

COURT OF AUDITORS OF THE EUROPEAN COMMUNITIES

Annual report
pursuant to Article 78f (5)
of the ECSC Treaty

Financial year 1978



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As provided for in Article 78 f (5) of the Treaty establishing the European Coal and Steel Community, the present report of the Court of Auditors is confined to verifying the regularity of accounting operations, other than those concerning administrative revenue and expenditure, and the regularity of the High Authority's financial management of those operations.

On May 1979 the Court of Auditors received the balance sheet and revenue and expenditure account annexed to the present report; the balance sheet and accounts are based, moreover, on an examination applied to the books and accounting operations of the year 1978.

For this purpose the accounts were reconciled with the ledger and the subsidiary ledgers and the bank balances were checked against the bank statements for 31 December 1978.

Corrections, made with the agreement of the Commission, are mainly due:

- to the fact that bank statements do not always arrive before the end of the year, i.e. in time for the Commission to take them into account when first drawing up its balance sheet. The Court has applied itself to bringing all these documents together in order to verify the bank balances shown in the balance sheet;
- to observance of the annuality of accounts, by writing back into the accounts for the year transactions with a date before 31 December;
- to the reclassification as miscellaneous provisions of sums which had either been the subject of a unilateral allocation decision by the Commission or had not been allocated;
- to some differences in calculation which were revealed during the audit but which are not in themselves serious enough to be set out in detail.

On completion of these operations the Court of Auditors was able to append at the foot of the balance sheet and the revenue and expenditure account the usual certificates in the following form:

" On the basis of our examination,

- we certify that the financial statements are in accordance with the books and records of the Commission;
- in our opinion the Balance Sheet and the Statement of Revenue and Expenditure present fairly the financial position of the European Coal and Steel Community at 31 December 1978 and the result of its operations for the year then ended."

BALANCE SHEET OF THE EUROPEAN COAL AND STEEL COMMUNITY AT 31 DECEMBER 1978

(All amounts are stated in European units of account)

A European unit of account represents the exchange value of the various currencies at the following rates of conversion: 1 EUA = DM 2.50868 = Bfrs 39.6543 = Lfrs 39.6543 = Dkr 6.99113 = FF 5.75538 = Fl. 1.140.06 = £ 0.675274 = £frl 0.675274 = \$frs 2.22839 = US\$ 1.37688 = £ 0.685432 = Can\$ 1.62918 = u.a. 0.545626

ASSETS		LIABILITIES	
I. Disbursed loans	4 549 891 466.92	I. A. Borrowings	4 416 237 653.95
II. Cash and bank accounts	309 677 950.59	B. Reimbursement premiums to be paid	1 204 338.13
III. Short and medium-term placements	78 209 905.41	II. Short term credits	28 457 135.42
IV. Investments	167 265 646.27	III. Reserves	
V. Fixed assets	272 400.75	A. Guarantee fund	200 000 000.—
VI. Recoverable issuing costs	69 290 099.40	B. Special fund	138 500 000.—
VII. Miscellaneous	71 096 459.47	C. Former pension fund	41 062 662.29
VIII. Accrued income	112 867 783.35	IV. Allocations	
	5 358 571 712.16	A. Financial aid	267 084 273.84
		B. Other	76 194 889.24
		V. Miscellaneous	38 427 742.01
		VI. Accrued liabilities	151 289 972.67
		VII. Unallocated balance	113 044.61
			5 358 571 712.16
Suspense accounts		Suspense accounts	
I. Enterprises' liabilities under guarantees	14 948 100.20	I. Liabilities under guarantees	14 948 100.20
II. Due on borrowings contracted	133 314 575.47	II. Borrowings contracted but not yet paid	133 314 575.47

Note of the Court of Auditors

We have examined the accompanying financial statements comprising the balance sheet of the European Coal and Steel Community at 31 December 1978 and the statement of income and expenditure for the year ended on that date.

Our examination has been carried out in accordance with the provisions of the Treaty of 22 July 1975, which amended certain financial provisions of the Treaties establishing the European Communities.

On the basis of our examinations, we certify that these financial statements are in accordance with the books and records of the Commission; in our opinion the balance sheet and the statement of income and expenditure present fairly the financial position of the European Coal and Steel Community at 31 December 1978 and the result of its operations for the year then ended.
Luxembourg, 20 July 1979.

M. N. MURPHY
President

P. GAUDY
Member

European Coal and Steel Community

Commission of the European Communities

F.-X. ORTOLI
Vice-President
of the Commission

A. NICOLETTI
Director-General
for Credit and Investments

Explanatory notes to the balance sheet at 31 December 1978

ASSETS

I. Disbursed loans

A. Loans from borrowed funds

– in US dollars	1 829 361 021·29	
– in Deutschmarks	1 050 936 928·57	
– in Italian lire	98 254 485·40	
– in Belgian francs	149 354 769·55	
– in Dutch guilders	128 217 518·37	
– in French francs	315 489 298·70	
– in Luxembourg francs	184 908 785·40	
– in Swiss francs	524 459 093·88	
– in EMU	10 317 726·62	
– in u.a.	19 977 053·87	
– in Canadian dollars	46 035 428·87	
– in pounds sterling	36 873 920·81	4 394 186 031·33

B. Other loans

– from the special reserve for the financing of workers' housing projects	128 687 857·57	
– from funds allocated for rehabilitation	254 698·94	
– from funds allocated for technical research	2 241 348·90	
– miscellaneous	20 574 369·51	
– Frioul – Iron industry/former pension fund	3 947 160·67	155 705 435·59
		4 549 891 466·92

III. Short and medium-term placements

This item, which amounts to 78 209 905·41 EUA, represents ECSC obligations that have been repurchased on various markets; these obligations are amortizable within three years.

IV. Investments

This item amounts to 167 265 646·27 EUA. It is made up of obligations with a State guarantee, obligations of semi-State bodies and treasury bills.

V. Fixed assets

This item, which amounts to 272 400·75 EUA, includes buildings owned by the ECSC. These are: a building in Paris (in co-ownership with the other two European Communities), a building in London held by the Community on long-lease tenure and a building in Washington.

VI. Recoverable issuing costs

The amount of 69 290 099·40 EUA represents the portion of issuing costs on current loans which has not yet been written off. These costs are recovered in annual instalments throughout the term of the loans.

VII. Miscellaneous

The total amount of 71 096 459·47 EUA under this item consists of:

1. 14 452 240·93 EUA due from debtors under the levy;
2. 22 413 404·23 EUA from miscellaneous debtors;
3. 34 230 814·31 EUA in funds earmarked for the payment of overdue coupons and drawn bonds.

VIII. Accrued income

This item consists of:

1. 105 172 535·35 EUA in interest and commissions receivable but not yet due on 31 December 1977;
2. 7 695 248·00 EUA in levy claimed over the month of December, and falling due after 31 December.

LIABILITIES**I.****A. Borrowings**

The breakdown by currency is as follows:

– in US dollars	1 828 046 017.13	
– in Deutschmarks	1 083 159 290.81	
– in Italian lire	99 336 877.—	
– in Dutch guilders	128 655 789.36	
– in Belgian francs	149 397 669.32	
– in French francs	324 696 197.28	
– in Luxembourg francs	184 900 430.71	
– in Swiss francs	523 377 864.75	
– in pounds sterling	28 655 034.85	
– in u.a.	19 977 053.87	
– in Canadian dollars	46 035 428.87	4 416 237 653.95

B. Reimbursement premiums payable

– in French francs	1 172 815.70	
– in Belgian francs	31 522.43	1 204 338.13

III.**C. Former ECSC pension fund**

This item totals 41 062 662.29 EUA. As of 5 March 1968 commitments for the payment of ECSC pensions were transferred to the Member States.

IV. Allocations**A. Financial aid**

1. For rehabilitation		
– commitments entered into for outright grants	158 942 125.72	
2. For technical and economic research		
– commitments entered into for outright grants	65 369 487.44	
3. Assistance under Article 56 (Industrial redevelopment and reconversion)	19 562 789.89	
4. Assistance under Article 54	12 634 870.79	
5. Assistance to coking coal and coke	10 575 000.—	267 084 273.84

B. Other

76 194 889.24

V. Miscellaneous: 38 427 742.01 EUA

This includes the sum of 34 230 814.29 EUA for coupons due and bonds and commissions payable on them, and the sum of 4 196 927.72 EUA for miscellaneous credit accounts at the end of the financial year.

VI. Accrued liabilities

This item comprises interest and commission payable but not yet due on 31 December 1978, totalling 151 289 972.67 EUA.

VII. Unallocated balance

The amount of 113 044.61 EUA under this heading represents an unallocated sum.

N.B. Until July 1961 the claims and related sureties for loans granted from borrowed funds as well as other assets were pledged to the Bank for International Settlements in Basle in favour of the holders of secured notes and coupons issued by the ECSC. The amounts pledged are:

- assets: 15 757 245.35 EUA under item I, 125 998.73 EUA under item II and 337 749.05 EUA under item VIII.
- liabilities: 15 830 161.65 EUA under item I and 325 728.35 EUA under item VI.

INCOME AND EXPENDITURE OF THE EUROPEAN COAL AND STEEL COMMUNITY FROM 1 JANUARY 1978 TO 31 DECEMBER 1978

(All amounts are stated in European units of account)

EXPENDITURE	352 181 251-15	374 456 791-30	100 775 514-54
<p>A. Servicing of borrowings and guarantees</p> <p>B. Budgetary expenditure:</p> <ul style="list-style-type: none"> - administrative expenditure 5 000 000-— - expenditure for research 32 306 675-19 - expenditure for rehabilitation 20 993 860-29 - assistance (Article 56) 4 799 674-54 - assistance (Article 54) 3 976 807-66 <p>C. Other expenditure:</p> <ul style="list-style-type: none"> - financial expenses 236 252-09 <p>D. Exchange rate adjustments 10 783 339-46</p> <p>E. Excess of income over expenditure</p>	<p>67 077 017-68</p> <p>236 252-09</p> <p>10 783 339-46</p> <p>106 923 784-23</p> <p>537 201 644-61</p>	<p>33 781 462-93</p> <p>141 424-88</p> <p>28 000 000-—</p> <p>46 450-96</p>	<p>61 969 338-77</p> <p>537 201 644-61</p>
		<p>A. Servicing of loans and guarantees</p> <p>B. Levy</p> <p>C. Other income</p> <ul style="list-style-type: none"> - interest from deposits and portfolio 33 781 462-93 - fines and increases for overdue payment 141 424-88 - contributions from Member States 28 000 000-— - miscellaneous 46 450-96 	

Note of the Court of Auditors

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Our examination has been carried out in accordance with the provisions of the Treaty of 22 July 1975, which amended certain financial provisions of the Treaties establishing the European Communities.

On the basis of our examinations, we certify that these financial statements are in accordance with the books and records of the Commission; in our opinion the balance sheet and the statement of income and expenditure present fairly the financial position of the European Coal and Steel Community at 31 December 1978 and the result of its operations for the year then ended.

Luxembourg, 20 July 1979.

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*Director-General
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Significant accounting policies

(a) European unit of account used for translation of currencies

The ECSC uses the European unit of account (the EUA) as the unit of measure for presenting its financial position and results of operations. The EUA was adopted by the Council of the European Communities and has been defined as equal to the sum of the following amounts of the currencies of the Member States:

Deutschmark	0.828
Belgian franc	3.66
French franc	1.15
Italian lira	109.00
Luxembourg franc	0.14
Dutch guilder	0.286
Pound sterling	0.0885
Irish pound	0.00759
Danish krone	0.217

The value of the EUA, in terms of the currencies of the Member States, is determined by the Commission of the European Communities by converting the abovementioned amounts of currencies into the currency concerned on the basis of the official exchange rates prevailing on that currency's national market. The value of the EUA in terms of a non-member currency is determined on the basis of the cross rates of the currency concerned relative to the EUA on a financial market of the Member States that the Commission considers to be representative; normally, this is the Brussels market.

- (b) The ECSC follows the accrual method of accounting with respect to the collection of levies, interest and other revenues and expenses.
- (c) Currency parity adjustments shown in the income and expenditure account constitute the gain or loss resulting from a revaluation of the net assets of the ECSC using year end exchange rates.
- (d) Investments are stated at cost. A provision for the depreciation of investments to the lower of cost and market value is carried under the heading provision for charges.

Explanatory notes to statement of income and expenditure of the ECSC for the period 1 January 1978 to 31 December 1978

(in European units of account)

Expenditure

A. The expenditure for the servicing of borrowing operations and guarantees totalling 352 181 251.15 EUA is broken down as follows:

Interest on funds borrowed	336 235 968.71
Miscellaneous	137 940.35
Fees to agent banks	3 335 688.53
Amortization of recoverable issuing costs	12 471 653.56

Income

B. The income on the servicing of loans and guarantees totalling 374 456 791.30 EUA is broken down as follows:

Interest on loans	355 391 593.72
Interest on available funds borrowed	10 324 175.24
Guarantee fees	79 731.74
Miscellaneous	8 661 290.60



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