

REPORT**on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2013, together with the Centre's replies**

(2014/C 442/14)

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⁽¹⁾. 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⁽²⁾.

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⁽³⁾ and the reports on the implementation of the budget⁽⁴⁾ for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

4. 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⁽⁵⁾:

- (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⁽⁶⁾; 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.

⁽¹⁾ OJ L 142, 30.4.2004, p. 1.

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

⁽³⁾ 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.

⁽⁴⁾ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁽⁵⁾ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁽⁶⁾ 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.

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council ⁽⁷⁾ 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 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 2013 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 2013 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. Although the Centre has improved its management of procurement procedures, for one procedure launched in 2013 there was conflicting information between the contract notice and the tender specifications which may have affected the competitive process and the outcome of the procedure. Payments made in 2013 under the framework contract and the two specific contracts concerned amounted to 108 000 euro. Following the Court's audit, the Centre took immediate corrective action and the framework contract was cancelled.

COMMENTS ON BUDGETARY MANAGEMENT

12. The overall budget execution rate was relatively low (92 %). Cancellations of 2013 appropriations appeared in all budget titles.

13. Carry-overs of committed appropriations were relatively high, with 1 714 484 euro (26 %) for Title II (administrative expenditure) and 7 907 139 euro (44 %) for Title III (operational expenditure).

14. For Title II, this mainly related to procurement of IT hardware and software (1 086 203 euro), and the ongoing external evaluation of the Centre (210 000 euro).

15. For Title III, committed appropriations carried over mainly concerned multiannual projects (4 620 605 euro), and IT items to support operational activities (1 962 443 euro) for which activities were implemented and payments were made according to operational needs. However, weaknesses were noted in respect of the budgetary planning and execution for operational meetings, mainly due to overestimated attendance levels and hotel and flight costs. For the respective budget line, 29 % of 2013 appropriations (655 142 euro) and 59 % of carry-overs from 2012 (455 820 euro) were cancelled. In addition, 38 % of committed 2013 appropriations for operational meetings (amounting to 594 758 euro) were carried over to 2014.

⁽⁷⁾ Article 107 of Regulation (EU) No 1271/2013.

FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS

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

This Report was adopted by Chamber IV, headed by Mr Pietro RUSSO, Member of the Court of Auditors, in Luxembourg at its meeting of 16 September 2014.

For the Court of Auditors
Vitor Manuel da SILVA CALDEIRA
President

ANNEX I

Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	<p>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.</p> <p>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.</p>	N/A
	<p>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.</p>	
2012	<p>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 <i>ex ante</i> 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 <i>ex post</i> 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 <i>ex post</i> 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.</p>	Ongoing

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	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 multiannual 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.	N/A

ANNEX II

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

<p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 168 of the Treaty on the Functioning of the European Union)</i></p>	<p>'A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities.'</p> <p>'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.'</p>
<p>Competences of the Centre</p> <p><i>(Regulation (EC) No 851/2004 of the European Parliament and of the Council)</i></p>	<p>Objectives</p> <ul style="list-style-type: none"> — To strengthen Europe's defences against infectious diseases; specifically, to identify, assess and communicate current and emerging threats to human health from communicable diseases. — To this end, the Centre operates dedicated surveillance networks, provides scientific opinions, operates the early warning and response system (EWRS) and provides scientific and technical assistance and training. <p>Tasks</p> <ul style="list-style-type: none"> — To operate dedicated disease surveillance networks and enhance networking activities. The Centre has a specific role in data collection, validation, analysis and dissemination. — To provide authoritative expert advice and scientific opinions and studies on communicable diseases. — To operate the Early Warning and Response System. Develop procedures for identifying emerging health threats. — To strengthen Member States' capacity in preparedness planning and in training. — To keep the general public and interested parties informed about its work.
<p>Governance</p>	<p>Management Board</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>Director</p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission.</p> <p>Advisory Forum</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>External audit</p> <p>European Court of Auditors.</p> <p>Internal audit</p> <p>European Commission's Internal Audit Service (IAS).</p> <p>Discharge authority</p> <p>European Parliament acting on the recommendation of the Council.</p>
<p>Resources made available to the Centre in 2013 (2012)</p>	<p>Final Budget</p> <p>58,3 (58,2) million euro</p> <p>Staff as at 31 December 2013</p> <p>Posts in establishment plan: 198 (200)</p> <p>Occupied posts: 190 (187)</p> <p>Other posts: 95 (91)</p> <p>Total: 285 (278), assigned to the following duties:</p> <ul style="list-style-type: none"> — operational tasks: 186 (183) — administrative and support tasks: 99 (95)
<p>Products and services in 2013 (2012)</p>	<p>42 (69) health threats identified and monitored using the Threat Tracking Tool (TTT).</p> <p>52 (52) weekly threat reports on communicable diseases sent to 400 (334) recipients. In addition, as from 2012, the report is also made available on ECDC website every week and has become one of the site's most visited pages (8 000 visits in 2013).</p> <p>Provision of support to epidemic intelligence for 2 (3) large mass-gathering events.</p> <p>In addition, 4 (3) events of an exceptional nature or of exceptional public importance were also monitored.</p> <p>Preparation of 3 (6) risk assessments, 12 (16) new rapid risk assessments and 9 (16) rapid risk assessment updates.</p> <p>1 (1) simulation exercise conducted for testing and improving preparedness and response to communicable diseases.</p> <p>117 (104) fellows coached in the European Programme for Intervention Epidemiology Training (EPIET) and the European Public Health Microbiology Training (EUPHEM).</p> <p>112 (114) public health experts from 30 EU-EEA countries participated in the Centre's short training modules.</p> <p>945 000 (780 000) visitors to the Centre's web portal.</p> <p>216 (204) scientific publications published. Five-year impact factor citations: 5,6 (4,55)</p>

	<p>Sixth European Antibiotic Awareness Day organised, with the participation of over 40 (43) countries; The date of 18 November is increasingly being recognised and is becoming a landmark for raising awareness about the prudent use of antibiotics not only in Europe, but also in the United States, Canada and Australia, and elsewhere.</p> <p>16,3 (12,9) million unique records in the TESSy databases; 1 492 (1 324) active users from 57 (56) countries.</p> <p>Enhanced surveillance; integration into the Centre of 15 (15) of the 17 dedicated surveillance networks at the end of 2013 (one discontinued and the last one outsourced).</p> <p>Annual Epidemiological Report published.</p> <p>18 surveillance reports published on subjects including tuberculosis, HIV/AIDS and anti-microbioreistance annual reports.</p> <p>41 (40) weekly influenza bulletins/weekly influenza surveillance overviews for 2013.</p> <p>89 (34) scientific opinions produced based on stakeholder requests; over 80 % of scientific advice requests were answered on time</p> <p>Organisation of the seventh European Scientific Conference on Applied Infectious Disease Epidemiology (ESCAIDE) on 5—7 November 2013 in Stockholm, with 550 (511) participants.</p> <p>Weekly publication of the Eurosurveillance scientific journal, with 11 600 (14 000) online subscribers.</p> <p>In 2013, Eurosurveillance was awarded an impact factor for the second year, which was with 5,49 a bit lower than 2012 (6,15). This places Eurosurveillance at rank 6 among the top 70 journals worldwide in the 'Infectious Diseases' category.</p>
--	--

Source: Annex supplied by the Centre.

THE CENTRE'S REPLIES

11. ECDC has taken immediate corrective action to communicate the situation to the contractors and cancel the contract. The Centre's procurement section was reorganised in March 2014. The re-organisation and the revised internal procedures clarify tasks, roles and responsibilities of all actors and parties involved. Intensive training was organised for ECDC staff members during dedicated training sessions held during March and April 2014.

12. 13. 14. 15. The Centre had reserved funds from the 2013 budget in order to meet its obligations towards staff related to the salary adjustments of 2011, 2012 and 2013. The funds reserved amounted to 3,3 million euro. As the European Court of Justice ruled in the final quarter of the year, the Centre was unable to use these funds for other purposes.

These funds had been earmarked from all budget titles, consequently these cancellations affected all budget titles. Should the decision have come in 2013, the budget execution would have been of 97,8 %.

Regarding the operational meetings, 400 000 euro of the 655 142 euro was due to the abovementioned salary and weighting coefficient adjustments and therefore the cancellation is 11 %.

From the 594 758 euro carried over to 2014, 384 938 euro is carried over to meet financial obligations for meetings into 2014 for which the meeting invitations had to be sent in 2013 whilst 209 820 euro is carried over to meet outstanding financial obligations for meetings held in 2013.

The Centre will more closely monitor the operational meeting expenses to avoid unnecessary carry-overs or cancellations.
