

REPORT**on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2001, together with the Centre's replies**

(2002/C 326/09)

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THE COURT'S OPINION

1. This report is addressed to the Management Board of the European Monitoring Centre for Drugs and Drug Addiction, in accordance with Article 11(11) of Council Regulation (EEC) No 302/93⁽¹⁾.

2. The Court has examined the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year ended 31 December 2001. In accordance with Article 11(8) of Council Regulation (EEC) No 302/93, the budget was implemented under the responsibility of the Executive Director. This responsibility included the drawing-up and presentation of the financial statements⁽²⁾ in accordance with the internal financial provisions provided for under Article 11(12) of Council Regulation (EEC) No 302/93, as amended by Article 1 of Council Regulation (EC) No 3294/94⁽³⁾. The Court of Auditors is required under Article 248 of the Treaty establishing the European Community to audit these accounts.

3. The Court performed its audit in accordance with its auditing policies and standards. These have been adapted from generally accepted international auditing standards to reflect the specific characteristics of the Community context. Accordingly, the Court carried out such tests of the accounting records and other auditing procedures as it deemed necessary in the circumstances. By means of this audit, the Court obtained a reasonable basis for the opinion expressed below.

4. This examination has enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2001 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

5. Without calling into question the audit opinion expressed in paragraph 4, the Court nevertheless draws attention to the situations described in paragraphs 22 to 24 of this report.

MAIN OBSERVATIONS

Implementation of the budget

6. The implementation of the appropriations for the financial year 2001 and of the appropriations carried over from the previous financial year is shown in *Table 1*⁽⁴⁾.

⁽¹⁾ OJ L 36, 12.2.1993, p. 6.

⁽²⁾ As required under Article 11(10) of Council Regulation (EEC) No 302/93, the accounts for all the Monitoring Centre's revenue and expenditure for the financial year 2001 were drawn up on 26 March 2002 and forwarded to the Centre's Management Board, the Commission and the Court of Auditors. These accounts were received by the Court on 8 April 2002. A summarised version of these accounts is presented in the tables annexed to this Report.

⁽³⁾ OJ L 341, 30.12.1994, p. 7.

⁽⁴⁾ All the tables in this report have been drawn up on the basis of the most exact values possible of the data used. For presentation purposes, the figures have been rounded up or down, which may give rise to minor differences in the totals. A dash indicates a non-existent or nil value and 0,0 indicates a value below the rounding threshold.

7. Final appropriations for the financial year totalled 9,2 million euro, 8,8 million of which were committed. Of the operating appropriations (Title III), which totalled 3,3 million euro, 3,2 million were committed. Payments in respect of the appropriations for the financial year totalled 6,5 million; 2,5 million were carried over to the following financial year and a total of 0,3 million had to be cancelled. Only 59 % of the operational appropriations committed were disbursed in the course of the financial year.

8. Appropriations carried over to 2002 totalled 2,4 million euro (27 % of commitments). These were mainly operational appropriations, a total of 1,4 million euro of which were carried over (44 % of commitments). The significant extent of these carry-overs demonstrates the need for the Centre to improve the quality and the monitoring of its programming of activities.

Financial statements

9. The revenue and expenditure account and balance sheet published by the Centre in its activity report for the financial year 2001 are presented in summary form in *Tables 2 and 3*. In 2001, the Centre reimbursed an amount to the Commission which was equivalent to the cancelled balance of the preceding financial years.

10. As regards the balance sheet, the Centre took account in 2001, in compliance with Commission Regulation (EC) No 2909/2000 of 29 December 2000, of the depreciation of its fixed assets. The depreciation charges for the financial year 2001 and for the previous financial years amounted to 557 194 euro and the net value of the Centre's fixed assets was 3 229 480 euro.

11. In view of the high level of the balances on the accounts, the Centre should negotiate with the banks to see if it is possible to obtain more advantageous conditions. The accounting officer should carry out regular monitoring of the rates offered on the financial markets in order to ensure that interest yielded by the funds is satisfactory.

Application of the financial provisions

12. An examination of supporting documents relating to the expenditure being charged to the imprest accounts revealed that expenditure of the same type was charged to separate budget headings. This is contrary to the principle of specification. The Centre's accounting officer should carry out regular unannounced checks on the use of the funds allocated to the imprest accounts and on the keeping of the accounts. Moreover, the list of payments made should be submitted to the accounting officer and the financial controller at the end of every month, as laid down in Article 6 of the decision creating the imprest accounts.

13. In its annual reports on the Centre ⁽¹⁾ for 1999 and 2000, the Court called on the Centre to incorporate in its financial regulation the amendments made to the Financial Regulation applicable to the general budget concerning VAT. This has still not been done.

14. The Centre signed a contract with the Commission for the purpose of preparing the countries which are candidates for accession for participation in the Centre's activities. A separate budget of 1 056 139 euro was allocated to this project. This budget provided for the recruitment of three auxiliary members of staff to implement the contract. For six months ⁽²⁾ the costs of the salaries of these three members of staff, totalling 81 439 euro, were wrongly charged to the Centre's budget. This situation was not regularised until October 2001, whereas the total amount for the project had been paid by the Commission on 14 March 2001.

15. The proposals for commitments of the appropriations ⁽³⁾ relating to this project are not always accompanied by supporting documents which would allow an assessment of the justification for committing these amounts.

16. A contract for a duration of two years and involving an amount of 20 000 euro was awarded to an expert who was to manage a website for the Centre. In fact, this was an extension of a previous contract. Examination of the file revealed that, although the date of expiry of the previous contract was known, no steps were taken in good time to launch an invitation to tender. Moreover, the new contract allocates implementation of the ancillary tasks it entails to the Centre on the grounds that this work should be internalised. This type of internalisation prevents the Centre from acquiring expertise in the area managed by the consultant. In addition, the terms of the contract do not contain any performance criteria to enable the attainment of these objectives to be measured.

17. A contract ⁽⁴⁾ awarded at the end of August 2001 provided for the payment by the Centre of an advance of 30 % on conclusion of the contract. The advance had still not been paid at the beginning of December of the same year, although by that date the contract had been almost entirely fulfilled. The managing departments should carry out regular monitoring of the files in order to ensure compliance with the terms of the contract.

Purchases of goods and services

System for forecasting requirements

18. Until 2000, acquisitions of goods and services depended on the decisions concerning the annual work programme and on

budget appropriations. After the internal reform of the Centre, it began implementation of a three-year programming system. The main activities of the Centre are subjected to an analysis which allows evaluation of the human and financial resources required to carry them out.

19. The Centre should elaborate a monitoring system with a formal and well-documented structure, which would enable it to analyse the discrepancies between forecasts and actual requirements.

Market research

20. The Centre does not ensure systematic monitoring of the markets for the goods and services it intends to acquire. For its everyday purchases it turns to its usual suppliers.

Choice of procedure

21. One argument put forward by the Centre to justify its recourse to direct agreements to renew or extend contracts is the quality of the services rendered and its concern to ensure their continuity. This reasoning disregards the aim of the rules governing purchases, which is to stimulate competition by having recourse to the market.

22. One restricted invitation to tender launched with a view to acquiring office computers for an amount of around 80 000 euro ⁽⁵⁾ included a condition that the tenderers should already have supplied the Centre with similar equipment. A restriction of this kind, which has no base whatsoever in law, is entirely unjustified.

Evaluation of tenders

23. The criteria for evaluation of the tenders are drawn up by the member of staff in charge of the project. The very general definition of the criteria makes a quantified evaluation of the tenders by the evaluation committee very difficult.

24. The tenders are assessed by an evaluation committee consisting of three members, which gives an opinion on the basis of documents submitted by the tenderers. The format in which the tenderers' replies are to be provided should be elaborated and clearly defined in order to make their content comparable.

25. The working methods of the evaluation committees and the definition of the evaluation criteria should be the subject of specific instructions in order to guarantee equality of treatment for the tenderers.

⁽¹⁾ OJ C 373, 27.12.2000, and OJ C 372, 28.12.2001.

⁽²⁾ March to August 2001.

⁽³⁾ Totalling 60 000 euro (Budget Heading 3311 — Missions).

⁽⁴⁾ EMC 1288, for an amount of 43 790 euro.

⁽⁵⁾ See file No ACPC/2/2001.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 25 and 26 September 2002.

For the Court of Auditors

Juan Manuel FABRA VALLÉS

President

Table 1
Implementation of the budget for the financial year 2001

(Mio EUR)

Revenue			Expenditure													
Origin of revenue	Revenue entered in the final budget for the financial year	Revenue received	Allocation of expenditure	Appropriations in the final budget					Appropriations carried over from the previous financial year			Available appropriations (2001 budget 2001 and financial year 2000)				
				entered	commit- ted	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appro- priations	commit- ted	paid	carried over	cancelled
Commission subsidies	8,8	8,8	Title I Staff	4,7	4,5	4,0	0,4	0,2	0,2	0,0	0,2	4,9	4,7	4,0	0,4	0,4
Other subsidies	1,5	1,6	Title II Administration	1,2	1,2	0,6	0,6	0,0	0,3	0,3	0,0	1,5	1,5	0,9	0,6	0,0
Financial revenue	p.m	0,1	Title III Operating activities	3,3	3,2	1,9	1,4	0,0	1,7	1,6	0,1	5,0	4,9	3,5	1,4	0,1
Total	10,2	10,4	Total	9,2	8,9	6,5	2,4	0,2	2,2	1,9	0,3	11,4	11,1	8,4	2,4	0,5

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

Source: Monitoring Centre data. These tables summarise the data provided by the Monitoring Centre in its own financial statements.

Table 2

Revenue and expenditure accounts for the financial years 2001 and 2000

(1 000 EUR)

	2001	2000
Revenue received during the financial year		
Commission subsidy	8 750	8 214
Norwegian subsidy	399	
Other subsidies	1 153	
Financial revenue	99	232
Total revenue (a)	10 401	8 446
Budgetary expenditure for the financial year		
<i>Staff — Title I of the budget</i>		
Payments	4 027	3 876
Appropriations carried over	428	189
<i>Administration — Title II of the budget</i>		
Payments	560	682
Appropriations carried over	596	354
<i>Operating activities — Title III of the budget</i>		
Payments	1 883	1 498
Appropriations carried over	1 432	1 651
Payments in respect of appropriations assigned	469	
Carry-overs of appropriations assigned	684	
Total expenditure (b)	10 079	8 250
Out-turn for the financial year ⁽¹⁾ (a-b)	322	196
Balance carried over from the previous financial year	2 076	1 617
Appropriations carried over which lapse and appropriations for re-use	319	269
Reimbursement of balance to the Commission	- 2 076	
Depreciation	- 557	
Exchange differences	- 2	- 6
Balance for the financial year	82	2 076

⁽¹⁾ Calculated in accordance with the principles laid down in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 (OJ L 130, 31.5.2000, p. 8)

NB: Any discrepancies in totals are due to the effect of rounding.

Source: Monitoring Centre data. These tables summarise the data provided by the Monitoring Centre in its own financial statements.

Table 3

Balance sheet as at 31 December 2001 and 31 December 2000

(1 000 EUR)

Assets	2001	2000	Liabilities	2001	2000
Fixed assets			Fixed capital		
Buildings	2 950	2 950	Own capital	3 792	3 840
Equipment and furniture	151	330	Balance for the financial year	82	2 076
Computer equipment	634	503			
Transportation equipment	51	45	<i>Subtotal</i>	3 874	5 916
Depreciation	- 557	0			
<i>Subtotal</i>	3 229	3 828			
Stocks	10	12	Current liabilities		
Current assets			Automatic carry-overs of appropriations	2 185	1 960
Commission subsidies	36	36	Non-automatic carry-overs	270	234
Subsidies assigned	39	101	Subsidies	75	137
Recoverable VAT	28	3	Sundry accounts payable	774	38
Other accounts receivable	38	43	VAT	28	3
Payments on revenue assigned	2	1	Re-used appropriations	101	112
<i>Subtotal</i>	143	184	<i>Subtotal</i>	3 433	2 484
Cash accounts					
Banks	3 925	4 372			
Imprest accounts	0	4			
<i>Subtotal</i>	3 925	4 376			
Total	7 307	8 400	Total	7 307	8 400

NB: Any discrepancies in totals are due to the effect of rounding.

Source: Monitoring Centre data. These tables summarise the data provided by the Monitoring Centre in its own financial statements.

THE CENTRE'S REPLIES

4. The Centre is pleased to note the Court of Auditors' acknowledgement that the annual accounts for the financial year ended 31 December 2001 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

5. The Centre considers that the observations in question do not merit special attention and should come under the part of the report in which the Court gives its opinion.

8. In the event that differentiated appropriations are not available, a large volume of automatic carryovers is always required to execute the anticipated commitments in accordance with the work programme.

11. The Centre takes careful note of the Court's suggestion.

12. As a general rule, the list of imprest payments is submitted on a monthly basis to the accounting officer and financial controller. Exceptionally, the lists for the months of July, August and September were presented together. The Centre will take steps to ensure that these presentations are carried out regularly on a monthly basis and takes note of the Court's suggestions relating to the carrying-out of unannounced checks in addition to the usual monthly checks.

13. Following the recasting of the Financial Regulation applicable to the general budget of the European Communities, at the time of the next review of its Financial Regulation, the Centre will study how to implement the Court's suggestions, also taking into account the specific nature of VAT reimbursements in Portugal.

14. The three auxiliary members of staff recruited under the Phare-European Monitoring Centre for Drugs and Drug Addiction programme were paid by means of the same administrative and accounting system as the rest of the staff and, therefore, their salaries were initially charged to the Centre's budget pending the implementation of an ad hoc administrative and financial structure.

15. Appropriations for missions are subject to provisional commitments taking account of the estimates given in the work

programme. The Centre, in accordance with the Court's observation, will submit these proposals for commitments in conjunction with the supporting programming instruments.

16. A direct contract was used owing to the specific nature of the work to be undertaken, in accordance with the provisions of the Financial Regulation.

17. As part of the review of its internal procedures, the Centre is in the process of improving coordination between its operational and accounting departments in order to grant the authorising officers more responsibility in following up the transactions that they have to perform.

19. As regards the implementation of its internal reform plan, the Centre is in the process of setting up formal procedures (in accordance with the principles of its new work organisation on a project-by-project basis) to follow up and evaluate the implementation of its work programme.

20. The Centre does not always have the necessary resources to undertake the systematic monitoring of the markets.

21. It is correct that in certain cases of contract renewal/extension, the Centre wished to give priority to ensuring the continuity and maintaining the quality of the service provided. In the future, the Centre will make an effort to stimulate competition while retaining these aspects which it deems to be important.

22. The Centre accepts the Court's comment and has already eliminated this condition for invitations to tender launched in 2002.

23. As regards its procedures for implementing the work programme and the budget, the Centre has already made the various project managers aware of the need for the criteria for the award of contracts to be defined in a sufficiently specific way and is monitoring the implementation of these directives.

24 and 25. The Centre has adopted the internal coordination procedures aimed at ensuring the appropriate composition of the committees evaluating the tenders. Subsequently, steps will be taken to promote further the application of these mechanisms.