

## REPORT

**on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2012, together with the Centre's replies**

(2013/C 365/13)

## INTRODUCTION

1. The European Centre for Disease Prevention and Control (hereinafter 'the Centre', aka 'ECDC'), which is located in Stockholm, was established by Regulation (EC) No 851/2004 of the European Parliament and of the Council <sup>(1)</sup>. The Centre's main tasks are to collect and disseminate data on the prevention and control of human diseases and to provide scientific opinions on this subject. It is also required to coordinate the European network of bodies operating in this field <sup>(2)</sup>.

## INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Centre's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

## STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- (a) the annual accounts of the Centre, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2012, and
- (b) the legality and regularity of the transactions underlying those accounts.

## The management's responsibility

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002 <sup>(5)</sup>,

the management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions:

- (a) The management's responsibilities in respect of the Centre's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer <sup>(6)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Centre after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Centre in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

## The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(7)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the

<sup>(1)</sup> OJ L 142, 30.4.2004, p. 1.

<sup>(2)</sup> *Annex II* summarises the Centre's competences and activities. It is presented for information purposes.

<sup>(3)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(4)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(5)</sup> OJ L 357, 31.12.2002, p. 72.

<sup>(6)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

<sup>(7)</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Centre are free from material misstatement and the transactions underlying them are legal and regular.

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts.

7. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

#### **Opinion on the reliability of the accounts**

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects.

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

#### **COMMENTS ON THE LEGALITY AND REGULARITY OF TRANSACTIONS**

11. The opinion on the legality and regularity of the Centre's transactions was qualified for the year 2011 because the Centre did not respect the maximum amount of a framework contract from 2009. According to this framework contract, the Centre could sign specific contracts with selected suppliers up to a

maximum amount of 9 million euro. By the end of 2011 however, payments of 12,2 million euro had been made.

12. In order to purchase essential services for the continuation of the related project, the Centre in 2012 concluded additional specific contracts for an amount of 2,5 million euro. Together with 2,7 million euro of payments made in 2012 for contracts signed already in 2011, payments made totalled 17,4 million euro by the end of 2012. Whilst payments above the 9 million euro ceiling set in the framework contract are irregular, the Centre has taken corrective action in 2012 and signed a replacement framework contract in June 2012 (no further payments will be made under the old contract) and has improved monitoring the consumption of framework contracts in general.

13. The 2012 payments amounting to 5,2 million euro stem from failures in previous years when the ceiling of the framework contract was not respected. They relate to contractual obligations stemming from previous years (2,7 million euro) or taken in 2012 for business continuity reasons (2,5 million euro) pending the finalisation of the procurement procedure for the new framework contract. Given the corrective action taken by the Centre in 2012, the Court has not qualified the opinion on the legality and regularity of transactions this year.

#### **COMMENTS ON INTERNAL CONTROLS**

14. In 2012, the Centre awarded grants to research institutions and individuals. Total grant expenditure amounted to 752 000 euro, representing 1,4 % of 2012 operating expenditure. The Centre's *ex ante* verifications before reimbursement of costs claimed by beneficiaries consist of a desk analysis of cost claims and partly also of audit certificates issued by independent audit firms contracted by the beneficiaries. The Centre does not usually obtain from beneficiaries any documents to substantiate the eligibility and accuracy of the costs claimed. In order to strengthen controls, the Centre has adopted an *ex post* verification strategy and planned for its implementation in 2012. However, it experienced a 10-month delay in gaining access to an interinstitutional audit contract and, at the time of the audit, no *ex post* verifications of 2012 grant expenditure had yet taken place. For the transactions audited by the Court, supporting documentation was obtained by the Centre on the Court's behalf which provided reasonable assurance as to their legality and regularity.

#### **COMMENTS ON BUDGETARY MANAGEMENT**

15. Budget implementation rates were satisfactory for title I (staff expenditure) and title II (administrative expenditure) at 97 % and 80 % of committed appropriations respectively. While the level of carry-overs related to title III is high at 8,3 million euro (41 % of title III appropriations committed), this did not arise from delays in the implementation of the Centre's Annual Work Programme, but reflects the multi-annual nature of activities. The Centre has adopted a budgetary planning module that is linked directly to its Annual Work Programme and payments were planned and made according to operational needs.

**FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

16. An overview of the corrective actions taken in response to the Court's previous year's comments is provided in *Annex I*.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 10 September 2013.

*For the Court of Auditors*  
Vitor Manuel da SILVA CALDEIRA  
*President*

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## ANNEX I

**Follow-up of previous year's comments**

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2011	As in the previous year, a high level of carry-over is reported for 2011. This high level of carry-over, coupled with a low level of accrued expenditure (5,4 million euro), is at odds with the budgetary principle of annuality.	Completed
2011	Irregularities in the management of one framework contract, leading to a qualified opinion on the legality and the regularity of the transactions underlying the accounts, are reported in paragraph 10. The Court found additional cases in which the Centre's controls did not prevent poor management of contracts.	Completed
2011	In one case, under a multiple framework contract, a specific contract was amended by the Centre in 2010 and again in 2011. The amendments were covered by the conditions of the framework contract, but did not comply with the Centre's Implementing Rules to its Financial Regulation. The amendments related to the contract's duration and increases in both the services and contract amounts. Payments in excess of the original contract value amounted to 0,2 million euro.	Completed
2011	For another framework contract concluded for a maximum amount of 1,7 million euro, the four specific contracts signed in 2011 implementing it made no reference to the volume or value of services to be supplied. In 2011 payments related to these specific contracts amounted to 0,06 million euro. The framework contract itself had an excessive duration of 8 years and the Centre failed to create a clear link between the technical specifications, the award criteria and the pricing structure as set out in the tender documents sent to suppliers to procure the contracted services.	Completed
2011	One grant agreement for an amount of 0,2 million euro was signed in 2011 more than four months after the start of the activities. Activities carried out and expenditure incurred before the signature of the grant agreement are ineligible.	Completed
2011	As in the previous year, the Court identified weaknesses regarding staff recruitment procedures. There was no evidence that the questions for the written tests and interviews and their weightings had been set before the examination of applications. Selection criteria had partly not been checked and eligibility requirements were changed at the assessment stage.	Completed

## ANNEX II

**European Centre for Disease Prevention and Control (Stockholm)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 168 of the Treaty on the Functioning of the European Union)</i></p>	<ul style="list-style-type: none"> <li>— A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities.</li> <li>— Union action, which shall complement national policies, shall be directed towards improving public health, preventing physical and mental illness and diseases, and obviating sources of danger to physical and mental health. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education, and monitoring, early warning of and combating serious cross-border threats to health.</li> </ul>
<p><b>Competences of the Centre</b></p> <p><i>(Regulation (EC) No 851/2004 of the European Parliament and of the Council)</i></p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To strengthen Europe's defences against infectious diseases; specifically, to identify, assess and communicate current and emerging threats to human health from communicable diseases.</li> <li>— To this end the Centre shall operate dedicated surveillance networks, provide scientific opinions, operate the early warning and response system (EWRS) and provide scientific and technical assistance and training.</li> </ul> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To operate dedicated disease surveillance networks and enhance networking activities. The Centre has a specific role in data collection, validation, analysis and dissemination.</li> <li>— To provide authoritative expert advice and scientific opinions and studies on communicable diseases.</li> <li>— To operate the Early Warning and Response System. Develop procedures for identifying emerging health threats.</li> <li>— To strengthen Member States' capacity in preparedness planning and in training.</li> <li>— To inform the general public and interested parties of its work.</li> </ul>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p><i>Composition</i></p> <p>One member designated by each Member State, two members designated by the European Parliament and three representatives of the Commission.</p> <p><i>Tasks</i></p> <p>The Board adopts the Centre's annual programme and budget and monitors their implementation.</p> <p><b>Director</b></p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission.</p> <p><b>Advisory Forum</b></p> <p><i>Composition</i></p> <p>A representative of each Member State and three non-voting representatives of the Commission.</p>

	<p><i>Tasks</i></p> <p>The Forum is to assure the scientific excellence of the work and the independence of the activities and opinions of the Centre.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on recommendation from the Council.</p>
<p><b>Resources made available to the Centre in 2012 (2011)</b></p>	<p><b>Final Budget</b></p> <p>58,2 (56,6) million euro</p> <p><b>Staff as at 31 December 2012</b></p> <p>Authorised posts: 200 (200)</p> <p>Posts occupied: 187 (177)</p> <p>Other posts: 91 (88)</p> <p>Total: 278 (265), assigned to the following duties:</p> <p>— operational tasks: 183 (174)</p> <p>— administrative and support tasks: 95 (91)</p>
<p><b>Products and services in 2012 (2011)</b></p>	<p>69 (64) health threats identified and monitored using the Threat Tracking Tool (TTT).</p> <p>52 (52) weekly threat reports on communicable diseases sent to 334 (331) recipients. In addition, as from 2012, the report is also available on ECDC website every week.</p> <p>Provision of support to epidemic intelligence for 3 (3) large mass-gathering events.</p> <p>In addition, 3 (5) events of exceptional nature/public importance were also monitored.</p> <p>Preparation of 6 risk assessments, 16 (17) new rapid risk assessments and 16 (11) rapid risk assessment updates.</p> <p>1 (2) simulation exercise workshops conducted for testing and improving preparedness and response to communicable diseases.</p> <p>94 (98) fellows coached in the European Programme for Intervention Epidemiology Training (EPIET).</p> <p>10 (8) fellows coached in the European Public Health Microbiology Training (EUPHEM).</p> <p>114 (181) public health experts from 30 EU-EEA countries participated in the Centre's short training modules.</p> <p>780 000 (500 000) visitors to the Centre's web portal.</p> <p>240 (122) scientific publications published.</p>

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	<p>Fifth European Antibiotic Awareness Day organised, with the participation of 43 (37) countries; in an effort to show global solidarity, the US 'Get Smart About Antibiotics' Week, the Canadian initiative 'AntibioticAwareness.ca' and the Australian Antibiotic Awareness Week were also launched during the same week.</p> <p>13 (11,2) million unique records in the TESSy databases; 1 324 (845) active users from 56 (53) countries.</p> <p>Enhanced surveillance; integration into the Centre of 15 (15) of the 17 dedicated surveillance networks at the end of 2012; (one discontinued and the last one outsourced).</p> <p>Annual Epidemiological Report published.</p> <p>Tuberculosis, HIV/AIDS and anti-microbioresistance annual reports published.</p> <p>40 (32) weekly influenza bulletins/weekly influenza surveillance overviews for 2012.</p> <p>34 (27) scientific opinions produced, based on stakeholders requests.</p> <p>Organisation of the sixth European Scientific Conference on Applied Infectious Disease Epidemiology (ESCAIDE) on 24-26 October 2012 in Edinburgh, with 511 (500) participants.</p> <p>Organisation of the first Eurovaccine.net conference with 200 participants.</p> <p>Weekly publication of the Eurosurveillance scientific journal, with 14 000 (13 302) online subscribers.</p> <p>Eurosurveillance received its first impact factor. A stunning 6,15 was awarded for the year 2011. This places Eurosurveillance at rank 6 among the 70 journals in the category Infectious Diseases, worldwide.</p>
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Source: Information supplied by the Centre.

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### THE CENTRE'S REPLIES

11-13. The Centre became aware of this case in September 2011 and brought it to the attention of the Court of Auditors during their audit in October 2011. The Centre opted for full transparency on the matter to seek guidance and advice from the Court of Auditors. Following the discussions at that time, the Centre had put all necessary measures in place: immediate launch of a new tender to establish a new Framework Contract (FWC) and a registration of exception. In December 2011, together with the Centre's answer to this preliminary finding, it included, detailed information related to the contract volumes that would still be signed under the current FWC in order to insure its business continuity, a schedule with the timeline for the new FWC and the measures put in place to avoid this in the future like managing the new FWC by one Authorising Officer and its consumption by one Resource Officer. The Centre emphasises that no funds were lost and no parties have been disadvantaged.

14. The ECDC Grant Verification Policy is due to be revised in July 2013. The revised policy will take into consideration the observations made by the European Court of Auditors. All the verifications of grant expenditure planned for 2012 will be performed in 2013 instead, together with the verifications selected for this year. Hence, the unavailability of the inter-institutional framework contract for audits will not lead to any reduction in the controls performed.

15. The Court's comment is welcomed as it confirms the multiannual nature of most of the Centre's operational activity.

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