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I

(Information)

COURT OF AUDITORS

REPORT

**on the annual accounts of the European Aviation Safety Agency for the
financial year 2004 together with the Agency's replies**

(2005/C 332/01)

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INTRODUCTION

1. The European Aviation Safety Agency (hereinafter called the Agency) was established by Regulation (EC) No 1592/2002 of the European Parliament and of the Council of 15 July 2002 ⁽¹⁾. The financial year 2004 was the second in which the Agency actually carried out its operating activities. The Agency's tasks are to maintain a high level of civil aviation safety, to ensure the proper functioning and development of civil aviation safety, to establish certification specifications and to provide certification of aeronautical products. *Table 1* summarises the competences and activities of the Agency on the basis of information supplied by it.

2. For information, the annual accounts drawn up by the Agency for the financial year 2004 are presented in summary form in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 49 of Regulation (EC) No 1592/2002, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. Contrary to the budgetary principle of specificity, the Agency's initial budget and its amending budgets, as published in the Official Journal, do not give a breakdown of appropriations in terms of articles and items, as required by Article 23 of the Agency's financial regulation.

8. The revenue and expenditure account for the financial year 2003 showed a loss ⁽⁴⁾ of 214 000 euro. In accordance with the provisions of the Agency's financial regulation, this outturn ought to have been entered in an amending budget for 2004 ⁽⁵⁾.

9. The budgetary management suffers from a number of anomalies: a lack of any indication in the amending budgets about the transfers carried out or even of any reasons for these transfers, failure to inform the Management Board about the transfers, and payment of advances outside the budget.

10. The Agency has not yet adopted the implementing rules for its financial regulation. Neither has it carried out any risk analysis or prepared any internal control standards.

11. The staff selection procedures are not laid down formally and vary from one selection to another without any apparent reason. In order to improve the transparency of the decisions taken in this regard, the Agency needs to formalise its recruitment procedures and make them more consistent.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors

Hubert WEBER

President

⁽¹⁾ OJ L 240, 7.9.2002, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 23 August 2005 and received by the Court on 19 September 2005.

⁽⁴⁾ This loss was due to carry-overs of appropriations that were not covered by the budgetary revenue received.

⁽⁵⁾ Article 16(2) of the Agency's financial regulation.

Table 1

European Aviation Safety Agency (Cologne)

Areas of Community competence deriving from the Treaty	Competences of the Agency as defined in Regulation (EC) No 1592/2002 of the Parliament and of the Council of 15 July 2002	Governance	Resources made available to the Agency (2003 data)	Products and services
<p>Common transport policy</p> <p>'The Council may, acting by a qualified majority, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.' (Article 80 of the Treaty)</p>	<p>Objectives:</p> <p>To maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety.</p> <p>Tasks:</p> <ol style="list-style-type: none"> 1. to issue opinions addressed to the Commission; 2. to issue certification specifications, including airworthiness codes and acceptable means of compliance, and any guidance material for the application of Community policy; 3. to take decisions regarding airworthiness and environmental certification; 4. to conduct standardisation inspections at the competent authorities of the Member States; 5. to conduct the necessary investigations in undertakings. 	<ol style="list-style-type: none"> 1. The Management Board, consisting of one representative of each Member State and one representative of the Commission, sets up an advisory body of interested parties. 2. The Executive Director manages the Agency; is appointed by the Management Board on a proposal from the Commission. 3. The Board of Appeal rules on the Agency's decisions concerning certification, fees and charges and checks made on undertakings. 4. The Scientific Committee and scientific groups supply the scientific opinions of the Agency. 5. External control: European Court of Auditors. 6. Discharge given by the Parliament on a recommendation from the Council. 	<p>Final budget:</p> <p>Total budget: 11,3 million euro (4,8 million euro)</p> <p>Community contribution: 11,1 million euro (98 %) (4,8 million euro)</p> <p>Contribution of the Federal Republic of Germany: 0,2 million euro (2 %).</p> <p>Staff numbers as at 31 December 2004:</p> <p>95 posts in the establishment plan (80) posts occupied: 84 (1) + 18 other posts (16).</p> <p>Total staff numbers: 102 (17) assigned to the following tasks:</p> <ul style="list-style-type: none"> — operational: 36 (1) — administrative: 30 (4) — mixed: 36 (12). 	<p>Opinions:</p> <ul style="list-style-type: none"> — 3 opinions concerning amendments to Regulations (EC) Nos 1592/2002, 1702/2003 and 2042/2003; — 2 opinions relating to derogations issued by Member States. <p>Rulemaking decisions:</p> <p>1 amendment to Agency certification specifications.</p> <p>International cooperation:</p> <p>5 cooperation agreements made with Brazil, China, Canada, Israel and the Aeronautical Committee of the Commonwealth of Independent States.</p> <p>Certification decisions:</p> <p>Type certificates: 35</p> <p>Supplementary type certificates: 576</p> <p>Airworthiness directives: 442</p> <p>European Technical Specifications: 257</p> <p>Acceptable means of compliance: 86</p> <p>Major changes: 1 378</p> <p>Minor changes: 4 472</p> <p>Major repairs: 320</p> <p>Minor repairs: 3 252</p> <p>AFM/RPM (= Flight Manual Revisions): 741</p> <p>Approval of design organisations: 84</p> <p>Approval of maintenance organisations (bilateral): 1 559</p> <p>Approval of maintenance organisations (foreign): 180</p> <p>Approval of maintenance training organisations: 13</p> <p>Approval of manufacturing organisations: 1</p>

Source: Information supplied by the Agency.

Table 2
European Aviation Safety Agency — Implementation of the budget for the financial year 2004

(1 000 euro)

Revenue		Expenditure														
Origin of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure	Final budget appropriations					Appropriations carried over from the previous financial year			Appropriations available (2004 budget and financial year 2003)				
				entered	com- mitted	paid	carried over	can- celled	out- stand- ing com- mit- ments	paid	can- celled	appro- priations	com- mitted	paid	carried over	cancelled
Community subsidies	11 050	11 050	Title I Staff	7 807	6 000	5 686	314	1 807	30	12	18	7 837	6 030	5 698	314	1 825
Other contributions	287	248	Title II Administration	2 539	2 060	1 250	810	479	396	379	17	2 935	2 456	1 629	810	496
			Title III Operating activities	991	937	673	264	54	2 486	1 330	1 156	3 477	3 423	2 003	264	1 210
Total	11 337	11 298	Total	11 337	8 997	7 609	1 388	2 340	2 912	1 721	1 191	14 249	11 909	9 330	1 388	3 531

Source: Agency data — This table summarises the data supplied by the Agency in its annual accounts.

Table 3

European Aviation Safety Agency — Revenue and expenditure account for the financial years 2004 and 2003 ⁽¹⁾

(1 000 euro)

	2004	2003
Operating revenue		
Community subsidies	7 777	3 725
Other subsidies	248	0
Reimbursement of expenditure	3	0
Other revenue	350	0
Total (a)	8 378	3 725
Operating expenditure		
Staff	5 556	662
Buildings and related expenditure	689	92
Other administrative expenditure	743	82
Allocation to provisions	89	1
Operating expenditure	2 081	261
Total (b)	9 158	1 098
Operating outturn (c = a - b)	- 780	2 627
Financial income (d)	0	0
Financial expenses (e)	2	0
Financial outturn (f = d - e)	- 2	0
Outturn for the financial year (g = c + f)	- 782	2 627

⁽¹⁾ The data for the financial year 2003 have been restated to make them comparable, following the transition to accruals-based accounting.

Source: Agency data — This table summarises the data supplied by the Agency in its annual accounts.

Table 4

European Aviation Safety Agency — Balance sheet as at 31 December 2004 and 31 December 2003 ⁽¹⁾

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Intangible assets	69	27	Own capital		
			Outturns carried over from previous financial years	2 627	0
Tangible assets			Outturn for the financial year	- 782	2 627
Computer equipment	376	12	<i>Subtotal</i>	1 845	2 627
Furniture and vehicles	285	0	Current liabilities		
Other fittings and equipment	261	0	Current accounts payable	549	112
<i>Subtotal</i>	922	12	Sundry accounts payable	61	6
Current assets			Amounts owed to Community institutions and bodies	3 843	32
Prefinancing	70	0	<i>Subtotal</i>	4 453	150
Sundry accounts receivable	171	5			
Other accounts receivable	68	5			
Amounts owed by Community institutions and bodies	20	1			
<i>Subtotal</i>	329	11			
Liquid assets	4 978	2 727			
Total	6 298	2 777	Total	6 298	2 777

⁽¹⁾ The data for the financial year 2003 have been restated to make them comparable, following the transition to accruals-based accounting.

Source: Agency data — This table summarises the data supplied by the Agency in its annual accounts.

THE AGENCY'S REPLIES

7. The Agency has taken into account the Court's observation. The budget for the financial year 2005 and the preliminary draft budget for 2006 were adopted with the breakdown required by the regulations.

8. The Agency has taken into account the loss recorded in 2003 in the revenue and expenditure account for the financial year 2004. As the outturn recorded in 2004 was positive, it ought not to have to be entered in an amending budget.

9. All decisions on transfers in the financial year 2004 were reasoned, with the exception of the first two. The Agency has

taken the necessary steps to avoid the situations described by the Court from recurring.

10. The implementing rules for the Agency's financial regulation were adopted by its Management Board on 14 June 2005. A risk manager/internal auditor, whose main task shall be to carry out risk analysis and prepare internal control standards, is being recruited.

11. The Agency will endeavour to improve the transparency of its recruitment procedures, in particular by drawing up manuals of procedure.

REPORT**on the annual accounts of the European Medicines Agency for the financial year 2004
together with the Agency's replies**

(2005/C 332/02)

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INTRODUCTION

1. The European Medicines Agency (hereinafter referred to as the Agency) was created by Council Regulation (EEC) No 2309/93 of 22 July 1993 which was replaced by Regulation (EC) No 726/2004 of the European Parliament and of the Council of 31 March 2004 ⁽¹⁾. 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. *Table 1* summarises the powers and activities of the Agency on the basis of the information supplied by it.

2. For information, the annual accounts drawn up by the Agency for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 68 of Regulation (EC) No 726/2004, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. The Agency's Management Board has set up an Audit Advisory Committee to advise the Executive Director on matters regarding quality assurance and risk-mitigating strategies. The existence of such a body and its operating procedures, including the recruitment procedure for its members, must be provided for, on account of its permanent nature, in the rules which govern the Agency's internal organisation.

8. The contracts concluded with the banks have been in force for over five years even though the detailed rules for the implementation of the Agency's financial regulation lay down that there should be a new invitation to tender at least once every five years ⁽⁴⁾.

9. The Court notes that the Agency's new financial regulation, as finally adopted after receipt of the Commission's opinion, takes account of the observations which the Court made in its previous report ⁽⁵⁾. Similarly, the system for managing the Agency's fixed assets has been considerably improved ⁽⁶⁾.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ OJ L 214, 24.8.1993, p. 1 and OJ L 136, 30.4.2004, p. 1. Pursuant to the latter Regulation the Agency's original name, European Agency for the Evaluation of Medicinal Products, was changed to European Medicines Agency.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 29 September 2005 and received by the Court on 29 September 2005.

⁽⁴⁾ Article 53(3).

⁽⁵⁾ See paragraph 7 of the Report for the financial year 2003 (OJ C 324, 30.12.2004, p. 31).

⁽⁶⁾ See paragraph 10 of the Report for the financial year 2003.

Table 1
European Medicines Agency (London)

Areas of Community competence deriving from the Treaty	Regulation (EC) No 726/2004 of the European Parliament and of the Council of 31 March 2004	Competences of the Agency	Tasks	Objectives	Governance	Resources made available to the Agency (2003 figures)	Products and services (2003 figures)
<p>A high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities.</p> <p>Community action, which shall complement national policies, shall be directed towards improving public health, preventing human illness and diseases and obviating sources of danger to human health. (...)</p> <p>(Article 152 of the Treaty)</p>	<p>— To coordinate the scientific resources that the Member States' authorities make available to the Agency for the authorisation and supervision of medicinal products for human and veterinary use;</p> <p>— to provide the Member States and the institutions of the European Union with scientific advice on medicinal products for human or veterinary use.</p>	<p>— To coordinate the scientific evaluation of medicinal products which are subject to Community marketing authorisation procedures;</p> <p>— to coordinate the supervision of medicinal products which have been authorised within the Community; (pharmacovigilance);</p> <p>— to advise on the maximum limits for residues of veterinary medicinal products which may be accepted in foodstuffs of animal origin;</p> <p>— to coordinate verification of compliance with the principles of good manufacturing practice, good laboratory practice and good clinical practice;</p> <p>— to record the status of marketing authorisations granted for medicinal products.</p>	<p>1. The Committee for Proprietary Medicinal Products, consisting of two members from each Member State, advises on any question relating to the evaluation of medicinal products for human use.</p> <p>2. The Committee for Veterinary Medicinal Products, consisting of two members from each Member State, advises on any question relating to the evaluation of veterinary medicinal products.</p> <p>3. The Management Board, consisting of two representatives of each Member State, two representatives of the Commission and two representatives appointed by the European Parliament. The Board adopts the work programme and the annual report.</p> <p>4. The Executive Director is appointed by the Management Board on a proposal from the Commission.</p> <p>5. External audit: European Court of Auditors</p> <p>6. Discharge is given by the Parliament on a recommendation from the Council.</p>	<p>Final budget:</p> <p>99,1 million euro (84,2 million euro) including the Community contribution (excluding subsidy for orphan medicines): 24,7 % (22,9 %)</p> <p>Staff numbers at 31 December 2004:</p> <p>314 (287) posts provided for in the establishment plan</p> <p>Posts occupied: 290 (256)</p> <p>+ 50 (48) other posts (auxiliary contracts, seconded national experts, local staff, employment agency staff)</p> <p>Total staff: 340 (304)</p> <p>Assigned to the following duties:</p> <p>operational: 271 (242)</p> <p>administrative: 69 (62)</p>	<p>Medicinal products for human use</p> <p>Applications for marketing authorisations: 51 (39)</p> <p>Favourable opinions: 34 (39)</p> <p>Average evaluation time: 187 days (190 days)</p> <p>Opinions after authorisation: 926 (941)</p> <p>Pharmacovigilance: 64 186 reports (45 538 reports)</p> <p>Periodic reliability reports: 253 (276)</p> <p>Monitoring measures: 948 (1 025)</p> <p>Scientific opinions: 77 (65)</p> <p>Procedures for mutual recognition: 7 081 (4 080)</p> <p>Veterinary medicinal products</p> <p>New applications: 8 (10)</p> <p>Applications in respect of variants: 40 (64)</p> <p>Inspection: 93 (76)</p>	<p>Products and services (2003 figures)</p>	

Source: Information supplied by the Agency.

Table 2
European Medicines Agency — Implementation of the budget for the financial year 2004

(1 000 euro)

Origin of revenue	Revenue		Expenditure												
	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure				Appropriations in the final budget				Appropriations carried over from the previous financial year		Appropriations available (2004 budget and financial year 2003)		
			entered	committed	paid	carried over	cancelled	out-standing commitments	paid	cancelled	approp-riations	commit-ted	paid	carried over	cancelled
Community subsidies (1)	29 073	29 022	36 064	34 151	33 509	642	1 913	534	424	110	36 598	34 685	33 933	642	2 023
Own revenue	67 000	67 350	23 994	23 878	12 943	10 935	116	7 265	6 749	516	31 259	31 143	19 692	10 935	632
Other revenue	3 016	3 013	39 031	38 686	27 512	11 174	345	8 316	7 878	438	47 347	47 002	35 390	11 174	783
Total	99 089	99 385	99 089	96 715	73 964	22 751	2 374	16 115	15 051	1 064	115 204	112 830	89 015	22 751	3 438

(1) Including subsidies received from the European Economic Area.
Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

Table 3

European Medicines Agency — Revenue and expenditure account for the financial years 2004 and 2003*(1 000 euro)*

	2004	2003 ⁽¹⁾
Revenue		
Fees relating to marketing authorisations	68 412	58 657
Commission subsidy including contributions received from the EEA	20 529	19 786
Community subsidy for orphan medicines	4 026	2 814
Contributions for Community programmes	0	1 208
Administrative revenue	1 973	1 703
Sundry revenue	1 473	1 788
Total (a)	96 413	85 956
Expenditure		
Staff expenditure	34 333	29 663
Administrative expenditure	11 224	10 835
Operating expenditure	38 573	32 838
Depreciation	3 650	2 364
Other expenses	280	0
Total (b)	88 060	75 700
Operating result (c = a – b)	8 353	10 256
Financial result (e)	1 160	676
Economic outturn (f = c + e)	9 513	10 932

⁽¹⁾ The data for the financial year 2003 have been reprocessed to make them comparable to those of 2004.

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

Table 4

European Medicines Agency — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Intangible assets	5 109	3 401	Own capital		
			Outturn carried over from previous financial years	13 767	6 872
Fixed assets			Economic outturn	9 513	10 932
Plant, machinery and tools	2 480	1 635	<i>Subtotal</i>	23 280	17 804
Furniture and vehicle fleet	1 375	1 011			
Computer equipment	3 151	2 548	Current liabilities		
<i>Subtotal</i>	7 006	5 194	Amounts owed in social security charges	320	0
			Amounts owed to Community institutions and bodies	4 910	479
Current assets			Current liabilities	13 151	11 936
VAT paid and to be recovered	1 888	1 105	Other accounts payable	106	127
Amounts owed by Community institutions and bodies	148	107	Advances from customers	11 250	8 845
Sundry accounts receivable	1 795	1 034	<i>Subtotal</i>	29 737	21 387
Sundry receivables and advances	2 061	64			
<i>Subtotal</i>	5 892	2 310			
Available assets	35 010	28 286			
Total	53 017	39 191	Total	53 017	39 191

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

THE AGENCY'S REPLIES

7. The Audit Advisory Committee is a consultative body and has no operational role in the internal organisation of the Agency. On 4 February 2005 the Management Board of the agency adopted the Terms of Reference of the Audit Advisory Committee which include the mission statement of this committee as well as the rules of proceedings.

8. The Agency has had to implement a wide-ranging reform of the Financial Regulation and Accounting procedures over the last few years. It was considered prudent not to seek a change in the main bank at the same time due to the integration of our systems with this bank's electronic payment system. Now that the

Agency is in the final stage of implementing the new Financial Regulation, a call for tender will be launched in the last quarter of this year. However it should be noted that substantial reductions in bank transfer costs have been achieved through direct negotiations with the bank and automation of payments. Also placements of funds are subject to individual bids from up to three banks based on the market rates on a particular day.

9. The Agency notes with satisfaction that these points, mentioned in the Court's report on the 2003 accounts, have been resolved.

REPORT**on the annual accounts of the European Agency for Reconstruction for the financial year 2004 together with the Agency's replies**

(2005/C 332/03)

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INTRODUCTION

1. The European Agency for Reconstruction (hereinafter called the Agency) was established pursuant to Council Regulation (EC) No 1628/96 ⁽¹⁾. This Regulation was replaced by Council Regulation (EC) No 2068/2004 ⁽²⁾. The Agency, which was actually set up in February 2000, was initially responsible for managing the EU's aid programmes in Kosovo. Following three extensions to its mandate in 2001, 2002 and 2004, its operations now also cover Serbia and Montenegro and the former Yugoslav Republic of Macedonia. The Agency's head office is in Thessaloniki and it has operational centres in Belgrade, Podgorica, Pristina and Skopje. It implements programmes to foster institution-building and good governance, to promote the development of a market economy and essential infrastructure and to consolidate civil society. *Table 1* summarises the Agency's powers and activities based on information provided by the Agency itself.

2. For information purposes the annual accounts drawn up by the Agency for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽³⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽⁴⁾ were drawn up by its Director, pursuant to Article 8(2) of Council Regulation (EC) No 2667/2000 ⁽⁵⁾, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

⁽¹⁾ OJ L 204, 14.8.1996, p. 1.

⁽²⁾ OJ L 358, 3.12.2004, p. 2.

⁽³⁾ OJ L 248, 16.9.2002, p. 1.

⁽⁴⁾ These accounts were drawn up on 13 October 2005 and received by the Court on 18 October 2005.

⁽⁵⁾ OJ L 306, 7.12.2000, p. 7.

Reliability of the accounts

Except for the issue mentioned in paragraph 9, the Agency's accounts for the financial year ended 31 December 2004, in all material respects, are reliable.

Legality and regularity of underlying transactions

Except for the issue mentioned in paragraph 11, the transactions underlying the Agency's accounts, taken as a whole, are legal and regular.

OBSERVATIONS

7. Although significant funds were maintained throughout the year ⁽⁶⁾, the Agency has no active treasury management policy in place; considerable amounts are maintained on current bank accounts without their earnings being checked by the Agency.

8. Reconciliations between bank accounts and the Agency's accounting records are not regularly carried out. With the introduction of accruals accounting in 2005, it is even more relevant that bank accounts be reconciled with the accounting records on a monthly basis.

9. In the absence of effective internal control procedures for long-term receivables the Court cannot be certain that the transactions relating to counterpart funds, credit line schemes and special funds have been completely recorded.

10. One of the main problems the Agency faces is the difficulty in recruiting agents capable of carrying out the difficult tasks with which it is entrusted. The policy of renewing the mandate of the Agency for short periods of time increases this problem as very few individuals with the required profile will relocate under these circumstances.

11. In its 2003 report ⁽⁷⁾, the Court noted anomalies which had affected decisions in awarding contracts. In 2004 this situation was again observed. Tenders are the subject of formal procedures which constitute the main guarantee against unequal treatment between tenderers. It is therefore essential to ensure that procedures are strictly applied. Many of the difficulties encountered were due to the fact that criteria set in calls for tender were open to interpretation because they were unsuited to the practical situation. The Agency should thus be particularly attentive when setting selection criteria to avoid unrealistic requirements which would later lead to interpretation and ineffective procedures.

⁽⁶⁾ The bank account balance at 31 December 2004 was 158 million euro — see *Table 4*.

⁽⁷⁾ Issued on 10 December 2004.

12. A review of operations entrusted to the United Nations Mission in Kosovo (UNMIK) was carried out. It has covered all 16 operations still open in the Agency's accounts totalling 30,7 million euro (2004 payments 2,5 million euro). In those cases where UNMIK is directly managing the contracts, the Agency made payments without exercising adequate financial control. The frequent absence of audit trail requires an in-depth review of the applicability of the agreement ⁽¹⁾ signed between the Commission and the United Nations.

13. In the cases of funds where UNMIK was acting on behalf of the local government departments, the management of these operations was entirely left to these departments. The Agency has not paid sufficient attention to the proper financial organisation

of the beneficiaries because it assumed this was the legal responsibility of UNMIK and was then faced with serious difficulties in closing the operations mainly due to an absence of adequate accounts for the projects and of sufficient justification for the expenditure.

14. Concerning supporting documentation for payments, a standardised system of dealing with payment requests needs to be adopted and criteria set on the kind of supporting evidence that is necessary for a payment to be made.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 10 November 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ Financial and Administrative Framework Agreement (FAFA) signed between the European Commission and the United Nations on 29 April 2003.

Table 1
European Agency for Reconstruction (Thessaloniki)

<p>Areas of EU responsibility according to the Treaty</p> <p>The Community shall carry out, within its spheres of competence, economic, financial and technical cooperation measures with third countries. Such measures shall be complementary to those carried out by the Member States and consistent with the development policy of the Community.</p> <p>(Article 181 A)</p>	<p>The Agency's powers as defined in Council Regulation (EC) No 2667/2000 of 5 December 2000</p>	<p>Objectives</p> <p>To provide EU assistance:</p> <p>(i) for reconstruction, the return of refugees and displaced persons;</p> <p>(ii) to promote sound administration, stronger institutions and the rule of law;</p> <p>(iii) to support the development of a market economy and investment in essential physical infrastructure and environmental measures;</p> <p>(iv) to support social development and consolidate civil society.</p>	<p>Application</p> <p>The Agency manages the principal aid programmes in Serbia and Montenegro (Republic of Serbia, Kosovo and Republic of Montenegro) and in the former Yugoslav Republic of Macedonia (FYROM). Beneficiaries include States, bodies under UN administration, federated, regional and local bodies, public and semi-public bodies, both sides of industry, business support organisations, cooperatives, mutual companies, charities, foundations and NGOs.</p>	<p>Tasks</p> <p>— To advise the Commission of priority needs;</p> <p>— To devise programmes for reconstruction and the return of refugees and displaced persons;</p> <p>— To take every possible step to implement EU assistance.</p>	<p>Governance</p> <p>Governing Board</p> <p>Comprises one representative from each Member State, two representatives from the Commission and an observer from the European Investment Bank.</p> <p>Director</p> <p>Appointed by the Governing Board on a proposal from the Commission.</p> <p>Operational centres in Belgrade, Pristina, Podgorica and Skopje</p> <p>with a high level of management autonomy.</p> <p>External control</p> <p>European Court of Auditors</p> <p>Discharge authority</p> <p>the Parliament following a recommendation from the Council.</p>	<p>Resources made available to the Agency (data for 2003)</p> <p>Final budget</p> <p>374,6 million euro (358,6 million euro) including an EU grant of 96,7 % (97,4 %)</p> <p>Staff as at 31 December 2004:</p> <p>114 (120) posts listed in the establishment plan</p> <p>posts occupied: 88 (94)</p> <p>other posts — local staff: 195 (201) posts of which 173 (173) were occupied</p> <p>Total staff: 261 (267)</p> <p>Responsible for operational tasks: 184</p> <p>administrative tasks: 77</p>	<p>Activities and services provided in 2004</p> <p>Overall figures</p> <p>Appropriations: 374,6 million euro</p> <p>Contracted: 299 million euro</p> <p>Paid: 292,8 million euro</p> <p>By operational centre:</p> <p>KOSOVO: (a) start-up grants, loans, training and business advice to small businesses; (b) legal assistance to vulnerable persons; (c) loans provided from the EAR credit schemes; (d) substantial and complex repairs to the fire damaged thermal power plant Kosovo B; (e) rehabilitation of the 'Sunny Hill' district heating sub-station in Pristina; (f) six bridges reopened between Pristina and the border crossing with FYROM.</p> <p>SERBIA: (a) draft laws in Public Administration Reform; (b) training programmes for special police bodies; (c) rehabilitation programme for hospitals; (d) new jobs created due to loans from the Revolving Credit Fund; (e) training support to enterprises; (f) overhaul of thermal power plants; (g) regional training centres for adults; pilot schools rehabilitated and supplied with IT equipment; (h) works on the Sloboda bridge and the Horgos border crossing point with Hungary.</p> <p>MONTENEGRO: (a) specialised training to border police and to civil servants; (b) central IT database of the Ministry of Interior; (c) Agency for Human Resources Management, regional centres for vocational education and training; (d) veterinary laboratory; (e) new Roads Directorate and transport laws; (f) master plans for wastewater and solid waste; (g) Electric Utility unbundling/restructuring, energy efficiency strategy.</p> <p>FYROM: (a) 90 % of Internally Displaced Persons returned to their pre-conflict homes; (b) training of mainly ethnic Albanians to become public servants; (c) new jobs created and jobs preserved due to loans to SMEs from the Revolving Credit Fund; Agency for Entrepreneurship Promotion and SME Observatory set up; (d) three new institutes developed and their staff trained.</p>
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Source: Information supplied by the Agency.

Table 2
European Agency for Reconstruction — Implementation of the budget for the financial year 2004

Source of revenue	Revenue		Expenditure										Appropriations carried over from the previous financial year		
	Revenue entered in the final budget for the financial year	Revenue received	Available appropriations							balance for commitment	com- mitments carried over	paid	cancelled	out- standing com- mitments	
			entered	com- mitted	paid	carried over	cancelled	Allocation of expenditure							
Community grants	362,3	232,3	18,8	17,6	17,3	0,3	1,3	—	0,3	0,2	0,1	—	—		
Other grants and counterpart funds	0,4	5,6	7,1	6,2	5,1	1,1	0,9	—	1,2	1,1	0,1	—	—		
Re-use credits (C5) from previous years	0,0	0,0	0,4	0,1	0,1	0,0	0,2	0,0	—	—	—	—	—		
Remaining funds	11,9	0,0	348,7	139,4	23,2	116,2	0,0	209,2	345,4	200,3	6,7	138,4	—		
Miscellaneous revenues (re-use)	p.m.	1,1	375,0	163,3	45,7	117,6	2,4	209,2	346,9	201,6	6,8	138,4	—		
Total	374,6	239,0	614,1	299,0	91,2	207,9	6,5	308,6	346,9	201,6	6,8	138,4	—		

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

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

Table 3

European Agency for Reconstruction — Revenue and expenditure account for the financial years 2004 and 2003 ⁽¹⁾

	<i>(1 000 euro)</i>	
	2004	2003
Revenue		
EC subsidy	231 909	274 221
Recovery of expenses (reuse Title III)	1 229	1 318
Revenues from administrative operations (reuse Titles I and II)	181	199
Other operating revenue	6 113	28 413
Total operating revenue	239 432	304 151
Expenditure		
<i>Administrative expenses</i>		
— Staff expenses	17 575	17 333
— Other administrative expenses	6 290	6 475
<i>Operational expenses</i>		
— Centralised direct management	268 965	297 168
Total administrative and operational expenditure	292 830	320 976
Surplus/(Deficit) from operating activities	– 53 398	– 16 825
Extraordinary gains	738	0
Extraordinary losses	– 1 269	– 4 118
Economic result of the year	– 53 929	– 20 943

⁽¹⁾ The figures for 2003 have been adjusted from those previously presented to reflect a change in accounting practices.

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

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

Table 4

European Agency for Reconstruction — Balance sheet as at 31 December 2004 and 31 December 2003 ⁽¹⁾

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Fixed capital		
Fixed assets at net book value	1 652	1 771	Own capital ⁽²⁾	63 270	1 771
<i>Subtotal</i>	1 652	1 771	Accumulated surplus	150 332	204 261
Long-term receivables			<i>Subtotal</i>	213 602	206 032
Counterpart funds, credit line schemes and special funds	61 619	0	Current liabilities		
<i>Subtotal</i>	61 619	0	Employee benefits	28	0
Current receivables			Current payables	9 619	6 067
Current receivables	1 761	135	Other accounts payable	37	515
<i>Subtotal</i>	1 761	135	<i>Subtotal</i>	9 684	6 582
Cash accounts					
Cash and cash equivalents	158 254	210 708			
<i>Subtotal</i>	158 254	210 708			
Total	223 286	212 614	Total	223 286	212 614

⁽¹⁾ The figures for 2003 have been adjusted from those previously presented to reflect a change in accounting practices.

⁽²⁾ Own capital is calculated as the sum of Fixed assets and Long-term receivables.

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

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

THE AGENCY'S REPLIES

7. The funds available in the Agency's bank accounts are commensurate with its disbursement needs, taking into account that payments may reach peaks of 45 million euro in a single month and that there was in December 2004 a total outstanding amount of 345 million euro to be paid on contracted funds. Disruption in treasury due to delays in receiving the requested tranches of the EC subsidy also needs to be avoided. The Agency follows a treasury policy in line with the Commission's practice. Following the Court's observation, guidance from DG Budget will be sought. Recovery orders are issued to ensure proper recording in the accounts. In 2004, 2,9 million euro was earned on the EAR bank accounts.

8. Bank reconciliations were frequently carried out by the Agency before the introduction of the new double entry computerised accounting tool in mid-2004. The Agency agrees to perform them on a monthly basis.

9. In accordance with its commitments taken in the context of the 2003 discharge procedure, the Agency has entered in the final 2004 accounts the original value of the investment less a provision for bad debts for all counterpart funds and credit line schemes and the unspent amount for special funds. All of these activities have undergone or are undergoing external audits in 2005. The Agency considers that the accounts provide a fair and complete view of the EAR long term receivables. Any minor adaptation needed will be made in the 2005 balance.

11. The Agency operates under difficult circumstances in a demanding environment and is fully aware of the risk involved in managing substantial amounts of assistance under such conditions. It therefore established an elaborated procurement system with clear division of tasks amongst its operational, procurement and finance staff. The EAR has taken appropriate measures to address the issues raised by the Court in its annual report for

2003 finalised and published end of 2004; thus the improvements could not be visible in 2004 but will be appreciated in the context of the audit for the 2005 exercise. The EAR in particular provided central guidance to the actors involved in calls for tenders across the Agency and improved the coherence of applicable standards and approaches. Such efforts will continue in order to ensure that the relevant recommendations of the Court are complied with.

12. The Agency attempts by all means to ensure that UNMIK respects its relevant obligations. The EAR's policy is to insist in particular on receiving in due time and form the reports provided for in the contracts, and to reject them if inappropriate. No further payments are made without checking the financial data and documents required. The EAR also funds audits at the most appropriate stage of implementation, normally in view of, or immediately after, the closure of a contract. These audits are 'subject to the internal and external auditing procedures laid down in the Financial Regulations, rules and directives of the United Nations' as stipulated in Article 1(a) of the FAFA.

13. The terms of the EAR grant agreements with UNMIK are clear on the respective shares of responsibility. UNMIK is the responsible organisation regarding government departments. Conscious of the difficulties mentioned, the Agency provided technical and financial advice in the framework of certain grant agreements. This practice will be further extended in future. The Agency's final payments to UNMIK are conditional to the respect of financial requirements, based on reports by independent auditors.

14. The Agency uses a workflow (financial circuit) with two verifications prior to authorisation and standard checklists. An Instruction Note with the detailed procedure for processing invoices was updated in mid-2004. Efforts to further strengthen and standardise these rules will continue.

REPORT**on the annual accounts of the European Agency for Safety and Health at Work for the financial year 2004 together with the Agency's replies**

(2005/C 332/04)

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INTRODUCTION

1. The European Agency for Safety and Health at Work (hereinafter referred to as the Agency) was established by Council Regulation (EC) No 2062/94 of 18 July 1994 ⁽¹⁾. The Agency's task is to collect and disseminate information on national and Community priorities in the field of safety and health at work, to support national and Community organisations involved in the formulation and implementation of policy and to provide information on preventive measures. *Table 1* summarises the Agency's competences and activities based on information provided by the Agency.

2. For information, the annual accounts drawn up by the Agency for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 14 of Regulation (EC) No 2062/94, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis to support the following opinion.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. The Agency has not yet put in place detailed rules for the implementation of its new financial regulation or provided for internal control procedures based on risk analysis ⁽⁴⁾.

8. Four framework contracts signed more than four years ago were used in 2004 for contracts amounting in total to 208 000 euro. Article 117 of the detailed rules for the implementation of the Financial Regulation ⁽⁵⁾ applicable to the general budget limits the duration of such contracts to four years.

9. The revenue and expenditure account for the financial year 2003 shows, before economic adjustments, a loss of 1 987 000 euro connected with the implementation of the Agency's budget. This balance ought to have been included in an amending budget for the financial year 2004 ⁽⁶⁾.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors

Hubert WEBER

President

⁽¹⁾ OJ L 216, 20.8.1994, p. 1. Regulation amended by Council Regulation (EC) No 1654/2003 of 18 June 2003 (OJ L 245, 29.9.2003, p. 38).

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 6 September 2005 and received by the Court on 19 September 2005.

⁽⁴⁾ Article 38 of the Agency's financial regulation.

⁽⁵⁾ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 (OJ L 357, 31.12.2002). The provisions of this regulation apply to the Agency on the basis of Article 74 of Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 laying down the financial framework for the bodies mentioned in Article 185 of the Financial Regulation applicable to the general budget.

⁽⁶⁾ Article 16 of the Agency's financial regulation.

Table 1
European Agency for Safety and Health at Work (Bilbao)

Areas of Community competence deriving from the Treaty	Competences of the Agency as defined in the Council Regulation (Council Regulation (EC) No 2062/94 of 18 July 1994)	Governance	Resources made available to the Agency in 2004 (2003 data)	Products and services supplied in 2004
<p>Social provisions</p> <p>The Community and the Member States (...) shall have as their objectives (...) improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained (...).</p> <p>With a view to achieving the objectives of Article 136, the Community shall support and complement the activities of the Member States in the following fields: (a) improvement in particular of the working environment to protect workers' health and safety; (b) working conditions; (...)</p> <p>(Extracts from Articles 136 and 137 of the Treaty)</p>	<p>Objectives</p> <p>— To provide the Community bodies, the Member States and those involved in the field with information of use in the field of safety and health at work in order to encourage improvements, especially in the working environment, as regards the protection of the safety and health of workers.</p>	<p>1. Administrative Board</p> <p><i>Composition</i></p> <p>— 1 representative of each Member State;</p> <p>— 1 representative of the employers' organisations of each Member State;</p> <p>— 1 representative of the employees' organisations of each Member State;</p> <p>— 3 representatives of the Commission.</p> <p><i>Task</i></p> <p>To adopt the Agency's work programme, budget and annual general report.</p>	<p>Final budget:</p> <p>10,7 million euro (14,6 million euro) including:</p> <p>— Community subsidy, DG Employment: 98 % (92 %)</p> <p>— Community subsidy, DG Enlargement: 0 % (7 %)</p> <p>— miscellaneous revenue: 2 % (1 %)</p> <p>Staff at 31 December 2004:</p> <p>38 (33) posts in the establishment plan,</p> <p>of which, posts filled: 29 (29)</p> <p>22 (25) other posts (auxiliary contracts, seconded national experts, local staff and employment-agency staff)</p> <p>Total staff: 51 (54)</p> <p>assigned to</p> <p>operational tasks: 34 (34)</p> <p>administrative tasks: 9 (12)</p> <p>mixed tasks: 8 (8)</p>	<p>Development of the network</p> <p>Approximately 850 partners through national focal points, four expert groups, three topic centres, participation of PHARE and EFTA countries.</p> <p><i>Dissemination of information</i></p> <p>— European Week for Safety and Health at work: 'building safety';</p> <p>— participation in 67 exhibitions/conferences,</p> <p>— electronic media: bi-monthly newsletter to 24 000 subscribers, website (2,9 million visitors)</p> <p>— publications (3,3 million copies of publications distributed): 7 information reports, 14 fact sheets, 1 issue of the 'Forum' magazine, 24 press releases.</p> <p>Third programme for SMEs (2003-2004): 40 projects finalised.</p>
	<p>Tasks</p> <p>— To collect and disseminate information on national and Community priorities and on research;</p> <p>— to promote cooperation and the exchange of information, including information on training programmes;</p> <p>— to supply the Community bodies and the Member States with information they require to formulate and implement policies, in particular as regards the impact on small and medium-sized enterprises;</p> <p>— to make available information from and to third countries and international organisations;</p> <p>— to provide information on preventive activities;</p> <p>— to contribute to the development of future Community action programmes;</p> <p>— to set up a network comprising national focal points and topic centres.</p>	<p>2. The Director</p> <p>Appointed by the Administrative Board on a proposal from the Commission.</p> <p>3. Committees</p> <p>Obligatory consultation of the Commission and the Advisory Committee on Safety, Hygiene and Protection at Work in respect of the work programme.</p> <p>4. External audit</p> <p>European Court of Auditors.</p> <p>5. Discharge authority</p> <p>Parliament on a recommendation by the Council.</p>		

Source: Information provided by the Agency.

Table 2
European Agency for Safety and Health at Work — Implementation of the budget for the financial year 2004

(1 000 euro)

Source of revenue	Revenue		Expenditure										Available appropriations (2004 budget and financial year 2003)			
	Revenue entered in the final budget for the financial year	Revenue collected	Appropriations in the final budget					Appropriations carried over from the previous financial year			Appropriations					
			entered	committed	paid	carried over	cancelled	out-standing commitments	paid	cancelled	appropria-tions	com-mitted	paid	carried over	cancelled	
Community sub-sidies	10 588	9 542	4 347	3 708	3 379	60	908	87	67	20	4 434	3 795	3 446	60	928	
Other subsidies	180	66	1 373	1 241	966	248	159	186	158	28	1 559	1 427	1 124	248	187	
Other revenue	0	111	5 048	5 019	2 407	2 549	92	5 858	5 019	839	10 906	10 877	7 426	2 549	931	
PHARE revenue	0	121	—	—	—	—	—	502	358	144	502	502	358	0	144	
Total	10 768	9 840	10 768	9 968	6 752	2 857	1 159	6 633	5 602	1 031	17 401	16 601	12 354	2 857	2 190	

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

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

Table 3

European Agency for Safety and Health at Work — Revenue and expenditure account for the financial years 2004 and 2003

(1 000 euro)

	2004	2003
Revenue		
Community subsidies	9 542	11 641
Other subsidies	66	66
Other revenue	111	157
PHARE revenue	121	824
Total revenue (a)	9 840	12 688
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	3 379	3 245
Appropriations carried over	60	87
<i>Administration — Title II of the budget</i>		
Payments	966	1 146
Appropriations carried over	248	186
<i>Operating activities — Title III of the budget</i>		
Payments ⁽¹⁾	2 426	2 559
Appropriations carried over	2 549	5 859
<i>PHARE expenditure</i>		
Payments	0	548
Appropriations carried over	0	502
Total expenditure (b)	9 628	14 131
Outturn for the financial year (c = a - b) ⁽²⁾	212	- 1 443
Balance carried over from the previous financial year	- 1 987	- 1 108
Appropriations carried over and cancelled	887	766
Sums to be reused from the previous financial year and not used	0	1
RO (PHARE II) appropriations not used	144	0
Payments against commitment cancelled in 2002	0	- 191
Exchange-rate differences	0	4
PHARE amount to be refunded to the Commission	- 39	0
Adjustment entries	2	- 16
Outturn for the financial year before economic adjustments (d)	- 779	- 1 987
Budget revenue to be recovered	0	850
Other revenue to be recovered	0	3
Acquisitions of fixed assets	58	207
Depreciation	- 175	- 186
Stock	- 6	0
Scrapping of fixed assets	- 91	0
Depreciation	88	0
Miscellaneous expenditure	- 34	- 1
Economic adjustments (e)	- 161	873
Balance for the financial year (d + e)	- 940	- 1 113

(1) This sum includes payments made from the appropriations to be re-used in 2004 (18 573 euro).

(2) Calculated in accordance with 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: Variations in totals are due to the effects of rounding.

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

Table 4

European Agency for Safety and Health at Work — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Own capital		
Computer software	66	95	Own capital ⁽¹⁾	431	431
IT equipment	90	136	Budget outturn for the financial year	1 207	- 879
Fittings and furniture	169	215	Adjustment outturn	- 161	873
<i>Subtotal</i>	325	445	Balance for the previous financial year	- 1 113	- 1 108
Stocks			<i>Subtotal</i>	364	- 683
Office supplies	0	6	Current liabilities		
<i>Subtotal</i>	0	6	Non-automatic carry-overs	0	135
Current assets			Automatic carry-overs	2 857	6 498
Community subsidies	809	1 035	Commission	145	282
Sundry accounts receivable	19	62	Sundry accounts payable	67	128
<i>Subtotal</i>	828	1 097	Payroll deductions	0	73
Cash accounts			<i>Subtotal</i>	3 069	7 117
Bank and cash	2 305	4 889	Provisions for risks and charges		
Cash	3	1	Cases pending	34	0
<i>Subtotal</i>	2 308	4 890	<i>Subtotal</i>	34	0
Suspense accounts			Suspense accounts		
Advances	6	6	Revenue for re-use	0	11
<i>Subtotal</i>	6	6	<i>Subtotal</i>	0	11
Total	3 467	6 445	Total	3 467	6 445

⁽¹⁾ The amount of own capital, fixed at 31 December 2003, corresponds to the sum of the gross value of fixed assets at 31 December 2002 minus historical depreciation for the period 1996 to 2002, plus the variation in the value of stock between 31 December 2002 and 31 December 2003 and the adjustments on the valuation, recognition and downgrading of fixed assets.

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

Source: The Agency's data — This table summarises the data provided by the Agency in its annual accounts.

THE AGENCY'S REPLIES

7. Draft detailed rules for the implementation of the new financial regulation were sent to the Commission on 30 May 2005 for comments before submission to the Administrative Board.

The Agency's internal control procedures were drawn up on the basis of guidelines handed down by the Commission, and will be gradually adapted in accordance with the conclusions of the

forthcoming report of the Commission's Internal Audit Service and the risk analysis to be undertaken by the Agency.

8. These four service contracts will all be the subject of a call for tenders in 2005.

9. The cumulative negative budget outturn for the financial year 2004 will be entered in the 2005 budget.

REPORT**on the annual accounts of the European Maritime Safety Agency for the financial year
2004 together with the Agency's replies**

(2005/C 332/05)

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INTRODUCTION

1. The European Maritime Safety Agency (hereinafter called the Agency) was set up by Regulation (EC) No 1406/2002 of the European Parliament and of the Council of 27 June 2002 ⁽¹⁾. It began its operational activities in 2003. The Agency's tasks are to ensure a high level of maritime safety and prevention of pollution by ships, to provide the Commission and the Member States with technical assistance, to monitor the implementation of Community legislation and to evaluate its effectiveness. *Table 1* summarises the Agency's competences and activities on the basis of information it has supplied.

2. For information, the annual accounts drawn up by the Agency for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 18 of Regulation (EC) No 1406/2002, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. According to Article 31 of the Agency's financial regulation, a distinction has to be made in the Agency's budget between commitment appropriations and payment appropriations. This distinction between types of appropriations is not in evidence in the Agency's budget for the financial year 2004. During the year in question, the Agency nevertheless managed part of its operating appropriations according to the rules applicable to differentiated appropriations. However, the accounts relating to the Agency's implementation of its budget are not suited to presenting differentiated appropriations. The Agency must adapt its budget and the presentation of its accounts to the kind of appropriations it is managing.

8. The appropriations carried over from the previous financial year which were not used by the end of the year were not cancelled. Moreover, an analysis of the implementation of the budget shows a low level of execution of payments ⁽⁴⁾, and a substantial volume of carry-overs of appropriations to the following year ⁽⁵⁾. Such practices do not comply with the budgetary principles of accuracy and annuality ⁽⁶⁾.

9. The share of carry-overs of appropriations that is to be regarded as expenditure for the financial year is evaluated on the basis of declarations made by the authorising officers by delegation. These declarations have to be drawn up in such a way as to enable the accounting officer to correctly appraise the Agency's actual expenditure, which has not often been the case. Furthermore, the files concerning commitments and payments are frequently incomplete and operations carried out on the basis of provisional commitments cannot be properly traced. The internal control system needs to be strengthened in order to remedy its shortcomings.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors

Hubert WEBER

President

⁽¹⁾ OJ L 208, 5.8.2002, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 15 June 2005 and received by the Court on 22 July 2005.

⁽⁴⁾ Overall, the rate of payment for commitments for the year is 62 %; for operating expenditure (Title III), this rate falls to 17 %.

⁽⁵⁾ Overall, the rate of carry-over is 39 %; for operating expenditure (Title III), this rate is 85 %.

⁽⁶⁾ Articles 9 and 10 of the Agency's financial regulation.

Table 1
European Maritime Safety Agency (temporary headquarters in Brussels, planned relocation to Lisbon)

Areas of Community competence deriving from the Treaty	Competence of the Agency as defined in Regulation (EC) No 1406/2002 of the European Parliament and of the Council of 27 June 2002 as amended by Regulation (EC) No 1644/2003 of 22 July 2003 and No 724/2004 of 31 March 2004	Governance	Resources made available to the Agency in 2004 (2003 data)	Products and services supplied in 2004
<p>Common transport policy</p> <p>'The Council may, acting by a qualified majority, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.'</p> <p>(Article 80 of the Treaty)</p>	<p>Objectives</p> <p>— To ensure a high, uniform and effective level of maritime safety and prevention of pollution by ships;</p> <p>— to provide the Member States and the Commission with technical and scientific assistance;</p> <p>— to monitor the implementation of Community legislation in this field and to evaluate the effectiveness of the measures in place;</p> <p>— to introduce operational methods for combating pollution in European waters.</p>	<p>1. Administrative Board</p> <p><i>Composition</i></p> <p>One representative per Member State, four representatives of the Commission, four representatives, without the right to vote, from the professional sectors concerned.</p> <p><i>Tasks</i></p> <p>To adopt the budget and the work programme;</p> <p>to examine requests from Member States for assistance.</p> <p>2. Executive Director</p> <p>Appointed by the Administrative Board on a proposal from the Commission.</p> <p>3. External audit</p> <p>European Court of Auditors.</p> <p>4. Discharge Authority</p> <p>Parliament on a recommendation from the Council.</p>	<p>Final budget:</p> <p>13,3 million euro (4,5 million euro)</p> <p>Community contribution: 100 % (100 %)</p> <p>Total staff at 31 December 2004:</p> <p>55 (40) posts in the establishment plan</p> <p>No of posts occupied: 34 (8)</p> <p>+ 9 (7) other posts (auxiliary contracts, seconded national experts, local staff, employment-agency staff)</p> <p>Total staff numbers: 43 (15)</p> <p>assigned to the following duties:</p> <p>operational tasks: 27 (7)</p> <p>administrative tasks: 13 (4)</p> <p>mixed tasks: 3 (4)</p>	<p>Number of specifications and guideline documents: 18</p> <p>Inspections: 12</p> <p>Investigations: 5</p> <p>Seminars: 10</p>
	<p>Tasks</p> <p>— To assist the Commission in drawing up Community legislation and in its implementation;</p> <p>— to monitor the overall functioning of the Community port State control regime, which may include visits to the Member States;</p> <p>— to provide the Commission with technical assistance for the port State control of ships;</p> <p>— to work with the Member States on developing technical solutions and to provide technical assistance related to the implementation of Community legislation;</p> <p>— to promote cooperation between riparian States in the shipping areas concerned;</p> <p>— to develop and operate any information system necessary;</p> <p>— to facilitate cooperation between the Member States and the Commission in the development of a common methodology for investigating maritime accidents;</p> <p>— to provide the Commission and the Member States with reliable information on maritime safety and on pollution by ships;</p> <p>— to assist the Commission and the Member States in the identification and pursuit of ships making unlawful discharges;</p> <p>— to monitor the classification societies recognised by the EU and to issue the corresponding reports to the Commission;</p> <p>— to assist the Commission with the input for and implementation of tasks relating to the Directive on marine equipment;</p> <p>— to provide the Commission with data on the introduction of the Directive on ship waste reception facilities in European ports.</p>			

Source: Data sent by the Agency.

Table 2
European Maritime Safety Agency — Budgetary implementation for the financial year 2004

Origin of revenue	Revenue		Expenditure												(1 000 euro)			
	Revenue entered in the final budget for the financial year	Revenue collected	Final budget appropriations						Appropriations carried over from the previous financial year			Available appropriations (2004 budget and financial year 2003)						
			entered	committed	paid	carried over	cancelled	Out-standing commitments	paid	cancelled	Appropriations	committed	paid	carried over		cancelled		
Community subsidies	13 340	12 800	8 170	3 736	3 594	1 43	4 434	66	13	53	8 236	3 802	3 607	143	4 487			
			Title I Personnel															
			Title II Administration	1 630	1 319	635	311	315	267	48	1 945	1 634	902	684	359			
			Title III Operating activities	3 540	2 448	437 (1)	1 092	155	5 (2)	150	3 695	2 603	442	2 074	1 242			
Other revenue		5																
Total	13 340	12 805	Total	13 340	7 503	4 666	5 837	536	285	251	13 876	8 039	4 951	2 901	6 089			

(1) EMSA's operating appropriations are managed as differentiated appropriations. An amount of 64 419 euro in payment appropriations for the financial year was used to pay outstanding commitments relating to differentiated appropriations from the preceding financial year.

(2) All the commitment appropriations carried over were paid using the appropriations for the financial year, except for a payment of 4 953 euro.

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

Source: Agency data — This table summarises the data supplied by the Agency in its annual accounts.

Table 3

European Maritime Safety Agency — Revenue and expenditure account for the financial years 2004 and 2003

(1 000 euro)

	2004	2003 ⁽¹⁾
Revenue		
Community subsidies	12 800	2 630
Other revenue	5	2
Total budget revenue (a)	12 805	2 632
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	3 594	647
Appropriations carried over	143	66
<i>Administration — Title II of the budget</i>		
Payments	635	238
Appropriations carried over	684	315
<i>Operating activities — Title III of the budget</i>		
Payments	437	13
Appropriations carried over	2 074	155
Total budget expenditure (b)	7 567	1 434
Balance (c = a – b)	5 238	1 198
Appropriations carried over and cancelled	251	—
Exchange-rate differences	– 1	0
Balance of the budget implementation for the financial year (d)	5 488	1 198
Variation in automatic carry-overs of appropriations and invoices to be received	2 089	399
Variation in investments for the financial year	242	11
Variation in debts (Commission)	– 5 489	– 1 198
Depreciation for the financial year	– 43	– 3
Variation in advances to suppliers	56	—
Outturn of the economic adjustments for the financial year (e)	2 343	407

⁽¹⁾ The data for the financial year 2003 have been restated in order to comply with the principle of accruals-based accounting.

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

Source: Agency data — This table summarises the data supplied by the Agency in its annual accounts.

Table 4

European Maritime Safety Agency — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003 ⁽¹⁾
Fixed assets			Own capital		
Computer software	30	11	Outturn carried over	2 750	407
Equipment and machinery	27	0	<i>Subtotal</i>	2 750	407
Computer equipment	193	0			
Depreciation	- 44	- 3			
<i>Subtotal</i>	206	8			
Current assets			Long-term debt		
Sundry accounts receivable	38	2	Budgetary balance to be repaid (2004)	5 488	1 198
Recoverable VAT	2	0	<i>Subtotal</i>	5 488	1 198
Advances to staff	19	17			
Advances to Community bodies	1	1	Current liabilities		
Advances to suppliers	56	0	Budgetary balance to be repaid (2003)	1 198	
Advances to Social Security (ONSS)	22	0	Invoices to be received	413	137
<i>Subtotal</i>	138	20	Sundry accounts payable	249	29
			<i>Subtotal</i>	1 860	167
Cash accounts					
Bank accounts	9 754	1 744			
<i>Subtotal</i>	9 754	1 744			
Total	10 098	1 772	Total	10 098	1 772

⁽¹⁾ The data for the financial year 2003 have been restated in order to comply with the principle of accruals-based accounting.

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

Source: Agency data — This table summarises the data supplied by the Agency in its annual accounts.

THE AGENCY'S REPLIES

7. The Agency managed part of its operating appropriations according to the rules applicable to differentiated appropriations. It is in contact with the Commission with a view to drawing up appropriate presentation models for its budget data.

8. Following the Court's observation, the Agency cancelled the appropriations carried over which were not used. Due to a lack of operational managerial staff, it was only possible to launch the calls for tenders in the autumn, which explains the

low rate of payment observed and, consequently, the high rate of carry-overs.

9. From the financial year 2005 the carry-overs to be taken into account will be examined on the basis of invoices and not on the basis of declarations made by the authorising officers. The Agency is in the process of strengthening its internal control system in order to ensure better traceability of its operations, in particular by standardising book-keeping procedures.

REPORT
on the annual accounts of the European Environment Agency for the financial year
2004 together with the Agency's replies

(2005/C 332/06)

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INTRODUCTION

1. The European Environment Agency (hereinafter called the Agency) was established by Council Regulation (EEC) No 1210/90 of 7 May 1990 ⁽¹⁾. It is responsible for setting up an observation network that provides the Commission, the Member States and, more generally, the public with reliable information on the state of the environment. The information should, in particular, enable the European Union and the Member States to take action to safeguard the environment and assess the effectiveness of such action. *Table 1* summarises the Agency's competences and activities on the basis of information it has supplied.

2. For information, the annual accounts drawn up by the Agency for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 13 of Regulation (EEC) No 1210/90, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

⁽¹⁾ OJ L 120, 11.5.1990.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 30 June 2005 and received by the Court on 28 September 2005.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. At the end of 2004, all the available appropriations in the budget, i.e. 427 189 euro, were transferred to two budget headings under Title III of the budget (operating expenditure) and on the date of the transfer were committed for two operations to be carried out in 2005 ⁽⁴⁾. Such a practice is not in accordance with the principle of annuality ⁽⁵⁾. Furthermore, with regard to the transfers made from Title I (staff expenditure), they contravene the provisions which prohibit the carrying over of appropriations relating to staff expenditure.

8. The Agency does not conduct a full annual check on the assets to be entered in its inventory. The audit of fixed assets brought to light omissions from the inventory, which, in particular, make it impossible to establish where some assets are located.

9. The analysis of amendments to various contracts (total value: 107 000 euro) highlighted several shortcomings: amendments which were not justified for one of the reasons stipulated in the financial regulation ⁽⁶⁾, the use of a framework contract no longer in force ⁽⁷⁾, and the value provided for by an amendment was excessive compared with the value stipulated in the initial contract ⁽⁸⁾.

⁽⁴⁾ Commitments EEA 52051 and EEA 52049.

⁽⁵⁾ Article 6 of the Agency's financial regulation.

⁽⁶⁾ Contracts Nos 2601/B/2005 (EEA 51948 — 15 195 euro) and 3473/B/2004 (EEA 51971 — 29 800 euro).

⁽⁷⁾ Contract No 2240/B/2004 (EEA 51995 — 23 301 euro).

⁽⁸⁾ Contracts Nos 3473/B/2004 (EEA 51921 — 49 372 euro) and 3476/B/2004 (EEA 51976 — 38 906 euro).

10. The agreement on the location of the Agency's headquarters and the protocol on the privileges and immunities of the European Communities provide that it shall be exempt from all national, regional and municipal taxes. In November 2004, the Agency was obliged to pay approximately 906 000 euro in taxes for the period from 2000 to 2004. Applying the accounting

principle of prudence ⁽¹⁾, the Agency has not recorded this sum in its balance sheet as recoverable; an explanatory note concerning this payment appears in the revenue and expenditure account. In this instance, the Court recommends that the Agency should obtain reimbursement of all unwarranted payments.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ Article 78 of the Agency's financial regulation.

Table 1

European Environment Agency (Copenhagen)

Areas of Community competence deriving from the Treaty	Competences of the Agency as defined in Council Regulation (EEC) No 1210/90 of 7 May 1990	Governance	Resources made available to the Agency (2003 data)	Products and services supplied in 2004
<p>Environment policy</p> <p>Community policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Community. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay. (...) In preparing its policy (...), the Community shall take account of available scientific and technical data (...).</p> <p>(Article 174 of the Treaty)</p>	<p>Objectives</p> <p>Setting up of a European environment information and observatory network to provide the Community and the Member States with reliable information so that they are able to:</p> <p>(a) take the requisite action to protect the environment;</p> <p>(b) evaluate its implementation;</p> <p>(c) ensure that the public is well-informed about the state of the environment.</p>	<p>Tasks</p> <p>— To supply the Community and the Member States with the requisite information;</p> <p>— to record and evaluate data on the state of the environment and to report on its quality;</p> <p>— to ensure that environmental data are comparable at European level;</p> <p>— to promote the incorporation of European environmental data into international programmes;</p> <p>— to publish a report every five years on the state of, changes in and outlook for the environment;</p> <p>— to encourage the development of environmental forecasting techniques and methods of assessing the cost of damage caused to the environment, and the exchange of information on damage-prevention technology.</p>	<p>1. Management Board</p> <p>Consisting of:</p> <p>— one representative per Member State,</p> <p>— two representatives of the Commission,</p> <p>— two scientists appointed by the European Parliament.</p> <p>Tasks</p> <p>To adopt the work programme and ensure it is implemented.</p> <p>2. Executive Director</p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p>3. Advisory Forum</p> <p>Consisting of one representative per Member State, it advises the Executive Director.</p> <p>4. Scientific Committee</p> <p>Consisting of qualified figures in the field of the environment appointed by the Management Board.</p> <p>5. External audit</p> <p>European Court of Auditors.</p> <p>6. Discharge Authority</p> <p>Parliament on a recommendation by the Council.</p>	<p>— Support work and provision of indicators for the Synthesis report on sustainable development;</p> <p>— indicators concerning the state of the environment;</p> <p>— analysis and estimation of greenhouse gas emissions (1990-2020);</p> <p>— finalisation of the Kiev report (state of the environment in candidate Central and Eastern European countries);</p> <p>— three seminars organised under the Presidency of the Council;</p> <p>— provision of environmental indicators in specific fields (transport sector in candidate countries, Danube region — Black Sea);</p> <p>— assistance in harmonising data;</p> <p>— management of the EIONET network (European Environment Information and Observation Network).</p>
			<p>Final budget</p> <p>33,6 million euro (27,5 million euro)</p> <p>Community subsidy: 81 % (77 %).</p> <p>Staff numbers at 31 December 2004</p> <p>Number of posts in the establishment plan: 115 (111) posts</p> <p>Posts occupied: 102 (95)</p> <p>+ 15 (16) other posts (auxiliary contracts, seconded national experts, local and employment-agency staff).</p> <p>Total staff numbers: 115 (111)</p> <p>assigned to the following tasks:</p> <p>— operational: 72 (69);</p> <p>— administrative: 42 (41);</p> <p>— mixed: 1 (1).</p>	

Source: Information supplied by the Agency.

Table 2
European Environment Agency — Implementation of the budget for the financial year 2004

(1 000 euro)

Origin of revenue	Revenue		Expenditure																	
	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure				Appropriations under the final budget				Appropriations carried over from the previous financial year				Available appropriations (2004 budget and financial year 2003)					
			entered	com- mitted	paid	carried over	can- celled	entered	com- mitted	paid	can- celled	entered	com- mitted	paid	can- celled	avail- able	com- mitted	paid	carried over	can- celled
Community sub- sidies	27 200	27 200	12 955	12 908	12 449	501	5	315	315	190	124	315	315	12 639	501	13 270	13 223	12 639	501	129
Other subsidies	6 412	3 455	3 845	3 845	3 451	394	0	395	395	319	76	395	395	3 770	394	4 240	4 240	3 770	394	76
Other revenue	0	128	1 681 2	1 442 5	9 548	7 264	1	7 008	7 008	6 701	307	7 008	7 008	16 249	7 264	23 820	21 433	16 249	7 264	308
Total	33 612	30 783	33 612	31 178	25 448	8 159	6	7 718	7 718	7 210	507	7 718	7 718	32 658	8 159	41 330	38 896	32 658	8 159	513

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

Source: Information supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts.

Table 3

European Environment Agency — Revenue and expenditure account for the financial years 2004 and 2003

	(1 000 euro)	
	2004	2003
Revenue		
EC subsidy	28 658	28 723
Other subsidies	1 998	1 080
Bank interest	128	89
Total revenue (A)	30 784	29 891
Expenditure		
<i>Total expenditure for Title I</i>		
Payments	12 447	11 123
Payments — Assigned revenue	2	
Appropriations carried over	435	315
Appropriations carried over — Assigned revenue	66	
<i>Total expenditure for Title II</i>		
Payments ⁽¹⁾	3 451	2 447
Appropriations carried over	394	395
<i>Total expenditure for Title III</i>		
Payments	9 534	5 997
Payments — Assigned revenue	14	
Appropriations carried over	4 845	7 008
Appropriations carried over — Assigned revenue	2 419	
Total expenditure (B)	33 606	27 284
Net result for the year (A – B)	– 2 822	2 607
Appropriations carried over and cancelled	507	295
Refunds carried over and cancelled	0	36
Balance carried over from the previous year	– 4 190	– 7 427
Assigned revenue cancelled	98	322
Exchange-rate differences	3	– 4
Regularisation regarding previous years	43	– 18
Balance carried forward	– 6 360	– 4 190

⁽¹⁾ Includes 905 823 euro of property taxes paid to the Danish government. The Agency is of the opinion that the amount should be refunded. The issue is currently being negotiated with the Danish government.

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

Source: Information supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts.

Table 4

European Environment Agency — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Fixed capital		
Buildings (deposit)	432	425	Own capital	1 838	1 265
Furniture	483	541	Revenue and Expenditure balance	- 6 360	- 4 190
IT equipment	891	266			
<i>Subtotal</i>	1 806	1 232	<i>Subtotal</i>	- 4 522	- 2 925
Stock (office supplies)	32	33	Current liabilities		
			General cash carried forward	0	1 856
			New Member countries	0	1 066
			Earmarked projects	0	1 269
Current assets			Automatic carry-overs	5 674	7 717
Sums to be recovered			Automatic carry-overs (assigned revenue)	2 708	1 135
Commission	0	1 856	Carry-over of sums to be reused (appropriations for the year)	93	212
PHARE contribution	0	1 066	Carry-over of sums to be reused (appropriations for the previous year)	197	0
Other subsidies to be received	0	1 269	Social security and payroll	142	417
VAT recoverable	889	232	Recovery orders	38	65
Sundry debtors	109	127			
Recovery orders	42	65			
Prepayments	271	0			
<i>Subtotal</i>	1 310	4 614	<i>Subtotal</i>	8 852	13 737
Bank accounts and cash					
Bank accounts	1 142	4 892			
Imprest accounts	39	40			
Total	4 329	10 811	Total	4 329	10 811

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

Source: Information supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts.

THE AGENCY'S REPLIES

7. Indeed two commitments were made towards the end of the year and after a final 2004 budget transfer. The resources were allocated to projects that had been defined initially in the 2004 management plan, but start of the projects was delayed due to uncertainties on budget requirements for ongoing recruitments. We are continuing to improve our budget management and execution and hence to better conform with the principle of annuality.

8. The observation is correct and the result of lacking resources in a period of considerable rebuilding and refurbishing of the EEA facilities. Annual control will get due attention from 2005 onwards.

9. We recognise these insufficiencies and will avoid such in future. We will in particular ensure that, for future contracts, any amendments are strictly limited to less than 50 % of the initial contract amount (rather than indicative tender amount) and that framework contracts are less than four years old before using them.

10. The Agency is strenuously pursuing reimbursement of taxes inappropriately charged by the City of Copenhagen for 2000 to 2004. We are in dialogue with the city and the Danish Protocol Office and have informed DG Environment and the Secretary-General. The Commission Legal Services are considering legal proceedings against Denmark.

REPORT
on the annual accounts of the European Food Safety Authority for the financial year
2004 together with the Authority's replies

(2005/C 332/07)

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INTRODUCTION

1. The European Food Safety Authority (hereinafter called the Authority) was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 ⁽¹⁾. Its main tasks are to supply the scientific information needed for Community legislation to be drawn up, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks. The Authority's competences and activities are summarised in *Table 1* on the basis of information supplied by it.

2. For information, the annual accounts drawn up by the Authority for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Authority's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Authority's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 44 of Regulation (EC) No 178/2002, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

⁽¹⁾ OJ L 31, 1.2.2002, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 1 August 2005 and received by the Court on 17 August 2005.

Reliability of the accounts

The Authority's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

Except for the situation described in paragraphs 9 to 11, the transactions underlying the Authority's annual accounts, taken as a whole, are legal and regular.

OBSERVATIONS

7. Valuation of the part of the carry-overs of appropriations that is to be treated as expenditure when calculating the economic outturn for the financial year is based on the declarations of the authorising officers by delegation. These declarations must be drawn up in such a way as to enable the accounting officer to assess the Authority's actual expenses, which has not often been the case.

8. There are significant weaknesses in the management of fixed assets, in particular as regards the identification of the items to be entered in the inventory ⁽⁴⁾. Moreover, the methods used to compile the physical inventory are unsatisfactory.

9. As regards the recruitment of staff, decisions relating to the rejection of applicants are not substantiated and the final reports on the selection procedures are often incomplete or even, in the case of auxiliary staff, non-existent. The computer application used during the first stages of the selection procedure for candidates does not guarantee the integrity of the data recorded. The grading of the staff recruited is often not substantiated or certified by supporting documents.

10. Auxiliary staff were recruited without a selection procedure. Furthermore, persons who had delivered attestations in favour of certain candidates also acted as members of the selection board for these candidates. Attestations had been delivered in favour of two people stating that they were going to be recruited as temporary staff, although the Appointing Authority had reached no decision in this connection. In one case, a successful candidate who was not appointed was recruited directly to a different post.

⁽⁴⁾ Article 103 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget (OJ L 357, 31.12.2002, p. 1).

11. One contract was concluded on the basis of two bids, even though the financial regulation stipulates that there should be at least three tenderers for contracts to the value in question ⁽¹⁾. In another case, the Chairman of an Evaluation Committee was a former employee of the company which won the contract. The members of this Committee included a direct subordinate of its Chairman. In one last case, a contract was concluded by

direct negotiation without any of the conditions laid down by the provisions being observed ⁽²⁾.

12. The Authority must make every effort to improve the transparency of its decisions on staff recruitment and the award of contracts in order to guarantee observance of the rules in force and to avoid all suspicion of bias.

This Report was adopted by the Court of Auditors in Luxembourg at its meetings of 5 October and 7 December 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ Amount: 8 400 euro. Article 129(2) of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget (OJ L 357, 31.12.2002).

⁽²⁾ Article 126 of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget (OJ L 357, 31.12.2002).

Table 1
European Food Safety Authority (Parma)

Areas of competence deriving from the Treaty	Competences of the Authority (Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002)	Tasks	Governance	Resources made available to the Authority in 2004 (2003 data)	Products and services supplied in 2004
Free movement of goods (Article 37 of the Treaty)	To provide scientific opinions and scientific and technical support for the Community's legislation and policies which have a direct or indirect impact on food and feed safety;	To issue scientific opinions and studies;	1. Management Board <i>Composition</i> 14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and one representative of the Commission. <i>Duties</i> To adopt the work programme and the budget and ensure that they are implemented.	Final budget: 29,1 million euro (12,6 million euro) <i>Community contribution:</i> 100 % (100 %) Staff numbers as at 31 December 2004: Number of posts in establishment plan: 138 (49) Posts occupied: 102 (27) + 37 (36) other staff (auxiliary contracts, seconded national experts, local staff, employment agency staff) <i>Total staff:</i> 139 (63)	158 opinions were adopted and published in 2004. They covered many areas including aromatic plants, genetically modified organisms (with the WHO), bovine spongiform encephalopathy (BSE) or transmissible spongiform encephalopathy (TSE).
Contribution to a high level of protection of health, safety and protection of the environment and of consumers, taking account of any new development based on scientific facts (Article 95 of the Treaty)	to provide independent information on risks relating to food safety;	to promote uniform risk assessment methodologies;	2. Executive Director Appointed by the Management Board on the basis of a list of candidates proposed by the Commission, following a hearing before the European Parliament.	Assigned to the following duties: — operational: 83 (33) — administrative: 56 (30)	Two scientific symposia on specific topics, the development of scientific expertise within the Authority, the identification of emerging risks and the placing on the network and gathering of scientific data were organised.
Common trade policy (Article 133 of the Treaty)	to contribute to the achievement of a high level of protection of human life and health;	to identify and characterise emerging risks;	3. Advisory Forum <i>Composition</i> One representative per Member State. <i>Duties</i> To advise the Executive Director.	The Advisory Forum met four times with a view to working as a network with the national authorities on specific topics such as coordination in the event of a crisis scenario.	
Public health (Article 152(4)(b) of the Treaty)	to collect and analyse data needed to allow characterisation and monitoring of risks.	to establish a network of organisations operating in similar fields;	4. Scientific Committee and scientific panels To draw up the Authority's scientific opinions.		
		to provide scientific and technical assistance in crisis management;	5. External audit European Court of Auditors.		
	to improve international cooperation;	to provide the public and interested parties with reliable, objective and easily comprehensible information;	6. Discharge authority Parliament, on the Council's recommendation.		
	to take part in the Commission's rapid alert system.				

Source: Information supplied by the Authority.

Table 2
European Food Safety Authority — Implementation of the budget for the financial year 2004

(1 000 euro)

Origin of revenue	Revenue		Expenditure														
	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure			Final budget appropriations				Appropriations carried over from the previous financial year			Available appropriations (2003 budget and carry-over from financial year 2002)				
			entered	com-mitted	paid	carried over ⁽¹⁾	cancel-led	entered	cancel-led	entered	paid	cancel-led	entered	com-mitted	paid	carried over	cancelled
Community subsidies	29 092	18 000	11 509	8 641	8 251	390	2 868	149	140	9	11 658	8 790	8 391	390	2 876		
Other subsidies	0	0	5 633	5 094	3 617	1 477	539	1 189	1 058	130	6 822	6 283	4 676	1 477	669		
Other revenue	0	0	11 950	7 517	4 051	3 818	4 081	2 894	2 019	875	14 844	10 411	6 071	3 818	4 956		
Total	29 092	18 000	29 092	21 252	15 919	5 684	7 488	4 233	3 219	1 014	33 325	25 485	19 139	5 684	8 502		

(¹) Including non-automatic carry-overs of appropriations (see Management Board Decision of 18 January 2005).

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

Source: The Authority's data — This table summarises the data provided by the Authority in its own annual accounts.

Table 3

European Food Safety Authority — Revenue and expenditure account for the financial years 2004 and 2003

(1 000 euro)

	2004	2003 ⁽¹⁾
Operating revenue	20 591	10 171
Total operating revenue	20 591	10 171
Administrative expenditure		
Staff expenditure	- 7 564	- 3 213
Buildings and related expenditure	- 4 192	- 781
Other expenditure	- 1 263	- 536
Depreciation and reduction in value of consolidated entities	- 333	- 204
Operating expenditure	- 6 431	- 2 159
Total operating expenditure	- 19 783	- 6 894
Operating profit/loss	808	3 277
Revenue from financial operations	0	1
Expenditure from financial operations	- 7	- 3
Profit/(loss) on financial operations	- 6	- 2
Current profit/loss	802	3 275
Extraordinary revenue		402
Extraordinary expenditure	- 27	
Extraordinary profit/loss	- 27	402
Economic outturn for the financial year	775	3 677

⁽¹⁾ The data for the financial year 2003 have been restated to make them comply with the principle of accruals-based accounting.

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

Source: The Authority's data — This table summarises the data provided by the Authority in its own annual accounts.

Table 4

European Food Safety Authority — Balance sheet at 31 December 2004 and at 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003 ⁽¹⁾
A. Fixed assets			A. Own capital		
<i>Intangible assets</i>			<i>Balance carried over</i>	3 677	
Computer programmes	423	362	<i>Economic outturn for the financial year</i>	775	3 677
<i>Tangible assets</i>			<i>Total</i>	4 452	3 677
Computer equipment	1 035	701	C. Liabilities		
Furniture and mobile equipment	151	106	<i>Liabilities of a maximum of one year</i>		
Depreciation	- 537	- 204	Salary liabilities	13	8
<i>Total</i>	1 071	965	Fiscal and social liabilities	77	
			Consolidated Entities (CE) ⁽²⁾	2 069	146
B. Current assets			Expenditure to be allocated and revenue to be carried over	2 686	1 535
<i>Stocks</i>					
<i>Receivables of a maximum of one year</i>					
Advance financing	323				
Staff	50				
Current receivables	1	1			
Other receivables	36	40			
Consolidated Entities (CE) ⁽²⁾	4 568				
Expenditure to be carried over and revenue accrued	47	2			
<i>Available assets</i>					
Bank accounts	3 202	4 342			
Imprest accounts		15			
<i>Total</i>	8 226	4 400	<i>Total</i>	4 845	1 688
Total assets	9 297	5 365	Total liabilities	9 297	5 365

⁽¹⁾ The data for the financial year 2003 have been restated to make them comply with the principle of accruals-based accounting.

⁽²⁾ Community institutions and bodies.

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

Source: The Authority's data — This table summarises the data provided by the Authority in its own annual accounts.

THE AUTHORITY'S REPLIES

7. The Authority will ensure that the system implemented, intended to inform the accounting officer of expenditure for the financial year, is more accurate and reliable.

8. The Authority will carry out a full check of its inventory in November 2005, once the move to Parma is complete. The method used involves entering goods in the inventory as soon as they are received or, at the latest, at the time of payment of the goods.

9. Selection procedures have been strengthened in order to improve their transparency, as well as that of the recruitment decisions. The shortcomings observed by the Court were due to the speed with which the Authority had to be set up. The computer application referred to by the Court is now only used as a database.

10. Since September 2004 a simplified selection procedure has been organised for the recruitment of auxiliary staff. Members of the selection board are obliged to state if a candidate is known to them at the time of the interviews for selection. The

Authority is examining measures to minimise the risk of bias in selection boards. An attestation of recruitment as temporary staff was issued for two successful candidates for posts to be filled once the budget allowed it, namely six months later.

11. In order to adhere more closely to the rules governing the award of contracts, the Authority has taken various measures and has set up an internal network aimed at improving understanding of the rules in force and at training the relevant staff. As regards the cases described by the Court, the composition of Evaluation Committees is determined by EFSA in accordance with the general principles in use and depending on the number of people able to carry out a technical evaluation, which is limited in a small institution such as ours. The conclusion of a contract by direct negotiation was due to a complication in planning. Since then, the service has been the subject of a procurement procedure.

12. The Authority has always sought to comply with the rules in force and will continue its efforts in terms of equal treatment and transparency in both its recruitment and public procurement policy.

REPORT**on the annual accounts of the Translation Centre for the bodies of the European Union for the financial year 2004 together with the Centre's replies**

(2005/C 332/08)

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INTRODUCTION

1. The Translation Centre for the bodies of the European Union (hereinafter called the Centre) was established by Council Regulation (EC) No 2965/94 ⁽¹⁾. The Centre's role is to provide the EU bodies, and any other EU institutions and bodies which call upon its services, with the translation services necessary for their activities. *Table 1* summarises the Centre's competences and activities on the basis of information it has supplied.

2. For information, the annual accounts drawn up by the Centre for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Centre's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Centre's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Director, pursuant to Article 14 of Regulation (EC) No 2965/94, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Centre's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Centre's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. The dispute over rent between the Centre and the Luxembourg authorities was resolved in 2004. Consequently there was no longer any need for the balance-sheet provision that had been created to cover the risks arising from this dispute ⁽⁴⁾. In order to remove this provision, the Centre, by means of an amending budget, increased its expenditure by the amount of the provision and at the same time offset this by entering a negative amount in a provision heading. This operation calls for the following two remarks:

- (a) the entry in the budget of amounts which did not correspond to the requirements of the financial year does not comply with the principle of budgetary accuracy;
- (b) the Centre's recording of the provision in its revenue and expenditure account would have sufficed from the point of view of the legality and transparency of the transaction.

8. The Centre cancelled appropriations for the financial year 2004 amounting to 8,8 million euro. Even if 4,1 million euro of these cancellations concerned provisions, the volume of the remaining cancellations is still too high (16 % of expenditure appropriations).

9. The conflict, which is already an old one, over the payment by the Centre to the Commission of employer's contributions in respect of its employees' pension rights has not yet been resolved. In order to deal with the financial uncertainty resulting from this conflict, the Centre created provisions which, at the end of 2004, amounted to 7,5 million euro, or more than a quarter of its balance sheet total. As the Court pointed out in its previous report ⁽⁴⁾, the Centre must step up its efforts to settle this dispute and thus liquidate this provision.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ OJ L 314, 7.12.1994, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 29 August 2005 and received by the Court on 26 September 2005.

⁽⁴⁾ See paragraph 8 of the report for the financial year 2003 (OJ C 324, 30.12.2004, p. 47).

Table 1
Translation Centre for the bodies of the European Union (Luxembourg)

Areas of Community competence	Competences of the Centre Council Regulation (EC) No 2965/94 of 28 November 1994	Governance	Resources made available to the Centre in 2004 (2003 data)	Products and services provided during the financial year 2004 (2003 data)
<p>The representatives of the Member States' governments adopted by mutual agreement a declaration concerning the creation, under the aegis of the Commission's translation departments in Luxembourg, of a Translation Centre for the bodies of the Union, which would provide the necessary translation services for the operation of the bodies and services whose seats were established by the Decision of 29 October 1993 (Council Decision taken on the basis of Article 235 of the Treaty).</p>	<p>Objectives</p> <p>To provide the necessary translation services for the operation of the following bodies:</p> <ul style="list-style-type: none"> — the European Agency, Environment — the European Training Foundation, — the European Monitoring Centre for Drugs and Drug Addiction, — the European Medicines Agency, — the European Agency for Health and Safety at Work, — the Office for Harmonisation in the Internal Market (Trademarks and Designs), — the European Police Office (Europol) and the Europol Drugs Unit. <p>The bodies set up by the Council other than the above may use the Centre's services. The institutions and bodies of the European Union which already have their own Translation Services may, if need be, call upon the Centre's services on a voluntary basis.</p> <p>The Centre plays a full part in the work of the Interinstitutional Translation Committee.</p>	<p>1. Management Board</p> <p><i>Composition</i></p> <ul style="list-style-type: none"> — One representative per Member State; — two representatives from the Commission; — one representative from each body or institution calling upon the Centre's services. <p><i>Task</i></p> <p>Adopts the Centre's annual work programme and annual report.</p> <p>2. Director</p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p>3. External audit</p> <p>European Court of Auditors.</p> <p>4. Internal audit</p> <p>Commission's internal auditor.</p> <p>5. Discharge authority</p> <p>Parliament on a recommendation from the Council.</p>	<p>Final budget</p> <p>29,8 million euro (29,0 million euro).</p> <p>Staff as at 31 December 2004</p> <p>181 posts (158) listed in the establishment plan,</p> <p>posts occupied: 150 (132)</p> <p>+ 15 (15) other posts</p> <p>Total staff: 165 (147)</p> <p>Assigned to:</p> <ul style="list-style-type: none"> — operational duties: 109 (95) — administrative duties: 52 (48) — mixed duties: 4 (4) 	<p>Number of pages translated</p> <p>374 106 (238 399)</p> <p>Number of pages per language</p> <ul style="list-style-type: none"> — official languages: 369 377 (221 127) — other languages: 4 729 (17 272) <p>Number of pages per customer</p> <ul style="list-style-type: none"> — bodies: 362 162 (215 992) — institutions: 11 944 (22 407) <p>Number of pages translated freelance: 146 350 (94 355)</p>

Source: Information supplied by the Centre.

Table 2
Translation Centre for the bodies of the European Union — Implementation of the budget for the financial year 2004

(1 000 euro)

Source of revenue	Revenue		Expenditure																
	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				Appropriations available (2004 budget and 2003 financial year)				
			entered	committed	paid	carried over	cancelled	entered	committed	paid	carried over	out-standing commitments	paid	cancelled	appropria-tions	com-mitted	paid	carried over	cancelled
Revenue paid by the bodies and institutions	25 169	19 489	Title I Staff	14 921	11 937	11 815	122	2 984	104	64	40	15 025	12 041	11 879	122	3 024			
Financial income	250	387	Title II Administration	6 414	2 990	2 349	641	3 424	619	541	78	7 033	3 609	2 890	641	3 502			
Miscellaneous income	p.m.	23	Title III Operating activities	7 949	6 074	5 084	990	1 875	493	487	6	8 442	6 567	5 571	990	1 881			
Balance for the previous financial year	4 405	—	Title X Reserve and provisions	540	—	—	—	540	—	—	—	540	—	—	—	540			
Total	29 824	19 899	Total	29 824	21 001	19 248	1 753	8 823	1 216	1 092	124	31 040	22 217	20 340	1 753	8 947			

Source: Data compiled by the Centre. This table summarises the data supplied by the Centre in its own annual accounts.

Table 3

Translation Centre for the bodies of the European Union — Revenue and expenditure account for the financial years 2004 and 2003

(1 000 euro)

	2004	2003
<i>Operating revenue</i>		
Invoicing for the financial year	23 423	22 075
Miscellaneous revenue	150	223
Total (a)	23 573	22 298
<i>Operating expenditure</i>		
Staff	11 929	10 347
Buildings, equipment and sundry operating expenditure	2 734	2 095
Operational expenditure	5 919	3 618
Allocation to provisions	1 410	2 195
Total (b)	21 992	18 255
Operating result (c = a - b)	1 581	4 043
<i>Financial income</i>		
Bank interest	387	387
Exchange-rate gain	1	1
Total (d)	388	388
<i>Financial expenses</i>		
Bank charges	7	10
Total (e)	7	10
Financial result (f = d - e)	381	378
Result for ordinary activities (g = c + f)	1 962	4 421
Exceptional income (h)	2 230	19
Exceptional expenses (i)	0	9
Exceptional result (j = h - i)	2 230	10
Result for the financial year (g + j)	4 192	4 431

Source: Data compiled by the Centre. This table summarises the data supplied by the Centre in its own annual accounts.

Table 4

**Translation Centre for the bodies of the European Union — Balance sheet at 31 December 2004
and 31 December 2003**

(1 000 euro)					
Assets	2004	2003	Liabilities	2004	2003
Intangible assets	466	760	Own capital		
Tangible assets			Reserves	9 761	8 330
Furniture and vehicles	155	219	Outturns carried over from previous financial years	4 642	1 642
IT equipment	274	398	Economic outturn	4 192	4 431
Fixed assets under construction and advances paid	0	35	<i>Subtotal</i>	18 595	14 403
<i>Subtotal</i>	429	652	Provisions for risks and liabilities ⁽¹⁾	7 481	8 601
Current assets			Current liabilities		
VAT paid and recoverable from the Member States	3	3	Supplier debts	832	784
Amounts owed by Community institutions and bodies	6 363	2 676	Sundry accounts payable	1	162
Sundry accounts receivable	2	10	Sundry liabilities	1	5
<i>Subtotal</i>	6 368	2 689	Advances to customers	256	500
Disposable assets	19 903	20 354	<i>Subtotal</i>	1 090	1 451
Total	27 166	24 455	Total	27 166	24 455

⁽¹⁾ For 2004 these provisions cover any payment of the employer's share of pension contributions for the Centre's employees.

Source: Data compiled by the Centre. This table summarises the data supplied by the Centre in its own annual accounts.

THE CENTRE'S REPLIES

7. Given the importance of this matter, the Centre introduced this operation in an amending budget for the sake of transparency and in order to inform the Management Board thereof as soon as possible, without waiting for the accounts to be closed. It should be noted that the outturn for the financial year was unaffected by the application of this approach.

8. The Centre takes note of the Court's observation and will seek to improve its budgetary estimates.

9. As stated in the Centre's reply in relation to the Court's observations on the accounts for 2003, the Centre made follow-up contact with the Commission on 23 November 2004. The Directorate-General for Personnel and Administration stated its position in a note of 17 May 2005, and the full file will be submitted for decision to the Centre's Management Board at its meeting of 20 October 2005.

REPORT**on the annual accounts of the European Centre for the Development of Vocational
Training for the financial year 2004 together with the Centre's replies**

(2005/C 332/09)

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INTRODUCTION

1. The European Centre for the Development of Vocational Training (hereinafter 'the Centre') was established by Council Regulation (EEC) No 337/75 ⁽¹⁾. 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. The Centre's competences and activities are summarised, on the basis of information submitted by the Centre, in *Table 1*.

2. For information, the annual accounts drawn up by the Centre for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Centre's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Centre's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 12a of Regulation (EEC) No 337/75, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

⁽¹⁾ OJ L 39, 13.2.1975, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 12 September 2005 and received by the Court on 13 September 2005.

Reliability of the accounts

The Centre's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

Except for the situations described in paragraph 10, the transactions underlying the Centre's annual accounts, taken as a whole, are legal and regular.

OBSERVATIONS

7. The Centre's financial regulation provides that a distinction must be made in the budget between commitment appropriations and payment appropriations, but this was not done in the budget published for the financial year 2004. Nonetheless, during the financial year in question the Centre managed its operating appropriations in accordance with the rules governing differentiated appropriations. This approach enabled it to reduce the volume of carry-overs of appropriations to the following financial year and thus to give a more accurate picture of its assets. For forthcoming financial years the Centre still needs to adapt its budget to the type of appropriations it is managing.

8. The Centre provides its staff with a canteen on its premises. Separate accounts are kept for the canteen's purchases and sales ⁽⁴⁾. These accounts are not subjected to the controls provided for in the financial regulation, and are also not included in the Centre's annual accounts. The Centre should rectify this situation.

9. The revenue and expenditure account for the financial year 2003 showed a loss of 993 310 euro. Pursuant to the provisions of the Centre's financial regulation, this result should have been entered in an amending budget for the financial year 2004 ⁽⁵⁾.

10. In the case of one multiple framework contract, the Centre selected as its first choice a service provider whose financial bid (amount: 150 000 euro) did not meet the conditions laid down in the specifications ⁽⁶⁾. Compared with the bid of the service provider chosen in second place (amount: 94 500 euro), this choice cost the Centre 55 500 euro more, or over 50 %. More generally, a considerable number of contracts concluded by the Centre with consultants within the framework of its activity programmes were awarded on the basis of negotiated procedures. The competition rules were not always strictly applied in many of the procedures examined by the Court.

⁽⁴⁾ The canteen's revenue and expenditure for the financial year 2004 amounted to 137 000 euro and 133 500 euro respectively.

⁽⁵⁾ Article 35 of the Centre's financial regulation.

⁽⁶⁾ Contract 2004-FWC14/RP/D/CMC/VCPOD/013/04.

11. The recruitment files examined revealed inconsistencies in the procedures applied and the documents requested in each case. Such inconsistencies could be avoided by adopting a guide on recruitment procedures designed to ensure that they are transparent. The Court's examination of the files of individual

members of staff also showed that the staff's financial entitlements are not monitored on a systematic basis. Monitoring would ensure that payments (family allowances, etc.) were no longer made to staff in cases where the grounds for entitlement no longer existed.

This report was adopted by the Court of Auditors in Luxembourg at its meetings of 5 October and 7 December 2005.

For the Court of Auditors
Hubert WEBER
President

Table 1
European Centre for the Development of Vocational Training (Thessaloniki)

Areas of Community competence deriving from the Treaty	Competence of the Centre as specified in Articles 2 and 3 of Council Regulation (EEC) No 337/75 of 10 February 1975	Governance	Resources made available to the Centre (2003 data)	Products and services supplied in 2004 (2003 data)
<p>The Community implements a vocational training policy to support and supplement the action of the Member States as regards the content and organisation of vocational training.</p> <p>Action aims to:</p> <ul style="list-style-type: none"> — facilitate adaptation to industrial changes, in particular through vocational training and retraining; — improve initial and continuing vocational training in order to facilitate vocational integration and reintegration into the labour market; — facilitate access to vocational training and encourage mobility of instructors and trainees and particularly young people; — stimulate cooperation on training between educational or training establishments and firms; — develop exchanges of information and experience on issues common to the training systems of the Member States. <p>(From Article 150 of the Treaty)</p>	<p>The Centre's mandate</p> <p>In its capacity as a European Union reference centre for vocational training and education, Cedefop provides political decision-makers, researchers and professionals with information aimed at developing a clearer understanding of current trends that will thus enable them to reach more soundly based decisions with a view to future action.</p> <p>Cedefop assists the European Commission in promoting and developing vocational training and education at Community level.</p>	<p>Tasks</p> <ul style="list-style-type: none"> — To compile selected documentation and produce a data analysis; — to contribute to research development and coordination; — to utilise and disseminate relevant information; — to encourage and support a concerted approach to matters relating to the development of vocational training; — to provide a forum for a broad and diverse public. 	<p>Management Board</p> <p>Per Member State:</p> <ul style="list-style-type: none"> — one Government representative; — one representative of employers' organisations; — one representative of employees' organisations. <p>Three members representing the Commission, and observers from the associated countries (Norway and Iceland).</p> <p>Director</p> <p>Appointed by the Commission from a list of candidates submitted by the Management Board; carries out the decisions of the Management Board and is responsible for the day-to-day administration of the Centre.</p> <p>Internal control</p> <p>Commission's Internal Audit Service.</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Discharge</p> <p>Parliament, on the Council's recommendation.</p>	<p>Conferences and seminars: 90 (72)</p> <p>Studies: 55 (65)</p> <p>Projects: 38 (23)</p> <p>Participation in:</p> <p>Copenhagen Process, e-learning Programme, Leonardo da Vinci Programme, social partners' joint action framework.</p> <p>Publications:</p> <p>62 (28) publications</p> <p>3 issues of Cedefop info,</p> <p>3 issues of the European vocational training review.</p> <p>Circulation of documents:</p> <p>10 293 (10 244) on request, 2 034 (2 346) electronic newsletter subscriptions, 8 460 (8 523) subscriptions to Cedefop info.</p> <p>Maintenance and development of the 'European Training Village' site, on which over 53 000 people are registered, with virtual communities of 8 000 participants.</p> <p>Participants in the study visits programme: 730 (773)</p>

Source: Information supplied by the Centre.

Table 2
European Centre for the Development of Vocational Training — Implementation of the budget for the financial year 2004

(1 000 euro)

Source of revenue	Revenue		Expenditure											
	Revenue entered in the final budget for the financial year	Revenue received	Allocation of expenditure		Appropriations for the financial year					Appropriations carried over from the previous financial year				
			entered	committed	paid	carried over	cancelled	available	committed	paid	carried over	cancelled		
Commission subsidy	15 800 ⁽¹⁾	13 700	Title I	9 243	9 045	8 579	466	197	443	0	393	0	50	
Miscellaneous revenue	72	42	Staff (NDA)											
Share assigned revenue	315	277	Title II											
Third-country assigned revenue	359	359	Administration (NDA)	1 395	1 310	768	542	85	358	0	352	0	6	
Other assigned revenue	0	88	Title III											
			Operating activities (DA)	5 234	5 234	—	—	—	—	—	—	—	—	
			— CA	3 062	—	2 508	—	554	3 138	—	2 702	—	436	
			— PA											
			Assigned revenue	724	724	415	309	0	382	382	319	63	—	
			Total CA	16 596	16 313	—	—	282	1 183	382	—	—	56	
			Total PA	14 424	—	12 270	1 317	836	4 321	—	3 766	63	492	

⁽¹⁾ This is the amount published in the Official Journal and represents the total amount of commitment appropriations allocated to Cedefop in the Commission's budget. In the annual accounts published by the Centre, it preferred to report the amount of the corresponding payment appropriations (13 700 000 euro).

NDA: non-differentiated appropriations (commitment appropriations are equal in amount to payment appropriations).

DA: differentiated appropriations (commitment appropriations may differ in amount from payment appropriations).

CA: commitment appropriations in the context of differentiated appropriations.

PA: payment appropriations in the context of differentiated appropriations.

Source: Information supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts.

Table 3

European Centre for the Development of Vocational Training — Revenue and expenditure account for the financial years 2004 and 2003

(1 000 euro)

	2004	2003
Revenue		
Commission subsidies	13 700	14 500
Assigned revenue	724	792
Miscellaneous revenue	42	3
Total revenue (a)	14 466	15 295
Budgetary expenditure for the financial year		
<i>Staff — Title I of the budget</i>		
Payments	8 579	7 554
Appropriations carried over	466	443
<i>Administration — Title II of the budget</i>		
Payments	768	778
Appropriations carried over	542	358
<i>Operating activities — Title III of the budget (except for assigned revenue)</i>		
Payments against payment appropriations for the financial year	2 508	2 381
Payments against outstanding commitments at 31.12.2003	2 702	
Appropriations carried over		3 138
<i>Assigned revenue (PHARE and third countries)</i>		
Payments	415	546
Appropriations carried over	309	246
Total expenditure (b)	16 289	15 444
Outturn for the financial year (a – b)	– 1 823	– 149
Balance carried over from the previous financial year	– 993	– 545
N-1 appropriations carried over and cancelled (Title I and II non-differentiated appropriations)	56	399
Neutralisation of N-1 carry-over for Title III connected with changeover to differentiated appropriations	3 138	—
Sums for re-use from the previous financial year not used	1	10
Refunds to the Commission	0	– 716
Exchange-rate differences	– 4	8
Balance for the financial year	375	– 993

Source: Information supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts.

Table 4

European Centre for the Development of Vocational Training — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)					
Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Fixed capital		
Intangible fixed assets	183	14	Own capital	5 702	5 704
Buildings	5 059	5 179	Balance for the financial year	375	- 993
Equipment and furniture	455	471	<i>Subtotal</i>	6 077	4 711
Financial fixed assets, guarantee	5	5	Current liabilities		
<i>Subtotal</i>	5 702	5 669	Assigned revenue not received	—	315
Stocks			Appropriations carried over against Titles I, II and III	1 008	3 939
Office supplies	—	35	Appropriations carried over against assigned revenue	372	382
<i>Subtotal</i>	—	35	Sundry accounts payable	89	86
Long-term assets			VAT/other taxes	91	90
Staff loans	—	3	Bank interest to be returned to the EU	148	64
<i>Subtotal</i>	—	3	<i>Subtotal</i>	1 708	4 876
Current assets			Suspense accounts		
Commission	—	315	Sums to be reused	—	157
Other advances	26	37	<i>Subtotal</i>	—	157
Recoverable VAT	34	34			
Sundry accounts receivable	74	81			
<i>Subtotal</i>	134	467			
Cash accounts					
Banks	1 905	3 532			
Cash	3	5			
Imprest account	41	33			
<i>Subtotal</i>	1 949	3 570			
Total	7 785	9 744	Total	7 785	9 744

Source: Information supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts.

THE CENTRE'S REPLIES

7. Cedefop will take the measures necessary to ensure that its budget is presented correctly in future.

8. The accounts of the canteen are kept separately for all current expenditure and revenue. They are recorded in a cash-book and are subject to controls, notably by the Greek tax authorities as regards VAT. However, the Centre takes good note of the Court's remark and will explore what possibilities exist to rectify the situation, for example through the use of the imprest accounts.

9. Cedefop will take the necessary measures to avoid a recurrence of such situations in future.

10. During its work, the Evaluation Committee based itself principally on the cost per day and not on the total cost

of the required work, which led to the situation described by the Court. Cedefop will draft instructions for members of evaluation committees to ensure that they take good account of all the elements mentioned in calls for tenders, which will allow their work to be more transparent. In the case of the negotiated procedures, the Centre takes note of the comments made by the Court. The Centre has already put in place an action plan which aims to remedy the shortcomings identified. The new director took up her duties on 16 October 2005. Since then no more negotiated procedures with less than three candidates have been started and great care has been taken to ensure regularity in the tendering procedures.

11. The preparation of a guide on recruitment procedures is one of the objectives for 2005. A periodical review of the entitlements to allowances of Cedefop's staff was introduced in 2005.

REPORT
on the annual accounts of Eurojust for the financial year 2004 together with
Eurojust's replies
(2005/C 332/10)

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INTRODUCTION

1. Eurojust was set up by Council Decision 2002/187/JHA ⁽¹⁾ with a view to stepping up the fight against serious organised crime. Its objective is to improve the coordination of investigations and prosecutions covering the territories of several Member States of the European Union, as well as that of non-member States. *Table 1* summarises Eurojust's competences and activities on the basis of information provided by Eurojust.

2. For information, the annual accounts drawn up by Eurojust for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council pursuant to Article 36 of Council Decision 2002/187/JHA.

4. The Agency's accounts for the financial year ended 31 December 2004 ⁽²⁾ were drawn up by its Administrative Director, pursuant to Article 36 of Council Decision 2002/187/JHA, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

Eurojust's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying Eurojust's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. In 2004, Eurojust still did not have its own financial regulation ⁽³⁾ and, in these circumstances, continued to apply the framework financial regulation for Community bodies ⁽⁴⁾.

8. The last amending budget adopted by the College of Eurojust forecast revenue and expenditure of 8,3 million euro. In practice, Eurojust implemented a budget of 9,3 million euro ⁽⁵⁾, which was neither formally adopted by the College nor published in the Official Journal, and hence contravened the provisions in force ⁽⁶⁾.

9. A member of staff who was appointed as the accounting officer on the departure of the titular accounting officer retained his role as the authorising officer by delegation. Since May 2004 he has been carrying out, at the same time and for the same expenditure, the duties of the authorising officer and the accounting officer ⁽⁷⁾. In this instance, the Court must point out the fundamental nature of the principle of the segregation of the duties of authorising officer and accounting officer and asks Eurojust to take the utmost care to ensure that this principle is adhered to.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors

Hubert WEBER

President

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

⁽²⁾ These accounts were drawn up on 15 July 2005 and received by the Court on 5 August 2005.

⁽³⁾ In April 2005, the Commission had still not issued an opinion on the draft submitted by Eurojust.

⁽⁴⁾ Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 (OJ L 357, 31.12.2002, p. 72).

⁽⁵⁾ This sum corresponds to Eurojust's initial budget and the subsidy to Eurojust entered in the Commission's budget.

⁽⁶⁾ Articles 4 and 26 of Regulation (EC, Euratom) No 2343/2002.

⁽⁷⁾ This situation continued beyond the end of the financial year 2004.

Table 1
Eurojust (The Hague)

Areas of competence stipulated in the Treaty on European Union	Eurojust's competences as defined in the Council Decision of 28 February 2002 (2002/187/JHA)	Tasks	Governance	Resources made available to Eurojust (2003 data)	Activities and services provided (2003 data)
Third pillar body created by Council Decision.	Objectives Article 3 Eurojust Decision	Tasks Articles 5, 6 and 7 Eurojust Decision	1. The College is responsible for the organisation and operation of Eurojust.	Final budget: 9,3 million euro (8 million euro)	Number of meetings: 52 (26)
The Union's objective is to provide citizens with a high level of safety within an area of freedom, security and justice.	— To stimulate and improve the coordination between the competent national authorities of the Member States, of investigations and prosecutions.	— through its national members; or — as a College.	2. The College is composed of national members seconded by each Member State in accordance with its legal system, being a prosecutor, judge or police officer of equivalent competence.	Community subsidy: 100 % (100 %) Staff as at 31 December 2004: 76 (53) posts listed in the establishment plan,	Bilateral cases: 272 (222) Multilateral cases: 109 (78)
The Council encourages cooperation through Eurojust by enabling it to facilitate proper coordination between the Member States' national prosecuting authorities. (Articles 29 and 31)	— To improve cooperation, in particular by facilitating the exchange of information, mutual legal assistance and the implementation of extradition requests.	If the competent authorities of the Member State concerned decide not to respond to the requests which Eurojust has issued as a College, they notify Eurojust of their reasons.	3. The College elects its President from among the national members.	posts occupied: 52 (28)	Total number of cases: 381 (300)
Eurojust's main areas of responsibility are the same as Europol's, i.e. the fight against terrorism, organised crime, in particular drug-trafficking, illegal immigration, illicit vehicle trafficking, trafficking in human beings, the counterfeiting of money, trafficking in radioactive substances, computer crime, acts detrimental to the Union's financial interests and money-laundering.	— To support the competent authorities of the Member States in order to render their investigations and prosecutions more effective.		4. The Joint Supervisory Body checks the processing of personal data.	+ 13 (15) other staff (auxiliary contracts, seconded national experts, local staff, 12 agency staff) Total staff: 65 (43)	Fraud: 20 % (22 %) Drug-trafficking: 20 % (22 %) Terrorism: 7 % (6 %)
	— To provide support with procedures involving a Member State and a non-member State.		5. The Administrative Director is unanimously appointed by the College.	carrying out operational tasks: 27 (18) administrative tasks: 26 (20)	Murder: 7 % (4 %) Smuggling: not available % (3 %)
	— To provide support with procedures involving a Member State and the Community.		6. External audit: the Court of Auditors.	mixed tasks: 12 (5)	Trafficking in human beings: 4 % (4 %) Money-laundering: 7 % (8 %)
			7. Discharge is given by the Parliament on the Council's recommendation.		Other: 35 % (31 %)

Source: Information supplied by Eurojust.

Table 2
Eurojust — Implementation of the budget for the financial year 2004

(1 000 euro)

Source of revenue	Revenue		Allocation of expenditure	Expenditure												
	Revenue entered under the final budget for the financial year	Revenue received		Appropriations under the final budget				Appropriations carried over from the previous financial year			Available appropriations (2004 budget and the financial year 2003)					
				entered	committed	paid	carried over	cancelled	out-standing commitments	paid	cancelled	appro-pria-tions	com-mitted	paid	carried over	cancelled
Community subsidies	9 300	9 300	Title I Staff	4 198	4 132	4 044	88	66	177	177	0	4 375	4 309	4 221	88	66
Miscellaneous revenue	0	2	Title II Administration	3 563	3 547	3 112	435	16	1 009	593	416	4 572	4 556	3 705	435	432
			Title III Operating activities	1 539	1 465	1 120	345	74	77	77	0	1 616	1 542	1 197	345	74
Total	9 300	9 302	Total	9 300	9 144	8 276	868	156	1 263	847	416	10 563	10 407	9 123	868	572

Source: Eurojust data. This table summarises the data supplied by Eurojust in its annual accounts.

Table 3

Eurojust — Revenue and expenditure accounts for the financial years 2004 and 2003 ⁽¹⁾

	<i>(1 000 euro)</i>	
	2004	2003
Operating revenue		
Community subsidies	8 726	6 441
Miscellaneous revenue	397	12
Total (a)	9 123	6 453
Operating expenditure		
Purchases of goods and services	4 476	3 228
Staff costs	4 142	2 112
Depreciation	332	211
Total (b)	8 950	5 551
Outturn for the financial year (a – b)	173	902

⁽¹⁾ The data for the financial year 2003 have been restated to take account of a change in methodology.

Source: Eurojust data — This table summarises the data supplied by Eurojust in its annual accounts.

Table 4

Eurojust — Balance sheet at 31 December 2004 and 31 December 2003 ⁽¹⁾

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Intangible assets	134	62	Own capital		
			Results carried over from previous years	1 718	815
Tangible assets			Economic outturn	173	902
Equipment, machinery and tools	145	114	<i>Subtotal</i>	1 891	1 717
Furniture and vehicles	726	492			
Computer equipment	449	460	Provisions for risks and charges	0	396
<i>Subtotal</i>	1 320	1 066			
			Current liabilities		
Long-term assets	1	1	Payable to the Commission	1 298	698
			Other liabilities	13	10
Stocks	30	0	Payable to suppliers	517	305
			<i>Subtotal</i>	1 828	1 013
Current assets					
Current assets	135	232			
Sundry accounts receivable	17	34			
<i>Subtotal</i>	152	266			
Disposable assets	2 082	1 731			
Total	3 719	3 126	Total	3 719	3 126

⁽¹⁾ The data for the financial year 2003 have been restated to take account of a change in methodology.

Source: Eurojust data — This table summarises the data supplied by Eurojust in its annual accounts.

EUROJUST REPLIES

7. Eurojust awaits the Commission's prior consent before adopting its own financial regulation in accordance with Article 37(1) of the Eurojust decision.

8. Eurojust tried to follow as closely as possible the structure given in the European Parliament decision concerning its budget. As a consequence, Eurojust presented for formal adoption to the College a budget decision covering the budget concerning EU 15 and informing it of a further increase of one million euros due to the enlargement and informing it where these appropriations would be allocated once released. In the future, Eurojust will ensure it presents as complete a budget as possible to the College.

9. The situation referred to began in June 2004 when the accountant resigned unexpectedly. At this time, no reserve list existed and the only statutory member of staff with the necessary experience to assume the responsibilities of the accountant was the authorising in question. It should be noted however that the risk due to this 'force majeure' situation has been reduced by limiting the capacity to act as authorising officer to transactions of up to 1 000 euro. In the meantime, Eurojust has successfully completed a recruitment procedure for an accountant. It recognises the importance of the segregation of duties and will avoid such a situation arising in future.

REPORT
on the annual accounts of the European Training Foundation for the financial
year 2004 together with the Foundation's replies

(2005/C 332/11)

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INTRODUCTION

1. The European Training Foundation (hereinafter called 'the Foundation') was created by Council Regulation (EEC) No 1360/90 of 7 May 1990 ⁽¹⁾. The Foundation's purpose is to support the reform of vocational training in the European Union's partner countries. As such, it assists the Commission in the implementation of various programmes (Phare, Tacis, Cards and Meda). *Table 1* summarises the competences and activities of the Foundation on the basis of the information supplied by it.

2. For information, the annual accounts drawn up by the Foundation for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Foundation's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Foundation's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 11 of Regulation (EEC) No 1360/90, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

Except for the situation described in paragraph 8, the Foundation's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Foundation's annual accounts, taken as a whole, are legal and regular.

OBSERVATIONS

7. The Tempus programmes, which are managed by the Foundation under a Commission mandate, are not shown in the Foundation's budget. This situation does not comply with the principles of unity and budget accuracy ⁽⁴⁾, as the Court has pointed out before on several occasions ⁽⁵⁾.

8. The Foundation sets out the financial information concerning these programmes ⁽⁶⁾ in an annex to its annual accounts. Managing these programmes is, however, an integral part of the Foundation's work and takes up a significant part of its human and material resources. The Foundation's accounts, which are supposed, amongst other things, to faithfully reflect its revenue and expenditure, cannot simply exclude the expenditure incurred within the framework of these programmes.

9. The Foundation's budget published in the Official Journal specifies the revenue and expenditure by title and chapter only, without further subdividing them into articles and items as required by the budgetary principle of specification ⁽⁷⁾. Moreover, it does not contain an establishment plan ⁽⁸⁾.

10. The revenue and expenditure account for the financial year 2003 shows a loss of 1,3 million euro. This balance should have been entered in an amending budget for the financial year 2004 ⁽⁹⁾.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors

Hubert WEBER

President

⁽¹⁾ OJ L 131, 23.5.1990.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 18 August 2005 and received by the Court on 22 September 2005.

⁽⁴⁾ Article 6(1) and (2) of the Foundation's financial regulation.

⁽⁵⁾ Paragraph 9 of the report for the financial year 2002 (OJ C 319, 30.12.2003, p. 48), paragraph 8 of the report for the financial year 2001 (OJ C 326, 27.12.2002, p. 51) and paragraph 11 of the report for the financial year 1999 (OJ C 373, 27.12.2000, p. 34).

⁽⁶⁾ The total for payments made in 2004 for the implementation of the Tempus programmes was 9,3 million euro.

⁽⁷⁾ Article 22 of the Foundation's financial regulation.

⁽⁸⁾ Article 27(3) of the Foundation's financial regulation.

⁽⁹⁾ Article 16 of the Foundation's financial regulation.

Table 1
European Training Foundation (Turin)

<p>Areas of Community competence deriving from the Treaty</p>	<p>Competences of the Foundation Council Regulation (EEC No 1360/90 of 7 May 1990</p>	<p>Governance</p>	<p>Resources made available to the Foundation in 2004 (2003 data)</p>	<p>Products and services supplied during the financial year 2004</p>
<p>The Community shall carry out, within its spheres of competence, economic, financial and technical cooperation measures with third countries. Such measures shall be complementary to those carried out by the Member States and consistent with the development policy of the Community. (Article 181 A)</p>	<p>Objectives</p> <ul style="list-style-type: none"> — To contribute to the provision of training assistance to the countries of Central and Eastern Europe and Mongolia, to some countries of the Balkans area and to the countries and territories eligible for the Meda programmes; — To promote the coordination of the assistance given to eligible countries. 	<p>Tasks</p> <ul style="list-style-type: none"> — Assistance in defining training needs and priorities; — Provision of information on initiatives and future needs; — Financing pilot projects; — Implementation of Commission programmes in eligible countries. <p>Governing Board</p> <ul style="list-style-type: none"> — one representative of each Member State — two representatives of the Commission <p>Director</p> <ul style="list-style-type: none"> — appointed by the Governing Board on a proposal from the Commission <p>Advisory Forum</p> <ul style="list-style-type: none"> — appointed by the Governing Board — two experts from each Member State — two experts from each eligible country — two experts from the social partners at European level <p>External audit</p> <p>European Court of Auditors</p> <p>Discharge</p> <p>European Parliament on a recommendation from the Council</p>	<p>Budget</p> <p>18,4 million euro (17,2 million euro) fully financed by the Commission</p> <p>Staff numbers as at 31 December 2004</p> <ul style="list-style-type: none"> — 104 (104) posts in the establishment plan, of which 99 (99) posts occupied — 31 (31) other posts (auxiliaries, national experts, employment agency staff). <p>Total staff: 130 (130) assigned to the following duties:</p> <ul style="list-style-type: none"> — operational tasks: 82 (80) — administrative tasks: 35 (35) — mixed tasks: 13 (15) 	<p>Activities</p> <p>The ETF covers a wide range of areas including: initial vocational training, lifelong learning, continuing (adult) education, human resource development in companies, employment policies, training of unemployed people, poverty alleviation and social inclusion and training to encourage local development. There were 169 applications in 2004 as against 143 in 2003, most of which were from the Delegations (35 %), followed by AIDCO (21 %), DG EAC (16 %), DG ELARG (9 %) and DG RELEX (7 %). The most frequent applications were those in the field of programming (42 applications), followed by advice on policies and contributions in the preparation of European Neighbourhood Instruments (28), identification of projects (19) and follow-up (18).</p> <p>Network of observatories in eligible countries; country sector studies, statistics on education, policy advice to countries.</p> <p>Development projects:</p> <p>As a centre of expertise, the ETF contributes to the setting-up of development projects in order to test innovative approaches allowing partner countries to carry out reforms of their education and vocational training systems.</p> <p>Technical assistance Conventions with Cards, Meda and Tacis for the Tempus programme.</p> <p>This assistance covers the whole cycle of the project. It includes the selection, management and follow-up of contracts and information and communication, including general administrative support. IT tools such as online applications and report forms have greatly facilitated the administrative management of the various project cycles.</p>

Source: Information provided by the Foundation.

Table 2
European Training Foundation — Implementation of the budget for the financial year 2004

(1 000 euro)

Source of revenue	Revenue		Expenditure														
	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				Appropriations available		
			entered	com- mitted	paid	carried over	can- celled	com- mit- ments out- standing	paid	carried over	can- celled	Appro- priations	com- mitted	paid	carried over	cancelled	
Community subsidies	17 600	17 600	11 494	11 245	11 122	123	249	329	307	0	22	11 823	11 574	11 429	123	271	
Earmarked revenue	800	800	1 470	1 460	1 213	247	10	310	301	0	9	1 780	1 770	1 514	247	19	
Other revenue	0	80	4 636	4 617	3 449	1 168	19	1 087	914	0	173	5 723	5 704	4 363	1 168	192	
			800	800	260	540	0	286	174	112	0	1 086	1 086	434	652	0	
Total	18 400	18 480	18 400	18 122	16 044	2 078	278	2 012	1 696	112	204	20 412	20 134	17 740	2 190	482	

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

Source: Foundation data — This table summarises the data supplied by the Foundation in its annual accounts.

Table 3

European Training Foundation — Revenue and expenditure account for the financial years 2004 and 2003 ⁽¹⁾

(1 000 euro)

	2004	2003
Revenue		
Commission subsidies	17 600	18 100
Other donors	800	523
Miscellaneous revenue	80	17
Total revenue (a)	18 480	18 640
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	11 122	10 771
Appropriations carried over	123	329
<i>Administration — Title II of the budget</i>		
Payments	1 213	1 076
Appropriations carried over	247	310
<i>Operating activities — Title III of the budget</i>		
Payments	3 449	3 396
Appropriations carried over	1 168	1 087
<i>Earmarked revenue</i>		
Payments	260	237
Appropriations carried over	540	286
Total expenditure (b)	18 122	17 492
Outturn for the financial year (a – b)	358	1 148
Balance carried over from the previous financial year	– 1 318	– 2 155
Appropriations carried over and cancelled	204	375
Reimbursements to the Commission	0	– 703
Exchange-rate differences	– 3	17
Balance for the financial year	– 759	– 1 318

⁽¹⁾ The revenue and expenditure account and balance sheet only take account of the Foundation's specific activities: they do not include programmes managed on behalf of the Commission.

Source: Foundation data — This table summarises the data supplied by the Foundation in its annual accounts.

Table 4

European Training Foundation — Balance sheet at 31 December 2004 and 31 December 2003 ⁽¹⁾

Assets		2004	2003	Liabilities		2004	2003
Intangible fixed assets				Fixed capital			
Occupational rights		5 000	5 000	Own capital		3 516	3 852
Software licences		174	146	Balance for the financial year		- 759	- 1 318
Depreciation		- 1 809	- 1 611	<i>Subtotal</i>		2 757	2 534
<i>Subtotal</i>		3 365	3 535	Current liabilities			
Tangible fixed assets				Automatic carry-overs of appropriations		1 538	1 726
Equipment and furniture		287	273	Automatic carry-overs of earmarked revenue		652	286
Computer equipment		1 189	1 438	Other contributors		134	30
Depreciation		- 1 325	- 1 444	Sundry accounts payable		1	1
<i>Subtotal</i>		151	267	Deferred revenue		43	83
Stocks				<i>Subtotal</i>		2 368	2 126
Office equipment		0	50				
<i>Subtotal</i>		0	50				
Current assets							
Other advances		2	4				
Recovery orders		24	43				
Sundry accounts receivable		0	39				
<i>Subtotal</i>		26	86				
Cash accounts							
Bank accounts		1 580	719				
Imprest account		3	3				
<i>Subtotal</i>		1 583	722				
Total		5 125	4 660	Total		5 125	4 660

⁽¹⁾ The revenue and expenditure account and balance sheet only take account of the Foundation's specific activities: they do not include programmes managed on behalf of the Commission.

Source: Foundation data — This table summarises the data supplied by the Foundation in its annual accounts.

THE FOUNDATION'S REPLIES

7-8. The implementation from 2005 onward by the Agency of the modernised EU accounting practices solves the difficulty reported by the Court. Ever since the Court highlighted its concerns, ETF has analysed the alternatives to integrate TEMPUS funds into its budget. Due to the characteristics of the mandate given to ETF and the applicable financial rules, no satisfactory solution could be found to integrate them in ETF budget. In consequence, ETF's 2004 accounts were presented the way used the preceding years. Nevertheless, ETF managed these funds with the same rigour as its own budget, and their use has been

reported in an annex to ETF accounts as well as in the Commission's accounts.

9. The costs of publishing the details of the budget in the OJ were felt to be disproportionate for an agency with an annual budget of less than 20 million euro. ETF took care to give to the readers all the necessary indications to obtain a fully detailed electronic version of its budget.

10. The ETF has taken measures to avoid such a situation in the future.

REPORT**on the annual accounts of the European Foundation for the Improvement of Living
and Working Conditions for the financial year 2004 together
with the Foundation's replies**

(2005/C 332/12)

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INTRODUCTION

1. The European Foundation for the Improvement of Living and Working Conditions (hereinafter referred to as 'the Foundation') was set up by Council Regulation (EEC) No 1365/75 of 26 May 1975 ⁽¹⁾. Its aim is to contribute to the planning and establishment of better living and working conditions in the European Union by increasing and disseminating knowledge which is relevant to this subject. *Table 1* summarises the Foundation's competences and activities on the basis of information it has supplied.

2. For information, the annual accounts drawn up by the Agency for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Foundation's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Foundation's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 16 of Council Regulation (EEC) No 1365/75, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Foundation's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Foundation's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. Analysis of the appropriations carried over to the 2005 financial year shows that 37 % of the commitments carried over were entered into in December 2004. The majority relate to contracts for studies to be carried out in 2005. This practice demonstrates a lack of consistency between the Foundation's annual work programme, on the one hand, and the budget estimates, on the other.

8. The physical inventory was not exhaustive as no inventory was made of IT equipment. No organisation manual and no annual verification programme have yet been established ⁽⁴⁾.

9. The revenue and expenditure account for the financial year 2003 shows a loss of 1,3 million euro. This amount should have been recorded in an amending budget for the financial year 2004 ⁽⁵⁾.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ OJ L 139, 30.5.1975, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 7 June 2005 and received by the Court on 29 July 2005.

⁽⁴⁾ Article 224 of the detailed rules for the implementation of the general Financial Regulation.

⁽⁵⁾ Article 16(2) of the Foundation's financial regulation.

Table 1
European Foundation for the Improvement of Living and Working Conditions (Dublin)

<p>Areas of Community competence deriving from the Treaty</p> <p>The Community and the Member States, having in mind fundamental social rights... shall have as their objectives... improved living and working conditions... the Community shall support and complement the activities of the Member States in the following fields... (b) working conditions; (c) social security and the social protection of workers; (d) protection of workers where their employment contract is terminated; (e) the information and consultation of workers; (f) representation and the collective defence of the interests of workers and employers, including co-determination; (g) conditions of employment for third-country nationals; (h) the integration of persons excluded from the labour market; (i) equality between men and women...' (Articles 136 and 137 of the Treaty)</p>	<p>Competences of the Foundation as defined in Council Regulation (EEC) No 1365/75 of 26 May 1975</p> <p>Objectives The aim of the Foundation shall be to contribute to the establishment of better living and working conditions by increasing and disseminating knowledge which is relevant to this subject. In particular, it is required to consider the following areas: — man at work, — organisation of work and particularly job design, — problems peculiar to certain categories of workers, — long-term aspects of the improvement of the environment, — the distribution of human activities in space and in time.</p>	<p>Tasks</p> <p>— To foster the exchange of information and experience in these fields; — To facilitate contact between universities, study and research institutes, economic and social administrations and organisations; — To carry out studies or to conclude study contracts and to provide assistance for pilot projects; — To cooperate as closely as possible with existing specialised institutes.</p>	<p>Governance</p> <p>1. Administrative Board — from each Member State: one government representative, one representative from employers' organisations and one workers' representative, — 3 representatives from the Commission. 2. Director appointed by the Commission from a list of candidates submitted by the Administrative Board, he implements the decisions of the Administrative Board and directs the Foundation. 3. The Committee of Experts is composed of 15 members appointed by the Council on a proposal from the Commission, gives opinions in particular on the work programme. 4. External audit: European Court of Auditors. 5. Discharge given by the Parliament on a recommendation by the Council.</p>	<p>Resources available to the Foundation (2003 data)</p> <p>Final budget: 18,1 million euro (16,8 million euro) Of which Community subsidy: 9,9,6 % (98,3 %) Staff as at 31 December 2004: 91 (88) posts provided for in the establishment plan, of which: 74 (76) were occupied Other staff: Seconded National Experts and employment agency staff: 16 (16) Total staff employed: 90 (92) Operational activities: 53 (60) Administrative: 32 (28) Mixed: 5 (4)</p>	<p>Products and services provided during the financial year 2004</p> <p>Living conditions — Publications: 'Perception of living conditions in an enlarged Europe', 'Quality of life in Europe', 'Employment and disabilities: back to work strategies', analysis and dissemination of statistical data, study relating to time management over the course of life. Working conditions — European Working Conditions Observatory. — Reports on ageing and employment, various reports (part-time working, harassment), preparation for the 2005 survey. Industrial relations — European Industrial Relations Observatory (EIRO). — Circulation of reports and articles about EIROonline. — Bi-monthly publication of EIRObserver. — Various reports. European Monitoring Centre on Change (EMCC) — Various case files. — Sector future series: seven industry sectors have been covered. — Organisation of and participation in various seminars. Transversal Themes — Various general and country reports. Information and communication — The Foundation has organised 41 conferences and taken part in 95 conferences and seminars. Excluding translations, the Foundation has produced 162 publications and circulated 10 newsletters.</p>
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Source: Information supplied by the Foundation.

Table 2
European Foundation for the Improvement of Living and Working Conditions — Implementation of the budget for the financial year 2004

(1 000 euro)

Origin of revenue	Revenue		Expenditure										Available appropriations (appropriations for the current financial year and appropriations carried over from the previous financial year)							
	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			Appropriations carried over from the previous financial year				
			entered	committed	paid	carried over	cancelled	entered	committed	paid	carried over	cancelled	out-standing commitments	paid	cancelled	out-standing commitments	paid	cancelled		
Community subsidies	18 000	18 000		8 738	8 738	8 606	1 32	0	108	97	11	8 846	8 846	8 703	1 32	11	8 846	8 703	1 32	11
Other subsidies	0	0	Title I Staff	1 762	1 756	1 267	489	6	224	207	17	1 986	1 980	1 474	489	23	1 986	1 474	489	23
Other revenue	80	86	Title III Operating activities	7 580	7 578	5 056	2 522	2	2 817	2 811	6	10 397	10 395	7 867	2 522	8	10 397	7 867	2 522	8
Total	18 080	18 086	Total	18 080	18 072	14 929	3 143	8	3 149	3 115	34	21 229	21 221	18 044	3 143	42	21 229	18 044	3 143	42

Source: The Foundation's data — This table summarises the data provided by the Foundation in its annual accounts.

Table 3

**European Foundation for the Improvement of Living and Working Conditions — Revenue and expenditure accounts
for the financial years 2004 and 2003**

	<i>(1 000 euro)</i>	
	2004	2003
Revenue		
Commission subsidies	18 000	17 090
Miscellaneous revenue	5	40
Revenue from services rendered	81	42
Total revenue (a)	18 086	17 172
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	8 606	8 927
Appropriations carried over	132	109
<i>Administration — Title II of the budget</i>		
Payments	1 267	968
Appropriations carried over	489	224
<i>Operating activities — Title III of the budget</i>		
Payments	5 056	3 733
Appropriations carried over	2 522	2 817
Total expenditure (b)	18 072	16 778
Outturn for the financial year (a – b)	14	394
Balance carried over from the previous financial year	– 1 296	– 1 836
Appropriations carried over and cancelled	34	118
Sums from the previous financial year for re-use and not used	18	19
Phare revenue collected	0	639
Phare revenue to be collected	0	361
Phare expenditure	0	– 1 000
Other adjustments	10	0
Exchange-rate differences	– 4	9
Balance for the financial year	– 1 224	– 1 296

Source: The Foundation's data — This table summarises the data provided by the Foundation in its annual accounts.

Table 4

**European Foundation for the Improvement of Living and Working Conditions — Balance sheet as
at 31 December 2004 and 31 December 2003**

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Fixed capital		
Intangible fixed assets	11	27	Own capital	3 068	4 389
Buildings	14 426	15 682	Revaluation reserve	12 094	12 094
Furniture and vehicles	98	142	Balance for the financial year	- 1 224	- 1 296
Computer equipment	190	107	<i>Subtotal</i>	13 938	15 187
Technical and other equipment	431	518	Current liabilities		
<i>Subtotal</i>	15 156	16 476	Automatic carry-overs of appropriations	3 143	3 150
Stocks			Bank interest to be reimbursed to the Commission	48	0
Office supplies	6	7	PHARE liabilities	0	329
<i>Subtotal</i>	6	7	Miscellaneous	8	0
Current assets			<i>Subtotal</i>	3 199	3 479
Commission PHARE receivables	100	361	Suspense accounts		
Advances	1	2	Sums to be re-used	0	22
VAT to be recovered	230	281	Deferred revenue	6	2
Recovery orders to be collected	6	5	Payments in progress	5	0
Sundry accounts receivable	0	41	<i>Subtotal</i>	11	24
<i>Subtotal</i>	337	690			
Cash accounts					
Banks	1 634	1 331			
Cash	3	3			
Imprest account	12	183			
<i>Subtotal</i>	1 649	1 517			
Total	17 148	18 690	Total	17 148	18 690

Source: The Foundation's data — This table summarises the data provided by the Foundation in its annual accounts.

THE FOUNDATION'S REPLIES

7. Due to unforeseen circumstances, a significant surplus became available in some budget lines and was utilised in December to commence work on research activities relevant for 2004 and 2005. Moreover in order to increase the synergy between Foundation activities, it was decided to use a single tender in 2005 for all services for observatories. As a consequence some of the relevant existing contracts had to be extended in December to bridge the time between the conclusion of those contracts and that foreseen for commencement of a new 2005 contract.

8. Procedures have now changed to provide for registration in the inventory on the basis of Delivery Dockets.

The updating of the financial procedures manual is scheduled for completion in September 2005 and will incorporate an annual programme for verification of inventory items.

9. The 1,3 million euro represents sums due for payment by the Commission to the Foundation. The Commission was contacted during 2004 with regard to establishing an amending budget and has indicated it will examine the issue in 2005.

REPORT**on the annual accounts of the European Monitoring Centre for Drugs and Drug
Addiction for the financial year 2004 together with the Monitoring Centre's replies**

(2005/C 332/13)

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INTRODUCTION

1. The European Monitoring Centre for Drugs and Drug Addiction (hereinafter called 'the Monitoring Centre') was established by Council Regulation (EEC) No 302/93 of 8 February 1993 ⁽¹⁾. Its main task is to collect data on drugs and drug addiction in order to prepare and publish information that is objective, reliable and comparable at European level. The information is intended to provide a basis for analysing demand for drugs and ways of reducing both it and drug-market-related events in general. *Table 1* summarises the Monitoring Centre's competences and activities on the basis of information it has supplied.

2. For information, the annual accounts drawn up by the Monitoring Centre for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Centre's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Centre's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 11 of Regulation (EEC) No 302/93, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Centre's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Centre's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. More than a hundred transfers of appropriations were made during the financial year 2004; the transfers made from certain items were compensated for by transfers in the opposite direction. Amendments on this scale make the management of the Monitoring Centre very cumbersome and show that the necessary rigour is not being applied to compliance with the budgetary principle of specification.

8. The checks carried out on the implementation of contracts revealed a number of anomalies ⁽⁴⁾. Although, considered individually, these anomalies do not call into question the regularity of the transactions concerned, their frequency ⁽⁵⁾ should induce the Monitoring Centre to strengthen its internal control system.

9. No reconciliations between bank balances and the accounts are carried out and the errors in the amounts to be paid are not always detected. Moreover, the accounting officer's instructions to the bank are not countersigned by a second person. As this is a high-risk area, internal control procedures should be strengthened without delay.

⁽¹⁾ OJ L 36, 12.2.1993. This Regulation has been amended by Regulation (EC) No 3294/94 of 22.12.1994 (OJ L 341, 30.12.1994, p. 7) and Regulation (EC) No 1651/2003 of 18.6.2003 (OJ L 245, 29.9.2003, p. 30).

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 11 August 2005 and received by the Court on 19 September 2005.

⁽⁴⁾ In particular, six cases of purchases being made without a contract using just an order form, commencement of work for one contract before the commitment operations, inadequate checks on one contractor's invoices, amendments to contracts without the addition of new clauses (checks covered a total of 360 000 euro, i.e. 27 % of purchases made within the framework of Title II).

⁽⁵⁾ An examination of the 13 contracts in the sample revealed that all except one contained at least one anomaly; altogether no fewer than 23 anomalies were detected.

10. The data concerning fixed assets are compiled with the aid of electronic calculation sheets, which does not guarantee the integrity of the data recorded. A reliable computer system must be used to monitor the fixed assets.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

Table 1
European Monitoring Centre for Drugs and Drug Addiction (Lisbon)

Areas of Community competence deriving from the Treaty	Competencies of the Monitoring Centre as defined in Council Regulation (EC) No 302/93	Governance	Resources made available to the Monitoring Centre in 2004 (2003 data)	Products and services supplied in 2004	
<p>The Community complements the Member States' action in reducing drugs-related health damage, including information and prevention. (Article 152(1) of the Treaty)</p>	<p>Objectives</p> <p>To provide the European Union and its Member States with reliable information at European level concerning drugs and drug addiction and their consequences.</p> <p>The Monitoring Centre should give priority to analysing:</p> <ol style="list-style-type: none"> 1. the demand and reduction of the demand for drugs; 2. national and Community strategies and policies; 3. international cooperation and the geopolitics of supply; 4. control of the trade in narcotics, psychotropic substances and drug precursors; 5. the implications of drug use for producer, consumer and transit countries, including money-laundering. 	<p>Tasks</p> <ul style="list-style-type: none"> — To collect and analyse data. — To make enquiries and carry out preparatory actions. — To ensure that European-level data is more reliable. — To publish reliable information. — To improve coordination between the national and Community actions. — To promote the incorporation of drug-related data into international programmes. 	<p>The Management Board: Comprises one representative from each Member State, two representatives of the Commission and two qualified scientists appointed by the European Parliament. It approves the work programme and general annual report and adopts the budget.</p> <ol style="list-style-type: none"> 1. Director: Appointed by the Management Board on the Commission's proposal. 2. Scientific Committee: Delivers opinions. It is made up of one representative from each Member State. The Management Board may also appoint a maximum of six other members on the basis of their specific qualifications. 3. External audit: European Court of Auditors. 4. Discharge: European Parliament on the Council's recommendation. 	<p>Final Budget: 12,2 million euro (10,5 million euro), Community subsidy: 96 % (89 %).</p> <p>Staff numbers as at 31 December 2004: Number of posts in establishment plan: 77 (63). Posts occupied: 61 (54). + 22 (18) other staff (auxiliary contracts, contract staff and employment-agency staff)</p> <p>Total staff: 83 (72) assigned to the following duties:</p> <ul style="list-style-type: none"> — operational tasks: 54,5 (46,5), — administrative and IT support tasks: 20 (18), — mixed tasks: 8,5 (7,5). 	<p>Network:</p> <p>The Monitoring Centre runs a computerised network for the collection and exchange of information called the "European Information Network on Drugs and Drugs Addiction" (Reitox); this network connects the national drug-information networks, the specialist centres in the Member States and the information systems of international organisations working with the Monitoring Centre.</p> <p>Publications:</p> <ul style="list-style-type: none"> — Annual report on the state of the drug problem in the European Union (20 language versions, publication and interactive website) — Bulletin of statistics and interactive website containing over 100 tables — General report of activities (annual, EN) — Newsletter, Drugnet Europe (4 issues in five languages, 20 products) — Policy briefings; Drugs in Focus (3 issues, 21 languages, 63 products) — Country situation summaries — for the 25 Member States (interactive website) — Publications in the EMCDDA series: 1 <i>Monograph</i>, 2 <i>Risk assessments</i>, 1 <i>Insights</i> — <i>Snapshot</i> 2004 — report and 10 thematic papers — publication and website — Scientific studies (20) — Presentation brochure (in the ten new languages) — Complete restructuring of main website

Source: Information forwarded by the Monitoring Centre.

Table 2
European Monitoring Centre for Drugs and Drug Addiction — Implementation of the budget for the financial year 2004

Source of revenue	Revenue		Expenditure										(1 000 euro)	
	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure			Final appropriations for the financial year					Appropriations carried over from previous financial years			
			entered	committed	paid	carried over	cancelled	available	committed	paid	cancelled			
Commission subsidy	11 730	11 730	Title I	5 998	5 831	1 222	218	80	80	61	18			
Subsidy from Norway	514	514	Staff (NDA)	1 444	1 088	356	35	267	267	210	57			
Miscellaneous revenue	0	33	Title II	4 509	—	—	85	—	—	—	—			
Phare assigned revenue	0	211	Administration (NDA)	4 594	2 342	1 260	992	—	—	—	—			
			Title III	—	—	—	—	223	218	201	22			
			Operating activities (DA)	—	—	—	—	—	—	—	—			
			— CA	—	—	—	—	—	—	—	—			
			— PA	—	—	—	—	—	—	—	—			
			Assigned revenue	12 244	11 951									
	12 244	12 488	Total CA		9 262	1 737	1 245	2 039	2 016	1 771	267			
			Total PA											

NDA: non-differentiated appropriations (commitment appropriations are equal in amount to payment appropriations).

DA: differentiated appropriations (commitment appropriations may differ in amount from payment appropriations).

CA: commitment appropriations in the context of differentiated appropriations.

PA: payment appropriations in the context of differentiated appropriations.

Source: Information supplied by the Monitoring Centre — This table summarises the data provided by the Monitoring Centre in its annual accounts.

Table 3

**European Monitoring Centre for Drugs and Drug Addiction — Revenue and expenditure accounts
for the financial years 2004 and 2003**

	(1 000 euro)	
	2004	2003 ⁽¹⁾
Revenue		
Subsidies from the Commission	11 730	9 300
Subsidies from Norway	514	421
Assigned revenue	211	335
Miscellaneous revenue	33	67
Total revenue (a)	12 488	10 122
Budgetary expenditure for the financial year		
<i>Staff — Title I of the budget</i>		
Payments	5 832	5 189
Appropriations carried over	122	80
<i>Administration — Title II of the budget</i>		
Payments	1 088	555
Appropriations carried over	356	267
<i>Operating activities — Title III of the budget (except assigned revenue)</i>		
Payments against payment appropriations for the financial year	2 342	2 057
Appropriations carried over	1 260	1 469
Assigned revenue (Phare and third countries)	201	500
Total expenditure (b)	11 200	10 117
Outturn for the financial year (a – b)	1 288	5
Balance carried over from the previous financial year	295	1 626
Appropriations carried over and cancelled	245 ⁽²⁾	221
Sums for re-use from the previous financial year not used	15	21
Refunds to the Commission	– 3	– 1 584
Refunds to Norway	81	
Exchange-rate differences	– 1	6
Balance for the financial year	1 920	295

⁽¹⁾ The data for the financial year 2003 have been processed again to enable use of the assigned revenue to be traced.

⁽²⁾ Does not take into account cancellations of Phare appropriations carried over and not used (22 000 euro).

Source: Information supplied by the Monitoring Centre — This table summarises the data provided by the Monitoring Centre in its annual accounts.

Table 4

European Monitoring Centre for Drugs and Drug Addiction — Balance sheet as at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Fixed capital		
Intangible assets	129	94	Own capital	2 950	3 057
Buildings	3 559	3 559	Balance for the financial year	1 920	295
Equipment and furniture	165	157	<i>Subtotal</i>	4 870	3 352
Transport equipment	50	50	Current liabilities		
Computer equipment	716	659	Phare carry-overs	—	223
Depreciation	- 1 713	- 1 496	Appropriations carried over against Titles I, II and III	1 737	1 815
<i>Subtotal</i>	2 906	3 023	Sundry accounts payable	54	18
Stocks			Recovery orders	0	55
Office supplies	0	34	<i>Subtotal</i>	1 791	2 111
<i>Subtotal</i>	0	34	Suspense accounts		
Long-term assets			Revenue for re-use	25	—
Staff loans	23	0	Deferred revenue	—	123
<i>Subtotal</i>	23	0	<i>Subtotal</i>	25	123
Current assets					
Phare	26				
Other advances	8	78			
Recoverable VAT	47	94			
Sundry accounts receivable	32	66			
<i>Subtotal</i>	113	238			
Cash accounts					
Bank accounts	3 640	2 291			
Cash	4				
<i>Subtotal</i>	3 644	2 291			
Total	6 686	5 586	Total	6 686	5 586

Source: Information supplied by the Monitoring Centre — This table summarises the data provided by the Monitoring Centre in its annual accounts.

THE MONITORING CENTRE'S REPLIES

7. The final budget of the EMCDDA was adopted only in May 2004 owing to enlargement. Therefore, it was necessary to make numerous transfers in order to ensure the implementation of the EMCDDA's work programme.

8. The EMCDDA has implemented the following measures in order to improve the management of its contracts:

- a more precise procurement planning in terms of defining requirements,
- training for managers,
- the development of standard contract forms,

— the clarification of the internal procedures used for commitments,

— the introduction of checklists for payments and other budgetary operations.

9. In order to take account of the Court's observation, the EMCDDA put in place a monthly reconciliation procedure in September 2005, providing for the signature of the Accounting Officer and submission to the Authorising Officer. The EMCDDA will implement a countersigning system as soon as possible.

10. The implementation of a new, more effective, inventory system made it necessary to use calculation sheets in order to ensure continuity of management. The closure of inventory 2005 will be based on this new system.

REPORT**on the annual accounts of the European Monitoring Centre on Racism
and Xenophobia for the financial year 2004 together
with the Monitoring Centre's replies**

(2005/C 332/14)

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INTRODUCTION

1. The European Monitoring Centre on Racism and Xenophobia ('the Centre') was established by Council Regulation (EC) No 1035/97 of 2 June 1997 ⁽¹⁾. The Centre's primary tasks are to provide the Union and the Member States with reliable information on racism, xenophobia and anti-Semitism in the Union and to cooperate with the Council of Europe in these areas. *Table 1* summarises the Centre's competencies and activities on the basis of information it has supplied.

2. For information purposes the annual accounts drawn up by the Centre for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. The Court's opinion is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Centre's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Centre's accounts for the financial year ended 31 December 2004 ⁽³⁾ were drawn up by its Director, pursuant to Article 12 of Regulation (EC) No 1035/97, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Centre's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

Except for the situations described in points 9 and 10, the transactions underlying the Centre's annual accounts, taken as a whole, are legal and regular.

OBSERVATIONS

7. The cancellations of the appropriations carried over from the previous financial year remained at the same level (20 %) as last year. There is a need for the Centre to improve the way carry-overs are established ⁽⁴⁾.

8. Internal control standards have been developed. These standards have not yet been formally adopted by the Centre's Management Board as required by its Financial Regulation ⁽⁵⁾. A risk analysis should be carried out in order to assess their relevance. The ex-ante verification checklists should be improved and filled in all cases.

9. The Centre annually carries out a tendering procedure for selecting 25 national focal points under RAXEN ⁽⁶⁾. Contrary to the Centre's rules for the implementation of its financial regulation ⁽⁷⁾, the relative weighting to be applied in order to determine the most economically advantageous offers were included neither in the procurement notice nor the tender documents. One out of the 25 contracts ⁽⁸⁾ was not awarded to the offer identified as being the most economically advantageous.

⁽⁴⁾ Notwithstanding the above the level of carry-over of appropriations under Title III, 'Operating activities' significantly decreased (from 36 % in 2003 to 19 % in 2004). This is the result of a more detailed assessment at year end to identify which obligations will give rise to payments in the following financial year.

⁽⁵⁾ See Article 38(4) of the Centre's financial regulation.

⁽⁶⁾ See Table 1.

⁽⁷⁾ Article 116(3) of the Centre's Regulation laying down detailed rules for the implementation of its Financial Regulation.

⁽⁸⁾ Amounting to 70 000 euro in total.

⁽¹⁾ OJ L 151, 10.6.1997, p. 6.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 27 June 2005 and received by the Court on 19 September 2005.

10. In the case of one contract for the provision of administrative services ⁽¹⁾ the documents relating to the tendering procedure used could not be traced. In another similar case, the ser-

vices were directly awarded although, there was no reason justifying such procedure ⁽²⁾. In a last case ⁽³⁾, the contract was not awarded to the lowest bidder.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ Maintenance of photocopiers amounting to approximately 25 000 euro.

⁽²⁾ Security of the building amounting to approximately 92 000 euro.

⁽³⁾ Printing of Annual Report amounting to approximately 35 000 euro.

Table 1
European Monitoring Centre on Racism and Xenophobia (Vienna)

Areas of Community competence deriving from the Treaty	Competence of the Centre as specified in the Council Regulation (Council Regulation (EC) No 1035/97 of 2 June 1997)	Tasks	Governance	Resources made available to the Centre in 2004 (2003 data)	Products and services supplied in 2004
Free circulation of goods and persons. Freedom of establishment.	<p>Objectives</p> <ul style="list-style-type: none"> — To provide the Community and its Member States with objective, reliable and comparable data at European level on the phenomena of racism, xenophobia and anti-Semitism. — Close cooperation with the Council of Europe in order to avoid duplication and obtain added value. 	<p>Tasks</p> <ul style="list-style-type: none"> — To study the extent and development of the phenomena of racism and xenophobia. — To collect and analyse information, via the European Racism and Xenophobia Information Network (RAXEN), and in particular: <ul style="list-style-type: none"> — To carry out scientific surveys. — To encourage widespread dissemination of such information. — To formulate opinions for the Community and its Member States. — To develop indicators and criteria to improve the comparability of data. — To publish an annual report on the situation regarding racism and xenophobia. 	<p>1. Management Board</p> <p><i>Composition</i></p> <p>One independent person appointed by each Member State, one independent person appointed by the European Parliament, one independent person appointed by the Council of Europe and a representative of the Commission.</p> <p><i>Duties</i></p> <p>To adopt the work programme and the general annual report. To adopt the final budget and the establishment plan. To give an opinion on the final accounts.</p> <p>2. Executive Board</p> <p><i>Composition</i></p> <ul style="list-style-type: none"> — Chairman of the Management Board — One representative of the Council of Europe — One representative of the Commission — Two other members of the Management Board. <p>3. Director</p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p>4. External audit</p> <p>European Court of Auditors.</p> <p>5. Internal control</p> <p>The Commission's Internal Audit Service.</p> <p>6. Discharge authority</p> <p>Parliament on a recommendation from the Council.</p>	<p>Resources made available to the Centre in 2004 (2003 data)</p> <p>Final budget: 7,9 million euro (6,6 million euro) including Community contribution: 99 % (99 %).</p> <p>Staff numbers at 31 December 2004: 34 (30) posts in establishment plan, posts occupied: 30 (26)</p> <p>+ 4 (4) other staff (auxiliary contract, seconded national experts, local and employment-agency staff).</p> <p><i>Total staff:</i> 34 (30)</p> <p>Assigned to the following duties:</p> <p>operational: 21 (17)</p> <p>administrative: 8 (8)</p> <p>mixed: 5 (5).</p>	<p>Products and services supplied in 2004</p> <p>ORAXEN:</p> <p>number of contributions through the 25 national focal points: 389</p> <p>Number of meetings:</p> <p>41 meetings for the external evaluators of ORAXEN,</p> <p>2 meetings to draw up guidelines for the special study on Roma.</p> <p>Research reports:</p> <p>number of reports: 9</p> <p>number of meetings: —</p> <p>Annual Report: 2</p> <p>EUMC News: 2</p> <p>Cooperation with the Member States and the other institutions (number of events organised jointly):</p> <ul style="list-style-type: none"> — Member States: 7 — Commission: 5 — European Parliament: 3 — COR: 3 — Council of Europe: 2 — OSCE: 7 — UN: 4 — Inter-agency: 3 — NRT: 4 — ERT: 1

Source: Information sent by the Centre.

Table 2
European Monitoring Centre on Racism and Xenophobia — Implementation of the budget for the financial year 2004

(1 000 euro)

Source of revenue	Revenue		Expenditure															
	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				Available appropriations (2004 budget and financial year 2003)			
			entered	committed	paid	carried over	cancelled	committed	paid	carried over	cancelled	committed	paid	carried over	cancelled			
Community subsidies	7 800	5 675	3 316	2 730	2 645	85	586	64	47	17	3 380	2 794	2 692	85	604			
			746	484	447	37	262	51	34	17	797	535	481	37	279			
Other revenue	100	558	3 838	3 097	2 352	745	741	1 162	955	207	5 000	4 259	3 307	745	947			
Total	7 900	6 233	7 900	6 311	5 444	867	1 589	1 277	1 036	241	9 177	7 588	6 480	867	1 830			

NB: Totals may include differences due to rounding.

Source: Data supplied by the Centre — This table summarises the data supplied by the Centre in its annual accounts.

Table 3

European Monitoring Centre on Racism and Xenophobia — Revenue and expenditure account for the financial years 2004 and 2003

	(1 000 euro)	
	2004	2003
Revenue		
Community subsidies	5 675	7 318
Other revenue	455	374
Financial revenue	21	21
Phare subsidy	82	676
Total revenue (a)	6 233	8 389
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	2 645	2 618
Appropriations carried over	85	64
<i>Administration — Title II of the budget</i>		
Payments	447	412
Appropriations carried over	37	51
<i>Operating activities — Title III of the budget</i>		
Payments	2 352	1 678
Appropriations carried over	745	1 162
<i>Assigned revenue (Phare and other)</i>		
Payments	7	376
Appropriations carried over	0	694
Total expenditure (b)	6 318	7 055
Outturn for the financial year (a – b)	– 85	1 334
Balance carried over from the previous financial year	98	– 1 579
Appropriations carried over, cancelled	241	301
Appropriations for re-use from the previous financial year, not used	0	37
Amounts due written off	– 23	0
Exchange-rate differences	0	5
Balance for the financial year	231	98

NB: Totals may include differences due to rounding.

Source: Data supplied by the Centre — This table summarises the data supplied by the Centre in its annual accounts.

Table 4

European Monitoring Centre on Racism and Xenophobia — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Own capital		
Computer software	82	72	Own capital	123	108
Computer equipment	206	148	Balance for the financial year	231	98
Furniture and other equipment	252	250	<i>Subtotal</i>	354	206
Depreciation	- 417	- 362	Current liabilities		
<i>Subtotal</i>	123	108	Automatic carry-overs of appropriations	866	1 277
Current assets			Automatic carry-overs of assigned revenue and Phare	41	694
Community subsidies	0	23	Taxes and other related expenditure	113	454
Recoverable VAT	159	456	EC Commission	214	0
Phare subsidy	0	169	Sundry accounts payable	111	275
Sundry accounts receivable	138	77	<i>Subtotal</i>	1 345	2 700
<i>Subtotal</i>	297	725			
Cash accounts					
Bank accounts	1 279	2 073			
<i>Subtotal</i>	1 279	2 073			
Total	1 699	2 906	Total	1 699	2 906

NB: Totals may include differences due to rounding.

Source: Data supplied by the Centre — This table summarises the data supplied by the Centre in its annual accounts.

THE MONITORING CENTRE'S REPLIES

7. The EUMC has taken measures to reduce the level of carryovers at the year end. The EUMC continues to improve controls so as to ensure that the amounts carried over reflect more accurately the value of outstanding obligations.

8. The Internal Audit Capability has presented internal control standards to the Executive Board in February 2005, in view of their formal adoption in October 2005 after examination. A risk analysis is being carried out. The Internal Audit Capability has

reviewed the existing checklists. More relevant checklists integrated into SI2 will be put in place before the end of 2005.

9. EUMC is reviewing its procedures and new ones will be issued before the end of 2005 to avoid the repetition of the situations described by the Court.

10. The directly awarded contract concerned security services which were considered to be sensitive and therefore not fit for a general invitation to tender. In 2005, the EUMC has launched a call for tender in order to test this specific market.

REPORT**on the annual accounts of the Community Plant Variety Office concerning
the financial year 2004 together with the Office's replies**

(2005/C 332/15)

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INTRODUCTION

1. The Community Plant Variety Office (hereinafter referred to as 'the Office') was created by Council Regulation (EC) No 2100/94 of 27 July 1994 ⁽¹⁾. Its main task is to register and examine applications for the grant of Community industrial property rights for plant varieties and to ensure that the necessary technical examinations are carried out by the competent offices in the Member States. *Table 1* summarises the Office's competencies and activities on the basis of information it has supplied.

2. For information, the annual accounts drawn up by the Office for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. This opinion is addressed to the Administrative Council of the Office, pursuant to Article 111 of Council Regulation (EC) No 2100/94.

4. The Office's accounts for the financial year ended 31 December 2004 ⁽²⁾ were drawn up by its President, pursuant to Article 112 of Regulation (EC) No 2100/94, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Office's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Office's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. As regards operating appropriations, the Office's budget has adopted the system of differentiated appropriations, which distinguishes between commitment appropriations and payment appropriations. However, the presentation of its accounts does not take the type of appropriations that are managed by it into consideration.

8. In 2004, the Office took into account for the first time the annual depreciation on its premises. However, it has not taken account of the depreciation that it ought to have made since it acquired the premises, namely, that relating to the period 2000-2003 ⁽³⁾.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors

Hubert WEBER

President

⁽¹⁾ OJ L 227, 1.9.1994, p. 27.

⁽²⁾ These accounts were drawn up on 4 July 2005 and received by the Court on 11 July 2005.

⁽³⁾ If the historical depreciation of the Office's building had been taken into account the total amount for depreciation entered in the balance sheet would have increased from 525 000 euro to approximately 900 000 euro. To compensate, the amount of own capital would have fallen by an equivalent amount from 2 508 000 euro to approximately 2 135 000 euro.

Table 1
Community Plant Variety Office (Angers)

Areas of Community competence deriving from the Treaty	Competencies of the Office as defined in Council Regulation (EC) No 2100/94 of 27 July 1994	Governance	Resources available to the Office in 2004 (2003 data)	Products and services supplied in 2004 (2003 data)
<p>Free movement of goods</p> <p>Prohibitions or restrictions justified on grounds of the protection of industrial and commercial property shall not constitute a means of arbitrary discrimination or a disguised restriction on trade between the Member States.</p> <p>(Extract from Article 30 of the Treaty)</p>	<p>Objectives</p> <p>To apply the system of Community plant variety rights as the sole and exclusive form of Community industrial property rights for plant varieties</p> <p>Tasks</p> <ul style="list-style-type: none"> — To decide whether to refuse or grant applications for Community plant variety rights — To decide on objections — To decide on appeals — To decide on the revocation or cancellation of a Community plant variety right 	<p>1. The President directs the Office. He is appointed by the Council from a list of candidates proposed by the Commission after obtaining the opinion of the Administrative Council.</p> <p>2. The Administrative Council oversees the Office's work programme and draws up rules governing the Office's working methods. It is composed of one representative of each Member State and one representative of the Commission and their alternates.</p> <p>3. Decisions regarding the grant of Community plant variety rights are adopted by Committees composed of three members of staff of the Office and by the Board of Appeal in appeal proceedings.</p> <p>4. Control by the Commission: review of the legality of acts by the President for which Community legislation provides no judicial review by any other body, as well as the legality of acts by the Administrative Council in respect of the Office's budget.</p> <p>5. External control: European Court of Auditors</p> <p>6. Discharge given to the President by the Administrative Council</p>	<p>Budget:</p> <p>11,3 million euro (11,1 million euro), including Community contribution: 0 % (0 %)</p> <p>Staff numbers as at 31 December 2004:</p> <p>Number of posts in establishment plan: 38 (35)</p> <p>Posts occupied: 36 (34)</p> <p>+ 4 (1) other posts (auxiliary contracts, national experts on secondment, local staff, employment agency staff)</p> <p>Total staff: 40 (35)</p> <p>Assigned to the following duties:</p> <p>operational: 16 (13)</p> <p>administrative: 18 (16)</p> <p>mixed: 6 (6)</p>	<p>Applications heard: 2 651 (2 516)</p> <p>Rights granted: 2 178 (1 869)</p> <p>Community rights in force at the end of the year: 10 191 (8 764)</p> <p>In an IFOP poll, 90 % of the Office's clients expressed overall satisfaction. This included 51 % who were very or extremely satisfied.</p>

Source: Data submitted by the Office

Table 2
Community Plant Variety Office — Implementation of the budget for the financial year 2004

Origin of revenue	Revenue		Expenditure															
	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 (2004 budget and 2003 financial year)						
				entered	committed	paid	carried over	cancelled	outstanding commitments	paid	cancelled	carried over	appropria-tions	com-mitted	paid	cancelled		
Own revenue	7 484	8 358	Title I Staff	3 733	3 673	3 635	38	60	28	28	28	0	0	3 761	3 701	3 663	38	60
Administrative revenue	15	30	Title II Administration	2 031	1 570	861	705	465	195	138	57	0	0	2 226	1 765	999	705	522
Miscellaneous revenue	0	0	Title III Operating activities	5 534	4 629	494	4 127	913	7 127	3 011	405	3 711	12 661	11 756	3 505	7 838	1 318	
Financial revenue	350	370																
Deficit reserve	3 449																	
Total	11 298	8 758	Total	11 298	9 872	4 990	4 870	1 438	7 350	3 177	462	3 711	18 648	17 222	8 167	8 581	1 900	

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

Source: The Office's data — This table summarises the data provided by the Office in its annual accounts.

Table 3

Community Plant Variety Office — Revenue and expenditure account for the financial years 2004 and 2003

(1 000 euro)

	2004	2003
Revenue		
Own revenue	8 358	8 199
Miscellaneous revenue	30	156
Financial revenue	371	401
Total revenue (a)	8 759	8 757
Expenditure		
<i>Staff — Title I of the budget</i>		
Payments	3 635	3 245
Appropriations carried over	38	99
<i>Administration — Title II of the budget</i>		
Payments	861	583
Appropriations carried over	705	195
<i>Operating activities — Title III of the budget</i>		
Payments	494	1 179
Appropriations carried over	4 175	4 863
Total expenditure (b)	9 908	10 164
Out-turn for the financial year (a – b)	– 1 149	– 1 407
Balance carried over from the previous financial year	12 825	13 977
Appropriations carried over and cancelled	462	249
Exchange-rate differences	0	0
Future provision	0	6
Extraordinary income	127	0
Extraordinary charges	– 43	0
Balance for the financial year	12 222	12 825

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

Source: The Office's data — This table summarises the data provided by the Office in its annual accounts.

Table 4

Community Plant Variety Office — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Own capital		
Computer software	110	77	Own capital	2 508	2 538
Buildings	2 460	2 427	Reserve	12 825	13 977
Computer equipment	260	218	Balance for the financial year	- 603	- 1 152
Equipment and furniture	203	161	<i>Subtotal</i>	14 730	15 363
Depreciation	- 525	- 345	Current liabilities		
<i>Subtotal</i>	2 508	2 538	Outstanding commitments in respect of carry-overs from 2002	3 711	2 145
Indemnities and guarantees	3	3	Automatic carry-overs	4 869	5 156
Current assets			Suppliers	0	1
Recovery orders	19	3	Advances from customers & sundry accounts payable	125	194
Sundry accounts receivable	11	29	VAT to be paid	216	216
VAT to be recovered	434	371	Deductions from salaries	83	9
<i>Subtotal</i>	464	403	<i>Subtotal</i>	9 004	7 721
Cash accounts					
Banks	20 684	20 065			
Imprest account	75	75			
<i>Subtotal</i>	20 759	20 140			
Total	23 734	23 084	Total	23 734	23 084

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

Source: The Office's data — This table summarises the data provided by the Office in its annual accounts.

THE OFFICE'S REPLIES

7. The necessary changes will be made to the presentation of the Office's budgetary accounts.

8. The necessary corrections will be made within the framework of the move to accrual accounting, which must be carried out for the financial year 2005.

REPORT**on the annual accounts of the Office for Harmonization in the Internal Market
for the financial year 2004 together with the Office's replies**

(2005/C 332/16)

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INTRODUCTION

1. The Office for Harmonization in the Internal Market (hereinafter called 'the Office') was set up by Council Regulation (EC) No 40/94 ⁽¹⁾ of 20 December 1993. Its mandate is to implement the Community legislation on trade marks and designs, which gives undertakings uniform protection throughout the entire area of the European Union. The Office's duties and activities are summarised, on the basis of information submitted by the Office, in *Table 1*.

2. For information, the annual accounts drawn up by the Office for the financial year 2004 are summarised in *Tables 2, 3 and 4*.

THE COURT'S OPINION

3. This opinion is addressed to the Office's Budget Committee pursuant to Article 137 of Council Regulation (EC) No 40/94.

4. The Office's accounts for the financial year ended 31 December 2004 ⁽²⁾ were drawn up by its President, pursuant to Article 119 of Regulation (EC) No 40/94, and sent to the Court, which is required to give its opinion on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the opinion expressed below.

Reliability of the accounts

The Office's accounts for the financial year ended 31 December 2004, in all material respects, are reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Office's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's opinion into question.

OBSERVATIONS

7. The revenue received between 21 and 31 December 2004, i.e. 2,3 million euro, was entered in the accounts as revenue for the financial year 2005, in breach of the principle of the annual nature of the budget.

8. In its 2003 Annual Report ⁽³⁾, the Court drew attention to the need for rigorous evaluation of appropriations to be carried over. The checks carried out for the financial year 2004 showed that a total of 515 000 euro was carried over unnecessarily, which also conflicts with the principle of the annual nature of the budget.

9. The Office has not made provision in its 2004 balance sheet for two legal disputes, the potential financial impact of which cannot be considered negligible.

10. There are still failings in the inventory system ⁽⁴⁾. The lists of assets entered in the accounts as fixed assets had not been reconciled with the inventories, and discrepancies were found. Beginning in 2004 the Office includes computer licences and software in its fixed assets. However, the corresponding fixed assets have been understated by some 550 000 euro as a result of the use of incorrect criteria for determining the value of the computer licences and software.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 October 2005.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ OJ L 11, 14.1.1994.

⁽²⁾ These accounts were drawn up on 28 February 2005 and received by the Court on 29 June 2005.

⁽³⁾ Paragraph 7 of the Report concerning the financial year 2003 (OJ C 324, 30.12.2004, p. 107).

⁽⁴⁾ Paragraph 10 of the Report concerning the financial year 2003 (OJ C 324, 30.12.2004, p. 107).

Table 1
Office for Harmonization in the Internal Market (Alicante)

Area of Community competence deriving from the Treaty	Competence of the Office as specified in Council Regulation (EC) No 40/94 of 20 December 1993	Governance	Resources available to the Office (2003 data)	Products and services supplied in 2004 (2003 data)	
<p>Free movement of goods</p> <p>Prohibitions or restrictions justified on grounds of the protection of industrial and commercial property must not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States (from Article 30 of the Treaty).</p> <p>Restrictions on freedom to provide services within the Community are prohibited in respect of nationals of Member States who are established in a State of the Community other than that of the person for whom the services are intended. (From Article 49 of the Treaty)</p>	<p>Objectives</p> <p>To implement the Community legislation on trade marks and designs, which gives undertakings the right to uniform protection throughout the entire area of the European Union</p>	<p>Tasks</p> <ul style="list-style-type: none"> — To receive and enter applications for registration — To examine the conditions for entry in the Register and compatibility with Community legislation — To search at the industrial property offices of the Member States for any pre-existing national trade marks — To publish applications — To examine any opposition by third parties — To register or reject applications — To examine applications for revocation or invalidity — To handle appeals against decisions 	<p>Administrative Board</p> <p><i>Composition</i></p> <ul style="list-style-type: none"> — One representative of each Member State — One representative of the Commission <p><i>Task</i></p> <ul style="list-style-type: none"> — To advise the President on matters for which the Office is responsible — To prepare lists of candidates (Article 120) for President, Vice-Presidents and chairmen and members of the Boards of Appeal <p>President of the Office</p> <ul style="list-style-type: none"> — Appointed by the Council from a list of at most three candidates which has been prepared by the Administrative Board <p>Budget Committee</p> <p><i>Composition</i></p> <ul style="list-style-type: none"> — One representative of each Member State and one representative of the Commission and their alternates <p><i>Task</i></p> <ul style="list-style-type: none"> — To adopt the budget and the financial regulation, grant discharge to the President and determine the cost of search reports <p>Decisions in connection with procedures</p> <p>Decisions are taken by:</p> <ul style="list-style-type: none"> (a) the Examiners; (b) the Opposition Divisions; (c) the Administration of Trade Marks and Legal Division; (d) the Cancellation Divisions; (e) the Boards of Appeal <p>External audit</p> <p>European Court of Auditors</p> <p>Discharge authority</p> <p>The Office's Budget Committee</p>	<p>Final budget</p> <p>190 million euro (157 million euro). Community contribution: 0 % (0 %)</p> <p>Staff numbers as at 31 December 2004</p> <p>Number of posts in establishment plan: 675 (675)</p> <p>Posts occupied: 648 (650)</p> <p>+ 41 (31) other staff (auxiliary contracts, seconded national experts, local employees and temporary replacements)</p> <p>Total staff: 689 (681)</p> <p>Assigned to the following duties:</p> <ul style="list-style-type: none"> — operational: 524 (423) — administrative: 165 (245) — mixed: 0 (13) 	<p>Trade marks</p> <p>Number of applications: 59 592 (57 637) Number of registrations: 31 310 (34 290) Number of cases of oppositions: 10 773 (9 929) Number of cases settled: 9 172 (9 396) Appeals to the Boards of Appeal: 1 208 (719)</p> <p>Average time for registration (excluding opposition or appeal):</p> <ul style="list-style-type: none"> — before publication: 12 months (12 months) — between publication and registration: 6 months (6 months) <p>Designs</p> <p>Designs received: 55 000 (37 084) Designs registered: 57 765 (24 801)</p>

Source: Information submitted by the Office.

Table 2
Office for Harmonization in the Internal Market — Implementation of the budget for the financial year 2004

Revenue		Expenditure												(1 000 euro)					
		Allocation of expenditure				Final budget appropriations				Appropriations carried over from the previous financial year					Appropriations available (2004 budget and financial year 2003)				
Source of revenue	Revenue entered in the final budget for the financial year	Revenue received	entered	committed	paid	carried over	cancelled	com- mit- ments out- standing	paid	can- celled	com- mit- ments out- standing	paid	can- celled	appro- priations	commit- ted	paid	carried over	cancelled	
Fees	113 838	126 308	58 174	55 100	53 665	1 001	3 508	1 169	793	375	59 343	54 458	1 001	3 884	56 269	54 458	1 001	3 884	
Other revenue	3 933	4 347	29 625	27 232	18 324	8 890	2 410	7 891	7 111	780	37 516	25 436	8 890	3 190	35 123	25 436	8 890	3 190	
Outturn for the pre- vious financial year	72 353	72 353	61 455	0	0	0	61 455	0	0	0	61 455	0	0	61 455	0	0	0	61 455	
Total	190 124	203 008	190 124	115 127	88 444	26 214	75 465	18 322	16 493	1 828	208 446	104 938	26 214	77 293	133 449	104 938	26 214	77 293	

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

Source: Office data — This table summarises the data supplied by the Office in its annual accounts.

Table 3

Office for Harmonization in the Internal Market — Revenue and expenditure account for the financial years 2004 and 2003

	(1 000 euro)	
	2004	2003
Revenue		
Own revenue	127 465	107 056
Financial revenue	3 190	3 460
Total revenue (a)	130 655	110 516
Budgetary expenditure for the financial year		
<i>Staff — Title I of the budget</i>		
Payments	53 665	47 416
Appropriations carried over	1 001	1 168
<i>Administration — Title II of the budget</i>		
Payments	18 324	16 366
Appropriations carried over	8 890	7 891
<i>Operating activities — Title III of the budget</i>		
Payments	16 455	14 137
Appropriations carried over	16 323	9 262
Total expenditure (b)	114 658	96 240
Outturn for the financial year (a – b)	15 997	14 276
Other expenditure/provisions for the year		
Provision for procedural expenditure	1 398	1 094
Subtotal	1 398	1 094
Balance carried over from the previous financial year	72 353	55 368
Appropriations carried over and cancelled	1 828	1 506
Sums for re-use from the previous financial year not used	0	115
Exchange-rate differences and extraordinary revenue	–7	–6
Balance for the financial year	91 569	72 353

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

Source: Office data — This table summarises the data supplied by the Office in its annual accounts.

Table 4

Office for Harmonization in the Internal Market — Balance sheet at 31 December 2004 and 31 December 2003

(1 000 euro)

Assets	2004	2003	Liabilities	2004	2003
Fixed assets			Fixed capital		
Buildings	27 915	26 747	Own capital	27 656	27 920
Equipment and furniture	3 800	3 828	Balance for the financial year	91 569	72 353
Transport equipment	97	115	<i>Subtotal</i>	119 225	100 273
Computer equipment	12 606	11 241	Long-term debt		
Intangible assets	373	24	Long-term creditors	25	24
Depreciation	- 17 135	- 14 035	<i>Subtotal</i>	25	24
<i>Subtotal</i>	27 656	27 920	Current liabilities		
Current assets			Automatic carry-overs of appropriations	26 214	18 322
Suppliers and missions	173	200	Advances from clients	26 582	29 395
Sundry accounts receivable	90	107	Amount outstanding	37	52
<i>Subtotal</i>	263	307	Sundry accounts payable	228	757
Cash accounts			Provision for procedural expenditure	12 246	13 644
Banks	156 406	134 239	<i>Subtotal</i>	65 307	62 170
Cash	232	1			
<i>Subtotal</i>	156 638	134 240			
Total	184 557	162 467	Total	184 557	162 467

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

Source: Office data — This table summarises the data supplied by the Office in its annual accounts.

THE OFFICE'S REPLIES

7. The problem highlighted by the Court was due to the constraints of the computer system used. The implementation of the new general accounting system should prevent this situation from recurring.

8. The Office will continue its efforts in this domain. To this end, for the close of the financial year 2005, measures have already been taken to improve the evaluation of any carry-overs required.

9. The Office takes note of the Court's observation. In one case, the Office believes that when the accounts were closed it was not in a position to assess the probability of having to pay compensation.

10. Since February 2005 a system integrating the inventory and the accounting systems has been in place. This has enabled the inventory and the fixed-assets accounts to be reconciled fully. Since 2005, the Office has been applying IPSAS standards for the valuation of computer licences and software.
