

HIGH COUNCIL DECISION N. 9/2021

of 23 June 2021

amending the Financial Rules outlined in High Council Decision n° 6/2015 of 4 December 2015

THE HIGH COUNCIL

Having regard to the Convention setting up the European University Institute (hereinafter the “EUI” or “the Institute”), and in particular Article 6(5)(a), Article 21, Article 23 and Article 26 thereof,

Whereas:

1. The Convention stipulates in its Article 23 (1) that the High Council shall appoint two auditors of different nationalities for a period of four years.
2. The EUI as an international organization operated by member states of the European Union intends to implement the common values of the European Union into its internal procedures. Therefore, the EUI has been traditionally applying *mutatis mutandis* the EU primary and secondary legislation by transposing it into its own regulatory framework after adapting them to its nature, administrative structure and budgetary specificities.
3. The EUI considers Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC and its amendments.
4. According to article 3 of this Directive audit firms as legal persons are considered as the same appropriate instruments for statutory audits as natural persons.
5. The EUI is convinced that in accordance with Article 23 (1) of the Convention audit firms could also be appointed as entities to carry out the audit at the EUI as long as the specific safeguards for the independence of the auditors nominated by the audit firms are still guaranteed.
6. The issue of the dismissal of the external auditors and/or the audit firm shall be clarified in accordance with EU directive 2006/43/EC and its amendments.
7. The High Council unanimously endorsed the proposal of the HC Financial Working Group regarding the preparation and presentation of three annual accounts: a EUI-Core Activities, a EUI-Pension Reserve Fund and a EUI-Consolidated.

8. The presentation of three reporting entities according to an accrual accounting framework requires the preparation of the accounting system. The accounting system, that is used by the Secretariat General of the Council of Europe, European Court of Auditors, Court of Justice of the European Union and EUI, must be operational by beginning of October 2021 to allow the Accounting Officer the preparation and presentation of the EUI-Core Activities, EUI-Pension Reserve Fund and EUI-Consolidated accounts for financial year 2021.

HAS DECIDED AS FOLLOWS:

Article 1

The Financial Rules outlined in High Council Decision n° 6/2015 of 4 December 2015 amended by High Council Decision n° 8/2018 of 7 December 2018 and by High Council Decision n° 7/2019 of 6 December 2019 shall be amended as follows:

1. The wording of definition (s) shall be replaced as follows:

‘EUI-Core activities annual accounts’ means the financial statements established by the accounting officer at the end of the financial year: they comprise the balance sheet, the economic outturn account, the cash flow statement, the statement of changes in net assets and explanatory notes and the reconciliation of the accrual based result with the budgetary result. The Institute’s annual accounts comprise also the budgetary statements and separate explanatory statements concerning some of the Institute’s specific activities. The EUI will also prepare and present the EUI-Pension Reserve Fund and the EUI-Consolidated annual accounts;

2. The wording of definition (z) (cc) shall be replaced as follows:

‘external auditors’ means the auditors appointed by the High Council or the auditors carrying out an audit on behalf of an audit firm appointed by the High Council for the audit of the accounts. They ensure that all revenue has been received, all expenditure incurred in lawful and regular manner and respecting principles of sound financial management, regarding the budget implementation. They are responsible for carry out the audits according to the terms defined in these financial rules;

3. The definition (z) (ff) shall be added:

‘Supervisory Board’ means the Board responsible for the supervision and oversight the management of the Pension Reserve Fund under the conditions laid down in these

Financial Rules and in compliance with the other Decisions regarding the Pension Reserve Fund management approved by the High Council;

4. The wording of Article 74 shall be replaced as follows:

Article 74

The EUI Annual accounts

The EUI will prepare and present three annual accounts:

- 1) The EUI-Core activities report on the implementation of the annual budget approved by the High Council, are prepared in accordance with an accrual accounting and financial reporting framework and are the basis for the discharge to the President;
- 2) The EUI-Pension Reserve Fund report on the financial and economic position of the Pension Reserve Fund as well on the management of the Fund, that follows the relevant High Council Decisions. The EUI-Pension Reserve Fund are prepared in accordance with an accrual accounting and financial reporting framework, are adopted by the Supervisory Board and presented to the High Council;
- 3) The EUI-Consolidated report on the consolidated financial and economic position of the EUI as a single entity, according to rules and methods of consolidation to be established by the Accounting Officer. The EUI-Consolidated are adopted by the President and presented to the High Council.

Article 74 (bis)

EUI-Core Activities provisional and final accounts

The Accounting Officer of the Institute shall, by 31 March of financial year (n+1), send the EUI-Core activities provisional accounts for the financial year (n) to the President of the Institute and to the external auditors.

The external auditors shall, by 1 July (n+1), submit their preliminary report on the EUI-Core activities provisional accounts of the Institute to the President of the Institute.

The Accounting Officer of the Institute shall sign by 31 July (n+1) the EUI-Core activities final accounts and send them to the President of the Institute and to the external auditors.

The EUI-Core activities final accounts shall be accompanied by a note drawn up by the Accounting Officer of the Institute, in which the latter certifies that the final accounts were prepared in accordance with this Title and with the applicable accounting principles, rules and methods set out in the notes to the financial statements.

The EUI-Core activities final accounts shall be presented by the President of the Institute to the Budget and Finance Committee and to the High Council by 15 September (n+1).

They shall comprise:

- a) The financial statements of the Institute;
- b) The report on the implementation of the budget of the Institute.

The report on the implementation of the budget of the Institute shall provide details inter alia, of the rate of implementation of the appropriations, together with summary information on the transfers of appropriations among various budget items.

Article 74 (ter)

EUI-Pension Reserve Fund and EUI-Consolidated: provisional and final accounts

1. The EUI-Pension Reserve Fund and the EUI-Consolidated shall comply with the accounting rules and methods and the chart of accounts to be adopted by the Accounting Officer.
2. The calendar for the preparation and presentation of the provisional and final EUI-Pension Reserve Fund will be the same of the calendar established for the preparation and presentation of the provisional and final EUI-Core activities.
3. The Accounting Officer of the Institute shall, by 30 April of financial year (n+1), send the provisional EUI-Consolidated to the President of the Institute and to the external

auditors. The calendar for preparation and presentation of the final EUI-Consolidated will be same of the calendar for preparation and presentation of the final EUI-Core activities.

5. The wording of Article 75 shall be replaced as follows:

Article 75

Rules governing the accounts

1. The EUI-Core activities accounts shall comply with these Financial Rules, be accurate and comprehensive and present a true and fair view:
 - a) as regards the financial statements, of the assets and liabilities, charges and income, entitlements and obligations not shown as assets or liabilities and cash flow;
 - b) as regards the report on budgetary implementation, of revenue and expenditure operations.

6. The wording of Article 87 shall be replaced as follows:

Article 87

Rules and procedure on the audit

1. The High Council shall appoint under the conditions provided for in Article 23 (1) of the Convention either two natural persons of different nationalities or an audit firm for the annual audit.
2. In case there is an intention to appoint an audit firm a procurement procedure is necessary.
3. In case an audit firm shall be appointed the audit firm has to nominate two natural persons of different nationalities as auditors who shall carry out the audit. These persons must enjoy equal rights within the audit firm. The audit firm may nominate alternate auditors. These auditors can be supported by a team in the carry out of the audit.
4. The auditors shall take part in the meetings of the Budget and Finance Committee dealing with the examination of their report.

5. The audit of the accounts provided for in Article 23(1) of the Convention shall be carried out by the auditors under the conditions laid down in these Financial Rules.
6. The external auditors shall exercise exclusive audit functions in full independence and in compliance with the relevant international and EU standards.
7. The external auditors or audit firms may be dismissed only where there are proper grounds such as modernisation of the external audit system of the EUI. Divergence of opinions on accounting treatments or audit procedures shall not be proper grounds for dismissal.
8. The external auditors will prepare an audit report and issue audit opinions for each annual account foreseen in Article 74.

7. The wording of Article 88 shall be replaced as follows:

Article 88

Information and documents provided to the auditors

1. The EUI annual accounts as indicated in Article 74 (bis) and Article 74(ter).

2. The auditors shall also be informed of the following
 - a) all decisions and all acts adopted in implementation of Articles 10, 14, 16 and 21;
 - b) internal audit measures, systems and procedures, the appointment of the accounting officer and the powers delegated under these Financial Rules;
 - c) the implementing rules adopted pursuant to Article 95 of these Financial Rules.

8. The wording of Article 92 shall be replaced as follows:

Article 92

Annual report of the external auditors

The external auditors shall submit to the President of the Institute the preliminary report on the EUI-Core activities provisional accounts for the financial year (n), no later than 1 July (n+1) and their definitive audit report on the EUI-Core activities final accounts no later than 31 August (n+1).

Those reports shall mention the extent and nature of their checks, their observations on the the EUI-Core activities final accounts, and a summary assessment of the Institute's financial management for the financial year (n).

The EUI-Core activities final accounts and the external auditors' definitive audit report on the EUI-Core activities final accounts, to which the President of the Institute's replies shall be annexed, shall be submitted to the Budget and Finance Committee and to the High Council by the President of the Institute, no later than 15 September (n+1).

Article 92 (bis)

Annual report of the external auditors on the EUI-Pension Reserve Fund and the EUI-Consolidated accounts

1. The external auditors shall submit to the Supervisory Board the preliminary report on the EUI-Pension Reserve Fund provisional accounts for the financial year (n), no later than 1 July (n+1) and their definitive audit report on the EUI-Pension Reserve Fund final accounts no later than 31 August (n+1).

The EUI-Pension Reserve Fund final accounts and the external auditors' definitive audit report on the EUI-Pension Reserve Fund final accounts, to which the Supervisory Board's replies shall be annexed, shall be submitted to the Budget and Finance Committee and to the High Council by the Supervisory Board, no later than 15 September (n+1).

2. The external auditors shall submit to the President of the Institute the preliminary report on the EUI-Consolidated provisional accounts for the financial year (n), no later than 1 July (n+1) and their definitive audit report on the EUI-Consolidated final accounts no later than 31 August (n+1).

The EUI-Consolidated final accounts and the external auditors' definitive audit report on the EUI-Consolidated final accounts, to which the President of the Institute's replies shall be annexed, shall be submitted to the Budget and Finance Committee and to the High Council by the President of the Institute, no later than 15 September (n+1).

Article 2

This decision shall enter into force at the day of its adoption.

Done in Florence, 23 June 2021

For the High Council

The President

(original signed)

Tanya SAMMUT-BONNICI