted at the end of Article 93 instead.

New Article 5

26. The Committee on Budgets considered that the provisions at the Commission's proposed Article 4 (3) should constitute a separate Article, in view of their special nature.

Article 5

27. The Committee on Budgets was of the view that this provision might appropriately be included at another point in the text dealing with the implementing of the budget and it is, accordingly, proposed to be added at the end of Article 17.

Article 6

28. The text proposed for the first subparagraph is taken from the Treaty and is clearer.

29. For the second subparagraph a simpler modified text is proposed. The modification, which is extremely important, specifies that the revenue for a financial year is to be entered in the accounts not, as proposed by the Commission, on the basis of the amounts collected, but on the basis of the entitlements recorded. This modification is self-explanatory. It has been sanctioned by the Audit Board.

30. The text of subparagraph 3 proposed :

- (a) is an attempt at simplification and should be easier to follow than the version proposed by the Commission,
- (b) reverses the order of the clauses proposed by the Commission because, in the opinion of the rapporteur, it is more logical to show first the provisions relating to the use of appropriations normally entered under the items, articles, chapters and titles of the budget and only thereafter to refer to the use of specific appropriations such as those earmarked for multi-annual projects, and
- (c) represents an amendment in line with that proposed in Article 1(3).

Article 6(5)

31. It would appear to be desirable that the budgetary authority should be kept informed, in the context of the quarterly reports, of the cancellation or utilization of authorizations and appropriations referred to at Article 6, paragraphs (3) and (4).

Article 7

32. The redrafting of this Article is designed to make the text easier to follow.

Article 8

33. The Commission proposes that, in the case of authorizations for two or more provisional twelfths, the passage in the present text of the Financial Regulation providing for consultation of the European Parliament should be deleted. It is considered, however, that the general principle of such consultation should still be spelt out, even though it is not explicitly restated in the new Article 13 of the Treaty of 22 July 1975, which is a modified version of Article 204 of the present Treaty.

The amended version of the fourth subparagraph is substantially the same as that proposed by the Commission, but does not reproduce in full the provisions of Article 204 of the Treaty establishing the European Economic Community as taken up in Article 13 of the Treaty of 22 July 1975. The presentation is thus simplified and the text is easier to follow.

Article 12

34. The amendment proposed to Article 12 (4) is in line with a principle adopted by Parliament when the budgetary amendments were presented at the sitting of 27 October 1976 (amendment 125). It is essential for all the bodies set up under the Treaty to submit, in support of their estimates, an introductory statement explaining their budgetary forecasts. This requirement is all the more necessary as it is observed by the Community institutions in regard to their own estimates. Furthermore, the budgetary authority should be fully conversant with the relevant facts when taking a decision on subsidies intended for bodies set up pursuant to the Treaties or acts adopted in accordance therewith. To satisfy this requirement, a general introduction to the estimates submitted by these bodies is therefore essential.

A further point is that the text proposed is clearer than that put forward by the Commission.

Article 12, paragraphs (5), (6) and (7)

35. The text is amended at this point so as to link up more closely with the provisions of Articles 83 and 84 of the financial regulation.

The changes proposed here in regard to letters of amendment, supplementary budgets and amending budgets take account of recent experience and of the wishes expressed by Parliament over the past

three years. It is essential that there be adequate time available to Parliament to consider letters of amendment; furthermore, the special circumstances leading to the presentation of draft supplementary and amending budgets should be spelled out in the financial regulation.

Article 13

36. Too often, the reasons given by the Council for departing from the preliminary draft budget are not adequately explained. This amendment is intended to prompt the Council to be more comprehensive in its explanations.

The Committee on Budgets considered it desirable to have Article 13 amended by adding a new paragraph 2 which would require that the provisions of paragraph 1 would be equally applicable, *mutatis mutandis*, to draft supplementary and/or amending budgets.

Article 16

37. The amendment proposed at Article 16 (2) (b) is:

- an attempt at simplification and
- intended to take account of the proposed amendment to Article 1(3) regarding the appropriations to be entered in the budget for the implementation of multiannual projects.

Article 17, second sub-paragraph

38. The addition at the end of the second sub-paragraph represents a re-siting in the text of the financial regulation of the provision which had previously been contained in Article 4 of the existing financial regulation (and at Article 5 of the Commission's proposal).

Article 21

39. The Committee on Budgets has devoted much time to considering the merits of the Commission's proposed version of paragraph 2 of this Article, which specifies that each institution may transfer payment appropriations to meet its requirements. The Committee decided unanimously to delete paragraph 2 because it considered the provision to be too sweeping.

The proposed redraft of paragraph 4, while not diverging in substance from the text proposed by the Commission, meets the essential requirement of greater simplicity.

Article 21(7) is amended to take account of the amendment described at paragraph 26 above.

Upon examining this part of the Commission's proposal, the Committee on Budgets deliberated on an amendment tabled by a member of the Committee and weighed up a number of possible variations of the proposal finally adopted.

PE 46.670/fin

Article 23

40. The substitution of "quarterly" for "periodically" in the third sub-paragraph is intended to make the text more precise.

Article 24 (2), third sub-paragraph

41. This amendment is self-explanatory.

Article 27

42. In view of its decision in regard to Article 6 (2), the Committee on Budgets decided that Article 27 should be deleted.

Article 31

43. These amendments are designed to make the text more precise: the report should not consist of a balance statement solely but should cover both sides of the budget fully. The reports should contain an account of sums maintained from earlier financial years as well as any changes brought about by supplementary or amending budgets.

Article 42, second sub-paragraph

44. This provision should be included at Article 92 and linked up with the general references to the comments in the decisions giving discharge; it is, therefore, being deleted here.

Article 73

45. Where imprests are concerned, strict rules as regards settling should apply; six weeks should suffice for completing settlement of imprest accounts; with longer delays, there is a danger that Community funds would be outstanding for longer than necessary.

Article 75

46. Here the Committee on Budgets reflected the views of the Audit Board which stated in PE 45.931/annex, that the amendment proposed to Article 75 was not justified.

Article 81

47. The text of this Article has been revised to take account of the decisions on Articles 1 (3) and 6 (3).

Article 85

48. This proposed amendment improves the English text of the Article and also takes account of the observations made by the Audit Board on Doc. 166/76. (See PE 45.931).

Article 85 (a)

49. The Committee on Budgets was of the view that, pending the report of the Court of Auditors on the amendments it would desire to effect, it would be desirable to retain in the financial regulation a provision along the lines of Article 85 of the existing financial regulation suitably amended.

Article 90

50. In the amendments proposed to the first and second paragraphs of Article 90, account is taken of the Audit Board's comments.

However, the Committee on Budgets considered that 31 October was a more appropriate deadline for the transmission of replies than 30 September.

As regards the two further paragraphs added at the end of the Article, the Committee, drawing on the experience of the Control Sub-Committee, wishes to strengthen the position of Parliament in regard to the exercise of its control functions. In proposing this amendment, regard was had to the provisions of Article 16 of the Treaty of 22 July 1975 and of the third and fourth paragraphs of the existing Article 90. The amendments proposed would remove any doubts that may exist as to the practicability and effectiveness of investigations of topical issues before the accounts for the financial year are closed.

Article 91

51. In this amendment, the Committee on Budgets reflects the views put forward by the Audit Board, but considered that 30 November was a more suitable date than 31 October, in view of the amendment proposed to Article 90.

Article 92

52. The purpose of the amendments proposed to the second paragraph of Article 92 is to strengthen the significance of the comments appearing in the decisions giving discharge and to require that a report be furnished automatically to Parliament on the follow up to such comments. The Financial Controller is also to be involved in the requirement to confirm with the comments in question.

Article 92 a

53. To remove any doubt that may exist as to whether certain documents may be withheld from Parliamentary scrutiny in the context of control, the Committee on Budgets is of the view that an amendment on the lines of the new Article proposed is necessary.

Article 93

54. The addition of the second paragraph of this Article represents a re-location of the material which the Commission had set out at Article 4 (2) of its proposal.

Article 94

55. In line with the decisions taken by Parliament on 27 October 1976 when voting on amendments Nos. 126 and 127 to the 1977 draft budget, this Article must be amended. The present text provides that the total amount of research and investment appropriations are to be entered in a special chapter in the section of the budget relating to the Commission. But this amount is in future to be broken down into articles and items. The principle of giving a functional breakdown of EURATOM appropriations - in a volume annexed to the section of the budget relating to the Commission (Volume V) - is, however, maintained.

The amendment therefore relates to the first sub-paragraph of this Article only.

Article 98

56. The phrase "amended if necessary after the adoption of the budget" is inappropriate and the alternative wording proposed for the first sub-paragraph of Article 98 (2) should find ready acceptance.

Article 107

57. In the past - and particularly in 1973 - certain developments in regard to expenditure in connection with the EAGGF resulted in highly unsatisfactory situations arising. While respecting the rights of the Commission in regard to the implementation of the budget, this amendment provides for the possibility of the Commission referring - before final decisions were taken - to the European Parliament, for its opinion, instances where measures under consideration were of a nature that would probably result in the appropriations under a particular chapter being exceeded substantially.

Account has been taken here of the view point expressed at paragraph 75 of the explanatory statement in Mr. Bangemann's report (PE 45.413) on the discharge for the financial years 1972, 1973 and 1974.

Article 113

58. The redraft of this Article is intended to make the text of this Article more transparent and to provide for information being conveyed in good time to the budgetary authority for it to give reactions should it consider such a course necessary.

Article 119 (3)

59. This amendment is designed to help effect a smooth transition from the existing system of control to the Court of Auditors. It takes up the proposal contained in PE 46.855.

New Article 3

60. The purpose of this amendment is to ensure that it would be possible to revise the financial regulation at regular - three yearly - intervals. The revision would take place in the light of a proposal from the Commission and any regulations would be adopted by Council after recourse to the concertation procedure if Parliament so requested. This provision would enable a regular up-dating of the financial regulation to take place. However, re-examination rather than revision is the keynote and it could be that, in particular instances, the review would not suggest that amendments were required.

