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*(Information)***COURT OF AUDITORS****REPORT BY THE EXTERNAL AUDITOR ON THE COURT OF AUDITORS' ACCOUNTS FOR
THE FINANCIAL YEAR 1999***(2000/C 306/01)*

NOTE TO READERS

Without prejudice to the provisions of Article 248 EC, which gives the Court of Auditors responsibility for auditing all of the Community's revenue and expenditure, and the provisions of Article 276 EC on the granting of the discharge, the Court of Auditors has had its revenue and expenditure accounts audited by an external auditor every year since the close of the financial year 1987.

The reports which the external auditor of the Court of Auditors have drawn up in respect of the Court's accounts for the financial years 1987 to 1991 were sent only to the Chairman of the European Parliament's Budgetary Accounts Committee.

Pursuant to a decision taken by the Members of the Court of Auditors at the Court meeting of 8 July 1993, the external auditor's reports have been published in the *Official Journal of the European Communities*, starting with the report on the financial year 1992.

The financial statements annexed to the enclosed report are based on the accounting data that the Court of Auditors sent to the Commission so that the revenue and expenditure account and the financial balance sheet of the European Communities could be drawn up for the financial year 1999. These accounting data may be supplied to anyone who submits a written request to the External Relations Department of the Court of Auditors.

For the Court of Auditors

Jan O. KARLSSON

President

Certificate concerning the regularity and fairness of the financial statements at 31 December 1999

To the Members of the European Court of Auditors

In accordance with the instructions given to us by the European Court of Auditors, we have examined:

- the accounting data sent by the European Court of Auditors to the Commission for the purpose of drawing up the revenue and expenditure account and the balance sheet of the European Communities for the financial year 1999,
- the financial statements of the European Court of Auditors as at 31 December 1999, which were drawn up on the basis of the same accounting data and prepared for the purpose of publication in the *Official Journal of the European Communities*.

The accounting data and the financial statements are the responsibility of the European Court of Auditors. Our responsibility is, on the basis of our audit work, to express an opinion on the accounting data and the financial statements.

We have conducted our work in accordance with international auditing standards. These standards require us to plan and carry out our work in such a way as to obtain reasonable assurance that the accounting data and financial statements do not contain any material misstatement. As required, the audit included examination, on the basis of a sample, of the evidence in support of the amounts and information contained in the accounting data and financial statements. It also included appraisal of the accounting principles and practices applied and of the significant estimates used by the European Court of Auditors in drawing up the accounts, as well as a review of their overall presentation. We think that the audit provided a reasonable basis for the opinion expressed.

In our opinion, the enclosed accounting data and financial statements give a true and fair view, in accordance with the Financial Regulation, the implementing rules, generally accepted accounting principles and the European Court of Auditors' Internal Rules, of the assets and financial position of the European Court of Auditors at 31 December 1999 and of its revenue and expenditure for the financial year then ended.

Luxembourg, 18 September 2000.

KPMG Audit

Auditors

Stephen NYE

Financial statements at 31 December 1999

Revenue and expenditure accounts for the financial years ending 31 December 1999 and 1998

(1 000 EUR)

	Notes	1999	1998
Revenue			
Contribution from the general revenue of the European Communities		50 240	48 067
Court of Auditors' own resources	1(b)		
— Community levies and dues deducted from remuneration		8 274	8 068
— Revenue accruing from the administrative operation of the institution	2	637	697
— Miscellaneous revenue	1(f)	14	28
<i>Total revenue</i>		59 165	56 860
Expenditure			
Expenditure relating to persons working for the institution	1(c)		
— Members of the institution		5 042	5 038
— Staff in active employment		44 255	42 972
— Allowances and miscellaneous contributions relating to termination of service		123	203
— Missions and duty travel		1 531	1 945
— Other		1 235	918
		52 186	51 076
Operating expenditure			
— Expenditure on immovable property		2 590	2 464
— Expenditure on data processing		1 036	995
— Movable property and associated costs		583	692
— Current administrative expenditure		476	433
— Publishing and information		986	1 016
— Other	1(f)	484	403
		6 155	6 003
<i>Total expenditure</i>		58 341	57 079
Balance for the financial year	7	824	(219)

The notes annexed hereto form an integral part of these financial statements.

Balance sheets at 31 December 1999 and 1998

(1 000 EUR)

	Note	1999	1998
ASSETS			
Fixed assets	1(d)		
Software		61	37
Land and buildings		15 109	16 177
Furniture and equipment		1 452	1 278
Other fixed assets		493	493
		17 115	17 985
Current assets			
Supplies	1(e)	133	109
Sundry accounts receivable	4	535	388
Cash accounts		867	216
		1 535	713
<i>Total assets</i>		18 650	18 698
LIABILITIES			
Fixed capital			
Own capital	3	16 755	17 601
Balance carried forward from previous financial years	7	76	295
Balance for the financial year	7	824	(219)
		17 655	17 677
Current liabilities			
Sundry accounts payable	5	995	962
Payments in hand	6	—	59
		995	1 021
<i>Total liabilities</i>		18 650	18 698

The notes annexed hereto form an integral part of these financial statements.

Notes to the financial statements at 31 December 1999**ACCOUNTING PRINCIPLES**1(a) *Accounting rules*

The accounts of the European Court of Auditors are kept and the financial statements drawn up in accordance with the provisions of the Financial Regulation of 21 December 1977, as last amended by Council Regulation (EC, ECSC, Euratom) No 2673/1999 of 13 December 1999, and the provisions of Commission Regulation (Euratom, ECSC, EC) No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the Financial Regulation.

In accordance with Article 136 of the said implementing rules, the financial statements are presented in accordance with generally accepted accounting principles, including the principles provided for in Council directives, except where otherwise provided for by regulation.

1(b) *Court of Auditors' own resources*

The Court of Auditors' own resources are entered in the accounts on the basis of the amounts actually received during the financial year.

1(d) *Fixed assets*

The Court's tangible and intangible assets are valued at acquisition cost. Where the value is expressed in national currency, it is converted into euro at the accounting rate in force at the time of purchase.

The acquisition cost of the land and the net value, calculated after depreciation, of the other tangible assets are entered on the assets side for the entire period of their use, with a counterpart entry for an equivalent amount on the liabilities side under the heading 'Own capital'.

Tangible and intangible assets other than land and buildings are not recorded in fixed assets accounts unless their value is EUR 400 or more.

According to Article 70a of Council Regulation (EC, ECSC, Euratom) No 2548/98 of 23 November 1998 amending the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, the European Court of Auditors has calculated the depreciation of its fixed assets by analogy with the rules laid down by the European Commission for its own assets.

The depreciation data, calculated according to the linear method by full year, are as follows at the year-end 1998 and 1999:

Amounts owing but not yet received by the end of the financial year are entered on the assets side of the balance sheet under the heading 'Sundry accounts receivable' in the 'Revenue to be collected' item. They have a counterpart entry on the liabilities side of the balance sheet in an item with the same title under the heading 'Sundry accounts payable'. These entries are reversed once the amounts have been collected.

1(c) *Expenditure*

Expenditure for the financial year, which is shown in the 'Statement of revenue and expenditure', represents the payments made against the appropriations for the financial year and against the appropriations carried over from the previous financial year in accordance with the provisions of the regulations applicable in this field.

In accordance with the sixth subparagraph of Article 6 of the Financial Regulation, the expenditure for the financial year is entered in the accounts for that year on the basis of the expenditure for which authorisation reached the Financial Controller not later than 31 December and the accounting officer not later than the following 10 January, and for which payment was effected by the accounting officer not later than 15 January.

(in 1 000 EUR)

	1999			1998
	Depreciable value	Cumulated depreciations	Net accounting value	Net accounting value
Intangible assets				
— Software	102	(41)	61	37
Subtotal	102	(41)	61	37
Tangible assets				
— Land and buildings (*)	23 728	(9 396)	14 332	15 400
— Fittings, machines and equipment	960	(599)	361	160
— Furniture	787	(528)	259	276
— Car fleet	636	(361)	275	256
— Informatics equipment	1 926	(1 369)	557	586
Subtotal	28 037	(12 253)	15 784	16 678
Total	28 139	(12 294)	15 845	16 715

(*) The acquisition value of EUR 777 000 for a plot of land is not included.

The heading 'Intangible assets' includes computer software packages acquired with a value of more than EUR 400 covered by a site licence or a major account contract.

In the absence of a clear definition, laid down by common agreement between the Community institutions, of the term 'intangible asset', no value was entered under this heading on the balance sheet as at 31 December 1998.

1(e) Supplies

Supplies comprise a stock of office and other supplies, valued at the most recent acquisition price, with a counterpart entry, for an equivalent amount, on the liabilities side under the 'Own capital' heading. Where the acquisition cost is expressed in national currency, it is converted into euro at the accounting rate used in drawing up the balance sheet.

— the payment of actuarial reserves by national pension bodies and provident societies by way of transfers of officials' pension rights.

OWN CAPITAL

1(f) Exchange differences

Exchange gains or losses are entered as 'Miscellaneous revenue' or 'Operating expenditure — Other'.

3. The amount of own capital determined according to the principles described in 1(d) and 1(e) at the year-end is broken down as follows.

REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTION

2. Revenue accruing from the administrative operation of the institution comprises mainly:

— revenue accruing from the publication of the European Court of Auditors' reports and opinions in the *Official Journal of the European Communities*,

(1 000 EUR)

	1999	1998
Fixed assets		
— Software	61	37
— Land and buildings	15 109	16 177
— Furniture and equipment	1 452	1 278
Current assets		
— Supplies	133	109
Own capital	16 755	17 601

SUNDRY ACCOUNTS RECEIVABLE

4. The sundry accounts receivable heading at the year-end is broken down as follows.

	(1 000 EUR)	
	1999	1998
Claims relating to persons working for the institution	270	142
Revenue to be collected	86	142
Expenditure to be charged	91	23
Other	88	81
	535	388

Claims relating to persons working for the institution relate mainly to advances paid on mission expenses already incurred but not yet charged.

Revenue to be collected consists almost entirely of established entitlements vis-à-vis Member States for transfers of pension entitlements for which no funds have yet been transferred. There is a counterpart entry in the suspense account with the same title under sundry accounts payable.

Expenditure to be charged comprises amounts which were invoiced by the Commission at the year-end and which it was not materially possible to charge to the budget.

SUNDRY ACCOUNTS PAYABLE

5. The sundry accounts payable heading at the year-end is broken down as follows.

	(1 000 EUR)	
	1999	1998
Sums owing to a credit card organisation	134	316
Revenue available for reuse	145	159
Revenue to be collected	143	171
Provision for accident insurance	229	225
Other	344	91
	995	962

Sums owing to a credit card organisation combines all the amounts invoiced by the travel agency under contract to the Court of Auditors pending their recovery by the credit organisation.

Revenue available for reuse is the unused counterpart of the amounts entered on the assets side for refunds of insurance payments, tax refunds or proceeds from the sale of fixed assets. The revenue available for reuse is earmarked for new expenditure of the same kind and must be used by the end of the following financial year at the latest.

Revenue to be collected represents the established entitlements vis-à-vis Member States for transfers of pension rights for which no funds have yet been transferred.

PAYMENTS IN HAND

6. Under the Financial Regulation, payments which are made between 1 and 15 January of the following financial year and which are authorised before the year-end are entered in the accounts as expenditure for the financial year and are shown on the liabilities side of the balance sheet as payments in hand.

BALANCE TO BE CARRIED FORWARD TO THE FOLLOWING FINANCIAL YEAR

7. The balance for the financial year is the difference between the total revenue for the year and the expenditure against appropriations specific to the year and appropriations carried forward from the previous year.

The changes in the balance to be carried forward to the following financial year are as follows:

	(1 000 EUR)	
	1999	1998
Balance carried forward from previous years	76	295
Balance for the financial year	824	(219)
Balance to be carried forward to the following year	900	76

IMPLEMENTATION OF THE BUDGET

8. The implementation of the budget for the financial year 1999 can be divided up into the implementation of appropriations brought forward and the implementation of appropriations for the financial year.

(a) Appropriations brought forward represent, on the one hand, all the commitments chargeable to the Court that have been entered into but not settled before the year-end, and, on the other hand, appropriations which the budgetary authority has decided to carry forward. Appropriations brought forward from the previous year and not used during the following year are cancelled.

(1 000 EUR)

	Appropriations carried forward from 1998 to 1999	Payments	Appropriations cancelled
Expenditure relating to persons working for the institution			
— Members of the institution	16	12	4
— Staff in active employment	103	103	—
— Missions and duty travel	210	182	28
— Other	556	440	116
	885	737	148
Operating expenditure			
— Expenditure on immovable property	300	274	26
— Expenditure on data processing	143	141	2
— Movable property and associated costs	107	99	8
— Current administrative expenditure	175	165	10
— Publishing and information	527	523	4
— Other	174	143	31
	1 426	1 345	81
<i>Total</i>	2 311	2 082	229

(b) The implementation of the appropriations for the financial year represents the payments made against appropriations committed. The unpaid balance of the commitments may be carried forward to the following year. Appropriations still uncommitted at the end of the year usually lapse.

(1 000 EUR)

	Appropriations for the financial year	Commitments chargeable to the financial year	Payments	Appropriations carried forward to 2000	Lapsed appropriations
Expenditure relating to persons working for the institution					
— Members of the institution	5 140	5 097	5 030	67	43
— Staff in active employment	46 115	44 196	44 152	44	1 919
— Allowances and miscellaneous contributions relating to termination of service	132	123	123	—	9
— Missions and duty travel	1 985	1 985	1 349	636	—
— Other	1 144	1 119	795	324	25
	54 516	52 520	51 449	1 071	1 996
Buildings, equipment and sundry items of operating expenditure					
— Expenditure on immovable property	7 704	7 691	2 316	5 375	13
— Expenditure on data processing	990	988	895	93	2
— Movable property and associated costs	591	579	484	95	12
— Current administrative expenditure	522	516	311	205	6
— Publishing and information	1 170	1 162	463	699	8
— Other	522	483	268	215	39
	11 499	11 419	4 737	6 682	80
<i>Total</i>	66 015	63 939	56 186	7 753	2 076

Payments against appropriations carried forward (EUR 2 082 000) and the appropriations for the financial year (EUR 56 186 000) totalled EUR 58 268 000 which, with the addition of the total for exchange losses, is equal to the total expenditure shown in the statement of revenue and expenditure for the financial year 1999.

Report on the administrative and accounting procedures, the soundness of the financial management and the internal control system

To the Members of the European Court of Auditors

As part of our audit of the annual financial statements of the European Court of Auditors for the financial year ending 31 December 1999, we examined the administrative and accounting procedures, the soundness of the financial management and the internal control system. The purpose of our examination was to ensure that the various departments of the Court of Auditors can be reasonably sure that:

- they have a clear view of the extent to which operational objectives are being achieved,
- the basis on which the published financial statements are drawn up is reliable,
- the financial management of the Court of Auditors complies with current regulations.

The current regulations in question are:

- the Financial Regulation of 21 December 1977 applicable to the general budget of the European Communities, as last amended by Council Regulation (EC, ECSC, Euratom) No 2673/1999 of 13 December 1999,
- Commission Regulation (Euratom, ECSC, EC) No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the Financial Regulation of 21 December 1977,
- the Internal Rules of the Court of Auditors for the implementation of the Court's budget, laid down by Court Decision No 97-47 of 4 December 1997 (as last amended by Written Procedure No 3/97 of 16 January 1998).

We therefore examined very closely the control environment, risk evaluation, control activities, information and communications systems and management procedures of the Court of Auditors. The initial descriptive phase was followed by systems evaluation based on sample checks of supporting documents and interviews with staff. The nature and extent of our tests were determined by our appraisal of the control environment. We think that our work forms a reasonable basis for our conclusions regarding the Court of Auditors' procedures, the soundness of its financial management and its internal control system.

In our opinion the current internal control rules ensure that the operational objectives are achieved satisfactorily, the financial statements are reliably drawn up and the legal framework is complied with.

Luxembourg, 18 September 2000.

KPMG Audit

Auditors

Stephen NYE
