

# Procedure file

Basic information		
CNS - Consultation procedure Regulation	<a href="#">2000/0203(CNS)</a>	Procedure completed
General budget of the European Communities: recasting of the financial regulation		
Amended by <a href="#">2005/0090(CNS)</a>		
Amended by <a href="#">2010/0054(COD)</a>		
Repealed by <a href="#">2010/0395(COD)</a>		
Subject 8.70.02 Financial regulations		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>BUDG</b> Budgets		23/11/2000
		TDI <a href="#">DELL'ALBA Gianfranco</a>	
	Former committee responsible		
	<b>BUDG</b> Budgets (Associated committee)		23/11/2000
		TDI <a href="#">DELL'ALBA Gianfranco</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>CONT</b> Budgetary Control		28/05/2002
		PSE <a href="#">VAN HULTEN Michiel</a>	
	Former committee for opinion		
	<b>CONT</b> Budgetary Control (Associated committee)		11/10/2000
		PSE <a href="#">VAN HULTEN Michiel</a>	
	<b>AFET</b> Foreign Affairs, Human Rights, Common Security, Defense		05/12/2000
	PSE <a href="#">TITLEY Gary</a>		
<b>LIBE</b> Citizens' Freedoms and Rights, Justice and Home Affairs	The committee decided not to give an opinion.		
<b>ITRE</b> Industry, External Trade, Research, Energy		09/01/2001	
	PSE <a href="#">KARLSSON Hans</a>		
<b>AGRI</b> Agriculture and Rural Development		24/01/2001	
	PPE-DE <a href="#">STURDY Robert</a>		
<b>DEVE</b> Development and Cooperation		06/02/2001	
	PPE-DE <a href="#">DEVA Nirj</a>		
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Environment</a>	<a href="#">2439</a>	25/06/2002
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2432</a>	04/06/2002
	<a href="#">Agriculture and Fisheries</a>	<a href="#">2428</a>	27/05/2002
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2424</a>	07/05/2002
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2353</a>	05/06/2001
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2301</a>	07/11/2000

## Key events

17/10/2000	Legislative proposal published	COM(2000)0461	Summary
07/11/2000	Debate in Council	<a href="#">2301</a>	
11/12/2000	Committee referral announced in Parliament		
16/05/2001	Vote in committee		Summary
16/05/2001	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A5-0176/2001</a>	
30/05/2001	Debate in Parliament		
31/05/2001	Decision by Parliament	<a href="#">T5-0305/2001</a>	Summary
05/06/2001	Resolution/conclusions adopted by Council		Summary
26/11/2001	Vote in committee		Summary
29/11/2001	Decision by Parliament	<a href="#">T5-0625/2001</a>	Summary
21/12/2001	Modified legislative proposal published	COM(2001)0691	Summary
07/05/2002	Debate in Council	<a href="#">2424</a>	
21/05/2002	Amended legislative proposal for reconsultation published	<a href="#">08730/2002</a>	
28/05/2002	Formal reconsultation of Parliament		
10/06/2002	Vote in committee		
10/06/2002	Committee report tabled for plenary, reconsultation	<a href="#">A5-0227/2002</a>	
12/06/2002	Decision by Parliament	<a href="#">T5-0297/2002</a>	Summary
25/06/2002	Act adopted by Council after consultation of Parliament		
25/06/2002	End of procedure in Parliament		
16/09/2002	Final act published in Official Journal		

## Technical information

Procedure reference	2000/0203(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Recast
Legislative instrument	Regulation
	Amended by <a href="#">2005/0090(CNS)</a> Amended by <a href="#">2010/0054(COD)</a> Repealed by <a href="#">2010/0395(COD)</a>
Legal basis	Rules of Procedure EP 57; EC Treaty (after Amsterdam) EC 279

Stage reached in procedure	Procedure completed
Committee dossier	BUDG/5/13994; BUDG/5/16290

## Documentation gateway

Legislative proposal		COM(2000)0461 <a href="#">OJ C 096 27.03.2001, p. 0001 E</a>	17/10/2000	EC	Summary
Court of Auditors: opinion, report		RCC0002/2001 <a href="#">OJ C 162 05.06.2001, p. 0001-0097</a>	08/03/2001	CofA	Summary
Committee draft report		PE294.074	12/03/2001	EP	
Amendments tabled in committee		PE300.023	04/04/2001	EP	
Amendments tabled in committee		PE300.026	04/04/2001	EP	
Committee opinion	DEVE	PE286.860/DEF	18/04/2001	EP	
Committee opinion	AGRI	PE286.428/DEF	24/04/2001	EP	
Committee opinion	AFET	PE294.874/DEF	27/04/2001	EP	
Committee opinion	ITRE	PE302.115/DEF	01/05/2001	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A5-0176/2001</a>	16/05/2001	EP	
Text adopted by Parliament, partial vote at 1st reading/single reading		<a href="#">T5-0305/2001</a> <a href="#">OJ C 047 21.02.2002, p. 0020-0174</a>	31/05/2001	EP	Summary
Economic and Social Committee: opinion, report		<a href="#">CES0927/2001</a> <a href="#">OJ C 260 17.09.2001, p. 0042</a>	11/07/2001	ESC	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T5-0625/2001</a> <a href="#">OJ C 153 27.06.2002, p. 0030-0036 E</a>	29/11/2001	EP	Summary
Modified legislative proposal		COM(2001)0691 <a href="#">OJ C 103 30.04.2002, p. 0292 E</a>	21/12/2001	EC	Summary
Non-legislative basic document		RCC0002/2002 <a href="#">OJ C 136 07.06.2002, p. 0001-0037</a>	07/03/2002	CofA	Summary
Document attached to the procedure		<a href="#">08947/2002</a>	17/05/2002	CSL	
Amended legislative proposal for reconsultation		<a href="#">08730/2002</a>	21/05/2002	CSL	
Committee draft report		PE318.695	07/06/2002	EP	
Committee opinion	CONT	PE315.769/DEF	10/06/2002	EP	
Committee final report tabled for plenary, reconsultation		<a href="#">A5-0227/2002</a>	10/06/2002	EP	
Committee opinion	CONT	PE294.427/DEF	11/06/2002	EP	
Text adopted by Parliament after reconsultation		<a href="#">T5-0297/2002</a> <a href="#">OJ C 261 30.10.2003, p. 0149-0207 E</a>	12/06/2002	EP	Summary
Follow-up document		C(2010)0794	09/02/2010	EC	

Additional information	
European Commission	<a href="#">EUR-Lex</a>
Final act	
<a href="#">Regulation 2002/1605</a> <a href="#">OJ L 248 16.09.2002, p. 0001-0048</a>	Summary
<a href="#">Regulation 2002/2342</a> <a href="#">OJ L 357 31.12.2002, p. 0001-0071</a>	Summary
<a href="#">Regulation 2002/2343</a> <a href="#">OJ L 357 31.12.2002, p. 0072-0090</a>	Summary
Delegated acts	
<a href="#">2013/2812(DEA)</a>	Examination of delegated act

## General budget of the European Communities: recasting of the financial regulation

**PURPOSE** : to present a proposal for a Council Regulation on the financial regulation applicable to the general budget of the European Communities. **CONTENT** : the Commission has made administrative reform an essential priority. As the Financial Regulation contains the rules governing financial management, control and audit, the recasting of the Financial Regulation is inextricably linked to this process. The main planks of the reform, such as the assertion of the responsibility of authorising officers, under the supervision of the internal audit service and, in turn, the dropping of centralised ex ante controls (in particular the Financial Controller's approval of commitments and payments) cannot be implemented without substantially amending the Financial Regulation. The recasting exercise, however, goes further than the goals identified by the internal reform of the Commission. Its scope encompasses all the areas covered by the present Financial Regulation - the instrument which lays down rules for all aspects of the general budget of the European Communities from establishment to discharge. The present text of the Financial Regulation was adopted over 20 years ago, since when times have changed enormously with a series of enlargements, a financial perspective forming a framework for the development of the budget and changes to the institutional structure resulting in the European Union. The 1977 text has been amended 14 times to take account of the institutional changes (Maastricht and Amsterdam Treaties, joint financing by the EFTA countries for the EEA) and also to tighten up the management of Community finances. The Commission has also responded to the Court of Auditors' concern that the time for making piecemeal amendments to the Financial Regulation is over and a proposal should now be presented for general overhaul. In view of the technical complexity and scale of the task, which concerns all the institutions, the Commission decided that the best approach was to present a working document intended to launch an interinstitutional discussion on the solutions envisaged by the Commission before producing the present proposal. This approach was warmly welcomed by the European Parliament, the Council and the Court of Auditors. The Commission is proposing reorganising and improving the connection between the Financial Regulation and the Regulation laying down detailed rules for the implementation of certain provisions of the Financial Regulation (implementing rules) in order to obtain a more logical and stricter division between the two instruments. The first lays down the basic rules and the second specifies the concrete implementing rules. ?

## General budget of the European Communities: recasting of the financial regulation

In its 2/2001 opinion, the Court of Auditors is of the opinion that the Commission's proposal incorporates a basis for the recasting of the Financial Regulation, although it does not take into consideration all the interests expressed by the Court in its 4/97 opinion and that it is not radical enough. In the present opinion, the Court proposes amendments to the Commission's text when it deemed it necessary to do so except in the fields concerning the base accounting framework as well as the accounting objectives and of financial states for which the measures in the sections concerned are inadequate. The general philosophy underlying the present opinion is the following: - the Community's budgetary system should apply the budgetary principles by only tolerating the necessary exceptions; - the budgetary system should be as simple as possible; - the budget, as by provision as by execution, and the financial states should reflect the reality of the operations and of the Community's financial situation. ?

## General budget of the European Communities: recasting of the financial regulation

The committee has adopted the report by Mr Gianfranco dell'Alba (NI, I), which puts forward numerous amendments to the Commission proposal in the framework of the consultation procedure. In the light of previous positions adopted by the European Parliament and of recommendations made by both the Court of Auditors and the Committee of Independent Experts, the report sets out to change many aspects of the approach that is adopted in the Commission text. Among the questions covered by the amendments is the relationship between the Financial Regulation and the implementation procedures. The amended Regulation, says the report, should be confined to a statement of broad principles and basic rules for the sake of simplification. The implementation rules should be laid down in regulations covering specific policy areas, such as the common agricultural policy (CAP), external relations, research, etc. Other amendments deal with matters relating to the main budgetary principles, such as the unity of the EU budget. The committee believes that the budget should incorporate all Union activities, including for example the administration of the European Development Fund and the activities of the European Investment Bank and the European Central Bank. The report also deals with the problem of ring-fencing, i.e. 'earmarked revenue', which is generated in a particular

sector, such as that of agriculture, and which cannot be used for any purpose other than the funding of the CAP, a system that is contrary to the principle of universality. Other problems addressed in the amendments include the question of reserves and the possibility of transferring appropriations from a budget line to the reserve, the system of global transfers of underspent appropriations towards the end of the financial year, the creation of a contingency reserve to cover unforeseen events, emergencies and crises in the domain of the CAP, such as the BSE crisis. In the case of the draft provisions relating most closely to budgetary control, amendments are proposed in the domain of financial control along with amendments to the system of internal auditing, an area that features in the Commission's reform package. The report also addresses the rules on the awarding of contracts, compliance with international accounting standards, which should be enunciated in the Financial Regulation, the provision of complete information to the European Parliament, which is the authority responsible for granting discharge, and provisions relating to the Anti-Fraud Office (OLAF) and its establishment plan. Lastly, other amendments deal with matters relating to activity-based budgeting (ABB) and its implications, the prevention and punishment of financial irregularities and matters relating to the externalisation of certain tasks by the Commission in connection with the closure of technical-assistance offices (TAOs). ?

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## General budget of the European Communities: recasting of the financial regulation

The European Parliament approved numerous non-binding amendments to the report by Mr Gianfranco DELL'ALBA (TGI, I) concerning the reform of the financial regulation in light of the findings of the Committee of Independent Experts. However, the Parliament withheld adopting its final opinion in order for further discussions to take place with the Commission and the Council. ?

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## General budget of the European Communities: recasting of the financial regulation

The Council welcomes the Commission's proposal on the recasting of the Financial Regulation. However, it would stress that its general analysis of the main aspects of the proposal will need to be supplemented by a detailed examination. The Council considers that the Commission proposal is a useful basis for a recasting of the Financial Regulation which should result, inter alia, in: - a clearer and more transparent text concentrating on the general principles applicable to the establishment, implementation and control of the implementation of the budget; - a clarification of the roles and responsibilities of the various financial actors; - the establishment of an activity-structured budget; - the creation of a framework for outsourcing to enable the Commission to retain its full responsibility over the implementation of the budget; - the rationalisation of the commitment procedures; - the simplification of the procurement rules in accordance with the Directives concerned. ?

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## General budget of the European Communities: recasting of the financial regulation

The committee decided to recommend that Parliament adopt the legislative resolution contained in the report by Mr Gianfranco DELL'ALBA (NI, I), which had been adopted in committee on 16 May 2001. Parliament would thereby formalise its opinion under the consultation procedure on the proposal on the revision of the Financial Regulation. ?

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## General budget of the European Communities: recasting of the financial regulation

The European Parliament approved the resolution by Mr Gianfranco DELL'ALBA (NI, I), formalising Parliament's opinion on the Commission's proposals for reforming the Community's financial regulation. The vote was carried over from May in order to give the Commission time to respond to the 180 amendments adopted at the time and primarily designed to make the rules clearer and easier to understand. With the Commission accepting some 82 amendments, the dossier now goes to Council where Spain, which takes over the Presidency in January, has already indicated that it will be a priority. ?

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## General budget of the European Communities: recasting of the financial regulation

The Commission welcomes the changes made by the various institutions to the proposed revision of the Financial Regulation, noting that they are broadly in line with its own views and position. It accepts many of the Parliamentary, Council and Court of Auditors proposed changes. Where it has not done so it explains in some detail its justification for not doing so. Many of the fundamental points have, however, been accepted and include: - simplification of the Financial Regulation and rationalisation of the budget structure; - activity-based budgeting (ABB); - budget implementation arrangements externalisation; - the new role for financial actors; - and the proposed provisions for procurement and grants. Concerning amendments to: The scope of the Financial Regulation, the Commission can partly accept parliamentary requests that any regulation containing a budget provision must comply with the Financial Regulation. On the question of the principle of unity, whereby Parliament seeks to have European security policy, the Community agencies and the EDF included under the scope of the Regulation, the Commission has rejected these plans. Nevertheless, in an attempt to enhance democratic control the Commission has proposed that Parliament be responsible for the discharge of the Community agencies. Concerning Court of Auditor requests to drop the arrangement for the carry over of appropriations, the Commission has decided not to accept this proposal. The Commission further proposes tightening rules governing the raising of loans for the sole purpose of acquiring land and buildings. Concerning the EAGGF negative expenditure, the Court has been keen that this be entered in the budget as miscellaneous revenue, rather than negative expenditure. The Commission has, however, decided to uphold its initial position and make no changes to the existing text. Parliamentary amendments reducing the Commission's ability to transfer up to 10% of appropriations between chapters within any one title to 5%, have similarly been rejected by the Commission. The Commission has decided to drop requests from the Court of Auditors to do away with the retention of the "negative reserve. The Commission, following initial institutional concern, is redrafting plans for transfers from the reserve to the budget line. On the matter of personal officer liability, the Commission rejects proposals whereby new provisions be added to the Financial Regulation regarding this matter. It does, nevertheless, agree that a "financial irregularities panel" be set up via the Financial Regulation. On the question of an internal auditor, the Commission has accepted most Parliamentary amendments relating to this issue. In terms of waiving debts, the Commission intends to stipulate that waiver decisions must be adopted at the level of "authorising" officer and may be delegated only as laid down in the

implementing rules. On the question of "global commitment" the Commission has agreed to propose an alternative, tighter definition. In line with Court concerns over accounting methods, the Commission has made a thorough overhaul of the articles in question. Similarly, the Commission hopes that ABB will strengthen the management and monitoring instruments as requested by the Council. Concerning the Chapter on "External Auditing", the Commission has opted to retain this chapter in spite of initial Court doubts. In terms of "Special Provisions" relating to the EAGGF, Structural Funds, Research and External Actions. The Commission is, by and large, maintaining its original position and rejecting the proposals forwarded by the Court of Auditors. Following Parliamentary and Court concerns the Commission has agreed to include in the proposal a title on offices with a general chapter containing general rules applying to all offices and a chapter covering the specific features of OLAF.?

## General budget of the European Communities: recasting of the financial regulation

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By adopting the report by Mr Gianfranco DELL'ALBA (IND, I), the European Parliament approves the agreement reached between Parliament and the Council delegations on a revision of the recasting of the Financial Regulation of the European Communities at a conciliation meeting on 4 June 2002. Following intensive negotiations under the conciliation procedure between the two arms of the budgetary authority, Parliament achieved substantial changes to the Council's common position. For example, the possibility of amending Supplementary and Amending budgets (with the exception of the 'SAB balance') was preserved and the Council cannot suspend the procedure unilaterally. As for reserves, all conditions proposed by the Parliament were accepted by the Council, in particular as regards the 'negative reserve', where the existing rules are retained, thereby giving Parliament the 'last word' on this expenditure. Parliament also won increased supervisory rights over transfers of appropriations and over changes to the establishment plan of the EU institutions. Among other success for Parliament was the inclusion of the Financial Regulation of the idea of the specificity of assigned revenue by section of the budget and the possibility for Parliament to lay down overall criteria for making grants. In addition, as regards internal audits, the Community institutions must now forward each year to the discharge authority a report summarising the number and type of internal audits carried out, the recommendations made and any action taken on those recommendations.?

## General budget of the European Communities: recasting of the financial regulation

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PURPOSE : to adopt the new Financial Regulation applicable to the general budget of the European Communities. COMMUNITY MEASURE : Council Regulation (EC, Euratom) 1605/2002. CONTENT : following a conciliation meeting with the European Parliament on 4 June 2002, the Council adopted the Financial Regulation applicable to the general budget of the European Communities. The Regulation reaffirms the four fundamental principles of budgetary law (unity, universality, specification, annuality), and the principles of budget accuracy, equilibrium, unit of account, sound financial management and transparency. The Regulation confines itself to stating the broad principles and basic rules governing the whole budgetary sector covered by the Treaty. The implementing provisions are moved to a Regulation on rules for the implementation (CNS/2002/0901) in order to produce a better hierarchy of rules and make the Financial Regulation easier to read. Accordingly, the Council has authorised the Commission to adopt the implementing rules.?