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### Information and Notices

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## IV

(Notices)

## NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

## COURT OF AUDITORS

## FINANCIAL STATEMENTS OF THE EUROPEAN COURT OF AUDITORS FOR THE FINANCIAL YEAR 2011

(2012/C 315/01)

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**CERTIFICATION OF THE ACCOUNTS**

The annual accounts of the European Court of Auditors for the year 2011 have been prepared in accordance with the Financial Regulation applicable to the general budget of the European Union and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Court of Auditors in accordance with Article 61 of the Financial Regulation.

I have obtained from the authorising officer, who certified its reliability, all the information necessary for the production of the accounts that show the European Court of Auditor's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present a true and fair view of the financial position of the European Court of Auditors in all material aspects.

Luxembourg, 4 June 2012.

*For the Court of Auditors*  
Isidoro RODRÍGUEZ DE LAS PARRAS  
*Accounting Officer*

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## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the European Court of Auditors, which comprise the balance sheet as at 31 December 2011, the economic outturn account, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, and which start on page 4 and end on page 16.

### *Management's responsibility for the financial statements*

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the said Council Regulation, and the accounting rules of the European Union (EC accounting rules), and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the 'Réviseur d'entreprises agréé'*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international standards on auditing as adopted for Luxembourg by the 'Commission de surveillance du secteur financier'. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the 'Réviseur d'entreprises agréé', including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 'Réviseur d'entreprises agréé' considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the European Court of Auditors as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the said Council Regulation, and the accounting rules of the European Union (EC accounting rules).

Luxembourg, 25 June 2012.

PricewaterhouseCoopers SARL

Represented by

Pierre KRIER

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## FINANCIAL STATEMENTS AND EXPLANATORY NOTES

## Balance sheet as of 31 December 2011

(EUR)			
	Note	31 December 2011	31 December 2010
<b>Non-current assets</b>			
Intangible assets	3.1.	799 634	479 144
Property, plant and equipment	3.2.	55 724 407	37 919 629
Long-term receivables		25	25
		<b>56 524 066</b>	<b>38 398 798</b>
<b>Current assets</b>			
Short-term receivables	3.3.	423 944	531 239
Cash and cash equivalents	3.4.	48 109 130	55 267 786
		<b>48 533 074</b>	<b>55 799 025</b>
<b>Total assets</b>		<b>105 057 140</b>	<b>94 197 823</b>
<b>Non-current liabilities</b>			
Employee benefits	3.5.	53 664 443	53 317 385
Other long-term liabilities	3.6.	175 000	175 000
		<b>53 839 443</b>	<b>53 492 385</b>
<b>Current liabilities</b>			
Short-term provisions	3.7.	898 000	—
Accounts payable	3.8.	10 858 973	7 660 558
		<b>11 756 973</b>	<b>7 660 558</b>
<b>Total liabilities</b>		<b>65 596 416</b>	<b>61 152 943</b>
<b>Net assets</b>		<b>39 460 724</b>	<b>33 044 880</b>
Accumulated surplus/deficit		33 044 880	– 24 068 815
Economic outturn for the year		6 415 844	57 113 695
<b>Net assets</b>		<b>39 460 724</b>	<b>33 044 880</b>

The accompanying notes form an integral part of these financial statements.

**Economic outturn account for the year ended 31 December 2011**

(EUR)

	Note	2011	2010
Funds transferred from the Commission to other institutions	4.1.	115 620 434	164 602 733
Revenues from administrative operations	4.2.	19 079 500	18 583 069
Other operating revenue	4.3.	38 707	14 279
<b>Total operating revenue</b>		<b>134 738 641</b>	<b>183 200 081</b>
Staff expenses	4.5.	– 99 838 855	– 100 326 863
Assets related expenses	3.1.-3.2. and 4.6.	– 2 894 307	– 3 005 731
Other administrative expenses	4.7.	– 22 109 488	– 23 109 833
Operational expenses	4.8.	– 52 733	– 29 665
<b>Total operating expenses</b>		<b>– 124 895 383</b>	<b>– 126 472 092</b>
<b>Surplus/(deficit) from operating activities</b>		<b>9 843 258</b>	<b>56 727 989</b>
Financial revenues	4.9.	380 229	53 017
Financial expenses	4.10.	– 20 025	– 15 044
Movement in pensions (– expense, + revenue)	3.5. and 4.11.	– 3 787 618	347 733
<b>Surplus/(deficit) from non-operating activities</b>		<b>– 3 427 414</b>	<b>385 706</b>
<b>Economic outturn of the year</b>		<b>6 415 844</b>	<b>57 113 695</b>

The accompanying notes form an integral part of these financial statements.

**Cash flow table for the year ended 31 December 2011**

	(EUR)	
	2011	2010
<b>Economic outturn of the year</b>	<b>6 415 844</b>	<b>57 113 695</b>
<b>Operating activities — adjustments</b>		
Amortisation	244 685	215 031
Depreciation	2 646 567	2 780 834
Increase/(decrease) in provisions for risks and charges	898 000	– 650 000
(Increase)/decrease in long-term receivables	—	500
(Increase)/decrease in short-term receivables	99 583	441 676
(Increase)/decrease in receivables EU entities	7 712	– 7 707
Increase/(decrease) in accounts payable	3 176 197	1 616 394
Increase/(decrease) in liabilities related to EU entities	22 218	15 456
<b>Net cash flow from operating activities</b>	<b>13 510 806</b>	<b>61 525 879</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible and intangible assets (–)	– 21 019 575	– 4 448 946
Proceeds from tangible and intangible assets (+)	3 055	9 866
<b>Net cash flow from investing activities</b>	<b>– 21 016 520</b>	<b>– 4 439 080</b>
<b>Increase/(decrease) in employee benefits</b>	<b>347 058</b>	<b>– 3 346 479</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>– 7 158 656</b>	<b>53 740 320</b>
Cash and cash equivalents at the beginning of the year	55 267 786	1 527 466
Cash and cash equivalents at the end of the year	48 109 130	55 267 786

The accompanying notes form an integral part of these financial statements.



**Statement of changes in net assets for the year ended 31 December 2011**

(EUR)

Net assets	2011	2010
<b>Balance at the start of the year</b>	<b>33 044 880</b>	<b>– 24 068 815</b>
Economic outturn of the year	6 415 844	57 113 695
<b>Balance at the end of the year</b>	<b>39 460 724</b>	<b>33 044 880</b>

The accompanying notes form an integral part of these financial statements.

## Accounting policies and notes to the financial statements

### 1. General

The European Court of Auditors (hereafter the 'Court') was established by the Treaty of Brussels of 22 July 1975 and started operating as an external Union audit body in October 1977, with its headquarters in Luxembourg.

#### Mission of the European Court of Auditors

The Court is the EU institution established by the Treaty to carry out the audit of EU finances. As the EU external auditor it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the European Union.

The Court renders audit services through which it assesses the collection and spending of EU funds. It examines whether financial operations have been properly recorded and disclosed, legally and regularly executed and managed so as to ensure economy, efficiency and effectiveness. The Court communicates the results of its audits in clear, relevant and objective reports. It also provides its opinion on financial management issues.

The Court promotes accountability and transparency and assists the European Parliament and Council in overseeing the implementation of the EU budget, particularly during the discharge procedure. The Court is committed to being an efficient organisation at the forefront of developments in public audit and administration.

The financial year of the Court runs from 1 January to 31 December.

### 2. Legal basis and accounting rules

#### 2.1. Basis of presentation

The accounts of the Court are drawn up in accordance with the provisions of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities and with the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the said financial Council Regulation.

#### 2.2. Accounting principles

The objective of the financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users. Article 124 of the Financial Regulation sets out the accounting principles to be applied in drawing up the financial statements:

- going concern basis,
- prudence,
- consistent accounting methods,
- comparability of information,
- materiality,

- no netting,
- reality over appearance,
- accrual-based accounting.

The financial statements are prepared in accordance with the accounting rules of the European Union (EC accounting rules), which have been inspired by international public sector accounting standards (IPSAS). These accounting rules are adopted by the Accounting Officer of the Commission after a consultation of the other institutions.

#### 2.3. Valuation of foreign currency balances and transactions

Foreign currency transactions are translated into euro using the exchange rate prevailing at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the economic outturn account.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euro on the basis of the exchange rates applying on 31 December.

#### 2.4. Intangible assets

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over four years. Internally developed intangible assets are capitalised when the relevant criteria of the EC accounting rules are met. The costs that can be capitalised include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, not capitalised development costs and maintenance costs are recognised as expenses as incurred.

#### 2.5. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Court and its cost can be measured reliably. Repairs and maintenance costs are charged to the economic outturn account during the financial period in which they are incurred. As the Court does not borrow money to fund the acquisition of property, plant and equipment, there are no borrowing costs related to such purchases.

Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	25 years or expected useful life
Plant, machinery and tools	4, 8 years
Furniture and vehicle fleet	4, 8, 10 years
Computer hardware	4 years
Fittings specific to leased buildings	the duration of the lease
Other fixtures and fittings	4, 6, 8 years

## 2.6. Employee benefits

Employee benefits represent the future pension rights of the Members of the Court in accordance with Article 19 of Council Regulation (EC, Euratom, ECSC) No 2290/77 of 18 October 1977 determining the emoluments of the Members of the Court of Auditors (OJ L 268, 20.10.1977, p. 1), the benefits provided for in this pension scheme are entered in the budget of the Union and the Member States jointly guarantee their payment.

The liability for these future pension payments is accounted and disclosed in accordance with EC accounting rule 12 'Employee benefits'. The methodology to calculate the liability takes account of characteristics of the pension scheme as defined in accounting rule IPSAS 25.

IPSAS 25 requires that the cost of post-employment benefits be assessed in the present (i.e. when the Member acquires his pension rights). The actuarial commitment is determined on an ongoing basis, taking into account both the promised benefits during the active lifetime and foreseeable increase in salaries. The actuarial valuation method used to calculate the liability is 'the projected unit credit method'.

The liability is reduced by the estimated amount of taxes that will be applied to future pension payments since these taxes revert to the EU budget as revenue.

The pension liability is recomputed every year at reporting date. In the economic outturn account, the pension expense for the year consists of the pensions paid during the year and of the adjustment of the pension liability at year-end, both net of taxes. Actuarial gains and losses are recognised in the 'economic outturn account'.

Regarding potential 'plan assets', the Court does not currently have any assets devoted to financing pension commitments.

## 2.7. Provisions

Provisions are recognised when the Court has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date.

## 2.8. Recognition of expenses

According to the European Union accounting rules, transactions and events are recognised in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines which aim at ensuring that the financial statements reflect a true and fair view.

## 3. Notes to the balance sheet

### NON-CURRENT ASSETS

#### 3.1. Intangible assets

The movements in intangible assets during the year 2011 were:

(EUR)

	Gross carrying amounts 1 January 2011	Additions	Disposals	Gross carrying amounts 31 December 2011	Accumulated amortisation and impairment 31 December 2011	Net carrying amounts 31 December 2011
Computer software	1 091 061	189 323	—	<b>1 280 384</b>	– 856 602	<b>423 782</b>
Intangible assets under construction	0	375 852	—	<b>375 852</b>		<b>375 852</b>
<b>Total</b>	<b>1 091 061</b>	<b>565 175</b>	—	<b>1 656 236</b>	<b>– 856 602</b>	<b>799 634</b>

The following amounts were recognised as expenses:

	(EUR)
	2011
Research cost	327 243
Not capitalised development cost	1 014 685

These two amounts are part of 'other administrative expenses' and 'staff expenses'.

### 3.2. Property, plant and equipment

The movements in property, plant and equipment during the year 2011 were:

	(EUR)					
	Gross carrying amounts 1 January 2011	Additions	Disposals	Gross carrying amounts 31 December 2011	Accumulated depreciation and impairment 31 December 2011	Net carrying amounts 31 December 2011
Land	776 630	1	—	<b>776 631</b>	—	<b>776 631</b>
Buildings	57 987 876	26 386	—	<b>58 014 262</b>	– 30 233 863	<b>27 780 399</b>
Plant and equipments	212 820	94 016	– 4 920	<b>301 916</b>	– 151 996	<b>149 920</b>
Computer hardware	4 028 286	309 161	– 3 127	<b>4 334 320</b>	– 3 593 196	<b>741 124</b>
Furniture and vehicle	2 070 064	144 669	– 131 615	<b>2 083 118</b>	– 1 323 270	<b>759 848</b>
Other fixtures and fittings	1 877 977	8 753	– 7 632	<b>1 879 098</b>	– 1 802 950	<b>76 148</b>
Tangible assets under construction	5 568 922	19 871 415	—	<b>25 440 337</b>	—	<b>25 440 337</b>
<b>Total</b>	<b>72 522 575</b>	<b>20 454 401</b>	<b>– 147 294</b>	<b>92 829 682</b>	<b>– 37 105 275</b>	<b>55 724 407</b>

'Assets under construction' are assets partially delivered or delivered but not yet invoiced at year-end; this includes major building projects still in process at year-end. When the delivery is accepted and the invoice is received, the related assets are reclassified to the correct heading.

Assets under construction amount to 25 440 337 euro as at 31 December 2011, and correspond to constructions for the building K3 which have started in 2010.

#### CURRENT ASSETS

### 3.3. Short-term receivables

	(EUR)	
	31 December 2011	31 December 2010
Current receivables mainly due to the transfer of national pension rights by staff	4 222	27 286
Sundry receivables mainly related to payroll and mission advances	127 949	131 388
Deferred charges for building rentals and IT contracts	289 518	288 122
Accruals with EU entities	0	74 476

	(EUR)	
	31 December 2011	31 December 2010
Receivable from EU entities	2 255	9 967
<b>Total</b>	<b>423 944</b>	<b>531 239</b>

### 3.4. Cash and cash equivalents

	(EUR)	
	31 December 2011	31 December 2010
Petty cash	1 000	1 000
Bank current account	1 113 170	3 152 174
Fiduciary account	46 994 960	52 114 612
<b>Total</b>	<b>48 109 130</b>	<b>55 267 786</b>

A fiduciary account was opened on 27 January 2010 between the European Court of Auditors and the Banque et Caisse d'Épargne de l'État, Luxembourg. This fiduciary account allows the Court to manage the budget granted by the budgetary authority in relation to the K3 building project (see point 5.3).

The fiduciary account is used by the Court only under certain conditions disclosed in the contract with the Banque et Caisse d'Épargne de l'État, Luxembourg.

The exclusive beneficiary of payments made from this fiduciary account is the operational bank account of the consortium acting as project manager. This operational account is used exclusively by the project manager to pay the invoices of the construction companies. A transfer to the fiduciary account was done in 2011 amounting 8 694 225,90 euro and a total of 358 436,19 euro of interest were received.

## NON-CURRENT LIABILITIES

### 3.5. Employee benefits

The computation of the liability is performed by Eurostat assisted by a qualified independent expert with regard to the implementation of the methodology and to the definition of the corresponding actuarial assumptions.

The liability for future pension payments obligations is net of the taxes which will be recovered on the future pension payments (see also 2.6).

	(EUR)	
	31 December 2011	31 December 2010
Gross amount	66 526 128	65 315 919
Tax rate (%) (*)	19,33 %	18,37 %
Taxes	12 861 685	11 998 534
<b>Amount net of taxes</b>	<b>53 664 443</b>	<b>53 317 385</b>
<b>Variation of net pension liability</b>	<b>347 058</b>	<b>– 3 346 479</b>

(\*) Rounded.

The pension plan devoted to the members is a defined benefit plan. The defined benefits in this context are:

- transitional allowance (paid at the end of the mandate for three years),
- retirement pension,
- invalidity pension and allowance,
- survivor's pension (paid after the death of the Member whether this happens during or before retirement).

The categories of beneficiaries, for which the liability needs to be calculated, are:

- the active members,
- the non-active members with a transitional allowance,
- the non-active members after the transition period (deferred pension),
- the retired members,
- permanently disabled,
- temporarily disabled,
- the surviving spouses,
- the orphans.

The assessment of the pension liability requires the handling of variables related to economic and demographic aspects. The main actuarial assumptions are:

Actuarial assumption	31 December 2011	31 December 2010
Average age difference between married men and women	3 years	3 years
Probability of being married for men	89 %	84 %
Probability of being married for women	24 %	38 %
Marital status	Status at the evaluation date	Status at the evaluation date
Coefficient for orphan's and divorced spouse's pension	0 %	0 %
Assumed retirement age	65 years old	65 years old
Expected inflation rate over the duration of the scheme	1,6 %	1,9 %
Nominal discount rate (NDR)	4,6 %	4,4 %
Real discount rate (RDR)	3,0 %	2,5 %
General salary growth (GSG)	0 %	0 %
General pension revaluation (GPR)	0 %	0 %
Individual salary progression (ISP)	None (except if new appointment)	None (except if new appointment)
Mortality table for healthy people	2008 ICSLT <sup>(1)</sup>	2008 ICSLT <sup>(1)</sup>
Mortality table for invalids	Rate corresponding to a healthy person aged of 3 years more	Rate corresponding to a healthy person aged of 3 years more

<sup>(1)</sup> International Civil Servants Life Table.

The following table summarises the impact of each heading in the total pension liability change.

(EUR)

	2011		2010	
<b>Gross pension liability at the beginning of the financial year</b>		<b>65 315 919</b>		<b>68 741 798</b>
<b>Liability change due to newcomers</b>		<b>589 246</b>		<b>1 225 850</b>
<b>Liability change linked to the characteristics of the constant population</b>		<b>4 523 420</b>		<b>1 001 771</b>
Service cost of the 'constant' population	3 857 619		4 369 423	

(EUR)

	2011		2010	
Interest cost of the 'constant' population	2 950 635		2 923 684	
Pension paid during the year	– 4 143 682		– 3 520 106	
Actuarial gains and losses from experience	1 858 848		– 2 771 230	
<b>Actuarial gains and losses from changes on assumptions</b>		<b>– 3 860 659</b>		<b>– 5 653 500</b>
Interest rate	– 3 860 659		– 5 653 500	
Life table	0		0	
General salary growth	0		0	
Other changes on actuarial assumptions	0		0	
<b>Actuarial gains and losses from changes on methodology and other changes</b>		<b>– 41 798</b>		
<b>Gross pension liability at the end of the financial year</b>		<b>66 526 128</b>		<b>65 315 919</b>

### 3.6. Other long-term liabilities

The amount of 175 000 euro is contractually due at the termination of the rental of the building K9.

### CURRENT LIABILITIES

### 3.7. Short-term provisions

On 11 January 2012, the Commission decided to bring an action against the Council in the Court of Justice for not adopting the annual adjustment to remuneration of EU staff. Following this decision a short-term provision has been booked for the outstanding 1,7 % salary payments net of taxes and pension deduction.

### 3.8. Accounts payable

(EUR)

	31 December 2011	31 December 2010
Current payables	100 012	784 111
Sundry payables related to payroll and staff	478 469	469 459
Accrued charges — non-EU institutions	9 704 499	5 484 673
Accrued charges — EU institutions	519 671	888 211
Accounts payable against consolidated EU entities mainly to the European Council and Parliament	56 322	34 104
<b>Total</b>	<b>10 858 973</b>	<b>7 660 558</b>

## 4. Notes to the economic outturn account

4.1. 'Funds transferred from the Commission to other institutions': the amount corresponds to the monthly calls for funds made by the Court to the Commission to replenish its bank account.

4.2. 'Revenues from administrative operations': for the most part, this heading is made up of deductions from the salaries of members and staff in respect of tax and social contributions.

4.3. 'Other operating revenue' arises among others from exchange rate gains.

4.4. Revenues were generated from exchange and non-exchange transactions as follows:

	(EUR)	
	2011	2010
Revenue from exchange transactions	12 301	22 440
Revenue from non-exchange transactions	134 726 340	183 177 641
<b>Total revenue</b>	<b>134 738 641</b>	<b>183 200 081</b>

- 4.5. 'Staff expenses' include the salaries of members, statutory staff, contractual agents and temporary staff. The transitional allowances for previous members and the taxes related to the members' pensions and transitional allowances are also part of the item 'Movement in pension' (see 4.11).
- 4.6. The 'Assets related expenses' consist of the depreciation/amortisation of the tangible and intangible assets.
- 4.7. The most significant items of the 'Other administrative expenses' were:
- buildings' rental and associated charge,
  - IT and telecommunications,
  - missions expenses,
  - cleaning and security services.
- 4.8. 'Operational expenses' arise among others from exchange rate losses.
- 4.9. 'Financial revenues' consist of bank interest earned on the Court's current and fiduciary accounts.
- 4.10. 'Financial expenses' are bank charges levied on the Court's current and fiduciary accounts.
- 4.11. The item 'Movement in pensions' includes all expenses linked to the pensions of the Members of the Court. This covers the pensions and transitional allowances paid during the year as well as the adjustment at year-end of the liability for all future pension payments.

	(EUR)	
	2011	2010
<b>Variation of members' net pension liability</b>	<b>347 058</b>	<b>– 3 346 479</b>
Life pension paid	2 506 455	2 146 438
Survivor pensions paid	373 724	380 799
Transitional allowances paid	1 192 009	920 878
Invalidity pensions paid	71 494	71 991
<b>Subtotal pension paid during the year</b>	<b>4 143 682</b>	<b>3 520 106</b>
Correction coefficient	121 472	153 662
<b>Taxes deducted from payments</b>	<b>– 824 594</b>	<b>– 675 022</b>
<b>Total movement in pension</b>	<b>3 787 618</b>	<b>– 347 733</b>

## 5. *Other significant disclosures*

### 5.1. *Contingent assets*

The following bank guarantees have been given by suppliers following contractual obligations:

	(EUR)	
	31 December 2011	31 December 2010
Travel agency	50 000	50 000
Renovation building K1	2 500	545 951



	(EUR)	
	31 December 2011	31 December 2010
Project management building K3	6 765 339	3 424 120
Car pool leasing	60 000	60 000
Insurance company	—	—
Telecommunication	20 000	20 000
<b>Total</b>	<b>6 897 839</b>	<b>4 100 071</b>

## 5.2. Commitments for future funding

	(EUR)	
	31 December 2011	31 December 2010
Operational lease for buildings	6 336 852	7 840 772
Operational lease for IT material, cars and other equipment	862 449	884 379
<b>Subtotal</b>	<b>7 199 301</b>	<b>8 725 151</b>
Commitments against appropriations not yet consumed — RAL ('Restant à liquider') —, after deduction of accruals for 2011	8 258 004	11 439 075
<b>Total</b>	<b>15 457 305</b>	<b>20 164 226</b>

The RAL is an element of budgetary accounting representing the value of outstanding commitments. This is the difference between commitments entered into and payments, which is due to the time-lag between entering into a commitment and proceeding to the related payment.

The decrease of the RAL compared to last year is due to the amount used with regard to the construction of the new building K3.

## 5.3. The Court's buildings projects

The Court occupied its headquarters building (the 'K1' building) in 1988 and purchased it and the land it stands on outright in 1990. In 1999, the Court signed a framework agreement with the Luxembourg State through which it was given the right to use a second parcel of land for 49 years (renewable once) for the construction of an extension (the 'K2' building) in return for a payment of one euro. However for the second extension, the 'K3' building, due to different arrangements for carrying out the project it was necessary that the Luxembourg State and the Court concluded a new framework agreement on 22 February 2008.

As regards the two pieces of land relative to the two extensions ('K2' and 'K3') mentioned above, the State has sold these to the Court for a symbolic one euro.

For its part should the Court ever consider ceding one or other of the buildings to a third party other than to a European Union body or institution, the Court will return the land to the ownership of the State in return for a

symbolic one euro, the latter disposing also of an option to buy the building at a price to be determined by an independent expert. In case the State decides not to exercise this option, it would provide a right to use the land to the purchasers of the building.

In Luxembourg, the use of office buildings is authorised for a period of 15 years, after which they must be modernised to bring them into conformity with the prevailing health, safety and environmental standards. These required health and safety works were performed on the K1 building. The work is finalised, the formal final acceptance was confirmed in 2010. The K2 building entered into service in November 2003 and has thus an authorisation ('autorisation d'exploitation') valid until 2018.

The works for the construction of the K3 building started in March 2010. The first tranche amounted to 55 million euro, the second tranche amounted to 11 million euro and the third tranche in 2011 amounted to 7 million euro. Part of this third tranche was spent in 2011 and the difference is included in the 'Restant à liquider' (see point 5.2).

On 15 June 2009 following an open call for tender, the Court signed a service contract with a consortium to be the project manager for the construction of the K3 building. Amongst other things it is the responsibility of the project manager to procure and sign contracts with the construction companies on behalf of the Court, to monitor the execution of the works and to check the relevant invoices before payment. Once the

invoices are verified and authorised for payment by the responsible services of the Court it is the responsibility of the project manager to pay the construction companies. Within the above context, the project manager enters into financial commitments towards the construction companies. As a counter-balance to this, the contract between the Court and the project manager requires the Court to have sufficient funds, within the limits of what is available in the budget, to cover the liabilities of the project manager vis-à-vis the construction companies. To

ensure this, the Court has signed a fiduciary contract with a local bank and thus holds the funds made available by the budgetary authority. The financial interest of the Union is at the same time protected by the use of the fiduciary contract.

5.4. *Potential significant liability for litigations*

None.

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## BUDGET INFORMATION — FINANCIAL YEAR 2011

## A. Computation of the budget result

The budget result of the year is computed based on the figures of the budgetary implementation. The budget 2011 was approved on 15 December 2010. The report on the budgetary and financial management for the financial year 2011 was published in *Official Journal of the European Union* C 132 on 5 May 2012.

(EUR)	
Payments on appropriations of the year 2011	– 121 249 764
Payments made from carry-over of payment appropriations	– 15 070 466
Payments on appropriation related to earmarked revenue	– 195 335
Recovery orders of the year, cashed during the year 2011	19 515 100
Budgetary recovery orders issued before 2011 and cashed in the year 2011	78 509
Adjustment on recovery orders from previous years	3 115
Payment appropriations carried over to 2012	– 13 562 298
Appropriation carried over from previous years	16 284 607
Adjustment for carry-over from previous year of appropriations available at 31 December arising from assigned revenue	380 732
<b>Budget result</b>	<b>– 113 815 800</b>

There were no supplement nor reductions between the original and the final budget.

## B. Reconciliation of the economic outturn with the budget result

(EUR)	
<b>Economic outturn account of the year</b>	<b>6 415 844</b>
<i>Adjustment for items included in the economic result but not in the budget result</i>	<i>– 106 137 631</i>
Difference between accruals end of previous year and end of current year	– 1 990 868
Amount from liaison account with the Commission booked in the economic outturn account	– 115 620 434
Unpaid invoices at year end but booked in charges (class 6)	169 423
Depreciation of intangible and tangible assets	2 894 307
Provisions	2 020 425
Value reductions	
Recovery orders issued in 2011 in class 7 not yet cashed	– 5 867
Payments made from carry-over of payment appropriations	15 070 466
Other	– 8 699 234
Exchange rate differences	24 151
<i>Adjustment for items included in the budget result but not in the economic result</i>	<i>– 14 094 013</i>
Asset acquisitions (paid during the year)	– 2 205 096
Budgetary recovery orders issued before 2011 and cashed in the year	78 509
Payment appropriations carried over to 2012	– 13 562 298
Cancellation of unused carried over payment appropriations from previous year	1 214 141
Adjustment for carry-over from previous year of appropriations available at 31 December arising from assigned revenue	380 732
Payments for pensions ( they are budgetary payments but booked against provisions)	
Other	
<b>Budget result</b>	<b>– 113 815 800</b>

**INDEPENDENT ASSURANCE REPORT**

*To the management of the  
European Court of Auditors*

We have examined that the financial resources assigned by the European Commission to the European Court of Auditors (hereafter the 'Court') have been used for their intended purposes and that the control procedures put in place by the authorising officers provide the necessary guarantees to ensure the compliance of financial operations with the applicable rules and regulations for the financial resources made available and used for the period from 1 January 2011 to 31 December 2011.

The maintenance of books and records and the establishing and maintaining of appropriate controls are the responsibility of the management of the Court. Our responsibility is to express our opinion based on our examination.

We conducted our examination in accordance with the international standard on assurance engagements 'Assurance engagements other than audits or reviews of historical financial information' (ISAE 3000) as adopted by the 'Commission de surveillance du secteur financier'. This standard requires that we plan and perform our examination such that misuse of the resources materially affecting the books of the Court are detected with reasonable assurance.

Our work consisted primarily of examining on a test and sample basis, evidence supporting the fact that:

- the resources assigned to the Court have been used for their intended purposes,
- the control procedures put in place provide the necessary guarantees to ensure the compliance of financial operations with the applicable rules and regulations.

The criteria used for our examination are the following rules and regulations:

- Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget (hereafter the 'budget') of the European Communities (hereafter the 'Financial Regulation'),
- Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (hereafter the 'Implementing Rules'),
- Decision No 36/2007 of the European Court of Auditors relating to the internal rules for the implementation of its budget adopted on 12 July and 19 July 2007. These provisions form part of the procedures established by the Treaties, or agreements made by virtue thereof, which concern the operational process linked to the implementation of the budget.

In particular, the following internal rules have been used as criteria:

- Article 7 — Signatures — 'Each of the parties involved in the drafting, control and registration of operations to establish and recover revenue or to commit sums and make payments shall sign and date their involvement',
- Article 9 — Building projects — 'Before the Court gives its approval to any contractual undertaking concerning such a project, the service responsible shall submit an explanatory document justifying the compatibility of the project with the financial framework',
- Article 16 — Making payments — 'The accounting officer shall execute the payment orders defined in Article 80 of the Financial Regulation after he has checked the mandatory details described in Article 103(1) and Article 104 of the Implementing Rules',

- Article 23.1 — Transfers of appropriations — ‘Pursuant to Article 21 of the Financial Regulation, appropriations shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items’,
- Article 23.2 — Transfers of appropriations — ‘All requests for transfer shall explain why the appropriations are insufficient. The request for transfer shall be signed by the responsible director’,
- Article 24 — Carry-overs of appropriations — ‘The responsible authorising officer shall prepare a listing showing the available balance of commitments; this balance, shall be adjusted in the budgetary accounts by taking into consideration the appropriations to be cancelled, and shall show the appropriations to be carried forward’,
- Article 26 — Property inventories — ‘The inventory of tangible assets shall be kept in a database’,
- Article 27 — Minimum management and internal control procedures — ‘The management and internal control procedures are drawn up by the authorising officers in accordance with the minimum internal control standards adopted by the Court. Each budget operation is handled (...) by the person responsible for *ex ante* verification. (...) If the person responsible for *ex ante* verification establishes that the operation in question satisfies the requirements of Article 47(3) of the Implementing Rules, he validates it and documents this validation’.

We believe our examination provides a reasonable basis for our opinion.

Based on our work described in this report, nothing has come to our attention that causes us to believe that in all material respects and based on the criteria described above:

- the resources assigned to the Court have not been used for their intended purposes,
- the control procedures in place do not provide the necessary guarantees to ensure the compliance of financial operations with the applicable rules and regulations.

Our report is solely for the purpose set forth in the first paragraph and for your information and is not to be used for any other purpose or to be distributed to any other parties, except for publication purpose in the *Official Journal of the European Union*.

Luxembourg, 25 June 2012.

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