



EUROPEAN COMMISSION
Executive Agency for Small and Medium-size Enterprises (EASME)

REPORT ON THE BUDGETARY AND FINANCIAL MANAGEMENT OF THE EXECUTIVE AGENCY FOR SMALL AND MEDIUM-SIZED ENTERPRISES (EASME)

Financial Year 2018

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This report on the budgetary and financial management of the Executive Agency for Small and Medium-sized Enterprises (EASME) (hereafter the Agency) for the financial year 2018 has been prepared in accordance with Articles 51 to 57 of the Standard Financial Regulation for the Executive Agencies.

1. OVERVIEW OF THE BUDGET

1.1. Initial budget, amending budgets and final budget

In 2018 the Agency continued to manage parts of the following Programmes:

- COSME;
- Horizon 2020;
- LIFE 2014-2020;
- the European Maritime and Fisheries Fund (EMFF);
- the legacy of the 2007-2013 CIP Programme, which has a continuation under Horizon 2020 (IEE II, Eco-innovation) or COSME (EEN, portals and helpdesks).

The first 2018 operating budget (hereafter referred to as administrative budget) of the Agency was adopted by Steering Committee on 14 December 2017 and it amounted to EUR 43.762.703. The figures of the budget were based on the tasks and the resources planned in the Commission implementing decision¹ establishing the Agency and the financial statement and the subsidy requested on the General budget amounted to EUR 43.762.703. The budget was reviewed five times.

In June 2018 the first transfer within title 1 took place due to following reasons: (1) requests of additional interim support introduced by several units; (2) increase of expenses in budget line 1221 to cover the increase of prices for the services provided by DG HR; (3) increase of budget line 1251 to cover the expenses linked to an event organised by the team dealing with staff engagement and business transformation.

The first amendment of the budget was carried out in July 2018 due to following reasons: (1) correction of the EFTA contribution (the initial version was based on the EFTA amounts approved during the voted budget 2018 but these amounts have been revised in the meantime); (2) recalculation of staff costs due to revision based on the real values for the salaries and allowances for each person employed during the first 7 months of 2018; (3) increase of the following expenses: Individual staff entitlements, mobility and social expenses for the staff. ICT services; (4) decrease of the following expenses: recruitment, training, medical services, rental, ICT purchases, furniture purchases, charges insurance and other operating expenses, experts, missions, external audits and communication.

In October 2018 the second revision took place. It was due to the following reasons: (1) slight reduction of salaries expenses based on the real expenditures incurred until October taking into account the latest updates of the recruitment plan, the reclassification exercise and the indexation (2%); (2) increase the costs for the rent, works and furniture following the recently received extra m² in COV2; (3) reduction of budgets for ICT services, charges insurance and other operating expenses, external meetings/events and communication based on the real needs of the different units and sectors; (4) increase of furniture and intra-muros recruitments allowing a smooth take-over of the LIFE IT application from DG ENV. After that another transfer took place within title 1.

In December the third review of the budget was necessary due to revision of expenses within the titles. Once more the Agency recalculated the salaries based on the real expenditures incurred for the whole year 2018, taking into account the latest updates of the recruitment plan, the impact of the 2018 reclassification exercise and the indexation (1,7%), resulting in a slight decrease compared to

¹ COMMISSION IMPLEMENTING DECISION 25.12.2013 establishing the "Executive Agency for Small and Medium-sized Enterprises" and repealing Decisions 2004/20/EC and 2007/372/EC and as amended by COMMISSION DECISION C(2014)6944 of 02.10.2014.

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the previous version of the budget 2018. There was increase for the following expenses: medical services, mobility and social expenses for staff, representation expenses, ICT purchases, furniture expenses and communication. On the other side the expenses for rental of building, and charges insurance and other operating expenses were reduced.

The final subsidy requested on the general budget amounted to EUR 43.762.703, including EFTA contribution for H2020 (1.4%) and for COSME (0.03%).

The below summary table explains how the budget was defined from the initial to the final budget:

Budget line	Description	Initial budget (EUR)	Budget transfer (EUR)	Budget amendment No 1 (EUR)	Budget revision No 2 (EUR)	Budget transfer (EUR)	Budget revision No 3 (EUR)	Final budget (EUR)
1111	Temporary Agents - Remunerations	9.633.000	-	(63.000)	(98.620)	-	(96.600)	9.374.780
1112	Temporary Agents - Allowances	2.356.000	-	(41.000)	14.243	-	(12.260)	2.316.983
1121	Contract Agents - Remuneration	15.334.000	(180.000)	421.000	52.103	-	(141.063)	15.486.040
1122	Contract Agents - Allowances	4.329.000	-	(77.000)	(23.092)	-	(30.000)	4.198.908
1141	Support services & trainees	808.700	180.000	16.300	39.769	-	-	1.044.769
1211	Recruitment expenses	30.000	-	(10.000)	(12.000)	-	-	8.000
1221	Individual entitlements of staff	376.000	74.000	11.621	379	-	-	462.000
1231	Training	655.000	(77.500)	(14.000)	-	-	-	563.500
1241	Medical Service	110.000	-	(31.140)	10.140	(2.880)	50.000	136.120
1242	Mobility & social expenses for the Staff	710.000	-	170.194	(47.694)	-	35.000	867.500
1251	Representation expenses, Events and Internal meetings	25.000	3.500	6.500	8.000	2.880	3.000	48.880
Title 1	Staff expenditure	34.366.700	-	389.475	(56.772)	-	(191.923)	34.507.480
2111	Rental of building and associated expenses	4.227.300	-	(35.798)	72.498	-	(70.000)	4.194.000
2211	ICT Purchases, Hard - and Software & Maintenances	300.000	-	(10.000)	-	-	97.000	387.000
2212	ICT Services	1.466.000	-	222.584	(68.968)	-	-	1.619.616
2311	Furniture, Technical Installations and associated expenses	193.000	-	(82.000)	69.100	-	90.000	270.100
2312	Office Supplies, documentation & correspondence	62.000	-	(9.500)	-	-	(1.500)	51.000
2313	Charges, insurances & other operating expenses	85.000	-	(28.000)	(14.000)	-	(5.000)	38.000
Title 2	Infrastructure and operating expenditure	6.333.300	-	57.286	58.630	-	110.500	6.559.716
3111	Experts and external meetings	410.000	-	(116.473)	(45.000)	-	4.000	252.527
3112	Missions: Programme Management	676.703	-	(10.000)	17.550	-	-	684.253
3113	External Audits	749.000	-	(182.000)	(5.782)	-	-	561.218
3114	Communication, Information and Linguistic services	1.047.000	-	(160.500)	(110.500)	-	77.423	853.423
3115	Seminars & specific Training	-	-	-	-	-	-	-
3116	Programme related IT expenses	180.000	-	(4.861)	141.874	-	-	317.013
Title 3	Programme support expenditure	3.062.703	-	(473.834)	(1.858)	-	81.423	2.668.434
Total budget		43.762.703	-	(27.073)	-	-	-	43.735.630

List of budget revisions and amendments adopted by the Steering Committee:

	Date	Main subject - description	Impact on Commitment & Payment Appropriations (EUR)
1	June 2018	Revision of staff expenditure	Movement only within the titles
2	July 2018	Revision of all expenditure	Title 1 389.475 Title 2 57.286 Title 3 (473.834)
3	October 2018	Revision of all expenditure	Title 1 (56.772) Title 2 58.630 Title 3 (1.858)
4	November 2018	Revision of staff expenditure	Movement only within the titles
5	December 2108	Revision of all expenditure	Title 1 (191.923) Title 2 110.500 Title 3 (81.423)

1.2. Budget implementation

1.2.1. 2018 appropriations (C1)

The execution of commitment appropriations amounts to EUR 43.656.315 and the execution of payment appropriations amounts to EUR 40.174.008.

Budget title	Budget 2018		Commitments made in 2018 (EUR)	Payments made in 2018 (EUR)
	Amount (EUR)	% by title		
Title: 1 Staff expenditure	34.507.480	79%	34.494.486	33.985.063
Title: 2 Infrastructure and operating expenses	6.559.716	15%	6.522.876	5.132.059
Title: 3 Programme support expenditure	2.668.434	6%	2.638.953	1.056.887
Total	43.735.630	100%	43.656.315	40.174.008

The split of the administrative budget per programme delegated to the Agency is shown in the table below²:

Programme	Budget 2017 (EUR)	Budget 2018 (EUR)
COSME	8.820.886	9.500.072
H2020	25.972.903	27.319.558
LIFE	2.948.000	3.869.000
EMFF	5.285.822	3.047.000
Total	43.027.611	43.735.630

The implementation of the final budget appropriations, fund source C1, is at a level of 100% for commitments (2017: 98 %) and 92% for payments (2017: 85 %).

In 2018, the difference between commitments and payments amounts to EUR 3.482.306 (last column of the below table). The Agency carried forward this amount to 2019 as it corresponds to legal commitments contracted in 2018 but not yet paid on 31 December 2018 (mainly payments related to rent, communication, external audits and ICT services).

² Initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

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Budget line	Description	Appropriation (1)	Committed (2)	% Committed (2/1)	Paid (3)	% Paid (3/1)	Balance Commitment (1-2)	Balance Payment (2-3)
Title: 1 Staff expenditure		34.507.480	34.494.486	100%	33.985.063	98%	12.994	509.423
Chapter 11 – Remunerations, allowances & charges		32.421.480	32.408.486	100%	32.289.782	100%	12.994	118.704
1111	Temporary Agents - Remunerations	9.374.780	9.372.780	100%	9.372.780	100%	2.000	-
1112	Temporary Agents - Allowances	2.316.983	2.313.950	100%	2.313.950	100%	3.033	-
1121	Contract Agents - Remuneration	15.486.040	15.484.040	100%	15.484.040	100%	2.000	-
1122	Contract Agents - Allowances	4.198.908	4.192.947	100%	4.192.947	100%	5.961	-
1141	Support services & trainees	1.044.769	1.044.769	100%	926.065	89%	-	118.704
Chapter 12 – Professional development & social expenditure		2.086.000	2.086.000	100%	1.695.281	81%	-	390.719
1211	Recruitment expenses	8.000	8.000	100%	7.945	99%	-	55
1221	Individual entitlements of staff	462.000	462.000	100%	431.588	93%	-	30.412
1231	Training	563.500	563.500	100%	430.552	76%	-	132.948
1241	Medical Service	136.120	136.120	100%	86.120	63%	-	50.000
1242	Mobility & social expenses for the Staff	867.500	867.500	100%	721.138	83%	-	146.362
1251	Representation expenses, Events and Internal meetings	48.880	48.880	100%	17.938	37%	-	30.943
Title: 2 Infrastructure and operating expenses		6.559.716	6.522.876	99%	5.132.059	78%	36.840	1.390.817
Chapter 21 – Building expenditure		4.194.000	4.194.000	100%	3.448.947	82%	-	745.053
2111	Rental of building and associated expenses	4.194.000	4.194.000	100%	3.448.947	82%	-	745.053
Chapter 22 – ICT expenses		2.006.616	1.993.159	99%	1.547.090	77%	13.457	446.070
2211	ICT Purchases, Hard - and Software & Maintenances	387.000	373.734	97%	238.415	62%	13266	135.319
2212	ICT Services	1.619.616	1.619.425	100%	1.308.674	81%	191	310.751
Chapter 23 – Movable property and current operating expenditure		359.100	335.716	93%	136.023	38%	23.384	199.694
2311	Furniture, Technical Installations and associated expenses	270.100	249.716	92%	104.873	39%	20.384	144.843
2312	Office Supplies, documentation & correspondence	51.000	51.000	100%	25.561	50%	-	25.439
2313	Charges, insurances & other operating expenses	38.000	35.000	92%	5.589	15%	3.000	29.411
Title: 3 Programme support expenditure		2.668.434	2.638.953	99%	1.056.887	40%	29.481	1.582.067
Chapter 31 – Programme management expenditure		2.668.434	2.638.953	99%	1.056.887	40%	29.481	1.582.067
3111	Experts and external meetings	252.527	238.495	94%	193.888	77%	14.032	44.607
3112	Missions: Programme Management	684.253	684.253	100%	596.636	87%	-	87.617
3113	External Audits	561.218	561.218	100%	49.500	9%	-	511.718
3114	Communication, Information and Linguistic services	853.423	846.399	99%	161.725	19%	7.024	684.674
3116	Programme related IT expenses	317.013	308.589	97%	55.138	17%	8.424	253.451
Total		43.735.630	43.656.315	100%	40.174.008	92%	79.315	3.482.306

The breakdown of the administrative budget by type of expenditure (see above table) shows that total staff expenditure (title 1) accounts for about 78% of total available commitments, i.e. EUR 33.985.063.

In regard to chapter 11 - throughout the year 2018, salaries were calculated by PMO with which the Agency has had a Service Level Agreement (SLA) since 2005. On this basis, the Agency processes and authorises the related payments to staff. Training costs are mostly covered by the SLA with DG HR.

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The table below provide an overview of the staffing evolution in 2018:

	Staff on 31/12/2017	Staff on 31/12/2018	Foreseen by 31/12/2018	% establishment plan 2018
Seconded Officials	29	30	33	91%
Temporary Agents	72	76	82	93%
Contract Agents	333	347	352	99%
Total	434	453	467	97%

The Agency continued to grow in 2018 and counted 453 staff by the end of the year. This amounts to 97% of 467 staff anticipated in the establishment plan for 2018 and represents a growth of 4.4% reached within 12 months compared to 434 by the end of 2017.

EASME hired 48 Temporary Agents (TAs) and Contract Agents (CAs), additionally 28 colleagues who were already working in EASME were offered a new contract as TA or CA in a higher function group. 33 agents moved to a different sector and 26 agents moved to a different unit. This represented 13,3% of the total number of staff throughout the year.

The turnover rate was 5,41% (24 staff) which represented a decrease in comparison to a 6,58% turnover rate in 2017. This shows that the Agency strengthened its capacity to retain its staff. Most of the individuals who left did so due to employment opportunities within different European institutions.

As for professional development & social expenditure (chapter 12) the specific budget lines cover the following activities:

- ✓ Recruitment expenses (budget line 1211) covered the reimbursement of travel expenses incurred during the selection and recruitment procedures of new candidates in 2018;
- ✓ Individual entitlements of staff (budget line 1221) covered the cost of the calculation of staff mission expenses and the establishment of individual rights for all staff members. The services are provided to the Agency by PMO according to a service level agreement (SLA);
- ✓ Trainings (budget line 1231) ordered in 2018 covered the following: Commission trainings managed under the SLA signed with DG HR, other external trainings and teambuilding activities;
- ✓ Medical services (budget line 1241) provided by DG HR based on the SLA;
- ✓ Mobility and social expenses for the staff (budget line 1242) covered school transport costs and services linked to the "Centre de la Petite Enfance" (OIB).
- ✓ Representation expenses, events and internal meetings covered representation costs and mainly other expenses related to the organisation of internal meetings.

In 2018, EUR 6.559.716 (15% of the total budget) were committed to infrastructure and operating expenses (title 2).

The majority of expenses (64%) related to building expenditure (chapter 21), which included rental costs for the space occupied in the Covent Garden building and charges related to it provided by OIB (charges for water/heating/cooling/electricity as well as maintenance of some common technical installations) and DG HR (security and access control services on the building foreseen in an SLA).

ICT expenses (chapter 22) represent 31% of title 2 and concern mainly:

- ✓ ICT purchases, hardware, software and maintenance;
- ✓ ICT services: provisions of IT systems and the ITIC helpdesk based on SLA with DG BUDG and DGIT and consultants costs.

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The movable property and current operating expenditure (chapter 23) represents only 5% of the title 2 and relates to purchases of furniture, technical installations and associated expenses, office supplies and other operating expenses.

As for title 3 – programme support expenditure which represented 6% of the total budget:

- ✓ about 9% was consumed to finance experts for LIFE programme evaluations, meetings with NCP's (National Contact Points) and several kick-off meetings and catering during meetings with external contractors (budget line 3111);
- ✓ 26% to cover missions expenses (budget line 3112);
- ✓ 21% represented external audits (budget line 3113): 2 specific contracts for ex-post audits on the legacy performed by external contractors, on the costs and expenses reported by beneficiaries of a community financial contribution (grant). The management of the grants is covered by the operational budget of the Agency;
- ✓ 32% related to communication, information and linguistic services (budget line 3114) and covered expenses relating to communication activities of the Agency on different programmes, as well as horizontal communication, translation and interpretation costs;
- ✓ Remaining 12% covered programme related IT expenses (budget line 3116) and related to 2 specific contracts to further develop of the IT tool for SME Instrument (H2020).

Carry-forward to 2019

The main appropriations to be carried forward to 2019 (EUR 3.482.306 - 8% of the total budget) are the following:

- Building charges: EUR 745.053 balance payments for the SLA's with OIB and DG HR;
- Communication: EUR 684.674 mainly for purchase of services in the field of digital communication, organisation of events at EASME premises, organisation and logistical support for the H2020 secure, clean and energy efficient info day;
- External audits: EUR 511.718 for 9 contracts that are still on-going;
- ICT services: EUR 310.751 amount necessary for the payment of the IT consultants for the 4th quarter 2018, for system administration services for EASME IT infrastructure and other IT projects;
- Programme related IT expenses: EUR 253.451 for development of e-order framework contract and for expenses related to e-grants.

1.2.2. 2017 appropriations carried-forward to 2018 (C8)

The carry-forward of the appropriations from 2017 to 2018 amounted to EUR 5.400.441. Out of this amount, EUR 4.402.884 was paid which represents 82% of the total commitments carried-forward (2017: 86%). The difference between commitments carried-forward from 2017 to 2018 and payments on those commitments totals EUR 997.558 (2017: 606.396) and will be reimbursed to the Commission in 2019.

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	Payments appropriations carried-forward from 2017 (RAL C8)	% by title	Amounts paid	Total unused payment appropriations carried-forward from 2017
Title: 1 Staff expenditure	538.548	10%	431.783	106.765
Title: 2 Infrastructure and operating expenses	1.558.012	29%	1.314.304	243.708
Title: 3 Programme support expenditure	3.303.881	61%	2.656.796	6.47.085
Total	5.400.441	100%	4.402.883	997.558

The main amounts that were unduly carried forward (EUR 997.558) and therefore had to be de-committed are the following:

- EUR 554.720 in experts and external meetings;
- EUR 156.767 in rental of building and associated expenses;
- EUR 81.296 in Trainings;
- EUR 47.078 in communication;
- EUR 44.036 in ICT services (SLA DIGIT);
- EUR 40.440 in Missions.

The details are presented in the table below:

Budget line	Description	Appropriation (1)	Paid (2)	% Paid (2/1)	Balance Commitment (1-2)	Balance carried-forward
Title: 1 Staff expenditure		538.548	431.783	80%	106.765	-
Chapter 11 - Remunerations, allowances & charges		64.793	63.274	98%	1.519	-
1141	Support services & trainees	64.793	63.274	98%	1.519	-
Chapter 12 - Professional development & social expenditure		473.755	368.509	78%	105.246	-
1221	Individual entitlements of staff	1.458	359	25%	1.098	-
1221	Individual entitlements of staff	25.986	20.824	80%	5.161	-
1231	Training	275.369	194.074	70%	81.296	-
1241	Medical Service	30.284	30.284	100%	-	-
1242	Mobility & social expenses for the Staff	129.944	114.154	88%	15.790	-
1251	Representation expenses, Events and Internal meetings	10.714	8.813	82%	1.901	-
Title: 2 Infrastructure and operating expenses		1.558.012	1.314.304	84%	243.708	-
Chapter 21 - Building expenditure		960.700	803.934	84%	156.767	-
2111		960.700	803.934	84%	156.767	-
Chapter 22 - ICT expenses		509.027	445.350	87%	63.678	-
2211	ICT Purchases, Hard - and Software & Maintenances	256.242	236.600	92%	19.642	-
2212	ICT Services	252.786	208.749	83%	44.036	-
Chapter 23 - Movable property and current operating expenditure		88.284	65.021	74%	23.263	-
2311	Furniture, Technical Installations and associated expenses	63.288	63.288	100%	-	-
2312	Office Supplies, documentation & correspondence	17.809	15	0%	17.794	-
2313	Charges, insurances & other operating expenses	7.187	1.718	24%	5.469	-
Title: 3 Programme support expenditure		3.303.881	2.656.796	80%	647.085	-
Chapter 31 - Programme management expenditure		3.303.881	2.656.796	80%	647.085	-
3111	Experts and external meetings	2.364.589	1.809.869	77%	554.720	-
3112	Missions: Programme Management	82.835	42.394	51%	40.440	-
3113	External Audits	466.727	461.880	99%	4.846	-
3114	Communication, Information and Linguistic services	347.597	300.519	86%	47.078	-
3116	Programme related IT expenses	42.134	42.134	100%	-	-
Total		5.400.441	4.402.884	82%	997.558	-

2. REVENUE

In accordance with Article 5 of the Standard Financial Regulation for the Executive Agencies, the revenue of the agency shall comprise a grant awarded by the Communities and any other revenue, including assigned revenue within the meaning of Article 15 thereof.

Type of revenue	Draft budget	Amendments	Final budget	Entitlements established	Revenue received
Commission subsidy	43.762.703	(27.073)	43.735.630	43.735.630	43.735.630
Other income	-	-	-	31.389	14.269
TOTAL	43.762.703	(27.073)	43.735.630	43.767.019	43.749.899

To cover its administrative costs for 2018, the Agency receives a subsidy from the EU budget. This subsidy of EUR 43.735.630 was paid in two instalments by the parent DGs of the Agency.

The received other revenues consist:

- recovery of the legal fees paid by the Agency on course of the court case of EUR 17.120;
- recovery of liquidated damages in relation to the contract for ex-post audits for 2017 of EUR 12.251;
- the balancing amount of EUR 2.018 relates to reimbursement for rent related expenses for, staff related reimbursement of overpaid expenses and the bank interests.

3. GLOSSARY ON TERMS, ABBREVIATIONS AND ACRONYMS USED IN THE REPORT

Term	Definition
ABAC	This is the name given to the Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts which recognise revenue when earned, rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.
Accounting	The act of recording and reporting financial transactions, including the creation of the transaction, its recognition, processing, and summarisation in the financial statements.
Administrative appropriations	Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).
Adjustment	Amending budget or transfer of funds from one budget item to another.
Adopted budget	Draft budget becomes the adopted budget as soon as it is approved by the Budgetary Authority. Cf. Budget.
Agencies	EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.
Amending budget	Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.
Annuality	The budgetary principle according to which expenditure and revenue is programmed and authorised for one year, starting on 1 January and ending on 31 December.
Appropriations	Budget funding. The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments and commitment appropriations equal payment appropriations.
Appropriations	Dedicated revenue received to finance specific items of expenditure. Main sources of external assigned revenue are <i>financial contributions from third countries to programmes financed by the Union</i> . <i>Main sources of internal assigned revenue is revenue from third parties in respect of goods, services or work supplied at their request; (c) revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium</i> . The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21(2).
Authorising Officer	The AO is responsible in each institution for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.
C1	Current Appropriations = Initial Budget + Amending Budget + Transfers
C2/C3	Appropriations non automatically carried over – carried over on Decision of the College
C4	Appropriations non automatically carried over – carried over on Decision of the College
C5	Appropriations arising from Internal Assigned Revenue cashed in the previous year and carried over to the current one
C8	Appropriations automatically carried forward from previous year to current year
IC1	Universal revenue voted in the budget
Budget	Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.
Budget result	The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences. The resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for Agencies.
Budget implementation	Consumption of the budget through expenditure and revenue operations.

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Budget item / Budget line / Budget position	As far as the budget structure is concerned, revenue and expenditure are shown in the budget in accordance with a binding nomenclature which reflects the nature and purpose of each item, as imposed by the budgetary authority. The individual headings (title, chapter, article or item) provide a formal description of the nomenclature.
Budgetary authority	Institutions with decisional powers on budgetary matters: the European Parliament and the Council of Ministers.
Budgetary commitment	A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.
Cancellation of appropriations	Unused appropriations that may no longer be used.
Carryover of appropriations	Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under strict conditions, be exceptionally carried over for use during the following year.
Commitment appropriations	Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Art. 7 FR: <i>Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.</i>
De-commitment	Cancellation of a reservation of appropriations.
Differentiated appropriations	Differentiated appropriations are used to finance multiannual operations; they cover, for the current financial year, the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year. Art. 7 FR: <i>Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.</i>
Earmarked revenue	Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution. (Cf. Assigned revenue)
Economic result	Impact on the balance sheet of expenditure and revenue based on accrual accounting rules.
Entitlements established	Entitlements are recovery orders that the European Union must establish for collecting income.
Exchange rate difference	The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area, or from the revaluation of assets and liabilities in foreign currency at the closure.
Expenditure	Term used to describe spending the budget from all types of funds sources.
Financial regulation (FR)	Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union. (OJ L 298, 26.10.2012, p. 1)
Funds Source	Type of appropriations (e.g.: C1, C2, etc.)
Grants	Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.
Implementation	Cf. Budget implementation
Income	Cf. Revenue
Joint Undertakings (JUs)	A legal EU-body established under the TFEU. The term can be used to describe any collaborative structure proposed for the " <i>efficient execution of Union research, technological development and demonstration programmes</i> ".
Lapsing appropriations	Unused appropriations to be cancelled at the end of the financial year. <i>Lapsing</i> means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities which is represented by an appropriation.
Legal base (basic act)	The legal base or basis is, as a general rule, a law based on an article in the Treaty giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain Treaty articles authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.
Legal commitment	A legal commitment establishes a legal obligation towards third parties.
Non-differentiated appropriations	Non-differentiated appropriations are for operations of an annual nature. (Art. 9 FR). In the EU-Budget non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments.

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Operational appropriations	Operational appropriations finance the different policies, mainly in the form of grants or procurement.
Outstanding commitment	Legal commitments having not fully given rise to liquidation by payments. Cf. RAL.
Outturn	Cf. Budget result
Payment	A payment is a cash disbursement to honour legal obligations.
Payment appropriations	Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Art. 7 FR).
RAL	Sum of outstanding commitments. Outstanding commitments (or RAL, from the French ' <i>reste à liquider</i> ') are defined as the amount of appropriations committed that have not yet been paid. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations. (Cf. <i>Outstanding commitments</i>)
Recovery	The recovery order is the procedure by which the Authorising officer (AO) registers an entitlement by the Commission in order to retrieve the amount which is due. The entitlement is the right that the Commission has to claim the sum which is due by a debtor, usually a beneficiary.
Result	Cf. Outturn
Revenue	Term used to describe income from all sources financing the budget.
Rules of application	Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.
Surplus	Positive difference between revenue and expenditure (see Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.
Transfer	Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification. They are, however, expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The FR identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorization.