

Financial Regulation (21 December 1977)

Caption: Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities.

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Financial Regulation of 21 December 1977 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,

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

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

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas the conciliation provided for in the Joint Declaration of 4 March 1975 of the European Parliament, the Council and the Commission ⁽²⁾ took place in a Conciliation Committee;

Whereas the Court of Auditors delivered an opinion on certain provisions of this Financial Regulation concerning the presenting and auditing of accounts; whereas it also stated that it had no objection to the Financial Regulation being implemented from 1 January 1978, taking into account the formal undertaking by the Council and the Commission to review the whole of this Regulation, if necessary, as soon as the supplementary opinion of the Court of Auditors is available;

Whereas the Treaty of 22 July 1975 amending certain financial provisions of the Treaties establishing the European Communities and of the Treaty establishing a single Council and a single Commission of the European Communities entered into force on 1 June 1977; whereas, as a result of the amendments introduced, new provisions need to be adopted regarding the adoption of the budget, the measures to be taken if, at the beginning of the financial year the budget has not yet been adopted, and the transfer of appropriations; whereas in particular, with regard to the latter, the European Parliament, the Council and the Commission should be empowered to make certain transfers within their respective budget sections themselves;

Whereas the Treaty of 22 July 1975 established a Court of Auditors which exercises the powers and jurisdiction previously vested in the Audit Board and the ECSC Auditor; whereas the Court of Auditors should have the same status as an Institution as regards the establishment and implementation of its budget; whereas the provisions relating to the presenting and auditing of accounts should be adapted to this new situation; whereas it is essential, however, to stress here and now that these provisions will be re-examined in the light of a supplementary opinion to be delivered by the Court of Auditors;

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

Whereas the definition of the unit of account and the methods applicable for 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 applicable to the general budget of the European Communities, are no longer appropriate to the current international monetary situation; 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;

Whereas, by Decision 75/250/EEC ⁽³⁾, 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; whereas, by Decision No 3289/75/ECSC, the Commission adopted the same unit of account for the implementation of the ECSC Treaty; whereas the same definition should be adopted for the purposes of implementing the EEC and Euratom Treaties;

Whereas, to take account of developments in Community activities, it is advisable that the budgetary nomenclature be decided under the budgetary procedure;

Whereas the full application of the own resources system from 1 January 1978 necessitates the amendment of certain provisions concerning the payment of the resources in question;

Whereas account should be taken of the trends in prices since the Financial Regulation of 25 April 1973 was drawn up, and certain amounts adjusted accordingly;

Whereas the various budgetary procedures currently used for the Social Fund, the Regional Fund and the European Agricultural Guidance and Guarantee Fund, Guidance Section, should be harmonized; whereas it is essential that these procedures be brought into line with the general system; whereas, nevertheless, transitional provisions must be introduced to enable the arrangements used for these funds to be gradually adapted to the general system;

Whereas, for reasons of budgetary clarity, a breakdown of research and investment appropriations should be given in a special chapter of the section of the budget relating to the Commission; whereas, moreover, the system used for the functional presentation of these appropriations should be simplified in the light of the experience already acquired in this area;

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

HAS ADOPTED THIS FINANCIAL REGULATION:

Title I

General principles

Article 1

1. The budget of the European Communities (hereinafter called 'the budget') is the instrument which sets out forecasts of, and authorizes in advance, the expected revenue and expenditure of the Communities for each 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 likely to be charged against the budget pursuant to the Euratom Treaty and to the measures taken in implementation thereof, in particular loans approved and charges relating thereto as well as loan repayments and charges relating thereto.

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

2. The appropriations entered in the budget shall be authorized for the duration of one financial year.

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

3. Appropriations intended for the implementation of multiannual activities may give rise to commitment appropriations and payment appropriations.

Commitment appropriations shall cover, for the current financial year, the total cost of the legal obligations entered into for activities whose implementation extends over more than one financial year.

Payment appropriations 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.

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

(a) as regards commitment appropriations, by entry in the remarks column:

— of the commitment appropriation authorized for the financial year concerned,

— of the annual amounts of payment appropriations needed on the basis of estimates of an indicative timetable.

The amounts entered as commitment appropriations in the remarks column for the budget of the current year shall be binding for the year concerned;

(b) as regards payments to be made in the current financial year, by entry of the amount under the appropriate heading in the budget.

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

4. Without prejudice to paragraph 3, expenditure may be authorized for a period going beyond the financial year only in accordance with the detailed rules provided for in the budget.

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 effected.

5. In the event of unavoidable, exceptional or unforeseen circumstances, the Commission may submit preliminary draft supplementary or amending budgets.

Also, particularly to enable policies to be adapted, the Commission may submit preliminary draft amending budgets which do not alter the total amount of the annual budget and to which the corresponding necessary draft Regulations would be attached.

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 dissenting opinion. These budgets shall be submitted, examined, prepared and finally adopted in the same form and according to the same procedure as 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 preliminary draft 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 2

The budget appropriations shall be used in accordance with the principles of economy and sound financial management.

Article 3

1. Subject to Article 22, all estimated revenue and all estimated expenditure shall be entered in full in the budget and in the accounts without any adjustment against each other.

All revenue shall be used to cover all expenditure, without prejudice to the application of Articles 3 (4) and 4 (6) of the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources ⁽⁴⁾.

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

2. Notwithstanding paragraph 1, 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 of 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 in respect of acceptance.

Article 4

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

Article 5

The financial year shall run from 1 January to 31 December.

The revenue of a financial year shall be entered in the accounts for the financial year on the basis of the amounts collected during the financial year, with the exception of the own resources for the month of January of the next financial year, in respect of which advance payment may be made pursuant to Article 10 (2) of Council Regulation (EEC, Euratom, ECSC) No 2891/77 of 19 December 1977 implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources ⁽⁵⁾.

The allotted appropriations shall be used solely to cover expenditure properly entered into and paid in the financial year for which they were granted, save as otherwise provided in Articles 6, 88 and 100, and to cover the debts relating to preceding financial years for which no appropriation was carried forward.

The commitments shall be entered in the accounts on the basis of the commitments contracted up to 31 December.

The expenditure of a financial year shall be entered in the accounts for that year on the basis of the expenditure for which 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.

Article 6

The following rules shall govern the utilization of appropriations:

1. In the case of budget headings where there is no distinction between commitment appropriations and payment appropriations:

(a) appropriations relating to remunerations and allowances of members and staff of the Institutions may not be carried over;

(b) appropriations in respect of payments still outstanding as at 31 December by virtue of commitments entered into after 15 December for purchases of stores or equipment, performance of work or provision of supplies, and the portion of the appropriation still uncommitted as at 31 December, may be carried over to the next financial year only;

(c) appropriations in respect of payments still outstanding by virtue of commitments duly entered into between 1 January and 31 December, with the exception of commitments entered into after 15 December for purchases of stores or equipment, performance of work or provision of supplies, shall be carried over automatically to the next financial year only.

2. In the case of budget headings where a distinction is made between commitment appropriations and payment appropriations:

(a) commitment appropriations not committed at the end of the financial year for which they were entered in the budget shall remain available for the following financial year,

(b) payment appropriations which have not been used at the end of the financial year for which they were entered shall be carried over automatically to the next financial year only.

3. In the case of the appropriations referred to in paragraph 1 (b), the Commission shall submit to the Council and shall forward to the European Parliament, before 1 May, the requests to carry over appropriations, duly substantiated, made by the European Parliament, the Council, the Court of Justice, the Court of Auditors and the Commission itself.

Unless the Council, acting by a qualified majority after consulting the European Parliament, decides otherwise within one month, the carry-over of these appropriations shall be deemed to have been approved.

4. Unused revenue and appropriations available as at 31 December arising out of the donations referred to in Article 3 (2) shall be carried over automatically.

5. The appropriations referred to in paragraph 1 (b) which have not been committed by 31 December and in respect of which authorization has been given to carry them over to the next financial year shall lapse if they are not committed and paid by the end of the said financial year.

6. 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, under the conditions laid down in Regulation (EEC) No 3171/75 (6).

7. The European Parliament and the Council shall be provided, for their information, before 1 April, with a list of the automatic carry-overs.

8. For the purpose of implementing the budget, the use of appropriations carried forward shall be shown separately in each article in the accounts for the current financial year.

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 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. Such commitments shall not apply to new expenditure of a kind not yet approved in principle in the last budget duly adopted.

The advances intended, within the meaning of Articles 96 and 102, 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 8

If the budget is not finally adopted at the beginning of the financial year, Article 78b of the ECSC Treaty, Article 204 of the EEC Treaty and Article 178 of the Euratom Treaty shall apply to commitment and payment of expenditure of a kind already approved in principle in the last budget duly adopted.

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.

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.

At the request of the Commission, and without prejudice to the preceding paragraph, the Council, acting by a qualified majority, may, 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 Treaties or from acts adopted in accordance therewith, shall be taken in accordance with the procedure laid down in Article 78b (2) of the ECSC Treaty, Article 204 of the EEC Treaty and the third paragraph of Article 178 of the Euratom Treaty.

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

Article 92 shall apply in respect of research and investment appropriations.

Article 9

The budget and the supplementary or amending budgets, as finally adopted, shall be published in the *Official Journal of the European Communities*, at the instance of the President of the European Parliament.

Article 10

1. The budget shall be drawn up in European units of account (EUA).

The European unit of account shall be expressed as the sum of the following amounts of the currencies of the Member States of the European Communities:

DM	0.828
£ stg	0.0885
FF	1.15
Lit	109
Fl	0.286
Bfrs	3.66
Lfrs	0.14
Dkr	0.217
£ Irl	0.00759

2. The value of the European unit of account in a national currency shall be equal to the sum of the equivalents in that currency of the amounts of the currencies set out in paragraph 1. It shall be determined by the Commission on the basis of the exchange rates recorded each day on the exchange markets (7).

The daily rates for conversion into the various national currencies shall be available each day: they shall be published in the *Official Journal of the European Communities*.

3. Any operations involving conversion of the European unit of account into a national currency shall, where appropriate, be effected on the basis of the exchange rate applicable on that day, without prejudice to the special provisions of Article 108 (7).

Title II

Presentation and structure of the budget

Section I

Presentation of the budget

Article 11

The European Parliament, the Council, the Court of Justice and the Court of Auditors shall, each year before 1 July, draw up an estimate of their revenue and expenditure for the following year.

The Economic and Social Committee shall, before 15 June, forward to the Council an estimate of its revenue and expenditure for the following year.

These estimates shall be forwarded to the Commission and, for information, to the European Parliament and the Council, no later than 1 July.

Article 12

1. The Commission shall, in the preliminary draft budget which it shall place before the Council not later than 1 September of each year:

- draw up a general statement of revenue of the Communities, and
- consolidate the estimates referred to in Article 11.

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. This introduction

shall contain in particular:

(a) financial tables covering the entire budget; and

(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 borrowing and lending policy.

3. Each of the sections 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 commitment appropriations and payment appropriations:

- a table showing all the commitment appropriations and the corresponding payment appropriations for the financial year under consideration, and for subsequent financial years;

(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:

- an estimate 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:

- an analysis of the financial management for the preceding financial year, as provided for in Article 75, and a balance sheet of assets and liabilities of the Communities as at 31 December of the preceding financial year, as provided for in Article 76, and
- an opinion on the estimates of the other Institutions; this opinion may contain different estimates, accompanied by the reasons therefor.

6. The Commission may, on its own initiative and, if appropriate, at the request of the European Parliament, the Council, the Court of Justice or 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, save in very exceptional circumstances, the Commission must put such letter of amendment to the Council at least 30 days before the first reading of the draft budget by the European Parliament, and the Council must put the letter to the European Parliament at least 15 days before the said first reading.

Article 13

1. The Council shall establish the draft budget in accordance with the procedure laid down in Article 78 of the ECSC Treaty, Article 203 of the EEC Treaty and Article 177 of the Euratom Treaty.

The draft budget shall be forwarded by the Council 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 its reasons for departing from the preliminary draft budget, if it has done so.

2. Paragraph 1 shall apply *mutatis mutandis* to draft supplementary or amending budgets.

Article 14

The budget shall be finally adopted in accordance with Article 78 of the ECSC Treaty, Article 203 of the EEC Treaty and Article 177 of the Euratom Treaty.

Once the budget has been finally adopted, each Member State shall be bound to place at the Commission's disposal the payments due under the conditions laid down by this Financial Regulation.

Section II**Structure of the budget****Article 15**

1. The budget shall consist of:

— a general statement of the revenue of the Communities, and

— separate sections subdivided into statements of revenue and expenditure of the European Parliament, the Council, the Commission, the Court of Justice and the Court of Auditors. The revenue and expenditure of the Economic and Social Committee shall be entered in the section dealing with the Council and presented in the form of a statement of revenue and expenditure, subdivided in the same way as the sections of the budget and subject to the same rules.

2. Within each section, the items of revenue and expenditure shall be classified according to their type or the use to which they are assigned under titles, chapters, articles and items.

3. The budgetary nomenclature shall be decided, in respect of the apportionment of the revenue and expenditure under separate titles, chapters and articles, during the budgetary procedure.

4. Each section of the budget may include a chapter in respect of provisional appropriations and a 'contingency reserve' chapter. The appropriations entered in these chapters may be used only by means of transfer in accordance with the procedure laid down in Article 21.

5. The statement of revenue and expenditure in respect of the Office for Official Publications of the European Communities, drawn up in accordance with Article 103 (2), shall be attached to the Commission section.

In addition, the document showing all the borrowing and lending operations referred to in point 3 of Article 16 shall be annexed to the budget.

Article 16

The budget shall show:

1. in the general statement of revenue:

- the estimated revenue of the Communities for the financial year in question, divided into titles, chapters, articles and items,
- the revenue for the preceding financial year, divided into titles, chapters, articles and items,
- appropriate remarks on each subdivision;

2. in the section for each Institution:

(a) as regards the statement of revenue:

- the estimated 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 remarks on each revenue heading;

(b) as regards the statement of expenditure:

(ba) in the case of the various items, articles, chapters and titles:

- the appropriations made available for the financial year in question, these appropriations being the payment appropriations for the budget headings for which the distinction between commitment appropriations and payment appropriations has been agreed,
- the appropriations made available for the preceding financial year,
- the actual expenditure in the last financial year for which the accounts have been closed;

(bb) in the case of the appropriations intended for the implementation of multiannual activities and consisting of commitment appropriations and payment appropriations; in the remarks column, an indicative schedule of the payments relating to the financial year concerned and subsequent financial years;

(bc) appropriate remarks on each subdivision;

(c) as regards total staff:

- 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 employment is authorized within the limits of the budget appropriations.

However, as regards scientific and technical staff, the classification may be based on groups of grades, in accordance with the conditions laid down in each budget. The list of posts must specify 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 budget headings relating to the categories of operation accorded a token entry, so long as no effective charge which has to be covered by specific resources has appeared thereunder,

— remarks giving a reference to the legal basis, where appropriate the volume of the operations envisaged, and the financial guarantee given by the Communities in respect of these operations;

(b) in a document annexed to the Commission section, as an indication:

— current capital operations and current debt management,

— the capital operations and debt management for the financial year in question.

Title III

Implementation of the budget

Section I

General provisions

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 entitlements to be collected and issue recovery orders and payment orders.

The operations of collection or payment shall be carried out by the accounting officer.

The duties of authorizing officer, financial controller and accounting officer shall be mutually incompatible.

Article 18

1. The Commission shall implement the budget on its own responsibility in accordance with this Financial Regulation and within the limits of the appropriations allotted.

2. The requisite powers for the implementation of the sections of the budget relating to the European Parliament, the Council, the Court of Justice and the Court of Auditors shall be conferred upon these Institutions by the Commission.

3. With the exception of the cases provided for in Articles 35, 44 and 47, the Commission and each of the other Institutions may delegate their powers in accordance with the conditions laid down by their internal rules of procedure and within the limits which they themselves lay down in the act of delegation.

Those so delegated may act only within the limits of the powers expressly conferred upon them.

The acts of delegation shall be communicated to all the parties concerned in accordance with the measures of implementation provided for in Article 106.

4. Save as otherwise provided, the Court of Auditors and the Economic and Social Committee shall, for the purposes of this Financial Regulation, be treated as Institutions of the Communities.

Article 19

Each Institution shall appoint a financial controller who shall be responsible for monitoring the commitment and authorization of all expenditure, and also for monitoring all revenue.

Monitoring shall be carried out by that official by means of inspection of the files relating to expenditure and revenue and, if necessary, on the spot.

The financial controller may be assisted in his duties by one or more assistant financial controllers.

The special rules applicable to such officials, which shall be laid down within the framework of the implementing measures provided for in Article 106, shall be determined in such a way as to guarantee the independence of their duties. The measures taken in respect of their appointment and promotion, disciplinary action or transfers, and various procedures of interruption or termination of appointment, shall be subject to reasoned decisions to be forwarded, for information, to the European Parliament, the Council and the Commission.

The persons concerned, and the Institutions employing them, may institute proceedings before the Court of Justice.

Article 20

In each Institution, the collection of revenue and the payment of expenditure shall be carried out by an accounting officer.

This accounting officer shall be appointed by the Institution.

Without prejudice to the system provided for in Articles 4 and 5 of Regulation (EEC) No 729/70 and subject to the second paragraph of Article 48 and to Article 49 of this Financial Regulation, the accounting officer alone is empowered to manage funds and assets. He shall be responsible for their care.

He may be assisted in his duties by one or more assistant accounting officers, appointed under the same conditions as the accounting officer.

Article 21

1. Appropriations shall be classified by chapter and by article.

2. The Commission may make proposals to the budgetary authority for transfers from one chapter to another within each budget section. Proposals made by the other Institutions for transfers from one chapter to another shall be automatically forwarded to the authority; the Commission may attach its own opinion to such proposals.

In the case of proposals for transfers relating to expenditure which is compulsory under the terms of the Treaties or of acts adopted pursuant thereto, the Council shall, after consulting the European Parliament, act by a qualified majority within six weeks, except in urgent cases. The European Parliament shall deliver its opinion within such time as will permit the Council to be apprised of it and to act within the time limit indicated. Where the Council does not act within this time limit, the proposals for transfers shall be deemed to be approved.

In the case of proposals for transfers relating to expenditure other than that which is compulsory under the terms of the Treaties or of acts adopted pursuant thereto, the European Parliament shall, after consulting the Council, act within six weeks, except in urgent cases. The Council shall deliver its opinion within such a time as will permit the European Parliament to be apprised of it and to act within the time limit indicated. Where the European Parliament does not act within this time limit, the proposals for transfers shall be deemed to be approved.

Proposals for transfers relating to expenditure which is compulsory under the terms of the Treaties or of acts adopted pursuant thereto, and other expenditure, shall be deemed to be approved if neither the Council nor the European Parliament has taken a decision to the contrary within six weeks of the date on which the two Institutions received the proposals.

If, in the case of the proposals for transfers referred to in the preceding subparagraph, the European Parliament and the Council reduce the proposal for a transfer by different amounts, whichever is the lower of the amounts accepted by one of the two Institutions shall be deemed to be approved. Where one of the Institutions rejects the principle of the transfer, such transfer shall not be made.

3. In each section, transfers from one article to another within each chapter shall be made by the Commission, deciding according to the urgency of the matter. As regards sections which do not relate to the Commission, such transfers shall be deemed effective if, except in urgent cases, the Commission does not take a decision within six weeks from the date when the proposal was lodged.

4. Every proposal for a transfer within a chapter or from one chapter to another shall be subject to the approval of the financial controller, who shall attest that the appropriations are available.

5. Appropriations may be transferred only to budget headings for which the budget has authorized appropriations or carried a token entry.

6. This Article shall apply to the appropriations corresponding to revenue allotted to a purpose under Article 3 (2) only as long as the allotment of such revenue to that specific purpose is maintained.

7. The European Parliament and the Council may transfer appropriations from one chapter to another and from one article to another within their own sections of the budget. The Commission shall be informed of such transfers.

8. The Commission may transfer appropriations from one chapter to another within the titles relating to staff expenditure and administrative expenditure in its own section. It shall inform the budgetary authority two weeks before making such transfers.

Article 22

1. By way of derogation from Article 3, the following deductions may be made from all bills, invoices or statements, which shall then be passed for payment of the net amount:

(a) fines imposed on a party to a contract;

(b) adjustments of amounts paid in error, which may be achieved by means of deduction beforehand when another validation of the same type is being effected under the chapter, article and financial year in respect of which the excess payment was made;

(c) the value of apparatus and equipment for scientific and technical purposes, and the value of vehicles, equipment and installations taken in part exchange in accordance with commercial usage upon purchase of new apparatus, vehicles, equipment and installations of the same kind.

Discounts, refunds and rebates on invoices and bills shall not be recorded as separate revenue.

2. By way of derogation from Article 3, the following sums may be re-used:

- (a) revenue arising from the refund of amounts paid in error against budget appropriations;
- (b) proceeds from the supply of goods and services to other Institutions or bodies, including refunds by such Institutions or bodies of mission allowances paid on their behalf;
- (c) insurance payments received;
- (d) revenue from the sale of publications and films;
- (e) refunds of taxes — incorporated in the price of the products or services provided to the Communities — effected by Member States pursuant to the provisions of the Protocol on the privileges and immunities of the European Communities;
- (f) revenue from the supply of goods and services against payment;
- (g) proceeds from the sale of vehicles, equipment and installations and also apparatus and equipment for technical and scientific purposes, disposed of when replaced.

Such sums must be re-used before the end of the financial year following that in which the revenue was collected.

The accounting plan shall include suspense accounts in order to record the re-use of sums in respect of revenue and of expenditure.

3. Notwithstanding Article 3, repayments made by third parties may be deducted from expenditure in cases where the Institution has effected a payment for which it is legally liable to its creditors but where all or part thereof has been paid on behalf of those third parties.

4. Notwithstanding Article 3, adjustments may be made in respect of losses and gains made on exchange rates when transferring funds and also on debtor and creditor interest rates relating to cash operations, only the balance being shown as revenue or expenditure.

5. In the cases referred to in paragraphs 1 (c) and 2 (b), (d), (f), and (g), re-use and deduction shall be possible only if provision is made therefor in the remarks column in the budget.

Section II

Budgetary revenue, management of available funds

Article 23

1. All measures which may give rise to or 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 of revenue, the estimated amount thereof and the budget item to which it is to be 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 Treaties and of the Regulations, and to the principles of sound financial management.

Forward proposals may be made in respect of certain items of current revenue in accordance with the implementing measures provided for in Article 106.

The financial controller may withhold his approval if he considers that the conditions laid down in paragraph 1 (a) and (b) above are not met.

The superior authority of the Institution may, by a decision stating the full reasons therefor, and on its sole responsibility, overrule this refusal. This decision shall be final and binding; it shall be communicated for information to the financial controller. The superior authority of each Institution shall inform the Court of Auditors of all such decisions every three months.

2. The competent authorizing officer shall draw up, in respect of every debt established, a recovery order which shall be sent with supporting documents to the financial controller for his prior approval. Such recovery orders shall, after they have received the approval of the financial controller, be registered by the accounting officer in accordance with the measures of implementation provided for in Article 106.

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 fourth subparagraph of paragraph 1 shall apply.

Article 24

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

He shall exercise all due diligence to ensure that the resources due to the Communities are recovered at the due dates indicated in the recovery orders, and shall ensure 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.

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.

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 registered by the accounting officer.

If approval is withheld, the superior authority of the Institution may, by a decision stating the full reasons

therefor, and on its sole responsibility, overrule this refusal. This decision shall be final and binding; it shall be communicated for information to the financial controller. The superior authority of each Institution shall inform the Court of Auditors of all such decisions every three months.

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.

4. The implementing conditions in respect of this Article shall be determined by the implementing measures provided for in Article 106.

Article 25

A receipt shall be issued in respect of all cash payments made to the accounting officer.

Article 26

Estimates of the own resources and, if appropriate, of the contributions referred to in Article 4 (2) and (3) of the Decision of 21 April 1970 to be paid by the Member States shall be entered in the budget, expressed in European units of account. They shall be made available in accordance with Council Regulation (EEC, Euratom, ECSC) No 2891/77.

Article 27

The balance from each financial year, calculated in accordance with Council Regulation (EEC, Euratom, ECSC) No 2891/77, shall be entered as revenue in the case of a surplus or expenditure in the case of a deficit in the budget of the subsequent financial year upon adoption of the amending budget referred to in Article 16 (2) of the abovementioned Regulation.

Article 28

1. The contributions provided for in Article 4 (6) of the Decision of 21 April 1970 shall be paid over as follows:

- seven-twelfths of the amount shown in the budget not later than 31 January,
- the remaining five-twelfths not later than 15 July.

2. Any contribution or any additional payment due to the budget from the Member States must be entered in the account(s) of the Commission within 30 days from the date on which funds are called for.

3. The payments made shall be entered in the account provided for in Article 9 (1) of Regulation (EEC, Euratom, ECSC) No 2891/77, and shall be subject to the conditions set out in Article 11 of that Regulation.

Article 29

The Commission shall, four times a year, present the European Parliament and the Council with a report on the Communities' financial situation, including both revenue and expenditure. There shall be attached to these reports a comprehensive statement on the sums maintained from previous financial years, as well as on any changes brought about as a result of the adoption of supplementary or amending budgets.

Article 30

The contributions provided for in Article 4 (2), (3) and (6) of the Decision of 21 April 1970 shall be expressed in European units of account. They shall be converted into the respective national currencies on the basis of the rate for the European unit of account applying on the first working day following the 15th

day of the month preceding the payment.

Article 31

The Commission shall, every three months, send each Member State a statement indicating the transfers effected in that Member State's national currency into another currency and vice versa.

Section III

Commitment, validation, authorization and payment of expenditure

1. Commitment of expenditure

Article 32

1. All measures which may give rise to expenditure chargeable to the budget must be preceded by a proposal for commitment of expenditure from the relevant authorizing officer. A provisional commitment may be entered into in respect of current expenditure.

2. Without prejudice to Article 96, the decisions taken by the Commission in accordance with the provisions authorizing it to grant financial aid from the various funds or similar operations shall constitute commitments of expenditure.

3. The procedure for implementing paragraphs 1 and 2 above shall be determined by the implementing measures provided for in Article 106. This procedure shall ensure that an exact account is kept of commitments and authorizations in terms of actual needs.

Article 33

In each Institution, proposals for commitments, accompanied by the supporting documents, shall be transmitted to the financial controller and to the accounting officer: they shall show, in particular, the purpose of the expenditure, the estimated amount involved, indicating the currency where possible, the budget item to which it is to be charged and also the name and description of the creditor; they shall be registered, after approval by the financial controller, in accordance with the implementing measures provided for in Article 106.

Article 34

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 procedures for implementing this Article shall be determined by the implementing measures provided for in Article 106.

Article 35

The financial controller may withhold his approval if he considers that the conditions laid down in Article 34 are not met. If he withholds his approval he shall make a written statement, stating the full reasons therefor. The authorizing officer shall be notified accordingly.

If approval is withheld and the authorizing officer maintains his proposal, this refusal shall be referred for a decision to the superior authority of the competent Institution among those listed in the first two paragraphs of Article 18.

Except where the availability of the appropriations is in doubt, the said superior authority may, by a decision stating the full reasons therefor, taken on its sole responsibility, overrule such a refusal. This decision shall be final and binding; it shall be communicated for information to the financial controller. The superior authority of each Institution shall inform the Court of Auditors of all such decisions every three months.

2. Validation of expenditure

Article 36

Validation of expenditure is the act whereby the authorizing officer shall:

- verify the existence of the creditor's claim,
- determine or verify the existence and the amount of the sum due,
- verify the conditions under which payment falls due.

Article 37

1. Validation of any expenditure shall be subject to the submission of supporting documents showing the creditor's claim and the service rendered or the existence of a document justifying payment. The implementing measures provided for in Article 106 shall lay down the nature and the contents of the supporting documents to be enclosed with the payment order.

2. Supporting documents pertaining to the accounts and the drawing up of the revenue and expenditure account and the balance sheet shall be kept for a period of five years following the date of the decision giving discharge in respect of the implementation of the budget, referred to in Article 85.

However, the documents relating to transactions not finally closed shall be kept for longer than the said period.

3. The authorizing officer empowered to validate expenditure shall personally check the supporting documents or shall, on his own responsibility, ascertain that this has been done.

Article 38

Remuneration and allowances shall be validated in accordance with collective statements drawn up by the department in charge of personnel, except where individual validation is necessary.

3. Authorization of expenditure

Article 39

Authorization is the act whereby the authorizing officer, by the issue of a payment order, instructs the accounting officer to pay an item of expenditure which he has validated.

Article 40

The payment order shall state:

- the financial year against which the payment shall be charged,
- the budget article and any other subdivision that may apply,
- the amount to be paid (in figures and words), showing the currency,
- the name and address of the payee,
- the purpose of the expenditure,
- the method of payment, wherever possible.

The payment order shall be dated and signed by the authorizing officer.

Article 41

The payment order shall be accompanied by the original supporting documents, as determined by the implementing measures provided for in Article 106. Those documents shall be certified in respect of — or accompanied by a certificate confirming — the correctness of the amounts to be paid, the receipt of the supplies and the performance of the service together with, if appropriate, the entry of the goods in the inventories referred to in Article 59.

The payment order shall show the numbers of the relevant approvals of commitment. Copies of supporting documents, certified as true copies by the authorizing officer, may, in some cases, be accepted in place of the originals.

Article 42

For payments by instalment, the first payment order shall be accompanied by documents establishing the creditor's claim to payment of the instalment in question. Subsequent payment orders shall refer to the supporting documents already furnished, and repeat the reference number of the first payment order.

The authorizing officer may grant advances to personnel if the Staff Regulations or a provision laid down by Regulation specifically provide therefor.

The authorizing officer may grant advances to cover disbursements to be effected by an official or other member of staff on behalf of his Institution. The implementing conditions for this subparagraph shall be determined by the implementing measures provided for in Article 106.

Apart from the imprest accounts referred to in Article 49, no advance may be paid unless it has been approved beforehand by the financial controller.

Article 43

Payment orders shall be sent for prior approval to the financial controller.

The purpose of this prior approval shall be to establish that:

- (a) the payment order was properly issued;

- (b) the payment order agrees with the commitment of expenditure and that the amount thereof is correct;
- (c) the expenditure is charged to the correct item in the budget;
- (d) the appropriations are available;
- (e) the supporting documents are in order;
- (f) the payee is correctly named and described.

Article 44

Should approval be refused, Article 35 shall apply.

Article 45

After approval, the original of the payment order, together with all supporting documents, shall be forwarded to the accounting officer.

4. Payment of expenditure

Article 46

Payment is the final action whereby the Institution concerned is discharged of its obligations towards its creditors.

Payment shall be made by the accounting officer within the limits of the funds available.

In the event of a substantive error or of the validity of the discharge being contested or of failure to observe the formalities prescribed by this Financial Regulation, the accounting officer shall suspend payment.

Article 47

If payment is suspended, the accounting officer shall give the reasons for his decision in a written statement which he shall send forthwith to the authorizing officer and, for information, to the financial controller.

Except where the validity of the discharge is contested, the authorizing officer may place the matter before the authority appointed by the Institution in the manner laid down in the rules of procedure of that Institution. The said authority may require, in writing, and on its own responsibility, that payment be effected.

Article 48

Payments shall be effected as a general rule through a bank or post office giro account.

The procedure for opening, administering and using such accounts shall be determined by the implementing measures provided for in Article 106. These measures shall, in particular, indicate expenditure the payment of which must necessarily be effected either by cheque or by post office or bank transfer order, and shall receive the joint signature on cheques and on post office or bank transfer orders of two duly authorized officials, one signature necessarily being that of the accounting officer, an assistant accounting officer, or an administrator of an imprest account.

5. Imprests

Article 49

For the payment of certain categories of expenditure, imprest accounts may be set up in accordance with the implementing measures provided for in Article 106.

These measures shall contain specific provisions concerning in particular:

- the appointment of administrators of imprest accounts,
- the nature and maximum amount of each item of expenditure to be incurred,
- the maximum amount of the imprest which may be advanced,
- the time within which supporting documents must be produced,
- the responsibility of the administrators of imprest accounts.

Title IV

Conclusion of contracts, inventories, accountancy

Section I

Contracts for the supply of goods and services, and hire contracts

Article 50

1. Contracts for the purchase or hiring of goods, for the provision of services or for construction works shall be in writing. They shall be concluded following adjudication or request for tenders.

However, contracts may be entered into by direct agreement in the circumstances referred to in Article 52.

Purchases may be made by way of a simple memorandum or invoice in the case provided for in Article 57.

2. Invitations to tender shall, as a general rule, be published throughout all the Member States, and, where appropriate, in third countries, to the extent to which this is compatible with development of industries in the Communities. However, their publication may be restricted where the goods or services, because of their size or nature, are not fit subjects for a general invitation to tender.

Article 51

1. Adjudication is an administrative procedure to be performed before the conclusion of a contract and after an invitation to tender. Its effect shall be to confer publicly, on the holder of that proposal which, among the offers which are regular, complying with the conditions laid down and comparable, is the lowest, the right to the final award of the contract, after the approval of the competent authorizing officer. Adjudication is said to be public or open, where tendering is open to all; it is said to be restricted where only those whom it has been decided to consult because of their special qualifications may put in tenders.

2. A contract following a request for tenders is a contract entered into by the contracting parties following an invitation to tender. In this case, the offer thought to be most attractive may be freely chosen, taking into account the cost of performance, running costs involved, technical merit, the time for performance, together with the financial guarantees and the guarantees of professional competence put forward by each of the tenderers.

A request for tenders is said to be public or open where a general invitation to tender is involved; it is said to be restricted where it is addressed only to those whom it has been decided to consult because of their special

qualifications.

3. The invitation to tender procedure, both as regards adjudication and request for tenders, shall be specified in the implementing measures provided for in Article 106.

Article 52

Contracts may be made by private treaty:

(a) where the contract for the purchase or hiring of goods, for the provision of services or for building works involves an amount not exceeding 6 500 European units of account, the Institution concerned being bound, however, as far as possible and by all appropriate means, to enable suppliers who are likely to be able to supply the goods and services in question to compete;

(b) where the purchase or hiring of goods, the provision of services or the construction works are so urgently needed that it is not possible to wait for one of the tendering procedures specified in Article 51 to be carried out;

(c) where the automatic public tendering or discretionary tendering procedures do not give any result or where the prices quoted are not acceptable;

(d) where for technical, practical or legal reasons the supply of goods or services can only be carried out by a particular contractor or supplier;

(e) for contracts for the supply of goods and services or for ancillary works which, technically, cannot be separated from the main contract.

Article 53

In respect of contracts entered into by the Communities, there shall be no discrimination between nationals of Member States on grounds of nationality.

Article 54

In each Institution, before the authorizing officer takes a decision, contracts involving amounts exceeding 18 000 European units of account shall be submitted for the opinion of an Advisory Committee on procurements and contracts whose rules of procedure shall be determined by the implementing measures provided for in Article 106.

Article 55

The Advisory Committee referred to in Article 54 shall include at least one representative of the department responsible for overall administration, one representative of the department responsible for finance and one representative of the department responsible for legal matters; a representative of the financial controller shall be present as observer.

The Committee shall deliver an opinion as to whether the procedure followed is in order, on the choice of supplier and, in general, on the proposed terms of the contract.

Any other problem concerning the matter forming the subject of this Title may be referred to the said Committee for an opinion.

Article 56

By way of guarantee of the performance of the contracts, suppliers or contractors may be required by a

warranty clause to make a preliminary deposit in accordance with the implementing measures provided for in Article 106.

The amount of the deposit shall be fixed:

- according to the usual trade terms of contracts for supplies,
- according to the special conditions governing building contracts.

For building works involving an amount exceeding 200 000 European units of account, a deposit shall be obligatory. A security may be retained until final acceptance.

Where a contract has not been carried out or completion has been late, the Institution shall ensure that it is adequately compensated in respect of all damages, interest and costs by the deduction of the amount from the deposit, whether this has been lodged directly by the supplier or contractor, or by a third party.

Article 57

Contracts may be made against invoice or bill of costs only where the expected value of the goods and services supplied does not exceed 300 European units of account. This limit shall be increased to 750 European units of account for expenditure to be entered into outside the provisional places of work of the Institution.

Article 58

When concluding contracts referred to in this Financial Regulation, each Institution shall comply with the measures taken in respect of public works by the Council in implementation of the Treaty establishing the European Economic Community.

Section II

Inventories of movable and immovable property

Article 59

Permanent quantitative inventories of all movable and immovable property belonging to the Communities shall be kept in accordance with a model drawn up by the Commission. Only movable property exceeding a specific value laid down in the implementing measures provided for in Article 106 shall be entered in those inventories.

Each Institution shall carry out its own inspection to ascertain that entries in the inventory correspond to the facts.

Article 60

The sale of movable property shall be suitably advertised in accordance with the implementing measures provided for in Article 106.

Apart from sales by public auction, officials and other servants of the Institutions may not acquire any movable property resold by the said Institutions.

Article 61

A statement or record shall be drawn up by the authorizing officer and authenticated by the financial controller whenever any property in the inventory is disposed of, scrapped, hired out, or missing on account of loss, theft or any other reason.

The statement or record shall refer in particular to any obligation that may devolve on an official or other servant of the Communities or any other person to replace the item in question.

Immovable property or large installations, which are made available without charge, shall give rise to the conclusion of contracts submitted to the financial controller for approval and shall be the subject of an annual communication to the European Parliament and the Council when the preliminary draft budget is submitted.

Article 62

All acquisitions of movable or immovable property as defined in Article 59 shall, before payment, be entered in the permanent inventories.

That entry shall be recorded in the corresponding invoice or annexed document drawn up with a view to payment of the expenditure.

Section III Accounts

Article 63

The accounts shall be kept in European units of account by the double entry method, on the basis of the calendar year. They shall show all revenue and expenditure for the financial year. They shall be authenticated by supporting documents. The revenue and expenditure account and the balance sheet shall be drawn up in European units of account.

Article 64

Entries relating to the budget accounts and to commitments and recovery order accounts shall be made on the basis of an accounting plan comprising a nomenclature of budgetary items which makes a clear distinction between the balance sheet accounts and the accounts of budgetary expenditure and revenue.

These entries shall make it possible to draw up a general monthly balance, and a statement by chapter and article, of budgetary revenue and expenditure, which shall be forwarded to the financial controller.

Article 65

Except for the advances referred to in Articles 96 and 102, 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 paragraph of Article 42 shall be settled as a general rule within six weeks following completion of the project for which they were granted.

Article 66

The detailed conditions for drawing up and operating the accounting plan shall be determined by the implementing measures provided for in Article 106.

Article 67

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.

Title V**Responsibilities of authorizing officers, financial controllers, accounting officers and administrators of advance funds****Article 68**

Authorizing officers who, when establishing entitlements to be recovered or issuing recovery orders, entering into a commitment of expenditure or signing a payment order do so without complying with this Financial Regulation and the rules for its implementation, shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation. The same shall apply if they omit to draw up a document establishing a debt or if they neglect to issue recovery orders or are, without justification, late in issuing them.

Article 69

Financial controllers shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation for any action taken during their term of office; in particular, by granting their approval in excess of the budgetary appropriations.

Article 70

1. Accounting officers and assistant accounting officers shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation as regards payments made by them in disregard of the third paragraph of Article 46.

They shall render themselves liable to disciplinary action and to payment of compensation as regards any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration result from an intentional mistake or serious negligence on their part.

Under the same conditions, they shall be responsible for the correct execution of orders received by them in respect of the use and the administration of bank and post office giro accounts, and in particular:

(a) where the recoveries or payments made by them do not agree with the amounts on the corresponding recovery or payment orders;

(b) where they effect payment to a party other than the payee entitled.

2. Administrators of advance funds shall render themselves liable to disciplinary action and, where appropriate, to payment of compensation in the following cases:

(a) where they cannot show due warrant with proper documents for payments made by them;

(b) where they effect payments to parties other than entitled payees.

They shall be liable to disciplinary action and to payment of compensation in respect of any loss or deterioration of the monies, assets and documents in their charge where such loss or deterioration results from an intentional mistake or serious negligence on their part.

3. The accounting officer, assistant accounting officers and administrators of advance funds shall insure themselves against the risks arising under this Article.

The Institution shall cover the insurance costs relating thereto in accordance with the implementing measures provided for in Article 106.

A special allowance is granted in each of the Institutions to the accounting officer, assistant accounting officers and administrators of advance funds. The sums corresponding to this allowance shall be credited each month to an account opened by the Institution on behalf of each official in order to establish a guarantee fund for the purpose of covering any cash or bank shortage for which the person concerned might render himself liable, in so far as such shortages have not been covered by refunds from insurance companies.

The credit balance in these guarantee accounts shall be paid over to the persons concerned when they terminate their appointment as accounting officer, assistant accounting officer or administrator of advance funds.

4. The implementing measures provided for in Article 106 shall specify the categories of officials or other servants qualified to be appointed accounting officers or administrators of advance funds.

Article 71

The liability to payment of compensation and disciplinary action of authorizing officers, financial controllers, accounting officers, assistant accounting officers and administrators of advance funds may be determined in accordance with the provisions of Articles 22 and 86 to 89 of the Staff Regulations of officials of the European Communities.

Article 72

Each Institution shall be allowed a period of two years from the date when the account for revenue and expenditure is submitted to take a decision on the final discharge to be given to accounting officers for the transactions relating thereto.

Title VI

Presenting and auditing accounts

Article 73

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 documents classified 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.

Where appropriate, a statement shall be attached to this table showing the balances and the gross payments arising from the transactions referred to in Article 22 (2);

(2) tables showing the movement in appropriations for the financial year and, by distinguishing between commitment appropriations, payment appropriations and non-differentiated appropriations, indicating:

- the initial appropriations,
- any amendments introduced by means of supplementary or amending budgets,
- any amendments to appropriations introduced by means of transfer,
- the final appropriations for the financial year,
- the appropriations maintained or carried over under Article 6;

(3) tables showing the use of the appropriations allocated for the financial year and, by distinguishing between appropriation commitments, payment commitments and non-differentiated appropriations, indicating:

- the commitments entered into and chargeable to the financial year,
- the payments made and chargeable to the financial year,
- the settlement of the commitments of the financial year and the calculation of the sums still to be paid at the close of that financial year,
- the commitment appropriations maintained both under Article 88 and by a decision of the budgetary authority taken pursuant to Article 6,
- the payment appropriations carried over in accordance with Article 6,
- the non-dissociated appropriations carried over in accordance with Article 6,
- cancelled appropriations.

Where appropriate, a statement shall be attached to this table showing the balances and gross payments arising from the transactions referred to in Article 22 (2);

(4) tables showing the use of the appropriations available from previous financial years and indicating:

- the amount of appropriations maintained or carried over, a distinction being made between commitment appropriations, payment appropriations and non-differentiated appropriations,
- the commitments entered into and chargeable to available commitment appropriations,
- the payments made from payment appropriations and non-differentiated appropriations which have been carried over,
- the settlement of sums still to be paid at the close of the previous financial year and the calculation of the sums still to be paid at the end of the current financial year,
- the amount unused and maintained for the following financial year,
- the amount cancelled, making a distinction between commitment appropriations, payment appropriations and non-differentiated appropriations;

(5) annexed shall be a document showing capital operations and debt management, indicating:

- the total amount of loans approved,

- the total amount of the repayments made on borrowings contracted and of the charges on such borrowings,
- the amount of borrowings contracted,
- the total amount of repayments of capital and payments of interest made on loans granted.

Article 74

Each Institution shall, not later than 1 April, forward to the Commission the information required for drawing up the revenue and expenditure account and the balance sheet, together with a contribution to the analysis of the financial management referred to in Article 75.

Article 75

The revenue and expenditure account shall be preceded by an analysis of the financial management in respect of the year in question. It shall cover all revenue and expenditure transactions relating to the preceding financial year for each Institution. It shall be submitted in the same form and following the same subdivision as the budget.

Article 76

The Commission shall draw up, within the time limit provided for in Article 73, a balance sheet of assets and liabilities of the Communities as at 31 December of the preceding financial year. A statement, showing the movements and balances of the accounts, drawn up on the same date, shall be attached thereto.

Article 77

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 78

The Court of Auditors and its members may, in carrying out the task of the Court, seek assistance from officers of the Court.

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

Article 79

Each Institution shall forward to the Court of Auditors every three months and at the latest within the month which follows the end of the quarter, and, in the case of the fourth quarter, at the latest within the month which follows the close of the financial year, the documents supporting the accounts, in particular the documents and certificates in respect of the correct application of the provisions which govern the implementation of the budget and relating to commitments and payments, to the establishment and collection of revenue, subject to Article 19 of Council Regulation (EEC, Euratom, ECSC) No 2891/77 and to Article 80 of this Financial Regulation. The Court of Auditors may question each Institution on the subject of the said supporting documents.

Article 80

The audit carried out by the Court of Auditors shall be based on records and, if necessary, performed on the

spot. Its purpose shall be to establish that all revenue has been received and all expenditure incurred in a lawful and proper manner having regard to the provisions of the Treaties, the budget, the Financial Regulations and all other Acts adopted pursuant to the Treaties, and that the financial management has been sound.

For the performance of its task, the Court of Auditors shall be entitled to consult, in the manner provided for in Article 82, all documents and information relating to the financial management of the departments or bodies subject to its inspection; it has the power to make enquiries of any official responsible for a revenue or expenditure operation, and to use any of the auditing procedures appropriate to those departments or bodies.

The Court of Auditors, in order to obtain all the necessary information for the performance of the task entrusted to it by the Treaties and the Acts taken to implement them, may be present, at its request, during the operations carried out by the Commission in implementation of Articles 8 and 9 of Regulation (EEC) No 729/70 and Articles 18 and 19 of Regulation (EEC, Euratom, ECSC) No 2891/77. This measure shall also apply to the inspection of any fund set up by the Communities.

Article 81

The Court of Auditors shall ensure that all securities and cash on deposit or in hand are checked against vouchers signed by the depositaries or against official memoranda of cash and securities held. The Court may carry out such checks itself.

Article 82

The Commission and the other Institutions shall afford the Court of Auditors all the facilities and give it all the information which the Court may consider necessary for the performance of its task, and shall in particular provide all the information obtained as a result of the checks which they have carried out, as required by the rules laid down by the Community, within the departments responsible for the management of the Communities' finances and for effecting expenditure on their behalf. In particular they shall place at the disposal of the Court of Auditors all documents concerning the conclusion and implementation of contracts and all accounts of cash or materials, all accounting records or supporting documents, and also administrative documents pertaining thereto, all documents relating to revenue and expenditure, all inventories, all lists of posts in the departments, which the Court of Auditors may consider necessary for auditing the revenue and expenditure account on the basis of records or on the spot.

To this end, the officials whose operations are checked by the Court of Auditors shall in particular:

- (a) show their records of cash in hand, any other cash, securities and materials of all kinds, and also the supporting documents in respect of their stewardship of the funds with which they are entrusted, and also any books, registers and other documents relating thereto;
- (b) present the correspondence and any other document required for the full implementation of the audit referred to in the first paragraph of Article 80.

The information supplied under (b) may be requested only by the Court of Auditors.

The Court of Auditors shall be empowered to audit the documents in respect of the revenue and expenditure of the Communities which are held by the departments of the Institutions and, in particular, by the departments responsible for decisions in respect of such revenue and expenditure.

The task of establishing that the revenue has been received and the expenditure incurred in a lawful and proper manner and that the financial management has been sound, includes the utilization by bodies outside the Institutions of Community funds received by way of aid.

The granting of aid to bodies outside the Institutions shall be subject to the agreement by the recipients to an audit being carried out by the Court of Auditors on the utilization of the amounts granted as aid.

Article 83

1. 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 such a nature that they should appear in the report provided for in Article 78f of the ECSC Treaty, Article 206a of the EEC Treaty and Article 180a of the Euratom Treaty. 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.

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

3. The Court of Auditors may also, at any time, submit observations on specific questions and deliver opinions at the request of one of the Institutions of the Communities.

Article 84

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 of the European Communities*.

Article 85

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 financial controller shall take account of the comments made in the decisions giving discharge.

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 those of 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 second sentence of the third paragraph, the Institutions must give an account, in an 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 decisions giving discharge.

Title VII

Special provisions applicable to research and investment appropriations

Article 86

Titles I to VI and XI shall apply to the research and investment appropriations set out in the special chapter provided for in Article 87, and to the financial plans referred to in Article 90, save as otherwise provided in this Title or where they are incompatible with the special provisions of this Title.

Article 87

The appropriations relating to research and investment shall be entered in a special chapter in the

Commission section of the budget.

This chapter shall contain the appropriations intended for the realization of research and investment objectives through the implementation of the following projects:

- (a) direct action projects, consisting of research programmes carried out by the four Joint Research Centres and in principle entirely financed from the general budget of the European Communities;
- (b) indirect action projects, consisting of programmes carried out under contracts to be concluded with third parties and in principle partially financed from the general budget of the European Communities;
- (c) coordinated action projects, consisting of work undertaken by the Community to coordinate the individual research projects carried out in the Member States, in respect of which the administrative expenditure alone is financed from the general budget of the European Communities.

It shall also contain the appropriations for other activities, in particular for work carried out on behalf of outside bodies and individuals.

Article 88

1. An overall allocation covering several years (hereinafter called 'tranche') shall be made for each type of action project referred to in Article 87 corresponding to a research and investment objective defined by the Council in the programme decisions or corresponding decisions.

In budgetary terms, the tranche shall be the total allocation provided in the budget for each research and investment objective, taking into account any financial reserves, except where the objective as defined by the Council in the programme decisions or corresponding decisions comprises several specific stages, each forming a self contained whole.

2. Amounts authorized annually in the budget to cover research and investment expenditure shall comprise commitment appropriations and payment appropriations.

3. The commitment appropriations within each tranche are intended to enable the Commission to meet all the legal obligations which it may contract.

They constitute the upper limit of expenditure to which the Commission may commit itself during the financial year in question for the implementation of the operations to which the expenditure relates.

Notwithstanding Article 6 (2) (a), the commitment appropriations shall remain valid until cancelled under the budgetary procedure.

4. The payment appropriations represent the upper limit of expenditure which may be paid or authorized for payment during each financial year to cover commitments entered into during the current year or earlier financial years.

Payment appropriations not used by the end of the financial year for which they were entered shall be carried over automatically, for the next financial year only.

Article 89

The nomenclature of the special chapter provided for in Article 87 shall be based, as regards the description of Articles and items, on the purpose of the expenditure resulting from the realization of research and investment objectives or from the other activities referred to in the said Article.

Moreover, within the items, the expenditure shall be classified into sub-items according to its type.

An outline of the nomenclature referred to in the first paragraph is given in the Annex to this Financial Regulation. This outline is binding in its principles, particularly its subdivision into Articles, and intended as a guideline in its subdivision into items and sub-items.

Article 90

1. In addition to the documents referred to in Article 12, financial plans shall be drawn up to support the preliminary draft budget. These plans, amended if necessary in accordance with the budget, shall be used for management of the appropriations entered in the special chapter provided for in Article 87.

2. The financial plans shall comprise:

(a) Part I, containing the appropriations for the realization of each research and investment objective or for each other activity, including work on behalf of outside bodies and individuals, as made available in the Articles and items in the special chapter provided for in Article 87. The nomenclature of Part I shall be drawn up in accordance with Article 89;

(b) Part II, containing, in the form of appropriation accounts, the appropriations corresponding to the instruments for the realization of the research and investment objectives and for carrying out other activities. Such instruments may be:

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

(c) Part III, containing the accounts showing staff expenditure.

For management purposes, the sub-items may be subdivided into categories and headings in the three parts of the financial plans.

3. An appropriation account shall be provided for each instrument of implementation. Each appropriation account shall show the appropriations made available in the different Articles and items in Part I specifically for the use of the corresponding instrument of implementation. Within the appropriation accounts and the accounts referred to in paragraph 2 (c), the appropriations shall be classified according to their type.

4. The charges to the accounts showing staff expenditure shall not exceed the amounts earmarked for this purpose in Part I of the financial plan.

The charges to the appropriation accounts shall not exceed the amount of the appropriations entered in the Articles and items in Part I of the financial plans. However, in the case of transfers or of additional amounts made available as a result of supplementary receipts from outside bodies and individuals, expenditure may be increased accordingly:

- for commitments, up to the amount of the repayments provided for in the contracts concluded with requesting outside bodies and individuals,
- for payments, up to the amount of the entitlements for such repayments.

5. The charges to the staff expenditure accounts shall be allocated monthly to Parts I and II of each financial plan.

The charges to the appropriation accounts shall be allocated monthly to the research and investment objectives and other activities in Part I of the financial scheme according to the relevant share of the work done by the instruments.

Such bookings shall be transmitted to the financial controller for approval, and then to the accounting officer.

The charges booked to research and investment objectives and other activities in Part I of the financial plan shall be allocated monthly in the budget to the articles and items in the special chapter provided for in Article 87, by the issue of proposals for commitment and of payment orders, which shall be transmitted to the financial controller for approval, and then to the accounting officer.

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

This document shall show the statement of the balances of the appropriation accounts.

Article 91

The special chapter provided for in Article 87 shall include a provisional timetable of commitments and payments, drawn up for each Article and item showing for each tranche the chronological breakdown for the utilization of the corresponding commitment and payment appropriations. The timetable shall be reviewed annually.

Article 92

1. If, at the beginning of a financial year, the budget has not yet been finally adopted, expenditure shall be effected as follows:

— commitments may be effected up to an amount not exceeding one-fourth of each appropriation shown in the timetable of due dates for the estimated commitments for the financial year concerned, increased by one-twelfth for each month elapsed, provided that they do not exceed the amount provided for in the draft budget, or in the absence thereof, in the preliminary draft budget,

— payments may be effected monthly in respect of any Article or item in the special chapter provided for in Article 87, up to an amount not exceeding one-twelfth of the annual estimates shown for that financial year in the timetable of amounts and due dates for payment in respect of the estimated commitment appropriations.

2. However, in the absence of timetables of commitments and payments for the financial year in question, the operations referred to in paragraph 1 may be effected to an amount not exceeding the appropriations entered in the draft budget, or in the absence thereof, of the preliminary draft budget for the financial year in question, provided that such measure does not each month make available to the Commission:

— in respect of commitments, total appropriations exceeding one-quarter of the total appropriations entered in the budget for the preceding financial year, increased by one-twelfth for each month elapsed,

— in respect of payments, total appropriations exceeding one-twelfth of the total of those entered in the budget for the preceding financial year.

Article 93

1. Every decision relating to transfers shall be subject to prior approval by the financial controller, who shall certify that the funds are available and that the operations are in order and in accordance with the provisions

in force.

2. However, if the financial controller considers that he cannot ascertain in advance the effects of such transfers on the financial balance of the appropriation accounts of the financial plans, he shall confine himself to delivering an opinion.

In that case, and in so far as he is empowered, the authorizing officer may, on his sole responsibility, effect the transfer, provided that he makes available each month to the financial controller all appropriate information enabling an assessment to be made of the financial effects of such transfers.

If as a result of such information the financial controller finds that a financial imbalance has occurred in any appropriation account, he shall inform the authorizing officer thereof.

3. Adjustments between categories of the account showing staff expenditure and within the specific appropriations in the appropriation accounts shall be communicated to the financial controller for information.

4. In order to enable the last charges to be booked, and with a view to effecting the balancing of the appropriation accounts, transfers may be made even after the end of the financial year.

Article 94

1. For the purposes of applying Article 21, the Articles, items and sub-items of the chapter provided for in Article 87 shall be treated as titles, chapters and Articles respectively.

2. Notwithstanding Article 21 (2), the Commission may, within the limits and subject to the conditions fixed at the final adoption of the budget, transfer appropriations from one to another and from one item to another within the special chapter referred to in Article 87, the said Articles and items being specified, provided that such transfers relate to direct action projects and do not include action projects financed according to a special budgetary scale.

3. Notwithstanding Article 21 (5), the prohibitions of transfers referred to therein shall not be applicable to items of expenditure classified according to its type, within the meaning of Article 89.

4. Notwithstanding Article 52 (a), a contract for scientific and technical supplies and for works may be made by private treaty where the amount does not exceed 30 000 European units of account, without prejudice to those cases where private treaties are allowed under Article 52 (b), (c) and (d) and subject to the general obligation to invite competitive tenders, as far as possible and by all suitable means, from those capable of supplying the goods and services required by the contract.

5. Notwithstanding Article 54, the following shall be submitted, before the decision of the authorizing officer, for the opinion of an Advisory Committee on purchases and contracts, whose composition and functioning shall be determined by the implementing measures provided for in Article 106:

(a) contracts of a scientific or technical nature, for sums exceeding 150 000 European units of account, and the acquisition of immovable property;

(b) contracts for supplies and equipment of a nature other than scientific or technical, for sums exceeding 30 000 European units of account;

(c) contracts for supplies and equipment of a nature other than scientific or technical for sums exceeding 10 000 European units of account, to which points (c), (d) and (e) of Article 52 apply.

6. Notwithstanding the provisions of the first paragraph of Article 60, scientific and technical equipment may be sold, without first being advertised, following a decision taken by the authorizing officer after he has

consulted the Advisory Committee on purchases and contracts.

Title VIII

Special provisions applicable to the European Agricultural Guidance and Guarantee Fund, Guarantee Section

Article 95

This Title shall apply to expenditure financed by the European Agricultural Guidance and Guarantee Fund, Guarantee Section, in accordance with Regulation (EEC) No 729/70, from 1 January 1971.

Article 96

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

Article 97

1. Expenditure effected by authorities and bodies under Article 4 of Regulation (EEC) No 729/70 shall be the subject of a commitment by chapter, article and item, and shall also be charged as a payment, after examination of the statements forwarded by the Member States in accordance with the provisions laid down pursuant to Article 5 (3) of the said Regulation, and after the approval of the financial controller.

The commitment shall be entered into within two months following receipt of the statements forwarded by the Member States. The charging as a payment shall, in general, be carried out within the same period.

This Article shall apply without prejudice to the clearance of accounts provided for in Article 5 (2) (b) of Regulation (EEC) No 729/70.

2. The commitments provided for in this Article shall be deducted from the provisional global commitments referred to in Article 96.

Article 98

Expenditure shall be taken into account for a financial year on the basis of payments made up to 31 December by the authorities and bodies referred to in Article 4 of Regulation (EEC) No 729/70, provided that their commitment and authorization have reached the accounting officer not later than 31 March of the following year.

Article 99

Any differences which may exist between the expenditure charged to the accounts of a financial year pursuant to Article 98, and that established by the Commission when clearing the accounts as provided for in Article 5 (2) (b) of Regulation (EEC) No 729/70, shall be charged as under or over-expenditure to the financial year during which the accounts are cleared.

Article 100

1. Appropriations which have been globally committed in accordance with Article 96 and which have not been the subject of a commitment under the budget nomenclature in accordance with Article 97 by 1 April of the following financial year, shall be maintained with a view to covering the expenditure chargeable to the original financial year.

2. Any appropriations in excess of such expenditure shall be cancelled under the original financial year.

A provisional global amount corresponding to this sum shall be committed from the appropriations for the current financial year.

Article 101

1. Appropriations made available in one chapter of expenditure may not be allocated to another chapter of expenditure.

However, not later than one month before 31 March of the following financial year, the Commission may submit proposals to the Council for transfers of appropriations from one chapter to another.

Acting by a qualified majority, the Council shall take a decision within three weeks. If it does not act within that period, the transfers of appropriations shall be deemed to be approved.

The Council shall inform the European Parliament of such transfers.

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

The Commission shall inform the budgetary authority of such transfers.

Title IX

Special provisions applicable to food aid

Article 102

Every food-aid programme shall as soon as possible be made the subject of a proposal for commitment in accordance with the procedure laid down in Articles 32 to 35.

The advances paid to Member States shall be entered globally against the abovementioned commitments; the sum set aside for the commitments may not be exceeded.

Articles 97, 98 and 99 shall apply as regards entry as payment of expenditure effected by the Member States using the funds advanced by the Commission, and as regards the clearance of accounts.

The Commission may decide, up to 31 March of the following financial year, on transfers from one Article to another within the chapter relating to food aid.

Title X

Special provisions relating to the Office for Official Publications of the European Communities

Article 103

1. Without prejudice to the other provisions of this Financial Regulation, the following special provisions shall apply to the functioning of the Office for Official Publications of the European Communities.

2. The appropriations for the Office, the total amount of which shall be entered under a special budget heading within the section of the budget relating to the Commission, shall be set out in detail in an Annex to that section. The appropriations shown under this specific budget heading may be transferred in accordance with the conditions set out in Article 21.

The Annex shall take the form of a statement of revenue and expenditure, subdivided in the same way as the sections of the budget.

The appropriations entered in that Annex shall cover all the financial requirements of the Office in the performance of its duties in the service of the Community's Institutions as defined by the Decision of 16 January 1969 setting up the Office ⁽⁸⁾. Where necessary, the estimates may be adjusted during the financial year by the Management Committee of the Office which shall decide on the transfers required within the Annex as a result of such adjustments.

3. The remarks concerning the specific budget heading under which is entered the total appropriation for the Office shall show an estimate of the cost of services rendered by the Office to each of the Institutions. This shall be based on the forecasts of the analytical accounts provided for in paragraph 5.

The total costs of these services shall correspond to the total expenditure shown in its statement of expenditure.

A paper setting out the basic data underlying the estimate of the allocation of the Office's services as between the Institutions shall be provided as a supporting document for the preliminary draft budget.

4. Each Institution shall, for guidance, enter in its section of the budget a pro forma appropriation corresponding to the services which it expects the Office to render to it during the financial year concerned.

5. The Office shall draw up analytical accounts of its expenditure, enabling the proportion of its services rendered to each of the Institutions to be determined. The Management Committee shall lay down the criteria on which the accounting system shall be based.

The Office shall notify the Institutions concerned of the results of the analytical accounts.

6. On a proposal from the Management Committee the Commission shall, for the appropriations entered in the Annex for the Office, delegate the powers of authorization to the Director of the Office and shall fix the limits and conditions of such act of delegation.

Each Institution shall retain the powers of authorization for expenditure charged to the appropriations for the publication of all work entrusted to outside bodies by the Office. The net proceeds from the sale of the publications shall be re-used by the Institution which drew up these publications, in accordance with Article 22 (2).

7. The financial controller shall delegate powers to an official who shall be responsible for monitoring the commitment and authorization of expenditure and also for monitoring the revenue of the Office.

The Commission, acting on a proposal from the Management Committee of the Office, shall appoint an assistant accounting officer with special responsibility for collecting revenue and settling expenditure effected directly by the Office.

8. To meet the cash requirements of the Office, bank accounts or post office giro accounts may be opened on its behalf by the Commission, acting on a proposal from the Management Committee.

The accounts shall be financed regularly by payments effected by the Commission upon receipt of calls for funds from the Office. Such payments may not exceed the total amount of the appropriations entered for this purpose in the Commission budget.

The final cash position for each year shall be adjusted between the Office and the Commission at the end of the financial year.

9. The revenue and expenditure account and the balance sheet in respect of the Office shall form an integral part of the revenue and expenditure account and of the balance sheet of the Communities referred to in Articles 73 and 76.

10. The Management Committee of the Office shall determine the detailed rules for the implementation of the preceding provisions, and also specific rules governing the terms of sale of publications and the corresponding accounting system.

Title XI

Transitional and final provisions

Article 104

The European Parliament and the Council shall be empowered to require any information or explanations regarding budgetary matters within their competence.

The Council may be assisted in its task by a committee set up within the framework of the Permanent Representatives Committee.

Article 105

The European Parliament, the Council and the Commission shall inform the Court of Auditors, each regarding the matters concerning it, as soon as possible, of all decisions and measures taken in implementation of Articles 3, 6 (3) and (8) and 8, 14 and 21.

The Court of Auditors shall be informed of the appointment of authorizing officers, financial controllers, accounting officers and administrators of advance funds, and of the Acts of delegation or nominations made in accordance with Articles 18, 19, 20 and 49.

The Commission shall inform the Court of Auditors of the implementing measures provided for in Article 106. Moreover, the Institutions shall forward to the Court of Auditors any rules of procedure in respect of financial matters.

Article 106

In consultation with the European Parliament and the Council and after the other Institutions have delivered their opinions, the Commission shall adopt implementing measures for this Financial Regulation.

Article 107

At three-year intervals the European Parliament and the Council shall examine this Financial Regulation in the light of a proposal from the Commission. Any financial regulations amending this Financial Regulation shall be adopted by the Council after recourse to the conciliation procedure if the European Parliament so requests.

Article 108

1. When the accounts for the financial year 1977 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 years in question. This shall be followed by an adjustment of the difference shown in the statement.

The second paragraph of Article 5 of this Regulation shall apply to revenue from own resources recorded in November and December 1977; this revenue shall be entered in the accounts for the financial year 1978.

2. The provisions of this Financial Regulation shall be re-examined, 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.

All appropriate measures shall be taken to ensure continuity of control after the members of the Court of Auditors have been appointed.

3. Appropriations committed but not paid at the end of the financial year 1977 shall be regarded as appropriations carried over automatically under Article 6 (1) (c).

Appropriations for the Guidance Section of the European Agricultural Guidance and Guarantee Fund entered in the budget for the financial year 1976 and in the budgets of previous financial years shall be carried over under the following conditions:

(a) where they relate to payments remaining due under commitments, they shall be carried over automatically for a period of five years reckoned from 31 December of the financial year during which they were committed;

(b) upon expiry of that period, the Commission may submit to the Council and forward to the European Parliament, by 1 May, the lists of appropriations remaining committed, for which a duly substantiated request for carry-over is being made. The decision shall be taken in accordance with the second subparagraph of Article 6 (3).

4. Commitment authorizations for the European Social Fund made available under the 1976 budget and to be charged against operations during the financial year 1978 on the basis of Article 104 of the Financial Regulation of 25 April 1973 shall remain in force during the financial year for which they were granted and the sums committed under these authorizations shall be added to the commitment appropriations for the financial year for which they were made available.

5. As an exception 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 shall not require to be covered by revenue.

6. Commitment appropriations entered in the budgets for 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.

7. The conditions under which the European unit of account is to be applied to revenue and expenditure shall be determined by the implementing measures provided for in Article 106.

Article 109

The following shall be repealed:

— the Financial Regulation of 25 April 1973 applicable to the general budget of the European Communities ⁽⁹⁾, and the Financial Regulation of 18 March 1975 amending it ⁽¹⁰⁾,

— all other provisions contrary to this Financial Regulation.

Article 110

This Financial Regulation shall enter into force on 1 January 1978.

This Financial Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 21 December 1977.

For the Council
The President
J. CHABERT

Annex

Budgetary nomenclature provided for in Article 89 of the Financial Regulation

STATEMENT OF EXPENDITURE

[...]

(¹) OJ No C 6, 10.1.1977, p. 20.

(²) OJ No C 89, 22.4.1975, p. 1.

(³) OJ No L 104, 24.4.1975, p. 35.

(⁴) OJ No L 94, 28.4.1970, p. 19.

(⁵) OJ No L 336, 27.12.1977, p. 1.

(⁶) OJ No L 315, 5.12.1975, p. 1.

(⁷) OJ No C 21, 30.1.1976, p. 4.

(⁸) OJ No L 13, 18.1.1969, p. 19.

(⁹) OJ No L 116, 1.5.1973, p. 1.

(¹⁰) OJ No L 73, 21.3.1975, p. 45.