REPORT

on the annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005 together with the Centre's replies

(2006/C 312/16)

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INTRODUCTION

1. The European Monitoring Centre on Racism and Xenophobia (hereinafter the Centre) was established by Council Regulation (EC) No 1035/97 of 2 June 1997 [1]. The Centre's primary tasks are to provide the Union and the Member States with reliable information on racism, xenophobia and anti-Semitism in the Union and to cooperate with the Council of Europe in these areas.

2. *Table 1* summarises the Centre's competences and activities. Key information from the financial statements drawn up by the Centre for the financial year 2005 is shown in *Tables 2, 3 and 4*.

STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 [2]; it was drawn up following an examination of the Centre's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Centre's accounts for the financial year ended 31 December 2005 [3] were drawn up by its Director, pursuant to Article 12 of Regulation (EC) No 1035/97, and sent to the Court, which is required to provide a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the statement expressed below.

Reliability of the accounts

The Centre's accounts for the financial year ended 31 December 2005 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Centre's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's statement into question.

OBSERVATIONS

7. Although the rate of commitment for the appropriations for the financial year 2005 was over 90 %, it was found that more than 50 % of the commitments for administrative expenditure were carried over and that in general there was a high rate of cancellation of the appropriations carried over (between 15 % and 25 %, depending on the title). This situation shows that there is still a need for the Centre to improve its expenditure planning and the way it monitors the implementation of this expenditure. Transfers between budget headings need to be justified and documented in accordance with the provisions in force.

8. The Court noted that no activity-based management had been brought in, despite the Centre's financial regulation making provision for its introduction, on the lines of that applied to the general budget, with a view to improving the monitoring of performance. In this context, achieving the Centre's aims should not mean merely carrying out a series of tasks. It should rather be seen as contributing to the goals laid down in its basic Regulation. The Centre's work programme should, in principle, express this contribution in operational and measurable terms.

9. The Centre had no system for planning and managing its equipment acquisitions. Furthermore, it did not make any cyclical checks on its inventory, although this would have improved the inventory's reliability.

10. The Centre's internal control system suffered from various shortcomings. The financial circuits set up by the authorising officer had not been described. The systems whereby the authorising officer and his delegatees supplied information to the accounting officer had in particular not been validated by the latter. The principle of the segregation of duties was not applied strictly, especially between the duties of initiation and verification. Furthermore, for commitments the lists of *ex ante* verifications should include sound financial management criteria.

[1] OJ L 151, 10.6.1997, p. 6.
[2] OJ L 248, 16.9.2002, p. 1.
[3] These accounts were drawn up on 3 May 2006 and received by the Court on 29 June 2006.

11. The rule whereby members of the selection boards must always be of a grade equivalent to or higher than that of the post to be filled was not always complied with.

12. The invitations to tender issued by the Centre do not offer much by way of explanation as regards the minimum quality of bids and the weighting of price factors. As a result of this situation, an adequate level of transparency cannot be guaranteed and risks are entailed as regards the quality of the products and services to be provided. Barring a specific reason to the contrary, the price-quality ratio method should be used as it ensures that the goods and services to be purchased are of the highest possible quality.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 28 September 2006.

For the Court of Auditors
Hubert WEBER
President

Table 1

European Monitoring Centre on Racism and Xenophobia (Vienna)

Areas of Community competence deriving from the Treaty	Competences of the Centre as specified in the Council Regulation (Council Regulation (EC) No 1035/97 of 2 June 1997)		Governance	Resources made available to the Centre (*2004*)	Products and services supplied
Collection of information The Commission may, within the limits and under conditions laid down by the Council in accordance with the provisions of this Treaty, collect any information and carry out any checks required for the performance of the tasks entrusted to it. *(Article 284)*	**Objectives:** — to provide the Community and its Member States with objective, reliable and comparable data at European level on the phenomena of racism, xenophobia and anti-Semitism, — close cooperation with the Council of Europe in order to avoid duplication and obtain added value.	**Tasks:** — to study the extent and development of the phenomena of racism and xenophobia, — to collect and analyse information, via the European Racism and Xenophobia Information Network (RAXEN), — to carry out scientific surveys, — to encourage widespread dissemination of such information, — to formulate opinions for the Community and its Member States, — to develop indicators and criteria to improve the comparability of data, — to publish an annual report on the situation regarding racism and xenophobia.	1. **Management Board** *Composition:* one independent person appointed by each Member State, one independent person appointed by the European Parliament, one independent person appointed by the Council of Europe and a representative of the Commission. *Duties:* to adopt the work programme and the general annual report. To adopt the final budget and the establishment plan. To give an opinion on the final accounts. 2. **Executive Board** *Composition:* — Chairman of the Management Board, — one representative of the Council of Europe, — one representative of the Commission, — two other members of the Management Board. 3. **Director** Appointed by the Management Board on a proposal from the Commission. 4. **External audit** European Court of Auditors. 5. **Internal control** The Commission's Internal Audit Service. 6. **Discharge authority** Parliament on a recommendation from the Council.	**2005 final budget:** 8,279 million euro (*7,9 million euro*) including Community contribution: 100 % (*98,7* %). **Staff numbers at 31 December 2005:** 37 (*34*) posts in the establishment plan, posts occupied: 35 (*30*) + 4 (*4*) other staff (auxiliary contracts, seconded national experts, local and employment-agency staff) *Total staff:* 41 (*34*) assigned to the following duties: operational: 24 (*21*) administrative: 13 (*8*) mixed: 4 (*5*).	**RAXEN:** Number of contributions through the 25 national focal points: 400 Number of meetings: 5 **RESEARCH REPORTS:** Number of reports: 13 Number of meetings: 7 Annual Reports: 2 EUMC Newsletter: 5 Equal Voices: 2 **COOPERATION WITH THE MEMBER STATES AND THE OTHER INSTITUTIONS** (number of events organised jointly): — Member States: 4 — Commission: 14 — European Parliament: 8 — COR: 3 — EESC: 3 — Council of Europe: 10 — OSCE: 3 — UN: 3 — Inter-agency: 3 — NRT: 6 — ERT: 1

Source: Information supplied by the Centre.

EUROPEAN MONITORING CENTRE ON RACISM AND XENOPHOBIA

Table 2

Implementation of the budget for the financial year 2005

(1 000 euro)

Revenue			Expenditure													
Source of revenue	Revenue entered in the final budget for the financial year	Revenue received	Allocation of expenditure	Final budget appropriations for the financial year					Appropriations carried over from the previous financial year			Available appropriations (appropriations for the financial year and for the previous financial year)				
				final	committed	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appropriations	committed	paid	carried over	cancelled
Community subsidies (1)	8 189	8 189	Title I Staff	3 152	3 078	3 008	70	74	85	71	14	3 237	3 163	3 079	70	88
Allocated revenue (Phare)	90	90	Title II Administration	1 222	1 132	551	581	91	37	30	7	1 259	1 169	581	581	98
Other revenue	0	151	Title III Operating activities	3 815	3 398	2 731	667	416	745	556	189	4 560	4 143	3 287	667	605
			Allocated revenue (Phare and other)	90	0	0	90	0	0	0	0	90	0	0	90	0
Total	**8 279**	**8 430**	**Total**	**8 279**	**7 608**	**6 290**	**1 408**	**581**	**867**	**657**	**210**	**9 146**	**8 475**	**6 947**	**1 408**	**791**

(1) Including subsidies on behalf of the European Economic Area.

Table 3

Revenue and expenditure account for the financial year 2005 (1)

(1 000 euro)

	2005
Operating revenue	
Community subsidies	7 466
Other subsidies/revenue	14
Total (a)	**7 480**
Operating expenditure	
Staff	2 729
Administration	1 029
Operating activities	3 304
Total (b)	**7 062**
Economic result (c = a – b)	**418**

(1) The data for the financial year 2004 are not shown as they are not comparable with those for 2005 because of a change in the accounting methods used.

Table 4

Balance sheet at 31 December 2005 and 2004 (1)

(1 000 euro)

	2005	2004
Assets		
Fixed assets	152	123
Receivables	361	366
Cash and cash equivalents	2 832	1 279
Total	**3 345**	**1 768**
Liabilities		
Cumulative results for previous years	725	725
Result for the year	418	0
Current liabilities	2 202	1 043
Total	**3 345**	**1 768**

(1) The data for the financial year 2004 have been restated to make them comparable with those for 2005.

Source: Data supplied by the Centre. These tables summarise the data supplied by the Centre in its annual accounts.

THE CENTRE'S REPLIES

7. The high rate of the administrative appropriations carried forward is due to the fact that the Procurement Section was created late in 2005. Tenders were launched after this, in order to ensure the legality of the procedures. A procedure has been put in place to decrease the level of cancelled carry-overs. Future budgetary transfers will be fully documented.

8. The Annual Work Programme 2006 has been prepared in a format which meets the needs of Article 40 of the Framework FR, setting the key activities, objectives, tasks, output, performance indicators, and outcome/impact of the work of the Centre. Consequently, the Annual Activity Report for year 2006 will be drawn corresponding to the structure of the Work Programme thus providing the required performance indicators and performance review based on quantifiable data.

9. An inventory management application has been procured and is currently configured and installed. An inventory count is planned to be performed in the last quarter of the year, as soon as the application has been installed and the preparatory works have been finalised.

10. In February 2006, the financial workflows were changed to improve internal controls over transactions and adhere to the requirements of the FR. The abovementioned changes have been documented in a series of Instruction Notes signed by the Director, after consultation of the Accounting Officer and the Internal Auditor of the EUMC. The new workflows were tested in a test SI2 universe and the validation of the test is documented.

11. Whilst the EUMC's staffing table foresees a total of only 37 posts, it is very difficult and, in some cases impossible, to constitute boards with agents having at least the same grade of the position to be filled.

12. The Centre will consider improving the clarity of information provided in the call for tenders and shall apply the method of 'price/quality' ratio where it is deemed to be appropriate.