REPORT

on the annual accounts of the European Union Fundamental Rights Agency (formerly the European Monitoring Centre on Racism and Xenophobia) for the financial year 2006 together with the Agency's replies

(2007/C 309/02)

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INTRODUCTION

1. The European Union Fundamental Rights Agency (formerly the European Monitoring Centre on Racism and Xenophobia hereinafter the Agency) was established by Council Regulation (EC) No 1035/97 of 2 June 1997 ([1]) and modified by Council Regulation (EC) No 168/2007 of 15 February 2007 ([2]), which extended its competencies. The Agency'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 Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2006 is shown in *Tables 2, 3 and 4* for information purposes.

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 ([3]); it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2006 ([4]) 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 the IFAC and INTOSAI International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

([1]) OJ L 151, 10.6.1997, p. 6.

([2]) OJ L 53, 22.2.2007, p. 1.

([3]) OJ L 248, 16.9.2002, p. 1.

([4]) These accounts were drawn up on 11 May 2007 and received by the Court on 1 July 2007.

6. The Court has thus obtained a reasonable basis for the Statement set out below.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2006 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency'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. The Agency transferred 235 000 euro from the operational reserve (Title III) to Title I (staff expenditure) to cover increased costs for temporary staff. The justification for this transfer was not documented as required by article 23(3) of the Agency's Financial Regulation.

8. In 2006, the Agency decided to bear in their entirety the costs of providing schooling for its staff's children without applying Article 3 of Annex VII to the Staff Regulations. Payments were made in 2006 although the decision had not been adopted by the Management Board and no formal agreements had been signed with suitable local schools ([5]).

9. In May 2006, the Director approved procedures governing the recruitment of staff for the Agency. On several points, these procedures were not in line with the rules and objectives of the Staff Regulations: non respect of the principle of parity in the composition of the selection board; establishment of the reserve list in alphabetical order; no effective possibility to appeal given to rejected candidates during the preliminary evaluation phase.

([5]) Amount of school fees (school year 2006/2007) accepted for reimbursement in 2006: 31 340 euro.

10. In one procurement procedure for a framework contract [1], the Agency received two tenders. One was rejected by the opening committee on the basis that its reception was late whereas it was not. The contract was awarded to the second tender received, even though it obtained a very low score for the quality evaluation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 27 September 2007.

For the Court of Auditors
Hubert WEBER
President

[1] Estimated value for 4 years: 400 000 euro.

Table 1

European Union Fundamental Rights Agency (Vienna)

Areas of Community competence deriving from the Treaty	Competences of the Agency as specified in Council Regulation (EC) No 1035/97 of 2 June 1997		Gouvernance	Resources made available t o the Centre in 2006 *(2005)*	Products and services supplied during the financial year 2006
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 uncil 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** Court of Auditors 5. **Internal control** The Commission's Internal Audit Service 6. **Discharge authority** Parliament on a recommendation from the Council.	**Final budget:** 9,5 million euro (*8,3 million euro*) including Community contribution: 100 % (*100%*): **Staff numbers at 31 December 2006:** 37 (*37*) posts in the establishment plan, posts occupied: 35 (*35*) + 10 (*4*) other staff (auxiliary contracts, seconded national experts, local and employment-agency staff) *Total staff*: 47 (*41*) assigned to the following duties — operational: 28 (*24*) — administrative: 15 (*13*) — mixed: 4 (*4*)	**Raxen:** Number of contributions through the 25 national focal points: 375 Number of meetings: 2 **Research reports:** Number of reports: 9 Number of meetings: 5 Annual reports: 2 EUMC Bulletin: 6 Equal Voices: 3 **Cooperation with the Member States and the other institutions** (number of events organised jointly): — Member States: 15 — Commission: 29 — European Parliament: 7 — COR: 2 — EESC: 1 — Council of Europe: 10 — OSCE: 4 — UN: 1 — Inter-agency: 4 — NRT: 4 — ERT: 1

Source: Information supplied by the Agency.

Table 2

European Union Fundamental Rights Agency (Vienna) — Implementation of the budget for the financial year 2006

(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					Appropriations carried over from previous financial year(s)				
				entered	com-mitted	paid	carried over	cancelled	entered	com-mitted	paid	to be carried over	cancelled
Own revenue	0	0	Title I Staff	3 923	3 743	3 693	50	180	70	70	53	0	17
Community subsidies	8 800	8 800	Title II Administration	969	923	640	283	46	581	581	570	0	11
Allocated revenue (Phare) (1)	484	484	Title III Operating activities	3 908	3 695	2 753	942	213	667	667	647	0	20
Other revenue	0	132	Allocated revenue (Phare and others) (1)	484	325	239	245	0	90	90	90	0	0
Total	**9 284**	**9 416**	**Total**	**9 284**	**8 686**	**7 325**	**1 520**	**439**	**1 408**	**1 408**	**1 360**	**0**	**48**

(1) The amount initially entered in the budget was 648 000 euro, of which the Commission did not pay 164 000 euro. For the sake of clarity and accuracy, the corrected amount of 484 000 euro is shown.

Source: Data supplied by the Agency. This table summarise the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

European Union Fundamental Rights Agency (Vienna)
— Economic outturn account for the financial years 2006 and 2005

(1 000 euro)

	2006	2005
Operating revenue		
Community subsidies	8 609	7 466
Other revenues	8	14
Total (a)	**8 618**	**7 480**
Operating expenses		
Staff expenses	3 051	2 729
Fixed asset related expenses	52	52
Other administrative expenses	1 403	977
Operational expenses	3 556	3 304
Total (b)	**8 061**	**7 062**
Economic result for the year (c = a – b)	**556**	**418**

Table 4

European Union Fundamental Rights Agency (Vienna) — Balance sheet at 31 December 2006 and 2005

(1 000 euro)

	2006	2005
Non-current assets		
Intangible fixed assets	84	25
Tangible fixed assets	388	128
Current assets		
Short-term pre-financing	70	
Short-term receivables	453	360
Cash and cash equivalents	2 288	2 832
Total assets	**3 282**	**3 345**
Current liabilities		
Provisions for risks and charges	48	56
Accounts payable	1 535	2 146
Total liabilities	**1 582**	**2 202**
Net assets		
Accumulated surplus/deficit	1 143	725
Economic result for the year	556	418
Total net assets	**1 700**	**1 143**
Total liabilities and net assets	**3 282**	**3 345**

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

THE AGENCY'S REPLIES

7. The reserve was included in Title III and intended to have a general purpose. The Agency specified the allocation of the reserve between the various budgetary Titles in its 2007 budget. The Agency will, however, devote particular efforts to provide more complete justification and documentation of transfers made.

8. The Agency will proceed with the signature of agreements with suitable local schools. The decision shall be submitted to the Management Board, in October 2007, for adoption.

9. Although Annex III of the Staff Regulation is not applicable to other servants of the European Communities, the Agency will propose, if the consultation with the Commission's services is finished in due time, to its Management Board to adopt, during its October 2007 meeting, new implementing rules of the Staff Regulations which will take into account the Court's observations to the maximum possible extent.

10. The Agency will take measures to avoid the repetition of the situation described by the Court.