

English edition

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## I

*(Information)*

## COURT OF AUDITORS

## REPORT

**on the financial statements of the European Agency for Reconstruction for the financial year 2002, together with the Agency's replies**

(2003/C 319/01)

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**THE COURT'S OPINION**

1. This report is addressed to the European Parliament and to the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court of Auditors has examined the financial statements of the European Agency for Reconstruction ('the Agency') for the financial year ended 31 December 2002. In accordance with Article 8 of Council Regulation (EC) No 2667/2000, the budget was implemented under the responsibility of the Director. This responsibility includes the drawing-up and presentation of the financial statements <sup>(2)</sup> in accordance with the internal financial provisions adopted on the basis of Article 9 of the same Regulation. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to examine 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. The Court carried out such tests of the accounting records and applied such other audit procedures as it deemed necessary in the circumstances. Through 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

5. Without prejudice to the opinion expressed, the Court would like nonetheless to draw the attention of the discharge authority to the situations described in paragraphs 13 to 15.

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> As laid down in Article 8 of Council Regulation (EC) No 2667/2000, the accounts for all the Agency's revenue and expenditure for the financial year 2002 were drawn up on 29 September 2003 and sent to the Court of Auditors. The accounts were received by the Court on 29 September 2003. A summarised version of the financial statements is presented in the tables attached to this report.

**OBSERVATIONS****Introduction**

6. The European Agency for Reconstruction was set up by Council Regulation (EC) No 2454/1999 of 15 November 1999 <sup>(3)</sup>. It manages the Union's aid programmes in Kosovo and Serbia and Montenegro and in the former Yugoslav Republic of Macedonia. The seat of the Agency is in Thessaloniki and it has operational centres at Pristina, Belgrade, Podgorica and Skopje. The objectives of the programmes managed by the Agency are to foster institution-building and good governance, to promote the development of a market economy and essential infrastructure and to consolidate civil society.

**Implementation of the budget**

7. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1*.

8. At the end of 2002, the Agency found that it had made payments amounting to 2,7 million euro which were not covered by budgetary commitments. The payments related to the carrying-out of projects that the Commission had transferred to the Agency in the course of the year.

9. The budget forecasts for Title II (administrative expenditure) should be given careful attention, so as to ensure that the carryovers and appropriations which lapse do not account for too great a part of the total budget (50 % in the financial year 2002).

**Financial statements**

10. The revenue and expenditure account and balance sheet published by the Agency in its activity report for the financial year 2002 are presented in summary form in *Tables 2 and 3*. It should be noted that, in 2002, the Agency's internal control system was strengthened by the introduction of the SI2 budget accounting system.

11. In 2002, despite the Court's previous observations <sup>(4)</sup>, the Agency was still using a spreadsheet for its general accounts. The introduction of a reliable general accounting tool in all the centres should be a matter of priority.

<sup>(3)</sup> OJ L 299, 20.11.1999.

<sup>(4)</sup> See paragraph 12 of the report for the financial year 2001, OJ L 326, 27.12.2002, p. 3.

12. The Agency makes funds available to specialised bodies for the financing of loan programmes in specific fields (development of SMEs, agri-industry undertakings, etc.). Either these funds remain the property of the Agency, in which case they are placed in bank accounts opened in its name, or, where the Agency intends to transfer the funds to the authorities concerned following implementation of the programme, they are paid as subsidies and recorded as Agency expenditure.

13. In one case where an account had been opened in the Agency's name, the accounting officer had not been advised of the existence of the account, the balance of which was 205 000 euro at the end of the financial year. Since the Agency was set up, funds totalling 13,3 million euro have been assigned to this type of project; as at 31 December 2002 the cumulative balance of the bank accounts concerned (including the balance of 205 000 euro not reported to the accounting officer) was 3,7 million euro and is included under the item 'Bank accounts' on the balance sheet.

14. In one case concerning funds to be paid to a public-sector bank as a subsidy for the development of SMEs in Serbia (5 mil-

lion euro), the provisions of the contract specify that the funds disbursed remain the property of the Agency. The Court considers that the Agency must seek a suitable means of providing information on these funds in its balance sheet or the annexes thereto <sup>(1)</sup>.

#### ***Legality and regularity of the underlying transactions***

15. As of the end of the 2002 year, the director had issued no fewer than 67 delegations for the implementation of the budget <sup>(2)</sup>. Even allowing for the dispersal of the Agency centres, the number of delegations seems likely to weaken the internal control system. For example, several cases were found where commitments and payments had been signed by employees who had not been duly authorised to do this.

16. Each centre has a petty cash fund or imprest account, sometimes involving large sums of money <sup>(3)</sup>. The rules and procedures that apply to these funds should be the subject of a decision by the director in accordance with the provisions of the financial regulation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> Since the Agency was set up, the total amount identified as funds committed for subsidies of this sort is 17,1 million euro, 12,5 million of which was actually disbursed and recorded as expenditure.

<sup>(2)</sup> The delegations concerned 45 employees, almost half of the category A staff.

<sup>(3)</sup> 50 000 euro.

Table 1  
European Agency for Reconstruction — Implementation of the budget for the financial year 2002

(million EUR)

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 the previous financial year				
				entered	committed	paid	carried over	lapsed	balance for commitment	commitments carried over	paid	lapsed	outstanding commitments	
Community subsidies	458,8	437,4	Title I Staff	20,3	18,0	17,8	0,2	2,3	0,0	0,3	0,3	0,1	0,0	
Other subsidies	30,0	1,0	Title II Administration	12,8	8,2	6,2	2,0	4,6	0,0	1,2	1,1	0,1	0,0	
Other revenue	7,1	6,5	Title III Operating activities	462,8	300,1	82,8	217,3	0,1	162,5	209,3	158,8	5,5	45,0	
<b>Total</b>	495,9	444,9	<b>Total</b>	495,9	326,3	106,8	219,5	7,1	162,5	210,8	160,2	5,6	45,0	
			Commitment appropriations carried over from 2001	170,3	131,5	55,7	75,8	1,1	37,6	0,0	0,0	0,0	0,0	
			<b>Total 2001 and 2002</b>	666,2	457,8	162,5	295,3	8,2	200,1	210,8	160,2	5,6	45,0	

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

Source: Agency data. The tables summarise the data supplied by the Agency in its own financial statements.

Table 2

## European Agency for Reconstruction — Revenue and expenditure account for the financial years 2002 and 2001

(1 000 EUR)

	2002	2001
<b>Revenue</b>		
Commission subsidies <sup>(1)</sup>	462 804	517 633
Financial revenue	5 978	2 915
Miscellaneous revenue	495	135
Counterpart funds	497	5 787
Earmarked revenue	500	0
<b>Total revenue (a)</b>	<b>470 274</b>	<b>526 469</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	17 771	13 418
Appropriations carried over	206	337
<i>Administration — Title II of the budget</i>		
Payments	6 211	5 908
Appropriations carried over	2 037	1 217
<i>Operating activities — Title III of the budget</i>		
Payments	138 512	327 345
Appropriations carried over	293 106	176 863
<b>Total expenditure (b)</b>	<b>457 844</b>	<b>525 088</b>
<b>Outturn for the financial year (a – b <sup>(2)</sup>)</b>	<b>12 430</b>	<b>1 382</b>
Balance carried over from the previous financial year	- 73 127	- 35 768
Payments on the Commission's behalf <sup>(1)</sup>	- 25 407	- 70 050
2001 payment appropriations which lapse (Title III)	0	31 061
2001 appropriations carried over which lapse (Titles I and II)	135	254
Cancellations of 2001 appropriations carried over	5 463	0
Carryovers of further 2001 appropriations	- 32 423	0
Exchange-rate differences	22	- 5
<b>Balance for the financial year</b>	<b>- 112 908</b>	<b>- 73 127</b>

<sup>(1)</sup> Includes payments made by the Commission for the Agency to make payments on its behalf.<sup>(2)</sup> Calculated according to the principles laid down in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

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

Source: Agency data.

Table 3

## European Agency for Reconstruction — Balance sheet at 31 December 2002 and 2001

(1 000 EUR)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Equipment and furniture	2 116	1 664	Own capital	2 478	2 082
Computer equipment	2 067	1 409	Balance for the financial year	- 112 908	- 73 127
Depreciation	- 1 706	- 992			
<i>Subtotal</i>	2 478	2 081	<i>Subtotal</i>	- 110 430	- 71 045
<b>Current assets</b>			<b>Current liabilities</b>		
Sundry accounts receivable	58	247	Automatic carryovers of appropriations (Title III)	338 112	176 863
Advances	53	30	Automatic carryovers of appropriations (Titles I and II)	2 244	1 554
Recoverable VAT	26	0	Sundry accounts payable	49	560
<i>Subtotal</i>	137	277	<i>Subtotal</i>	340 405	178 977
<b>Cash accounts</b>					
Bank accounts	227 307	105 553			
Cash	53	20			
<i>Subtotal</i>	227 360	105 574			
<b>Total</b>	<b>229 975</b>	<b>107 932</b>	<b>Total</b>	<b>229 975</b>	<b>107 932</b>

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

Source: Agency data.



**THE AGENCY'S REPLIES****Budgetary implementation**

8. These payments were made on the basis of figures stated in a formal decision of the Commission. A delay which occurred in committing these funds in the Commission accounts is expected to be regularised in 2003.

9. The unspent funds for Title 2 in 2002 are mainly due to the starting-up of the Agency in the former Yugoslav Republic of Macedonia and the difficulties of estimating better the costs of this type of exercise.

**Financial accounts set-up**

11. The Agency expects to close the 2003 accounts with an already installed professional application for the general ledger.

13. This case was a miscommunication between the accountant based in headquarters and a deputy accountant in an operational centre.

**Legality and regularity of the transactions**

15. The Agency is spread over five locations and manages a budget divided into three distinct titles. Within assistance programmes, there are six to eight distinct sectors of activity in each of the four operational centres. Therefore, in each centre, the number of staff in Operations with a delegation of signature for each relevant sector is the minimum. The Agency undertook a streamlining of its procedures in order to avoid any omission of delegation of signature in the future.

16. Further to the mission of the Court, the Agency reduced the petty cash in Belgrade from EUR 50 000 to EUR 20 000 for payments in cash. All other payments are made by cheque or bank transfer. The formalisation of the petty cash will be made as recommended by the Court.

**REPORT****on the financial statements of the European Agency for Safety and Health at Work for the financial year 2002, together with the Agency's replies**

(2003/C 319/02)

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## THE COURT'S OPINION

1. This report is addressed to the European Parliament and to the Council in conformity with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the Agency's financial statements for the financial year ended 31 December 2002. In accordance with Article 14(1) of Council Regulation (EC) No 2062/94, the budget was implemented on the responsibility of the director. This responsibility included the drawing-up and presentation of the financial statements <sup>(2)</sup> in accordance with the internal financial rules provided for under Article 15 of Council Regulation (EC) No 2062/94. The Court of Auditors is required under Article 248 of the Treaty establishing the European Community to examine these accounts.

3. The Court carried out 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. The Court examined the accounting records and applied the audit procedures 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 enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

### Introduction

5. The Agency was set up by Council Regulation (EC) No 2062/94 of 18 July 1994 <sup>(3)</sup> to collect technical, scientific and economic information useful for the promotion of health and safety at work and to pass it on to the Community bodies, Member States and interested parties. Its activities also extend to the Member States of EFTA and the 13 accession candidate countries.

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> In accordance with Article 14(3) of Council Regulation (EC) No 2062/94, the accounts for all the Agency's revenue and expenditure for the financial year 2002 were drawn up on 27 June 2003 and forwarded to the Court of Auditors, which received them on 12 September 2003. A short form of these financial statements is presented in the tables annexed to this report.

<sup>(3)</sup> OJ L 216, 20.7.1994, p. 1.

In order to achieve its objectives, it has set up a network comprising national centres in various participating countries and thematic centres. It works together with numerous Community and national bodies, especially the main health and safety bodies of the Member States.

### Implementation of the budget

6. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1*.

7. The appropriations available for the financial year amounted to 20 million euro, consisting of 13,2 million euro of the financial year and 6,8 million in carryovers from the previous financial year. Of the 2002 appropriations, a total of 12,5 million euro was committed and payments of 6,2 million euro made against them. The balance of appropriations was either carried over (6 million) or cancelled. The carryovers mainly concerned Title III of the budget and represented more than 70 % of the commitments entered into. The Court once again <sup>(4)</sup> draws the Agency's attention to the fact that it should programme its activities in a way that complies better with the annuality principle and should also improve the monitoring of its activities.

8. Article 6(4) of the Agency's financial regulation provides that the amount of appropriations to be carried over should be established before the end of the financial year. In March 2003, however, an amount of 202 500 euro was carried over from the financial year 2002 to the financial year 2003.

9. Generally speaking, the audit of the budgetary accounts revealed shortcomings in the coordination between the authorising officer for expenditure and the department responsible for financial monitoring. Moreover, there was no formal procedure for reconciling the authorising officer for expenditure's estimates of the volume of appropriations to be carried over with the amounts calculated on the basis of the financial department's accounts. The Agency should take the necessary steps to improve the effectiveness of its internal control system.

### Financial statements

10. *Tables 2 and 3* set out in summary form the revenue and expenditure account and balance sheet published by the Agency in its Activity Report for the financial year 2002.

<sup>(4)</sup> See paragraph 7 of the Report on the financial statements of the Agency for the financial year 2001 (OJ C 326, 27.12.2002, p. 10).

11. No physical inventory has been taken since 1997. The inventory lists are not reliable. They contain inaccuracies, are not complete and do not take into account disposals that should have been carried out. Moreover, despite the Court's previous recommendations <sup>(1)</sup>, in which it asked the Agency to apply the rules adopted by the Commission <sup>(2)</sup>, the Agency does still not carry out any depreciation of its fixed assets.

### ***Legality and regularity of the underlying transactions***

12. The Agency financed 51 projects under a 4 million euro programme in favour of small and medium-sized enterprises. Checks carried out on a sample of seven projects showed up various failings. No formal procedure was introduced for carrying out on-the-spot checks of the reality of expenditure declared by beneficiaries. In four cases <sup>(3)</sup>, the Agency's final evaluation report

showed significant differences between the product promised by the beneficiaries and the final product; nevertheless, the aid was paid in full, or almost in full. The Court draws attention to the responsibility of the competent departments and recommends that appropriate measures be introduced.

13. The Agency concluded a number of contracts for various technical and administrative services. These contracts were poorly monitored. In five cases they were extended without any legal basis.

14. The decision setting up the imprest account should be amended, the ceiling on it (60 000 euro) should be lowered to take into account its actual utilisation and the procedures for operating it should also be reviewed.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> See paragraph 10 of the Report on the financial statements of the Agency for the financial year 2001 (OJ C 326, 27.12.2002, p. 10).

<sup>(2)</sup> Commission Regulation (EC) No 2909/2000 of 29 December 2000 (OJ L 336, 30.12.2002, p. 75).

<sup>(3)</sup> Total amount: 353 000 euro.

Table 1

## European Agency for Safety and Health at Work — Implementation of the budget for the financial year 2002

(million EUR)

Revenue			Expenditure														
Source of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Expenditure allocation	Appropriations in the final budget					Appropriations carried over from the previous financial year				Available appropriations (2002 budget and financial year 2001)				
				entered	committed	paid	carried over	cancelled	initial <sup>(1)</sup>	paid	to be carried over	cancelled	appropriations	committed	paid	carried over	cancelled
Community subsidies	13,0	12,3	Title I Staff	3,7	3,3	3,0	0,1	0,5	0,3	0,2	—	0,1	4,0	3,6	3,3	0,1	0,6
Other subsidies	p.m.	0,3	Title II Administration	1,5	1,4	1,1	0,2	0,1	0,2	0,2	—	0,0	1,7	1,6	1,3	0,2	0,1
Miscellaneous revenue	0,2	0,1	Title III Operational activities	8,1	7,8	2,0	5,6	0,4	6,4	5,8	0,2	0,4	14,5	14,1	7,6	5,8	0,9
<b>Total</b>	13,2	12,7	<b>Total</b>	13,2	12,5	6,2	6,0	1,0	7,0	6,2	0,2	0,6	20,2	19,3	12,2	6,2	1,6

<sup>(1)</sup> Data referring to the implementation of revenue allocated to Phare has been included in budgetary implementation for the first time, resulting in 0,8 million euro being added to appropriations carried over from the previous financial year.  
 NB: Differences in totals are due to the effects of rounding.

Source: The Agency's data. The table presents, in summary form, the data provided by the Agency in its own financial statement.

Table 2

## European Agency for Safety and Health at Work — Revenue and expenditure account for the financial years 2002 and 2001

(1 000 EUR)

	2002	2001
<b>Revenue</b>		
Commission subsidies	12 324	9 400
Other subsidies	252	184
Miscellaneous revenue	8	0
Financial revenue	73	91
<b>Total revenue (a)</b>	<b>12 657</b>	<b>9 676</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	3 024	2 654
Appropriations carried over	136	168
<i>Administration — Title II of the budget</i>		
Payments	1 140	846
Appropriations carried over	247	229
<i>Operating activities — Title III of the budget</i>		
Payments	2 030	1 543
Appropriations carried over	5 623	5 814
<b>Total expenditure (b)</b>	<b>12 199</b>	<b>11 255</b>
<b>Outturn for the financial year (a-b) <sup>(1)</sup></b>	<b>458</b>	<b>- 1 579</b>
Balance carried over from the previous financial year	- 2 185	- 886
Appropriations carried over from the previous financial year and cancelled	609	242
Sums to be reused carried over from the previous financial year and not used	0	9
Exchange-rate differences	4	2
Adjustment entries	7	27
<b>Balance for the financial year</b>	<b>- 1 108</b>	<b>- 2 185</b>

<sup>(1)</sup> Calculation according to the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 (OJ L 130, 31.5.2000, p. 8).

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

Source: European Agency for Safety and Health at Work.

Table 3

## European Agency for Safety and Health at Work — Balance sheet at 31 December 2002 and 31 December 2001

(1 000 EUR)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Fittings and furniture	614	516	Own capital	1 229	944
Transportation equipment	26	26	Balance for the financial year <sup>(1)</sup>	- 1 108	- 2 185
Computer equipment	428	311			
Intangible assets	145	75	<i>Subtotal</i>	121	- 1 241
<i>Subtotal</i>	1 214	929	<b>Long term debts</b>		
<b>Stocks</b>	15	15	Liabilities against allocated revenue	369	0
<i>Subtotal</i>	15	15	<i>Subtotal</i>	369	0
<b>Long-term assets</b>			<b>Current liabilities</b>		
Commission subsidies	369	0	Commission	6	12
<i>Subtotal</i>	369	0	Non-automatic carryovers of appropriations	193	190
<b>Current assets</b>			Automatic carryovers of appropriations	5 813	6 021
Recoverable VAT	5	0	Sundry accounts payable	19	27
Sundry accounts receivable	54	159	Payroll deductions	24	33
Commission subsidies	681	0	Liabilities against allocated revenue	736	0
<i>Subtotal</i>	739	159	<i>Subtotal</i>	6 791	6 283
<b>Cash accounts</b>			<b>Suspense accounts</b>		
Bank and cash	4 922	4 039	Sums for reuse	17	33
Imprest account	61	60	Recovery orders	21	128
<i>Subtotal</i>	4 982	4 098	<i>Subtotal</i>	38	160
<b>Total</b>	<b>7 319</b>	<b>5 202</b>	<b>Total</b>	<b>7 319</b>	<b>5 202</b>

<sup>(1)</sup> The negative difference between the balance for the financial year and own capital does not represent a capital loss. It is the result of applying the Financial Regulation as it pertains to revenue (collected only) and expenditure (payments made plus appropriations carried over).

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

Source: European Agency for Safety and Health at Work.

**THE AGENCY'S REPLIES**

7. The Agency notes the comment of the Court. The Agency wishes to note the fact that 60 % of the total carryovers are for the SME scheme, which has a strict two-year implementation cycle.

In the framework of the new Financial Regulation, the Agency is looking into options to properly implement the programmes and, simultaneously, to respect the principle of annuality of the budget.

8. The Agency notes the comment of the Court of Auditors, and will establish appropriate mechanisms to avoid this type of occurrence.

10. The Agency notes the comment. At the end of 2002, the Agency put in place a new controller's function, to improve its systems of internal control. Further substantial improvements are expected when the ongoing internal restructuring of the Agency is fully implemented.

12. Early in the year 2003, the Agency contracted an accounting firm to undertake a complete updating of all aspects of the management of its fixed asset, in accordance to the EU financial rules. The work is expected to be finalised this year, in order to reflect the new value of the Agency's fixed assets into the 2003 accounts.

13. The Agency would like to draw the attention of the Court to the fact that all available resources have been dedicated to conducting an in-depth assessment of the final activity reports and the final financial reports provided by the 51 project holders.

Following those examinations, the Agency did not pay the full grant to half of the project holders. In the four specific cases mentioned by the Court, the Agency considered that despite the shortcomings in the final products the objectives of the project were reasonably achieved and, consequently, that the project holders deserved the full payment of the grant. The Agency will examine the possibility of carrying out checks at project holder level during the implementation of the scheme in 2003.

14. To eliminate the type of problems mentioned by the Court, the Agency has developed a database for contract management, and is in the process of recruiting a 'general services officer' responsible for the management of service contracts.

15. The cash imprest account has been replaced by a new one at a considerable lower level, more appropriate to the present Agency needs.



**REPORT**  
**on the financial statements of the European Environment Agency for the financial year 2002,**  
**together with the Agency's replies**

(2003/C 319/03)

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## THE COURT'S OPINION

1. This report is addressed to the European Parliament and to the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the European Environment Agency for the financial year ended 31 December 2002. In accordance with Article 14 of Council Regulation (EEC) No 1210/90, the budget was implemented on the responsibility of the Director. This responsibility includes the drawing-up and presentation of the financial statements <sup>(2)</sup>, in accordance with the internal financial provisions adopted on the basis of Article 14 of Council Regulation (EEC) No 1210/90. The Court of Auditors is required under Article 248 of the Treaty establishing the European Community to examine these accounts.

3. The Court carried out the audit in accordance with its auditing policies and standards, which have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. The Court carried out such tests of the accounting records and applied such other audit 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. Subject to the matters referred to in paragraphs 12 and 13, this examination has enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

### Introduction

5. The Agency was established by Council Regulation (EEC) No 1210/90 of 7 May 1990 <sup>(3)</sup>. Its main purpose is to gather, edit and disseminate at the proper time focused, relevant and reliable information on the state of and trends in the environment at European level in the widest sense. Third countries have taken part in the activities of the Agency <sup>(4)</sup> since its creation. It carries out its tasks by means of a network of thematic centres, whose

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> As required under Article 13(3) of Council Regulation (EEC) No 1210/90, the final accounts for all the Agency's revenue and expenditure for the financial year 2002 were drawn up on 20 August 2003 and were sent to the Court of Auditors. These accounts were received by the Court on 6 October 2003. A summary version of these financial statements is presented in the tables annexed to this report.

<sup>(3)</sup> OJ L 120, 11.5.1990, p. 1.

<sup>(4)</sup> In 2002, with the exception of Iceland, Norway and Liechtenstein, almost all the candidate countries took part in the Agency's activities.

activities are financed by the Agency, and it regularly publishes reports on the state of the environment.

### Implementation of the budget

6. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1*.

7. Appropriations for the financial year totalled 25,2 million euro, of which 24,6 million euro was committed. Payments in respect of appropriations for the financial year totalled 18 million euro. The carryover total, although less than last year, remains high (7,2 million euro). Of this sum, 5,8 million euro concerns operating appropriations, which is almost 50 % of the appropriations assigned for that purpose (12,1 million). As the Court emphasised in its Report concerning the financial year 2001 <sup>(5)</sup>, the Agency should continue its efforts to evaluate more rigorously the justification for carrying sums over.

8. In January 2002, the Agency decentralised financial matters to its operating services. The aim of decentralising them was to strengthen administrative capacity at the level of the operating services, to reduce delays and to minimise the dispersion of supporting documents. Measures should have been adopted to enable the financial departments to follow up the Agency's activities and programmes, since responsibility for their implementation is often shared between various departments.

### Financial statements

9. The revenue and expenditure account and the balance sheet published by the Agency in its activity report for the financial year 2002 are presented in summary form in *Tables 2 and 3*.

### Legality and regularity of the underlying transactions

10. Following a decision taken by the Director on 4 March 2002, an imprest account for the sum of DKK 200 000 was opened to cover expenditure resulting from missions and meetings organised by the Agency. The rules for the management of this imprest account ought to be clearly defined and, in accordance with the Financial Regulation, separate accounts should be kept for it. Measures ought also to be adopted to reduce the costs and risks associated with this imprest account (transport of substantial amounts in cash).

<sup>(5)</sup> OJ C 326, 27.12.2002, p. 18.

11. In its Annual Reports for 1999, 2000 and 2001 <sup>(1)</sup>, the Court drew attention to deficiencies in the documents supplied in support of requests for payment. An analysis of the payments files was carried out in 2002 and showed that this situation had not changed.

12. On 5 February 2002, the Agency signed a contract with a United Nations agency for a 'maximum sum' of 345 000 euro, under which 100 % of the sum was to be paid after the contract was signed. The payment order was not implemented, as the financial controller withheld his approval on the ground that such an advance was excessive. The contract was annulled and replaced by five new contracts which were signed in December 2002 and under which an advance of 95 % was to be paid after signature. The procedure adopted by the Agency to deal with the consequences of the financial controller's refusal to give his approval is as open to criticism as the practice that he had refused to condone.

13. In 1997, the Royal Awards Foundation, whose purpose is to promote action in favour of the environment, was set up by the Agency and three other bodies. For its operations, the Foundation makes use free of charge of premises and equipment belonging to the Agency. In fact, neither the regulation that set up the Agency, nor its financial regulation, permits the Agency to set up such Foundations or to grant them any form of subsidy. The Agency's participation may be estimated at approximately 30 000 euro as regards the initial cost of setting up the Foundation and 34 000 euro per year as regards its operating costs.

### ***Sound financial management***

14. The daily expenses paid to consultants are very high. In 2002 the Agency paid a firm of computer consultants a total of approximately 1,4 million euro, or 116 000 euro per month, which roughly corresponds to eight or nine full-time consultants. An analysis of the files showed that some of these consultants have been working at the Agency for several years and perform tasks of a permanent nature. In the interest of more economical management of its resources, the Agency might consider directly recruiting the experts that it needs on an almost permanent basis.

### ***The Agency's tasks and resources***

15. The regulation setting up the Agency states that its purpose is to provide the Commission and the Member States with information on the environment in certain priority areas. To do this, the Agency must carry out various tasks, of which the most important are the collection and evaluation of data, the dissemination of information needed for the preparation and monitoring of measures relating to the environment, as well as the publication of reports on the state of the environment. Performance of these tasks is based on a work programme. This programme, and the general structure of the budget, must be more clearly linked to the Agency's objectives and tasks, so as to make its actions more transparent and to improve its ability to monitor and evaluate its management efficiency.

16. In this connection, the programmes entrusted to the thematic centres are financed by several budget headings that are managed and monitored by different authorising officers. This, taken together with the many different ways in which activities are financed (appropriations for the financial year, appropriations carried over or reused and assigned revenue), means that neither the various bodies involved, nor even the financial departments (see also paragraph 8), have an overall view of the Agency's activities. As a result, it is impossible to match the aims of the Agency and the various programmes financed.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> OJ C 373, 27.12.2000, p. 7.  
OJ C 372, 28.12.2001, p. 9.  
OJ C 326, 27.12.2002, p. 17.

Table 1

## European Environment Agency — Implementation of the budget for the financial year 2002

(million EUR)

Revenue			Expenditure															
Origin of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Expenditure allocation	Appropriations under the final budget					Appropriations carried over from the previous financial year					Available appropriations (2002 budget and financial year 2001)				
				entered	com-mitted	paid	carried over	can-celled	entered	com-mitted	paid	carried over	can-celled	appro-priations	com-mitted	paid	carried over	can-celled
Community subsidies	19,4	18,4	Title I Staff	10,8	10,8	9,6	1,2	0,1	0,7	0,7	0,4	0,3	0,1	11,5	11,5	10,0	1,4	0,2
Other subsidies <sup>(1)</sup>	5,6	1,5	Title II Administration	2,3	2,3	2,0	0,3	0,0	0,5	0,5	0,4	0,0	0,1	2,8	2,8	2,4	0,3	0,1
Other revenue	0,2	0,2	Title III Operating expenditure	12,1	11,6	6,4	5,8	0,0	6,9	6,8	6,0	0,2	0,7	19,0	18,4	12,4	5,9	0,7
<b>Total</b>	25,2	20,1	<b>Total</b>	25,2	24,6	18,0	7,2	0,1	8,1	8,0	6,8	0,4	0,9	33,3	32,6	24,8	7,6	1,0

<sup>(1)</sup> Includes contributions from EFTA and the new Member States, as well as other subsidies.

NB: The totals may contain discrepancies due to the effects of rounding.

Source: The Agency's data. These tables summarise the data provided by the Agency in its own financial statements.

Table 2

## European Environment Agency — Revenue and expenditure account for the financial years 2002 and 2001

(1 000 EUR)

	2002	2001
<b>Revenue</b>		
Own revenue		
Commission subsidies	18 749	18 342
Miscellaneous revenue	1 136	1 493
Financial revenue	198	369
<b>Total revenue (a)</b>	<b>20 083</b>	<b>20 204</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	9 714	8 126
Appropriations carried over	1 018	735
<i>Administration — Title II of the budget</i>		
Payments	2 054	1 423
Appropriations carried over	247	521
<i>Operating activities — Title III of the budget</i>		
Payments	6 493	3 738
Appropriations carried over	5 611	6 856
<b>Total expenditure (b)</b>	<b>25 137</b>	<b>21 399</b>
<b>Outturn for the financial year (a-b) <sup>(1)</sup></b>	<b>- 5 054</b>	<b>- 1 195</b>
Balance carried over from the previous financial year	- 3 274	- 3 117
Appropriations carried over and cancelled	888	939
Sums for reuse from the previous financial year not used	8	86
Amounts refunded to the Commission		
Exchange-rate differences	4	13
<b>Balance for the financial year</b>	<b>- 7 428</b>	<b>- 3 274</b>

<sup>(1)</sup> Calculated according to the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

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

Source: The Agency's data.

Table 3

## European Environment Agency — Balance sheet as at 31 December 2002 and 31 December 2001

(1 000 EUR)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Buildings		314	Own capital	1 295	1 009
Equipment and furniture	2 254	1 913	Reserve		
Transport equipment			Balance for the financial year	- 7 428	- 3 274
Computer equipment	1 847	1 562	<i>Subtotal</i>	- 6 133	- 2 265
Financial assets <sup>(1)</sup>	405		<b>Current liabilities</b>		
Fixed assets under construction			Commission	5 263	9 975
Depreciation	- 3 237	- 2 802	Other contributors <sup>(2)</sup>	2 270	590
<i>Subtotal</i>	1 269	987	Non-automatic carryovers of appropriations		821 <sup>(3)</sup>
<b>Stocks</b>			Automatic carryovers of appropriations	7 591	7 291
Office supplies	26	22	Sundry accounts payable	769	1 043 <sup>(4)</sup>
<i>Subtotal</i>	26	22	Deductions from salaries	111	88
<b>Current assets</b>			VAT/Other taxes	0	79
Commission subsidy	5 263	9 975	Advances from clients		
Other subsidies receivable	2 270	590	<i>Subtotal</i>	16 004	19 887
Advances to Community agencies			<b>Suspense accounts</b>		
Other advances			Sums to be reused	175	541
Recoverable VAT	266	376	Recovery orders	225	153
Recovery orders	226	153			
Sundry accounts receivable	153	93	<i>Subtotal</i>	400	694
<i>Subtotal</i>	8 178	11 187			
<b>Cash accounts</b>					
Bank accounts	740	6 120			
Imprest account	40	0			
<i>Subtotal</i>	780	6 120			
<b>Suspense accounts</b>	18	0			
<b>Total</b>	<b>10 271</b>	<b>18 316</b>	<b>Total</b>	<b>10 271</b>	<b>18 316</b>

<sup>(1)</sup> Rent guarantee.<sup>(2)</sup> Subsidies to be received from non-member States of the EU.<sup>(3)</sup> In 2002, carryovers of assigned revenue were reclassified and included with the automatic carryovers.<sup>(4)</sup> Under the heading 'Deferred payments' in 2001.

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

Source: Agency data.

## THE AGENCY'S REPLIES

7. The amounts of carry-forward credits, both in absolute and in relative terms, have declined as compared to the previous year. The Agency will continue in its efforts to reduce the carry-over of payment credits to the following year.

It should be noted that of the EUR 7,2 million carry-forward credits referred to, EUR 2,2 million is related to Agency projects financed by grant agreements between the Agency and the Commission. The budgetary cycle of these projects is governed by the terms of the grant agreement, and is in most cases multiannual.

Due to quality assurance procedures, the final payments for ETC contracts will mostly occur in the year following to the subvention, and thus constitute a motivated carry-forward of payment appropriations.

8. The Agency is tightening its requirements in the decentralised archiving system, with uniform standards having been introduced. The developments to support this are not yet fully implemented and remain a priority: they will include exceptions, risk and procurement registers.

10. Given the enlargement of the Agency since 2002 and a number of projects including experts from non-EU countries, there is a need to pay meeting participants from non-EU countries in advance. Measures have been taken by the Agency to reduce the risks of advance cash payments, and will be explored further. Since 1 January 2003, accounting in relation to the imprest account has been modified to match the Court's observations.

11. The Agency is continuing to tighten documentation and registration of justifications for invoices and will consider this further in the context of the filing, archiving and mail registration system.

12. The proportion of advance payments will be limited in the future. Grant agreements with international bodies are being phased out in the context of the new Financial Regulation.

13. Since 2003, the Agency has invoiced all costs relating to this activity. The continued occupation of offices on the Agency's premises is currently being reconsidered by the Foundation's board.

14. Consultants are contracted by the Agency after open tendering and in relation to market prices. The use of consultants within the Agency is being reviewed, and will take into account the nature of the work as well as the long-term needs and requirements.

15 and 16. The Agency is aware that the programming structure, as it has evolved over the years, is no longer entirely appropriate. A new work programme and related budget structure will be brought in place from 1 January 2004 onwards. The new programme will focus on clear objective setting and the linking of these objectives to activity-based budgeting. This exercise will result in a clearer and more consistent financial framework, both for the Agency's corporate activities and for the topic centre work.

**REPORT****on the financial statements of the European Agency for the Evaluation of Medicinal Products  
concerning the financial year 2002, together with the Agency's replies**

(2003/C 319/04)

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## THE COURT'S OPINION

1. This report is addressed to the European Parliament and to the Council, by virtue of Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the European Agency for the Evaluation of Medicinal Products for the financial year ended 31 December 2002. In accordance with Article 57(7) of Council Regulation (EEC) No 2309/93, the budget was implemented on the responsibility of the Director. This responsibility includes the drawing-up and presentation of the financial statements <sup>(2)</sup> in accordance with the internal financial provisions adopted on the basis of Article 57(11) of Council Regulation (EEC) No 2309/93. The Court of Auditors is required under Article 248 of the Treaty establishing the European Community to examine these accounts.

3. The Court carried out the audit in accordance with its auditing policies and standards, which have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. The Court carried out such tests of the accounting records and applied such other procedures as it deemed necessary in the circumstances. Through 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

### Introduction

5. The Agency was created by Council Regulation (EEC) No 2309/93 of 22 July 1993 <sup>(3)</sup>. The Agency operates through a network and coordinates the scientific resources made available by the national authorities in order to ensure the evaluation and

supervision of medicinal products for human or veterinary use. Its opinions are drawn up by three committees, on the basis of reports prepared by national experts whose remuneration, along with the expenses incurred in connection with committee meetings, makes up an important part of its operating expenditure. The Agency also dedicates a significant part of its budget to the financing of pharmaceutical supervision systems.

### Implementation of the budget

6. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous year is set out in *Table 1* <sup>(4)</sup>.

7. As soon as the scientific committees decide to carry out an inspection of a medicinal product, a proposal for a commitment is issued in respect of the fee to be paid to the national agency responsible for carrying out the inspection. This procedure does not allow the principle of annuality to be respected, since delays in carrying out the work mean that the expenditure will be settled during a later financial year. In addition, it increases administrative expenditure as a result of cancellations and new commitments.

### Financial statements

8. *Tables 2 and 3* set out in summary form the revenue and expenditure account and the balance sheet published by the Agency in its activity report for the financial year 2002.

9. Applying the principles of accruals accounting, contrary to the current regulations <sup>(5)</sup> which provide for cash-based accounting, the Agency included in its revenue 5,2 million euro due in respect of the financial year 2002 (in 2001, 10,7 million euro had been included in the revenue).

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> As required under Article 57(9) of Council Regulation (EEC) No 2309/93, the accounts for all the Agency's revenue and expenditure for the financial year 2002 were drawn up on 28 March 2003 and forwarded to the Court of Auditors. The Court received these accounts on 4 April 2003. A summarised version of these financial statements is presented in the tables attached to this report.

<sup>(3)</sup> OJ L 214, 24.8.1993, p. 18.

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

<sup>(5)</sup> Article 5 of the Financial Regulation of the Agency provides that revenue shall be entered in the accounts for the financial year in which it is collected.

10. The Agency frequently receives lump-sum advances for examinations which the users of its services are considering requesting. It is difficult to reconcile the amounts customers have paid and the fees actually due. The delays affecting the processing of files partly explain the 75 % increase in the amount of advances not allocated at the end of 2002 as compared to the end of 2001 <sup>(1)</sup>, that is, 9,3 and 5,3 million euro respectively.

11. Fixed-asset management is made difficult by the use of two databases that are organised and operate on different principles and have different administrators. Moreover, the provisions relating to the depreciation of software and of components which form part of a whole are not being applied.

### ***Legality and regularity of underlying transactions***

12. Invoices are paid after the authorising officer, who certifies that the service has been performed or the goods delivered, has given his approval. This is issued without any systematic provision of supporting documents. The absence of such information, which is necessary in order to carry out efficient internal control, creates uncertainty and must be remedied.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> Balance sheet item: 'deferred fees'.

Table 1

## European Agency for the Evaluation of Medicinal Products — Implementation of the budget for the financial year 2002

(million EUR)

Revenue			Expenditure													
Source of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Expenditure allocation	Appropriations in the final budget					Appropriations carried over from the previous financial year			Available appropriations (2002 budget and financial year 2001)				
				entered	commit- ted	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appro- priations	commit- ted	paid	carried over	cancelled
Community subsidies <sup>(1)</sup>	20,3	21,6	Title I Staff	27,6	26,2	25,8	0,4	1,4	0,5	0,4	0,1	28,1	26,6	26,2	0,4	1,5
Other subsidies	—	—	Title II Administration	11,4	10,7	8,8	1,9	0,7	4,9	4,6	0,3	16,3	15,6	13,4	1,9	1,0
Other revenue	41,0	41,1	Title III Operating expenditure	22,3	21,5	17,0	4,5	0,8	8,1	7,2	0,9	30,4	29,6	24,2	4,5	1,7
<b>Total</b>	<b>61,3</b>	<b>62,7</b>	<b>Total</b>	<b>61,3</b>	<b>58,4</b>	<b>51,6</b>	<b>6,8</b>	<b>2,9</b>	<b>13,5</b>	<b>12,2</b>	<b>1,3</b>	<b>74,8</b>	<b>71,8</b>	<b>63,8</b>	<b>6,8</b>	<b>4,2</b>

<sup>(1)</sup> Includes subsidies received from the European Economic Area.

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

Source: The Agency's data. These tables summarise the data provided by the Agency in its own financial statements.

Table 2

## European Agency for the Evaluation of Medicinal Products — Revenue and expenditure account for the financial years 2002 and 2001

(1 000 EUR)

	2002	2001
<b>Revenue</b> <sup>(1)</sup>		
Commission subsidy	14 534	14 000
Community subsidy for orphan medicines	2 407	1 300
Fees	38 372	42 708
EEA contribution	313	288
Sundry revenue	1 750	4 504
<b>Total revenue (a)</b>	<b>57 376</b>	<b>62 800</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	25 793	22 437
Appropriations carried over	424	538
<i>Administration — Title II of the budget</i>		
Payments	8 807	8 143
Appropriations carried over	1 910	4 851
<i>Operating expenditure — Title III of the budget</i>		
Payments	16 990	17 687
Appropriations carried over	4 477	8 113
<b>Total expenditure (b)</b>	<b>58 401</b>	<b>61 769</b>
<b>Outturn for the financial year (a-b) <sup>(2)</sup></b>	<b>- 1 025</b>	<b>1 031</b>
Balance carried over from the previous financial year	4 040	1 926
Reimbursement to the Commission	- 4 040	0
Sums carried over from the previous financial year and cancelled	1 377	1 258
Exchange-rate differences	- 141	345
Other adjustments	- 211	- 520
<b>Balance for the financial year</b>	<b>0</b>	<b>4 040</b>

<sup>(1)</sup> This amount includes 5,2 million euro of revenue due in respect of the financial year 2002 (10,7 million euro in 2001).

<sup>(2)</sup> Calculation based on the principles of Article 15 of Council Regulation (EC EURATOM) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

NB: The totals may contain discrepancies due to the effects of rounding.

Source: The Agency's data. These tables summarise the data provided by the Agency in its own financial statement.

Table 3

## European Agency for the Evaluation of Medicinal Products — Balance sheet as at 31 December 2002 and 31 December 2001

(1 000 EUR)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Equipment and furniture	6 248	4 397	Own capital	2 684	4 397
Depreciation	- 3 564	—	Balance for the financial year	0	4 040
<i>Subtotal</i>	2 684	4 397	<i>Subtotal</i>	2 684	8 437
<b>Current assets</b>			<b>Current liabilities</b>		
Commission subsidy receivable	3 744	8 162	Commission	444	0
Sundry accounts receivable and advances	2 854	3 719	Non-automatic carryovers of appropriations	0	3 788
VAT to be recovered	571	363	Automatic carryovers of appropriations	6 811	9 714
			Sundry accounts payable	69	311
			VAT	0	363
<i>Subtotal</i>	7 169	12 244	<i>Subtotal</i>	7 324	14 176
<b>Cash accounts</b>			<b>Suspense accounts</b>		
Banks — sight accounts	9 973	12 711	Sums to be reused	534	1 460
Imprest accounts	9	17	Deferred fees	9 293	5 296
<i>Subtotal</i>	9 982	12 728	<i>Subtotal</i>	9 827	6 756
<b>Total</b>	<b>19 835</b>	<b>29 369</b>	<b>Total</b>	<b>19 835</b>	<b>29 369</b>

NB 1: The totals may contain discrepancies, due to the effects of rounding.

NB 2: The balance sheet does not show a sum of 1,43 million euro relating to an agreement signed with the Commission in November 2002 concerning assigned revenue to be collected in 2003 and 2004.

Source: The Agency's data. These tables summarise the data provided by the Agency in its own financial statements.

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**THE AGENCY'S REPLIES**

7. At the beginning of 2003, the Agency put in place a revised procedure to bring the processing of inspection fees in line with the principle of annuality. Following this procedure, a recovery order to the marketing authorisation holder and a commitment for the rapporteur costs are issued once the inspection date is confirmed. Consequently all payments to inspection rapporteurs should be processed within  $n + 1$  at the latest.

9. The Agency takes note of the observation of the Court. This problem will be solved by the implementation in 2003 of the new Financial Regulation. In 2001, the amount of EUR 10,7 million includes EUR 8,1 million due from the Commission. For 2002, this issue was resolved through instalment payments of the Commission contribution reducing the amount to be carried forward to EUR 0,7 million, EUR 3,0 million being in transit in the

banking system at the year-end. Under the new Financial Regulation, budgetary income will be recorded on the basis of cash received.

10. The Agency will study the possibilities to make clearer the link between the customer deposits and their uses.

11. The Agency takes note of the observation of the Court. The Agency is implementing software to manage comprehensively the inventory including its depreciation. It is expected this tool will be operational for 1 January 2004.

12. As required by the new Financial Regulation, the Agency is implementing improved internal control procedures for verification of invoices, including checklists and intensified training of staff on financial procedures and controls.

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**REPORT****on the financial statements of the Translation Centre for the bodies of the European Union for the financial year 2002, together with the Centre's replies**

(2003/C 319/05)

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**THE COURT'S OPINION**

1. This report is addressed to the European Parliament and to the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court of Auditors has examined the financial statements of the Translation Centre for the bodies of the European Union for the financial year ended 31 December 2002. In accordance with Article 14(1) of Council Regulation (EC) No 2965/94 <sup>(2)</sup>, the budget was implemented on the responsibility of the Director. This responsibility includes the drawing-up and presentation of the financial statements <sup>(3)</sup> in accordance with the internal financial provisions provided for in Article 15 of Regulation (EC) No 2965/94. The Court is required pursuant to Article 248 of the Treaty establishing the European Community to examine 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. The Court carried out such tests of the accounting records and applied such other audit procedures as it deemed necessary in the circumstances. Through 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular. Nevertheless, the Court wishes to draw attention to the situation described in paragraph 7.

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> OJ L 314, 7.12.1994, p. 1.

<sup>(3)</sup> As laid down in Article 14(3) of Council Regulation (EC) No 2965/94, the accounts for all the Centre's revenue and expenditure for the financial year 2002 were drawn up on 23 February 2003 and sent to the Court of Auditors. The final version of these accounts was received by the Court on 6 May 2003. A summarised version of these financial statements is presented in the tables attached to this report.

**OBSERVATIONS****Introduction**

5. The Centre was established by Council Regulation (EC) No 2965/94. The Centre's main purpose is to provide the necessary translation services to the decentralised bodies created by the Council and it holds a monopoly in translation services as far as they are concerned. The other Community bodies may use the Centre's services on the basis of ad hoc arrangements. The Centre makes widespread use of private translation services in order to fulfil its mission. The total number of pages translated by the Centre in 2002 came to 228 000.

**Implementation of the budget**

6. The implementation of appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1* <sup>(4)</sup>.

7. Article 26a of the Centre's Financial Regulation provides that the balance for the previous financial year shall be entered as revenue for the financial year. The way that the Centre interprets this Article is to enter as revenue for the year solely that part of the balance for the previous financial year which corresponds to the outturn for the year preceding that one. For 2002, this has the effect of leaving 3,4 million euro of resources temporarily unused; this sum is to be found under liquid assets.

**Financial statements**

8. The revenue and expenditure account and the balance sheet published by the Centre in its activity report for the financial year 2002 are presented in summary form in *Tables 2 and 3*.

9. Since the Centre does not fully exploit the capabilities of its general accounting software, it uses a spreadsheet to monitor its revenue and client accounts, thus giving rise to a major risk of error which was highlighted during the audits.

<sup>(4)</sup> All the tables in this report have been drawn up on the basis of the most exact values possible for the data employed. For presentation purposes, the figures have been rounded, which may produce minor differences in the totals. A dash indicates a non-existent or zero value and 0,0 indicates a value below the rounding threshold.



This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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Table 1

## Translation Centre for the Bodies of the European Union — Implementation of the budget for the financial year 2002

(EUR million)

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 (2002 budget and financial year 2001)				
				entered	commit- ted	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appro- priations	commit- ted	paid	carried over	cancelled
Revenue paid by the bodies	17,7	17,2	Title I Staff	11,3	10,1	10,0	0,1	1,2	0,9	0,9	0,0	12,2	11,0	10,9	0,1	1,2
Revenue paid by the Institutions	1,1	0,9	Title II Administration	3,0	2,1	1,4	0,7	0,9	0,9	0,7	0,2	3,9	3,0	2,1	0,7	1,1
Financial income	0,3	0,5	Title III Operating activities <sup>(1)</sup>	6,0	3,7	3,3	0,4	2,3	—	—	—	6,0	3,7	3,3	0,4	2,3
Balance for the previous financial year	4,5	0,0	Title X Reserve and provisions	3,3	0,0	0,0	0,0	3,3	—	—	—	3,3	0,0	0,0	0,0	3,3
<b>Total</b>	<b>23,6</b>	<b>18,6</b>	<b>Total</b>	<b>23,6</b>	<b>15,9</b>	<b>14,7</b>	<b>1,2</b>	<b>7,7</b>	<b>1,8</b>	<b>1,6</b>	<b>0,2</b>	<b>25,4</b>	<b>17,7</b>	<b>16,3</b>	<b>1,2</b>	<b>7,9</b>

<sup>(1)</sup> In 2002 the Centre decided to create a Title III in its budget, grouping together all expenditure in respect of contracts to be concluded with freelance translators or translation agencies. This expenditure was formerly included under Title I.

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

Source: Data compiled by the Centre — These tables summarise the data supplied by the Centre in its own financial statements.

Table 2

**Translation Centre for the Bodies of the European Union — Revenue and expenditure account for the financial years 2002 and 2001**

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Revenue paid by EU bodies	17 200	19 550
Revenue paid by the European Institutions	913	633
Miscellaneous revenue	0	5
Financial revenue	494	458
<b>Total revenue (a)</b>	<b>18 607</b>	<b>20 646</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	10 005	13 862
Appropriations carried over	98	892
<i>Administration — Title II of the budget <sup>(1)</sup></i>		
Payments	1 388	1 090
Appropriations carried over	676	929
<i>Operating activities — Title III of the budget</i>		
Payments	3 274	0
Appropriations carried over	473	0
<b>Total expenditure (b)</b>	<b>15 914</b>	<b>16 773</b>
<b>Outturn for the financial year (a-b) <sup>(2)</sup></b>	<b>2 693</b>	<b>3 873</b>
Balance carried over from the previous financial year	7 875	4 977
Appropriations carried over which lapsed	259	240
Miscellaneous revenue	33	—
Allocations to provision for liabilities	- 2 532	- 1 221
Exchange-rate differences	2	6
<b>Balance for the financial year</b>	<b>8 330</b>	<b>7 875</b>

<sup>(1)</sup> In 2002 the Centre decided for the sake of clarity to create a Title III in its budget, grouping together all expenditure in respect of translation contracts concluded with natural or legal persons.

<sup>(2)</sup> Calculation based on the principles of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

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

Source: Data compiled by the Centre — These tables summarise the data supplied by the Centre in its own financial statements.

Table 3

## Translation Centre for the Bodies of the European Union — Balance sheet at 31 December 2002 and 31 December 2001

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital <sup>(1)</sup></b>		
Equipment and furniture	509	225	Own capital	1 642	2 695
Computer equipment	1 382	2 754	Balance for the financial year	8 330	7 875
Intangible fixed assets	1 880	97			
Provision for amortisation	- 2 129	- 381	<i>Subtotal</i>	9 972	10 570
<i>Subtotal</i>	1 642	2 695	<b>Provision for liabilities</b>		
<b>Current assets</b>			Provision for pensions	4 906	3 874
Recovery orders	3 360	4 556	Other provisions	1 500	0
Recoverable VAT	25	16	<i>Subtotal</i>	6 406	3 874
Sundry accounts receivable	26	452	<b>Current liabilities</b>		
<i>Subtotal</i>	3 411	5 024	Automatic carryovers of appropriations	1 247	1 820
<b>Cash accounts</b>			Advances received	164	596
Bank accounts	16 126	14 173	Amounts outstanding	3 360	4 992
Cash	0	1	Sundry accounts payable	15	20
<i>Subtotal</i>	16 126	14 174	<i>Subtotal</i>	4 786	7 428
			<b>Suspense accounts</b>		
			Revenue to be re-used	15	21
<i>Subtotal</i>	16 126	14 174	<i>Subtotal</i>	15	21
<b>Total</b>	<b>21 179</b>	<b>21 893</b>	<b>Total</b>	<b>21 179</b>	<b>21 893</b>

<sup>(1)</sup> In order to make the presentation comply better with the usual standards, certain balances were reallocated among the existing headings.

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

Source: Data compiled by the Centre — These tables summarise the data supplied by the Centre in its own financial statements.

**THE CENTRE'S REPLIES****OBSERVATIONS*****Implementation of the budget***

7. Since the end of its start-up phase on 31 December 1997, the Translation Centre has interpreted Article 26a of its Financial Regulation on a permanent basis, considering the balance for the financial year to be that established at the time when the Management Board, following the report by the Court of Auditors for the financial year in question, grants discharge to the Director in respect of the implementation of the budget.

When presenting its revenue and expenditure account and balance sheet, the Translation Centre has always informed the Management Board before 31 March of the following year of the balances for each financial year. For 2002, the Translation Centre informed the Management Board of the outturn for 2001 at their first meeting following the close of the financial year, which was held on 14 March 2002. At this meeting, the Management Board decided to enter the 3,4 million euro as revenue in the preliminary draft budget for 2003. The Centre has always entered the balances for the financial years as liabilities in its balance sheet.

In accordance with Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the

general budget of the European Communities, the Centre submitted a specific draft financial regulation based on Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 on the framework Financial Regulation for the decentralised bodies. Article 16 of this draft financial regulation, in particular paragraph 3, states that: 'The revenue or payment appropriations shall be entered in the budget during the budgetary procedure using the letter of amendment procedure or, while budget implementation is under way, by means of an amending budget.'

We believe that this new wording will resolve the problem of interpretation mentioned by the Court.

***Financial statements***

9. The Translation Centre takes note of the Court's recommendation on the use of its general accounting software. The abolition of advances as of 1 January 2003 will simplify the monitoring of client accounts and reduce the associated risks.

**REPORT**  
**on the financial statements of the European Centre for the Development of Vocational Training**  
**for the financial year 2002, together with the Centre's replies**

(2003/C 319/06)

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## THE COURT'S OPINION

1. This report is addressed to the European Parliament and to the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the European Centre for the Development of Vocational Training (hereinafter 'the Centre') for the financial year ended 31 December 2002. In accordance with Article 18(1) of Council Regulation (EEC) No 1416/76 <sup>(2)</sup>, as amended by Council Regulation (EEC) No 1948/93 <sup>(3)</sup>, the Centre's budget was implemented on the responsibility of its Management Board. This responsibility includes the drawing-up and presentation of the financial statements <sup>(4)</sup>, in accordance with the internal financial provisions set out in Articles 65, 67 and 68 of Council Regulation (EEC) No 1948/93, amending Council Regulation (EEC) No 1416/76. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to audit those accounts.

3. The Court performed its audit in accordance with its auditing standards and policies. These have been adapted from generally accepted international auditing standards to reflect the specific characteristics of the Community context. The Court examined the accounting records and applied such other audit 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

5. The Centre was established by Council Regulation (EEC) No 337/75 <sup>(5)</sup>, as amended by Council Regulation (EEC) No 1946/93. Its core mandate is to serve the development of vocational training at Community level. In order to achieve this objective, it has the task of compiling and disseminating documentation on vocational training systems, which should enable it to contribute to the development and coordination of research in this field and encourage practical approaches to obtaining the mutual recognition of diplomas. In practice, in order to accomplish its tasks, besides commissioning studies and reports from experts the Centre is developing an ambitious computer project known as the Electronic Training Village, which serves as a meeting and information point for training specialists.

6. Table 1 shows the implementation of the appropriations for the financial year 2002 and the appropriations carried over from the previous financial year.

7. The revenue and expenditure account and balance sheet published by the Centre for the financial year 2002 are presented in summary form in Tables 2 and 3.

8. Since 2000, the Centre and the Commission have had an arrangement for the settlement of the costs incurred by their joint participation in international events. Service providers are selected by the Commission. In the majority of cases, the Commission also meets all the costs; where it does not, they are met in full by the Centre (cumulative total since 2000: 138 000 euro). The Centre should formalise this arrangement with the Commission; in particular, it should define each party's responsibilities as regards the costs that are to be covered and the checks to be performed.

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> OJ L 164, 24.6.1976, p. 1.

<sup>(3)</sup> OJ L 181, 23.7.1993, p. 15.

<sup>(4)</sup> As required pursuant to Article 1 of Council Regulation (EEC) No 1948/93, amending Council Regulation (EEC) No 1416/76, the accounts for all the Centre's revenue and expenditure for the financial year 2002 were drawn up on 27 June 2003 and forwarded to the Court of Auditors. They were received by the Court on 2 July 2003. A summarised version of these financial statements is presented in the tables annexed to this report.

<sup>(5)</sup> OJ L 39, 13.2.1975, p. 1.

Table 1

## European Centre for the Development of Vocational Training — Implementation of the budget for the financial year 2002

(EUR million)

Revenue			Expenditure														
Origin of revenue	Revenue entered under 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 (2002 budget and financial year 2001)				
				entered	committed	paid	carried over	cancelled	initial	paid	to be carried over	cancelled	appropriations	committed	paid	carried over	cancelled
Community subsidies	13,7	12,3	Title I Staff	8,1	7,9	7,6	0,3	0,2	0,2	0,2	0,0	0,0	8,3	8,1	7,8	0,3	0,2
Financial and other revenue	0,2	0,1	Title II Administration	1,1	1,1	0,8	0,3	0,0	0,3	0,3	0,0	0,0	1,4	1,4	1,1	0,3	0,0
Subsidies to non-member countries	0,3	0,2	Title III Operational activities	5,0	4,9	2,5	2,4	0,1	2,5	2,3	0,1	0,2	7,5	7,2	4,8	2,5	0,3
<b>Total</b>	<b>14,2</b>	<b>12,6</b>	<b>Total</b>	<b>14,2</b>	<b>13,9</b>	<b>10,9</b>	<b>3,0</b>	<b>0,3</b>	<b>3,0</b>	<b>2,8</b>	<b>0,1</b>	<b>0,2</b>	<b>17,2</b>	<b>16,7</b>	<b>13,7</b>	<b>3,1</b>	<b>0,5</b>

Source: Data compiled by the Centre — These tables summarise the data supplied by the Centre in its own financial statements.



Table 2

**European Centre for the Development of Vocational Training — Revenue and expenditure account for the financial years 2002 and 2001**

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Commission subsidies	12 135	13 200
Revenue from previous financial years	25	724
Sundry revenue	3	0
Earmarked revenue (Phare + other)	333	402
Financial revenue	50	104
<b>Total revenue (a)</b>	<b>12 546</b>	<b>14 430</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	7 570	7 231
Appropriations carried over	298	266
<i>Administration — Title II of the budget</i>		
Payments	767	700
Appropriations carried over	345	323
<i>Operational activities — Title III of the budget (excluding assigned revenue)</i>		
Payments	2 491	2 720
Appropriations carried over	2 189	2 059
<i>Assigned revenue (Phare + other)</i>		
Payments	0	277
Appropriations carried over	187	453
<b>Total expenditure (b)</b>	<b>13 847</b>	<b>14 029</b>
<b>Outturn for the financial year (a-b) <sup>(1)</sup></b>	<b>- 1 301</b>	<b>401</b>
Balance carried over from the previous financial year	532	- 228
Appropriations carried over which lapse	215	349
Unused reallocations from the previous financial year	8	12
Exchange-rate differences	1	- 2
<b>Balance for the financial year</b>	<b>- 545</b>	<b>532</b>

<sup>(1)</sup> Calculated as specified in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

Source: European Centre for the Development of Vocational Training.

Table 3

## European Centre for the Development of Vocational Training — Balance sheet at 31 December 2002 and 31 December 2001

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Buildings	5 953	5 953	Own capital	6 007	9 080
Financial fixed assets, guarantee	5	5	Balance for the financial year	- 545	532
Equipment and furniture	4 910	3 095			
Depreciation	- 4 896	0	<i>Subtotal</i>	5 462	9 612
<i>Subtotal</i>	5 972	9 053	<b>Long-term liabilities</b>		
<b>Stock</b>			Liabilities on assigned revenue	277	0
Stationery	35	28	<i>Subtotal</i>	277	0
<i>Subtotal</i>	35	28	<b>Current liabilities</b>		
<b>Long-term receivables</b>			Liabilities on assigned revenue	661	0
Staff loans	9	0	Carryover of appropriations	3 070	3 100
Commission subsidy	277	0	Amounts to be recovered	1 615	0
<i>Subtotal</i>	286	0	Sundry accounts payable	121	20
<b>Current receivables</b>			VAT/other taxes	73	98
Commission subsidy	2 276	184	<i>Subtotal</i>	5 540	3 218
Other advances	94	93			
VAT to be recovered	23	42	<b>Suspense accounts</b>		
Sundry accounts receivable	124	37	Payments in progress	226	338
<i>Subtotal</i>	2 517	356	Sums to be reused	229	348
<b>Cash accounts</b>			Deferred revenue	0	36
Bank accounts	2 830	4 116	Other subsidies	0	184
Cash	4	6	<i>Subtotal</i>	455	906
Imprest account	90	173			
<i>Subtotal</i>	2 924	4 295	<b>Suspense accounts</b>		
<b>Suspense accounts</b>					
	0	3	<i>Subtotal</i>	0	3
<i>Subtotal</i>	0	3			
<b>Total</b>	<b>11 734</b>	<b>13 735</b>	<b>Total</b>	<b>11 734</b>	<b>13 735</b>

Source: European Centre for the Development of Vocational Training.

**THE CENTRE'S REPLIES**

8. The Centre takes note of the observation of the Court. It will contact the relevant service of the Commission in order to respond to the Court's concerns.
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**REPORT****on the financial statements of Eurojust for the financial year 2002, together with Eurojust's replies**

(2003/C 319/07)

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**THE COURT'S OPINION**

1. This report is addressed to the European Parliament and to the Council in accordance with Article 36 of Council Decision 2002/187/JHI <sup>(1)</sup>.

2. The Court has examined the financial statements of Eurojust for its first financial year, which ended on 31 December 2002. In accordance with Article 36 of Council Decision 2002/187/JHI of 28 February 2002, the budget was implemented on the responsibility of Eurojust's Administrative Director. This responsibility includes the drawing-up and presentation of the financial statements <sup>(2)</sup>, in accordance with the internal financial provisions set out in Article 37 of the Council Decision. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to audit those accounts.

3. The Court performed its audit in accordance with its auditing standards and policies. These have been adapted from generally accepted international auditing standards to reflect the specific characteristics of the Community context. The Court examined the accounting records and applied such other audit 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

5. Eurojust, which became operational at the end of 2002, was set up pursuant to Council Decision 2002/187/JHI in order to step up the fight against serious organised crime. Its objective is to improve the coordination of investigations and prosecutions covering the territory of more than one Member State of the Union, as well as that of non-member countries. Eurojust is financed from the general budget of the European Union, except as regards the salaries and emoluments of the national members and their assistants, which are borne by their Member State of origin.

6. *Table 1* shows the implementation of the appropriations for the financial year 2002. The revenue and expenditure account and balance sheet published by Eurojust for the financial year 2002 are presented in summary form in *Tables 2 and 3*.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> Decision of 28 February 2002 setting up Eurojust (OJ L 63, 6.3.2002, p. 1).

<sup>(2)</sup> As required pursuant to Article 36(1), the final accounts for all the revenue and expenditure for the financial year 2002 were drawn up on 9 September 2003 and forwarded to the Parliament, the Commission and the Court of Auditors. The Court received them on 10 September 2003. A summarised version of these financial statements is published in the tables annexed to this report.

Table 1

## Eurojust — Implementation of the budget for the financial year 2002

(EUR million)

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				
				entered	committed	paid	carried over	cancelled
Community subsidies	2,8	1,5	Title I Staff	0,4	0,2	0,2	0,0	0,2
Other subsidies	—	—	Title II Administration	1,8	1,1	0,8	0,3	0,7
Other revenue	—	—	Title III Operational activities	0,6	0,3	0,2	0,1	0,3
<b>Total</b>	<b>2,8</b>	<b>1,5</b>	<b>Total</b>	<b>2,8</b>	<b>1,6</b>	<b>1,2</b>	<b>0,4</b>	<b>1,2</b>

Source: Data compiled by Eurojust. These tables summarise the data supplied by Eurojust in its own financial statements.

Table 2

## Eurojust — Revenue and expenditure account for the financial year 2002

(EUR 1 000)

	2002
<b>Revenue</b>	
Commission subsidies	1 478
<b>Total revenue (a)</b>	<b>1 478</b>
<b>Expenditure</b>	
<i>Staff — Title I of the budget</i>	
Payments	205
Appropriations carried over	42
<i>Administration — Title II of the budget</i>	
Payments	793
Appropriations carried over	268
<i>Operational activities — Title III of the budget</i>	
Payments	213
Appropriations carried over	37
<b>Total expenditure (b)</b>	<b>1 558</b>
<b>Outturn for the financial year (c = a – b) <sup>(1)</sup></b>	<b>- 80</b>

<sup>(1)</sup> Calculated as specified in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

Source: Data compiled by Eurojust. These tables summarise the data supplied by Eurojust in its own financial statements.

Table 3

## Eurojust — Balance sheet at 31 December 2002

(EUR 1 000)

Assets	2002	Liabilities	2002
<b>Fixed assets</b>		<b>Fixed capital</b>	
Intangible assets	7	Own capital	567
Equipment and furniture	229	Balance for the financial year	- 80
Computer equipment	477		
Depreciation	- 147		
<i>Subtotal</i>	566	<i>Subtotal</i>	487
<b>Stock</b>		<b>Current liabilities</b>	
Office supplies	1	Automatic carryover of appropriations	347
		Sundry accounts payable	0
<i>Subtotal</i>	1	<i>Subtotal</i>	347
<b>Current receivables</b>		<b>Suspense accounts</b>	
VAT to be recovered	154	Deferred revenue	28
Recovery orders	28	Payments in progress	130
Sundry accounts receivable	2		
<i>Subtotal</i>	184	<i>Subtotal</i>	158
<b>Cash accounts</b>			
Bank accounts	241		
Cash	0		
<i>Subtotal</i>	241		
<b>Total</b>	<b>992</b>	<b>Total</b>	<b>992</b>

Source: Eurojust data. These tables summarise the data supplied by Eurojust in its own financial statements.

**EUROJUST'S REPLIES**

Eurojust welcomes the Court's concluding statement that the examination of Eurojust's accounts for the budget year 2002 confirms that the annual accounts are reliable and that the underlying transactions, taken as a whole, are legal and regular.

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**REPORT****on the financial statements of the European Training Foundation for the financial year 2002,  
together with the Foundation's replies**

(2003/C 319/08)

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## THE COURT'S OPINION

1. This report is addressed to the European Parliament and to the Council, in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the European Training Foundation for the financial year ended 31 December 2002. In accordance with Article 11(1) of Council Regulation (EEC) No 1360/90 <sup>(2)</sup>, the budget was implemented on the responsibility of the Director. This responsibility included the drawing-up and presentation of the financial statements <sup>(3)</sup> in accordance with the internal financial provisions provided for in Article 12 of Council Regulation (EEC) No 1360/90. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to audit these accounts.

3. The Court carried out the audit in accordance with its auditing policies and standards, which have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. The Court carried out such tests of the accounting records and applied such other procedures as it deemed necessary in the circumstances. Through 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

### Introduction

5. The European Training Foundation was created by Council Regulation (EEC) No 1360/90 of 7 May 1990. Its purpose is to support the reform of vocational training in the European Union's partner countries. It supports the reform of vocational training in

more than 40 countries and facilitates access to Community expertise and practice in the general field of human resources development. As such, it assists the Commission in the implementation of the MEDA, CARDS, Tacis and Tempus programmes.

### Budgetary implementation

6. *Table 1* shows the implementation of the appropriations for the year 2002 and the appropriations carried over from the previous financial year.

7. The 2002 appropriations were committed up to the level of 16,6 million euro; they were disbursed in payments amounting to 13,2 million euro. The balance of the appropriations was either carried over (3,4 million euro) or cancelled (0,2 million euro). The volume of carryovers remains high as regards the operating appropriations where they represent more than 50 % of the year's commitments. The extent of these carryovers shows that the Foundation needs to improve the quality and monitoring of its work programme with the aim of observing the principle of annuality more faithfully.

8. The Foundation has entered into an agreement to set up a support project for small and medium-sized businesses in Albania. In 2002 the Foundation managed 0,5 million euro under this agreement. This activity is not mentioned in the budget and appears only at balance sheet level.

9. On the basis of agreements concluded with the Commission, the Foundation manages Phare and Tacis programmes, including technical assistance for the implementation of the Tempus programme (see paragraph 5). These programmes amount to a sum total of 244,7 million euro. In 2002, the Foundation made payments of 31 million euro for these programmes and, on 31 December 2002, the balance of the corresponding bank accounts amounted to 26,5 million euro. More than 20 of the 123 people <sup>(4)</sup> employed by the Foundation work full time on these programmes, which are outside the budget. As the Court has pointed out in earlier reports <sup>(5)</sup>, no data relating to these programmes appear in the budgetary implementation statement, the balance sheet or the budget outturn. Instead, the Foundation presents the relevant financial information in an annex to its financial statements. This way of accounting for them raises the question of whether the principle of budgetary unity is being observed and, on the accounting level, whether such a procedure

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> OJ L 131, 23.5.1990.

<sup>(3)</sup> As required pursuant to Article 11(3) of Council Regulation (EEC) No 1360/90, the detailed accounts of all the Foundation's revenue and expenditure for the financial year 2002 were drawn up on 28 March 2003 and forwarded to the Court of Auditors. These accounts were received by the Court on 31 March 2003. A summarised version of these financial statements is presented in the tables annexed to this report.

<sup>(4)</sup> Figure as at 31 December 2002.

<sup>(5)</sup> Paragraph 8 of the report concerning the financial year 2001 (OJ C 326, 27.12.2002, p. 51); see also paragraph 11 of the report concerning the financial year 1999 (OJ C 373, 27.12.2000, p. 34).

is compatible with the principle of 'reality over appearance' <sup>(1)</sup>. Furthermore, it makes the task of auditing the use of these funds more complex.

adjusted accordingly. As a result, this sum was recorded under expenditure twice.

### **Accounting and financial statements**

10. The revenue and expenditure account and the balance sheet published by the Foundation in its annual report for the financial year 2002 are presented in summary form in *Tables 2 and 3*.

14. Certain payment procedures used by the Foundation ought to be revised or amended with a view to reducing the risks associated with them, particularly as regards the transfer of funds to third countries. For the same reason, the amount (40 000 euro) currently authorised for the 'petty cash' subaccount used for cash payments should be reduced.

11. During the financial year, the Commission only paid the Foundation 13,2 million euro out of the subsidies of 16,8 million euro entered in the budget. This situation explains the deficit for the financial year.

### **Legality and regularity of the underlying transactions**

12. The introduction of a fixed asset inventory procedure, and of software for fixed asset management, follows the recommendations made by the Court in its report for 2001 <sup>(2)</sup>. Nevertheless, there is still room for improvement as regards the completeness of the fixed assets item and, in particular, the inclusion of software, and the possibilities for reconciliation with the financial statements.

15. The Director of the Foundation signed an agreement with the Director of the European Centre for the Development of Vocational Training which stipulated that a member of the Foundation's staff would be made available to the Centre in return for the reimbursement of his salary by the Centre. During the 20 months that this situation lasted, the person in question, a Greek national, received the foreign residence allowance and the weighting for Italy, although he was working at the central office of the Centre in Salonica.

13. The Translation Centre for the bodies of the European Union asks its clients to pay it an advance at the beginning of the financial year. Under this heading, the Foundation paid the Translation Centre a sum of 150 000 euro. The advance was recorded as expenditure during the financial year and, at the end of the year, the appropriations automatically carried forward were not

16. Every month the Commission sends a list of the former employees of the Foundation who are entitled to the unemployment allowance. None of them has forwarded the monthly certificate required <sup>(3)</sup> in order to receive this allowance and the Foundation does not carry out any checks in order to verify their true situation.

<sup>(1)</sup> According to this principle, accounting operations that appear in the financial statements must be presented on the basis of their economic nature and not their legal appearance. This principle is laid down in Article 78 of Commission Regulation (EC, Euratom) No 2343/2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357, 23.12.2002, p. 72).

<sup>(2)</sup> Paragraphs 9 and 10 of the report concerning the financial year 2001 (OJ C 326, 27.12.2002, p. 51).

<sup>(3)</sup> Title II, Chapter 6, Article 28a(2) of the Conditions of employment of other servants of the European Communities (Staff Regulations) states that in order to be eligible for unemployment allowance, a former member of the temporary staff shall:

- (a) be registered, at his/her own request, as seeking employment with the employment authorities of the Member State in which he/she establishes his/her residence;
- (b) fulfil the obligations laid down by the law of that Member State for persons in receipt of unemployment benefits under that law;
- (c) forward every month to the institution to which he/she belonged, which shall immediately forward it to the Commission, a certificate issued by the competent national employment authority stating whether or not he/she has fulfilled the obligations and conditions referred to in (a) and (b).

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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Table 1

## European Training Foundation — Implementation of the budget for the financial year 2002

(EUR million)

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			Appropriations available (2002 budget and financial year 2001)				
				entered	committed	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appropriations	committed	paid	carried over	cancelled
Community subsidies	16,8	13,2	Title I Staff	10,5	10,3	10,1	0,2	0,2	0,4	0,4	0,0	10,9	10,7	10,5	0,2	0,2
Other subsidies	0,0	0,0	Title II Administration	1,4	1,4	0,8	0,6	0,0	0,5	0,5	0,0	1,9	1,9	1,3	0,6	0,0
Other revenue	0,0	0,1	Title III Operating activities	4,9	4,9	2,3	2,6	0,0	2,6	2,2	0,4	7,5	7,5	4,5	2,6	0,4
<b>Total</b>	16,8	13,3	<b>Total</b>	16,8	16,6	13,2	3,4	0,2	3,5	3,1	0,4	20,3	20,1	16,3	3,4	0,6

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

Source: Data compiled by the Foundation — These tables summarise the data supplied by the Foundation in its own financial statements.

Table 2

European Training Foundation — Revenue and expenditure account for the financial years 2002 and 2001 <sup>(1)</sup>

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Own revenue		
Commission subsidies	13 179	16 800
Miscellaneous revenue	23	47
Financial revenue	140	290
<b>Total revenue (a)</b>	<b>13 342</b>	<b>17 137</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	10 153	9 746
Appropriations carried over	215	356
<i>Administration — Title II of the budget</i>		
Payments	805	862
Appropriations carried over	559	541
<i>Operating activities — Title III of the budget</i>		
Payments	2 307	2 572
Appropriations carried over	2 591	2 595
<b>Total expenditure (b)</b>	<b>16 631</b>	<b>16 672</b>
<b>Outturn for the financial year (a-b) <sup>(2)</sup></b>	<b>- 3 289</b>	<b>465</b>
Balance carried over from the previous financial year	4 055	3 352
Appropriations carried over and cancelled	424	258
Sums for reuse from the 2001 (2000) financial year, not used	0	0
Reimbursements to the Commission	- 3 352	0
Exchange-rate differences	6	- 20
<b>Balance for the financial year</b>	<b>- 2 155</b>	<b>4 055</b>

<sup>(1)</sup> The revenue and expenditure account and balance sheet only take account of the Foundation's specific activities: they ignore programmes managed on behalf of the Commission or other bodies.

<sup>(2)</sup> Calculated according to the provisions of Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

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

Source: Data compiled by the Foundation.

Table 3

European Training Foundation — Balance sheet at 31 December 2002 and 31 December 2001 <sup>(1)</sup>

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Equipment and furniture	618	618	Own capital	392	2 238
Computer equipment	1 235	1 565	Balance for the financial year	- 2 155	4 055
Depreciation	- 1 521	0			
<i>Subtotal</i>	332	2 183	<i>Subtotal</i>	- 1 763	6 293
<b>Stocks</b>			<b>Current liabilities</b>		
Office equipment	60	55	Automatic carryovers of appropriations	3 366	3 492
<i>Subtotal</i>	60	55	Non-automatic carryovers of appropriations	273	24
<b>Current assets</b>			Other contributors	85	502
Commission subsidy receivable	3 366	0	Sundry accounts payable	28	22
Other advances	2	0	Deferred revenue	3 537	154
Recovery orders	171	154	<i>Subtotal</i>	7 289	4 194
Sundry accounts receivable	30	49	<b>Suspense accounts</b>		
<i>Subtotal</i>	3 569	203	Sums to be reused	0	2
<b>Cash accounts</b>			Payments in progress	0	5
Bank accounts	1 524	8 011	<i>Subtotal</i>	0	7
Imprest account	41	42			
<i>Subtotal</i>	1 565	8 053			
<b>Total</b>	<b>5 526</b>	<b>10 494</b>	<b>Total</b>	<b>5 526</b>	<b>10 494</b>

<sup>(1)</sup> The revenue and expenditure account and balance sheet only take account of the Foundation's specific activities: they ignore programmes managed on behalf of the Commission.

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

Source: Data compiled by the Foundation — These tables summarise the data supplied by the Foundation in its own financial statements.

## THE FOUNDATION'S REPLIES

### ***Budgetary implementation***

7. The high rate of payments (90 % average over the past four years) on carried forward amounts demonstrates that behind commitments there has always been a well-planned activity. As mentioned in previous Foundation replies, the nature of activities, the fact that our partners are mostly public sector entities and that the Foundation adopts a participatory approach, require long decision times. This situation makes it difficult for the Foundation to decide on its own about the implementation timetables. The introduction of multiannual payment appropriations, as a result of the new Financial Regulation, will solve this problem.

The Foundation management constantly reviews the budget implementation using tailor-made reports and tools, which are expected to be equally useful in the monitoring of the use of multiannual appropriations.

8. To comply with the principle of unity of the budget, starting from the year 2003 the Foundation will include Title IV and other earmarked funds in the statement of expenditure and budget implementation table, under headings clearly distinct from those used for the annual subsidy.

9. To comply with the accounting principle of 'reality over appearance' of the new Financial regulation, the Foundation is ready to show the convention funds in its financial statements for the year 2003 as recommended by the Court. In order to ensure that these convention funds will not be double-accounted in the final consolidated accounts of the Commission, the Foundation will need to consult the Commission for the modalities of the presentation.

### ***Accounting and financial statements***

12. In 2002 the Foundation developed a new in-house software for the management of the inventory and fixed assets. The

short time available for testing before the preparation of the accounts led to some problems with the implementation of the software. The Foundation is pleased to report that the problems are now fixed and the system satisfies the needs related to financial reporting.

13. The advance (EUR 150 000) paid to the TC was administrated as expenses. The Foundation agrees that it should have been treated as an advance, but there was a divergence of opinions on this with the Financial Control.

14. The Foundation has reduced the endowment of the imprest account to EUR 2 500 with a decision of 10 April 2003 on a proposal of the accounting officer and concerned authorising officers.

### ***Legality and regularity of underlying transactions***

15. The secondment of one temporary agent employed by the Foundation to Cedefop has been the first attempt at mobility and exchange of staff between the two agencies. The agent was selected by Cedefop, following an official procedure for the recruitment of a national expert (END). Accordingly, the Foundation applied the rules for the END's remuneration.

However, the Foundation agrees with the Court's observation that the approach taken was not the most appropriate. The agent's contract with the Foundation has now expired and with it also the secondment arrangement.

16. The unemployment allowance to former Foundation agents is paid directly by the Commission, since the Foundation Director has delegated to DG Admin (now the Paymaster's Office) this task. On this basis, the Foundation assumed that the Commission would make regular checks and directly request the necessary proofs before paying any amount.



**REPORT****on the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2002, together with the Foundation's replies**

(2003/C 319/09)

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**THE COURT'S OPINION**

1. This report is addressed to the European Parliament and to the Council, in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the European Foundation for the Improvement of Living and Working Conditions for the financial year ended 31 December 2002. In accordance with Article 18 of Council Regulation (EEC) No 1417/76 <sup>(2)</sup>, as amended by Article 1(16) of Council Regulation (EEC) No 1949/93 <sup>(3)</sup>, the Foundation's budget was implemented under the responsibility of its Administrative Board. This responsibility includes the drawing-up and presentation of the financial statements <sup>(4)</sup>, in accordance with the internal financial provisions provided for by Articles 65 to 68 of Council Regulation (EEC) No 1417/76, as amended by Article 1(52) to (55) of Council Regulation (EEC) No 1949/93. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to examine these accounts.

3. The Court undertook its audit in accordance with its audit 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 audit procedures as it deemed necessary in the circumstances. Through this audit, the Court obtained a reasonable basis for the opinion expressed below.

4. This examination has allowed the Court to obtain reasonable assurance that the accounts for the financial year ended 31 December 2002 are reliable and that the underlying operations are, taken as a whole, legal and regular.

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> OJ L 164, 24.6.1976, p. 16.

<sup>(3)</sup> OJ L 181, 23.7.1993, p. 26.

<sup>(4)</sup> As required pursuant to Article 16 of Council Regulation (EEC) No 1365/75, as amended by Regulation (EEC) No 1947/93, the accounts for all the Foundation's revenue and expenditure for the financial year 2002 were drawn up on 23 September 2003 and forwarded to the Court of Auditors. These accounts were received by the Court on 29 September 2003. A summarised version of the financial statements is presented in the tables annexed to this report.

**OBSERVATIONS****Introduction**

5. The Foundation was set up in 1975 to contribute towards the planning and establishment of better living and working conditions throughout the European Union <sup>(5)</sup>. It has started extending its field of activity to the candidate countries. The Foundation has a network of experts throughout Europe, to which it delegates research work, including, for example, producing assessments of the current situation in the individual countries, drawing up case studies and national reports and carrying out surveys.

**Implementation of the budget**

6. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1*.

7. The appropriations committed for the financial year 2002 amounted to 17,3 million euro, of which 13,3 million resulted in payments and 4 million were carried over. The carryovers represented nearly 50 % of the year's commitments for operational activities (Title III). The large amount of carryovers relating to operational activities shows that the Foundation needs to monitor and programme them better.

**Financial statements**

8. The revenue and expenditure account and the balance sheet published by the Foundation in its activity report for the financial year 2002 are presented in summary form in *Tables 2 and 3*.

9. The Foundation's accounting system is characterised by a great heterogeneity in the tools it uses. This means the data has to be re-entered and reprocessed many times, which is a potential source of error. The Foundation does not have an integrated system for monitoring fixed assets and calculating depreciation. It uses two separate databases, which are managed by two different departments.

<sup>(5)</sup> Council Regulation (EEC) No 1365/75 of 26 May 1975.

***Underlying transactions***

10. Article 46(c) of the Foundation's Financial Regulation provides for the possibility of concluding contracts with suppliers by private treaty where the tender procedure is unsuccessful. Thus, in a call for tenders, the price range envisaged for two bid

packages was between 25 000 and 35 000 euro. As the call for tenders produced no results, they were allocated by private treaty for 53 500 and 86 000 euro respectively. The Court suggests that the Foundation should improve the transparency of its procedures by specifying more clearly the conditions on the basis of which it makes use of the tender procedure.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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Table 1

## European Foundation for the Improvement of Living and Working Conditions — Implementation of the budget for the financial year 2002

(EUR million)

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 (2002 budget and financial year 2001)				
				entered	commit- ted	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appro- priations	commit- ted	paid	carried over	cancelled
Community subsidies	17,1	16,5	Title I Staff	9,4	9,3	9,1	0,2	0,1	0,2	0,2	0,0	9,6	9,5	9,3	0,2	0,1
Other subsidies	0,0	0,0	Title II Administration	1,6	1,6	0,9	0,7	0,0	0,2	0,2	0,0	1,8	1,8	1,1	0,7	0,0
Other revenue	0,3	0,1	Title III Operational activities	6,4	6,4	3,3	3,1	0,0	3,2	3,1	0,1	9,6	9,5	6,4	3,1	0,1
<b>Total</b>	<b>17,4</b>	<b>16,6</b>	<b>Total</b>	<b>17,4</b>	<b>17,3</b>	<b>13,3</b>	<b>4,0</b>	<b>0,1</b>	<b>3,6</b>	<b>3,5</b>	<b>0,1</b>	<b>21,0</b>	<b>20,8</b>	<b>16,8</b>	<b>4,0</b>	<b>0,2</b>

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

Source: Data compiled by the Foundation — These tables summarise the data provided by the Foundation in its own financial statements.

Table 2

**European Foundation for the Improvement of Living and Working Conditions — Revenue and expenditure account for the financial years 2002 and 2001**

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Commission subsidies	16 500	14 958
Sundry revenue	62	16
Financial revenue	57	96
<b>Total revenue (a)</b>	<b>16 619</b>	<b>15 070</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	9 111	7 583
Appropriations carried over	216	190
<i>Administration — Title II of the budget</i>		
Payments	938	854
Appropriations carried over	683	245
<i>Operational activities — Title III of the budget</i>		
Payments	3 290	3 129
Carryovers	3 105	3 148
<b>Total expenditure (b)</b>	<b>17 343</b>	<b>15 150</b>
<b>Outturn for the financial year (a-b) <sup>(1)</sup></b>	<b>- 724</b>	<b>- 80</b>
Balance carried over from the previous financial year	- 1 209	- 1 210
Appropriations carried over and cancelled	81	59
Sums from the financial year 2001 for reuse that were not used	13	24
Exchange-rate differences	3	- 2
<b>Balance for the financial year</b>	<b>- 1 836</b>	<b>- 1 209</b>

<sup>(1)</sup> Calculation according to the principles of 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 effects of rounding.

Source: Data compiled by the Foundation — These tables summarise the data supplied by the Foundation in its own financial statements.

Table 3

**European Foundation for the Improvement of Living and Working Conditions — Balance sheet at 31 December 2002 and 31 December 2001 <sup>(1)</sup>**

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Intangible fixed assets	154	0	Own capital	4 294	8 865
Buildings	7 137	7 137	Balance for the financial year	- 1 836	- 1 209
Fittings and furniture <sup>(2)</sup>	809	1 665	<i>Subtotal</i>	2 458	7 656
Transportation equipment	49	49	<b>Short-term debts</b>		
Computer equipment	553	0	Automatic carryovers of appropriations	3 940	3 583
Fixed assets under construction	31	0	Non-automatic carryovers of appropriations	64	0
Depreciations	- 4 452	0	Sundry accounts payable	0	4
<i>Subtotal</i>	4 281	8 851	Payroll deductions	139	327
<b>Stocks</b>			<i>Subtotal</i>	4 143	3 914
Office supplies	13	23	<b>Suspense accounts</b>		
<i>Subtotal</i>	13	23	Sums to be reused	150	195
<b>Current assets</b>			Deferred revenue	1 840	1 231
Other advances	11	15	Payments in progress	30	0
Recoverable VAT	274	337	<i>Subtotal</i>	2 020	1 426
Recovery orders	1 840	1 231			
Sundry accounts receivable	13	4			
<i>Subtotal</i>	2 138	1 587			
<b>Cash accounts</b>					
Banks	1 960	2 390			
Cash	1	0			
Imprest account	228	145			
<i>Subtotal</i>	2 189	2 535			
<b>Total</b>	<b>8 621</b>	<b>12 996</b>	<b>Total</b>	<b>8 621</b>	<b>12 996</b>

<sup>(1)</sup> The balance sheet does not show an amount of one million euro relating to a convention signed with the Commission on 15 December 2002 and referring to allocated revenue receivable in 2003 and 2004.

<sup>(2)</sup> In 2001, this item also included computer equipment and software.

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

Source: Data compiled by the Foundation — These tables summarise the data supplied by the Foundation in its own financial statements.

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**THE FOUNDATION'S REPLIES**

7. For the cases where contracts are repetitive in nature, the timing of contracting procedures has, where possible, been brought forward. In the other cases, where the nature of the actions is more innovative and complex, the Foundation will continue to explore possibilities to expedite their implementation, from their initiation to their contractual execution. Those efforts as well as the application of the new Financial Regulation are expected to reduce the volume of carryovers.

9. The Foundation is currently implementing measures to improve the integration of its accounting systems. Computerised systems for asset control are also currently being assessed.

10. The circumstances in which the Foundation found itself in this case were exceptional and the Foundation did raise the issue with the Board before proceeding to contract. It is the clear intention of the Foundation to ensure that, if such cases arise in the future, the limits applied to the original call for tenders will normally apply to the negotiated procedure ('private treaty'). In cases where the foreseen funding is found to be inadequate, the option of holding a new call with revised funding will be considered. Any deviation from this procedure in the future will only be implemented with the express approval of the authorising officer.

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**REPORT****on the financial statements of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2002, together with the Monitoring Centre's replies**

(2003/C 319/10)

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**THE COURT'S OPINION**

1. This report is addressed to the European Parliament and to the Council, in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the Monitoring Centre for the financial year ended 31 December 2002. In accordance with Article 11(8) of Council Regulation (EEC) No 302/93 <sup>(2)</sup>, the budget was implemented under the responsibility of the executive director. This responsibility included the drawing-up and presentation of the financial statements <sup>(3)</sup> in accordance with the internal financial provisions adopted pursuant to Article 11(12) of Council Regulation (EEC) No 302/93, as amended by Article 1 of Council Regulation (EC) No 3294/94 <sup>(4)</sup>. The Court of Auditors is required pursuant to 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. The Court carried out such tests of the accounting records and applied such other auditing procedures as it deemed necessary in the circumstances. By means of this audit, the Court obtained an adequate 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

5. Without prejudice to the opinion expressed above, the Court wishes nevertheless to draw to the attention of the discharge authority the situations described in paragraphs 8, 9, 12 and, in particular, 13.

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> OJ L 36, 12.2.1993.

<sup>(3)</sup> As required pursuant to Article 82 of Commission Regulation (EC) No 2343/2002 the final accounts for all the Monitoring Centre's revenue and expenditure for the financial year 2002 were drawn up on 15 September 2003 and forwarded to the Court of Auditors. These accounts were received by the Court on 19 September 2003. A summarised version of these financial statements is presented in the tables annexed to this report.

<sup>(4)</sup> OJ L 341, 30.12.1994, p. 7.

**OBSERVATIONS****Introduction**

6. The European Monitoring Centre for Drugs and Drug Addiction was established by Council Regulation (EEC) No 302/93 of 8 February 1993. Its main objective is to collect and publish objective, reliable and comparable information concerning drugs and drug addiction in Europe. It has set up a network of national centres for that purpose. It also cooperates with various international organisations working in the same field.

**Implementation of the budget**

7. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1* <sup>(5)</sup>.

8. The Monitoring Centre has not taken account of the provisions of the Financial Regulation that apply to carryovers of appropriations <sup>(6)</sup>. Justification for the commitment proposals totalling 308 300 euro issued in December 2001 was only provided in the course of the following year.

9. As regards the non-automatic carryovers amounting to 212 400 euro, the decision taken by the Management Board at the end of the financial year is irregular <sup>(7)</sup>. These carryovers related to Titles I and II appropriations that had not been committed and were unduly transferred to Title III with a view to their being carried over to the next financial year <sup>(8)</sup>.

**The financial statements**

10. The short-form revenue and expenditure account and balance sheet published by the Monitoring Centre for the financial year 2002 are presented in *Tables 2 and 3*.

11. The inventory should be more strictly maintained. There has been no physical inventory in recent years. The goods listed in the inventory (which is not complete) are not identified and their location is not specified. Furthermore, obsolete items have not been decommissioned.

<sup>(5)</sup> Figures have been rounded, which may give rise to minor differences in totals.

<sup>(6)</sup> Article 6(1)(a) of the Monitoring Centre's financial regulation.

<sup>(7)</sup> Article 6(2) of the Monitoring Centre's financial regulation.

<sup>(8)</sup> Article 21 of the Monitoring Centre's financial regulation only authorises transfers from one chapter to another.

**Legality and regularity of the underlying transactions**

12. Pursuant to a decision dated 18 April 2002 the executive director authorised three authorising officers responsible for the Phare project to sign cheques and bank transfer orders. This type of authorisation, delegating accounting officer powers to authorising officers, is incompatible with the principle of segregation of duties <sup>(1)</sup>.

**Personnel management**

13. The Court has already had occasion to draw to the Monitoring Centre's attention the necessity of making its personnel

management system more rigorous <sup>(2)</sup>. The audits carried out in 2002 revealed persistent shortcomings such as files without essential documents that made it impossible to assess the justification for the financial entitlements attributed to the members of staff concerned. Similar findings applied to the selection procedures, including: notice imprecise, selection committees' minutes incomplete, criteria for assessing candidates not defined in advance. For example, the organisation and holding of an internal competition in order to give various members of the Centre's staff the status of permanent officials were tainted by various irregularities relating, in particular, to certain candidates' admissibility and the composition of the selection board. The seriousness of the anomalies that it detected led the Commission to lodge objections with the Centre about various aspects of the procedures that had been applied.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 23 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> Article 16 of the Monitoring Centre's financial regulation.

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<sup>(2)</sup> See paragraphs 16 to 34 of the annual report for the financial year 2000 (OJ C 372, 28.12.2001, p. 64).

Table 1

## European Monitoring Centre for Drugs and Drug Addiction — Implementation of the budget for the financial year 2002

(EUR million)

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 (2002 budget and financial year 2001)				
				entered	commit- ted	paid	carried over	cancelled	entered	paid	cancelled	appro- priations	commit- ted	paid	carried over	cancelled
Community subsidies	9,0	9,0	Title I Staff	5,1	5,0	5,0	0,1	0,0	0,5	0,2	0,2	5,6	5,5	5,2	0,1	0,2
Other subsidies	1,4	1,2	Title II Administration	1,2	1,0	0,6	0,5	0,0	0,6	0,5	0,1	1,8	1,7	1,2	0,5	0,1
Miscellaneous revenue	p.m	0,1	Title III Operating activities	4,1	3,4	2,5	1,0	0,6	2,0	2,0	0,2	6,1	5,5	4,6	1,0	0,8
<b>Total</b>	10,4	10,3	<b>Total</b>	10,4	9,5	8,1	1,6	0,7	3,2	2,8	0,4	13,5	12,7	10,9	1,6	1,0

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

Source: Data compiled by the Monitoring Centre — These tables summarise the data supplied by the Monitoring Centre in its own financial statements.

Table 2

**European Monitoring Centre for Drugs and Drug Addiction — Revenue and expenditure account for the financial years 2002 and 2001 <sup>(1)</sup>**

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Subsidies received from the Commission	9 000	8 750
Subsidies received from Norway	413	399
Other subsidies	735	1 153
Other revenue	133	99
<b>Total revenue (a)</b>	<b>10 280</b>	<b>10 401</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	4 951	4 174
Appropriations carried over	80	490
<i>Administration — Title II of the budget</i>		
Payments	632	620
Appropriations carried over	509	624
<i>Operating activities — Title III of the budget</i>		
Payments	2 525	2 146
Appropriations carried over	1 001	2 026
<b>Total expenditure (b)</b>	<b>9 698</b>	<b>10 079</b>
<b>Outturn for the financial year (a-b)</b>	<b>582</b>	<b>322</b>
Balance carried over from the previous financial year <sup>(2)</sup>	639	2 076
Appropriations carried over and cancelled	392	301
Unused sums for re-use from the previous financial year	9	18
Amount refunded to the Commission	0	- 2 076
Exchange-rate differences	3	- 2
<b>Balance for the financial year <sup>(3)</sup></b>	<b>1 625</b>	<b>639</b>

<sup>(1)</sup> In its accounts, the Monitoring Centre included under revenue and expenditure the use of earmarked revenue not used in 2001.<sup>(2)</sup> The balance for the financial year 2001 is to be refunded to the Commission and is equivalent to the total of the outturn for the financial year plus depreciation (82 000 + 557 000 euro).<sup>(3)</sup> Calculated in accordance with the principles laid down in Article 15 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 (OJ L 130, 31.5.2000, p. 8).

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

Source: Data compiled by the Monitoring Centre.

Table 3

**European Monitoring Centre for Drugs and Drug Addiction — Balance sheet at  
31 December 2002 and 31 December 2001**

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Buildings	3 559	2 950	Own capital	2 797	3 792
Equipment and furniture	152	151	Balance for the financial year <sup>(3)</sup>	1 626	82
Computer equipment <sup>(1)</sup>	785	634			
Transportation equipment	74	51	<i>Subtotal</i>	4 423	3 874
Intangible assets	66	0	<b>Current liabilities</b>		
Depreciation <sup>(2)</sup>	- 1 867	- 557	Automatic carryovers of appropriations	1 377	2 185
<i>Subtotal</i>	2 768	3 229	Non-automatic carryovers	212	270
<b>Stocks</b>			Subsidies	0	75
Current assets	28	10	Sundry accounts payable <sup>(4)</sup>	18	774
Subsidy from the Commission	0	36	VAT (and other taxes)		28
Subsidies assigned	0	39	Recovery orders <sup>(5)</sup>	101	
Recoverable VAT	84	28			
Sundry accounts receivable	18	40	<i>Subtotal</i>	1 709	3 332
<i>Subtotal</i>	101	143			
<b>Cash accounts</b>			<b>Suspense accounts</b>		
Bank accounts	3 474	3 925	Sums to be reused	265	101
Imprest account	4	0	Deferred revenue	4	0
<i>Subtotal</i>	3 478	3 925	<i>Subtotal</i>	269	101
<b>Suspense accounts</b>					
	24	0			
<b>Total</b>	<b>6 400</b>	<b>7 307</b>	<b>Total</b>	<b>6 400</b>	<b>7 307</b>

<sup>(1)</sup> In 2001, computer software was included with computer equipment.

<sup>(2)</sup> In 2001, buildings were shown in the balance sheet without depreciation.

<sup>(3)</sup> In 2001, the balance of 82 000 euro was a balance after depreciation, whereas the 2002 balance is a balance before depreciation, the latter being included under own capital.

<sup>(4)</sup> In 2001, this item included the provisional balance of the Phare programme, which was not then due to the Commission as the programme had not ended. In 2002 the final balance for the programme was included under the balance for the financial year heading.

<sup>(5)</sup> Recovery orders issued but not yet collected have not yet resulted in the opening of appropriations for reuse.

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

Source: Data compiled by the Monitoring Centre — The tables summarise the data supplied by the Monitoring Centre in its own financial statements.

**THE MONITORING CENTRE'S REPLIES**

8. The Monitoring Centre recognises the need to keep automatic carryovers to a minimum, in line with the principle of annuality. As a result of efforts undertaken in this regard, the Monitoring Centre reduced automatic carryovers at the end of 2002 from the previous year's level.

9. The aim of the Management Board's decision was to satisfy the need — which became apparent at the end of the financial year — to finance temporary working premises pending approval of a more permanent solution.

11. Considerable efforts have already been made to improve the inventory system. Since 2003, the inventory management system ELS has been able to calculate the value of fixed assets in the Monitoring Centre's balance sheet. There will be further efforts to improve the system in the future. A physical inventory will be carried out by the end of 2003.

On 12 May 2003, the Monitoring Centre decided to decommission obsolete computer equipment with a total value (purchase price) of EUR 226 959.

12. This system was adopted exceptionally for this particular project. Measures have been taken to rectify the situation.

13. Specific problems identified by the Court will be subject to a detailed examination by the Monitoring Centre. Where necessary, appropriate measures will be taken to ensure each matter is resolved. As regards the recruitment of temporary staff, the Monitoring Centre's selection procedures are in line with the provisions of Annex III to the Staff Regulations ('Competitions'). With regard to competitions for permanent posts, given the complex nature of the relevant procedures and the shortage of specialised staff in an organisation as small as the Monitoring Centre, shortcomings have been identified, despite the precautions taken, thanks mainly to the involvement of representatives of the Commission in establishing and implementing the procedure. The Monitoring Centre wishes to underline the fact that, ultimately, once detailed checks were carried out by, among others, the specialised services of the Commission, the shortcomings identified did not undermine the validity of the procedure or its outcome. The Monitoring Centre will continue its efforts to make recruitment procedures even more stringent, while at the same time calling on the services of the European Personnel Selection Office (EPSO) as consistently as possible.

**REPORT****on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2002, together with the Centre's replies**

(2003/C 319/11)

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## THE COURT'S OPINION

1. This report is addressed to the European Parliament and to the Council, in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(1)</sup>.

2. The Court has examined the financial statements of the Centre for the financial year ended 31 December 2002. In accordance with Article 12(8) of Council Regulation (EC) No 1035/97 <sup>(2)</sup>, the budget was implemented on the responsibility of the Executive Director. This responsibility includes the drawing-up and presentation of the financial statements <sup>(3)</sup>, in accordance with the internal financial provisions adopted pursuant to Article 12(12) of Council Regulation (EC) No 1035/97. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to examine these accounts.

3. The Court carried out the 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. The Court carried out such tests of the accounting records and applied such other audit procedures as it deemed necessary in the circumstances. Through 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

### Introduction

5. The Centre was established by Council Regulation (EC) No 1035/97. The Centre's task is to collect and analyse objective, reliable and comparable information on racist, xenophobic and anti-Semitic phenomena, so as to enable the European Union to fulfil its obligation to respect fundamental rights when formulating and applying its policies. In order to do this, the Centre is required to set up and coordinate a network of national centres

<sup>(1)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(2)</sup> OJ L 151, 10.6.1997, p. 6.

<sup>(3)</sup> As required pursuant to Article 12(10) of Council Regulation (EC) No 1035/97, the accounts for all the Centre's revenue and expenditure for the financial year 2002 were drawn up on 27 February 2003 and then forwarded to the Court of Auditors. These accounts were received by the Court on 3 March 2003. A summarised version of these financial statements is presented in the tables annexed to this report.

for the collection of information on racism and xenophobia (RAXEN) and to carry out research into these phenomena.

### Implementation of the budget

6. Table 1 <sup>(4)</sup> shows the implementation of the appropriations of the financial year 2002 and the appropriations carried over from the previous financial year.

7. The 2002 appropriations committed totalled 6 million-euro. Payments made against these commitments amounted to 4,5 million euro. The balance of the appropriations was either carried over (1,5 million euro) or cancelled (0,2 million euro). With regard to the appropriations for operating activities (3,0 million euro), the amount carried over, 1,2 million, i.e. 40 % of the appropriations allocated, remains high. The Centre should continue its efforts to reduce still further the proportion of appropriations carried over, the volume of which hardly changes from one year to the next.

8. Numerous provisional commitments were carried over automatically, contrary to the provisions of Article 6 of the Centre's Financial Regulation.

9. Recovery orders are often drawn up a posteriori, once the funds have been received, which is not in accordance with Article 23 of the Centre's Financial Regulation and makes effective monitoring of revenue to be collected impossible (for example, no recovery order has yet been issued for an amount of 60 000 euro owed by the Austrian government for the reimbursement of rent).

### Financial statements

10. The revenue and expenditure account and the balance sheet published by the Centre in its activity report for the financial year 2002 are presented in summary form in Tables 2 and 3.

<sup>(4)</sup> All the tables in this report were drawn up on the basis of the most exact values possible for the data used. For presentation purposes, the figures were rounded, which may produce minor differences in the totals. A dash indicates a non-existent or zero value and 0,0 indicates a value below the rounding threshold.



11. In the revenue and expenditure account, the most striking development concerns the balance for the financial year, which has changed from an almost break-even situation to a deficit of 1,6 million euro. Although a subsidy of 6,1 million euro was allocated to the Centre and entered in the Commission's commitment appropriations, the corresponding payment appropriations only came to 4,3 million euro. This situation impedes implementation of the Centre's work programme. In addition, the first instalment of funds requested in March 2002 was not paid until June 2002, which created cash-flow problems. The Centre and the Commission should improve their financial coordination in order to avoid a recurrence of such situations.

#### ***Legality and regularity of the underlying transactions***

12. A member of staff who had no authorisation signed a contract which was not covered by a commitment approved in due form by the Financial Controller. Problems of the same type have been brought to the Centre's attention by the Court in previous years, in particular in the Court's report concerning the financial year 2001 <sup>(1)</sup>. It is a question of a persistent internal control problem, which the Centre has endeavoured to rectify, but as yet to no avail.

#### ***Management of contracts***

13. The contracts with the RAXEN national focus points (see paragraph 5) were renewed for the year 2002 in April. Commitment appropriations totalling 1,6 million euro were earmarked for this. The renewals were carried out without any evaluation of the results of the contracts for the preceding year and, in one case, even before these results had been provided. In addition, no evaluation procedure has been set up for validating the interim payment requests.

14. With regard to the other types of contract, the way they are managed differs from one unit to another, and this management would benefit from being rationalised so as to make it more efficient and economical. For instance, no fewer than four contracts were concluded with various undertakings, travel agencies and specialist companies in connection with the organisation of meetings and seminars. The Centre uses two different printing companies to print its publications. In some cases no contract was signed with the service provider, which is contrary to the Financial Regulation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*  
Juan Manuel FABRA VALLÉS  
*President*

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<sup>(1)</sup> Similar problems were noted before, during the audits carried out in previous years; see, in particular, the Court's previous report concerning the financial year 2001, paragraphs 18 to 20 (OJ C 326, 27.12.2002, p. 74).

Table 1

## European Monitoring Centre on Racism and Xenophobia — Implementation of the budget for the financial year 2002

(EUR million)

Revenue			Expenditure													
Source 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 (2002 budget and financial year 2001)				
				entered	com-mitted	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appro-priations	com-mitted	paid	carried over	cancelled
Community subsidies	6,1	4,3	Title I Staff	2,7	2,6	2,4	0,2	0,1	0,1	0,1	0,0	2,8	2,7	2,5	0,2	0,1
Administrative revenue	p.m.	0,0	Title II Administration	0,5	0,4	0,4	0,1	0,0	0,2	0,1	0,0	0,6	0,6	0,5	0,1	0,0
Miscellaneous revenue	0,1	—	Title III Operating activities	3,0	2,9	1,7	1,2	0,1	1,2	1,1	0,0	4,2	4,1	2,8	1,2	0,1
<b>Total</b>	6,2	4,4	<b>Total</b>	6,2	6,0	4,5	1,5	0,2	1,4	1,3	0,1	7,6	7,4	5,8	1,5	0,3

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

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

Table 2

**European Monitoring Centre on Racism and Xenophobia — Revenue and expenditure account for the financial years 2002 and 2001**

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Own revenue		
Commission subsidy	4 320	5 000
Miscellaneous revenue		
Financial revenue	43	46
<b>Total revenue (a)</b>	<b>4 363</b>	<b>5 046</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	2 416	2 072
Appropriations carried over	187	67
<i>Administration — Title II of the budget</i>		
Payments	377	662
Appropriations carried over	60	151
<i>Operating activities — Title III of the budget</i>		
Payments	1 686	990
Appropriations carried over	1 234	1 181
<b>Total expenditure (b)</b>	<b>5 960</b>	<b>5 123</b>
<b>Outturn for the financial year (a-b) <sup>(1)</sup></b>	<b>- 1 597</b>	<b>- 77</b>
Balance carried over from the previous financial year	- 8	179
Appropriations carried over, cancelled	52	75
Appropriations for re-use from the previous financial year, not utilised	151	0
Repayment to the Commission	- 179	- 174
Exchange-rate differences	2	- 11
<b>Balance for the financial year</b>	<b>- 1 579</b>	<b>- 8</b>

<sup>(1)</sup> Calculation based on the principles of 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 effects of rounding.

Source: Centre data.

Table 3

## European Monitoring Centre on Racism and Xenophobia — Balance sheet as at 31 December 2002 and 31 December 2001

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Equipment and furniture	234	245	Own capital	183	385
Computer equipment	141	85	Balance for the financial year	- 1 579	- 8
Intangible assets	70	55			
Depreciation	- 262				
<i>Subtotal</i>	183	385	<i>Subtotal</i>	- 1 396	377
<b>Current assets</b>			<b>Current liabilities</b>		
Commission subsidy	13		Automatic carryovers of appropriations	1 482	1 400
Other advances	1	3	Sundry accounts payable	225	318
Recoverable VAT	541	454	VAT/Other taxes	507	488
Sundry accounts receivable	66	2			
<i>Subtotal</i>	621	459	<i>Subtotal</i>	2 214	2 206
<b>Cash accounts</b>			<b>Suspense accounts</b>		
Bank accounts	113	2 029	Sums to be reused	99	291
Imprest accounts		1			
<i>Subtotal</i>	113	2 030	<i>Subtotal</i>	99	291
<b>Total</b>	<b>917</b>	<b>2 874</b>	<b>Total</b>	<b>917</b>	<b>2 874</b>

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

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

**THE CENTRE'S REPLIES**

7. (i) A large part of the Centre's operational activities are seasonally biased towards the end of the financial year. The final invoices relating to the RAXEN network, which represents around 50 % of the operational appropriations carried forward (which themselves represent over 80 % of the total appropriations carried forward) are usually received in November and December each year. Before these invoices can be paid, the RAXEN data that is supplied in parallel has to be approved, which can result in these invoices being paid at the beginning of the following year.

(ii) The execution of the budget and the implementation of the work programme in 2002 were affected adversely by the slow payment of the subsidy and the low level of payment appropriations available to the Centre during the year. However, the Centre is continuing its efforts to further improve the implementation of the budget.

8. The Centre agrees with the observations made by the Court. The Centre will take the necessary action to ensure that the respective legal requirements will be adhered to in the future.

9. The Centre agrees with the observations made by the Court and has taken appropriate measures to recover money on a timely basis.

11. The Centre welcomes the comments of the Court in respect of the low level of payment appropriations received and the delayed payment of the subsidy.

The Centre has already taken measures to avoid similar problems in the future by implementing the new formal procedure that was

imposed by the Commission in 2003 for receiving payment of the annual subsidy. The subsidy will now be paid to the Centre by the Commission in four instalments, each instalment being paid around six weeks after the submission of a written request by the Centre.

12. With the implementation of the new financial regulation in 2003, the internal control system was adapted to meet the new requirements and to address already known weaknesses and shortcomings.

As part of the implementation of the new financial regulation in 2003, the Centre has provided training to all authorising officers explaining clearly the difference between a delegation for the creation of budgetary commitments and a delegation for the creation of legal commitments.

13. An external evaluation of all the deliverables took place in January and February 2003 and a meeting with the evaluators was held in Vienna. The results were communicated to the NFPPs to improve the quality of the reports. To improve further the situation in 2003 the evaluation is being done on a continuous basis.

14. The Centre agrees with the observations made by the Court and has already taken measures to avoid such problems in the future.

For example, in 2003 the Centre joined the Commission's framework contracts for IT supplies and for publications. The Centre is also party to the new framework contract regarding accommodation/travel arrangements that is currently being drawn up by the Commission.

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**REPORT****on the financial statements of the Community Plant Variety Office concerning the financial year 2002, together with the Office's replies**

(2003/C 319/12)

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**THE COURT'S OPINION**

1. This report is addressed to the Management Board of the Community Plant Variety Office (hereinafter referred to as 'the Office'), pursuant to Article 111(2) of Council Regulation (EC) No 2100/94 <sup>(1)</sup>.

2. The Court has examined the Office's financial statements for the financial year ended 31 December 2002. In accordance with Article 110 of Council Regulation (EC) No 2100/94, the Office's budget was implemented on the responsibility of its President. This responsibility includes the drawing-up and presentation of the financial statements <sup>(2)</sup> in accordance with the internal financial provisions adopted on the basis of Article 112 of Council Regulation (EC) No 2100/94. The Court is required pursuant to Article 248 of the Treaty establishing the European Community to examine these accounts.

3. The Court carried out the audit in accordance with its auditing policies and standards. These have been adapted from generally accepted international auditing standards to reflect the specific nature of the Community context. The Court carried out such tests of the accounting records and applied such other audit procedures as it deemed necessary in the circumstances. Through 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

**OBSERVATIONS****Introduction**

5. The Office was created by Regulation (EC) No 2100/94 of 27 July 1994 to grant industrial property rights for plant varieties that would be valid throughout the European Union. In order to grant such rights, the Office first examines the admissibility of the applications which are submitted to it. Applications which are deemed valid are forwarded for analysis to national examination centres which, for a fee, assess the originality of the varieties for which a protection application has been submitted.

<sup>(1)</sup> OJ L 227, 1.9.1994, p. 27.

<sup>(2)</sup> In accordance with Article 111(2) of Council Regulation (EC) No 2100/94, the accounts for all the Office's revenue and expenditure for the financial year 2002 were drawn up on 16 September 2003 and forwarded to the Court of Auditors. The Court received these accounts on 25 September 2003. A summarised version of these financial statements is presented in the tables attached to this report.

**Implementation of the budget**

6. The implementation of the appropriations for the financial year 2002 and of the appropriations carried over from the previous financial year is shown in *Table 1*.

7. Commitments against the appropriations for the financial year 2002 totalled 8,9 million euro. Payments made against the commitments amounted to 4,3 million euro and a total of 3,9 million euro was carried over. The volume of carryovers remained high, especially in the case of appropriations for operating activities.

8. The monitoring and recovery of non-recurring revenue could be improved. Debit notes are not sent to debtors or, when they are issued, are inadequately monitored from an accounting point of view. By way of example, the Office failed to seek payment from the Office for Official Publications of the European Communities of revenue totalling 0,1 million euro owed since 1999.

**Financial statements**

9. The revenue and expenditure account and the balance sheet published by the Office in its activity report for the financial year 2002 are shown in summary form in *Tables 2 and 3*.

10. The balance sheet as at 31 December 2002 mentions a reserve of 11 029 000 euro. The reserve fund in question is the one provided for in Article 6(2)(d) of the Office's Financial Regulation. As the Office has its own resources, it may establish a reserve fund so as to preserve its self-financing capacity. However, in keeping with the spirit of the basic Regulation, the Court asks the Office to ensure that this reserve does not needlessly exceed its envisaged financial requirements.

11. The Office makes no checks to ensure that the charges and interest (615 000 euro in 2002) of which it is notified by its banks are accurate.

12. When the Office closed the accounts for the financial year 2002, it had to adjust the VAT amounts entered in the accounts in order to correct errors that had arisen following changes in the accounting methods used. The Office should continue its efforts to ensure that VAT is correctly entered in the accounts. Furthermore, it should take greater care when submitting its requests for VAT refunds.

**Legality and regularity of the underlying transactions**

13. In order to receive Community protection, a new plant variety must display certain technical characteristics. These characteristics are verified by examination centres, according to a standard protocol, at the request and on behalf of the Office. The centres charge the Office a flat rate stipulated by contract.

14. In some cases one of the characteristics of a plant variety cannot be verified on the basis of the standard protocol and the examination centre has to carry out additional work. The cost of the additional work is billed either directly to the applicant or to the Office, which then passes on the charge to the applicant.

15. At the very least, the contracts between the Office and the examination centres should include the provisions covering these additional tests and the guarantees for ensuring that they are actually paid for.

16. As regards the billing of employment-agency staff, the Office issued commitments only after it had received each invoice. This practice is contrary to Article 29(1) of the Office's Financial Regulation.

17. Advances are paid by the Office in the absence of an invoice. According to the applicable legislation, this type of payment should be made only on the basis of formal invoices<sup>(1)</sup> which explicitly mention the amount of VAT.

18. As regards the procedures for signing contracts, shortcomings were noted in estimates of the volume of services to be provided and in the procedures for evaluating bids. As a result, companies obtained additional contracts worth more than 50 % of the initial contract.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*

Juan Manuel FABRA VALLÉS

*President*

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<sup>(1)</sup> Obligation stipulated by Article 289. I of the *Code général des impôts français*: 'Tout assujetti doit délivrer une facture ou un document en tenant lieu pour les biens livrés ou les services rendus à un autre assujetti ou à une personne morale non assujettie, ainsi que pour les acomptes perçus au titre de ces opérations lorsqu'ils donnent lieu à exigibilité de la taxe' [Every taxable person shall issue an invoice or acceptable substitute document in respect of goods supplied or services rendered to another taxable person or to a legal person not subject to taxation and, similarly, in respect of advanced payments received as part of such transaction when tax is due on them].



Table 1

## Community Plant Variety Office — Implementation of the budget for the financial year 2002

(EUR million)

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 (2002 budget and financial year 2001)				
				entered	commit- ted	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appro- priations	commit- ted	paid	carried over	cancelled
Own revenue	8,3	8,6	Title I Staff	3,6	3,5	2,8	0,0	0,8	0,0	0,0	0,0	3,7	3,5	2,8	0,0	0,8
Other revenue	1,8	0,0	Title II Administration	1,1	0,8	0,6	0,2	0,4	0,1	0,1	0,1	1,3	0,9	0,7	0,2	0,5
Financial revenue	0,5	0,6	Title III Operating activities	5,8	4,7	1,0	3,7	1,1	2,9	1,0	1,9	8,6	7,6	2,0	3,7	3,0
<b>Total</b>	<b>10,5</b>	<b>9,2</b>	<b>Total</b>	<b>10,5</b>	<b>8,9</b>	<b>4,3</b>	<b>3,9</b>	<b>2,3</b>	<b>3,0</b>	<b>1,0</b>	<b>2,0</b>	<b>13,6</b>	<b>12,0</b>	<b>5,4</b>	<b>3,9</b>	<b>4,2</b>

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

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

Table 2

## Community Plant Variety Office — Revenue and expenditure account for the financial years 2002 and 2001

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Own revenue	8 564	7 691
Miscellaneous revenue	61	463
Financial revenue	615	535
<b>Total revenue (a)</b>	<b>9 240</b>	<b>8 688</b>
<b>Expenditure</b>		
<i>Staff — Title I of the budget</i>		
Payments	2 807	2 767
Appropriations carried over	26	27
<i>Administration — Title II of the budget</i>		
Payments	570	565
Appropriations carried over	163	141
<i>Operating activities — Title III of the budget</i>		
Payments	975	1 048
Appropriations carried over	3 699	2 873
<b>Total expenditure (b)</b>	<b>8 239</b>	<b>7 421</b>
<b>Outturn for the financial year (a-b) <sup>(1)</sup></b>	<b>1 001</b>	<b>1 267</b>
Balance carried over from the previous financial year	11 029	8 644
Appropriations carried over and cancelled	1 949	1 122
Exchange-rate differences	- 3	- 3
<b>Balance for the financial year</b>	<b>13 977</b>	<b>11 029</b>

<sup>(1)</sup> Calculated according to 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 effects of rounding.

Source: The Office's data.

Table 3

## Community Plant Variety Office — Balance sheet as at 31 December 2002 and 31 December 2001

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Buildings	2 404	2 397	Own capital	2 503	2 484
Equipment and furniture	140	144	Reserve	11 029	8 644
Computer equipment	229	154	Balance for the financial year	2 948	2 385
Intangible assets	68	60			
Depreciation	- 338	- 271			
<i>Subtotal</i>	2 503	2 484	<i>Subtotal</i>	16 480	13 513
<b>Current assets</b>			<b>Current liabilities</b>		
VAT to be recovered	384	731	Automatic carryovers of appropriations	3 887	3 041
Recovery orders	51	0	Sundry accounts payable	160	618
Sundry accounts receivable	24	25	Salary deductions	32	14
<i>Subtotal</i>	459	756	VAT/Other taxes	216	528
			Advances from customers	366	303
			<i>Subtotal</i>	4 661	4 504
<b>Cash accounts</b>					
Banks	18 103	14 702			
Imprest account	75	75			
<i>Subtotal</i>	18 178	14 777			
<b>Total</b>	<b>21 141</b>	<b>18 017</b>	<b>Total</b>	<b>21 141</b>	<b>18 017</b>

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

Source: The Office's data.

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**THE OFFICE'S REPLIES**

8. For the follow-up of non-routine operations, the Office will take action to try to improve the follow-up of non-routine receipts.

10. The fees regulation has been revised with the aim of reducing the reserve to a level that is in line with the financial needs of the Office.

11. The Office is considering the possibilities of checking the amounts of bank charges and interest reported by the banks.

12. The Office takes note of the observation of the Court. It will study the ways to improve the management and the follow-up of its VAT accounts.

15. A more explicit reference to the contractual handling of additional tests and their remuneration will be made when amending the contracts with the examination offices.

16. The practice described by the Court has been discontinued. Since the beginning of 2003 provisional commitments are registered as such, rather than as 'pre-commitments'.

17. The Office will insist on receiving invoices in full compliance with the applicable law.

18. In the future, the Office will take measures to evaluate as precisely as possible the expected values of the contract.

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**REPORT**  
**on the financial statements of the Office for Harmonization in the Internal Market for the**  
**financial year 2002, together with the Office's replies**

(2003/C 319/13)

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## THE COURT'S OPINION

1. This report is addressed to the Budgetary Committee of the Office for Harmonization in the Internal Market (hereinafter 'the Office') pursuant to Article 137(2) of Council Regulation (EC) No 40/94 <sup>(1)</sup>.

2. The Court has examined the financial statements of the Office for the financial year ended 31 December 2002. In accordance with Article 119(2)(c) of Council Regulation (EC) No 40/94, the Office's budget was implemented on the responsibility of its President. This responsibility includes the drawing-up and presentation of the financial statements <sup>(2)</sup>, in accordance with the internal financial provisions provided for in Article 138 of Council Regulation (EC) No 40/94. The Court of Auditors is required pursuant to Article 248 of the Treaty establishing the European Community to examine 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. 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 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular.

## OBSERVATIONS

### Introduction

5. The Office was set up by Council Regulation (EC) No 40/94 of 20 December 1993 in order to allow undertakings to have trade marks enabling them to protect their products or services in an identical manner throughout the entire area of the Union.

<sup>(1)</sup> OJ L 11, 14.1.1994.

<sup>(2)</sup> As required pursuant to Article 137(1) of Council Regulation (EC) No 40/94, the accounts of all the Office's revenue and expenditure for the financial year 2002 were drawn up on 28 February 2003 and sent to the Court of Auditors. These accounts were received by the Court on 2 April 2003. A summarised version of these accounts is presented in the tables annexed to this report.

The Office's brief was extended by Article 2 of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs <sup>(3)</sup> so that they enjoy the same protection at Community level. The Office operates in close collaboration with the national offices, which it pays for registering trade marks. Moreover, the Office has the judicial power to arbitrate in any disputes that may arise concerning trade marks.

### Implementation of the budget

6. The implementation of the budget for the financial year 2002 and of the appropriations carried over from the previous financial year is set out in *Table 1*.

7. The most striking fact is the decrease in the fees received by the Office, which have fallen from 105,1 million euro in 2001 to 96,2 million euro in 2002, i.e. a drop of 8,9 million euro.

8. Revenue totalling 1,8 million euro that was charged to the financial year 2001 involved income which was recorded by the accounting officer in 2002 and should have been charged to the financial year 2002, as laid down in the Office's Financial Regulation <sup>(4)</sup>.

9. Revenue totalling 0,8 million euro was received from the sales of publications in the fourth quarter of 2000 and the last three quarters of 2001. The Office did not take timely action to recover this sum from the Publications Office.

10. In 2002, the Office received 0,6 million euro from the Commission to carry out projects for which contracts totalling 1,7 million euro had been made with the Commission. The implementation of these projects was entered in the accounts outside the budget, which is not in accordance with the principle of budgetary unity.

### Financial statements

11. The revenue and expenditure account and the balance sheet published by the Office in its activity report for the financial year 2002 are presented in summary form in *Tables 2 and 3*.

<sup>(3)</sup> OJ L 3, 5.1.2001, p. 1.

<sup>(4)</sup> Articles 5(3) and 23 of the Office's Financial Regulation.

12. The allocation for the provision for procedural expenditure increased by 17 % in 2002 compared with 2001, while the total number of case-files submitted to the Office fell from 135 822 to 121 212, i.e. an 11 % reduction. Such a divergence in trends points to an increase in the time taken to process the files <sup>(1)</sup>.

13. The Office's inventory includes goods which are no longer in use and nothing has been delisted since November 2000. The Office should attend to this problem when it makes its physical inventory, which it has introduced following the Court's previous recommendations <sup>(2)</sup>.

### **Staff recruitment**

14. In its report concerning the financial year 2000 <sup>(3)</sup>, the Court noted that the Office's recruitment policy led to recruit

ment on a local basis resulting in the integration as permanent officials of persons recruited by procedures which favour internal applicants. During the financial year 2002, out of 77 requests to fill a post, only four had been advertised widely outside the Office. An analysis of the movements of all the categories of staff during the financial year 2002 (see *Table 4*) confirms the internal nature of staff recruitment.

15. In order for equality of access to the Community public service to be better safeguarded, the Office should endeavour to advertise its employment offers very widely and, where possible, join forces with the institutions and other bodies for recruitment purposes.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 15 and 16 October 2003.

*For the Court of Auditors*

Juan Manuel FABRA VALLÉS

*President*

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<sup>(1)</sup> This indication is borne out by the fact that the number of applications to register trade marks dropped by 5 000 units between 2001 and 2002, while the number of corresponding research requests submitted to the national offices fell by 8 000 units.

<sup>(2)</sup> Paragraphs 10 and 11, OJ C 326, 27.12.2002, p. 87.

<sup>(3)</sup> Paragraph 13 onwards, OJ C 372, 28.12.2001, p. 88.

Table 1

## Office for Harmonisation in the Internal Market — Implementation of the budget for the financial year 2002

(EUR million)

Revenue			Expenditure													
Source 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 (2002 budget and financial year 2001)				
				entered	committed	paid	carried over	cancelled	outstanding commitments	paid	cancelled	appropriations	committed	paid	carried over	cancelled
Fees	99,0	96,2	Title I Staff	49,9	48,0	46,1	0,9	2,9	0,5	0,4	0,1	50,4	48,6	46,6	0,9	2,9
Other revenue	4,4	4,3	Title II Administration	26,3	24,8	15,1	9,7	1,5	6,9	6,3	0,6	33,2	31,7	21,4	9,7	2,1
Outturn of the previous financial year	51,3	51,3	Title III Operating activities	26,8	25,1	16,4	8,7	1,7	10,4	9,3	1,1	37,2	35,4	25,7	8,7	2,8
			Title X Reserve	51,7	0,0	0,0	0,0	51,7	0,0	0,0	0,0	51,7	0,0	0,0	0,0	51,7
<b>Total</b>	154,7	151,8	<b>Total</b>	154,7	97,9	77,6	19,3	57,8	17,8	16,0	1,8	172,5	115,7	93,6	19,3	59,6

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

Source: Office's data. These tables summarise the data supplied by the Office in its own financial statements.



Table 2

## Office for Harmonisation in the Internal Market — Revenue and expenditure account for the financial years 2002 and 2001

(EUR 1 000)

	2002	2001
<b>Revenue</b>		
Own revenue	97 329	105 921
Financial revenue	3 141	4 729
<b>Total revenue (a)</b>	<b>100 470</b>	<b>110 650</b>
<b>Budgetary expenditure for the financial year</b>		
<i>Staff — Title I of the budget</i>		
Payments	46 106	43 910
Appropriations carried over	934	536
<i>Administration — Title II of the budget</i>		
Payments	15 095	14 102
Appropriations carried over	9 718	6 901
<i>Operating activities — Title III of the budget</i>		
Payments	16 431	23 619
Appropriations carried over	8 651	10 369
<b>Total expenditure (b)</b>	<b>96 934</b>	<b>99 437</b>
<b>Outturn for the financial year (a-b) <sup>(1) (1)</sup></b>	<b>3 536</b>	<b>11 213</b>
<b>Other expenditure/provisions for the year</b>		
Provision for procedural expenditure	- 1 363	- 1 167
<b>Subtotal</b>	<b>- 1 363</b>	<b>- 1 167</b>
Balance carried over from the previous financial year	51 349	52 271
Appropriations carried over which lapse	1 817	1 057
Unused appropriations for reuse from the previous financial year	11	164
Provision for procedural expenditure of the previous financial years	0	- 12 208
Exchange-rate differences and extraordinary revenue	17	19
<b>Balance for the financial year</b>	<b>55 368</b>	<b>51 349</b>

<sup>(1)</sup> Calculation according to the principles of 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 effects of rounding.

Source: Office's data. These tables summarise the data supplied by the Office in its own financial statements.

Table 3

## Office for Harmonisation in the Internal Market — Balance sheet as at 31 December 2002 and 31 December 2001

(EUR 1 000)

Assets	2002	2001	Liabilities	2002	2001
<b>Fixed assets</b>			<b>Fixed capital</b>		
Buildings	26 286	25 804	Own capital	28 065	29 005
Equipment and furniture	3 783	3 475	Balance for the financial year	55 368	51 349
Transport equipment	111	111			
Computer equipment	9 636	8 493	<i>Subtotal</i>	83 433	80 354
Intangible fixed assets	24	24	<b>Long-term liabilities</b>		
Amounts written off	- 11 775	- 8 902	Long-term creditors <sup>(1)</sup>	23	—
<i>Subtotal</i>	28 065	29 005	<i>Subtotal</i>	23	—
<b>Current assets</b>			<b>Current liabilities</b>		
Suppliers and missions	167	159	Automatic carryovers of appropriations	19 303	17 807
Other sundry accounts receivable	89	262	Customers' advances	22 289	23 042
			Amount outstanding	14	12
			Sundry accounts payable	664	781
			Provision for procedural expenditure	14 738	13 375
<i>Subtotal</i>	256	421	<i>Subtotal</i>	57 008	55 016
<b>Cash accounts</b>			<b>Suspense accounts</b>		
Bank accounts	112 256	106 111	Revenue to be reused	115	168
Cash	2	1			
<i>Subtotal</i>	112 258	106 112	<i>Subtotal</i>	115	168
<b>Total</b>	<b>140 579</b>	<b>135 539</b>	<b>Total</b>	<b>140 579</b>	<b>135 539</b>

<sup>(1)</sup> In 2001 the long-term liabilities were incorporated under the heading 'Sundry accounts payable'.

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

Source: Office data. These tables summarise the data supplied by the Office in its own financial statements.

Table 4

**Office for Harmonisation in the Internal Market — Changes in staff numbers during 2002**

Status of staff	Staff numbers as at 31.12.2001	Increase			Decrease			Staff numbers as at 31.12.2002	Establishment plan	Occupation rate (%)
		Internal mobility	External recruitment	Total	Internal mobility	Departures	Total			
	(a)	(b)	(c)	(d) = (b + c)	(e)	(f)	(g) = (e + f)	(h) = (a + d - g)	(i)	(j) = (h/i)
Permanent officials	463	12	2	14	0	42	42	435	529	82
Temporary staff	164	53	5	58	12	13	25	197	186	106
Seconded national experts	3	0	0	0	0	0	0	3		
Auxiliary staff	55	0	2	2	53	3	56	1		
<b>Total</b>	<b>685</b>	<b>65</b>	<b>9</b>	<b>74</b>	<b>65</b>	<b>58</b>	<b>123</b>	<b>636</b>	<b>715</b>	<b>89</b>

Source: Office data.

**THE OFFICE'S REPLIES*****Budgetary execution****Revenue*

The authorising officer signed the recovery order in 2001, whereas the financial controller and the accounting officer signed it only in 2002, thus giving rise to a minor incoherence with the formalities prescribed. The Office will make the necessary effort to avoid such problems in the future.

*Sales of publications*

The Office takes good note of this observation of the Court of Auditors. The collection of revenue of publications depends on the information provided by the Office for Official Publications of the European Communities, which has significant delays in its communication on publication sales to the Office. In the future the Office will claim the corresponding settlement list.

*Assigned revenue*

The Office takes good note of the observation and points out that it will study the possibility of including these activities under assigned revenue in its budget 2004.

***Financial statements****Inventory*

The reason for not having decided on the write-off of assets is due to the fact that the physical inventory was still ongoing. The Office is aware of this and will try to keep this information updated.

*Recruitment of personnel*

External recruitment has essentially been stopped on account of the economic situation. The Office has discontinued its policy of internal competitions for established posts and, at the same time, in order to fill certain vacancies and encourage mobility among its staff, published internal vacancy notices for a large number of posts at the Office.

The Office has already contacted the European Personnel Selection Office (EPSO) with a view to using its services as far as possible. However, the Office did launch a recruitment procedure at the beginning of 2003 to meet specific staffing needs associated with enlargement.

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