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(Information)

COURT OF AUDITORS

REPORT

**on the annual accounts of the European Agency for Safety and Health at Work for the
2003 financial year together with the Agency's replies**

(2004/C 324/01)

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INTRODUCTION

1. The European Agency for Safety and Health at Work (hereinafter referred to as the Agency) was established by Council Regulation (EC) No 2062/94 of 18 July 1994 ⁽¹⁾. The Agency's task is to collect and disseminate information on national and Community priorities in the field of safety and health at work, to support national and Community organisations involved in the formulation and implementation of policy and to provide information on preventive measures. *Table 1* contains a summary of the Agency's responsibilities and activities based on information provided by the Agency.

THE COURT'S OPINION

2. This opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾.

3. The Court has examined the Agency's annual accounts for the financial year ended 31 December 2003. In accordance with Article 14(1) of Council Regulation (EC) No 2062/94, the budget was implemented on the responsibility of the Director. This responsibility included the drawing-up and presentation of the accounts ⁽³⁾ in accordance with the internal financial rules provided for under Article 15 of Council Regulation (EC) No 2062/94. The Court is required under Article 248 of the Treaty establishing the European Community to examine these accounts.

4. The Court carried out its audit in accordance with its auditing policies and standards, which have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. It examined the accounting documents and applied the audit procedures it considered necessary in this context.

5. The Court thus obtained reasonable assurance that the annual accounts for the financial year ended on 31 December 2003 were reliable and that the underlying transactions, taken as a whole, were legal and regular. The content of the following observations does not call into question the audit opinion expressed by the Court in this report.

⁽¹⁾ OJ L 216, 20.8.1994, p. 1. The Regulation was amended by Council Regulation (EC) No 1654/2003 of 18 June 2003 (OJ L 245, 29.9.2003, p. 38).

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ In accordance with Article 14(3) of the Agency's Financial Regulation, the final accounts for the financial year 2003 were drawn up on 27 July 2004 and forwarded to the Court of Auditors, which received them on 24 September 2004. A short form of these accounts is presented in the tables annexed to this report.

OBSERVATIONS

6. The implementation of the appropriations for the financial year 2003 and of the appropriations carried over from the previous financial year is shown in *Table 2*. The revenue and expenditure account and balance sheet drawn up by the Agency for 2003 are set out in summary form in *Tables 3 and 4*.

7. The carry-overs of appropriations mainly concern Title III of the budget and, despite a significant reduction, represent more than 45 % of the commitments entered into. The Court once again draws the Agency's attention to the necessity of improving the monitoring of its activities.

8. For the financial year ending on 31 December 2003 the Agency began to apply the accounting principles set out in its new financial regulation. Nevertheless, the data concerning the financial year 2002 were not reprocessed, so it is not possible to compare the two financial years.

9. In its report concerning the financial year 2002 ⁽⁴⁾, the Court noted shortcomings in checks on a programme of subsidies for the collation and dissemination of good practices to reduce the risks to health and safety in small and medium-sized enterprises. In 2003 the Agency paid 3,1 million euro on the basis of an analysis of the activity reports and financial reports concerning 53 projects under this programme. The declarations of expenditure of 20 of these projects were audited by the Court. As the date of the end of the programme approached, the Agency reduced its demands in terms of financial documentation in support of requests for final payment. The result was that, in the case of five of the 20 files examined, payments had been made to the extent of 348 000 euro on the basis of nothing more than a declaration of expenditure, without adequate supporting documents and in some cases with none ⁽⁵⁾. In its reply to the Court's report concerning the financial year 2002 ⁽⁶⁾, the Agency was examining the possibility of carrying out checks at project holder level. No such check was carried out in 2003.

10. As the Court pointed out in its opinion on the financial year 2002 ⁽⁷⁾, the audit of the budgetary accounts again revealed shortcomings in the definition of *ex ante* financial checks and the relevant formal procedures.

⁽⁴⁾ See paragraph 12 of the report concerning the financial year 2002 (OJ C 319, 30.12.2003, p. 10).

⁽⁵⁾ In four cases, no supporting document was attached to the request and in one case the supporting documents covered only part of the amount requested.

⁽⁶⁾ See paragraph 13 of the reply to the report concerning the financial year 2002 (OJ C 319, 30.12.2003, p. 14).

⁽⁷⁾ See paragraph 9 of the report concerning the financial year 2002 (OJ C 319, 30.12.2003, p. 9).

11. According to Article 4 of the Agency's basic regulation, the national authorities are to inform the Agency of the names of the institutions with which the Agency is able to cooperate and which can act as topic centres. The Agency has financed two centres ⁽¹⁾ which cover a large range of topics. One of them cooperates with 14 institutions and the other with 12. The main

added value of the studies carried out by the centres is the fact that they collect data which are sometimes difficult to obtain and analyse at European level. The Agency should strengthen its system for checking expenditure declared by topic centres, in particular by asking for them to be certified by an external auditor.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 29 and 30 September 2004.

For the Court of Auditors
Juan Manuel FABRA VALLÉS
President

⁽¹⁾ A third centre was set up in June 2003 solely for the collection of data in the candidate countries; this centre ceased operations in April 2004.

Table 1
European Agency for Safety and Health at Work (Bilbao)

Areas of Community competence according to the Treaty	Objectives	Tasks	Governance	Funds placed at the Agency's disposal in 2003 (data for 2002)	Products and services supplied in 2003
<p>Social Provisions</p> <p>The Community and the Member States (...) shall have as their objectives (...) improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained (...).</p> <p>With a view to achieving the objectives of Article 136, the Community shall support and complement the activities of the Member States in the following fields:</p> <p>a) improvement in particular of the working environment to protect workers' health and safety;</p> <p>b) working conditions; (...)</p> <p>(Extracts from Articles 136 and 137 of the Treaty)</p>	<p>The Agency's competences as defined by Council Regulation (EC) No 2062/94 of 18 July 1994</p> <p>Objectives</p> <ul style="list-style-type: none"> — To provide the Community bodies, the Member States and those involved in the field with information of use in the field of safety and health at work in order to encourage improvements, especially in the working environment, as regards the protection of the safety and health of workers; 	<p>Tasks</p> <ul style="list-style-type: none"> — To collect and disseminate information on national and Community priorities and on research — to promote cooperation and the exchange of information, including information on training programmes — to supply the Community bodies and the Member States with information they require to formulate and implement policies, in particular as regards the impact on small and medium-sized enterprises — to make available information from and to third countries and international organisations — to provide information on preventive activities — to contribute to the development of future Community action programmes — to set up a network comprising national focal points and topic centres. 	<p>1 Administrative Board</p> <p><i>Composition</i></p> <ul style="list-style-type: none"> — 1 representative of each Member State; — 1 representative of the employers' organisations of each Member State; — 1 representative of the employees' organisations of each Member State; — 3 representatives of the Commission <p><i>Task</i></p> <ul style="list-style-type: none"> — To adopt the Agency's work programme and annual general report <p>2 The Director</p> <ul style="list-style-type: none"> — Appointed by the Administrative Board on a proposal from the Commission <p>3 Committees</p> <p>Obligatory consultation of the Commission and the Advisory Committee on Safety, Hygiene and Protection at Work in respect of the work programme</p> <p>4 External audit</p> <p>Court of Auditors</p> <p>5 Discharge authority</p> <p>Parliament on a recommendation by the Council</p>	<p>Final budget:</p> <p>14,6 million euro (13,2 million euro) including:</p> <ul style="list-style-type: none"> — Community subsidy, Employment DG: 91,58 % (98,41 %) — Community subsidy, Enlargement DG: 7,19 % (0 %) — miscellaneous revenue: 1,23 % (1,59 %) <p>Staff as at 31 December 2003:</p> <p>33 (31) posts in the establishment plan, of which, posts filled: 29 (29)</p> <p>25 (21) other posts (auxiliary contracts, seconded national experts, local staff, temporary staff)</p> <p>Total staff: 54 (50)</p> <p>Of these, number carrying out operational tasks: 34 (32)</p> <p>administrative tasks: 12 (9)</p> <p>assorted tasks: 8 (9)</p>	<p>Development of the network</p> <p>approximately 600 partners associated with national focal points, nine expert groups, three topic centres, participation of PHARE and EFTA countries</p> <p><i>Dissemination of information</i></p> <p>European Week for Safety and Health at work: 'dangerous substances';</p> <ul style="list-style-type: none"> — Participation in 58 exhibitions/conferences, — Electronic media: twice-weekly newsletter to 20 000 subscribers, website (1,7 million visitors) — Publications: 9 information reports and working documents, 11 fact sheets, 1 issue of the 'Forum' magazine, 3 newsletters — paper version, 19 press releases <p>3rd programme for SMEs (2003-2004): 40 projects selected</p> <p>2nd programme for SMEs (2002-2003): 51 projects finalised</p>

Source: information supplied by the Agency.

Table 2
European Agency for Safety and Health at Work — Implementation of the budget for the financial year 2003

Source of revenue	Revenue		Expenditure										Available appropriations (2003 budget and financial year 2002)			
	Revenue entered in the final budget for the financial year	Revenue collected	Appropriations in the final budget					Appropriations carried over from the previous financial year			appropria-tions	com-mitted	paid	carried over	cancelled	
			entered	com-mitted	paid	carried over	can-celled	out-stand-ing appropria-tions	paid	can-celled						
Community sub-sidies	13,4	11,6	3,7	3,5	3,2	0,1	0,4	0,1	0,1	0,1	0,1	3,9	3,5	3,3	0,1	0,5
Own revenue	0,0	0,0	1,4	1,4	1,1	0,2	0,0	0,2	0,2	0,1	0,1	1,6	1,4	1,3	0,2	0,1
Other subsidies	0,2	0,1	8,5	8,3	2,6	5,9	0,0	5,8	5,2	0,6	0,6	14,3	8,3	7,8	5,9	0,6
Other revenue	p.m.	0,2	1,1	1,0	0,5	0,5	0,0	0,0	0,0	0,0	0,0	1,1	1,0	0,5	0,5	0,0
PHARE revenue	1,1	0,8														
Total	14,6	12,7	14,6	14,1	7,5	6,6	0,5	6,2	5,5	0,8	0,8	20,8	14,1	13,0	6,6	1,2

N.B.: Differences in totals are due to the effects of rounding.

Source: The Agency's data — The tables present, in summary form, the data provided by the Agency in its own accounts.

Table 3

European Agency for Safety and Health at Work — Revenue and expenditure account for the financial years 2003 and 2002

	(1 000 euro)	
	2003	2002
Revenue		
Community subsidies	11 641	12 324
Other subsidies	66	252
Other revenue	157	81
Phare revenue	824	0
Total revenue (a)	12 688	12 657
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	3 245	3 024
Appropriations carried over	87	136
<i>Administration — Title II of the budget</i>		
Payments	1 146	1 140
Appropriations carried over	186	247
<i>Operating activities — Title III of the budget</i>		
Payments	2 559	2 030
Appropriations carried over	5 859	5 623
<i>PHARE expenditure</i>		
Payments	548	0
Appropriations carried over	502	0
Total expenditure (b)	14 131	12 199
Outturn for the financial year (c = a – b) (1)	– 1 443	458
Balance carried over from the previous financial year	– 1 108	– 2 185
Appropriations carried over from the previous financial year and cancelled	766	609
Sums to be re-used carried over from the previous financial year and not used	1	0
Payments against commitment cancelled in 2002	– 191	0
Exchange-rate differences	4	4
Adjustment entries	– 16	7
Outturn for the financial year before economic adjustment (d)	– 1 987	– 1 108
Budget revenue to be recovered	850	0
Other revenue to be recovered	3	0
Acquisitions of fixed assets	207	0
Depreciation (2)	– 186	0
Miscellaneous expenditure	– 1	0
Economic adjustments (e)	873	0
Balance for the financial year (d + e) (3)	– 1 113	– 1 108

(1) Calculation according to the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

(2) In 2003 the Agency depreciated its fixed assets for the first time.

(3) The negative balance is due to the fact that carry-overs are still being treated as expenditure, without any economic adjustment. A rough estimate of the adjustment to be applied suggests that the actual balance for the financial year is of the order of a million euro.

NB: Differences in totals are due to the effects of rounding.

Source: The Agency's data — The tables present, in summary form, the data provided by the Agency in its own accounts.

Table 4

European Agency for Safety and Health at Work — Balance sheet at 31 December 2003 and 31 December 2002

(million euro)

Assets	2003	2002	Liabilities	2003	2002
Fixed assets			Own capital		
Computer software	95	145	Own capital ⁽¹⁾	431	1 229
IT equipment	136	428	Balance for the financial year	- 1 113	- 1 108
Fittings and furniture	215	614	<i>Subtotal</i>	- 682	121
Transportation equipment	0	26	Medium and long-term liabilities		
<i>Subtotal</i>	445	1 214	Liabilities against assigned revenue	0	369
Medium and long-term assets			<i>Subtotal</i>	0	369
Community subsidies	0	369	Current liabilities		
<i>Subtotal</i>	0	369	Non-automatic carry-overs	135	193
Stocks			Automatic carry-overs	6 498	5 813
Office supplies	6	15	Commission	282	7
<i>Subtotal</i>	6	15	Sundry accounts payable	128	19
Current assets			Payroll deductions	73	24
Community subsidies	1 035	681	Liabilities against assigned revenue	0	736
Sundry accounts receivable	62	53	<i>Subtotal</i>	7 117	6 791
Recoverable VAT	0	5	Suspense accounts		
<i>Subtotal</i>	1 097	739	Recovery orders	11	21
Cash accounts			Revenue for re-use	0	17
Bank and cash	4 889	4 922	<i>Subtotal</i>	11	37
Imprest account	1	61			
<i>Subtotal</i>	4 890	4 982			
Suspense accounts					
Advances	6	0			
<i>Subtotal</i>	6	0			
Total	6 445	7 319	Total	6 445	7 319

(¹) The total for capital at 31 December 2003 corresponds to the sum of the gross value of fixed assets at 31 December 2002 minus historical depreciation for the period 1996 to 2002 plus the variation in the value of stock between 31.12.2002 and 31.12.2003 and adjustments on the valuation, recognition and downgrading of fixed assets. The depreciation for 2003 has been included in the result for the year and therefore has not been deducted directly from capital.

NB: Differences in totals are due to the effects of rounding.

Source: The Agency's data — The tables present, in summary form, the data provided by the Agency in its own accounts.

THE AGENCY'S REPLIES

7. The Agency would like to confirm its continuous commitment towards reducing the amount of carry-overs in line with the principle of annuality of the budget. Compared with 2002, the Agency has significantly reduced carry-overs in 2003 (from 60 to 45 %). As in 2002 carry-overs are mainly due to the proper implementation of the SME funding scheme, which has a clear two-year implementation cycle.

8. Following various meetings between the Commission and the Accountants of all Agencies, it was decided that the withdrawal of credits carried over at the end of the year, required the use of specific IT tools, which were not available but are now being developed by the Agency.

9. Concerning the projects of the SME programme, the Agency did not pay the full grant to more than half of the project holders and six recovery orders were issued, following the internal assessment by Agency staff of the activity and financial reports and supporting documents provided by the 53 beneficiaries. The difference between the total amount foreseen and the total grant amount paid was EUR 382 377. The Agency would highlight that additional information provided by four of the five project holders mentioned by the Court, at the request of the Agency after the auditors' visit, confirmed the information provided earlier in the

financial statement, and no adjustment was required. The fifth project holder provided some of the requested information justifying the total payment of EUR 11 000. In 2004, the Agency commissioned a contractor to carry out five *ex post* financial audits, including on-site inspections of the SME project holders' accounts. The final reports are due in October 2004 moreover, an independent evaluation of the first two SME schemes has concluded to the sustainability and the added value of the awarded projects as well as sound management of the schemes.

10. The Agency notes the comments of the Court of Auditors. At the end of 2003, the internal restructuring of the Resource and Service Centre was completed, all operations are now subject to an *ex ante* verification check (operational and financial aspects).

11. The Agency wishes to note that, in order to reinforce the control of expenditures, all contracts signed from September 2003 onwards with the Topic Centres include a clause by which the beneficiary will carry out an external audit of the use of the funds made available by the grant agreement. The auditors shall produce their professional opinion, the purpose of the audit being to certify that the financial documents submitted to the Agency by the beneficiary comply with the financial provisions of the agreement, that the costs declared are the actual costs and that all receipts have been declared.