

II

(Preparatory Acts)

COMMISSION

Proposal for a Council Regulation (EC, ECSC, Euratom) on the Financial Regulation applicable to the general budget of the European Communities

(2001/C 96 E/01)

COM(2000) 461 final — 2000/0203(CNS)

(Submitted by the Commission on 18 October 2000)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 279 thereof,

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

Having regard to the opinion of the Court of Auditors,

Whereas:

- (1) Since times have changed enormously since the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities ⁽¹⁾ was adopted, in particular as a result of a series of enlargements, a financial perspective forming a framework for the development of the budget and changes to the institutional structure, that Financial Regulation has been substantially amended several times. Since further amendments are necessary to take account, in particular, of the requirements of simplification in legislative and administrative matters and the tightening up of management of Community finances, the Financial Regulation of 21 December 1977 should be recast in the interests of clarity.
- (2) This Regulation should be confined to stating the broad principles and basic rules governing all budgetary matters referred to in the Treaty and the detailed provisions should be moved to a Regulation laying down rules for the implementation of this Regulation (hereinafter: 'the implementing rules') in order to produce a better hierarchy of rules and make the Financial Regulation easier to read.

- (3) As regards budget principles, the establishment and implementation of the budget should respect the four fundamental principles of budgetary law (unity, universality, specification, annuality), and the principles of sound financial management, equilibrium, unit of account and transparency.

- (4) This Regulation should reassert those principles, keep exceptions to an absolute minimum and impose strict conditions on those exceptions.

- (5) As regards the principle of unity, this Regulation should state that it also applies to expenditure on the common foreign and security policy and cooperation in the field of justice and home affairs where this is charged to the budget. Decisions on the establishment plans of the Community agencies should be taken by the budgetary authority as part of the budgetary procedure in view of their impact, present or future, on the number of European civil servants and on the general budget, via subsidies paid or planned by those agencies, or the pensions which will be paid to their staff.

- (6) As regards the principle of universality, the practices of repayment of payments on account and re-use should be discontinued; in some cases they should be replaced by earmarked revenue. These amendments should not affect the special rules applicable to the Structural Funds.

- (7) As regards the principle of specification, the Commission should be given some degree of management flexibility for transfers of staff and administrative appropriations between titles relating to different policy areas and between chapters for operational expenditure. This Regulation should allow integrated presentation of the allocation of financial and administrative resources by purpose. The procedures for transferring administrative appropriations should be harmonised for all the other institutions so that transfers between titles are a matter for the budgetary authority and those within titles a matter for each institution. The budgetary authority should be allowed to constitute reserves in only two cases: where there is no legal base and where it is not certain that appropriations are adequate or necessary.

⁽¹⁾ OJ L 356, 31.12.1977, p. 1; Regulation as last amended by Regulation (EC, ECSC, Euratom) No 2673/1999 (OJ L 326, 18.12.1999, p. 1).

- (8) As regards annuality, differentiated appropriations should be used in all areas, although the technical arrangements applied at present to appropriations of the European Agricultural Guidance and Guarantee Fund (EAGGF) should be retained. Decisions on carryovers of commitment and payment appropriations should be taken by the institution concerned as a result of the simplification brought about by the abandoning of non-differentiated appropriations. The additional periods should be restricted to cases which are absolutely necessary, namely EAGGF payments.
- (9) As regards transparency, the aim is to improve information on implementation of the budget and the accounts. A strict deadline should also be set for the publication of the budget. Negative expenditure and negative revenue should also be eliminated, the former now being treated as earmarked revenue.
- (10) Finally, the principle of sound financial management should be defined by reference to the principles of economy, efficiency and effectiveness, and compliance with those principles checked by means of measurable indicators in such a way that results can be assessed. Provision should be made for evaluation throughout the cycle of a programme.
- (11) As regards the establishment and presentation of the budget, budgetary procedures should be harmonised and simplified by elimination of the distinction, which has no practical impact, between supplementary budgets and amending budgets.
- (12) The Commission section of the budget should present appropriations and resources by purpose (activity-based budgeting), with a view to enhancing transparency in the management of the budget with reference to the objectives of sound financial management and in particular efficiency and effectiveness.
- (13) The Commission should enjoy a measure of flexibility in the management of its staff complement in relation to what is authorised in the budget, especially as the emphasis in management is now to be on results and not on means. This freedom will, however, continue to be restricted by the dual limit of budget appropriations and the total number of posts allocated; in addition there will be no latitude as regards grade A1 and A2 posts.
- (14) As regards implementation of the budget, there should be clarification of the various possible methods of implementing the budget, either on a centralised basis by the Commission or on a shared basis with the Member States or on a decentralised basis with third countries receiving external aid. It should be possible for centralised management either to be performed directly by Commission departments or to be delegated to national, international or Community public-law bodies, in particular executive agencies set up by the Communities. Those agencies should be able to implement all or part of a programme under the responsibility and control of the Commission.
- (15) As the Commission is responsible for implementation of the budget, it may not delegate any tasks of public authority involving the use of discretionary powers of judgment. This Regulation should restate this principle and specify the scope of the tasks that may be delegated. It should also be stipulated that private-law bodies, other than those which have a public-service mission guaranteed by the Member States, should not be able to undertake any budget implementation measure but only provide specialist technical or administrative services or perform preparatory or ancillary tasks.
- (16) For the sake of compliance with the principles of transparency and sound financial management, the public-law bodies or bodies with a public-service mission guaranteed by the State to which implementing tasks are delegated on behalf of the Commission should have transparent procurement procedures, effective internal controls and a system for presentation of the accounts which is separate from their other activities and an external audit.
- (17) As regards the role of the different actors, authorising officers should be given more responsibility by dropping centralised *ex ante* controls, and in particular advance approval by the financial controller of revenue and expenditure operations and verification by the accounting officer that payment does constitute discharge of all liability. In return, the function of internal auditor of management and internal control systems set up by authorising officers should be developed. The internal auditor should be the financial controller within the meaning of the Treaties.
- (18) The liability of authorising officers, accounting officers and imprest administrators is not different from that of other officials and staff and should be subject, under the Staff Regulations of Officials of the European Communities and the Conditions of Employment of Other Servants of those Communities (hereinafter: 'the Staff Regulations') to the application of the existing disciplinary and financial compensation measures. On the other hand, certain specific provisions identifying specific cases of misconduct of accounting officers and imprest administrators given the nature of their duties should be retained; they will no longer have any special allowance or insurance. This Regulation should also refer to the provisions in force on the protection of the European Communities' financial interests and on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union.

- (19) The concepts of budget and legal commitment of expenditure and the conditions of application should be defined. In order to limit in time the potential budget impact of Commission decisions and to restrict the volume of dormant commitments, the period during which individual legal commitments may be made on the basis of global budget commitments should be limited.
- (20) This Regulation should define the typology of payments which may be made by authorising officers.
- (21) This Regulation should stipulate that the operations of validation, authorisation and payment must be completed within a time limit which will be set in the implementing rules and that in the event of failure to respect this time limit creditors will be entitled to default interest to be charged to the budget.
- (22) As regards procurement, the Directives of the European Parliament and of the Council coordinating the procedures for the award of public supply, service and works contracts should apply to public contracts concluded by the institutions acting on their own account; their principles should also govern the rules applicable to all contracts awarded on behalf of third parties.
- (23) In order to prevent irregularities and to combat fraud and corruption and promote sound and efficient management, the award of contracts to candidates or tenderers who have been guilty of such acts or have conflicting interests should be ruled out.
- (24) For the sake of transparency, candidates and tenderers should be informed in appropriate manner about the award of contracts.
- (25) Finally, as part of the process of increasing the responsibility of authorising officers, the current Advisory Committee on Procurement and Contracts should be dispensed with.
- (26) As regards grants, a framework for the award and monitoring of Community grants which implements the principles of legal basis, transparency, programming, co-financing, collective assessment and control should be put in place.
- (27) In order to avoid any cumulation, it should not be possible for grants to be awarded to finance the same action twice or to finance actions which have already been completed before the application for the grant is made.
- (28) In a similar manner to the rules concerning the award of public contracts, grounds for excluding certain parties from the award of grants should be laid down in order to have appropriate means of combating fraud and corruption.
- (29) So that the rights and obligations of the institution and of the beneficiary are clear, the grant award should be the subject of a written agreement.
- (30) When a grant is awarded, the authorising officer should monitor the use made of it and carry out an overall evaluation of the results obtained for each programme.
- (31) As regards the keeping and presentation of accounts, it should be stipulated that the accounts comprise general accounts and budget accounts and it should be added that the general accounts are based on a system of accrual accounting whereas the budget accounts are intended to draw up the revenue and expenditure account and the reports on implementation of the budget.
- (32) The principles on which the general accounts are based and the financial statements are presented should be defined by reference to internationally accepted accounting principles and the Council Directives on the annual accounts of certain types of companies, where they are relevant, in the context of the public service.
- (33) The provisions on the supply of information concerning implementation of the budget should be adapted to extend this information to the use of appropriations carried over, made available again and re-used and to improve the arrangements for providing monthly figures and the report on implementation which will be sent three times a year to the budgetary authority.
- (34) The accounting methods employed by the institutions should be harmonised and, in this field, the Commission's accounting officer should have the right of initiative.
- (35) It should be specified that the use of computerised financial management systems should in no way restrict the Court of Auditors' rights of access to supporting documents.
- (36) The rather vague concepts of advance and payment on account should be dropped; payments should be made in the form of pre-financing, interim payments and payments of the final balance, when the entire amount is not paid in one instalment, and it should be stipulated that interest generated by amounts paid as pre-financing constitute budget revenue.
- (37) As regards external audit and discharge, although the Commission is fully responsible for implementation of the budget, the importance of management shared with the Member States or decentralised management with third countries requires their full cooperation throughout the audit procedure by the Court of Auditors and the discharge by the budgetary authority.

- (38) In order to improve interinstitutional operation, the Commission should present to the European Parliament, at its request, any information relating to the year in question required for the smooth application of the discharge procedure, with due respect for fundamental human rights, the protection of business secrecy, the provisions governing judicial and disciplinary proceedings and the interests of the Union.
- (39) Special provisions should be laid down for certain Community policies to ensure this Regulation is consistent with sectoral rules.
- (40) As regards the EAGGF, the specific management features, relating in particular to the fact that commitment appropriations and payment appropriations are equal and to the carryover arrangements, should be maintained, although the appropriations for rural development will not be covered with effect from 1 January 2007.
- (41) In order to guarantee the overall amount of appropriations available, earmarked revenue from the EAGGF Guarantee Section should be assigned to it in full.
- (42) Provision should be made for the possibility of advance commitments from 15 November preceding the financial year in question.
- (43) As regards the Structural Funds, the provision for repayment of payments on account and making appropriations available again as provided for in the (unpublished) Commission declaration annexed to Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds should be retained.
- (44) As regards research, the presentation of the budget should be harmonised with the provisions concerning activity-based budgeting.
- (45) As regards external action, decentralisation of management of external aid should be authorised provided that the Commission is given guarantees of sound financial management and the beneficiary State is accountable to the Commission for the funds paid to it.
- (46) Financing agreements or contracts signed with the beneficiary State or a national, Community or international public-law body or natural or legal persons governed by

private law should comply with the general principles on the award of contracts laid down in Title IV of Part One and Title IV of Part Two of this Regulation as regards external actions.

- (47) As regards the European Anti-Fraud Office (OLAF), a separate title should contain the special rules for management of OLAF, in particular in terms of information contained in Annex to the budget and definition of the powers delegated to the Director.
- (48) A separate title should also contain the special rules applicable to administrative appropriations.
- (49) As a transitional measure, provision should be made for the maintenance of the special EAGGF monetary reserve until the entry into force of the Regulation on budgetary discipline and, as regards rural development programmes and accompanying measures, provision should be made for the special EAGGF Guarantee Section arrangements for appropriations to apply only until the end of the current programming period,

HAS ADOPTED THIS REGULATION:

PART ONE
COMMON PROVISIONS

TITLE I
GENERAL PROVISIONS

Article 1

This Regulation lays down the rules for the establishment of the general budget of the European Communities, hereinafter referred to as 'the budget' and the implementation of revenue and expenditure. It also contains the rules for the keeping of accounts, procurement and the award of grants by the Communities. It determines the rules and methods for supervising the liability of the authorising officers, accounting officers and internal auditors. It lays down the arrangements for external control and the discharge procedure.

For the purposes of this Regulation, the Economic and Social Committee, the Committee of the Regions and the Ombudsman shall be treated as Community institutions.

Article 2

The establishment and implementation of the budget shall comply with the principles of unity, annuality, equilibrium, unit of account, universality, specification, sound financial management and transparency as set out in this Regulation.

CHAPTER 1

PRINCIPLE OF UNITY*Article 3*

1. The budget is the instrument which forecasts and authorises the revenue and expenditure of the Communities each year.

2. The revenue and expenditure of the Communities shall comprise:

(a) the revenue and expenditure of the European Community, including administrative expenditure for the common foreign and security policy and for cooperation in the field of justice and home affairs and the related operational expenditure where this may be charged to the budget;

(b) the administrative expenditure of the European Coal and Steel Community and the related revenue;

(c) the expenditure and revenue of the European Atomic Energy Community.

3. The budget shall record the guarantee for borrowing and lending operations entered into by the Communities and payments to the Guarantee Fund for external actions, the operations of which are shown in the Commission's revenue and expenditure account and balance sheet.

Article 4

1. Subject to Article 69, no revenue shall be collected and no expenditure effected unless booked to an article in the budget.

2. No expenditure may be committed or authorised in excess of the authorised appropriations.

CHAPTER 2

PRINCIPLE OF ANNUALITY*Article 5*

The appropriations entered in the budget shall be authorised for one financial year.

Article 6

1. The budget shall contain differentiated appropriations, which shall consist of commitment appropriations and payment appropriations.

Commitment appropriations shall cover the total cost of the legal obligations entered into for the current financial year.

Payment appropriations shall cover payments made to honour the legal commitments entered into in the current financial year and/or earlier financial years.

2. Paragraph 1 is without prejudice to the special provisions of Titles I and VII of Part Two. It shall not prevent appropriations being committed globally nor budgetary commitments being made in annual instalments.

3. Appropriations shall be shown in the budget as follows:

(a) the commitment appropriation authorised for the financial year in question and the payment appropriation for the same financial year shall be entered on the appropriate budget line;

(b) the estimated annual payment appropriations required for the subsequent financial years shall be set out against the commitment appropriations in an indicative schedule in the remarks column.

Article 7

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

2. The revenue of a financial year shall be entered in the accounts for the financial year on the basis of the amounts collected during the financial year. However, the own resources for the month of January of the next financial year may be paid in advance pursuant to the Council Regulation implementing the Decision on the system of the Communities' own resources.

3. The entries in respect of value added tax own resources, the additional GNP-based resource and any financial contributions may be adjusted in accordance with the Regulation referred to in paragraph 2.

4. The appropriations authorised for a given year may be used solely to cover expenditure committed and paid in that financial year, save as otherwise provided in Title I of Part Two, and to cover amounts due against commitments from preceding financial years.

5. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December.

6. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.

7. By way of derogation from paragraphs 5 and 6, the expenditure of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) shall be entered in the accounts for a financial year in accordance with the rules laid down in Title I of Part Two.

Article 8

1. Commitment appropriations and payment appropriations which have not been used at the end of the financial year for which they were entered shall lapse.

However, they may be carried over to the next financial year only, by a decision taken by the institution concerned by 15 February at the latest, in accordance with paragraphs 2 and 3.

2. Commitment appropriations may be carried over in respect of:

- (a) amounts corresponding to commitments which have been virtually concluded at 31 December; or
- (b) amounts which are necessary when the legislative authority has adopted a basic instrument in the final quarter of the financial year and the Commission has been unable to commit the appropriations provided for this purpose in the budget by 31 December.

The amounts referred to in the first subparagraph must be committed by 31 March of the following year.

3. Payment appropriations may be carried over in respect of amounts needed to cover existing commitments or commitments linked to commitment appropriations carried over, when the appropriations provided for the relevant lines in the budget for the following financial year do not cover requirements. The institution concerned shall first use the appropriations authorised for the current financial year and shall not use the appropriations carried over until the former are exhausted.

4. The institution shall inform the European Parliament and the Council ('the budgetary authority') by 15 March at the latest of the carryover decision taken and shall state, for each budget item, how the criteria in paragraphs 2 and 3 have been applied to each carryover.

5. Appropriations placed in reserve and appropriations for staff expenditure may not be carried over.

Article 9

Revenue not used and appropriations available at 31 December arising from the earmarked revenue referred to in Article 17 shall be carried over automatically. Earmarked revenue must be used first.

Article 10

When commitments are cancelled, as a result of total or partial non-implementation of the actions for which they were earmarked, in any financial year after that in which the appro-

priations were entered in the budget, the appropriations concerned shall lapse.

Any amounts which have been wrongly paid shall be recovered, subject to Title II of Part Two.

Article 11

The appropriations entered in the budget may be committed with effect from 1 January, once the budget has been finally adopted, save as otherwise provided in Title I and Title VII of Part Two.

Article 12

1. If the budget has not been finally adopted at the beginning of the financial year, Article 273 of the EC Treaty, Article 78b of the ECSC Treaty, and Article 178 of the Euratom Treaty shall apply to commitment and payment of expenditure approved in principle in the last budget duly adopted.

An item of expenditure shall be considered as having been approved in principle in the last budget duly adopted if it could have been charged to a specific budget line for the financial year concerned.

2. Commitments may be entered into in respect of any chapter, for up to one quarter of the total appropriations authorised for the relevant chapter in the preceding financial year, account being taken of all transfers, plus one twelfth for each completed month.

The commitments may not exceed the appropriations provided for in the draft budget or, in the absence thereof, in the preliminary draft budget.

The global provisional commitments of the Guarantee Section of the EAGGF referred to in Title I of Part Two shall be treated as commitments for the purposes of the first subparagraph.

3. Payments may be made monthly in respect of any chapter up to one twelfth of the total appropriations authorised for the relevant chapter in the preceding financial year, account being taken of all transfers.

The measure provided for in the first subparagraph may not have the effect of placing at the disposal of the Commission, for any month, appropriations in excess of one twelfth of those provided for in the draft budget or, in the absence thereof, in the preliminary draft budget.

4. If the continuity of Community activities and management needs so require:

(a) for expenditure necessarily resulting from the Treaties or from acts adopted in accordance therewith, the Council acting by a qualified majority may, at the request of the Commission and after consulting the European Parliament, authorise simultaneously two or more provisional twelfths for both commitments and payments in addition to those automatically made available under paragraph 2;

(b) for expenditure other than that necessarily resulting from the Treaties, or from acts adopted in accordance therewith, the third paragraph of Article 273 of the EC Treaty, the second subparagraph of Article 78b (2) of the ECSC Treaty, and the third paragraph of Article 178 of the Euratom Treaty shall apply.

The additional twelfths shall be authorised in whole.

The annual total authorised for each chapter by reason of the twelfths may not exceed the total for the corresponding chapter of the preceding year's budget, account being taken of transfers, nor may it exceed the total for the corresponding chapter of the draft budget or, in the absence thereof, the preliminary draft budget.

5. If, for a given chapter, the authorisation of two or more provisional twelfths granted in the circumstances provided for in paragraph 4 is not sufficient to cover the expenditure necessary to avoid a break in continuity of the Communities' activity in the area in question, authorisation may exceptionally be given by the procedures provided for in the first subparagraph of paragraph 4 to exceed the total provided for in the third subparagraph of paragraph 4. In this case the overall total of the appropriations available in the budget of the preceding year may not be exceeded.

CHAPTER 3

PRINCIPLE OF EQUILIBRIUM

Article 13

1. Budget revenue and payment appropriations must be in balance.

2. The Communities may not raise loans to cover a budget deficit. They are, however, authorised to raise loans for the sole purpose of investments in immovable assets.

Article 14

The balance from each financial year shall be entered in the budget for the following financial year as revenue in the case of a surplus or payment appropriation in the case of a deficit. The estimates of such revenue or payment appropriations shall be entered in the budget during the budget procedure and, where appropriate, in a letter of amendment submitted pursuant to

Article 31. They shall be drawn up in accordance with the Council Regulation implementing the Decision on the system of the Communities' own resources.

After the presentation of the accounts for each financial year, any discrepancy with the estimates shall be entered in the budget for the following financial year through an amending budget.

CHAPTER 4

PRINCIPLE OF UNIT OF ACCOUNT

Article 15

The budget shall be drawn up in euro.

CHAPTER 5

PRINCIPLE OF UNIVERSALITY

Article 16

1. Total revenue shall cover total payment appropriations, subject to Article 17.

2. All revenue and expenditure shall be entered in full without any adjustment against each other, subject to Article 18.

Article 17

1. Revenue in the following categories provided for in this Regulation shall not be used for any other purpose:

(a) financial contributions from Member States to certain research programmes pursuant to the Council Regulation implementing the Decision on the system of the Communities' own resources;

(b) interest on deposits and the fines provided for in the Regulation on speeding up and clarifying the implementation of the excessive deficit procedure;

(c) revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests;

(d) contributions to Community activities from third countries or various bodies;

(e) revenue from third parties in respect of goods, services or work supplied at their request;

(f) revenue arising from the repayment of amounts unduly paid;

(g) proceeds from the supply of goods, services and works for other institutions or bodies, including refunds by other institutions or bodies of mission allowances paid on their behalf;

(h) insurance payments received;

- (i) revenue from payments connected with lettings;
- (j) revenue from the sale of publications and films, including those on an electronic medium;

Revenue which is earmarked for a specific purpose in accordance with the applicable legal basis shall also not be used for any other purpose.

The budget shall carry items to accommodate the categories of revenue referred to in the first and second subparagraphs and, wherever possible, an estimated amount shall be entered.

2. The Commission may accept any donation made to the Communities, such as foundations, subsidies, gifts and bequests.

The Commission may accept donations which may involve some financial charge only with prior authorisation from 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 that period, the Commission shall take a final decision in respect of acceptance.

Article 18

1. The rules for the implementation of this Regulation (hereinafter: 'the implementing rules') may specify the cases where certain revenue may be deducted from invoices or requests for payment, which shall then be passed for payment of the net amount.

2. The cost of products or services provided to the Communities incorporating taxes refunded by the Member States pursuant to the Protocol on the Privileges and Immunities of the European Communities shall be charged net to the budget.

3. Adjustments may be made in respect of exchange differences occurring in the implementation of the budget. The final gain or loss shall be included in the balance for the year.

CHAPTER 6

PRINCIPLE OF SPECIFICATION

Article 19

Appropriations shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.

Article 20

1. Subject to the arrangements set out for the Commission, each institution may, within its own section of the budget, propose to the budgetary authority transfers from one title to another.

Proposals made by the other institutions for transfers from one title to another shall be forwarded by the Commission to the budgetary authority for its decision. The Commission may attach its own opinion to such proposals.

2. Subject to the arrangements set out for the Commission, each institution may, within its own section of the budget, transfer appropriations from one chapter to another and from one article to another. These institutions shall inform the budgetary authority and the Commission of the transfers they have made.

Article 21

1. The Commission may, within its own section of the budget:

- (a) transfer appropriations from one article to another within each chapter;
- (b) as regards expenditure on staff and administration, transfer appropriations from one title to another provided that the appropriations are entered under the same heading;
- (c) as regards operational expenditure, transfer appropriations between chapters within the same title, up to a maximum of 10 % of the initial appropriations on the line from which the transfer is made.

The Commission shall inform the budgetary authority of the transfers it has made under points (b) and (c) of the first subparagraph.

2. The Commission may propose to the budgetary authority, within its own section of the budget, transfers other than those referred to in paragraph 1.

Article 22

1. The budgetary authority shall take decisions on transfers of appropriations as provided for in paragraphs 2, 3 and 4, subject to the derogations provided for in Title I of Part Two.

2. In the case of proposals for transfers of appropriations relating to expenditure necessarily resulting from the Treaties or from acts adopted in accordance therewith, 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 take note of it and to act within the stipulated time limit. Where the Council does not act within this time limit, the proposals for transfers shall be deemed to be approved.

3. In the case of proposals for transfers relating to expenditure other than that necessarily resulting from the Treaties or from acts adopted in accordance therewith, the European Parliament shall, after consulting the Council, act within six weeks, except in urgent cases. The Council shall deliver its opinion, by a qualified majority, within such time as will permit the European Parliament to take note of it and to act within the stipulated time limit. Where the European Parliament does not act within this time limit, the proposals for transfers shall be deemed to be approved.

4. Proposals for transfers relating both to expenditure necessarily resulting from the Treaties or from acts adopted in accordance therewith, and to other expenditure shall be deemed to be approved if neither the European Parliament nor the Council has decided otherwise within six weeks of the date on which the two institutions received the proposals. If, in the case of such proposals for transfers, the European Parliament and the Council reduce the proposed transfer by different amounts, whichever is the smaller 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, the transfer shall not be made.

Article 23

1. Appropriations may be transferred only to budget lines for which the budget has authorised appropriations or carries a token entry (p.m.).

2. Revenue earmarked for a specific purpose may be transferred only if it is not used for any other purpose.

Article 24

1. Transfers within the titles of the budget devoted to the EAGGF, Guarantee Section, the Structural Funds and research shall be the subject of special provisions under Titles I, II and III of Part Two.

2. Decisions on transfers to allow the utilisation of the reserve relating to Community loans and loan guarantees to third countries and the reserve for emergency aid shall be taken by the budgetary authority on a proposal from the Commission.

The procedure provided for by Article 22 shall apply. However, if the European Parliament and the Council are unable to agree on an amount different from what the Commission has proposed or if they fail to act, the Commission's proposal for a transfer shall be deemed to be approved.

CHAPTER 7

PRINCIPLE OF SOUND FINANCIAL MANAGEMENT

Article 25

1. Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.

2. Objectives which can be checked by means of measurable indicators shall be set and achievement of these objectives shall be monitored.

3. In order to apply the principle of sound financial management, the institutions shall evaluate actions regularly.

Article 26

During the budgetary procedure, the Commission shall provide the necessary information for a comparison between changes in the appropriations required and the initial forecasts made in the financial statements accompanying all proposals sent to the legislative authority which may have a budgetary impact.

CHAPTER 8

PRINCIPLE OF TRANSPARENCY

Article 27

1. The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency.

2. The President of the European Parliament shall have the budget and amending budgets, as finally adopted, published in the *Official Journal of the European Communities*.

The budget shall be published within two months following the date on which the budget is declared finally adopted.

3. The consolidated revenue and expenditure account and balance sheet shall be published in the *Official Journal of the European Communities*.

Article 28

1. Information on borrowing and lending operations contracted by the Communities shall appear in an Annex to the budget.

2. Information on the operations of the Guarantee Fund for external actions shall appear in the revenue and expenditure account and the balance sheet.

TITLE II

ESTABLISHMENT AND STRUCTURE OF THE BUDGET

CHAPTER 1

ESTABLISHMENT OF THE BUDGET

Article 29

The European Parliament, the Council, the Court of Justice of the European Communities, the Court of Auditors, the Economic and Social Committee, the Committee of the Regions and the Ombudsman shall draw up an estimate of their revenue and expenditure which they shall send to the Commission before 1 July each year.

These estimates shall be forwarded for information to the budgetary authority before 1 July each year.

Article 30

1. The Commission shall place a preliminary draft budget before the Council by 1 September of each year at the latest. It shall at the same time transmit the preliminary draft budget to the European Parliament.

The preliminary draft budget shall contain a general statement of revenue of the Communities and consolidate the estimates referred to in Article 29.

2. The Commission shall attach to the preliminary draft budget:

- (a) the analysis of the financial management for the preceding financial year and the provisional consolidated balance sheet for the same financial year, as provided for in Article 115;
- (b) an opinion on the estimates of the other institutions. This opinion may contain different estimates, accompanied by the reasons therefor;
- (c) any working paper it considers useful in connection with the staff of the institutions and the grants they award.

3. The Commission shall draw up the general introduction to the preliminary draft budget.

4. Each of the sections of the preliminary draft budget shall be preceded by an introduction produced by the institution concerned.

Article 31

1. The Commission may, on its own initiative or if requested by the other institutions, each in respect of its own section, present to the Council a letter of amendment to the preliminary draft budget on the basis of new information which was not available at the time the preliminary draft was established.

2. However, save as otherwise agreed by the institutions or in exceptional circumstances, the Commission shall put such letter of amendment to the Council at least thirty days before the first reading of the draft budget by the European Parliament. The Council must put the letter of amendment to the European Parliament at least fifteen days before the said first reading.

Article 32

1. The Council shall establish the draft budget in accordance with the procedure laid down in Article 272 of the EC Treaty, Article 78 of the ECSC Treaty and Article 177 of the Euratom Treaty.

2. The Council shall place the draft budget before the European Parliament by 5 October at the latest. The Council shall attach to that draft budget an explanatory memorandum

defining, where appropriate, its reasons for departing from the preliminary draft budget.

Article 33

1. The President of the European Parliament shall declare the budget finally adopted in accordance with the procedure provided for in Article 272 of the EC Treaty, Article 78 of the ECSC Treaty and Article 177 of the Euratom Treaty.

2. Once the budget has been declared finally adopted, each Member State shall, from 1 January of the following financial year or from the date of the formal declaration if it is made after 1 January, be bound to make over to the Community the payments due as specified in the Council Regulation implementing the Decision on the system of the Communities' own resources.

Article 34

1. If necessary, the Commission may present preliminary draft amending budgets.

Preliminary draft amending budgets from institutions other than the Commission shall be sent to the Commission.

2. The Commission shall submit any preliminary draft amending budget to the Council by 1 September each year at the latest, barring exceptional circumstances. It may attach a dissenting opinion to the requests for amending budgets from the other institutions.

3. The budgetary authority shall discuss them with due account for their urgency.

4. Where the Council, having received a preliminary draft amending budget, considers that it is not necessary to establish a draft amending budget, it shall determine its position after an exchange of views with the European Parliament.

Article 35

Except for the timetable, Articles 32 and 33 shall apply to amending budgets. They must be substantiated by reference to the budget whose estimates they are amending.

Article 36

The Commission and the budgetary authority may agree to bring forward certain dates for the transmission of the estimates, and for the adoption and transmission of the preliminary draft and draft budgets. This agreement may not, however, have the effect of reducing or delaying the periods allowed for consideration of these texts under Article 272 of the EC Treaty, Article 78 of the ECSC Treaty and Article 177 of the Euratom Treaty.

CHAPTER 2

STRUCTURE AND PRESENTATION OF THE BUDGET

Article 37

The budget shall consist of:

- (a) a general statement of revenue;
- (b) separate sections subdivided into statements of revenue and expenditure for each institution.

Article 38

1. Commission revenue and the revenue and expenditure of the other institutions shall be classified by the budgetary authority according to their type or the use to which they are assigned under titles, chapters, articles and items.

2. The statement of expenditure for the Commission section shall be set out on the basis of a nomenclature adopted by the budgetary authority and classified according to purpose.

A title shall correspond to a policy area and a chapter shall, as a rule, correspond to an activity. The administrative appropriations for a title shall be grouped in a single chapter.

Article 39

The budget may not contain negative revenue or expenditure. The own resources paid under the Council Decision on the system of the Communities' own resources shall be entered net in the budget statement of revenue.

Article 40

1. Each section of the budget may include a 'provisions' title. Appropriations shall be entered in this title in the following two circumstances:

- (a) where no legal basis exists for the action concerned when the budget is established;
- (b) where there is uncertainty about the adequacy of or need for the appropriations entered on the operational lines.

The appropriations in this title may be used only by means of transfer in accordance with the procedure laid down in Articles 20, 21 and 22.

2. In the event of serious implementation difficulties, the Commission may transfer appropriations to the 'provisions' title in the course of a financial year.

Article 41

The Commission section may include a 'negative reserve' limited to a maximum amount of EUR 200 million. This reserve, which shall be entered in a separate chapter, may

comprise both commitment appropriations and payment appropriations.

This reserve must be drawn upon before the end of the financial year by means of transfer in accordance with the procedure laid down in Articles 20, 21 and 22.

Article 42

1. The Commission section of the budget shall include the following two reserves:

- (a) a reserve for emergency aid for third countries;
- (b) a reserve relating to Community loans and loan guarantees to third countries.

2. The conditions for the entry, utilisation and financing of the reserves referred to in paragraph 1(a) and (b) are laid down in the Council Decision on budgetary discipline and in the Council Regulation implementing the Decision on the system of the Communities' own resources.

Article 43

The budget shall show:

- 1. in the general statement of revenue:
 - (a) the estimated revenue of the Communities for the financial year in question;
 - (b) the revenue for the preceding financial year;
 - (c) appropriate remarks on each subdivision;
- 2. in the section for each institution:
 - (a) as regards the statement of revenue:
 - (i) the estimated revenue for each institution for the financial year in question,
 - (ii) 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,
 - (iii) appropriate remarks on each revenue line;
 - (b) as regards the statement of expenditure:
 - (i) the appropriations made available for the financial year in question and for the preceding financial year and the actual expenditure in the last financial year for which the accounts have been closed, broken down into commitments and payments,
 - (ii) appropriate remarks on each subdivision;

3. as regards staff:
- (a) for each section of the budget, an establishment plan setting the number of permanent and temporary posts for each grade in each category and in each service authorised within the limits of the budget appropriations;
 - (b) an establishment plan for staff paid from the research and technological development appropriations, classified by category and grade and distinguishing between permanent and non-permanent staff, authorised within the limits of the budget appropriations;
 - (c) 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 establishment plan must specify the number of highly qualified technical or scientific personnel who are accorded special advantages under the specific provisions of the Staff Regulations of officials of the European Communities and Conditions of Employment of Other Servants of the European Communities, hereinafter: 'the Staff Regulations';
 - (d) an establishment plan setting the number of posts for each grade in each category in each agency set up by the Communities.
- The establishment plans shall show next to the number of posts authorised for the financial year the number authorised for the preceding year;
4. as regards borrowing and lending operations:
- (a) in the general statement of revenue, the budget lines corresponding to the relevant operations and intended to record any reimbursements received from beneficiaries who initially defaulted, leading to activation of the performance guarantee. These lines shall carry a token entry (p.m.) and be accompanied by appropriate remarks;
 - (b) in the Commission section:
 - (i) the budget lines containing the Communities' performance guarantees in respect of the operations in question. These lines shall carry a token entry (p.m.), so long as no effective charge which has to be covered by specific resources has arisen;
 - (ii) remarks giving a reference to the legal basis and the volume of the operations envisaged, the duration and the financial guarantee given by the Communities in respect of these operations;
 - (c) in a document annexed to the Commission section, as an indication:
 - (i) ongoing capital operations and debt management,
 - (ii) the capital operations and debt management for the financial year in question;
5. the budget lines under revenue and expenditure necessary for implementing the reserve relating to Community loans and loan guarantees to third countries and also for implementing the Guarantee Fund for external actions.

Article 44

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

However, each institution may modify each establishment plan by up to 10 % and within the limit of the budget appropriations and the total number of posts allocated, except in the case of grades A1 and A2.

2. By way of derogation from the first subparagraph of paragraph 1, the effects of part-time work authorised by the appointing authority in accordance with the Staff Regulations may be offset by other appointments.

TITLE III

IMPLEMENTATION OF THE BUDGET

CHAPTER 1

GENERAL PROVISIONS

Article 45

1. The Commission shall implement the budget in revenue and expenditure in accordance with this Regulation, on its own responsibility and within the limits of the appropriations authorised.
2. The Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principle of sound financial management.

Article 46

1. A basic act must first be adopted before the appropriations entered in the budget for any Community action may be used.
2. The following appropriations may be used without a basic act provided that the actions they are intended to finance fall within the competence of the Community:
 - (a) appropriations for pilot schemes of an experimental nature designed to test the feasibility of an action and its usefulness;

- (b) appropriations for preparatory actions, designed to prepare proposals for the adoption of future Community actions;
- (c) appropriations for one-off actions, or even actions for an indefinite duration, carried out by the Commission by virtue of tasks resulting from its prerogatives at institutional level other than its right of legislative initiative and under specific powers directly conferred on it by the Treaties;
- (d) appropriations for the operation of each institution under its administrative autonomy.

Article 47

The Commission shall confer on the other institutions the requisite powers for the implementation of the sections of the budget relating to them.

Article 48

The Commission and each of the other institutions may, within their departments, delegate their powers of budget implementation in accordance with the conditions laid down by their rules of procedure and within the limits which they lay down in the instrument of delegation. Those so empowered may act only within the limits of the powers expressly conferred upon them.

Article 49

Any measures of budget implementation which may give rise to a conflict of interests between the delegator, the delegatee and the third party supplying the revenue or the third party receiving the expenditure shall be prohibited.

CHAPTER 2

METHODS OF IMPLEMENTATION

Article 50

1. The Commission shall implement the budget on a centralised basis or by shared or decentralised management.
2. Where the Commission implements the budget on a centralised basis, implementation operations shall be performed directly by Commission departments or by executive agencies or by national, Community or international public-law bodies.
3. Where the Commission implements the budget by shared or decentralised management, implementation operations shall be entrusted to Member States in accordance with the provisions of Titles I and II of Part Two, or to third countries in accordance with Title IV of Part Two. In this case, in order to ensure that the funds are used in accordance with the applicable rules, the Commission shall apply, in accordance with specific provisions, clearance of accounts procedures and appropriate financial correction mechanisms.

Article 51

1. The Commission may not delegate the executive powers it enjoys under the Treaties where they involve a large measure of discretion implying political choices.
2. Within the limits laid down in paragraph 1, the Commission may delegate tasks of public authority and in particular measures of budget implementation to executive agencies governed by Community or international law, hereinafter: 'executive agencies' or to other external national, public-law bodies or bodies with a public-service mission guaranteed by the State.

Article 52

The executive agencies are bodies which can be empowered to implement all or part of a Community programme or project on behalf of the Commission and under its responsibility.

The conditions and arrangements for the creation and operation of these agencies shall be defined in such a way that the Commission retains control of implementation and can monitor their operation.

Article 53

1. Decisions delegating tasks to implementing bodies or agencies governed by Community or international law or to external national public-law bodies or bodies with a public-service mission guaranteed by the State must include all appropriate arrangements for ensuring the transparency of operations carried out and include at least the following:

- (a) transparent, non-discriminatory procurement procedures which prevent any conflicts of interest;
- (b) an effective system of internal control of management operations;
- (c) separate accounts for these operations and procedures for separate presentation of the accounts which will show the use made of Community funds;
- (d) an independent external audit.

The Commission may accept that the audit, accounting and procurement systems of the delegates are equivalent to its own, with due account for internationally accepted standards.

The Commission must also ensure periodic supervision, evaluation and control of the implementation of the delegated tasks. It shall take account of the equivalence of control systems when undertaking its controls.

2. Where the Commission has made payments to public-law bodies which yield interest, recovery orders shall be issued periodically, at intervals of no more than six months, for such interest to be booked to the statement of revenue.

Article 54

The Commission may not entrust measures of budget implementation, namely commitment, validation, authorisation or recovery to external private-law bodies or organisations, other than those which have a public-service mission guaranteed by the State.

The tasks which may be entrusted by contract to external private-law bodies or organisations other than those which have a public-service mission guaranteed by the State are technical expertise tasks and administrative, preparatory or ancillary tasks involving neither the exercise of public authority nor the use of discretionary powers of judgment.

CHAPTER 3

FINANCIAL ACTORS

Section 1

Principle of separation of duties

Article 55

The duties of authorising officer and accounting officer shall be separated.

Section 2

Authorising officer

Article 56

1. Each institution shall lay down in its rules of procedure the staff of an appropriate level to whom it delegates the duties of authorising officer, the scope of the powers delegated and the possibility for the persons to whom these powers are delegated to subdelegate them.

2. The powers of authorising officer shall be delegated or subdelegated only to persons covered by the Staff Regulations.

3. Authorising officers by delegation or subdelegation may act only within the limits set by the instrument of delegation.

Article 57

1. The authorising officer by delegation and subdelegation shall be responsible in each institution for implementing

revenue and appropriations in accordance with the principles of sound financial management.

2. To implement appropriations, the authorising officer by delegation and by subdelegation shall make commitments and shall validate expenditure and authorise payments. Implementation of appropriations shall also include programming this implementation and implementing the measures required to make appropriations available to the third parties for whom the expenditure is intended.

3. Implementation of revenue shall comprise drawing up estimates of amounts receivable, establishing entitlements to be recovered and issuing recovery orders. It shall involve waiving established entitlements in appropriate cases.

4. The authorising officer by delegation shall set up, in accordance with the minimum standards set by each institution and taking into account the risks associated with the management environment and the nature of the actions financed, the organisational structure and the monitoring and internal control systems and procedures required for the performance of his tasks.

5. The authorising officer by delegation shall report to his institution on the performance of his duties, including on the results of the operations by reference to the objectives set, on the risks associated with these operations and on the use made of the resources provided. The authorising officer by delegation shall submit to the institution, to the internal auditor and to the accounting officer an annual activity report together with accounts.

Section 3

Accounting officer

Article 58

1. Each institution shall appoint an accounting officer who shall be responsible in each institution:

- (a) for preparing and presenting the financial statements provided for in Title VI;
- (b) for laying down the minimum accounting rules and the accounting systems used by authorising officers and for validating these systems;
- (c) for proper implementation of payments, management of the treasury, collection of revenue and recovery of established entitlements.

The accounting officer shall obtain all the information necessary for the purposes of the first subparagraph from the authorising officers.

2. Save as otherwise provided in this Financial Regulation or in any sectoral regulation, the accounting officer is alone empowered to manage monies and other assets. He shall be responsible for their safekeeping.

Section 4

Imprest administrator

Article 59

For the payment of small sums, imprest accounts may be set up which shall be endowed by the institution's accounting officer and shall be placed under the responsibility of imprest administrators designated by the institution's accounting officer.

CHAPTER 4

LIABILITY OF THE FINANCIAL ACTORS

Section 1

General rules

Article 60

Without prejudice to any disciplinary action, authorising officers by delegation and subdelegation, accounting officers and imprest administrators may be suspended from their duties by the authority which appointed them.

Article 61

The provisions of this chapter are without prejudice to the criminal law liability which the persons referred to in Article 60 may incur as provided in the applicable national law and in the provisions in force on the protection of the European Communities' financial interests and on the fight against corruption involving officials of the European Communities or officials of Member States.

Article 62

1. Each authorising officer, accounting officer or imprest administrator shall be liable to disciplinary action and payment of compensation as laid down in the Staff Regulations, without prejudice to Articles 63 and 64.

2. An authorising officer by delegation or subdelegation who considers that a decision he is required to take is irregular or contrary to the principles of sound financial management shall inform his higher authority in writing. If the instruction is then confirmed in writing, the authorising officer by delegation or subdelegation may not be held liable.

3. In the event of subdelegation, the authorising officer by delegation continues to be responsible for the effectiveness of the control systems put in place and for the choice of the authorising officer by subdelegation.

Section 2

Rules applicable to accounting officers and imprest administrators

Article 63

An accounting officer shall be liable to disciplinary action and payment of compensation in particular where:

- (a) he loses or damages monies, assets and documents in his keeping;
- (b) he alters bank accounts or postal giro accounts;
- (c) he recovers or pays amounts which are not in conformity with the corresponding recovery or payment orders.

Article 64

An imprest administrator shall be liable to disciplinary action and payment of compensation in particular where:

- (a) he loses or damages monies, assets and documents in his keeping;
- (b) he cannot provide proper supporting documents for the payments he has made;
- (c) he makes payments to persons other than those entitled.

CHAPTER 5

REVENUE OPERATIONS

Section 1

Making available of own resources

Article 65

An estimate of revenue constituted by own resources, as referred to in the Council decision on the system of the European Communities' own resources, shall be entered in the budget in euro. It shall be made available in accordance with the Council Regulation implementing that decision.

Section 2

Estimate of amounts receivable

Article 66

1. An estimate of the amount receivable shall first be made by the authorising officer in respect of any measure or situation which may give rise to or modify an amount owing to the Communities.

2. By way of derogation from paragraph 1, no estimate of the amount receivable shall be made before Member States make directly available to the Commission the amounts of own resources defined in the Council Decision on the system of the Communities' own resources which are paid at fixed intervals by the Member States. The authorising officer shall issue a recovery order in respect of these amounts.

Section 3

Recovery order

Article 67

A recovery order shall be drawn up by the authorising officer to establish every amount receivable that is identified as being certain, of a fixed amount and due. The conditions in which interest on late payment is due to the budget shall be laid down in the implementing rules.

Section 4

Recovery

Article 68

1. The accounting officer shall act on recovery orders duly established by the authorising officer. He shall exercise due diligence to ensure that the Communities receive their revenue and shall see that their rights are safeguarded.

The accounting officer shall inform the authorising officer when revenue is not received by the due date. He shall, where appropriate, initiate the enforced recovery procedure.

The accounting officer may recover amounts by offsetting them against equivalent claims that the Communities have on a debtor who himself has a claim on the Communities that is certain, of a fixed amount and due.

2. Where the authorising officer waives recovery of an established entitlement, he shall ensure that the waiver is in order and complies with the principle of sound financial management. He shall inform the accounting officer of the waiver so that it can be registered. The waiver decision must be substantiated and adopted by the authorising officer by delegation. The authorising officer by delegation shall refer any cases about which he has doubts to the higher authority for a decision.

Article 69

Revenue received by way of fines, periodic penalty payments and other penalties and any accrued interest shall not be finally recorded as budget revenue as long as the decisions imposing them may be annulled by the Court of Justice.

The provision of the first subparagraph shall not apply to decisions on clearance of accounts or financial corrections.

CHAPTER 6

EXPENDITURE OPERATIONS

Section 1

Commitment of expenditure

Article 70

1. A commitment shall be made up of a budget commitment and a legal commitment.

The budget commitment is the operation whereby the appropriations necessary for performance of the obligation imposing a charge on the budget are reserved.

The legal commitment is the act whereby the authorising officer enters into an obligation with regard to third parties which results in expenditure being charged to the budget.

The legal commitment and the budget commitment shall, as a rule, be adopted by the same person.

2. The budget commitment is global either when the final beneficiary is not individually identified or when the commitment covers a number of individual commitments. The commitment is provisional when it is intended to cover routine administrative expenditure and the amount is not definitively determined. The budget commitment is individual when the final beneficiary is individually determined.

3. Budget commitments for actions extending over more than one financial year may be broken down into instalments where the basic act so provides. Where the budget commitment is divided into instalments extending over several years, the legal commitment shall mention this.

Article 71

1. In respect of any measure which may give rise to expenditure chargeable to the budget, the authorising officer must first make a budget commitment before entering into an individual legal commitment with third parties.

2. Subject to the special provisions of Title IV of Part Two, global budget commitments shall cover the total cost of the corresponding individual legal commitments up to 31 December of year N + 1.

During the period referred to in subparagraph 1, the conclusion of each individual legal commitment shall be registered by the authorising officer in the budget accounts and booked to the global commitment.

At the end of this period, the unused balance of this global budget commitment shall be decommitted by the authorising officer.

3. The legal commitments entered into for actions extending over more than one financial year and the corresponding budget commitments shall have a final date for implementation.

Article 72

When drawing up acts of budget commitment, the authorising officer shall ensure 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 regulations, and of all acts adopted in accordance with the Treaties and of the regulations;
- (d) the principle of sound financial management is complied with.

Section 2

Validation of expenditure

Article 73

Validation of expenditure is the act whereby the authorising officer:

- (a) verifies the existence of the creditor's claim;
- (b) determines or verifies the existence and the amount of the sum due;
- (c) verifies the conditions under which payment falls due.

Section 3

Authorisation of expenditure

Article 74

Authorisation is the act whereby the authorising officer, by issuing a payment order, instructs the accounting officer to pay an item of expenditure which he has validated.

Article 75

1. A payment order may, in accordance with the provisions of the basic act or the contract, cover one of the following operations:

- (a) payment of the entire amount due thus clearing the budget commitment;
- (b) prefinancing;
- (c) an interim payment, to reimburse eligible expenditure;

(d) payment of a balance, based on supporting documents, which is designed to clear the budget commitment and which is made before the final date stipulated in Article 71(3).

A distinction shall be made in the accounts between these different types of payment.

2. Only amounts paid by way of prefinancing shall yield interest until such time as they are definitively transferred to the final beneficiaries, save where they are made available to the Member States' authorities.

Section 4

Payment of expenditure

Article 76

Payment of expenditure is the final act whereby the institution is discharged of its obligations towards its creditors.

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

Section 5

Time-limits for expenditure operations

Article 77

The validation, authorisation and payment of expenditure must be completed within the time-limits laid down in the implementing rules, which shall also specify the circumstances in which creditors paid late are entitled to receive default interest charged to the line from which the principal was paid.

CHAPTER 7

INFORMATION ON THE IMPLEMENTATION OF THE BUDGET

Article 78

1. Once a month, the Commission shall send to the European Parliament and the Council aggregate figures, by chapter, on the implementation of the budget, both for revenue and for expenditure against all appropriations. These figures shall also show details of the utilisation of appropriations carried over.

The figures shall be sent within ten working days following the end of each month.

2. Three times a year, within the thirty working days following 31 May, 31 August and 31 December, the Commission shall send the European Parliament and the Council a report on implementation of the budget, covering both revenue and expenditure broken down by chapter, article and item. This report shall also give details of the utilisation of appropriations carried over from previous financial years.

3. The figures and the report shall at the same time be sent to the Court of Auditors.

CHAPTER 8

IT SYSTEMS

Article 79

Where revenue and expenditure operations are managed by means of computer systems, the provisions of this Title and of Chapters 2 and 3 of Title VI of Part One shall apply with due allowance for the possibilities and requirements deriving from computerised management. To this end, in particular:

- (a) the computer systems shall refer to the supporting documents corresponding to the data recorded;
- (b) signatures may be added by a computerised or electronic procedure.

CHAPTER 9

INTERNAL AUDITOR

Article 80

Each institution shall appoint an internal auditor responsible for providing the institution with guarantees, in accordance with the relevant international standards, concerning the proper operation of budget implementation systems and procedures. The internal auditor may be neither authorising officer nor accounting officer.

Article 81

1. The internal auditor shall assist his institution in dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting the economically sound use of the institution's resources.

He shall be responsible:

- (a) for assessing the suitability and effectiveness of internal management systems and the performance of departments in implementing policies, programmes and actions by reference to the risks associated with them; and
- (b) for assessing the suitability and quality of the internal control systems applicable to every budget implementation operation.

2. The internal auditor shall perform his tasks on all the institution's activities and departments. He shall enjoy full and unlimited access to files relating to revenue and expenditure, where necessary on the spot, including in the Member States and in third countries.

3. The internal auditor shall report to the institution on his findings and recommendations. The institution shall ensure that action is taken on recommendations resulting from audits.

Article 82

Special rules applicable to the internal auditor shall be laid down by the institution and shall be such as to guarantee that he is independent in the performance of his duties. The internal auditor shall, in the performance of his duties, be liable to disciplinary action and payment of compensation as laid down in the Staff Regulations.

TITLE IV

PROCUREMENT

CHAPTER 1

GENERAL PROVISIONS

Section 1

Scope

Article 83

1. Public contracts are contracts for pecuniary interest concluded in writing by a contracting authority within the meaning of Articles 97 and 153, in order to obtain, against payment of a price paid wholly or partly from the budget, the supply of movable or immovable assets, the execution of works or the provision of services.

These contracts comprise:

- (a) building contracts;
- (b) supply contracts;
- (c) works contracts;
- (d) service contracts.

2. This Title does not relate to grants.

Article 84

1. All public contracts financed in whole or in part by the budget shall comply with the principles of transparency, proportionality, equal treatment and non-discrimination.

2. All contracts shall be put out to tender on the broadest possible base except in the cases of which an exhaustive list is given in the detailed implementing rules.

3. The institutions shall reserve the right to suspend, refuse or recover at any time amounts paid for contracts in respect of which they feel that the award procedure was vitiated by error, irregularities or fraud.

Section 2

Publication

Article 85

1. All contracts with a value exceeding the thresholds provided for in Article 98 or Article 153 shall be published in the *Official Journal of the European Communities*.

2. Publication shall consist of a pre-information notice, a contract notice and an award notice.

The contract notice shall be published, except in the cases referred to in Article 87.

The award notice need not be published where publication would hinder application of the law, would be contrary to the public interest or would harm the legitimate business interests of public or private undertakings or could distort fair competition between the suppliers.

3. Contracts with a value not exceeding the thresholds provided for in Article 98 or Article 153 shall be advertised as appropriate.

4. The subject of the contract must be clearly defined in the documents relating to competitive tendering, including the specifications.

Section 3

Procurement procedures

Article 86

1. Procurement procedures involving competitive tendering shall take one of the following forms:

- (a) the open procedure;
- (b) the restricted procedure;
- (c) contests;
- (d) the negotiated procedure.

2. For contracts where the value exceeds the thresholds provided for in Article 98 or Article 153, one of the procedures referred to in points (a), (b) and (c) of paragraph 1 shall apply, subject to Article 87.

3. For contracts where the value does not exceed the thresholds provided for in Article 98 or Article 153, the contracting authority may, in addition to the procedures mentioned in paragraph 1, apply simplified tendering procedures under which the candidates invited to tender are selected on the basis of objective criteria allowing genuine competition.

Article 87

1. Contracts may be awarded by negotiated procedure without prior publication of a contract notice only in the cases set out in the implementing rules.

2. After a contract notice is published and candidates have been selected on the basis of the criteria set out, the negotiated procedure may be used only in the cases set out in the implementing rules.

Section 4

Exclusion from procurement procedures

Article 88

1. Candidate or tenderer shall be excluded from award of a contract if:

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- (c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be carried out.

2. Candidates or tenderers must certify that they are not in one of the situations listed in paragraph 1.

Article 89

1. Contracts may not be awarded to candidates or tenderers who, during the procurement procedure:

- (a) are subject to a conflict of interests;
- (b) are guilty of misrepresentation in supplying the information required by the contracting authorities as a condition of participation in a contract procedure;
- (c) have attempted to obtain confidential information, reach unlawful agreements with their competitors, influence or corrupt the contracting authority in any way.

2. In addition to the cases provided for in paragraph 1, contracts may not be awarded to candidates or tenderers who, in another procurement or grant procedure financed by the Community budget, have been declared to be in serious breach of contract for failure to comply with their contractual obligations.

Article 90

Administrative or financial penalties may be imposed on candidates or tenderers who are excluded by virtue of Articles 88 and 89, after they have been given the opportunity to present their observations. These penalties may consist of the suspension or cancellation of funding for ongoing contracts or the exclusion of the candidate or tenderer concerned from contracts financed by the Community budget for a period of up to five years.

Section 5

Award of contracts

Article 91

1. The selection criteria for evaluating the capability of candidates or tenderers and the award criteria for evaluating the content of the tenders shall be defined in advance and set out in the call for tender.

2. Contracts shall be awarded in one of the following two ways:

- (a) under the automatic award procedure, the contract is awarded to the lowest bid submitted that is in order and satisfies the conditions laid down;
- (b) under the value-for-money procedure, the contract is awarded to the bid offering the best quality-price combination.

Section 6

Submission, opening and evaluation of tenders

Article 92

1. The procedure for submitting tenders shall ensure that they remain confidential until they are all opened simultaneously.

2. Whatever procedure is applied for awarding the contract, the applications and tenders shall be opened by a tender board appointed for this purpose. Any tender or proposal declared by the board not to satisfy the conditions laid down shall be rejected.

3. All applications or tenders declared by the tender board to satisfy the conditions laid down shall be evaluated on the basis of the selection and award criteria by a committee appointed for this purpose.

Article 93

While the procedure for awarding a contract is under way, all contacts between the contracting authority and candidates or tenderers must satisfy conditions ensuring transparency and equal treatment. They may not lead to amendment of the conditions of the contract or the terms of the original tender.

Article 94

The contracting authority shall notify all candidates or tenderers whose applications or tenders are rejected of the grounds on which the decision was taken, and all tenderers whose tenders are admissible of the characteristics and relative advantages of the successful tender as well as the name of the tenderer to whom the contract is awarded.

Article 95

The contracting authority may, before signature of the contract, cancel the award procedure or abandon the procurement without the candidates or tenderers being able to claim any compensation.

The decision must be reasoned and be brought to the attention of the candidates or tenderers.

Section 7

Security

Article 96

To guarantee implementation of contracts, the contracting authority may require contractors to lodge a security in advance.

CHAPTER 2

SPECIFIC PROVISIONS APPLICABLE TO CONTRACTS AWARDED BY THE COMMUNITY INSTITUTIONS ON THEIR OWN ACCOUNT

Article 97

The Community institutions shall be deemed to be contracting authorities in the case of contracts awarded on their own account.

Article 98

The thresholds and time-limits applicable shall be those laid down in the Directives of the European Parliament and of the Council on the coordination of procedures for the award of public services, supply and works contracts, subject to Title III of Part Two.

Article 99

Participation in tendering procedures shall be open on equal terms to all natural and legal persons coming within the scope of the Treaties and to all natural and legal persons in a third country which has ratified a special agreement, under the conditions laid down in that agreement, between that country and the European Communities in the field of public procurement.

Article 100

Where the Plurilateral Agreement on Government Procurement concluded within the World Trade Organisation applies, the contracts shall also be open to nationals of the States which have ratified this agreement, under the conditions laid down in that agreement.

TITLE V

GRANTS

CHAPTER 1

GENERAL PROVISIONS

Article 101

1. Grants are direct financial contributions, by way of donation, from the budget in order to finance:

- (a) either the functioning of a body which pursues an aim of general European interest or has an objective forming part of a European Union policy;
- (b) or action intended to help achieve an objective forming part of a European Union policy.

They shall be covered by a written agreement.

2. Expenditure on the institutions' staff, loans and shareholdings, payment of damages, and procurement contracts shall not constitute grants.

CHAPTER 2

AWARD PRINCIPLES

Article 102

1. The award of grants is subject to the principles of transparency and equal treatment. They may not be cumulative or awarded retrospectively and they must involve co-financing.

2. The grant may not have the purpose or effect of producing a profit for the beneficiary.

Article 103

1. Grants shall be subject to an annual programme indicating this legal base, the objectives and the results expected.

These programmes shall be published every year and implemented through the publication of calls for proposals except where the urgency, the nature of the action or the status of the beneficiary makes this inappropriate.

2. All grants awarded in the course of a financial year shall be published annually.

Article 104

1. One action may give rise to the award of only one grant to any one beneficiary.

2. A beneficiary may be awarded only one operating grant per financial year.

Article 105

1. A grant may be awarded for an action which has already begun only where the applicant can demonstrate the need to start the action before the award decision.

In such cases, expenditure eligible for financing may not have been incurred prior to the date of submission of the grant application.

2. No grant may be awarded retrospectively for actions already completed.

Article 106

1. The grant may not finance the entire administrative expenditure of the beneficiary organisation or of the action, subject to Title IV of Part Two.

Where operating grants are renewed, they shall be gradually decreased.

2. Derogations from paragraph 1 may be laid down either in the legal basis or in the budget remarks for organisations pursuing an objective of general European interest. Derogations from the second subparagraph of paragraph 1 may be laid down in the same way for international organisations.

CHAPTER 3

AWARD PROCEDURE*Article 107*

The call for proposals shall set out selection criteria which make it possible to assess the applicant's financial and operational capacity to complete the proposed action and the award criteria for selecting the beneficiaries of the grants.

Article 108

1. Grant applications submitted in writing by non-profit-making legal persons shall be eligible. By way of exception, depending on the nature of the action or the objective pursued by the applicant, natural persons or commercial enterprises may receive grants.

2. Grants may not be awarded to applicants who are or at the time of a grant award procedure or procurement procedure financed from the budget have been in one of the situations referred to in Articles 88 and 89.

Applicants must certify that they are not in one of the situations listed in Article 88.

Administrative and financial penalties may be imposed on applicants who are excluded pursuant to Articles 88 and 89.

Article 109

1. Applications shall be evaluated, on the basis of pre-announced selection and award criteria, by a committee set up for that purpose.

2. The institution shall inform applicants in writing of the decision on their application. If it decides not to award all or part of the requested grant, the institution shall give the reasons for its decision.

CHAPTER 4

PAYMENT*Article 110*

1. Grants shall be paid in euro.

2. The rate of payment shall be determined by the financial risks involved, the duration and progress of the action or the real costs incurred by the beneficiary.

Article 111

Under the conditions attached to the grant, the beneficiary may be required to lodge a security in advance as a guarantee that he will discharge his obligations.

Article 112

1. The amount of the grant shall not become final until after the action has been completed or the operating costs have been presented and the institution has accepted the final accounts, without prejudice to subsequent checks by the institutions.

2. The grant must be repaid pro rata by the beneficiary if the action is not carried out or only partly carried out or is not completed on schedule, where sums above the maximum amounts provided for in the agreement have been paid or where the action has been carried out at a lower cost.

3. Should the beneficiary infringe the rules and principles laid down in this Title, the grant paid shall be recovered.

CHAPTER 5

IMPLEMENTATION*Article 113*

Where implementation of the action requires the award of contracts, they shall be subject to Title IV of this Part or Chapter 3 of Title IV of Part Two.

Article 114

Each grant programme shall be evaluated to ensure that the results are consistent with the objectives set.

TITLE VI

KEEPING AND PRESENTATION OF THE ACCOUNTS

CHAPTER 1

PRESENTATION OF THE ACCOUNTS*Article 115*

1. The financial statements shall consist of the balance sheet, the revenue and expenditure account and an Annex and shall form an indissoluble whole. They shall be presented in euro.

2. The balance sheet shall set out the financial situation at 31 December of the preceding financial year.

The balance sheet shall be presented in the form laid down in the Council Directive on the annual accounts of certain types of companies, with account being taken of the specific features of the Communities.

3. The revenue and expenditure account shall set out all budget operations for the year in terms of revenue and expenditure.

4. The Annex shall supplement and comment on the information provided in the balance sheet and the revenue and expenditure account, in particular explaining the methods used to draw them up and commenting on the figures they contain.

5. The consolidated financial statements of the Communities shall present in aggregated form the financial information contained in the financial statements of each institution.

6. In addition to the financial statements, each institution shall draw up a report on budget implementation and an analysis of financial management.

Article 116

1. The financial statements must comply with the rules and be accurate and comprehensive and present a true and fair view of assets, the financial situation and the outturn of the financial year.

2. The financial statements shall be drawn up in accordance with the following generally accepted accounting principles:

- (a) going concern basis;
- (b) prudence;
- (c) consistent accounting methods;
- (d) materiality;
- (e) no netting;
- (f) substance over form;
- (g) independence of financial years.

Article 117

1. The accounting officers of the other institutions shall send their provisional financial statements to the Commission's accounting officer by 1 March of the following year at the latest.

They shall also send him a report on budget implementation and an analysis of financial management.

2. The Commission accounting officer shall consolidate the provisional financial statements and shall send to the Court of Auditors, by 1 May of the following year at the latest, each institution's provisional financial statements together with the provisional consolidated financial statements of the Communities. He shall also send each institution's analysis of financial management to Parliament, the Council and the Court of Auditors by the same date.

Article 118

1. The Court of Auditors shall draw up observations on the provisional financial statements of each institution by 15 July at the latest to allow them to make the corrections which they deem necessary for their final financial statements.

2. Each institution shall draw up its final financial statements and send them to the Commission's accounting officer by 5 September of the following year at the latest with a view to drawing up the final consolidated financial statements.

3. After approving the final consolidated financial statements, the Commission shall send them to the European Parliament, the Council and the Court of Auditors by 30 September of the following year at the latest.

4. The final consolidated financial statements shall be published in the *Official Journal of the European Communities* together with the statement of assurance given by the Court of Auditors in accordance with Article 248 of the EC Treaty, Article 45c of the ECSC Treaty and Article 160c of the Euratom Treaty by 30 November the following year.

Article 119

The Commission shall report to the European Parliament and the Council twice a year on budget guarantees and the corresponding risks.

This information shall be sent to the Court of Auditors at the same time.

CHAPTER 2

ACCOUNTS

Article 120

1. The accounts shall consist of general accounts and budget accounts. These accounts shall be kept in euro on the basis of the calendar year.

2. The accounting methods and the accounting plan employed by the institutions shall be harmonised and adopted by the Commission's accounting officer.

3. The general accounts shall show, by the double entry method, all revenue and expenditure for the financial year and is intended to establish the institution's assets.

4. The budget accounts shall allow detailed monitoring of budget implementation.

5. All accounting records shall be based on supporting documents to which they shall refer.

Article 121

1. The figures from the general and budget accounts shall be adopted at the close of the budget year with a view to drawing up the financial statements of the Communities referred to in Chapter 1.

2. The accounting officer may, after the close of the budget year and up to the date of closure of the accounts, make any corrections which, without involving disbursement in respect of that year, are necessary for a full, true and fair presentation of the financial statements.

CHAPTER 3

PROPERTY INVENTORIES

Article 122

Each institution shall keep inventories showing the quantity and value of all the Communities' tangible, intangible and financial assets in accordance with a model drawn up by the accounting officer of the Commission.

Each institution shall carry out its own inspection to ascertain that entries in the inventory correspond to the actual situation.

The sale of movable property shall be suitably advertised.

A statement or record shall be drawn up by the authorising officer whenever any property in the inventory is sold, given away free of charge, scrapped, hired out, or found missing on account of loss, theft or any other reason.

TITLE VII

EXTERNAL AUDIT AND DISCHARGE

CHAPTER 1

EXTERNAL AUDIT

Article 123

The Court of Auditors shall conduct the audit of accounts provided for by Article 248 of the EC Treaty, Article 45 of the ECSC Treaty and Article 180 of the Euratom Treaty.

Article 124

1. The European Parliament, the Council and the Commission shall inform the Court of Auditors, as soon as possible, of all decisions and rules adopted pursuant to Articles 8, 12, 17(2), 20, 21, 24 and 33.

2. The institutions shall send to the Court of Auditors any rules of procedure they adopt in respect of financial matters.

3. The Court of Auditors shall be informed of the appointment of authorising officers, internal auditors, accounting officers and imprest administrators and of financial delegation decisions under Articles 48, 56, 58, 59 and 80.

Article 125

1. 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, this Regulation and all other acts adopted pursuant to the Treaties. It shall also establish that the financial management has been sound.

2. For the performance of its task, the Court of Auditors shall be entitled to consult, in the manner provided for in Article 127, 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.

In order to obtain all the necessary information for the performance of the task entrusted to it by the Treaties or the acts taken to implement them, the Court of Auditors may be present, at its request, during the operations carried out by the Commission under the rules applicable to EAGGF Guarantee and own resources. This provision shall also apply to the inspection of any fund set up by the Communities.

At the request of the Court of Auditors, each institution shall authorise financial organisations holding Community deposits to enable the Court of Auditors to ensure that external data tally with the accounts.

3. In carrying out its task, the Court of Auditors and its members may be assisted by officers of the Court of Auditors. The Court of Auditors itself or one of its members shall notify the authorities with which the delegated officer is to work of the tasks delegated to him.

Article 126

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

Article 127

1. The Commission, the other institutions, the bodies administering revenue or expenditure on the Communities' behalf and the national audit institutions or, where they do not dispose of the necessary powers, the national departments responsible and the final beneficiaries of payments from the budget shall afford the Court of Auditors all the facilities and give it all the information which the Court of Auditors may consider necessary for the performance of its task. They shall place at the disposal of the Court of Auditors all documents concerning the conclusion and implementation of contracts financed by the Community budget 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 organisation charts of 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 and, for the same purposes, all documents and data created or stored on a magnetic medium.

The first subparagraph shall also apply to natural or legal persons receiving payments from the Community budget.

2. The officials whose operations are checked by the Court of Auditors shall:

- (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 Article 125(1).

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

3. 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 bodies administering revenue or expenditure on the Communities' behalf and the natural or legal persons receiving payments from the budget.

The national audit institutions or, where they do not dispose of the necessary powers, the national departments responsible shall provide the Court of Auditors with all the information they possess on operations financed or cofinanced by the Communities and on the management and control of these operations.

4. 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 shall extend to the utilisation, by bodies outside the institutions, of Community funds received by way of grants.

5. The award of Community grants to beneficiaries outside the institutions shall be subject to the agreement in writing by the beneficiaries to an audit being carried out by the Court of Auditors on the use made of the amounts granted.

6. The Commission shall provide the Court of Auditors, at its request, with any information on borrowing and lending operations.

7. Use of integrated computer systems shall not have the effect of reducing the access of the Court of Auditors to the supporting documents.

Article 128

1. The annual report of the Court of Auditors provided for in Article 248(4) of the EC Treaty, Article 45c(4) of the ECSC Treaty and Article 160c(4) of the Euratom Treaty shall be governed by the provisions of paragraphs 2 to 7 of this Article.

2. The Court of Auditors shall transmit to the Commission and the institutions concerned, by 15 July at the latest, any observations which are, in its opinion, such that they should appear in the annual report. These observations must remain confidential. Each institution shall address its reply to the Court of Auditors by 31 October at the latest. The replies of institutions other than the Commission shall be sent to the Commission at the same time.

3. The Commission shall inform Member States of the Court of Auditors' observations on the management of Community funds for which they are responsible under the rules applicable, whenever the Member States referred to are identified in those observations.

4. The Member States shall reply to the Commission by 30 September at the latest. The Commission shall transmit the reply, accompanied by its comments to the Court of Auditors, by 31 October.

5. The annual report shall contain an assessment of the soundness of financial management.

6. The annual report shall include a section for each institution. The Court of Auditors may add any summary report or general observations which it sees fit to make.

The Court of Auditors shall take all necessary steps to ensure that the replies of each institution to its observations are published immediately after the observations to which they relate.

7. 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 shall ensure publication thereof in the *Official Journal of the European Communities*.

Article 129

At the same time as the annual report referred to in Article 128, the Court of Auditors shall provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.

Article 130

1. In addition to the annual report, the Court of Auditors may also, at any time, submit observations, in the form of special reports, on specific questions and deliver opinions at the request of one of the institutions of the Communities.

2. The special reports shall be transmitted to the institution or body concerned.

The institution concerned shall have two and a half months within which to inform the Court of Auditors of any comments it wishes to make on the special reports in question.

Should the Court of Auditors decide to have any such reports published in the *Official Journal of the European Communities*, they shall be accompanied by the replies of the institutions concerned. Where the special report concerns the management of Community funds for which the Member States are responsible under the relevant rules, the Commission shall send the special report to the Member States identified in the Court of Auditors' observations.

The Member States shall send their replies to the Commission within one and a half months of the adoption of the special report. The Commission shall transmit these replies to the Court of Auditors together with its remarks.

The special reports shall be transmitted to the European Parliament and the Council, each of which shall decide, where appropriate in conjunction with the Commission, what action is to be taken in response.

3. If the opinions referred to in paragraph 1 do not relate to proposals for legislation or draft legislation on which it has been consulted, they may be published by the Court of Auditors in the *Official Journal of the European Communities*. The Court of Auditors shall take its decision on publication after consulting the institution which requested the opinion or the institution concerned by the Court of Auditors' analysis. Opinions published shall be accompanied by the replies of the institutions concerned.

CHAPTER 2

DISCHARGE

Article 131

1. The European Parliament, upon a recommendation from the Council acting by a qualified majority, shall, before 30 April of the year N + 2 give a discharge to the Commission in respect of the implementation of the budget for year N.

2. If the date provided for in paragraph 1 cannot be met, the European Parliament or the Council shall inform the Commission of the reasons for the postponement.

3. If the European Parliament postpones the decision giving a discharge, the Commission shall make every effort to take measures, as soon as possible, to remove or facilitate removal of the obstacles to that decision.

Article 132

1. The discharge decision shall cover the accounts of all the Communities' revenue and expenditure, the resulting balance and the assets and liabilities of the Communities shown in the financial statement. It shall include an assessment of the responsibility of the Commission's budgetary management over the financial year in question.

2. To grant the discharge, the European Parliament shall, after the Council has done so, examine the accounts and financial statements mentioned in Article 275 of the EC Treaty, Article 78d of the ECSC Treaty, and Article 179a of the Euratom Treaty. It shall also examine the annual report made by the Court of Auditors together with the replies of the institutions under audit, any relevant special reports by the Court of Auditors in respect of the financial year in question and the Court of Auditors' statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.

3. The Commission shall submit to the European Parliament, at the latter's request, any information required for the control of the implementation of the budget of the year in question. Access to confidential information and the arrangements for handling it shall comply with the fundamental rights of the individual, business secrecy, the provisions governing judicial and disciplinary proceedings and the interests of the Union.

Article 133

1. In accordance with Article 276 of the EC Treaty, Article 78g of the ECSC Treaty and Article 180b of the Euratom Treaty, the Commission and the other institutions shall take all appropriate steps to act on the observations accompanying the European Parliament's discharge decision and on the comments accompanying the recommendation for discharge adopted by the Council.

2. At the request of the European Parliament or the Council, the institutions shall report on the measures taken in the light of these observations and comments, and, in particular, on the instructions given to those of their departments which are responsible for the implementation of the budget. The Member States shall cooperate with the Commission by informing it of the measures they have taken to act on these observations so that the Commission may take them into account when drawing up its own report. The reports from the institutions shall also be transmitted to the Court of Auditors.

PART TWO

SPECIAL PROVISIONS

TITLE I

EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND, GUARANTEE SECTION

Article 134

1. Parts One and Three of this Regulation shall apply to expenditure effected by the authorities and bodies referred to in the rules relating to the EAGGF Guarantee Section and to revenue, save as otherwise provided in this Title.

2. Operations managed directly by the Commission shall be implemented in accordance with the rules laid down in Parts One and Three.

Article 135

1. For each financial year, the budget of the EAGGF Guarantee Section shall include equal amounts of commitment appropriations and payment appropriations.

2. Payment appropriations not used at the end of the financial year shall be carried over automatically to the following year only to cover earlier commitments.

3. Payment appropriations which have been carried over but which have not been used by the end of the financial year shall lapse.

Article 136

1. The Commission shall reimburse the expenditure incurred by the Member States.

2. The Commission decisions fixing the amounts of these payments shall constitute global provisional commitments, which may not exceed total appropriations entered in the EAGGF Guarantee Section, less any earmarked revenue.

3. As from 15 November, routine management expenditure for the EAGGF Guarantee Section may be committed in advance against the appropriations provided for the following financial year. Such commitments may not, however, exceed one half of the total corresponding appropriations for the current financial year. They may apply only to expenditure for which the principle is laid down in an existing legal base.

Article 137

1. Expenditure effected by the authorities and bodies referred to in the rules relating to the EAGGF Guarantee Section shall, within two months following receipt of the statements sent in by Member States, be the subject of a commitment by chapter, article and item. Save where payment has not yet been made by the Member States or eligibility is in doubt, the amounts shall be charged as payments within the same time-limit.

This budget commitment shall be deducted from the global provisional commitment referred to in Article 136.

2. Global provisional commitments which have been made for a financial year and which have not been committed by specific lines in the budget nomenclature by 1 February of the following financial year shall be cancelled in respect of the original financial year.

3. Paragraphs 1 and 2 shall apply subject to the clearance of accounts.

Article 138

Expenditure shall be booked to the accounts for a financial year on the basis of the repayments made by the Commission to the Member States by 31 December of the year concerned at the latest, provided that the payment order has reached the accounting officer by 31 January of the following financial year at the latest.

Article 139

1. Where the Commission may transfer appropriations pursuant to Article 21, it shall take its decision by 31 January of the following financial year at the latest and shall inform the budgetary authority thereof.

2. In cases other than those referred to in paragraph 1, the Commission shall submit transfer proposals to the budgetary authority by 10 January of the following financial year at the latest.

The budgetary authority shall take decisions on such transfers in accordance with the procedure provided for in Article 22, but within a time-limit of three weeks.

Article 140

Earmarked revenue under this Title shall be earmarked in its entirety either to appropriations for the EAGGF Guarantee Section for financing expenditure on the common agricultural policy or to appropriations for the EAGGF Guarantee Section for rural development and accompanying measures.

TITLE II

STRUCTURAL FUNDS

Article 141

1. Parts One and Three of this Regulation shall apply to expenditure effected by the authorities and bodies referred to in the rules governing the Structural Funds, the Cohesion Fund and the pre-accession structural and agricultural measures and to revenue, save as otherwise provided in this Title.
2. Operations managed directly by the Commission shall also be implemented in accordance with the rules laid down in Parts One and Three of this Regulation.
3. The pre-accession structural and agricultural measures may be managed on a decentralised basis as provided in Article 150.

Article 142

1. Payment by the Commission of contributions from the Funds shall be made in accordance with the rules referred to in Article 141.

It may take the form of prefinancing, an interim payment or payment of the balance.

2. The time-limit for interim payments by the Commission shall be laid down in accordance with the rules referred to in Article 141.
3. The treatment of repayments by the Member States of prefinancing payments and the implications for the amount of contributions from the Funds shall be governed by the rules referred to in Article 141.
4. Payments shall be made subject to any financial corrections deemed necessary by the Commission or the Member States in order to comply with the rules referred to in Article 141.

Article 143

The Commission shall automatically decommit appropriations that have been committed as provided for in the rules referred to in Article 141.

The decommitted appropriations may be made available again in the event of a manifest error attributable solely to the Commission or in the event of a major natural disaster which has serious repercussions for the implementation of operations supported by the Structural Funds.

To this end, the Commission shall examine decommitments made during the previous financial year and decide, by 15 February of the current year, on the basis of requirements, whether it is necessary to make the corresponding appropriations available again.

Article 144

With regard to operational expenditure referred to in this Title, the Commission may make transfers from one title to another, provided that the appropriations in question are for the same objective, within the meaning of the rules referred to in Article 141.

Article 145

Aspects concerning the management and selection of projects and audit shall be governed by the rules referred to in Article 141.

TITLE III

RESEARCH

Article 146

1. Parts One and Three shall apply to the research and technological development appropriations, save as otherwise provided in this Title.

These appropriations shall be entered either in a budget title relating to research policy or in a chapter relating to research activities in another title. They shall be used by implementation of the actions set out in detail in the implementing rules.

2. Within the budget title relating to the research policy area, the Commission may, by way of derogation from Article 21, make transfers between chapters of up to 15 % of the appropriations on the line from which the transfer is made.
3. Experts paid from the research and technological development appropriations shall be recruited in accordance with the procedures laid down by the Council when it adopts each research framework programme.

Article 147

1. The Joint Research Centre (JRC) may receive funding charged to appropriations entered outside the title and the chapters referred to in Article 146(1) in respect of its participation on a competitive or negotiated basis in Community activities financed in whole or in part from the general budget.

2. The appropriations relating to the activities in which the JRC participates on a competitive basis shall be treated as earmarked revenue within the meaning of Article 17. The commitment appropriations generated by this revenue shall be made available as soon as the amount receivable has been estimated.

The utilisation of these appropriations shall be shown in a set of analytical accounts in the revenue and expenditure account for each category of action to which it relates; it shall be separate from revenue originating from financing by third parties (public or private) and from revenue from other services carried out by the Commission for third parties.

3. The rules on procurement in Title IV of Part One shall not apply to the activities of the JRC on behalf of third parties.

TITLE IV

EXTERNAL ACTIONS

CHAPTER 1

GENERAL PROVISIONS

Article 148

1. Parts One and Three shall apply to external actions financed from the budget, save as otherwise provided in this Title.

2. The appropriations for the actions referred to in paragraph 1 shall be used by the Commission:

- (a) either by autonomous decision;
- (b) or under agreements concluded with one or more beneficiary third countries;
- (c) or under agreements with international organisations.

CHAPTER 2

IMPLEMENTATION OF ACTIONS

Article 149

The actions referred to in this Title may be implemented either on a centralised basis by the Commission or on a partly or wholly decentralised basis by the beneficiary third country or countries, or jointly with international organisations.

Article 150

1. The Commission may decide to entrust management of certain actions to the authorities of beneficiary third countries, after having established that the beneficiary third country or countries are in a position to apply the following minimum criteria for the management of Community funds:

- (a) effective separation of the duties of authorising officer and accounting officer;
- (b) existence of an effective system for the internal control of management operations;
- (c) procedures for the separate presentation of accounts showing the use made of Community funds;
- (d) existence of an independent external audit system;
- (e) transparent, non-discriminatory procurement procedures ruling out all conflicts of interest.

2. The beneficiary country must agree to assume full responsibility for the Community funds paid to it; it shall also undertake to conduct regular checks to ensure that the actions financed from the Community budget have been implemented correctly, to prevent and prosecute irregularities and fraud and to recover funds lost, wrongly paid or incorrectly used.

Article 151

The implementation of actions by beneficiary third countries or international organisations is subject to scrutiny by the Commission. Such scrutiny shall be exercised either by prior approval, by *ex post* checks or by a combined procedure.

Article 152

1. Actions carried out autonomously or under agreements with beneficiary third countries or international organisations shall give rise to:

- (a) a financing agreement drawn up between the Commission, acting for the Communities, and the beneficiary third country or countries or the bodies they have designated, hereinafter referred to as 'the beneficiaries';
- (b) a contract or grant agreement with a body established under national or international public law or natural or legal persons responsible for carrying out the actions.

These contracts and agreements shall lay down the terms on which the external aid shall be managed by the contractor.

2. Financing agreements with beneficiary third countries shall be treated as individual legal commitments concluded within the time limits laid down in Article 71(2). The individual contracts and agreements which implement such financing agreements must be concluded by 31 December of year N + 3 at the latest, year N being the one in which the budget commitment was made. Individual contracts and agreements relating to audit and evaluation may be concluded later.

CHAPTER 3

AWARD OF CONTRACTS*Article 153*

1. The provisions of Article 53 and of Chapter 1 of Title IV of Part One relating to the general provisions on procurement shall be applicable to contracts covered by this Title subject to the special provisions relating to thresholds and the arrangements for awarding external contracts laid down in the implementing rules. Such contracts shall be awarded:

- (a) by the Commission on behalf of and for the account of one or more beneficiaries;
- (b) by the beneficiary or beneficiaries;
- (c) or by a body established under national or international law or natural or legal persons who have signed a contract or a financing or grant agreement with the Commission for the implementation of an external action.

2. The procedures for awarding the contracts must be laid down in the financing agreements or contracts or grant agreements referred to in Article 152.

Article 154

1. Participation in tendering procedures shall be open on equal terms to all persons coming within the scope of the Treaties and, in accordance with the specific provisions in the basic instruments governing the cooperation sector concerned, to all natural and legal persons who are nationals of the beneficiary third countries or of any other third country expressly mentioned in those instruments.

2. In exceptional cases and with proper justification, it may be decided, on the basis of the specific conditions laid down in the basic instruments governing cooperation, to allow nationals of third countries other than those referred to in paragraph 1 to tender for contracts.

CHAPTER 4

AWARD OF GRANTS*Article 155*

An action may be financed in full by the budget if this is essential for it to be carried out.

CHAPTER 5

AUDITING OF ACCOUNTS*Article 156*

Each financing agreement or contract or grant agreement shall expressly provide for the Commission and the Court of Auditors to have the power of audit, on the basis of documents and on the spot, up to and including the final beneficiary of the operation, subject the derogations provided for in Article 53.

TITLE V

OFFICE FOR OFFICIAL PUBLICATIONS OF THE EUROPEAN COMMUNITIES*Article 157*

Parts One and Three shall apply to the operation of the Office for Official Publications of the European Communities, hereinafter referred to as 'the Office', save as otherwise provided in this Title.

Article 158

1. The appropriations for the Office, the total amount of which shall be entered under a special budget line within the section of the budget relating to the Commission, shall be set out in detail in an Annex to that section.

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 institutions.

2. The Management Committee of the Office shall take decisions on transfers within the Annex provided for in paragraph 1. The Commission shall inform the budgetary authority of such transfers.

Article 159

The Commission shall, in respect of the appropriations entered in the Annex for the Office, delegate the powers of authorising officer to the Director of the Office and shall set the limits and conditions for this delegation of powers.

Article 160

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

2. The remarks concerning the specific budget line under which is entered the total appropriation for the Office shall show an estimate of the cost of services supplied by the Office to each of the institutions. This shall be based on the forecasts of the analytical accounts provided for in paragraph 1.

3. The Office shall notify the institutions concerned of the results of the analytical accounts.

4. The revenue and expenditure account and the balance sheet 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 Article 115.

Article 161

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

Each institution shall retain the powers of authorisation 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 used as earmarked revenue by the institution which drew up these publications, in accordance with Article 17.

TITLE VI

EUROPEAN ANTI-FRAUD OFFICE

Article 162

Parts One and Three shall apply to the operation of the European Anti-Fraud Office (OLAF), save as otherwise provided in this Title.

Article 163

1. Appropriations to cover all the financial requirements for the operation of OLAF in the exercise of its tasks and remits shall be entered under a special budget line within the section of the budget relating to the Commission. These appropriations shall be set out in detail in an Annex which shall take the form of a statement of revenue and expenditure, subdivided in the same way as the sections of the budget.

2. The Commission shall, at the request of the Director of OLAF, make transfers within the Annex referred to in paragraph 1. The Commission shall inform the budgetary authority of such transfers.

Article 164

The Commission shall delegate the powers of authorising officer in respect of the appropriations entered in the Annex to the Commission Section relating to OLAF to the Director of OLAF and shall set the limits and conditions for this delegation of powers. The Director of OLAF shall be authorised to subdelegate his powers to staff covered by the Staff Regulations.

Article 165

The revenue and expenditure account and the balance sheet of OLAF shall form an integral part of the revenue and expenditure account and of the balance sheet of the Communities referred to in Article 115.

TITLE VII

ADMINISTRATIVE APPROPRIATIONS

Article 166

Parts One and Three shall apply to administrative appropriations, save as otherwise provided in this Title.

Article 167

1. As from 15 November of each year, routine administrative expenditure may be committed in advance against the appropriations provided for the following financial year. Such commitments may not, however, exceed one quarter of the total corresponding appropriations for the current financial year. They may not apply to new expenditure of a kind not yet approved in principle in the last budget duly adopted.

2. Expenditure which must be paid in advance, for example rents, may give rise to payments from 1 December onwards to be charged to the appropriations for the following financial year.

Article 168

1. For each financial year the amount of the commitment appropriations contained in the budget shall be equal to that of the payment appropriations.

2. Administrative expenditure arising from contracts covering periods that extend beyond the financial year, either in accordance with local practice or relating to the supply of equipment, shall be charged to the budget of the financial year in which it is effected.

PART THREE

TRANSITIONAL AND FINAL PROVISIONS

TITLE I

TRANSITIONAL PROVISIONS

Article 169

The section of the budget relating to the Commission shall, as a transitional measure, contain within the appropriations for the EAGGF Guarantee Section a monetary reserve, for which the entry, utilisation and financing conditions are determined by the Council Decision on budgetary discipline and the Council Decision on the system of the Communities' own resources and by the provisions adopted for implementing the latter.

Article 170

The EAGGF Guarantee appropriations for rural development and accompanying measures shall remain subject to Article 135 until the end of the period covered by the financial perspective, that is until 31 December 2006. Appropriate provisions shall be adopted after that date.

TITLE II

FINAL PROVISIONS

Article 171

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

Article 172

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

Article 173

Every three years, 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.

The conciliation shall take place in a 'conciliation committee' consisting of the Council and representatives of the European

Parliament. The Commission shall participate in the work of the conciliation committee.

The aim of the conciliation procedure shall be to seek agreement between the European Parliament and the Council. The procedure should normally take place over a period not exceeding three months, unless the instrument in question must be adopted by a specific date or if the matter is urgent, in which case the Council may set an appropriate time limit.

When the positions of the two institutions are sufficiently close, the European Parliament may give a new opinion, after which the Council shall take definitive action.

Article 174

The financial rules of Community bodies having legal personality and receiving grants from the general budget must be modelled on this Financial Regulation. They may depart from them when the specific requirements of their individual operation so dictate.

Article 175

The Financial Regulation of 21 December 1977 is repealed.

References to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table in the Annex.

Article 176

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Communities*.

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

ANNEX

CORRELATION TABLE

(Article 175)

Financial Regulation of 21 December 1977	This Regulation
Part I	Part One
Title I	Title I
Article 1(1)	Article 3(1) and (2)
Article 1(2)	Article 5
Article 1(3)	Article 168(2)
Article 1(4) and (5)	Article 6
Article 1(6)	Deleted
Article 1(7)	Article 71(3)
Article 2	Articles 25 and 45(2)
Article 3	Article 26
Article 4(1)	Article 16(2)
Article 4(2)	Articles 16(1) and 17
Article 4(3)	Article 17
Article 5	Article 4
Article 6	Article 7
Article 7(1)	Deleted
Article 7(2)	Article 8
Article 7(3)	Deleted
Article 7(4)	Article 9
Article 7(5)	Deleted
Article 7(6)	Articles 10 and 14(3)
Article 7(7)	Article 142(3)
Article 7(8) and (9)	Deleted (*)
Article 8(1)	Article 11
Article 8(2) and (3)	Articles 136(3) and 167
Article 9	Article 12
Article 10	Article 27(2)
Article 11(1)	Article 15
Article 11(2) to (5)	Deleted (*)
Title II	Title II
Section I	Chapter 1
Article 12	Article 29
Article 13	Article 30
Article 14	Article 31
Article 15(1), (3), (4) and (5)	Article 34
Article 15(6)	Deleted (*)
Article 15(2)	Article 35
Article 16(2)	Article 35
Article 16(1)	Article 32
Article 17	Article 33

Financial Regulation of 21 December 1977	This Regulation
Article 18	Article 36
Section II	Chapter 2
Article 19(1), first subparagraph	Article 37
Article 19(1), 2 nd subparagraph	Deleted
Article 19(2) and (3)	Articles 38 and 19
Article 19(4)	Article 40
Article 19(5)	Article 41
Article 19(6)	Article 169
Article 19(7)	Article 28(1)
Article 19(8)	Article 42
Article 20(1), (2), (3), (5) and (6)	Article 43
Article 20(4)	Article 44
Title III	Title III
Section I	Chapter 1
Article 21, 1 st subparagraph	Article 55
Article 21, 2 nd subparagraph	Article 57
Article 21, 3 rd subparagraph	Article 58
Article 21, 4 th subparagraph	Article 80
Article 22(1), 1 st subparagraph	Article 45(1)
Article 22(1), 2 nd subparagraph	Article 46
Article 22(2), 1 st subparagraph	Article 47
Article 22(2), 2 nd subparagraph	Articles 51(2) and 54(1)
Article 22(3)	Deleted
Article 22(4), 1 st and 2 nd subparagraphs	Article 48
Article 22(4), 3 rd and 4 th subparagraphs	Article 49
Article 22(4), 5 th subparagraph	Article 56
Article 22(4)a	Article 53
Article 22(5)	Article 29(1)
Article 23	Articles 79 and 127(7)
Article 24, 1 st , 3 rd , 4 th and 7 th subparagraphs	Deleted
Article 24, 2 nd , 5 th and 6 th subparagraphs	Article 81
Article 24, 8 th and 9 th subparagraphs	Deleted
Article 25, 1 st to 4 th subparagraphs	Article 58
Article 25, 5 th subparagraph	Deleted
Article 25, 6 th and 7 th subparagraphs	Deleted (*)
Article 26(1)	Article 19
Article 26(2) and (4)	Article 20
Article 26(3)	Article 21
Article 26(5)	Article 22
Article 26(6) and (7)	Deleted
Article 26(8) and (9)	Article 23
Article 26(10) and (11)	Article 24
Article 27(1)	Article 18(1)

Financial Regulation of 21 December 1977	This Regulation
Article 27(2) and (5)	Deleted
Article 27(2)a	Article 18(2)
Article 27(3)	Deleted
Article 27(4)	Article 18(3)
Section II	Chapter 5
Article 28(1)	Article 66(1)
Article 28(2)	Article 67
Article 28(3)	Article 66(2)
Article 28a	Article 69
Article 29	Article 68
Article 30	Deleted (*)
Article 31	Article 65
Article 32	Article 14
Article 33	Deleted (*)
Article 34	Article 78
Article 35	Deleted (*)
Section III	Chapter 6
Article 36	Articles 71(1) and (2), and 152
Article 37	Deleted
Article 38	Article 72
Article 39	Deleted
Article 40	Article 73
Article 41	Deleted (*)
Article 42	Deleted (*)
Article 43	Article 74
Article 44	Deleted (*)
Article 45	Deleted (*)
Article 46	Deleted
Article 47	Deleted (*)
Article 48	Deleted
Article 49	Deleted (*)
Article 50	Deleted
Article 51(1) and (2)	Article 76
Article 51(3)	Deleted
Article 52	Deleted
Article 53	Deleted (*)
Article 54	Article 59
Section IV	
Article 55	Deleted (*)
Title IV	Title IV
Section One	
Article 56	Article 98
Article 57	Deleted

Financial Regulation of 21 December 1977	This Regulation
Article 58(1)	Articles 83, 84(2) and 86
Article 58(2)	Article 85
Article 58(3)	Article 91(1)
Article 58(4)	Deleted (*)
Article 59	Article 87
Article 60	Article 86(3)
Article 61	Deleted
Article 62	Article 84(1)
Article 63	Deleted
Article 64	Deleted
Article 64a	Article 96
Section II	Chapter 3
Article 65	Article 122, 1 st and 2 nd subparagraphs
Article 66	Article 122, 3 rd subparagraph
Article 67	Article 122, 4 th subparagraph
Article 68	Deleted (*)
Section III	
Article 69	Article 120(1), (3) and (5)
Article 70	Article 120(4)
Article 70a	Deleted (*)
Article 71	Deleted
Article 72	Article 121
Title V	Title III, Chapter 4
Article 73	Article 62(1)
Article 74	Deleted
Article 75(1)	Article 63
Article 75(2)	Article 64
Article 75(3)	Deleted
Article 75(4)	Deleted
Article 75(5)	Articles 58 and 59
Article 76	Article 62(1)
Article 77	Deleted
Title VI	Title VI, Chapter 1
Article 78	Article 117(3)
Article 79	Article 117(2) and (3)
Article 80	Article 115(3) and (6)
Article 81	Article 115(2)
Article 82	Article 117(3)
Article 83(1)	Article 125(3)
Article 83(2), (3) and (4)	Article 124
Article 84	Deleted
Article 85	Article 125(1) and (2)

Financial Regulation of 21 December 1977	This Regulation
Article 86	Article 126
Article 87	Article 127(1) to (5)
Article 88	Article 128(1), (4), (5) and (6)
Article 88a	Article 129
Article 89(1)	Article 131(1)
Article 89(2)	Article 132(2)
Article 89(3)	Article 132(3)
Article 89(4)	Article 131(2) and (3)
Article 89(5)	Article 132(1)
Article 89(6)	Deleted
Article 89(7) and (8)	Article 133
Article 89(9) and (10)	Deleted (*)
Article 90	Article 130
Title VII	Part Two — Title III
Article 91	Article 146(1)
Article 92(1) and (2)	Article 146(2)
Article 92(3)	Article 147(1)
Article 92(4)	Article 147(4)
Article 93	Deleted
Article 94	Deleted
Article 95	Article 146(3)
Article 96(1), (2) and (3)	Deleted
Article 96(4)	Article 147(2) and (3)
Article 97	Deleted
Title VIII	Part Two — Title I
Article 98	Article 134
Article 99(1)	Article 136(1) and (2)
Article 99(2)	Deleted (*)
Article 100	Article 137(1) and (2)
Article 101	Article 138
Article 102	Deleted
Article 103	Article 137(3)
Article 104	Article 139
Title IX	Part Two — Title IV
Section One	Chapter 1
Article 105(1) and (2)	Article 148
Article 105(3)	Deleted (*)
Article 105(4)	Deleted
Article 105(5)	Article 3(3)
Article 106(1)	Article 152
Article 106(2)	Deleted
Article 106(3)	Deleted (*)

Financial Regulation of 21 December 1977	This Regulation
Section II	Chapter 2
Article 107	Deleted
Article 108	Deleted
Article 109	Deleted
Article 110	Deleted
Article 111	Deleted
Section III	Chapter 3
Article 112	Article 153(1)
Article 113	Article 153(2)
Article 114	Article 154
Article 115	Deleted
Article 116	Deleted
Article 117	Deleted
Article 118	Deleted
Article 119	Deleted
Section IV	Chapter 4
Article 120	Article 156
Title X	Deleted
Article 121	Deleted
Article 123	Deleted
Title XI	Deleted
Section I	
Article 124	Deleted
Article 125	Deleted
Article 126	Deleted
Section II	
Article 127	Deleted
Article 128	Deleted
Article 129	Deleted (*)
Article 130	Deleted
Article 131	Deleted
Article 132	Deleted
Title XIa	
Article 132a	Deleted
Title XII	Title V
Article 133(1)	Article 157
Article 133(2) and (3)	Article 158
Article 133(4), (5) and (9)	Article 160
Article 133(6), 1 st subparagraph	Article 159
Article 133(6), 2 nd subparagraph	Article 161, 2 nd subparagraph
Article 133(7)	Deleted
Article 133(8)	Deleted (*)
Article 133(10)	Article 161, 1 st subparagraph

Financial Regulation of 21 December 1977	This Regulation
Part II	Deleted
Article 134	Article 119
Article 135	Article 3(3)
Article 136	Deleted
Article 137	Article 127(6)
Part III	Part Three
Article 138	Article 171
Article 139	Article 172
Article 140	Article 173
Article 141	Article 174
Article 142	Article 175
Article 143	Article 176

(*) Articles deleted but which will be incorporated into the rules for implementation.