

REPORT

on the annual accounts of the European Railway Agency for the financial year 2010, together with the Agency's reply

(2011/C 366/18)

INTRODUCTION

1. The European Railway Agency (hereinafter 'the Agency'), which is located in Lille and Valenciennes, was created by Regulation (EC) No 881/2004 of the European Parliament and of the Council of 29 April 2004⁽¹⁾. The Agency's aim is to enhance the level of interoperability of railway systems and to develop a common approach to safety in order to contribute to creating a more competitive European railway sector with a high level of safety⁽²⁾.

2. The Agency's 2010 budget amounted to 24,1 million euro, compared with 21 million euro the previous year. The number of staff employed by the Agency at the end of the year was 142, compared with 127 the previous year.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287(1), second subparagraph, of the Treaty on the Functioning of the European Union, the Court has audited the annual accounts⁽³⁾ of the Agency, which comprise the 'financial statements'⁽⁴⁾ and the 'reports on the implementation of the budget'⁽⁵⁾ for the financial year ended 31 December 2010, and the legality and regularity of the transactions underlying those accounts.

4. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002⁽⁶⁾.

The Director's responsibility

5. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with the financial rules of the Agency, under his own responsibility and within the limits of the authorised

appropriations⁽⁷⁾. The Director is responsible for putting in place⁽⁸⁾ the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts⁽⁹⁾ that are free from material misstatement, whether due to fraud or error, and for ensuring that the transactions underlying those accounts are legal and regular.

The Court's responsibility

6. The Court's responsibility is to provide, on the basis of its audit, a statement of assurance as to the reliability of the annual accounts of the Agency and the legality and regularity of the transactions underlying them.

7. The Court conducted its audit in accordance with the IFAC and ISSAI⁽¹⁰⁾ International Auditing Standards and Codes of Ethics. Those standards require the Court to comply with ethical requirements and to plan and perform the audit so as to obtain reasonable assurance as to whether the accounts are free of material misstatement and whether the underlying transactions are legal and regular.

8. The Court's audit involves performing procedures to obtain audit evidence of the amounts and disclosures in the accounts and of the legality and regularity of the transactions underlying them. The procedures selected, including its assessment of the risks of material misstatement of the accounts or of illegal or irregular transactions, whether due to fraud or error, depend on its audit judgement. In making those risk assessments, internal controls relevant to the entity's preparation and presentation of accounts are considered in order to design audit procedures that are appropriate in the circumstances. The Court's audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the accounts.

⁽¹⁾ OJ L 220, 21.6.2004, p. 3.

⁽²⁾ The *Annex* summarises the Agency's competences and activities. It is presented for information purposes.

⁽³⁾ These accounts are accompanied by a report on the budgetary and financial management during the year which gives inter alia an account of the rate of implementation of the appropriations, with summary information on the transfers of appropriations among the various budget items.

⁽⁴⁾ The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in capital and the annex to the financial statements, which includes a description of the main accounting policies and other explanatory information.

⁽⁵⁾ The budget implementation reports comprise the budget outturn account and its annex.

⁽⁶⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁷⁾ Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 (OJ L 357, 31.12.2002, p. 72).

⁽⁸⁾ Article 38 of Regulation (EC, Euratom) No 2343/2002.

⁽⁹⁾ The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in Chapter 1 of Title VII of Regulation (EC, Euratom) No 2343/2002 as last amended by Regulation (EC, Euratom) No 652/2008 (OJ L 181, 10.7.2008, p. 23) and are integrated as such in the Financial Regulation of the Agency.

⁽¹⁰⁾ International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

9. The Court believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

Opinion on the reliability of the accounts

10. In the Court's opinion, the Agency's Annual Accounts⁽¹⁾ fairly present, in all material respects, its financial position as of 31 December 2010 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

Opinion on the legality and the regularity of the transactions underlying the accounts

11. In the Court's opinion, the transactions underlying the annual accounts of the Agency for the financial year

ended 31 December 2010 are, in all material respects, legal and regular.

12. The comments which follow do not call the Court's opinions into question.

COMMENTS ON THE BUDGETARY AND FINANCIAL MANAGEMENT

13. The appropriations carried forward to 2011 amounted to 5,5 million euro, of which 4,3 million euro (78 %) are related to goods and services to be provided in 2011. This level of carryover is excessive and at odds with the principle of annuality.

This Report was adopted by Chamber IV, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 6 September 2011.

For the Court of Auditors
Vitor Manuel da SILVA CALDEIRA
President

⁽¹⁾ The Final Annual Accounts were drawn up on 15 June 2011 and received by the Court on 4 July 2011. The Final Annual Accounts can be found on the following website <http://eca.europa.eu> or www.era.europa.eu

ANNEX

European Railway Agency (Lille/Valenciennes)**Competences and activities**

<p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 91(1) of the Treaty on the Functioning of the European Union)</i></p>	<p>‘For the purpose of implementing Article 90, and taking into account the distinctive features of transport, the European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of the Regions, lay down:</p> <ul style="list-style-type: none"> (a) common rules applicable to international transport to or from the territory of a Member State or passing across the territory of one or more Member States; (b) the conditions under which non-resident carriers may operate transport services within a Member State; (c) measures to improve transport safety; (d) any other appropriate provisions.’
<p>Competences of the Agency</p> <p><i>(Regulation (EC) No 881/2004 of the European Parliament and of the Council)</i></p>	<p>Objectives</p> <p>To contribute, on technical matters, to the implementation of the Union legislation aimed at:</p> <ul style="list-style-type: none"> — improving the competitive position of the railway systems, — developing a common approach to safety on the European railway system, <p>in order to contribute to creating a European railway area without frontiers and guaranteeing a high level of safety.</p> <p>Tasks</p> <p>1 — <i>Address recommendations to the Commission on:</i></p> <ul style="list-style-type: none"> — the common safety methods (CMS) and common safety targets (CSTs) provided in the Railway Safety Directive (2004/49/EC), — safety certificates and measures in the field of safety, — development of technical specifications for interoperability, — monitoring interoperability, — certification of maintenance workshops, — vocational competencies, — registration of rolling stock. <p>2 — <i>Issue opinions on</i></p> <ul style="list-style-type: none"> — national safety rules, — monitoring the quality of work of notified bodies, — interoperability of the trans-European network. <p>3 — <i>Coordination of national bodies</i></p> <p>Coordination of national safety authorities and national investigation bodies (as described in Directive 2004/49/EC, Articles 17 and 21).</p> <p>4 — <i>Publications and databases</i></p> <ul style="list-style-type: none"> — report on safety performance (every 2 years),

	<ul style="list-style-type: none"> — report on progress with interoperability (every 2 years), — public database of safety documents, — public register of documents on interoperability.
Governance	<p>1 — Administrative Board</p> <p>Comprises one representative from each Member State, four representatives from the Commission and six representatives, without the right to vote, from the professional sectors concerned.</p> <p>2 — Director</p> <p>Appointed by the Administrative Board on a proposal from the Commission.</p> <p>3 — External audit</p> <p>Court of Auditors.</p> <p>4 — Discharge Authority</p> <p>Parliament following a recommendation from the Council.</p>
Resources made available to the Agency in 2010 (2009)	<p>Budget</p> <p>24 (21) million euro</p> <p>Staff at 31 December 2010</p> <p>Posts listed in the establishment plan: 139 (124)</p> <p>Posts occupied on 31.12.2010: 133 (113)</p> <p>Other staff: 15 (14)</p> <p>Total staff: 148 (127), of which assigned to:</p> <ul style="list-style-type: none"> — operational tasks: 101 (84) — administrative tasks: 47 (43)
Activities and services provided in 2010	<p>Recommendations relating to Safety Certification, including the migration to a single Union safety certificate, recommendations for a Union model of a train driver licence and register, certification of maintenance workshops and entities in charge of maintenance.</p> <p>Recommendations in respect of safety regulation, including evaluating the way national safety rules are made available, examination of the transposition of the Railway Safety Directive in the Member States.</p> <p>Recommendations relating to Safety Reporting, including Common Safety Indicators, coordination of safety authorities' and investigation bodies and reporting on safety performance in the Member States.</p> <p>Recommendations on safety assessment, including Common Safety Methods.</p> <p>Drafting Recommendations for Technical Specifications for Interoperability and their Revision. Evaluation of extension of scope and error correction.</p> <p>Publish a report on railway safety.</p> <p>Provide Technical Opinions on national rules and monitor the work of Notified Bodies.</p> <p>Set up and maintain a series of registers for Interoperability and safety.</p>

	<p>Act as the System Authority and Change Control Manager for ERTMS (European Railway Traffic Management System) assisting the Commission in evaluating ERTMS projects.</p> <p>Define and compile the Reference Document of national rules for vehicle authorisation and classify their equivalence for cross acceptance.</p> <p>Accompany all recommendations with an impact assessment.</p>
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Source: Information supplied by the Agency.

THE AGENCY'S REPLY

13. The Agency is analysing the possibility to conclude framework contracts for studies, enabling it to sign specific contracts much sooner after the adoption of the budget. Furthermore, for the years 2011 and 2012, the Agency is reviewing its budget forecasts to better align them to its real needs and to optimise the use of its budgetary resources.
