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## IV

*(Notices)*

## NOTICES FROM EUROPEAN UNION INSTITUTIONS AND BODIES

## COURT OF AUDITORS

## REPORT

**on the annual accounts of the Community Fisheries Control Agency for  
the financial year 2007, together with the Agency's replies**

*(2008/C 311/01)*

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## INTRODUCTION

1. The Community Fisheries Control Agency (hereinafter the Agency) was created by Council Regulation (EC) No 768/2005 <sup>(1)</sup> of 26 April 2005. The Agency's main task is to organise the operational coordination of fisheries control and inspection activities by the Member States in order to ensure effective and uniform application of the rules of the Common Fisheries Policy. The Agency acquired its financial independence on 11 November 2007.

2. Table 1 summarises the Agency's competences and activities. Key data taken from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Executive Director, pursuant to Article 36 of Regulation (EC) No 768/2005, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's 2007 budget was 5 million euro. Due to the fact that the Agency only acquired its financial independence in November 2007, the Commission managed more than half of its budget. There is no official handover report concerning the part of the Agency's budget managed by the Commission. Table 2 shows the part of the budget managed by the Agency which is financed by subsidies from the European Commission.

8. The Agency had not established efficient year end procedures for determining the appropriations to be carried over. Appropriations amounting to at least 125 000 euro were carried over <sup>(5)</sup> without legal commitments.

9. The internal control procedures required by article 38 of the Financial Regulation to ensure transparency and sound financial management have not yet all been documented. The Administrative Board did not formally adopt any internal control standards.

10. The description of the accounting systems was prepared by the authorising officer at the year end which has been not yet validated by the accounting officer.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

<sup>(1)</sup> OJ L 128, 21.5.2005, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 17 June 2008 and received by the Court on 2 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(5)</sup> Title I, 67 000 euro and Title III, 58 000 euro.

Table 1

## Community Fisheries Control Agency (Brussels)

| Areas of Community competence deriving from the Treaty  | Competences of the Agency as defined in Council Regulation (EC) No 768/2005   |  | Governance   | Resources available to the Agency in 2007  | Activities and services provided in 2007  |
|---|---|--|--|--|---|
| <p>Article 37 of the Treaty establishing the European Community.</p> <p>Article 28 of Council Regulation (EC) No 2371/2002 on the conservation and sustainable exploitation of fisheries resources under the common fisheries policy requires Member States to ensure effective control, inspection and enforcement of the rules of the common fisheries policy and to cooperate with each other and with third countries to this end.</p> <p>Council Regulation (EC) No 768/2005 establishing a Community Fisheries Control Agency and amending Regulation (EEC) No 2847/93 establishing a control system applicable to the Common Fisheries Policy.</p> | <p><b>Objectives</b></p> <p>The Regulation establishes a Community Fisheries Control Agency, the objective of which is to organise operational coordination of fisheries control and inspection activities by the Member States and to assist them to cooperate so as to comply with the rules of the Common Fisheries Policy in order to ensure its effective and uniform application.</p> | <p><b>Mission and Tasks</b></p> <p><i>Mission</i></p> <p>(i) To coordinate the control and inspection obligations of the Community;</p> <p>(ii) To coordinate the deployment of the national means of control and inspection pooled by the Member States concerned;</p> <p>(iii) To assist Member States in reporting information on fishing activities and control and inspection activities;</p> <p>(iv) To assist Member States to fulfil their tasks and obligations under the rules of the common fisheries policy;</p> <p>(v) To assist Member States and the Commission in harmonising the application of the common fisheries policy throughout the Community;</p> <p>(vi) To contribute to the work of Member States and the Commission on research into and development of control and inspection techniques;</p> <p>(vii) To contribute to the coordination of inspector training and the exchange of experience between Member States;</p> <p>(viii) To coordinate operations to combat illegal, unreported and unregulated fishing, in conformity with Community rules.</p> | <p><b>1. Administrative Board</b></p> <p>Comprises one representative from each Member State and six representatives of the Commission.</p> <p><b>2. Executive Director</b></p> <p>Appointed by the Administrative Board from a list of at least two candidates proposed by the Commission.</p> <p><b>3. External Audit</b></p> <p>Court of Auditors</p> <p><b>4. Discharge Authority</b></p> <p>The Parliament following a recommendation from the Council.</p> | <p><b>Final Budget:</b></p> <p>5 million euro</p> <p>Available to the CFCA at financial independence: 2,2 million euro</p> <p><b>Establishment plan in 2007:</b></p> <p>38 staff</p> <p><b>Total staff at 31.12.2007:</b></p> <p>17 Temporary Staff (Recruitment slowed down in anticipation of the relocation to Vigo early 2008.)</p> <p><b>Other posts:</b></p> <p>8 Contract staff</p> | <p>During 2007 the CFCA launched its first operational activities in three areas in accordance with the 2007 Work Programme and prepared for operational activities in two more areas.</p> <p><b>1. North Sea and adjacent waters</b></p> <p>On the basis of the existing cooperation between some Member States (the so called operations 'Shark' and 'Saint Pierre'), in 2007, the CFCA elaborated a Joint Deployment Plan (JDP) together with the Member States surrounding the North Sea.</p> <p><b>2. NAFO Regulatory Area (RA)</b></p> <p>The CFCA ensured throughout 2007 the coordination of inspection and surveillance in the NAFO RA under the NAFO Conservation and Enforcement Measures (CEM) by (NAFO) Community Inspectors, with the presence of one CFCA Coordinator on board the EU-inspection vessel 'Jean Charcot' in the NAFO RA chartered by the Commission.</p> <p><b>3. Baltic Sea</b></p> <p>Between May and December 2007 six joint inspection and surveillance campaigns coordinated by the CFCA were carried out. The JISS campaigns were set up in the same way as the ones in the North Sea and each campaign was coordinated by one of the coordination centres of the MS concerned with a CFCA coordinator present in this centre.</p> <p><b>4. Bluefin tuna</b></p> <p>In 2007 the CFCA started the preparatory work for the coordination of control, inspection and surveillance activities by Member States.</p> <p><b>5. IUU</b></p> <p>Pending the adoption of new legislation, some preparatory work has been started.</p> |

Source: Information submitted by the Agency.

Table 2  
Community Fisheries Control Agency (Brussels) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                   | Expenditure                       |                             |                                      |              |            |              |              |
|---------------------|--|-------------------|-----------------------------------|-----------------------------|--------------------------------------|--------------|------------|--------------|--------------|
| Source of revenue   | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure         | Final budget appropriations | Appropriations managed by the Agency |              |            |              |              |
|                     |  |                   |                                   | entered                     | available                            | committed    | paid       | carried over | cancelled    |
| Community subsidies | 5 000  | 2 292             | Title I<br>Staff                  | 2 650                       | 923                                  | 391          | 223        | 168          | 532          |
|                     |  |                   | Title II<br>Administration        | 1 250                       | 963                                  | 804          | 55         | 750          | 159          |
|                     |  |                   | Title III<br>Operating activities |                             |                                      |              |            |              |              |
|                     |  |                   | — CA                              | 1 100                       | 407                                  | 192          | —          | —            | 215          |
|                     |  |                   | — PA                              | 1 100                       | 407                                  | —            | 19         | —            | 388          |
| <b>Total</b>        | <b>5 000</b>   | <b>2 292</b>      | <b>Total CA</b>                   | <b>5 000</b>                | <b>2 293</b>                         | <b>1 387</b> | <b>278</b> | <b>918</b>   | <b>906</b>   |
|                     |  |                   | <b>Total PA</b>                   | <b>5 000</b>                | <b>2 293</b>                         | <b>—</b>     | <b>297</b> | <b>918</b>   | <b>1 079</b> |

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

Source: Data supplied by the Agency — this table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**Community Fisheries Control Agency (Brussels) — Economic outturn account for the financial year 2007**

| (1 000 euro)                                    |              |
|---|--------------|
|   | 2007         |
| <b>Operating revenue</b>                        |              |
| Community subsidies                             | 1 148        |
| Other revenues                                  | 39           |
| <b>Total (a)</b>                                | <b>1 187</b> |
| <b>Operating expenditure</b>                    |              |
| Staff expenditure                               | 306          |
| Fixed asset related expenditure                 | 2            |
| Other administrative expenditure                | 563          |
| Operational expenditure                         | 34           |
| <b>Total (b)</b>                                | <b>905</b>   |
| <b>Economic result for the year (c = a – b)</b> | <b>282</b>   |

Source: Data supplied by the Agency — this table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Community Fisheries Control Agency (Brussels) — Balance sheet at 31 December 2007**

| (1 000 euro)                     |              |
|----------------------------------|--------------|
|                                  | 2007         |
| <b>Non-current assets</b>        |              |
| Intangible fixed assets          | 0            |
| Tangible fixed assets            | 37           |
| <b>Current assets</b>            |              |
| Short-term receivables           | 4            |
| Cash and cash equivalents        | 2 002        |
| <b>Total assets</b>              | <b>2 043</b> |
| <b>Current liabilities</b>       |              |
| Provisions for risks and charges | 79           |
| Accounts payable                 | 1 682        |
| <b>Total liabilities</b>         | <b>1 761</b> |
| <b>Net assets</b>                | <b>282</b>   |
| <b>Reserve</b>                   |              |
| Accumulated surplus/deficit      | 0            |
| Economic result for the year     | 282          |
| <b>Net capital</b>               | <b>282</b>   |

Source: Data supplied by the Agency — this table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE AGENCY'S REPLIES**

8. In order to strengthen the year end procedures and avoid similar circumstances, additional follow up tools have been put in place by the Agency since January 2008.
9. The Administrative Board of the CFCA has adopted the Internal Control Standards (16) in March 2008. The organizational structure and the internal control systems necessary for the implementation of the Internal Control Standards will be put in place in 2008.
10. The financial procedures put in place by the authorising officer have yet to be validated by the accounting officer due to the very tight time delay between the financial independence of the Agency and the year end. The Agency is currently defining a plan for this validation, with the intention to carry it out in 2008.
-



**REPORT****on the annual accounts of the European Union Fundamental Rights  
Agency for the financial year 2007 together with the Agency's replies**

(2008/C 311/02)

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## INTRODUCTION

1. The European Union Fundamental Rights Agency (hereinafter 'the Agency'), which succeeded to the European Monitoring Centre on Racism and Xenophobia (EUMC) and extended its competencies, was established by Council Regulation (EC) No 168/2007 of 15 February 2007 <sup>(1)</sup>. The objective of the Agency is to provide the relevant institutions and authorities of the Community and its Member States when implementing Community law with assistance and expertise relating to fundamental rights in order to support them when they take measures to fully respect fundamental rights.

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are shown in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 21 of Council Regulation (EC) No 168/2007, and sent to the Court, which is required to provide a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's final budget for 2007 amounted to 14,2 million euro as compared with 9,3 million euro allocated to the EUMC the previous year. Almost all the budget was committed (13,9 million euro) but 7,5 million euro were carried over. The high level of carry-overs was due to the extension of the mandate of the Agency in March 2007. This extension delayed the adoption of the Agency's new work programme and the nomination of a new director and consequently the implementation of the activities planned for 2007.

8. Due to the extension of its mandate the Agency, through amendments to its budget and various transfers, decreased by 798 000 euro the staff expenditure budget lines, avoiding cancellations of unused appropriations for staff expenditure at the year end.

9. With regard to procurement procedures, in one case, the published financial evaluation method indirectly decreased the relative importance of the price criterion. This may have deterred some potential bidders and was not in line with the principle of sound financial management.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

For the Court of Auditors  
Vítor Manuel da SILVA CALDEIRA  
President

<sup>(1)</sup> OJ L 53, 22.2.2007, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 4 June 2008 and received by the Court on 11 June 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

Table 1  
European Union Fundamental Rights Agency (Vienna)

| Areas of Community competence deriving from the Treaty  | Competences of the Agency as specified in Council Regulation (EC) No 168/2007   |   | Governance   | Resources made available to the Agency in 2007<br>(Data for 2006)   | Products and services supplied during the financial year 2007<br>(Data for 2006)  |
|---|---|---|--|---|---|
| <p><b>Collection of information</b></p> <p>The Commission may, within the limits and under conditions laid down by the Council in accordance with the provisions of this Treaty, collect any information and carry out any checks required for the performance of the tasks entrusted to it.</p> <p>(Article 284 of the Treaty)</p> | <p><b>Objectives</b></p> <p>To provide the relevant institutions, bodies, offices and agencies of the Community and its Member States when implementing Community law with assistance and expertise relating to fundamental rights in order to support them when they take measures or formulate courses of action within their respective spheres of competence to fully respect fundamental rights.</p> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To collect, analyse and disseminate relevant, objective, reliable and comparable information including results from research and monitoring communicated to it by Member States, Union institutions as well as bodies, offices and agencies of the Community and the Union, research centres, national bodies, non-governmental organisations, third countries and international organisations and in particular by the competent bodies of the Council of Europe.</li> <li>— To develop methods to improve the comparability, objectivity and reliability of data at European level.</li> <li>— To carry out and to cooperate with or encourage scientific research and studies including, where appropriate and compatible with its priorities and its annual work programme, at the request of the European Parliament, the Council or the Commission.</li> <li>— To publish conclusions and opinions on specific thematic topics, for the Union institutions and the Member States when implementing Community law, either on its own initiative or at the request of the European Parliament, the Council or the Commission.</li> <li>— To publish an annual report on fundamental rights issues covered by the areas of the Agency's activity and thematic reports as well as an annual report on its activities.</li> <li>— To develop a communication strategy and promote dialogue with civil society, in order to raise public awareness of fundamental rights.</li> </ul> | <p><b>1. Management Board</b></p> <p><i>Composition</i></p> <p>One independent person appointed by each Member State, one independent person appointed by the Council of Europe and two representatives of the Commission.</p> <p><i>Duties</i></p> <ul style="list-style-type: none"> <li>— To adopt the work programme and the general annual report.</li> <li>— To adopt the final budget and the establishment plan.</li> <li>— To give an opinion on the final accounts.</li> </ul> <p><b>2. Executive Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— Chairman and Deputy Chairman of the Management Board.</li> <li>— The person appointed by the Council of Europe in the Management Board may participate in the meetings of the Executive Board.</li> <li>— One representative of the Commission.</li> <li>— Two other members of the Management Board.</li> </ul> <p><b>3. Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission and after opinions of the European Parliament and of the Council.</p> <p><b>4. External audit</b></p> <p>Court of Auditors.</p> <p><b>5. Internal control</b></p> <p>The Commission's internal audit service.</p> <p><b>6. Discharge authority</b></p> <p>Parliament acting on a recommendation of the Council.</p> | <p><b>Final budget</b></p> <p>14,2 million euro<br/>(9,3 million euro)</p> <p>of which the Community subsidy is 98 % (100 %)</p> <p><b>Staff as at 31 December 2007</b></p> <p>46 (37) posts in the establishment plan,<br/>of which posts occupied: 34 (35)</p> <p>+ 11 (10) other staff (contract agents, seconded national experts, employment agency staff)</p> <p><i>Total staff: 57 (47)</i></p> <p>undertaking the following tasks:</p> <p>operational: 31 (28)<br/>administrative: 21 (15)<br/>mixed: 5 (4)</p> | <p><b>RAXEN network</b></p> <p>Number of contributions by the 25 national focal points: 245 (375)</p> <p>Number of contributions in the context of the PHARE Croatia/Turkey project: 6</p> <p>Number of meetings: 1 (2)</p> <p><b>Research reports</b></p> <p>Number of reports: 4 (9)</p> <p>Number of meetings: 6 (5)</p> <p>Annual Reports: 2 (2)</p> <p><b>Non-research materials</b></p> <p>Various FRA publications: 15 (9)</p> <p><b>Cooperation with MemberStates and other institutions</b></p> <p>Member States: 7 (15)</p> <p>European Commission: 8 (29)</p> <p>European Parliament: 6 (7)</p> <p>Committee of the Regions: 1 (2)</p> <p>European Economic and Social Committee: 3 (1)</p> <p>Council of Europe: 4 (10)</p> <p>OSCE: 5 (4)</p> <p>Inter-Agency: 2 (4)</p> <p>United Nations: 2 (1)</p> <p>Other meetings and round tables: 23 (5)</p> |

Source: Information supplied by the Agency.

Table 2  
European Union Fundamental Rights Agency (Vienna) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                   |  |                  | Expenditure                       |                             |               |              |              |            |   |              |           |
|---------------------------|--|------------------|-----------------------------------|-----------------------------|---------------|--------------|--------------|------------|---|--------------|-----------|
| Source of revenue         | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure         | Final budget appropriations |               |              |              |            | Appropriations carried over from previous financial year(s) |              |           |
|                           |  |                  |                                   | entered                     | committed     | paid         | carried over | cancelled  | available   | paid         | cancelled |
| Community subsidies       | 14 000   | 14 000           | Title I<br>Staff                  | 4 085                       | 4 012         | 3 903        | 109          | 73         | 50  | 37           | 13        |
| Other assigned revenue    | 0  | 240              | Title II<br>Administration        | 2 375                       | 2 337         | 750          | 1 587        | 38         | 283   | 273          | 10        |
|                           |  |                  | Title III<br>Operating activities | 7 540                       | 7 430         | 1 810        | 5 620        | 110        | 942   | 881          | 61        |
| Phare 2005 <sup>(1)</sup> | 0  | 90               | Phare 2005 <sup>(1)</sup>         | 0                           | 0             | 0            | 0            | 0          | 90  | 90           | 0         |
| Phare 2006 <sup>(1)</sup> | 191  | 191              | Phare 2006 <sup>(1)</sup>         | 191                         | 168           | 53           | 138          | 0          | 245   | 245          | 0         |
| <b>Total</b>              | <b>14 191</b>  | <b>14 521</b>    | <b>Total</b>                      | <b>14 191</b>               | <b>13 947</b> | <b>6 516</b> | <b>7 454</b> | <b>221</b> | <b>1 610</b>  | <b>1 526</b> | <b>84</b> |

<sup>(1)</sup> Assigned revenue.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Union Fundamental Rights Agency (Vienna) — Economic outturn account for the financial years 2007 and 2006**

|   | (1 000 euro)  |              |
|---|---------------|--------------|
|   | 2007          | 2006         |
| <b>Operating revenue</b>                        |               |              |
| Community subsidies                             | 14 074        | 8 609        |
| Other revenues                                  | 207           | 8            |
| <b>Total (a)</b>                                | <b>14 281</b> | <b>8 617</b> |
| <b>Operating expenses</b>                       |               |              |
| Staff expenses                                  | 3 532         | 3 051        |
| Fixed asset related expenses                    | 168           | 52           |
| Other administrative expenses                   | 1 538         | 1 403        |
| Operational expenses                            | 3 450         | 3 556        |
| <b>Total (b)</b>                                | <b>8 688</b>  | <b>8 061</b> |
| <b>Economic result for the year (c = a – b)</b> | <b>5 593</b>  | <b>556</b>   |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Union Fundamental Rights Agency (Vienna) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        |              |              |
| Intangible fixed assets          | 109          | 84           |
| Tangible fixed assets            | 333          | 388          |
| <b>Current assets</b>            |              |              |
| Short-term pre-financing         | 0            | 70           |
| Short-term receivables           | 291          | 453          |
| Cash and cash equivalents        | 8 196        | 2 288        |
| <b>Total assets</b>              | <b>8 929</b> | <b>3 282</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 48           | 48           |
| Accounts payable                 | 1 588        | 1 535        |
| <b>Total liabilities</b>         | <b>1 636</b> | <b>1 582</b> |
| <b>Net assets</b>                | <b>7 293</b> | <b>1 700</b> |
| <b>Reserve</b>                   |              |              |
| Accumulated surplus/deficit      | 1 700        | 1 143        |
| Economic result for the year     | 5 593        | 556          |
| <b>Net capital</b>               | <b>7 293</b> | <b>1 700</b> |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE AGENCY'S REPLIES**

7. The Agency has taken all the necessary measures to make up these delays in order to minimise cancellations of carried-over appropriations. The objective to cancel less than 10 % of carry-overs shall be closely monitored during 2008.

8. The transfers and the amending budgets were necessary because of the difficulties linked to the extension of the Agency's mandate which impaired the implementation of the initially foreseen activities. In the future, the Agency will continue to improve the programming of its activities.

9. The method used was fully compliant with the Financial Regulation. However, to ensure that the best value for money is obtained, the Agency will introduce the evaluation method now proposed by the Commission services.

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**REPORT****on the annual accounts of the European Network and Information  
Security Agency for the financial year 2007 together with the Agency's  
replies**

(2008/C 311/03)

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## INTRODUCTION

1. The European Network and Information Security Agency (hereinafter the Agency) was created by Regulation (EC) No 460/2004 of the European Parliament and of the Council of 10 March 2004 <sup>(1)</sup>. The Agency's main task is to enhance the Community's capability to prevent and respond to network and information security problems by building on national and Community efforts.

2. Table 1 summarises the Agency's competences and activities. Key data taken from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Executive Director, pursuant to Article 17 of Regulation (EC) No 460/2004, and sent to the Court, which is required to give a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's 2007 budget amounted to 8,3 million euro compared to 7,0 million euro the previous year. The implementation of operational activities (Title III) was concentrated in the last quarter of 2007. About 40 % of the commitments and more than 50 % of the payments under Title III were executed in November and December 2007 due to the late release of funds. For small Agencies with limited resources, releasing funds at the end of the year jeopardises the implementation of operational activities.

8. The appropriations carried over did not always correspond to legal commitments in four cases <sup>(5)</sup>. Moreover, more accurate financial information needs to be prepared by the operational departments <sup>(6)</sup> to minimise the risks of errors in the accounts.

9. The inventory of fixed assets was managed using a spreadsheet, which did not guarantee the integrity of the data, and no exhaustive physical inventory was made.

10. Recurrent weaknesses were noted in the procurement procedures: the pre-selections of bids were not justified, the evaluation documents were not signed by the evaluation committee, and the files were not structured and were incomplete. In one case relevant information could not be found. This situation was at odds with the principle of transparency.

<sup>(1)</sup> OJ L 77, 13.3.2004, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 25 June 2008 and received by the Court on 4 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(5)</sup> Total value of 121 500 euro.

<sup>(6)</sup> Errors of about 105 000 euro of accrued liabilities were identified and corrected during the audit.



11. According to article 27 of the founding regulation, the Agency's mandate expires on 13 March 2009. Given the finan-

cial and organisational impact on the Agency's activities, a decision should be taken.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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Table 1  
European Network and Information Security Agency (Heraklion)

| Areas of Community competence   | Competences of the Agency<br>(Regulation (EC) No 460/2004 of the European Parliament and of the Council)  |   | Governance   | Resources made available to<br>the Agency<br>(Data for 2006)  | Products and services supplied   |
|---|---|---|--|---|--|
| <p>The representatives of the MemberState governments have, by common agreement, adopted a statement on the creation of a European Network and Information Security Agency. The Agency should operate as a point of reference and establish confidence by virtue of its independence, the quality of the advice it delivers and the information it disseminates, the transparency of its procedures and methods of operating, and its diligence in performing the tasks assigned to it.</p> <p>(Council Decision of 19 February 2004, taken on the basis of Article 251 of the Treaty).</p> | <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— The Agency enhances the capability of the Community, the Member States and the business community to prevent, address and respond to network and information security problems.</li> <li>— The Agency provides assistance and delivers advice to the Commission and the Member States on issues related to network and information security falling within its competencies.</li> <li>— The Agency develops a high level of expertise and uses this expertise to stimulate broad cooperation between actors from the public and private sectors.</li> <li>— The Agency assists the Commission, when called upon, in developing Community legislation in the field of network and information security.</li> </ul> | <p><b>Tasks</b></p> <p>The Agency:</p> <ul style="list-style-type: none"> <li>(a) collects information on current and emerging risks that could have an impact on electronic communications networks;</li> <li>(b) provides the European Parliament, the Commission and European bodies or competent national bodies with advice and assistance;</li> <li>(c) enhances cooperation between actors in its field;</li> <li>(d) facilitates cooperation on common methodologies to address network and information security issues;</li> <li>(e) contributes to awareness raising on network and information security issues for all users;</li> <li>(f) assists the Commission and the Member States in relations with industry;</li> <li>(g) tracks standards;</li> <li>(h) advises the Commission on research in the area of network and information;</li> <li>(i) promotes risk assessment activities, on prevention solutions;</li> <li>(j) contributes to cooperation with third countries.</li> </ul> | <p><b>1. Management Board</b></p> <p>1. It is composed of one representative of each MemberState, three representatives appointed by the Commission, and three representatives, without the right to vote, each of whom represents one of the following groups:</p> <ul style="list-style-type: none"> <li>(a) information and communication technologies industry;</li> <li>(b) consumer groups;</li> <li>(c) academic experts.</li> </ul> <p>2. Board members may be replaced by alternates.</p> <p><b>2. Executive Director</b></p> <p>1. The Agency is managed by its Executive Director, who is independent in the performance of his duties.</p> <p>2. The Executive Director is appointed for a term of office of up to five years.</p> <p><b>3. External audit</b></p> <p>Court of Auditors.</p> <p><b>4. Internal audit</b></p> <p>The Commission's Internal Auditor.</p> <p><b>5. Discharge authority</b></p> <p>Parliament acting on recommendation from the Council.</p> | <p><b>Final budget:</b></p> <p>8,3 (6,9) million euro (100 % Community subsidy)</p> <p><b>Staff figures on 31 December 2007:</b></p> <ul style="list-style-type: none"> <li>— 44 posts according to the establishment plan. Posts occupied 42;</li> <li>— Other posts: 11 Contract Agents, 2 SNEs, 2 Trainees.</li> </ul> <p><i>Total staff:</i> 56</p> <p>operational: 31 (35)</p> <p>administrative and policy: 25 (26)</p> | <p>The Agency produced 22 reports on various NIS topics including:</p> <ul style="list-style-type: none"> <li>— Security awareness initiatives and measurement of effectiveness Security policies;</li> <li>— Certification and accreditation schemes;</li> <li>— Security measures implemented by service providers;</li> <li>— Internal market of eCommunications;</li> <li>— Inventory of risk management methods;</li> <li>— Business continuity methods;</li> <li>— Governance;</li> <li>— Emerging risks;</li> <li>— Technological developments;</li> <li>— Applications and technologies;</li> <li>— Good practice;</li> <li>— Contacts directory;</li> <li>— Authentication levels;</li> <li>— CSIRT cooperation.</li> </ul> <p>The Agency organised 8 Workshops on various NIS topics including Awareness Raising, technological developments, authentication, CSIRT.</p> <p>The Agency updated its web site.</p> <p>The Agency issued a newsletter on a quarterly basis.</p> <p>The Agency delivered over 40 presentations in various NIS events and conferences.</p> <p>The Agency dealt with seven requests for advice and assistance: five by MemberStates (two from Austria, two from Greece and one from Bulgaria) and two requests from the Commission.</p> <p>The Agency developed contacts with specialised organs of OECD and International Telecommunication Union in order to identify possible synergies and to report on their activities to the Agency's stakeholders.</p> |

Source: Information supplied by the Agency.

Table 2

## European Network and Information Security Agency (Heraklion) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                    | Expenditure                       |                             |                |              |                 |            |   |                |            |           |
|---------------------|--|--------------------|-----------------------------------|-----------------------------|----------------|--------------|-----------------|------------|---|----------------|------------|-----------|
| Source of revenue   | Revenue entered in the final budget for the financial year | Revenue collected  | Allocation of expenditure         | Final budget appropriations |                |              |                 |            | Appropriations carried over from previous financial year(s) |                |            |           |
|                     |  |                    |                                   | entered                     | commit-<br>ted | paid         | carried<br>over | cancelled  | entered   | commit-<br>ted | paid       | cancelled |
| Community subsidies | 8 000  | 7 900              | Title I<br>Staff                  | 4 190                       | 4 082          | 3 953        | 129             | 108        | 253   | 253            | 243        | 11        |
| Other revenue       | 417  | 417 <sup>(1)</sup> | Title II<br>Administration        | 1 135                       | 1 103          | 883          | 220             | 32         | 126   | 126            | 121        | 5         |
|                     |  |                    | Title III<br>Operating activities | 3 092                       | 3 043          | 1 351        | 1 692           | 49         | 538   | 538            | 496        | 42        |
| <b>Total</b>        | <b>8 417</b>   | <b>8 317</b>       | <b>Total</b>                      | <b>8 417</b>                | <b>8 228</b>   | <b>6 187</b> | <b>2 041</b>    | <b>189</b> | <b>917</b>  | <b>917</b>     | <b>860</b> | <b>58</b> |

<sup>(1)</sup> The amount includes the re-use of 234 528 euro.

Source: Data supplied by the Agency — this table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Network and Information Security Agency (Heraklion) — Economic outturn account for the financial years 2007 and 2006**

|   | (1 000 euro) |              |
|---|--------------|--------------|
|   | 2007         | 2006         |
| <b>Operating revenue</b>  |              |              |
| Community subsidies   | 7 988        | 5 476        |
| Other revenues  | 203          | 12           |
| <b>Total (a)</b>  | <b>8 191</b> | <b>5 488</b> |
| <b>Operating expenditure</b>  |              |              |
| Staff expenditure   | 3 573        | 3 100        |
| Fixed asset related expenditure                                     | 126          | 103          |
| Other administrative expenditure                                    | 1 477        | 1 515        |
| Operational expenditure   | 2 199        | 1 236        |
| <b>Total (b)</b>  | <b>7 375</b> | <b>5 954</b> |
| <b>Surplus /(deficit) from operating activities (c = a – b)</b>     | <b>816</b>   | <b>– 466</b> |
| Financial operations revenue (e)                                    | —            | —            |
| Financial operations expenditure (f)                                | 3            | 2            |
| <b>Surplus /(deficit) from non-operating activities (g = e – f)</b> | <b>– 3</b>   | <b>– 2</b>   |
| <b>Economic result for the year (h = c + g)</b>                     | <b>813</b>   | <b>– 468</b> |

Source: Data supplied by the Agency — this table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Network and Information Security Agency (Heraklion) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        |              |              |
| Intangible fixed assets          | 36           | 33           |
| Tangible fixed assets            | 337          | 312          |
| <b>Current assets</b>            |              |              |
| Short-term receivables           | 101          | 56           |
| Cash and cash equivalents        | 2 379        | 2 519        |
| <b>Total assets</b>              | <b>2 853</b> | <b>2 920</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 155          | 66           |
| Accounts payable                 | 1 255        | 2 224        |
| <b>Total liabilities</b>         | <b>1 410</b> | <b>2 290</b> |
| <b>Net assets</b>                | <b>1 443</b> | <b>630</b>   |
| <b>Reserve</b>                   |              |              |
| Accumulated surplus/deficit      | 630          | 1 098        |
| Economic result for the year     | 813          | – 468        |
| <b>Net capital</b>               | <b>1 443</b> | <b>630</b>   |

Source: Data supplied by the Agency — this table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE AGENCY'S REPLIES**

7. Indeed external factors such as the late release of funds partially affected the implementation of operational activities. In the meantime the Agency has closely planned and follows up the execution of 2008 budget.

8. In certain cases with a significant number of variables, the appropriations carried over were calculated with some degree of approximation. The Agency is aware of this risk and strives to ensure to the highest degree possible the accuracy of appropriations carried over.

9. Fixed assets are managed in the accounting software of the Agency. The administrative inventory is managed in spreadsheets due to the limited number of items. The Agency intends to use ABAC Assets in 2009.

10. The Agency recognises some shortcomings in three procurement files. The Agency takes measures to eliminate these administrative shortcomings including the hiring of an experienced Procurement Officer.

11. The European Commission has proposed an extension of the mandate of the Agency and legislators have agreed on a three-year extension.

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**REPORT**  
**on the annual accounts of the European Aviation Safety Agency for the**  
**financial year 2007 together with the Agency's replies**

(2008/C 311/04)

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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 <sup>(1)</sup>. The Agency's tasks are to maintain a high level of civil aviation safety, to ensure the proper development of civil aviation safety, to establish certification specifications and to provide certification of aeronautical products.

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> 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 a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 240, 7.9.2002, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 30 June 2008 and received by the Court on 2 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's 2007 budget amounted to 72 million euro, as compared with 66 million euro the previous year. The Agency's budget is financed by fees and charges levied on certifications and approvals issued or amended by the Agency and by a contribution from the Commission.

8. The 2007 establishment plan consisted of 467 temporary posts, which was an increase of 139 posts compared with the 2006 plan. As the appropriations for staff expenditure did not cover actual staff costs, the Agency reduced its recruitments and agreed with the Commission to reduce the number of posts to a maximum of 342, of which 333 were filled at the year end. However, the establishment plan was not amended accordingly. The Agency should carefully check the consistency of the expenditure forecasts that are to be presented for adoption by the budgetary authority.

9. According to the new fees and charges regulation <sup>(5)</sup> applicable from 1 June 2007, the Agency considered 14,9 million euro as assigned revenue to cover future certification costs. This amount, however, is overestimated as it also includes fees levied under the rules of the former regulation.

<sup>(5)</sup> Commission Regulation (EC) No 593/2007 of 31 May 2007 (OJ L 140, 1.6.2007, p. 3).

10. In one procurement procedure, the absence of clear and complete information on the award criteria and their respective weightings, on the one hand, and the financial evaluation method, on the other hand, led to a situation of non-transparency for the

bidders. In three other cases <sup>(1)</sup> the restricted procedure after a call for expressions of interest was applied although the overall value of the services to be awarded exceeded the threshold requiring an open procedure.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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<sup>(1)</sup> Approximate total value: 2,5 million euro over four years.



Table 1  
European Aviation Safety Agency (Cologne)

| Areas of Community competence deriving from the Treaty   | The Agency's powers as defined in Regulation (EC) No 1592/2002 of the Parliament and of the Council  |   | Governance   | Resources made available to the Agency in 2007<br>(Data for 2006)  | Products and services   |
|--|--|---|--|--|---|
| <p><b>Common transport policy:</b></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><b>Objectives</b></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><b>Measures to be adopted by the Agency</b></p> <ul style="list-style-type: none"> <li>— To issue opinions to the Commission.</li> <li>— To issue certification specifications, including airworthiness codes and acceptable means of compliance, and any guidance material for the application of Community policy.</li> <li>— To take decisions regarding airworthiness and environmental certification.</li> <li>— To conduct standardisation inspections of the competent authorities in the Member States.</li> <li>— To conduct the necessary investigations on company premises.</li> </ul> | <p>1. <b>The Management Board</b> consisting of one representative of each MemberState and one representative of the Commission, sets up an advisory body of interested parties.</p> <p>2. <b>The Executive Director</b> manages the Agency and is appointed by the Management Board on a proposal from the Commission.</p> <p>3. <b>The Board of Appeal</b> rules on the Agency's decisions concerning certification, fees, charges and checks at undertakings.</p> <p>4. <b>External control</b></p> <p>Court of Auditors.</p> <p>5. <b>Discharge authority</b></p> <p>Parliament acting on a recommendation of the Council.</p> | <p><b>Final budget</b></p> <p>Total budget: 72 (66,8) million euro, including:</p> <p>Revenue from fees and charges: 55,8 (33,2) million euro (65 %)</p> <p>Community subsidy: 26,5 (31,4) million euro (31 %)</p> <p>Contribution from the Federal Republic of Germany (Ministry of Transport) and City of Cologne: 0,3 (1,2) million euro.</p> <p><b>Staff at 31 December 2007</b></p> <p>467 (328) temporary staff in the establishment plan</p> <p>posts occupied: 333 (276)</p> <p>other staff: 29 (33) seconded national experts, contract and auxiliary staff</p> <p><b>Total staff</b></p> <p>362 (309) assigned to the following tasks:</p> <ul style="list-style-type: none"> <li>— operational: 277 (227)</li> <li>— administrative: 57 (57)</li> <li>— mixed: 28 (25)</li> </ul> | <p><b>Opinions</b></p> <p>5 opinions concerning amendments to Regulations (EC) No 1592/2002, (EC) No 1702/2003 and (EC) No 2042/2003.</p> <p><b>Rulemaking decisions</b></p> <p>17 amendments of certification: Specifications (15) and Acceptable Means of Compliance and Guidance Material (2).</p> <p><b>International cooperation</b></p> <ul style="list-style-type: none"> <li>— 7 Working Arrangements with China (5), New Zealand (1) and Albania (1).</li> <li>— Amendments to Working Arrangements with Interstate Aviation Committee (USA) and JCAB (Japan).</li> <li>— Memorandum of Understanding with COCESNA/ACSA.</li> </ul> <p><b>Certification decisions at 31 December 2007</b></p> <p>Type certificates: 29</p> <p>Supplementary type certificates: 879</p> <p>Airworthiness directives: 380</p> <p>European technical specifications: 198</p> <p>Acceptable means of compliance: 87</p> <p>Major changes: 1 193</p> <p>Minor changes: 2 655</p> <p>Major repairs: 245</p> <p>Minor repairs: 156</p> <p>Aircraft flight manual (AFM): 430</p> <p>Approval of flight conditions (PTF): 508</p> <p>Approval of design organisations: 429</p> <p>Approval of maintenance organisations (bilateral): 1 380</p> <p>Approval of maintenance organisations (foreign): 224</p> <p>Approval of maintenance training organisations: 24</p> <p>Approval of manufacturing organisations: 16</p> <p><b>Standardisation inspections (number of countries by type) at 31 December 2007</b></p> <p>In the field of maintenance (MAST): 28</p> <p>In the field of production (POAST): 12</p> |

Source: Information supplied by the Agency.

Table 2  
European Aviation Safety Agency (Cologne) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                                |  |                   | Expenditure                            |                             |               |               |               |              |  |               |              |
|--|--|-------------------|--|-----------------------------|---------------|---------------|---------------|--------------|--|---------------|--------------|
| Source of revenue                      | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure              | Final budget appropriations |               |               |               |              | Appropriation carried forward from the previous financial year |               |              |
|  |  |                   |  | entered                     | committed     | paid          | carried over  | cancelled    | available  | paid          | cancelled    |
| Own revenue                            | 42 800   | 40 967            | Title I<br>Staff                       | 33 624                      | 33 086        | 32 152        | 934           | 538          | 286  | 243           | 43           |
| Community subsidies                    | 26 530   | 26 530            |  |                             |               |               |               |              |  |               |              |
| Other subsidies and revenue            | 1 879  | 2 593             | Title II<br>Administration             | 9 819                       | 9 564         | 7 968         | 1 596         | 255          | 2 585  | 2 504         | 81           |
|  |  |                   | Title III<br>Operating activities      | 27 766                      | 27 155        | 9 956         | 17 199        | 611          | 16 381   | 14 238        | 2 143        |
| Assigned revenue from fees and charges | p.m.   | 14 865            | Assigned revenue from fees and charges | p.m.                        | 14 865        | 0             | 14 865        | 0            | 0  | 0             | 0            |
| Other assigned revenue                 | 836  | 326               | Other assigned revenue                 | 836                         | 326           | 326           | 500           | 10           | 0  | 0             | 0            |
| <b>Total</b>                           | <b>72 045</b>  | <b>85 281</b>     | <b>Total</b>                           | <b>72 045</b>               | <b>84 996</b> | <b>50 402</b> | <b>35 094</b> | <b>1 414</b> | <b>19 252</b>  | <b>16 985</b> | <b>2 267</b> |

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

Source: Information supplied by the Agency. These tables summarise the data supplied by the Agency in its financial statements.

Table 3

**European Aviation Safety Agency (Cologne) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Fees and charges   | 44 167        | 35 173        |
| Community subsidies  | 24 166        | 26 401        |
| Other subsidies  | 1 608         | 2 021         |
| Other revenue  | 559           | 340           |
| <b>Total (a)</b>   | <b>70 500</b> | <b>63 935</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 31 070        | 23 778        |
| Fixed asset related expenditure                                    | 1 392         | 573           |
| Other administrative expenditure                                   | 10 008        | 6 436         |
| Operational expenditure  | 22 360        | 27 798        |
| <b>Total (b)</b>   | <b>64 830</b> | <b>58 586</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>5 670</b>  | <b>5 349</b>  |
| Financial operations revenue (e)                                   | 605           | 263           |
| Financial operations expenditure (f)                               | 17            | 19            |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>588</b>    | <b>244</b>    |
| <b>Economic result for the year (h = c + g)</b>                    | <b>6 258</b>  | <b>5 593</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. These accounts are drawn up on an accrual basis.

Table 4

**European Aviation Safety Agency (Cologne) — Balance sheet at 31 December 2007 and 2006**

|                                 | (1 000 euro)  |               |
|---------------------------------|---------------|---------------|
|                                 | 2007          | 2006          |
| <b>Non-current assets</b>       |               |               |
| Intangible assets               | 274           | 268           |
| Tangible fixed assets           | 1 542         | 1 719         |
| <b>Current assets</b>           |               |               |
| Short-term prefinancing         | 0             | 0             |
| Stocks                          | 0             | 0             |
| Short-term receivables          | 21 820        | 13 881        |
| Cash and cash equivalents       | 36 659        | 24 056        |
| <b>Total assets</b>             | <b>60 295</b> | <b>39 924</b> |
| <b>Current liabilities</b>      |               |               |
| Provision for risks and charges | 797           | 639           |
| Accounts payable                | 44 618        | 30 663        |
| <b>Total liabilities</b>        | <b>45 415</b> | <b>31 302</b> |
| <b>Net assets</b>               | <b>14 880</b> | <b>8 622</b>  |
| <b>Reserves</b>                 |               |               |
| Accumulated surplus/deficit     | 8 622         | 3 029         |
| Economic result for the year    | 6 258         | 5 593         |
| <b>Net capital</b>              | <b>14 880</b> | <b>8 622</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. These accounts are drawn up on an accrual basis.

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**THE AGENCY'S REPLIES**

8. During the two first years of the implementation of the fees and charges regulations, the revenue of the Agency was insufficient to cover its forecasted overall costs. For the sake of prudence, the Agency decided to slow down recruitment. This was reflected in the Staff Policy Plan 2008-2010 which has been agreed with the Commission.

9. The year 2007 was a transition phase for which both old and new fees and charges regulations were applied. The calculation of the assigned revenue from fees and charges complies with Article 64(5) of the basic Regulation (EC) No 216/2008 that stipulates that fees collected in 2007 shall be assigned revenues. Indeed, the basic Regulation does not foresee that fees collected under the former regulation have to be excluded. The detail of the calculations was presented to the Budget Committee of the Management Board (28 May 2008).

10. The Agency is fully aware of the necessity to comply strictly with the procurement rules of the Commission. It will pay particular attention to clearly informing the potential bidders on the award criteria and their evaluation.

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**REPORT****on the annual accounts of the European Medicines Agency for the  
financial year 2007 together with the Agency's replies**

(2008/C 311/05)

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## INTRODUCTION

1. The European Medicines Agency (hereinafter 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 <sup>(1)</sup>. The Agency operates through a network and coordinates the scientific resources made available by the national authorities in order to ensure the evaluation and supervision of medicinal products for human or veterinary use.

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> 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 a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 214, 24.8.1993, p. 18 and OJ L 136, 30.4.2004, p. 1. Pursuant to the latter Regulation the Agency's original name, the European Agency for the Evaluation of Medicinal Products, was changed to the European Medicines Agency.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 15 June 2008 and received by the Court on 1 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's final budget for 2007 amounted to 163,1 million euro as compared with 138,7 million euro the previous year. Of the budget appropriations, 32 million euro were carried over and 4 million euro were cancelled. As in 2006, the high level of carry-overs for administrative expenditure, 18,9 million euro, was mainly due to the programme Telematics for the regulation of medical products. The Agency and the other parties involved in this programme must ensure better planning and monitoring of the implementation of the programme. This situation is at odds with the annuality principle. The Agency should consider using the differentiated appropriations system for the Telematics programme which is more suitable for the budgetary management of such programmes.

8. The audit of the tendering procedures showed weaknesses: insufficient justification of the chosen procedures <sup>(5)</sup> and inadequate evaluation methods for the price criteria <sup>(6)</sup>. In the case of a joint public procurement procedure with five other Agencies, the volume of the services to be procured had not been adequately identified. This resulted in difficulties in evaluating the cost of the bids as well as the need to review the volumes and values of the services to be procured. The Agency should aim to improve the quality of its public procurement procedures in order to address the issues highlighted above.

<sup>(5)</sup> Two cases.

<sup>(6)</sup> Three cases.

9. In its 2006 report <sup>(1)</sup>, the Court observed that the Agency had not performed a comprehensive analysis of the costs incurred by rapporteurs. The Management Board of the Agency has established a Costing Group which at the end of 2007 prepared a report on a generally accepted international costing methods

and a proposal for an alternative option for remunerating the rapporteurs. The Court welcomes the steps the Agency has made in order to address the issue of the evaluation of the costs and calls for further progress.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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<sup>(1)</sup> OJ C 309, 19.12.2007, p. 34.

Table 1  
European Medicines Agency (London)

| Areas of Community competence deriving from the Treaty   | Competences of the Agency as defined in Regulation (EC) No 726/2004 of the European Parliament and of the Council   |  | Governance  | Resources made available to the Agency in 2007<br>(Data for 2006)   | Products and Services in 2007<br>(Data for 2006)  |
|--|---|--|---|---|---|
| <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><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— 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.</li> <li>— To provide the Member States and the institutions of the European Union with scientific advice on medicinal products for human or veterinary use.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To coordinate the scientific evaluation of medicinal products which are subject to Community marketing authorisation procedures.</li> <li>— To coordinate the supervision of medicinal products which have been authorised within the Community (pharmacovigilance).</li> <li>— To advise on the maximum limits for residues of veterinary medicinal products which may be accepted in foodstuffs of animal origin.</li> <li>— To coordinate verification of compliance with the principles of good manufacturing practice, good laboratory practice and good clinical practice.</li> <li>— To record the status of marketing authorisations granted for medicinal products.</li> </ul> | <ol style="list-style-type: none"> <li>1. <b>The Committee for Medicinal Products for Human Use</b>, consisting of one member and one alternate from each Member State, advises on any question relating to the evaluation of medicinal products for human use.</li> <li>2. <b>The Committee for Medicinal Products for Veterinary Use</b>, consisting of one member and one alternate from each Member State, advises on any question relating to the evaluation of veterinary medicinal products.</li> <li>3. <b>The Committee for Orphan Medicinal Products</b>, consisting of one member and one alternate from each Member State, advises on any question relating to the evaluation of orphan medicinal products.</li> <li>4. <b>The Committee on Herbal Medicinal Products</b>, consisting of one member and one alternate from each Member State, advises on any question relating to the evaluation of herbal medicinal products.</li> <li>5. <b>The Paediatric Committee</b>, consisting of five members with their alternates of the Committee for Medicinal Products for Human Use, one member and one alternate from each Member State, six members and alternates representing healthcare professionals and patients' associations, responsible for the scientific assessment and agreement of paediatric investigation plans and for the system of waivers and deferrals thereof.</li> <li>6. <b>The Management Board</b> consists of one member and one alternate from each Member State, two representatives of the Commission, two representatives appointed by the European Parliament, two representatives from patients' organisations, one representative from doctors' organisations and one representative from veterinarians' organisations. The Board adopts the work programme and the annual report.</li> <li>7. <b>The Executive Director</b> is appointed by the Management Board on a proposal from the Commission.</li> <li>8. <b>External audit</b><br/>Court of Auditors.</li> <li>9. <b>Discharge authority</b><br/>Parliament acting on recommendation of the Council.</li> </ol> | <p><b>Final budget for 2007:</b></p> <p>163,1 million euro (138,7 million euro)</p> <p>Community contribution (excluding subsidy for orphan medicines): 24,3 % (21,6 %)</p> <p><b>Staff numbers at 31 December 2007:</b></p> <p>441 (424) posts provided for in the establishment plan</p> <p>Posts occupied: 422 (395)</p> <p>95 (77) other staff (auxiliary agents, contract agents seconded national experts, employment agency staff)</p> <p><i>Total staff:</i></p> <p>518 (472)</p> <p>Assigned to the following duties:</p> <p>Operational: 444 (406)</p> <p>Administrative: 74 (66)</p> | <p><b>Medicinal Products for Human Use</b></p> <ul style="list-style-type: none"> <li>— Applications for marketing authorisations: 91 (79);</li> <li>— Favourable opinions: 58 (51);</li> <li>— Average evaluation time: 171 days (171 days);</li> <li>— Opinions after authorisation: 1 899 (1 380);</li> <li>— Pharmacovigilance: 150 188 reports (94 081 reports);</li> <li>— Periodic safety update reports: 313 (273);</li> <li>— Scientific opinions: 215 (193);</li> <li>— Procedures for mutual recognition: 10 932 (9 241);</li> <li>— Applications for paediatric investigation plans: 85 (0) relating to 202 (0) indications.</li> </ul> <p><b>Medicinal Products for Veterinary Use</b></p> <ul style="list-style-type: none"> <li>— New applications: 14 (5);</li> <li>— Applications in respect of variants: 100 (56);</li> <li>— Inspections: 185 (128).</li> </ul> <p><b>Orphan Medicinal Products</b></p> <ul style="list-style-type: none"> <li>— Applications: 125 (104);</li> <li>— Favourable opinions: 97 (81).</li> </ul> <p><b>SMEs</b></p> <ul style="list-style-type: none"> <li>— Requests for SME status 212 (145);</li> <li>— Applications for fee reduction or deferrals 81.</li> </ul> |

Source: Information supplied by the Agency.



Table 2  
European Medicines Agency (London) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                   | Expenditure                       |                             |                |                |               |              |   |               |              |
|---------------------|--|-------------------|-----------------------------------|-----------------------------|----------------|----------------|---------------|--------------|---|---------------|--------------|
| Source of revenue   | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure         | Final budget appropriations |                |                |               |              | Appropriations carried over from previous year(s) |               |              |
|                     |  |                   |                                   | entered                     | committed      | paid           | carried over  | cancelled    | entered   | paid          | cancelled    |
| Own revenue         | 113 659  | 116 799           | Title I<br>Staff                  | 51 132                      | 49 871         | 49 107         | 764           | 1 261        | 767   | 661           | 106          |
| Community subsidies | 40 548   | 40 548            |                                   |                             |                |                |               |              |   |               |              |
| Other subsidies     | 6 706  | 5 475             | Title II<br>Administration        | 47 198                      | 44 758         | 25 863         | 18 895        | 2 440        | 15 061  | 14 360        | 701          |
| Other revenue       | 2 200  | 2 467             | Title III<br>Operating activities | 64 783                      | 64 497         | 52 118         | 12 379        | 286          | 13 585  | 13 257        | 328          |
| <b>Total</b>        | <b>163 113</b>   | <b>165 289</b>    | <b>Total</b>                      | <b>163 113</b>              | <b>159 126</b> | <b>127 088</b> | <b>32 038</b> | <b>3 987</b> | <b>29 413</b>                                     | <b>28 278</b> | <b>1 135</b> |

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

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

## European Medicines Agency (London) — Economic outturn account for the financial years 2007 and 2006

(1 000 euro)

|  | 2007           | 2006           |
|--|----------------|----------------|
| <b>Operating revenue</b>                                       |                |                |
| Fees and other revenue   | 120 305        | 119 039        |
| Community subsidies  | 41 144         | 31 503         |
| <b>Total (a)</b>   | <b>161 449</b> | <b>150 542</b> |
| <b>Operating expenses</b>                                      |                |                |
| Staff expenses   | 50 165         | 45 150         |
| Other administrative expenses                                  | 33 513         | 26 607         |
| Operational expenses   | 67 402         | 63 437         |
| <b>Total (b)</b>   | <b>151 080</b> | <b>135 194</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b> | <b>10 369</b>  | <b>15 348</b>  |
| Financial operations revenue (e)                               | – 1 188        | 1 433          |
| <b>Surplus/(deficit) from non-operating activities (f = e)</b> | <b>– 1 188</b> | <b>1 433</b>   |
| <b>Economic result for the year (g = c + f)</b>                | <b>9 181</b>   | <b>16 781</b>  |

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

Table 4

## European Medicines Agency (London) — Balance sheet at 31 December 2007 and 2006

(1 000 euro)

|                                  | 2007          | 2006          |
|----------------------------------|---------------|---------------|
| <b>Non-current assets</b>        |               |               |
| Intangible fixed assets          | 17 973        | 14 889        |
| Tangible fixed assets            | 12 673        | 6 695         |
| <b>Current assets</b>            |               |               |
| Short-term receivables           | 32 036        | 26 045        |
| Cash and cash equivalents        | 34 318        | 37 508        |
| <b>Total assets</b>              | <b>97 000</b> | <b>85 138</b> |
| <b>Current liabilities</b>       |               |               |
| Provisions for risks and charges | 2 909         | 2 699         |
| Accounts payable                 | 41 021        | 38 550        |
| <b>Total liabilities</b>         | <b>43 930</b> | <b>41 249</b> |
| <b>Net assets</b>                | <b>53 070</b> | <b>43 889</b> |
| <b>Reserves</b>                  |               |               |
| Accumulated surplus/deficit      | 43 889        | 27 109        |
| Economic result for the year     | 9 181         | 16 781        |
| <b>Net capital</b>               | <b>53 070</b> | <b>43 889</b> |

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

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**THE AGENCY'S REPLIES**

7. The Agency takes note of the Court's observations. Reference is made to the particular difficulties in complying fully with the annuality principle when it comes to the implementation of multi-annual and multinational Telematics programmes, and also, to strictly observe the requirements of sound financial management. The Agency commits itself to make every effort to reduce the level of carry-overs and to consider the proposal of applying differentiated appropriations.

8. The Agency has established a formula for the objective evaluation of price as an award criteria, with effect from 17 March 2008.

In the case of the joint public procurement procedure with five other agencies, the original estimate had to be revalued due to the technological advances that occurred between the definition of the services to be provided and the effective launch of the procurement procedure. The Agency commits itself to make every effort to increase the quality of its public procurement procedures.

9. The Agency notes that the Court welcomes the progress the Agency has made. At its meeting of 12 June 2008 the Management Board endorsed the proposal to implement a pilot phase in order to introduce a new remuneration system for (co)rapporteurs after the pilot phase by the end of 2009.

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**REPORT****on the annual accounts of the European Agency for the Management of  
Operational Cooperation at the External Borders of the Member States  
for the financial year 2007 together with the Agency's replies**

(2008/C 311/06)

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## INTRODUCTION

1. The European Agency for the Management of Operational Cooperation at the External Borders of the Member States (hereinafter referred to as the Agency) was created by Regulation (EC) No 2007/2004 of the Council of 26 October 2004 <sup>(1)</sup>. The Agency's main task is to coordinate Member States' activities in the field of management of external borders (support for operational cooperation, technical and operational assistance, risk analysis).

2. *Table 1* summarises the Agency's competences and activities. Key data taken from the financial statements drawn up by the Agency for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Executive Director, pursuant to Article 30 of Regulation (EC) No 2007/2004, and sent to the Court, which is required to give a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable.

<sup>(1)</sup> OJ L 349, 25.11.2004, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 13 June 2008 and received by the Court on 27 June 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

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

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

Without qualifying the above statements the Court draws attention to the observation in paragraph 8.

## OBSERVATIONS

7. Frontex's 2007 budget amounted to 42,1 million euro, as compared with 19,2 million euro for the previous year. This large increase was the result of 19,9 million euro being added to the initial budget of 22,2 million euro by the budget authorities in August 2007. The main expenses for operating activities concerned the coordination of joint operations regarding land, sea and air borders, risk assessments and training. The Agency's budget is mainly financed by subsidies from the Commission. 38,4 million euro of the 2007 commitment appropriations were consumed, including 13,3 million euro that were paid out and 22,4 million euro that were carried over. Non-automatic carry-overs amounted to 0,3 million euro. Unused appropriations of 6,4 million euro were cancelled. The appropriations carried over from the preceding year amounted to 11,8 million euro and 4,7 million euro of these were cancelled. Overall, nearly 70 % of the appropriations available for 2007 were not spent. This high level of carry-overs and cancellations indicates significant weaknesses in the programming and monitoring of the Agency's activities.

8. Commitments carried over to 2008 pertaining to grant agreements linked to operational activities (Title III) amounted to 18,4 million euro. A substantial part of these commitments were made on the basis of excessive costs estimations <sup>(5)</sup>. As a consequence, it is likely that the budgetary surplus to be reimbursed to the Commission disclosed in the balance-sheet at the end of the year is understated. The financial impact, however, cannot be quantified with sufficient precision until the grant agreements concerned are closed.

9. Other reasons for the increase in carry-overs were that the partner countries were often very late in sending their final requests for reimbursement and that the Agency encountered difficulties in meeting payment deadlines.

<sup>(5)</sup> For 11 grant agreements closed in 2007, the Court estimated that the costs were overestimated by 30 % in average. The commitments carried over to 2008 could therefore be overestimated by an amount of approximately 5,5 million euro.

10. The high amount of cash detained by the Agency stays unused on excessively low interest bearing bank accounts <sup>(1)</sup> as no treasury management policy exists.

11. An analysis of the Register of exceptions <sup>(2)</sup> clearly shows recurrent problems in the Agency's commitment system. Budgetary commitments were made after legal commitments (25 cases with a total amount of 1,5 million euro) and grant agreements

with the partner countries were signed for actions already started or even closed (33 exceptions for a total amount of 8,6 million euro).

12. The rules applied for the implementing measures to the Staff Regulations concerning the minimum number of years of experience required for a given position differ from those agreed between the Agencies and the European Commission <sup>(3)</sup>. This was at odds with the principle of equal treatment.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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<sup>(1)</sup> The funds are not only unused but also largely unproductive as they are placed on an account bearing only 0,7 % interest.

<sup>(2)</sup> The Agency introduced the Register of Exceptions on 1 April 2007. The first entry was made on 30 May 2007. At 31 December 2007, the Register contains 64 exceptions linked to the operational activities.

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<sup>(3)</sup> As laid down in Article 110 of the Staff Regulations. For example, only 8 years of experience is required by the Agency for an AD 10 post whilst in all other Agencies 12 years is the norm.

Table 1

## The European Agency for the Management of Operational Cooperation at the External Borders — Frontex (Warsaw)

| Areas of Community competence deriving from the Treaty   | Competences of the Agency as defined in Council Regulation (EC) No 2007/2004   |   | Governance   | Resources made available to the Agency in 2007 (2006)   | Products and services supplied in 2007  |
|--|--|---|--|---|---|
| <p>The Community policy in this area aims at developing common standards and procedures with regard to carrying out checks on persons crossing the external borders of the Member States; furthermore measures should be taken to ensure cooperation between the relevant departments of the administrations of the Member States in the areas covered by this title, as well as between the Member States and the Commission.</p> <p>(Articles 62(2)(a) and 66 of the Treaty)</p> | <p><b>Objectives</b></p> <p>Frontex was established with a view to improving the integrated management of the external borders of the Member States of the EU.</p> <p>Frontex must:</p> <p>(a) facilitate and render more effective the application of existing and future Community measures relating to the management of external borders.</p> <p>(b) ensure the coordination of Member States' actions in the implementation of those measures, thereby contributing to an efficient, high and uniform level of control on persons and surveillance of the external borders of the Member States.</p> <p>(c) provide the Commission and the Member States with the necessary technical support and expertise in the management of the external borders and promote solidarity between Member States.</p> | <p><b>Main tasks:</b></p> <p>(1) to coordinate operational cooperation between Member States in the field of management of external borders;</p> <p>(2) to assist Member States on training of national border guards and establish common training standards;</p> <p>(3) to carry out risk analysis;</p> <p>(4) to follow up on the development of research in control and surveillance;</p> <p>(5) to assist Member States in circumstances requiring increased technical and operational assistance;</p> <p>(6) to provide Member States with the necessary support in organising joint return operations.</p> | <p><b>1. Management Board</b></p> <p><i>Composed of:</i></p> <ul style="list-style-type: none"> <li>— One representative from each Member State;</li> <li>— Two representatives from the Commission;</li> <li>— One representative per Schengen associated country (Norway, Iceland) with a limited right to vote.</li> </ul> <p><b>2. Executive Director</b></p> <p>Appointed, on a proposal by the Commission, by the Management Board.</p> <p><b>3. External audit</b></p> <p>European Court of Auditors.</p> <p><b>4. Discharge authority</b></p> <p>Parliament acting on recommendation from the Council.</p> | <p><b>Final budget for 2007</b></p> <p>42,2 (19,2) million euro</p> <p>Community contribution:</p> <p>40,1 million euro or 97,2 % (18,9 million euro or 98,8 %)</p> <p>Contribution from the UK &amp; IE:</p> <p>0,8 million euro or 1,9 % (0,2 million euro or 1,2 %)</p> <p>Contribution from SAC:</p> <p>0,9 million euro or 2,1 %</p> <p><b>Staff numbers at 31 December 2007</b></p> <p>In the Establishment Plan: 49 (28)</p> <p>Temporary staff 48 (25)</p> <p><i>Total staff number:</i> 132 (72)</p> <p>+ 84 (47) other staff (seconded national experts, contract staff, auxiliaries).</p> <p>Assigned to the following tasks:</p> <ul style="list-style-type: none"> <li>— operational: 103 (43)</li> <li>— administrative: 29 (29)</li> </ul> | <p><b>Risk analysis:</b></p> <p>2 General/Annual Assessments were produced;</p> <p>21 Tailored Assessments were finalised or are due to be finalised by end Q1 2008;</p> <p>40 Analytical ex-ante assessments of Frontex Joint Operations were issued;</p> <p>2 Law Enforcement and 3 public bulletins were produced.</p> <p>The system for regular exchange of information (Incident Reporting System-IRS, Monthly Analytical Reports and Monthly Statistical reports) within Frontex Risk Analysis Network was launched.</p> <p><b>Operational cooperation:</b></p> <p>25 Frontex coordinated joint operations were held; 7 Pilot projects were launched.</p> <p><b>Assistance to the MS':</b></p> <p>Frontex assisted Member States in 10 of their return operations on their request and coordinated and co-financed 9 return operations of Member States.</p> <p><b>Assistance return operations:</b></p> <p>Frontex coordinated and co-financed 9 return operations of Member States.</p> <p><b>Training:</b></p> <p>Within the framework of 13 projects 39 meetings were held or co-financed. During 38 training sessions of different durations, 600 border guards of different level were trained.</p> |

| Areas of Community competence deriving from the Treaty | Competences of the Agency as defined in Council Regulation (EC) No 2007/2004 |  | Governance | Resources made available to the Agency in 2007 (2006) | Products and services supplied in 2007  |
|--|--|--|------------|---|---|
|  |  |  |            |   | <p><b>Research &amp; development:</b></p> <p>8 reports and bulletins were published;</p> <p>5 workshops on R&amp;D issues were held;</p> <p>9 projects were initiated; some of them are still ongoing;</p> <p>18 meeting, conferences, or seminars were attended.</p> <p><b>Cooperation with non-EU partner countries:</b></p> <p>The Management Board mandated Frontex to negotiate working arrangements with 5 countries (the former Yugoslav Republic of Macedonia, Cape Verde, Egypt, Moldavia, Georgia);</p> <p>Working arrangement with Ukraine was signed;</p> <p>Involvement of Russia and Ukraine in 2 IBM seminars;</p> <p>Ukraine was involved in 5 Frontex pilot projects.</p> <p><b>Cooperation with Europol's and other relevant organisations:</b></p> <p>Frontex contributed to Europol's 'Organised Crime Threat Assessment' ('OCTA').</p> <p>The established working level cooperation with numerous organisations (e.g. IOM, UNHCR, OLAF, Eurojust) was further maintained and utilized.</p> |

Source: Information submitted by the Agency.



Table 2

## Frontex- European Agency for the Management of Operational Cooperation at the External Borders (Warsaw) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                   | Expenditure                       |                             |               |               |                      |                    |  |              |              |
|---------------------|--|-------------------|-----------------------------------|-----------------------------|---------------|---------------|----------------------|--------------------|--|--------------|--------------|
| Source 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 |              |              |
|                     |  |                   |                                   | final                       | committed     | paid          | carried over         | cancelled          | available  | paid         | cancelled    |
| Community subsidies | 40 980   | 40 991            | Title I<br>Staff                  | 9 387                       | 7 767         | 6 332         | 1 435                | 1 620              | 1 065  | 417          | 648          |
| Other subsidies     | 1 170  | 820               | Title II<br>Administration        | 5 267                       | 4 018         | 1 765         | 2 593 <sup>(1)</sup> | 909 <sup>(1)</sup> | 931  | 726          | 205          |
| Other revenue       | p.m.   | 9                 | Title III<br>Operating activities | 27 496                      | 26 599        | 5 214         | 18 399               | 3 884              | 9 778  | 5 942        | 3 836        |
| <b>Total</b>        | <b>42 150</b>  | <b>41 820</b>     | <b>Total</b>                      | <b>42 150</b>               | <b>38 384</b> | <b>13 312</b> | <b>22 426</b>        | <b>6 413</b>       | <b>11 774</b>  | <b>7 085</b> | <b>4 689</b> |

<sup>(1)</sup> Includes non-automatic carry-overs of 340 000 euro.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**The European Agency for the Management of Operational Cooperation at the External Borders (Warsaw) —  
Economic outturn account for the financial year 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 30 439        | 15 129        |
| Contribution from countries                                      | 1 738         | 226           |
| Miscellaneous  | 127           | 26            |
| <b>Total (a)</b>   | <b>32 304</b> | <b>15 381</b> |
| <b>Operating expenditure</b>                                     |               |               |
| Staff expenditure  | 4 090         | 860           |
| Fixed asset-related expenditure                                  | 78            | 7             |
| Other administrative expenditure                                 | 4 931         | 613           |
| Operational expenditure  | 20 887        | 4 349         |
| <b>Total (b)</b>   | <b>29 986</b> | <b>5 829</b>  |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>   | <b>2 318</b>  | <b>9 552</b>  |
| Financial operations expenditure (d)                             | 1             | 5             |
| <b>Surplus/(deficit) from non-operating activities (e = – d)</b> | <b>– 1</b>    | <b>– 5</b>    |
| <b>Economic result for the year (f = c + e)</b>                  | <b>2 317</b>  | <b>9 547</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**The European Agency for the Management of Operational Cooperation at the External Borders (Warsaw) —  
Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro)  |               |
|----------------------------------|---------------|---------------|
|                                  | 2007          | 2006          |
| <b>Non-current assets</b>        |               |               |
| Intangible fixed assets          | 103           | 0             |
| Tangible fixed assets            | 588           | 31            |
| <b>Current assets</b>            |               |               |
| Short-term prefinancing          | 40            | 0             |
| Short-term receivables           | 1 457         | 75            |
| Cash and cash equivalents        | 32 637        | 14 236        |
| <b>Total assets</b>              | <b>34 825</b> | <b>14 342</b> |
| <b>Current liabilities</b>       |               |               |
| Provisions for risks and charges | 75            | 84            |
| Accounts payable                 | 22 886        | 4 711         |
| <b>Total liabilities</b>         | <b>22 961</b> | <b>4 795</b>  |
| <b>Net assets</b>                | <b>11 864</b> | <b>9 547</b>  |
| <b>Reserve</b>                   |               |               |
| Accumulated surplus/deficit      | 9 547         | 0             |
| Economic result for the year     | 2 317         | 9 547         |
| <b>Net capital</b>               | <b>11 864</b> | <b>9 547</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

## THE AGENCY'S REPLIES

7. The 19,9 million euro increase of the budget is based on two amendments:
- (1) 12,8 million euro of the initial budget were frozen by the Budget Authority and were effectively made available in June 2007 only; and thus commitments were only possible in the second half of 2007.
  - (2) 7 million euro were made available by the Commission in June 2007 in order to be used especially for Sea Border operations. As these operations require the availability of vessels and aircrafts from Member States and, due to their complexity, oblige to an important and time consuming effort of coordination, commitments could only be made late in 2007.

This situation affected the volume of payments in 2007 and led to significant carry-overs.

However, the Agency underlines that the monitoring of the expenditure has improved significantly in 2007. Monthly budget implementation reports have been prepared and are distributed to the management.

8. The estimation of costs is a complex issue and a stricter budget management is going to be implemented to solve this problem. Frontex started to build up the centralised record for technical equipment (CRATE). This record lists equipment from Member States that can be used during joint operations and is linked to a common cost calculation method (REM). The REM concept will be used and assessed during 2008/2009 and shall lead to a more efficient use of the budgetary allocation. In addition Frontex started to introduce phases into its long term operations, aiming to ease the budget management.

9. Frontex and Member States have agreed in the Framework Partnership Agreement (FPA) that the Member State will send in claims for reimbursement within 45 days after the action has ended. However, given the difficulties of Member States to collect all invoices in due time, the Agency does not refuse payment in case a claim is received later than 45 days. The Executive Director made the members of the Management Board repeatedly aware of this problem during their meetings.

Since early 2008, reminders are sent systematically to participating Member States.

Starting mid 2008 Frontex will distribute to all Member States on a monthly basis an overview of all the payments.

In addition, Frontex units/sectors are informed on a monthly basis on pending invoices.

10. The Agency will try to re-negotiate with its bank the conditions and examine if other banks may offer better conditions.

11. As the development until the end of June 2008 showed no improvements in absolute numbers of exceptions reported, an action plan was developed; this action plan is aiming at improving the situation by e.g. setting deadlines to Member States for forwarding to the agency budget estimation on their co-financing to establish the final amount for grants in order to avoid ex-post signatures. Other measures envisaged are the setting up of a commitment monitoring system for Project managers and eventually the use of an IT supported tool.

12. The Agency applied the principles in analogy with Article 31, paragraph 2 of the Staff Regulations which stipulates that in order to address specific needs of the Institutions, labor market conditions prevailing in the Community may also be taken into account when recruiting.

The Agency must attract highly qualified specialists in various fields and particular in law enforcement and therefore needs to offer an attractive grading and salary for the posts in question taking into account the negative impact of the correction coefficient for salaries applied for Poland.

**REPORT****on the annual accounts of the European Agency for Reconstruction for  
the financial year 2007 together with the Agency's replies**

(2008/C 311/07)

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## INTRODUCTION

1. The European Agency for Reconstruction (hereinafter the Agency) was established by Council Regulation (EC) No 1628/96 <sup>(1)</sup>, as last amended by Council Regulation (EC) No 1756/2006 of 28 November 2006 <sup>(2)</sup>. When it was set up in 2000, the Agency was responsible for managing the EU's aid programmes in Kosovo. Its mandate was later extended to 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. Its mandate is scheduled to end on 31 December 2008.

2. *Table 1* summarises the Agency's competences and activities. Key data taken from the financial statements drawn up by the Agency for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(3)</sup>. 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 2007 <sup>(4)</sup> were drawn up by its Director, pursuant to Article 8(2) of Council Regulation (EC) No 2667/2000 <sup>(5)</sup>, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(6)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 204, 14.8.1996, p. 1.

<sup>(2)</sup> OJ L 332, 30.11.2006, p. 18.

<sup>(3)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(4)</sup> These accounts were drawn up on 10 July 2008 and received by the Court on 16 July 2008.

<sup>(5)</sup> OJ L 306, 7.12.2000, p. 7.

<sup>(6)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the statement set out below:

### ***Reliability of the accounts***

The Agency's accounts for the financial year ended 31 December 2007 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 statement into question.

## OBSERVATIONS

7. The Agency's 2007 budget amounted to 250,2 million euro, as compared with 268,8 million euro for the previous year. Although the rate of implementation of the budget at year end was satisfactory, they were still unused budgetary appropriations (453 million euro) for operating activities: 163 million euro yet to commit and 290 million euro to cover payments on existing commitments. Due to the multiannual character of the Agency's activities, part of these amounts will have to be implemented in the years beyond 2008 which is the last year of existence of the Agency.

8. The Agency's mandate expires on 31 December 2008. On 24 April 2008 the European Commission adopted a Decision concerning the handover of programmes previously delegated to the Agency and on 11 June 2008 issued an instruction and guidance note on the transfer of programme/contract files. This guidance note does not cover all items on the Agency's Balance Sheet. To formalise the transfer of all programmes and items a Memorandum of Understanding should be signed between the Agency and the Commission and endorsed by the Agency's Governing Board. This Memorandum will facilitate the transfer of items and ensure that they are reflected correctly on the Agency's accounts.

9. The accumulated surplus of 180 million euro shown on the Balance Sheet at 31 December 2007 mostly reflected the funds received from the Commission for the pre-financing

payments made by the Agency under contracts and grant agreements. These will also have to be taken over and managed by the European Commission at the end of the Agency's mandate.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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Table 1

## European Agency for Reconstruction (Thessaloniki)

| Areas of Community competence deriving from the Treaty  | Competences of the Agency as defined in Council Regulation (EC) No 2667/2000 of 5 December 2000  |  |  | Governance   | Resources available to the Agency in 2007 (2006)   | Activities and services provided in 2007   |
|---|--|--|--|--|--|--|
| <p>The Community shall carry out, within its spheres of competence, economic, financial and technical cooperation measures with third countries. Such measures must be complementary to those carried out by the Member States and consistent with the development policy of the Community.</p> <p>(Article 181a)</p> | <p><b>Objectives</b></p> <p>To provide EU assistance:</p> <p>(i) for reconstruction and 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><b>Application</b></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 may 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><b>Tasks</b></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><b>1. Governing Board</b></p> <p>Comprises one representative from each Member State, two representatives from the Commission and an observer from the European Investment Bank.</p> <p><b>2. Director</b></p> <p>Appointed by the Governing Board on a proposal from the Commission. Operational Centres in Belgrade, Pristina, Podgorica and Skopje with a high level of management autonomy.</p> <p><b>3. External control</b></p> <p>Court of Auditors.</p> <p><b>4. Discharge Authority</b></p> <p>The Parliament following a recommendation from the Council.</p> | <p><b>Final Budget:</b></p> <p>250,2 million euro (268,8 million euro)</p> <p><b>Staff at 31 December 2007:</b></p> <p>108 (108) TA posts listed in the establishment plan</p> <p>TA posts occupied: 83 (90)</p> <p>Other posts:</p> <p>Local staff: 165 (164) posts of which 154 (157) were occupied.</p> <p>Contract staff: 29(29) posts of which 27 (26) were occupied.</p> <p>Total staff: 264 (273)</p> <p>Responsible for</p> <p>Operational tasks: 163 (171)</p> <p>Administrative tasks: 101 (102)</p> | <p><b>By operational centre (main developments):</b></p> <p><b>KOSOVO:</b></p> <p>(a) Social economic development assistance to minority communities;</p> <p>(b) Support for civil society and the media;</p> <p>(c) Support to the ministries of Justice, Internal Affairs, Local Government, Trade and Industry, Agriculture, Energy and to border management bodies and municipalities;</p> <p>(d) Capacity building of Agency for European Integration and advice on EU compatibility and participation in the SAP;</p> <p>(e) Drafting of public procurement law, and support for developing a public investment programme;</p> <p>(f) Incorporation of publicly owned utilities;</p> <p>(g) Sustainable forest management and land utilisation;</p> <p>(h) Livestock breeding and development of food safety control systems;</p> <p>(i) Support for the energy, environment, professional training, transport sectors.</p> <p><b>SERBIA:</b></p> <p>(a) Draft laws in public administration reform;</p> <p>(b) Supply of equipment and support to the police and the border police; support for Juvenile Detention Centres;</p> <p>(c) Introduction of capitation payment in state primary health care facilities;</p> <p>(d) Support for privatisation and training support for enterprises;</p> |

| Areas of Community competence deriving from the Treaty | Competences of the Agency as defined in Council Regulation (EC) No 2667/2000 of 5 December 2000 |  |  | Governance | Resources available to the Agency in 2007 (2006) | Activities and services provided in 2007  |
|--|---|--|--|------------|--|---|
|  |   |  |  |            |  | <p>(e) Support for the facilitation of FDIs;</p> <p>(f) Support for vulnerable groups including refugees and displaced persons;</p> <p>(g) District Heating renovation and modernisation;</p> <p><b>MONTENEGRO:</b></p> <p>(a) Support for refugee and IDP integration and support to civil society organisations;</p> <p>(b) Strengthen environmental management;</p> <p>(c) Upgrade road infrastructure in coastal areas;</p> <p>(d) Assist Public Administration Reform: police and prison reform;</p> <p>(e) Electricity utility unbundling/restructuring, energy efficiency strategy;</p> <p>(f) Providing management expertise to companies;</p> <p>(g) Animal identification and registration system and fishery resource management;</p> <p><b>FORMER YUGOSLAV REPUBLIC OF MACEDONIA:</b></p> <p>(a) Twinning support on Money Laundering, Corruption and Organised Crime, Statistics, Air Quality, Financial Control;</p> <p>(b) Completing the establishment of the National Animal Identification System;</p> <p>(c) Fostering performance of SMEs and development of Human Resource Development Fund; elaborating a National Transport Strategy;</p> <p>(d) Support for civil society organisations and municipalities;</p> <p>(e) Support for the elimination of industrial hotspots, municipal waste water management and healthcare risk waste management;</p> <p>(f) Support for the programming of the Pre-accession Assistance Instrument;</p> <p>(g) Support for the implementation of professional standards in prison administrations.</p> |

Source: Information submitted by the Agency.



Table 2

## European Agency for Reconstruction (Thessaloniki) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue            |  |                   | Expenditure                    |                             |               |               |               |              |  |                |                |                |              |   |                |                |                |              |
|--------------------|--|-------------------|--------------------------------|-----------------------------|---------------|---------------|---------------|--------------|--|----------------|----------------|----------------|--------------|---|----------------|----------------|----------------|--------------|
| Source 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 (from financial year plus previous year) |                |                |                |              |
|                    |  |                   |                                | Entered                     | Committed     | Paid          | Carried over  | Cancelled    | Available  | Committed      | Paid           | Carried over   | Cancelled    | Entered   | Committed      | Paid           | Carried over   | Cancelled    |
| Commission subsidy | 24 559   | 23 960            | Title I Staff                  | 18 702                      | 17 869        | 17 540        | 330           | 832          | 187  | 0              | 133            |                | 54           | 18 889  | 17 869         | 17 673         | 330            | 886          |
| Other revenue      | p.m.   | 4 743             | Title II Administration        | 5 857                       | 4 768         | 4 299         | 469           | 1 089        | 507  | 0              | 471            |                | 36           | 6 364   | 4 768          | 4 770          | 469            | 1 125        |
| Earmarked revenue  | 225 642  | 222 461           | Title III Operating activities | 13 727                      | 3 031         | 120           | 13 607        | 0            | 678 806  | 276 086        | 236 172        | 439 217        | 3 417        | 692 533   | 279 117        | 236 292        | 452 824        | 3 417        |
| <b>Total</b>       | <b>250 201</b>   | <b>251 164</b>    | <b>Total</b>                   | <b>38 286</b>               | <b>25 668</b> | <b>21 959</b> | <b>14 406</b> | <b>1 921</b> | <b>679 500</b>   | <b>276 086</b> | <b>236 776</b> | <b>439 217</b> | <b>3 507</b> | <b>717 786</b>  | <b>301 754</b> | <b>258 735</b> | <b>453 623</b> | <b>5 428</b> |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Agency for Reconstruction (Thessaloniki) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)   |                |
|--|----------------|----------------|
|  | 2007           | 2006           |
| <b>Operating revenue</b>   |                |                |
| Community subsidies  | 255 537        | 273 192        |
| Other revenue  | 1 243          | 239            |
| <b>Total (a)</b>   | <b>256 780</b> | <b>273 432</b> |
| <b>Operating expenses</b>  |                |                |
| Staff expenditure  | 16 724         | 16 164         |
| Fixed asset-related expenses                                     | 412            | 581            |
| Other administrative expenses                                    | 5 454          | 5 510          |
| Operational expenditure  | 225 568        | 247 509        |
| <b>Total (b)</b>   | <b>248 158</b> | <b>269 764</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>   | <b>8 622</b>   | <b>3 668</b>   |
| Financial expenditure (d)  | 36             | 25             |
| <b>Surplus/(deficit) from non operating activities (e = – d)</b> | <b>– 36</b>    | <b>– 25</b>    |
| <b>Economic result for the year (f = c + e)</b>                  | <b>8 586</b>   | <b>3 643</b>   |

Source: Data supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts. These accounts are drawn up on an accrual basis.

Table 4

**European Agency for Reconstruction (Thessaloniki) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro)   |                |
|----------------------------------|----------------|----------------|
|                                  | 2007           | 2006           |
| <b>Non-current assets</b>        |                |                |
| Intangible fixed assets          | 41             | 70             |
| Tangible fixed assets            | 529            | 743            |
| Long-term receivables            | 3 618          | 10 175         |
| <b>Current assets</b>            |                |                |
| Short-term pre-financing         | 179 810        | 166 885        |
| Short-term receivables           | 30 329         | 24 562         |
| Cash and cash equivalents        | 41 499         | 51 991         |
| <b>Total assets</b>              | <b>255 826</b> | <b>254 425</b> |
| <b>Current liabilities</b>       |                |                |
| Provisions for risks and charges | 1 189          | 1 986          |
| Accounts payable                 | 79 108         | 85 496         |
| <b>Total liabilities</b>         | <b>80 297</b>  | <b>87 482</b>  |
| <b>Net assets</b>                | <b>175 529</b> | <b>166 943</b> |
| <b>Reserve</b>                   |                |                |
| Accumulated surplus/deficit      | 166 943        | 163 300        |
| Economic result for the year     | 8 586          | 3 643          |
| <b>Net capital</b>               | <b>175 529</b> | <b>166 943</b> |

Source: Data supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts. These accounts are drawn up on an accrual basis.

**THE AGENCY'S REPLIES**

7. At the end of 2007, due to the multi-annual character of the CARDS programmes, the Agency could still proceed to commitments and payments for annual programmes 2004, 2005 and 2006. The CARDS deadline for committing is 2009 and for disbursement is 2010. These three live programmes amounted to € 1,8 billion. Having € 163 million still to be committed (9 %) and a total amount of € 453 million still to be paid (25 %) three years ahead of the CARDS deadline, shows a very high rate of implementation. The Court has praised the Agency's performance on its Special Report no 5/2007 (OJ C 285, 27.11.2007, p. 1.)

8. The Agency is doing its utmost to make this hand over exercise a successful one. It is in process of drafting agreements for the disposal of items of its assets with several EU Institutions. Moreover, the Agency is in contact with the Commission in view of formalising all aspects of the hand over and will present the result to the Governing Board for endorsement.

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**REPORT****on the annual accounts of the European Agency for Safety and Health at  
Work for the financial year 2007 together with the Agency's replies**

(2008/C 311/08)

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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 <sup>(1)</sup>. 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.

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 14 of Regulation (EC) No 2062/94, and sent to the

Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the statement set out below:

### ***Reliability of the accounts***

The Agency's accounts for the financial year ended 31 December 2007 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.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

<sup>(1)</sup> OJ L 216, 20.8.1994, p. 1. The Regulation was last amended by Council Regulation (EC) No 1112/2005 of 24 June 2005 (OJ L 184, 15.7.2005, p. 5).

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 24 June 2008 and received by the Court on 26 June 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

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 Council Regulation (EC) No 2062/94 as amended by Regulation (EC) No 1112/2005  |   | Governance  | Resources made available to the Agency in 2007<br>(Data for 2006)   | Products and services provided during 2007   |
|--|--|---|---|---|--|
| <p><b>Social provisions</b></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><i>(Extracts from Article 136 and 137 of the Treaty)</i></p> | <p><b>Objectives</b></p> <p>In order to improve the working environment, as regards the protection of the safety and health of workers as provided for in the Treaty and successive Community strategies and action programmes concerning health and safety at the workplace, the aim of the Agency shall be to provide the Community bodies, the Member States, the social partners and those involved in the field with technical, scientific and economic information of use in the field of safety and health at work.</p> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To collect, analyse and disseminate information on national and Community priorities and on research.</li> <li>— To promote cooperation and the exchange of information, including information on training programmes.</li> <li>— 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.</li> <li>— To make available information on preventive activities.</li> <li>— To contribute to the development of strategies and Community action programmes.</li> <li>— To set up a network comprising national focal points and topic centres.</li> </ul> | <p><b>1. Governing board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— one representative of the Government of each Member State.</li> <li>— one representative of the employers' organisations of each Member State.</li> <li>— one representative of the employees' organisations of each Member State.</li> <li>— three representatives of the Commission.</li> </ul> <p>Members and alternate members from the first three categories shall be appointed from the members and alternate members of the Advisory Committee on Safety and Health at Work.</p> <p><i>Task</i></p> <p>To adopt the Agency's work programme, budget and annual general report.</p> <p><b>2. Bureau</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— Chairman and 3 vice-chairmen of the Board</li> <li>— Coordinators from each of the three interest groups</li> <li>— 1 additional member from each of the groups and the Commission</li> </ul> | <p><b>Final budget:</b></p> <ul style="list-style-type: none"> <li>— 14,9 million euro (14,1 million euro)</li> </ul> <p>Including:</p> <ul style="list-style-type: none"> <li>— Community subsidy, DG Employment: 93,8 % (93,5 %)</li> <li>— Community subsidy, DG Enlargement: 2,9 % (4,5 %)</li> <li>— Miscellaneous revenue: 3,3 % (2 %)</li> </ul> <p><b>Staff at 31 December 2007:</b></p> <p>42 (40) posts in the establishment plan, of which,</p> <p>Posts filled: 38 (33)</p> <p>Posts vacant: 4 (7)</p> <p>25 (26) other posts (auxiliary, contract, seconded national experts, and local staff).</p> <p><i>Total staff:</i> 63 (59)</p> <p>assigned to</p> <p>operational tasks: 47 (42)</p> <p>administrative tasks: 9 (9)</p> <p>mixed tasks: 7 (8)</p> | <p><b>Building the links — Networking:</b></p> <ul style="list-style-type: none"> <li>— Finalization and follow-up on 2<sup>nd</sup> external evaluation of the Agency's performance.</li> <li>— Institutional capacity building in Candidate and Potential Candidate Countries (PHARE and CARDS programmes).</li> </ul> <p><b>Communicating Information:</b></p> <ul style="list-style-type: none"> <li>— European Safe Start! Summit — closing event of the European Week 2006 campaign on young workers.</li> <li>— Lighten the Load campaign — European campaign on work-related musculoskeletal disorders — EU 27+.</li> <li>— Healthy Workplace Initiative — SME-targeted campaign in EU 12, Turkey and Croatia (final round).</li> <li>— Multilingual web-based and printed information services on occupational safety and health.</li> <li>— Monitoring and evaluation: evaluation report of 2005 Stop that Noise campaign; online survey of website users; website benchmarking exercise.</li> </ul> <p><b>Developing knowledge:</b></p> <ul style="list-style-type: none"> <li>— Information products for national and European Week campaign 2007 (MSDs) and 2008 (Risk Assessment).</li> <li>— Information products for projects on OSH &amp; Economic Performance, the HORECA Sector, Mainstreaming OSH into Education, and Cleaning Workers.</li> </ul> |

| Areas of Community competence deriving from the Treaty | Competences of the Agency as defined in Council Regulation (EC) No 2062/94 as amended by Regulation (EC) No 1112/2005 |  | Governance   | Resources made available to the Agency in 2007<br>(Data for 2006) | Products and services provided during 2007  |
|--|---|--|--|---|---|
|  |   |  | <p><i>Task</i></p> <p>Overseeing the preparation and follow-up of the Board's decisions</p> <p><b>3. The director</b><br/>Appointed by the Governing Board on a proposal from the Commission.</p> <p><b>4. Committees</b><br/>Obligatory consultation of the Commission and the Advisory Committee on Safety and Health at Work in respect of the work programme and budget.</p> <p><b>5. External audit</b><br/>Court of Auditors.</p> <p><b>6. Discharge authority</b><br/>Parliament acting on a recommendation from the Council.</p> |   | <ul style="list-style-type: none"> <li>— General improvements to the quality and accessibility of Good Practice information on the Agency's website and to the on-line Thesaurus.</li> <li>— European Risk Observatory: data collection on HORECA, ageing workers and transport. Reports on emerging biological risks, emerging psychosocial risks, and occupational skin exposure and work-related skin diseases. Literature review on the occupational safety and health of migrant workers. Launch of Phase I of the European Survey of Enterprises on New and Emerging Risks (ESENER). Third workshop on 'fostering research co-ordination in the EU'.</li> </ul> |

Source: Information supplied by the Agency.

Table 2  
European Agency for Safety and Health at Work (Bilbao) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                   | Expenditure                       |                             |               |               |              |              |  |              |            |
|---------------------|--|-------------------|-----------------------------------|-----------------------------|---------------|---------------|--------------|--------------|--|--------------|------------|
| Source 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 |              |            |
|                     |  |                   |                                   | final                       | committed     | paid          | carried over | cancelled    | available  | paid         | cancelled  |
| Community subsidies | 14 000   | 13 000            | Title I<br>Staff                  | 4 797                       | 4 292         | 3 996         | 160          | 641          | 125  | 79           | 47         |
| Other revenue       | 430  | 443               | Title II<br>Administration        | 1 623                       | 1 443         | 1 087         | 352          | 184          | 381  | 369          | 11         |
|                     |  |                   | Title III<br>Operating activities | 8 010                       | 7 880         | 4 972         | 2 908        | 130          | 1 963  | 1 670        | 293        |
| Assigned revenue    | 498  | 430               | Assigned revenue                  | 498                         | 391           | 147           | 282          | 68           | 194  | 194          | 0          |
| <b>Total</b>        | <b>14 928</b>  | <b>13 873</b>     | <b>Total</b>                      | <b>14 928</b>               | <b>14 006</b> | <b>10 202</b> | <b>3 702</b> | <b>1 023</b> | <b>2 663</b>   | <b>2 312</b> | <b>351</b> |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.



Table 3

**European Agency for Safety and Health at Work (Bilbao) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>                                       |               |               |
| Community subsidy  | 12 682        | 11 730        |
| Other subsidies  | 343           | 238           |
| Other income   | 480           | 1 580         |
| <b>Total (a)</b>   | <b>13 505</b> | <b>13 548</b> |
| <b>Operating expenditure</b>                                   |               |               |
| Staff expenditure  | 3 661         | 3 640         |
| Fixed asset-related expenditure                                | 137           | 139           |
| Other administrative expenditure                               | 1 991         | 1 825         |
| Operational expenditure  | 7 222         | 8 028         |
| <b>Total (b)</b>   | <b>13 011</b> | <b>13 632</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b> | <b>494</b>    | <b>– 84</b>   |
| Financial expenditure (d)                                      | – 3           | – 3           |
| <b>Surplus/(deficit) from non operating activities (e = d)</b> | <b>– 3</b>    | <b>– 6</b>    |
| <b>Economic result for the year (f = c + e)</b>                | <b>491</b>    | <b>– 90</b>   |

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

Table 4

**European Agency for Safety and Health at Work (Bilbao) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        |              |              |
| Intangible assets                | 44           | 71           |
| Tangible assets                  | 261          | 247          |
| Long-term receivables            | 4            | 4            |
| <b>Current assets</b>            |              |              |
| Short-term pre-financing         | 330          | 435          |
| Short-term receivables           | 38           | 27           |
| Cash and cash equivalents        | 4 268        | 2 990        |
| <b>Total assets</b>              | <b>4 945</b> | <b>3 774</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 70           | 63           |
| Accounts payable                 | 2 654        | 1 981        |
| <b>Total liabilities</b>         | <b>2 724</b> | <b>2 044</b> |
| <b>Net assets</b>                | <b>2 221</b> | <b>1 730</b> |
| <b>Reserves</b>                  |              |              |
| Accumulated surplus/deficit      | 1 730        | 1 820        |
| Economic result for the year     | 491          | – 90         |
| <b>Net capital</b>               | <b>2 221</b> | <b>1 730</b> |

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

**THE AGENCY'S REPLY**

1. The Agency has taken note of the Court's report.
- \_\_\_\_\_

**REPORT****on the annual accounts of the European Maritime Safety Agency for the  
financial year 2007 together with the Agency's replies**

(2008/C 311/09)

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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 <sup>(1)</sup>. 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.

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> 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 a Statement of Assurance as to their reliability and the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 208, 5.8.2002, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 11 June 2008 and received by the Court on 2 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's 2007 budget amounted to 48,2 million euro, as compared with 44,7 million euro the previous year. The principal expenses for operating activities concern anti-pollution measures. The Agency's budget is mainly financed by subsidies from the European Commission. The procedures for establishing the budget were not sufficiently rigorous. This led to a high number of budgetary transfers <sup>(5)</sup>, incorrect budget presentation <sup>(6)</sup> and irregular modification of the funding source for anti-pollution appropriations <sup>(7)</sup>.

8. Legal commitments were entered into before the corresponding budgetary commitments <sup>(8)</sup>.

<sup>(5)</sup> More than 32 transfers of appropriations in 2007.

<sup>(6)</sup> For differentiated appropriations, the budget must include the schedule of payments due in subsequent financial years to meet budget commitments entered into in earlier financial years (Article 31(2)(c) of the Agency's financial regulation).

<sup>(7)</sup> From mid-June to December, 25 million euro for anti-pollution measures, authorised by the Budget Authority as normal appropriations (C1), were unduly moved to assigned revenues (R0).

<sup>(8)</sup> Three cases with a total value of 208 000 euro.

9. For the audited recruitment procedures, the selection criteria and the threshold scores for passing to the next stage of competitions were not decided upon before the evaluation process started. The Staff Committee was never invited by the

Appointing Authority to participate in the recruitment procedures. This situation did not ensure transparent and non-discriminatory procedures.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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Table 1  
European Maritime Safety Agency (Lisbon)

| Areas of Community competence deriving from the Treaty   | Competences of the Agency as defined in Regulation (EC) No 1406/2002 of the European Parliament and of the Council as amended by Regulations (EC) No 1644/2003 and (EC) No 724/2004  |  | Governance  | Resources made available to the Agency 2007<br>(Data for 2006)  | Products and services supplied 2007   |
|--|--|--|---|---|---|
| <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><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To ensure a high, uniform and effective level of maritime safety and prevention of pollution by ships.</li> <li>— To provide the Member States and the Commission with technical and scientific assistance.</li> <li>— To monitor the implementation of Community legislation in this field and to evaluate the effectiveness of the measures in place.</li> <li>— To introduce operational methods for combating pollution in European waters.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To assist the Commission in drawing up Community legislation and in its implementation.</li> <li>— To monitor the overall functioning of the Community port State control regime, which may include visits to the Member States.</li> <li>— To provide the Commission with technical assistance for the port State control of ships.</li> <li>— To work with the Member States on developing technical solutions and to provide technical assistance related to the implementation of Community legislation.</li> <li>— To promote cooperation between riparian States in the shipping areas concerned.</li> <li>— To develop and operate any information system necessary.</li> <li>— To facilitate cooperation between the Member States and the Commission in the development of a common methodology for investigating maritime accidents.</li> <li>— To provide the Commission and the Member States with reliable information on maritime safety and on pollution by ships.</li> <li>— To assist the Commission and the Member States in the identification and pursuit of ships making unlawful discharges.</li> <li>— To monitor the classification societies recognised by the EU and to issue the corresponding reports to the Commission.</li> <li>— To assist the Commission with the input for and implementation of tasks relating to the Directive on marine equipment.</li> <li>— To provide the Commission with data on the introduction of the Directive on ship waste reception facilities in European ports.</li> </ul> | <p><b>1. Administrative Board</b></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> <ul style="list-style-type: none"> <li>— To adopt the budget and the work programme.</li> <li>— To examine requests from Member States for assistance.</li> </ul> <p><b>2. Executive Director</b></p> <p>Appointed by the Administrative Board on a proposal from the Commission.</p> <p><b>3. External audit</b></p> <p>Court of Auditors.</p> <p><b>4. Discharge authority</b></p> <p>Parliament acting on a recommendation by the Council.</p> | <p><b>Final budget</b></p> <p>Title 1: 15 320 297 euro<br/>(13 400 000 euro)</p> <p>Title 2: 3 179 703 euro<br/>(2 905 000 euro)</p> <p>Title 3: 29 749 058 euro<br/>(28 433 440 euro)</p> <p>Total: 48 249 058 euro<br/>(44 738 440 euro)</p> <p><b>TA and Permanent Staff 153 (132)</b></p> <p><b>Other staff</b></p> <p>AUX &amp; CA: 13 (9)</p> <p>SNE: 13 (11)</p> | <p>(non exhaustive lists; details can be found in the AAR)</p> <ul style="list-style-type: none"> <li>— Preparations of a draft methodology related to a new visits programme to MS;</li> <li>— Preparation of the technical specifications of the new THETIS project;</li> <li>— Design of the interface between STIRES/SSN and CleanSeaNet;</li> <li>— Add additional oil recovery capacity in the Atlantic, Aegean Sea, West Mediterranean and Strait of Gibraltar;</li> <li>— Establishment of the CleanSeaNet service;</li> <li>— Start of the Activity of the Maritime Support Services.</li> </ul> |

Source: Information supplied by the Agency.

Table 2  
European Maritime Safety Agency (Lisbon) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                  | Expenditure                         |  |               |               |              |               |  |            |            |
|---------------------|--|------------------|-------------------------------------|--|---------------|---------------|--------------|---------------|--|------------|------------|
| Origin of revenue   | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure           | Final budget appropriations for the financial year |               |               |              |               | Appropriations carried over from the previous financial year |            |            |
|                     |  |                  |                                     | entered  | committed     | paid          | carried over | cancelled     | entered  | paid       | cancelled  |
| Community subsidies | 48 249   | 37 387           | Title I Staff (NDA)                 | 15 320   | 11 999        | 11 805        | 194          | 3 321         | 664  | 245        | 419        |
|                     |  |                  | Title II Administration (NDA)       | 3 180  | 3 149         | 1 881         | 1 267        | 31            | 606  | 523        | 83         |
| Other income        |  | 157              | Title III Operating activities (DA) |  |               |               |              |               |  |            |            |
|                     |  |                  | — CA                                | 29 749   | 28 132        | 0             | 141          | 1 617         | 0  | 0          | 0          |
|                     |  |                  | — PA                                | 29 749   | 0             | 19 295        | 141          | 10 454        | 0  | 0          | 0          |
| <b>Total</b>        | <b>48 249</b>  | <b>37 544</b>    | <b>Total CA</b>                     | <b>48 249</b>                                      | <b>43 280</b> | <b>0</b>      | <b>1 603</b> | <b>4 969</b>  | <b>1 270</b>   | <b>768</b> | <b>502</b> |
|                     |  |                  | <b>Total PA</b>                     | <b>48 249</b>                                      | <b>0</b>      | <b>32 982</b> | <b>1 603</b> | <b>13 806</b> |  |            |            |

NDA: non-differentiated appropriations (commitment appropriations equal payment appropriations).

DA: differentiated appropriations (commitment and payment appropriations may differ).

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

Carried-over appropriations for the financial year linked to Title III consist exclusively in re-used income (101 000 euro) and assigned revenue (PHARE – 40 403 euro).

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

## European Maritime Safety Agency (Lisbon) — Economic outturn account for the financial years 2007 and 2006

(1 000 euro)

|   | 2007          | 2006           |
|---|---------------|----------------|
| <b>Operating revenue</b>                        |               |                |
| Community subsidies                             | 33 801        | 24 716         |
| Other subsidies                                 | 1 111         | 678            |
| <b>Total (a)</b>                                | <b>34 912</b> | <b>25 394</b>  |
| <b>Operating expenditure</b>                    |               |                |
| Staff expenditure                               | 10 791        | 9 616          |
| Fixed-asset-related expenditure                 | 356           | 236            |
| Other administrative expenditure                | 3 252         | 3 548          |
| Operational expenditure                         | 14 842        | 14 151         |
| <b>Total (b)</b>                                | <b>29 242</b> | <b>27 551</b>  |
| <b>Economic result for the year (c = a – b)</b> | <b>5 669</b>  | <b>– 2 157</b> |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

## European Maritime Safety Agency (Lisbon) — Balance sheet at 31 December 2007 and 2006

(1 000 euro)

|                                  | 2007          | 2006          |
|----------------------------------|---------------|---------------|
| <b>Non-current assets</b>        |               |               |
| Intangible fixed assets          | 257           | 55            |
| Tangible fixed assets            | 555           | 523           |
| <b>Current assets</b>            |               |               |
| Short-term pre-financing         | 10 003        | 4 849         |
| Short-term receivables           | 254           | 270           |
| Cash and cash equivalents        | 15 166        | 11 633        |
| <b>Total assets</b>              | <b>26 234</b> | <b>17 330</b> |
| <b>Current liabilities</b>       |               |               |
| Provisions for risks and charges | 232           | 191           |
| Accounts payable                 | 15 305        | 12 111        |
| <b>Total current liabilities</b> | <b>15 537</b> | <b>12 301</b> |
| <b>Net assets</b>                | <b>10 697</b> | <b>5 028</b>  |
| <b>Reserves</b>                  |               |               |
| Accumulated surplus/deficit      | 5 028         | 7 185         |
| Economic result for the year     | 5 669         | – 2 157       |
| <b>Net capital</b>               | <b>10 697</b> | <b>5 028</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.



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**THE AGENCY'S REPLIES**

7. The Agency welcomes the observation of the Court. The Agency continues its efforts to improve its planning and monitoring. Specific attention is paid to the forecasting and scheduling of payments. The budgetary transfers necessary in 2007 are within the 10 % threshold authorised by the Financial Regulation. After proposals of the Commission the Administrative Board decided on 20 March 2007 to qualify Anti-Pollution Funds as assigned revenue and decided on 21 November 2007 to no longer treat these funds as such.

8. The measures to avoid *a posteriori* commitments are further strengthened. The key factors are continuous training and communication. Finance checklists have been established to provide guidance.

9. Following the observations made by the Court, measures have been taken to ensure that selection criteria and threshold scores are defined at an earlier stage in the selection procedure. In the context of the forthcoming adoption of the new Implementing Rules regarding the recruitment of Temporary Agents, the Agency will take into account the Court's further observations regarding the procedures to follow during recruitment.

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**REPORT****on the annual accounts of the European Environment Agency for the  
financial year 2007 together with the Agency's replies**

(2008/C 311/10)

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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 <sup>(1)</sup>. It is responsible for setting up an observation network that provides the Commission, the Parliament, the Member States and, more generally, the public with reliable information on the state of the environment. This 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.

2. *Table 1* summarises the Agency's competences and activities. Key data taken from the financial statements drawn up by the Agency for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> 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 a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

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

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 22 May 2008 and received by the Court on 30 June 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 statement into question.

## OBSERVATIONS

7. The audit of two recruitment procedures showed weaknesses: candidates not fulfilling selection criteria were considered for further evaluation and criteria for identifying the best candidates to be invited for interview were not documented. These situations did not ensure transparent and non-discriminatory procedures.

8. With regard to tendering procedures, the following irregularities were observed in three cases: direct award of services without respecting the requirements of the Financial Regulation <sup>(5)</sup>, award of a specific contract for services not in line with the framework contract terms <sup>(6)</sup>. These weaknesses called into question the transparency of the procedures.

9. Following a call for proposals, the Agency signed grant agreements with consortia of institutions (called European Topic Centres) to annually perform tasks on specific environmental topics <sup>(7)</sup>. The interim and final payments made by the Agency to these Centres are based on declarations of actual costs. The main item of expenditure is personnel costs. The Agency's checks were limited to reviews of the documentation provided by the Centres without adequate procedures in place to ensure the eligibility of the amounts declared.

<sup>(5)</sup> Two cases with an approximate total value of 26 000 euro.

<sup>(6)</sup> One case with an approximate value of 215 000 euro.

<sup>(7)</sup> There are five European Topic Centres and the related commitment appropriations for 2007 were 6 million euro in total.

10. These grant agreements with the Centres also provide for a flat rate of 20 % of direct expenditure for their indirect costs (overheads), whereas the Implementing Rules of the general Financial Regulation limit this rate to 7 %. According to the rules

this ceiling can be exceeded only following a reasoned decision; no such decision was taken by the Agency. If the 7 % rate had been applied the amount paid in 2007 would have been 0,3 million euro less.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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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   |   | Governance   | Resources made available to the Agency in 2007<br>(Data for 2006)   | Main products and services supplied in 2007  |
|--|---|---|--|---|--|
| <p><b>Environment policy</b></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><b>Objectives</b></p> <p>To set up a European environment information and observation network to provide the Community and the Member States with objective, reliable and comparable information at European level enabling them to:</p> <p>(a) take the requisite measures to protect the environment;</p> <p>(b) assess the results of such measures;</p> <p>(c) ensure that the public is properly informed about the state of the environment.</p> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To provide the Community and the Member States with the objective information necessary for framing and implementing sound and effective environmental policies.</li> <li>— To record, collate and assess data on the state of the environment and to report on the quality of and pressures on the environment within the territory of the Community.</li> <li>— To help ensure that environmental data at European level are comparable and, if necessary, to encourage by appropriate means improved harmonisation of methods of measurement.</li> <li>— To promote the incorporation of European environmental data into international programmes.</li> <li>— To publish a report on the state of, trends in and prospects for the environment every five years.</li> <li>— To stimulate the development of environmental forecasting techniques, methods of assessing the cost of damage to the environment and the exchange of information on damage-prevention technology.</li> <li>— To stimulate the development of methods of assessing the cost of damage to the environment and the costs of environmental preventive, protection and restoration policies.</li> </ul> | <p><b>1. Management Board</b></p> <p>Consisting of:</p> <ul style="list-style-type: none"> <li>— One representative per Member State;</li> <li>— two representatives of the Commission;</li> <li>— two scientists appointed by the European Parliament.</li> </ul> <p><i>Tasks</i></p> <p>To adopt the work programme and ensure it is implemented.</p> <p><b>2. Executive Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p><b>3. Advisory Forum</b></p> <p>Consisting of one representative per Member State, it advises the Executive Director.</p> <p><b>4. Scientific Committee</b></p> <p>Consisting of qualified figures in the field of the environment.</p> <p><b>5. External audit</b></p> <p>Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>Parliament acting on a recommendation by the Council.</p> | <p><b>Final budget:</b></p> <p>35,1 million euro<br/>(37,1 million euro)</p> <p>Community subsidy:</p> <p>82 % (75 %)</p> <p><b>Staff numbers at 31 December 2007:</b></p> <p>Number of posts in the establishment plan:</p> <p>116 (115)</p> <p>Posts occupied: 111 (110) plus 55 (47) other posts<br/>(contract agents and seconded national experts)</p> <p><i>Total staff numbers:</i> 116 (115)</p> <p>assigned to the following tasks:</p> <p>operational: 73 (72)</p> <p>administrative: 42 (42)</p> <p>mixed: 1 (1)</p> | <ul style="list-style-type: none"> <li>— Launch of report on 'Europe's environment: the fourth assessment' at Pan-European Environment Ministers Conference.</li> <li>— Launch of Environmental Technology Atlas.</li> <li>— Launch of Water Information System for Europe (WISE).</li> <li>— Launch of 'Our Arctic Challenge' film.</li> <li>— Publication of reports on, <i>inter alia</i>, climate change costs, greenhouse gas emission trends and projections, air quality, air emissions, sustainable consumption and production, biodiversity indicators, waste management.</li> <li>— Launch of new Topic Centres on Water, Land use and spatial information, and air and climate change.</li> <li>— Participation in conferences on 'Beyond GDP' and Tax reform.</li> </ul> |

Source: Information supplied by the Agency.

Table 2  
**European Environment Agency (Copenhagen) — Implementation of the budget for the financial year 2007**

(1 000 euro)

| Revenue                |  |                   | Expenditure                       |                             |               |               |              |           |   |              |              |              |            |
|------------------------|--|-------------------|-----------------------------------|-----------------------------|---------------|---------------|--------------|-----------|---|--------------|--------------|--------------|------------|
| Source of revenue      | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure         | Final budget appropriations |               |               |              |           | Appropriations carried over from previous financial year(s) |              |              |              |            |
|                        |  |                   |                                   | entered                     | committed     | paid          | carried over | cancelled | available   | committed    | paid         | carried over | cancelled  |
| Community subsidy      | 28 950   | 28 950            | Title I<br>Staff                  | 18 050                      | 18 022        | 17 814        | 169          | 67        | 308   | 308          | 187          | 0            | 121        |
| Other subsidies        | 4 857  | 5 007             | Title II<br>Administration        | 2 820                       | 2 806         | 2 466         | 338          | 15        | 283   | 283          | 265          | 0            | 18         |
| Other revenue          | 1 327  | 3 822             | Title III<br>Operating activities | 12 974                      | 12 963        | 8 572         | 4 387        | 16        | 5 290   | 5 290        | 4 881        | 0            | 409        |
| Other assigned revenue | p.m  | 348               | Assigned revenue                  | 1 290                       | 935           | 303           | 987          | 0         | 4 965   | 3 958        | 1 838        | 2 678        | 449        |
| <b>Total</b>           | <b>35 134</b>  | <b>38 127</b>     | <b>Total</b>                      | <b>35 134</b>               | <b>34 726</b> | <b>29 155</b> | <b>5 881</b> | <b>98</b> | <b>10 846</b>   | <b>9 839</b> | <b>7 171</b> | <b>2 678</b> | <b>997</b> |

Source: Data supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Environment Agency (Copenhagen) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidy  | 28 950        | 27 650        |
| Other subsidies and revenue  | 7 753         | 7 951         |
| <b>Total (a)</b>   | <b>36 073</b> | <b>35 601</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 16 483        | 14 500        |
| Fixed-asset-related expenditure                                    | 866           | 795           |
| Other administrative expenditure                                   | 4 940         | 4 843         |
| Operational expenditure  | 13 446        | 15 000        |
| <b>Total (b)</b>   | <b>35 735</b> | <b>35 138</b> |
| <b>Surplus/deficit from operating activities (c = a – b)</b>       | <b>338</b>    | <b>462</b>    |
| Financial operations income (e)                                    | 46            | 72            |
| Financial operations expenditure (f)                               | -7            | -7            |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>39</b>     | <b>66</b>     |
| <b>Economic result for the year (h = c + g)</b>                    | <b>377</b>    | <b>528</b>    |

Source: Data supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Environment Agency (Copenhagen) — Balance sheet at 31 December 2007 and 2006**

|                              | (1 000 euro)  |               |
|------------------------------|---------------|---------------|
|                              | 2007          | 2006          |
| <b>Non-current assets</b>    |               |               |
| Intangible fixed assets      | 330           | 330           |
| Tangible fixed assets        | 1 555         | 1 866         |
| Long-term receivables        | 500           | 494           |
| <b>Current assets</b>        |               |               |
| Short-term pre-financing     | 217           | 1 151         |
| Short-term receivables       | 2 180         | 2 611         |
| Cash and cash equivalents    | 7 799         | 6 097         |
| <b>Total assets</b>          | <b>12 581</b> | <b>12 548</b> |
| <b>Current liabilities</b>   |               |               |
| Accounts payable             | 7 434         | 7 779         |
| <b>Total liabilities</b>     | <b>7 434</b>  | <b>7 779</b>  |
| <b>Net assets</b>            | <b>5 147</b>  | <b>4 770</b>  |
| <b>Reserve</b>               |               |               |
| Accumulated surplus/deficit  | 4 770         | 4 242         |
| Economic result for the year | 377           | 528           |
| <b>Net capital</b>           | <b>5 147</b>  | <b>4 770</b>  |

Source: Data supplied by the Agency — This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

## THE AGENCY'S REPLIES

7. In order to have more candidates in the competition, the Selection Committee chose to also include the candidates that came closest to the criteria in the vacancy notice. The Agency will in the future re-publish the post when a similar situation occurs.

The candidates invited for interview fulfilled the selection criteria set out in the notice of competition. The Agency will in future recruitments better document the selection of the short-listed candidates.

8. In relation to the direct awards of services: the Authorising Officer approved them due to the significant benefits to be accrued to the Agency. It is considered that there was sufficient documentation of the unique nature of the course on the file to explain the approach taken. The Agency will manage future similar cases fully in line with the Financial Regulation.

In relation to the award of a specific contract: it became necessary to further increase the storage and server capacity of the system, for the purpose of good financial management this was done by extending the original order. At the next upgrade of the EEA storage and server system in 2008, the market was consulted again. The Agency will do so for each substantial IT purchase in the future.

9. The Agency has already introduced new procedures for new topic centres in line with the Financial Regulation. Taking note of the Court's observations, these procedures include verification visits to ETC lead organisations and selected partners as well as other detailed checks prior to final payments. Verification visits were made to three lead organisations and one partner in early 2008 in relation to the 2007 subsidies. These new procedures are part of the Agency's continuing efforts to ensure and improve the adequacy and effectiveness of existing controls.

10. The overhead rate was given extended consideration before adoption and was explicitly considered by the Agency in preparing the terms of reference. The Agency considers 20 % to be a reasonable overhead rate. Nevertheless, it is recognised that no 'reasoned decision' is in place and one will be put in place through the management board for future calls.

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**REPORT**  
**on the annual accounts of the Education, Audiovisual and Culture**  
**Executive Agency for the financial year 2007 together with**  
**the Agency's replies**

(2008/C 311/11)

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## INTRODUCTION

1. The Education, Audiovisual and Culture Executive Agency (hereinafter referred to as the Agency) was set up by Commission Decision 2005/56/EC of 14 January 2005 <sup>(1)</sup>. The Agency was established for a period beginning on 1 January 2005 and ending on 31 December 2015 <sup>(2)</sup>. The Agency manages *programmes* decided by the Commission in the fields of education, audiovisual and culture, including undertaking the detailed implementation of technical projects.

2. *Table 1* summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 14 of Council Regulation (EC) No 58/2003 of 19 December 2002 <sup>(3)</sup>; 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 2007 <sup>(4)</sup> were drawn up by its Director, pursuant to Article 14 of Regulation (EC) No 58/2003, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(5)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable.

<sup>(1)</sup> OJ L 24, 27.1.2005, p. 35.

<sup>(2)</sup> OJ L 49, 17.2.2007, p. 21.

<sup>(3)</sup> OJ L 11, 16.1.2003, p. 1.

<sup>(4)</sup> These accounts were drawn up on 16 June 2008 and received by the Court on 8 July 2008.

<sup>(5)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

### **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 Statement into question.

## OBSERVATIONS

7. The Agency's final administrative budget for 2007 amounted to 36,0 million euro as compared with 27,7 million euro for the previous year. This increase is mainly explained by the extension of the Agency's mandate to cover implementation of the new generation of EU programmes for the period 2007-2013. Of the budget appropriations, 6,8 million euro have been carried over to 2008. A significant part of these carry-overs concerned external services contracted in 2007 which will to a large extent be implemented in 2008 (IT development, experts, etc.). Thus the budgetary principle of annuality was not strictly observed.

8. 1,1 million euro of the appropriations carried over from 2006 were cancelled in 2007 mainly due to the overstatement of expert-related expenditure and delays in the implementation of audit contracts. A high number of audits <sup>(6)</sup> contracted before the end of 2006 were still not closed at the end of 2007. The corresponding appropriations had to be cancelled and the Agency will need to use 2008 appropriations to pay the costs related to these audits. There is a risk this situation will repeat itself in 2008 <sup>(7)</sup>. The above described situations show that there is still room for improvement in the programming and the budgeting of the Agency's activities.

9. For one contract <sup>(8)</sup>, the intermediate payment was made by the Agency for fees despite the fact that all the required supporting documentation was not provided by the contractor.

<sup>(6)</sup> About 34 contracts for a total value of 139 103,74 euro.

<sup>(7)</sup> More than 1,1 million euro appropriations pertaining to 'Audit fees' (Article 264 of the budget) have been carried over from 2007 to 2008.

<sup>(8)</sup> Contract for the organisation of the annual Erasmus Mundus Consortia conference (Value of the contract: 283 953,50 euro).

10. The Agency has yet to adopt a formal recruitment practical guidelines for temporary and contractual staff. This would better ensure transparent and non-discriminatory procedures.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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Table 1

## Education, Audiovisual and Culture Executive Agency (EACEA), Brussels

| Areas of Community competence deriving from the Treaty  | Competences of the Agency as defined in Commission Decision 2005/56/EC of 14 January 2005 and in Commission Decision 2007/114/EC of 8 February 2007   |   | Governance  | Resources made available to the Agency in 2007<br>(Data for 2006)  | Activities and outputs in 2007<br>(Products and services supplied in 2007)  |
|---|---|---|---|--|---|
| <p>The Community shall contribute to the development of quality education.<br/>(Article 149(1) of the Treaty)</p> <p>The Community shall implement a vocational training policy.<br/>(Article 150(1) of the Treaty)</p> <p>The Community shall contribute to the flowering of the cultures of the Member States.<br/>(Article 151(1) of the Treaty)</p> <p>The Community and the Member States shall ensure that the conditions necessary for the competitiveness of the Community's industry exist.<br/>(Article 157(1) of the Treaty)</p> | <p><b>Objectives</b></p> <p>In the framework of the education, culture and industry policies, numerous measures have been taken to promote education, vocational training, audiovisual, culture, youth and active citizenship in the European Union. The main objectives of these measures are to reinforce social cohesion and to contribute to competitiveness, to economic growth and to an ever closer union amongst the people of Europe.</p> <p>These measures include a variety of Community programmes.</p> <p>The Agency is responsible for managing certain strands of these programmes (e.g. 'Lifelong learning', 'Culture', 'Youth in Action', 'Europe for Citizens', 'MEDIA', 'Erasmus Mundus' and 'External Cooperation Windows'). In this respect, it implements the community aid, except for programme evaluation, strategic studies and any other task which require discretionary powers in translating political choices.</p> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To manage, throughout their duration, the specific projects entrusted to it in the context of implementation of Community programmes.</li> <li>— To adopt the instruments of budget implementation for revenue and expenditure and to carry out, where the Commission has empowered it to do so, the operations necessary for the management of the Community programmes and, in particular, those linked to the award of grants and contracts.</li> <li>— To gather, analyse and pass on to the Commission all the information needed to guide the implementation of the Community programmes.</li> <li>— To implement, at Community level, the network of information on education in Europe (Eurydice) for the collection, analysis and dissemination of information and the production of studies and publications.</li> </ul> | <p><b>1. Steering Committee</b></p> <p>Comprises five members appointed by the European Commission.</p> <p>It adopts the Agency's annual work programme after approval by the European Commission. In addition, it adopts the administrative budget of the Agency and its annual activity report.</p> <p><b>2. Director</b></p> <p>Appointed by the European Commission.</p> <p><b>3. External audit</b></p> <p>Court of Auditors.</p> <p><b>4. Discharge authority</b></p> <p>The European Parliament following a recommendation of the Council.</p> | <p><b>Final 2007 budget</b></p> <p>1. Operational budget</p> <p>406 (310,2) million euro for the management of Community programmes and projects delegated to the Executive Agency and implemented by the Agency on the Commission's responsibility.</p> <p>2. Administrative budget:</p> <p>36 (29,2) million euro for operating the Executive Agency as an independent body</p> <p>(99,9 % subsidy entered in the general budget of the European Communities + 0,1 % from EDF).</p> <p><b>Staff at 31 December 2007</b></p> <p>1. Temporary staff:</p> <p>83 (75) posts for temporary staff.</p> <p>Post occupied: 69 (64)</p> <p>Ratio AT: 25 %</p> <p>2. Contractual staff:</p> <p>252 (221) contractual staff.</p> <p>Posts occupied: 232 (214)</p> <p>Ratio AC: 75 %</p> <p>3. Total staff: 301 (278)</p> <p>4. Jobs allocation:</p> <ul style="list-style-type: none"> <li>— Operational: 242 (227)</li> <li>— Administrative: 57 (49)</li> <li>— Mixed: 2 (2)</li> </ul> | <p>(a) <b>Activities and outputs in 2007</b></p> <ul style="list-style-type: none"> <li>— In accordance with the extension of its mandate and in compliance with the principle of sound financial management, the Executive Agency has achieved the management of certain strands of the new generation of programmes (2007-2013) in the fields of education, audiovisual and culture, including studies, national organisms and additional calls for proposals. The Executive Agency has also implemented the actions delegated from 2007 in the area of external cooperation in higher education and training.</li> <li>— In parallel, the Agency has pursued the management of the ongoing Erasmus Mundus programme (2004-2008) and the tasks aiming at the completion of the previous generation of programmes expiring end 2006.</li> <li>— The Executive Agency has enhanced cooperation with its parent DGs-EAC and INFSo-and combined efforts with its third parent DG EuropeAid.</li> </ul> <p>(b) <b>Results achieved in 2007 (indicators)</b></p> <ul style="list-style-type: none"> <li>— 39 calls for proposals have been published for the new generation of programmes 2007-2013; the relevant selection processes have been organised on schedule. More than 4 000 projects were selected for grant award, virtually all of which resulted in a contract by the end of 2007.</li> <li>— Regarding the completion of previous programmes, the analysis of more than 4 100 final reports has been completed; around 4 700 final payments have been carried out; 3 400 projects closed in 2007.</li> </ul> |

| Areas of Community competence deriving from the Treaty | Competences of the Agency as defined in Commission Decision 2005/56/EC of 14 January 2005 and in Commission Decision 2007/114/EC of 8 February 2007 |  | Governance | Resources made available to the Agency in 2007<br>(Data for 2006) | Activities and outputs in 2007<br>(Products and services supplied in 2007)  |
|--|---|--|------------|---|---|
|  |   |  |            |   | <ul style="list-style-type: none"> <li>— In addition, 650 final reports under the new 'Europe for citizens' programme have been analysed and the relevant final payments executed.</li> <li>— The budget execution rates have reached 99 % for commitments appropriations and 95 % for payments appropriations (operational budget).</li> <li>— +/- 200 monitoring visits were carried out to projects in progress.</li> <li>— 15 calls for tenders/procurement procedures were launched for the execution of studies and services; six contractors were selected by end 2007.</li> <li>— A range of simplification measures has been implemented to improve management processes and procedures towards beneficiaries and to harmonize and accelerate internal working procedures.</li> <li>— The necessary recruitment measures have been initiated in 2007 to take over the management of the European Eurydice unit from 2008.</li> <li>— A methodology has been implemented to gather, analyze and disseminate projects' results. Moreover, a range of projects', kick off meetings and three InfoDays have taken place in 2007. By the end of 2007, the Agency website registered around 7 000 page views a day and 40 000 unique visitors a month.</li> <li>— 110 audits were closed (60 %) out of the 185 unfinished audits handed over from DG EAC in 2006.</li> <li>— Regarding the Agency's audit plan for year 2006 (99), 98 audit visits have been carried out and 25 audits are closed. Only six draft reports are still expected. The Agency drew up an audit plan in 2007 scheduling 138 on-the-spot audit visits.</li> </ul> |

Source: Information supplied by the Agency.

Table 2  
Education, Audiovisual and Culture Executive Agency (Brussels) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                            |  |                   | Expenditure               |                             |               |               |              |              |  |              |              |
|------------------------------------|--|-------------------|---------------------------|-----------------------------|---------------|---------------|--------------|--------------|--|--------------|--------------|
| Source 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 |              |              |
|                                    |  |                   |                           | entered                     | committed     | paid          | carried over | cancelled    | available  | paid         | cancelled    |
| Community Subsidies <sup>(1)</sup> | 36 027 <sup>(2)</sup>                                      | 36 136            | Title I Staff             | 21 008                      | 20 201        | 19 178        | 1 023        | 807          | 1 220  | 927          | 293          |
|                                    |  |                   | Title II Administration   | 15 019                      | 14 231        | 8 437         | 5 795        | 787          | 5 468  | 4 629        | 839          |
| <b>Total</b>                       | <b>36 027</b>  | <b>36 136</b>     | <b>Total</b>              | <b>36 027</b>               | <b>34 432</b> | <b>27 615</b> | <b>6 818</b> | <b>1 594</b> | <b>6 688</b>   | <b>5 556</b> | <b>1 132</b> |

<sup>(1)</sup> European Economic Area.

<sup>(2)</sup> Including 50 000 euros from the FED.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**Education, Audiovisual and Culture Executive Agency (Brussels) — Economic outturn account for the financial year 2007 and 2006**

|   | (1 000 euro)  |               |
|---|---------------|---------------|
|   | 2007          | 2006          |
| <b>Operating revenue</b>                            |               |               |
| Community subsidies                                 | 33 191        | 26 397        |
| Other revenue                                       | 292           |               |
| <b>Total (a)</b>                                    | <b>33 483</b> | <b>26 397</b> |
| <b>Operating expenses</b>                           |               |               |
| Staff expenses                                      | 15 665        | 13 071        |
| Fixed asset related expenses                        | 210           | 57            |
| Other administrative expenses                       | 17 005        | 9 725         |
| <b>Total (b)</b>                                    | <b>32 880</b> | <b>22 853</b> |
| Financial operations expenses                       | 4             | 0             |
| <b>Total (c)</b>                                    | <b>4</b>      | <b>0</b>      |
| <b>Economic result for the year (d = a – b – c)</b> | <b>599</b>    | <b>3 544</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Education, Audiovisual and Culture Executive Agency (Brussels) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro)  |              |
|----------------------------------|---------------|--------------|
|                                  | 2007          | 2006         |
| <b>Non-current assets</b>        |               |              |
| Intangible fixed assets          | 222           | 159          |
| Tangible fixed assets            | 338           | 243          |
| <b>Current assets</b>            |               |              |
| Short-term receivables           | 915           | 1 252        |
| Cash and cash equivalents        | 9 829         | 7 886        |
| <b>Total assets</b>              | <b>11 304</b> | <b>9 540</b> |
| <b>Current liabilities</b>       |               |              |
| Provisions for risks and charges | 476           | 310          |
| Accounts payables                | 6 684         | 5 686        |
| <b>Total liabilities</b>         | <b>7 160</b>  | <b>5 996</b> |
| <b>Net assets</b>                | <b>4 144</b>  | <b>3 544</b> |
| <b>Reserve</b>                   |               |              |
| Accumulated surplus/deficit      | 3 544         | —            |
| Economic result of the year      | 599           | 3 544        |
| <b>Net capital</b>               | <b>4 144</b>  | <b>3 544</b> |

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

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

**THE AGENCY'S REPLIES**

7. The Agency has already reduced the rate for the carryover of appropriations by 4 % compared with 2006. Moreover, the second renewal in 2008 of a number of contracts of employment signed at the end of 2006 after the Agency became self-financing covers a shorter period in order to remedy the situation during the carryover of appropriations around 2009.

8. In order to avoid large-scale cancellations of appropriations carried over, the Agency implemented a closing procedure at the end of 2007 aimed at carrying over to N + 1 only those appropriations intended to cover the payment of invoices not received by 31/12/N. There was also greater monitoring of provisional commitments in 2007. As for audits, the continued gradual reduction of the backlog from 2006 remains a priority for 2008. Also, the 2008 audit plan has been adapted to allow the backlog to be absorbed and to ensure speedier implementation of the latter.

9. Given the particularly short interval between the date of the seminar and the date for submission of the report, the Agency agreed with the contractor that the interim report would be limited to financial data and to confirmation of the number of participants. A detailed examination of all the documents is in progress before final payment is made.

10. The Practical Guide will be adopted once the consultation procedure with the Staff Committee has been finalised.

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**REPORT****on the annual accounts of the Executive Agency for Competitiveness and Innovation for the financial year 2007 together with the Agency's replies**

(2008/C 311/12)

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## INTRODUCTION

1. The Executive Agency for Competitiveness and Innovation (hereinafter referred to as the Agency) is the former Intelligent Energy Executive Agency (IEEA). Its mandate and the duration thereof were altered following Commission Decision 2007/372/EC of 31 May 2007 amending <sup>(1)</sup> Decision 2004/20/EC of 23 December 2003 <sup>(2)</sup>. The Agency was established for a limited period beginning on 1 January 2004 and now ending on 31 December 2015 with the aim of managing Community actions in the field of energy, entrepreneurship and innovation, and sustainable freight transport.

2. Table 1 summarises the Agency's competences and activities. Key information taken from the financial statements drawn up by the Agency for the financial year 2007 is presented in Tables 2, 3 and 4.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 14 of Council Regulation (EC) No 58/2003 of 19 December 2002 <sup>(3)</sup>; 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 2007 <sup>(4)</sup> were drawn up by its Director, pursuant to Article 14 of Council Regulation (EC) No 58/2003, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(5)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Agency's final budget for 2007 amounted to 6,9 million euro as compared with 5,2 million euro allocated to the IEEA the previous year. Nearly 90 % of the budget, 6,2 million euro, was committed but 2,1 million euro were carried-over. A significant part of these carry-overs concerned goods and services which will, to a large extent, be delivered in 2008. This situation was at odds with the principle of annuality. Furthermore the amounts carried over were over-estimated by 0,3 million euro.

8. Due to the extension of the Agency's mandate, the initial budget was amended twice during the year <sup>(6)</sup>. The Agency published the two amending budgets in the Official Journal only on 4 January 2008. The revised figures that were published were not disclosed separately for each amended budget. This situation was at odds with the principle of transparency.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

For the Court of Auditors  
Vítor Manuel da SILVA CALDEIRA  
President

<sup>(1)</sup> OJ L 140, 1.6.2007, p. 52.

<sup>(2)</sup> OJ L 5, 9.1.2004, p. 85.

<sup>(3)</sup> OJ L 11, 16.1.2003, p. 5.

<sup>(4)</sup> These accounts were drawn up on 18 June 2008 and received by the Court on 3 July 2008.

<sup>(5)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(6)</sup> The first amending budget was approved by the Steering Committee on 12 July 2007 and the second on 17 October 2007. The first amending budget followed a decision to increase the initial budget from 4,563 million euro to 9,910 million euro. The second amendment made in October aimed to reduce the budget to 6,937 million euro.

Table 1

## EACI — Executive Agency for Competitiveness and Innovation (Brussels)

| Areas of Community competence deriving from the Treaty  | Competences of the Agency as defined in Commission Decision 2004/20/EC amended by Commission Decision 2007/372/EC  |  | Governance  | Resources available to the Agency in 2007<br>(Data for 2006)  | Activities and services provided in 2007   |
|---|--|--|---|---|--|
| <p>1. The Community policy on the environment shall contribute to preserving, protecting and improving the quality of the environment; protecting human health; prudent and rational utilisation of natural resources and promoting measures at international level to deal with regional or worldwide environmental problems.</p> <p>(Article 174 of the Treaty)</p> <p>2. The Community policy on industry shall ensure that the conditions necessary for the competitiveness of the Community's industry exist by speeding up the adjustment of industry to structural changes, encouraging an environment favourable to initiative and to the development of and cooperation between undertakings, fostering better exploitation of the industrial potential of policies of innovation, research and technological development. The Member States shall consult each other in liaison with the Commission and, where necessary, shall coordinate their action. The Commission may take any useful initiative to promote such coordination.</p> <p>(Article 157 of the Treaty)</p> | <p><b>Objectives</b></p> <p>Within the framework of the Lisbon strategy for growth and jobs, the European Union has taken measures to promote and develop competitiveness and innovation.</p> <p>These measures include the establishment of the Competitiveness and Innovation Framework Programme (CIP) 2007-2013 (Decision No 1639/2006/EC), notably with the Intelligent Energy — Europe (IEE) and Entrepreneurship and Innovation (EIP) programmes. They also include the Marco Polo programme (Regulation (EC) No 1692/2006).</p> <p>The main objectives are to foster competitiveness of enterprises, in particular SMEs; to promote all forms of innovation, including eco-innovation; and to promote energy efficiency and new and renewable energy sources in all sectors, including transport.</p> <p>Under these Community programmes, the Agency is responsible for implementing the tasks concerning Community aid, except for programme evaluation, monitoring of legislation and strategic studies, or any other action which comes under the exclusive competence of the European Commission.</p> | <p><b>Tasks</b></p> <p>In the context of implementing the Community programmes for which the delegation of tasks from the Commission to the Agency was effective in 2007, notably the IEE I since 1 July 2005, IEE II since 26 July and EIP since 1 November 2007:</p> <ul style="list-style-type: none"> <li>— To manage all phases in the lifetime of specific projects.</li> <li>— To adopt the instruments of budget implementation and to carry out, where the Commission has empowered it to do so, all the operations necessary to manage the Community programme and, in particular, those linked to the awarding of contracts and grants.</li> <li>— To gather, analyse and pass on to the Commission all the information needed to guide the implementation of the programme.</li> <li>— As regards the EIP, also to be-in charge of project management of the business and innovation support network.</li> </ul> | <p><b>1. Steering Committee</b></p> <p>Comprises five members appointed by the European Commission. It adopts the Agency's annual work programme after approval by the European Commission. In addition, it adopts the administrative budget of the Agency and its annual activity report.</p> <p><b>2. Director</b></p> <p>Appointed by the European Commission.</p> <p><b>3. External Audit</b></p> <p>Court of Auditors.</p> <p><b>4. Discharge authority</b></p> <p>Parliament acting on recommendation of the Council.</p> | <p><b>Final Budget</b></p> <p>(A) 137,3 (53,2) million euro (100 % general budget of the European Union of which 63,7 million euro for IEE, and 73,5 million euro for EIP. The Agency implements the operational budget under the responsibility of the Commission).</p> <p>(B) 6,9 (5,2) million euro (100 % Community subsidy) for the administrative budget that the Agency implements autonomously.</p> <p><b>Staff at 31 December</b></p> <p>35 (16) TA posts listed in the establishment plan of which 22 (16) were occupied.</p> <p><b>Other posts:</b></p> <p>Contract staff: 77 (30) posts planned of which 47 (25) were occupied.</p> <p><i>Total staff at 31.12.2007: 69</i></p> <p>Responsible for</p> <p>Operational tasks: 54 (31)</p> <p>Administrative tasks: 15 (10)</p> | <p><b>For the IEE programme:</b></p> <ul style="list-style-type: none"> <li>— Monitored 425 on-going IEE projects (awarded under the annual Calls for proposals 2003-2006). 318 Reports were processed and payments made to beneficiaries accordingly. The Agency participated in 70 project meetings and organised 6 thematic project co-ordinator workshops with the participation of the parent DG and other related services.</li> <li>— The Agency selected 99 projects out of 296 proposals submitted under the 2006 call for proposals — some 2000 organisations from 30 countries took part.</li> <li>— The Agency launched and promoted the 2007 call for proposals through the IEE website, electronic news alerts and a series of info days (700 participants at the European info Day and 3 000 participants at 45 national Info Days). 439 proposals were submitted, about 50 % more than for the previous Call.</li> <li>— The Agency created and disseminated information about the programme and its results through the IEE website (1,4 million page views and 0,5 million downloads), regular electronic News Alerts sent to 6 000 + contacts, new IEE project brochures (60 000 downloads), Intelligent Energy News Reviews (143 000 downloads) and 5 video reports featuring IEE project stories (at least 17 million TV viewers saw this material).</li> </ul> |

| Areas of Community competence deriving from the Treaty | Competences of the Agency as defined in Commission Decision 2004/20/EC amended by Commission Decision 2007/372/EC |  | Governance | Resources available to the Agency in 2007<br>(Data for 2006) | Activities and services provided in 2007  |
|--|---|--|------------|--|---|
|  |   |  |            |  | <ul style="list-style-type: none"> <li>— The Agency also answered 800+ enquiries from the public and potential applicants.</li> <li>— Through workshops and briefings, the Agency fed back results from IEE-supported projects to the European Commission, notably on the proposed new Renewable Energy Framework Directive. The Agency also supported DG TREN to guide the implementation of the IEE programme and to prepare the priorities for the 2008 Call. Following an invitation from DG TREN, the Agency participated in a task-force charged with preparing a draft work programme.</li> </ul> <p><b>For the EIP and Marco Polo programmes:</b></p> <p>Apart from limited tasks related to budget implementation for the project management of the Enterprise Europe Network, the Agency did not acquire the capacity to assume full 'autonomy' for the network in 2007. Its main activities were related to recruitment and the preparation of the 2008 EACI work programme in consultation with the parent DGs.</p> |

Source: Information submitted by the Agency.

Table 2  
Executive Agency for Competitiveness and Innovation (Brussels) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                  | Expenditure  |                                       |              |              |              |            |   |            |            |
|---------------------|--|------------------|--|---------------------------------------|--------------|--------------|--------------|------------|---|------------|------------|
| Source of revenue   | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure  | Appropriations under the final budget |              |              |              |            | Appropriations carried over from the previous financial year(s) |            |            |
|                     |  |                  |  | entered                               | committed    | paid         | carried over | cancelled  | available   | paid       | cancelled  |
| Community subsidies | 6 937  | 6 937            | Title I<br>Staff   | 3 853                                 | 3 501        | 3 108        | 199          | 352        | 118   | 43         | 75         |
| Other revenue       | p.m.   | 6                | Title II<br>Administration                                       | 1 875                                 | 1 451        | 548          | 903          | 423        | 67  | 21         | 46         |
|                     |  |                  | Title III <sup>(1)</sup><br>Technical and administrative support | 1 210                                 | 1 208        | 206          | 1 002        | 2          | 797   | 623        | 174        |
| <b>Total</b>        | <b>6 937</b>   | <b>6 943</b>     | <b>Total</b>   | <b>6 937</b>                          | <b>6 160</b> | <b>3 862</b> | <b>2 104</b> | <b>777</b> | <b>982</b>  | <b>687</b> | <b>295</b> |

<sup>(1)</sup> Expenditure on experts meetings connected with the implementation of the projects.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**Executive Agency for Competitiveness and Innovation (Brussels) — Economic outturn account for the financial year 2007 and 2006**

|  | (1 000 euro) |              |
|--|--------------|--------------|
|  | 2007         | 2006         |
| <b>Operating revenue</b>                                       |              |              |
| Community subsidies  | 5 667        | 5 057        |
| Other revenues   | 13           | 105          |
| <b>Total (a)</b>   | <b>5 680</b> | <b>5 162</b> |
| <b>Operating expenses</b>                                      |              |              |
| Staff expenses   | 3 157        | 2 616        |
| Fixed asset-related expenses                                   | 48           | 38           |
| Other administrative expenses                                  | 2 496        | 1 305        |
| <b>Total (b)</b>   | <b>5 701</b> | <b>3 958</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b> | <b>– 21</b>  | <b>1 204</b> |
| Charges from 2005 (d)  | —            | 273          |
| <b>Economic result for the year (e = c – d)</b>                | <b>– 21</b>  | <b>930</b>   |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Executive Agency for Competitiveness and Innovation (Brussels) — Balance sheet at 31 December 2007 and 2006**

|   | (1 000 euro) |              |
|---|--------------|--------------|
|   | 2007         | 2006         |
| <b>Non-current assets</b>                     | <b>140</b>   | <b>101</b>   |
| Intangible fixed assets                       | 39           | 13           |
| Tangible fixed assets                         | 101          | 88           |
| <b>Current assets</b>                         | <b>3 426</b> | <b>1 604</b> |
| Short-term receivables                        | 46           | 95           |
| Cash and cash equivalents                     | 3 380        | 1 509        |
| <b>Total assets</b>                           | <b>3 566</b> | <b>1 705</b> |
| <b>Current liabilities</b>                    |              |              |
| Provisions for risks and charges              | 127          | 48           |
| Accounts payable                              | 2 530        | 727          |
| <b>Total liabilities</b>                      | <b>2 656</b> | <b>775</b>   |
| <b>Net assets</b>                             | <b>909</b>   | <b>930</b>   |
| <b>Reserves</b>                               |              |              |
| Result carried forward from the previous year | 930          |              |
| Economic result for the year                  | – 21         | 930          |
| <b>Net Capital</b>                            | <b>909</b>   | <b>930</b>   |

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

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

**THE AGENCY'S REPLIES**

7. Following last year's recommendation made by the Court, the EACI reviewed all commitments of the 2007 budget and all legal commitments signed in 2007 to examine the amounts to be carried over, for example, for on-going contracts with evaluators (780 975 euro) and for those relative to IT (363 728 euro). The average overestimation amounts to only 12 % of the carry over or 4 % of the 2007 budget, a margin that the EACI considers reasonable to cover for uncertainties.

In 2008, to further reduce the overestimation, additional measures will be taken, such as assessing the situation of carry overs more frequently during the financial year.

8. For the extension of EACI's tasks, the second amending budget for 2007 was adopted only three months after the first one. EACI considered it most cost effective to combine the publication of the two amending budgets and to publish them together with amending budgets of other agencies (sound financial management principle).

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**REPORT****on the annual accounts of the Executive Agency for the Public Health  
Programme for the financial year 2007 together with the Agency's replies**

(2008/C 311/13)

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## INTRODUCTION

1. The Executive Agency for the Public Health Programme (hereinafter referred to as the Agency) was set up by Commission Decision 2004/858/EC <sup>(1)</sup>. The Agency was established for a period beginning on 1 January 2005 and ending on 31 December 2010 for the management of Community actions in the field of public health. The Agency acquired its financial independence on 15 December 2006 for the implementation of the 2007 budget appropriations.

2. Table 1 summarises the Agency's competences and activities. Key information taken from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 14 of Council Regulation (EC) No 58/2003 of 19 December 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 14 of Council Regulation (EC) No 58/2003, and sent to the Court, which is required to give a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community

context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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 observation which follows does not call the Court's Statement into question.

## OBSERVATION

7. The Agency's final budget for 2007 amounted to 4,1 million euro. Almost all of the budget was committed: carry-overs amounted to 1,5 million euro. A significant proportion of the carry-overs for administrative expenditure was either not justified by legal obligations or concerned goods and services which, to a large extent, will be delivered in 2008. This situation was at odds with the principle of annuality.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

<sup>(1)</sup> OJ L 369, 15.12.2004, p. 73.

<sup>(2)</sup> OJ L 11, 16.1.2003, p. 5.

<sup>(3)</sup> These accounts were drawn up on 5 June 2008 and received by the Court on 27 June 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

Table 1  
Public Health Executive Agency (PHEA) — Luxembourg

| Areas of Community competence deriving from the Treaty   | Competences of the Agency as defined in Commission decision (2004/858/EC) of 15 December 2004  |   | Governance  | Resources made available to the Agency in 2007  | Products and services supplied in 2007   |
|--|--|---|---|---|--|
| <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. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education.</p> <p>The Community shall complement the Member States' action in reducing drugs-related health damage, including information and prevention.</p> <p>(Article 152 of the Treaty)</p> | <p><b>Objectives</b></p> <p>Under the Community programme in the field of public health established by Decision No 1786/2002/EC (framework Decision), the Agency is entrusted with implementing the tasks concerning Community aid under the programme, except for programme evaluation, monitoring of legislation, or any other action which could come under the exclusive competence of the Commission.</p> | <p><b>Tasks</b></p> <p>(a) managing all the phases in the lifetime of specific projects, in the context of implementing the programme on public health, on the basis of Decision No 1786/2002/EC and of the work plan provided for in that Decision and adopted by the Commission, and the necessary checks to that end, taking the relevant decisions where the Commission has empowered it to do so;</p> <p>(b) adopting the instruments of budget execution for revenue and expenditure and carrying out, where the Commission has empowered it to do so, all the operations necessary for the management of the Community programme and, in particular, those linked to the award of contracts and grants;</p> <p>(c) providing logistical, scientific and technical support, in particular by organising technical meetings (management of expert working groups), preparatory studies, seminars or conferences.</p> | <p><b>1. Steering Committee</b></p> <p>Comprises five members appointed by the European Commission. The members of the Steering Committee are appointed for two years. It adopts the Agency's annual work programme after approval by the European Commission. In addition, it adopts the administrative budget of the Agency and its annual activity report.</p> <p><b>2. Director</b></p> <p>Appointed by the European Commission for four years.</p> <p><b>3. External audit</b></p> <p>The European Court of Auditors.</p> <p><b>4. Discharge Authority</b></p> <p>The European Parliament following a recommendation from the Council.</p> | <p>The Agency's administrative budget for 2007 amounted to 4,1 million euro.</p> <p>On 31 December 2007, the Agency counted 28 statutory staff members, of which 8 temporary agents and 20 contract agents.</p> | <p>At 31.12.2007, 121 PHP Call 2005 (32), 2006 (87) and 2007 (2) grant agreements were concluded representing a total EC funding of 71 667 322,3 euro.</p> <p>Negotiations on 66 projects of the Public Health Programme (PHP) call 2007 were ongoing.</p> <p>The organisation of 23 technical meetings of expert groups where more than 1 300 experts were invited.</p> <p>100 % of the Public Health programme budget has been committed. Also the PHP payment appropriations were 100 % used (at the exception of the earmarked revenue received in December 2007). The total of PHP payments amounted to 18 million euro.</p> <p>78 payment transactions (18 million euro) and 89 commitments (PHP Call 2006 (87 projects) and Call 2007 (2 projects) were made.</p> |

Source: Information supplied by the Agency.

Table 2

## Public Health Executive Agency (PHEA) — Luxembourg — implementation of the budget for the financial year 2007

(1 000 euros)

| Revenue             |  |                   | Expenditure                       |                             |              |              |              |            |   |            |            |
|---------------------|--|-------------------|-----------------------------------|-----------------------------|--------------|--------------|--------------|------------|---|------------|------------|
| Source of revenue   | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure         | Final budget appropriations |              |              |              |            | Appropriations carried over from previous financial year(s) |            |            |
|                     |  |                   |                                   | entered                     | committed    | paid         | carried over | cancelled  | entered   | paid       | cancelled  |
| Own revenue         |  |                   | Title I<br>Staff                  | 1 978                       | 1 898        | 1 808        | 90           | 80         | 168   | 36         | 132        |
| Community subsidies | 4 100  | 5 097             |                                   |                             |              |              |              |            |   |            |            |
| Other subsidies     |  |                   | Title II<br>Administration        | 885                         | 874          | 319          | 554          | 11         | 308   | 221        | 87         |
| Other revenue       |  |                   | Title III<br>Operating activities | 1 238                       | 1 188        | 324          | 864          | 50         | 521   | 301        | 220        |
| <b>Total</b>        | <b>4 100</b>   | <b>5 097</b>      | <b>Total</b>                      | <b>4 100</b>                | <b>3 959</b> | <b>2 451</b> | <b>1 508</b> | <b>141</b> | <b>997</b>  | <b>558</b> | <b>439</b> |

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

Source: Information supplied by the Agency — This table summarises the data supplied by the Agency in its financial statements.

Table 3

**Public Health Executive Agency (PHEA) — Luxembourg — Economic outturn account  
for the financial year 2007**

|   | (1 000 euro) |
|---|--------------|
|   | 2007         |
| <b>Operating revenue</b>                        |              |
| Community subsidies                             | 4 607        |
| <b>Total (a)</b>                                | <b>4 607</b> |
| <b>Operating expenditure</b>                    |              |
| Staff expenditure                               | 1 739        |
| Fixed asset-related expenditure                 | 45           |
| Other administrative expenditure                | 1 472        |
| <b>Total (b)</b>                                | <b>3 256</b> |
| <b>Economic result for the year (c = a – b)</b> | <b>1 351</b> |

NB: As the Agency became fully autonomous on 15 December 2006, 2007 is the first year of disclosure of the financial statements.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Public Health Executive Agency (PHEA) — Luxembourg — Balance sheet at 31 December 2007**

|                                  | (1 000 euro) |
|----------------------------------|--------------|
|                                  | 2007         |
| <b>Non-current assets</b>        |              |
| Intangible assets                | 40           |
| Tangible assets                  | 84           |
| <b>Current assets</b>            |              |
| Cash and cash equivalents        | 3 235        |
| <b>Total assets</b>              | <b>3 359</b> |
| <b>Current liabilities</b>       |              |
| Provisions for risks and charges | 29           |
| Accounts payable                 | 1 979        |
| <b>Total liabilities</b>         | <b>2 008</b> |
| <b>Net assets</b>                | <b>1 351</b> |
| <b>Reserve</b>                   |              |
| Accumulated surplus/deficit      | 0            |
| Economic result for the year     | 1 351        |
| <b>Net capital</b>               | <b>1 351</b> |

NB: As the Agency became fully autonomous on 15 December 2006, 2007 is the first year of disclosure of the financial statements.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

**THE AGENCY'S REPLIES**

7. The Agency takes note of the Court's comments. However, it has to be underlined that for some cases the Agency felt obliged to foresee carry-overs in order to fulfill legal or contractual provisions (e.g. the rent to be paid in advance). In the future, the Agency will fully respect the principle of annuality.

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**REPORT****on the annual accounts of the European Railway Agency for the financial  
year 2007 together with the Agency's replies**

(2008/C 311/14)

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## INTRODUCTION

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

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Executive Director, pursuant to Article 39 of Regulation (EC) No 881/2004, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 220, 21.6.2004, p. 3.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 27 June 2008 and received by the Court on 1 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Agency's accounts for the financial year ended 31 December 2007 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.

Without qualifying the above statements the Court draw attention to the observations in paragraphs 7 and 8.

## OBSERVATIONS

7. The Agency's final budget for 2007 amounted to 16,6 million euro (including a reserve of 1,9 million euro), as compared with 14,4 million euro for 2006. Appropriations cancelled at the end of 2007 amounted to 3,4 million euro, including the 1,9 million euro reserve which had remained unused. In addition to the cancelled appropriations, 2,7 million euro were carried over to 2008. This means that more than 35 % of the final 2007 appropriations had not been used during the year. This situation shows that the Agency's programming and budgeting procedures were affected by serious weaknesses.

8. Despite this significant level of unused appropriations, in 2007 the Agency had requested extra cash equivalent to the sum of its whole budget. The fact that such large amounts were left unused shows that the Agency's cash forecasts had not been prepared rigorously, which was at odds with the principle of sound financial management.

9. The Agency has not yet carried out a physical inventory of its fixed assets. Checks of a sample of items purchased during the year showed that some of the items tested were not labelled and had therefore not been properly recorded in the inventory.

10. For four selection procedures audited, some members of the Selection Board neither belonged to the group of functions for the post offered nor were in a grade at least equal to that of the post to be filled, as required by the Staff Regulations. In addition, the Agency had not yet finalised its recruitment procedures.

11. Weaknesses were identified in the area of procurement. In one case <sup>(1)</sup> the use of a negotiated procedure was not

justified. In another case, the Agency did not apply consistent and clear selection criteria, with the result that the evaluation of the financial and technical capacity lacked objectivity <sup>(2)</sup>. Another contract was extended twice although only one extension was allowed <sup>(3)</sup>. In one case, the negotiated procedure followed did not comply with the requirements of the applicable regulations and rules <sup>(4)</sup> for public procurement.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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<sup>(1)</sup> Telecommunication and Internet services contract (70 272 euro).

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<sup>(2)</sup> Study contract for the setting up of a database for serious train accidents (158 380 euro).

<sup>(3)</sup> Extension of a consultancy contract (30 000 euro).

<sup>(4)</sup> Contract services for the redesign of the web site of the Agency (24 980 euro).



Table 1

## European Railway Agency (Lille/Valenciennes)

| Areas of Community competence deriving from the Treaty   | Competences of the Agency as defined in Regulation (EC) No 881/2004 of the European Parliament and of the Council   |   | Governance   | Resources available to the Agency in 2007   | Products and services provided in 2007   |
|--|---|---|--|---|--|
| <p><b>Common Transport Policy</b></p> <p>For the purpose of implementing Article 70, and taking into account the distinctive features of transport, the Council shall, acting in accordance with the procedure referred to in Article 251 and after consulting the Economic and Social Committee and the the Committee of the Regions, lay down:</p> <p>(a) common rules applicable to international transport to or from the territory of a MemberState or passing across the territory of one or more Member States;</p> <p>(b) the conditions under which non-resident carriers may operate transport services within a Member-State;</p> <p>(c) measures to improve transport safety;</p> <p>(d) any other appropriate provisions.</p> <p>(Article 71 of the Treaty)</p> | <p><b>Objectives</b></p> <p>To contribute, on technical matters, to the implementation of the Community legislation aimed at:</p> <ul style="list-style-type: none"> <li>— improving the competitive position of the railway sector;</li> <li>— developing a common approach to safety on the European railway system, in order to contribute to creating a European railway area without frontiers and guaranteeing a high level of safety.</li> </ul> | <p><b>Tasks</b></p> <p><b>1. Address recommendations to the Commission on</b></p> <ul style="list-style-type: none"> <li>— the common safety methods (CSMs) and common safety targets (CSTs) provided for in the Railway Safety Directive (2004/49/EC);</li> <li>— safety certificates and measures in the field of safety;</li> <li>— the development, implementation and monitoring of rail interoperability;</li> <li>— monitoring interoperability;</li> <li>— the certification of maintenance workshops;</li> <li>— vocational competences;</li> <li>— the registration of rolling stock.</li> </ul> <p><b>2. Issue opinions on</b></p> <ul style="list-style-type: none"> <li>— national safety rules;</li> <li>— monitoring the quality of the work of notified bodies;</li> <li>— the interoperability of the trans-European network.</li> </ul> | <p><b>1. Administrative Board</b></p> <p>Comprises one representative from each MemberState, four representatives from the Commission and six representatives, without the right to vote, from the professional sectors concerned.</p> <p><b>2. Executive Director</b></p> <p>Appointed by the Administrative Board on a proposal from the Commission.</p> <p><b>3. External audit</b></p> <p>Court of Auditors.</p> <p><b>4. Discharge authority</b></p> <p>Parliament acting on recommendation of the Council.</p> | <p><b>Final Budget:</b></p> <p>16,6 million euro</p> <p><b>Staff at 31 December 2007:</b></p> <p>posts listed in the establishment plan: 116</p> <p>post occupied: 95</p> <p>other staff: 4</p> <p>Total staff: 99</p> <p>Responsible for:</p> <p>operational tasks: 66</p> <p>administrative tasks: 33</p> | <p><b>Safety</b></p> <ul style="list-style-type: none"> <li>— creation and bringing into service of the Safety Database;</li> <li>— completion and submission of the first set of Common Safety Methods to the Commission;</li> <li>— a draft recommendation on the methodology for setting common safety targets;</li> <li>— setting up a task force on peer review to facilitate mutual recognition of safety certificate;</li> <li>— development of a common approach to safety reporting.</li> </ul> <p><b>Interoperability — Technical Specifications for Interoperability (TSI)</b></p> <ul style="list-style-type: none"> <li>— completion of the preliminary draft of the TSI infrastructure and TSI Energy;</li> <li>— intermediate report on TSI Rolling Stock;</li> <li>— work on Revisions of the TSI Operations and TSI Freight wagons;</li> <li>— work on TSI Telematics for Passengers;</li> <li>— report on the certification of maintenance workshops;</li> <li>— study on the relationship between the 1 435mm and 1 520mm railway systems;</li> </ul> |

| Areas of Community competence deriving from the Treaty | Competences of the Agency as defined in Regulation (EC) No 881/2004 of the European Parliament and of the Council   | Governance | Resources available to the Agency in 2007 | Products and services provided in 2007  |
|--|---|------------|---|---|
|  | <p><b>3. Coordination of national bodies</b></p> <p>coordination of national safety authorities and national investigation bodies (as described in Directive 2004/49/EC, Articles 17 and 21).</p> <p><b>4. Publications and databases</b></p> <ul style="list-style-type: none"> <li>— report on safety performance (every two years);</li> <li>— report on progress with interoperability (every two years);</li> <li>— public database of safety documents;</li> <li>— public register of documents on interoperability.</li> </ul> |            |   | <ul style="list-style-type: none"> <li>— development of registration of Rolling Stock.</li> </ul> <p><b>European Rail Traffic Management System (ERTMS)</b></p> <ul style="list-style-type: none"> <li>— established as System Authority for ERTMS;</li> <li>— database for ERTMS change requests;</li> <li>— recommendation for updating version 2.3.0 of the ERTMS baseline;</li> <li>— study on Safety Approval of ERTMS systems.</li> </ul> <p><b>Economic evaluation</b></p> <ul style="list-style-type: none"> <li>— implementation of the methodology to create 'applied methodology' documents for each recommendation;</li> <li>— launch of the DREAM database initiative (Database for Rail Economic Analysis Monitoring);</li> <li>— provision of support to European Commission.</li> </ul> |

Source: Information supplied by the Agency.

Table 2  
European Railway Agency (Lille/Valenciennes) — Implementation of the budget for the financial year 2007

(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 previous year(s) |              |            |
|                     |  |                   |                                   | entered                     | committed     | paid          | carried over | cancelled    | committed   | paid         | cancelled  |
| Community subsidies | 14 744   | 17 025            | Title I<br>Staff                  | 9 499                       | 8 831         | 8 677         | 154          | 668          | 129   | 95           | 34         |
| Other revenue       | p.m.   | 9                 | Title II<br>Administration        | 1 798                       | 1 731         | 969           | 762          | 66           | 426   | 328          | 97         |
| Reserve             | 1 901  |                   | Title III<br>Operating activities | 3 448                       | 2 699         | 920           | 1 779        | 749          | 2 165   | 1 570        | 595        |
|                     |  |                   | Title IX<br>Reserves              | 1 901                       | 0             | 0             | 0            | 1 901        | —   | —            | —          |
| <b>Total</b>        | <b>16 645</b>  | <b>17 033</b>     | <b>Total</b>                      | <b>16 645</b>               | <b>13 261</b> | <b>10 566</b> | <b>2 695</b> | <b>3 384</b> | <b>2 719</b>                                      | <b>1 993</b> | <b>726</b> |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Railway Agency (Lille/Valenciennes) — Economic outturn account for the financial year 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 12 576        | 11 920        |
| Other subsidies  | 166           | 363           |
| <b>Total (a)</b>   | <b>12 742</b> | <b>12 284</b> |
| <b>Operating expenses</b>  |               |               |
| Staff expenses   | 8 896         | 6 694         |
| Fixed asset related expenses                                       | 269           | 168           |
| Other administrative expenses                                      | 1 253         | 1 322         |
| Operational expenses   | 2 697         | 1 330         |
| <b>Total (b)</b>   | <b>13 115</b> | <b>9 514</b>  |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>– 373</b>  | <b>2 770</b>  |
| Financial operations revenue (e)                                   | 1             | 3             |
| Financial operations expenses (f)                                  | 11            | – 2           |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>– 10</b>   | <b>1</b>      |
| Exceptional gains (h)  | —             | —             |
| Exceptional losses (i)   | 37            | —             |
| <b>Surplus/(deficit) from exceptional items (j = h – i)</b>        | <b>– 37</b>   | <b>—</b>      |
| <b>Economic result for the year (k = c + g + j)</b>                | <b>– 421</b>  | <b>2 771</b>  |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Railway Agency (Lille/Valenciennes) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        | <b>823</b>   | <b>884</b>   |
| Intangible fixed assets          | 450          | 505          |
| Tangible fixed assets            | 373          | 378          |
| <b>Current assets</b>            | <b>7 594</b> | <b>3 505</b> |
| Short-term pre-financing         | 0            | 18           |
| Short-term receivables           | 186          | 188          |
| Cash and cash equivalents        | 7 408        | 3 299        |
| <b>Total assets</b>              | <b>8 417</b> | <b>4 389</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 100          | 90           |
| Accounts payable                 | 5 966        | 1 528        |
| <b>Total liabilities</b>         | <b>6 066</b> | <b>1 618</b> |
| <b>Net assets</b>                | <b>2 351</b> | <b>2 771</b> |
| <b>Reserve</b>                   |              |              |
| Accumulated surplus/deficit      | 2 771        |              |
| Economic result for the year     | – 421        | 2 771        |
| <b>Net capital</b>               | <b>2 351</b> | <b>2 771</b> |

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE AGENCY'S REPLIES**

7. The 2007 budget was prepared when the Agency had only just become financial independent which means that there was no past experience to base estimations on, in particular for operational expenditure. Furthermore, the uncertainty as to if and when the reserve would be released, made it necessary for the Agency to plan its activities without taking the reserve into account.
8. The amount to be requested from the Commission was decided upon after close consultation with the Commission.
9. A physical inventory has been carried out in June 2008 and all the fixed assets are now labelled and will be recorded in the inventory.
10. Due to the limited staff and the workload, it is not always possible to invite members with the same group of function or the same grade. The implementing rules on Temporary Agents governing, among other things, selection and recruitment procedures for temporary servants, were adopted on 21 May 2008. A full description of the procedures to be followed will be finalised at the latest during the first quarter of 2009.
11. The Agency has already initiated significant corrective measures in the procurement field in 2007 but acknowledges that some improvements are still needed. The Agency is preparing a procurement manual in order to standardise its procedures to be finalised before the end of 2008.
-

**REPORT****on the annual accounts of the European Food Safety Authority for the  
financial year 2007 together with the Authority's replies**

(2008/C 311/15)

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## INTRODUCTION

1. The European Food Safety Authority (hereinafter referred to as 'the Authority') was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 <sup>(1)</sup>. 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.

2. *Table 1* summarises the Authority's competences and activities. Key data summarised from the financial statements drawn up by the Authority for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> 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 a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 31, 1.2.2002, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 25 June 2008 and received by the Court on 1 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Authority's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable.

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

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

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

## OBSERVATIONS

7. The Authority's 2007 budget amounted to 52,2 million euro as compared to 40,2 million euro for the previous year. It included contributions from the Commission to prepare the accession of Croatia and Turkey. These contributions should have been treated as assigned revenue in the budget but were instead treated as if they were part of the normal Community subsidy. This situation was in contradiction of Article 19 of the Financial Regulation.

8. Appropriations amounting to 8,6 million euro were carried over to 2008 and 4,8 million euro were cancelled. This situation was partly due to the delayed adoption and implementation of the 2007 annual work programme for grants. The appropriations carried over from the preceding year amounted to 7,9 million euro, of which 4,5 million euro were for operating activities (Title III). Over 25 % of the appropriations for operating activities carried over from last year had to be cancelled by the year end. The situations described above were at odds with the principle of annuality and showed weaknesses in the programming and the budgeting of planned activities.

9. In 2007, the Authority was able to achieve its recruitment objectives and fill 273 of the 300 posts in its establishment plan. The audit of the recruitment procedures showed that in general neither the weightings of the selection criteria to be applied nor the threshold scores for going on to the next stage of the competitions had been decided upon by the selection board before the deadline fixed in the vacancy notice.

10. According to the annual exception report for 2007, 252 exception requests with a total value of 853 154 euro were accepted. Over 85 % of the exceptions were related to mission costs of national experts. This situation shows that the Authority should improve its mission management in order to decrease the volume of exceptions.

11. With regard to procurement procedures, the following irregularities were observed: financial evaluation procedure

for framework contracts not clearly specified in the tender documents <sup>(1)</sup>; award of specific contracts and/or purchase orders for services not covered by the relevant framework contracts <sup>(2)</sup>; technical evaluations based on quality criteria and weightings not clearly explained in the tender documents <sup>(3)</sup>. These weaknesses undermined the transparency of the procedure and risked biasing the final selection.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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<sup>(1)</sup> Four cases.

<sup>(2)</sup> Two cases.

<sup>(3)</sup> One case.



Table 1  
European Food Safety Authority (Parma)

| Areas of Community competence deriving from the Treaty   | Competences of the Authority (Regulation (EC) No 178/2002 of the European Parliament and of the Council)   |  | Governance  | Resources made available to the Authority in 2007<br>(Data for 2006)   | Products and services supplied  |
|--|--|--|---|--|---|
| <p>Free movement of goods<br/>(Article 37 of the Treaty)</p> <p>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.<br/>(Article 95 of the Treaty)</p> <p>Common trade policy<br/>(Article 133 of the Treaty)</p> <p>Public health<br/>(Article 152(4)(b) of the Treaty)</p> | <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To provide scientific opinions and scientific and technical support for the legislation and policies which have a direct or indirect impact on food and feed safety.</li> <li>— To provide independent information on risks relating to food safety.</li> <li>— To contribute to the achievement of a high level of protection of human life and health.</li> <li>— To collect and analyse data needed to allow characterisation and monitoring of risks.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To issue scientific opinions and studies.</li> <li>— To promote uniform risk-assessment methodologies.</li> <li>— To assist the Commission.</li> <li>— To search analyse and summarise the requisite scientific and technical data.</li> <li>— To identify and characterise emerging risks.</li> <li>— To establish a network of organisations operating in similar fields.</li> <li>— To provide scientific and technical assistance in crisis management.</li> <li>— To improve international cooperation.</li> <li>— To provide the public and interested parties with reliable, objective and easily comprehensible information.</li> <li>— To take part in the Commission's rapid alert system.</li> </ul> | <p><b>1. Management board</b></p> <p><i>Composition</i></p> <p>14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and one representative of the Commission.</p> <p><i>Duties</i></p> <ul style="list-style-type: none"> <li>— To adopt the work programme and the budget and ensure that they are implemented.</li> </ul> <p><b>2. Executive director</b></p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission, following a hearing before the European Parliament.</p> <p><b>3. Advisory forum</b></p> <p><i>Composition</i></p> <p>One representative per Member State.</p> <p><i>Duties</i></p> <ul style="list-style-type: none"> <li>— To advise the Executive Director.</li> </ul> <p><b>4. Scientific Committee and scientific panels</b></p> <p>To draw up the Authority's scientific opinions.</p> <p><b>5. External audit</b></p> <p>Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>Parliament acting on recommendation of the Council.</p> | <p><b>Budget</b></p> <p>52,2 (40) million euro of which Community subvention 100 % (100 %)</p> <p><b>Staff at 31 December 2007</b></p> <p>300 (250) posts foreseen in the establishment plan</p> <p>of which occupied: 273 (173)</p> <p>+ 37 (55) other staff (auxilliary, contractuels, END)</p> <p><i>Total staff: 310 (228)</i></p> <p><i>of which for:</i></p> <ul style="list-style-type: none"> <li>— Operational duties: 218 (149)</li> <li>— Administrative duties: 92 (79)</li> </ul> | <p>1. EFSA, as Europe's risk assessment body, provides the scientific advice on which risk managers in the European Union can base their decisions to protect consumers in the EU. In this regard, following the 205 requests for scientific opinions made to EFSA in 2007, 203 opinions and 80 reports were adopted and published. An example of the impact of the EFSA's scientific work is the opinion issued in July 2007, concluding that the colouring Red 2G raised safety concerns. This led to the immediate suspension of its use in food.</p> <p>2. The overall objective of EFSA's communication efforts is to provide its target audiences and ultimately European consumers with clear, consistent, coherent and timely messages about food-related issue. The communication main tools used and the results obtained in 2007 were:</p> <ul style="list-style-type: none"> <li>— the new website with 1,5 million visits, over 17 500 subscribers to the EFSA's electronic newsletter and 1 500 viewing sessions per event regarding the webstreaming of management Boards meetings;</li> <li>— the EFSA's press office with 7 press conferences organised, 24 press releases and statements, 39 web news stories and 37 news alerts were published;</li> <li>— the celebration of EFSA's Five-year Anniversary and the 50th Anniversary of the Treaty of Rome provided EFSA with the opportunity to use new communication platforms resulting in scientific forums, food safety summit and joint events with Member States.</li> </ul> <p>Cooperation between Member States and EFSA is key to the overall success of the European food safety system and to increasing consumer confidence. The Advisory Forum connects EFSA with the national food safety authorities in all Member States. The Advisory Forum met quarterly in 2007. As a part of the cooperation strategy, a network of national 'Focal Points' serves as a relay contact between EFSA and national authorities. At the end of 2007, 18 Member States had already signed a national Focal Point agreement with EFSA.</p> <p>To make sure that EFSA is prepared to react and support the European Community, in particular the EC, during emergencies or other urgent situations, a crisis exercises programme has started on October 2007 and the first Crisis Exercise has been performed in January 2008 (with the Advisory Forum) in order to finalise the crisis manual.</p> |

Source: Information supplied by the Authority.

Table 2

## European Food Safety Authority (Parma) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                         |  |                   | Expenditure                       |                             |               |               |              |              |   |              |              |
|---------------------------------|--|-------------------|-----------------------------------|-----------------------------|---------------|---------------|--------------|--------------|---|--------------|--------------|
| Source of revenue               | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure         | Final budget appropriations |               |               |              |              | Appropriations carried over from previous financial year(s) |              |              |
|                                 |  |                   |                                   | entered                     | committed     | paid          | carried over | cancelled    | entered   | paid         | cancelled    |
| Community subsidies             | 52 207   | 48 193            | Title I<br>Staff                  | 24 060                      | 22 975        | 22 297        | 678          | 1 085        | 483   | 315          | 168          |
| Other revenue                   | p.m.   | 28                | Title II<br>Administration        | 9 347                       | 9 147         | 6 759         | 2 388        | 200          | 2 894   | 2 732        | 162          |
|                                 |  |                   | Title III<br>Operating activities | 18 800                      | 15 265        | 9 735         | 5 530        | 3 535        | 4 512   | 3 353        | 1 159        |
| Assigned revenue <sup>(1)</sup> | p.m.   | 129               | Assigned revenue                  | —                           | 129           | 129           | —            | 0            | —   | —            | —            |
| <b>Total</b>                    | <b>52 207</b>  | <b>48 350</b>     | <b>Total</b>                      | <b>52 207</b>               | <b>47 517</b> | <b>38 920</b> | <b>8 596</b> | <b>4 820</b> | <b>7 889</b>  | <b>6 400</b> | <b>1 489</b> |

<sup>(1)</sup> Reimbursement from the European Translation Centre. The amount reimbursed has been used for translation-related expenses.

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

Source: Data supplied by the Authority. This table summarises the data provided by the Authority in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

## European Food Safety Authority (Parma) — Economic outturn account for the financial years 2007 and 2006

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 46 202        | 35 117        |
| Other revenue  | 27            | 23            |
| <b>Total (a)</b>   | <b>46 229</b> | <b>35 140</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 20 475        | 16 014        |
| Fixed asset related expenditure                                    | 1 005         | 771           |
| Other administrative expenditure                                   | 9 690         | 8 303         |
| Operational expenditure  | 13 144        | 8 950         |
| <b>Total (b)</b>   | <b>44 314</b> | <b>34 038</b> |
| <b>Surplus/(Deficit) from operating activities (c = a – b)</b>     | <b>1 915</b>  | <b>1 102</b>  |
| Financial operations revenue (e)                                   | 1             | 3             |
| Financial operations expenditure (f)                               | 3             | 4             |
| <b>Surplus/(Deficit) from non-operating activities (g = e – f)</b> | <b>– 2</b>    | <b>– 1</b>    |
| <b>Economic result for the year (h = c + g)</b>                    | <b>1 913</b>  | <b>1 101</b>  |

Source: Data supplied by the Authority. This table summarises the data provided by the Authority in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

## European Food Safety Authority (Parma) — Balance sheet at 31 December 2007 and 2006

|                                 | (1 000 euro)  |               |
|---------------------------------|---------------|---------------|
|                                 | 2007          | 2006          |
| <b>Non-current assets</b>       |               |               |
| Intangible fixed assets         | 962           | 687           |
| Tangible fixed assets           | 1 789         | 950           |
| <b>Current assets</b>           |               |               |
| Short-term pre-financing        | 354           | 224           |
| Short-term receivables          | 97            | 43            |
| Other receivables               | 478           | 112           |
| Cash and cash equivalents       | 11 308        | 10 607        |
| <b>Total assets</b>             | <b>14 988</b> | <b>12 624</b> |
| <b>Current liabilities</b>      |               |               |
| Provision for risks and charges | 523           | 388           |
| Accounts payable                | 7 767         | 7 451         |
| <b>Total liabilities</b>        | <b>8 290</b>  | <b>7 839</b>  |
| <b>Net assets</b>               | <b>6 698</b>  | <b>4 785</b>  |
| <b>Reserve</b>                  |               |               |
| Accumulated surplus/deficit     | 4 785         | 3 684         |
| Economic result for the year    | 1 913         | 1 101         |
| <b>Net capital</b>              | <b>6 698</b>  | <b>4 785</b>  |

Source: Data supplied by the Authority. This table summarises the data provided by the Authority in its annual accounts: these accounts are drawn up on an accrual basis.

## THE AUTHORITY'S REPLIES

7. Since 2008, all new projects for which the Authority receives specific contributions from the Commission, are registered and monitored on assigned revenue budget lines (C4).

8. The year 2007 was the first year in which scientific grants were launched. Several measures were taken, in 2008 such as: early planning of the calls, templates, vademecum and additional administrative support to accelerate the launch of grant calls. At the same time the planning of 2009 grant calls is on the way, with the view to launch some of them already in the autumn 2008. With the new procedures relating to the processing of carry-forward and in compliance with the principle of annuality, the 2007 carry-forward rate (17 % of final budget) decreased by comparison to 2006 rate (22 %) but efforts will continue to be given to this area in 2008.

9. Weightings for all selection criteria and threshold scores for passing to the next evaluation step and/or to be put on the reserve list are decided upon by the Selection Board in a pre-evaluation meeting which takes place after the deadline for application for the vacancy. However, no access is granted to the application data base before the weightings are decided. The high fluctuation of number of applications received makes it difficult to define in advance the number of candidates to be put on the reserve list.

10. Exception requests are closely monitored and reported.

The high value of exception requests (705 169 euro i.e. 83 % of the total value) is due to 'a posteriori commitments' mostly related to scientific contracts for one specific unit where organisational changes have been implemented since then.

11.

1. The observations regarding the financial evaluation procedure for framework contracts are related to three tender procedures launched in 2005 and 2006 and to a framework contract signed in 2007. In the future, the evaluation of financial offers for fixed price contracts will be based on a comparable basis. So far only 500 000 euro have been committed for this type of services.
2. The specific orders for the relevant services were not explicitly mentioned in the framework contract but related to its field (events organisation). For future framework contracts efforts will be made to have a complete description of possible services.
3. The weightings and quality criteria were explained in the tender document but not the sub-weightings of the sub-criteria. Therefore, even if the call was considered as transparent enough, the procedures will be strengthened in the future in order to address these comments.

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**REPORT****on the annual accounts of the European GNSS Supervisory Authority for  
the financial year 2007 together with the Authority's replies**

(2008/C 311/16)

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## INTRODUCTION

1. The Supervisory Authority for the European Global Navigation Satellite System (GNSS) (hereinafter the Authority) was set up as a Community Agency by Council Regulation (EC) No 1321/2004 <sup>(1)</sup> of 12 July 2004 to manage the public interests relating to the European GNSS programmes and to act as the regulatory authority for the programme during the deployment and operational phases of the Galileo Programme. The Authority took over responsibility for its financial operations in September 2006 and 2007 is its first full year of activity. *Table 1* summarises the Authority's objectives and activities.

2. Council Regulation (EC) No 1942/2006 <sup>(2)</sup> of 12 December 2006 extended the mandate of the Authority to cover the activities of the development phase (first phase of the Galileo Programme <sup>(3)</sup>) which the Galileo Joint Undertaking (GJU) had not been able to finalise before its winding-up on 31 December 2006. The Regulation assigned ownership of the tangible and intangible assets acquired during the development phase to the Authority. In 2007, the Galileo Joint Undertaking transferred 80,5 million euro to the Authority in addition to the 70 million euro already transferred at the end of 2006.

3. Although the Authority had been set up to monitor the deployment phase of the Galileo project <sup>(4)</sup>, which should have been entrusted to a concession holder under a private-public partnership, this approach was abandoned due to a dispute on the issue of the risks relating to the project. In November 2007, after receiving its opinion from the European Parliament, the Council decided to relinquish the concession-contract option and to fund construction (deployment) from the EU budget. The entire architecture of the project had thus to be redesigned and the Commission lodged a proposal to amend Regulation No 1321/2004 on 19 September 2007. This proposal does not clarify the Authority's new role and refers, without any further detail, to delegation agreements to be concluded by the Authority and the ESA <sup>(5)</sup> regarding the management of the programme's funds and the ownership of its assets.

4. It was in this fragile legal environment that the Authority's accounts were prepared at the end of 2007.

5. Key data taken from the financial statements drawn up by the Authority for the financial year 2007 are presented in *Tables 2, 3 and 4*.

<sup>(1)</sup> OJ L 246, 20.7.2004, p. 1.

<sup>(2)</sup> OJ L 367, 22.12.2006, p. 18.

<sup>(3)</sup> The Galileo programme is divided into three phases: development and validation (2001-2008); deployment (2009-2012); and commercial operations (2013 onwards).

<sup>(4)</sup> 30 satellites to be set in orbit and related ground stations.

<sup>(5)</sup> European Space Agency.

## STATEMENT OF ASSURANCE

6. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(6)</sup>; it was drawn up following an examination of the Authority's accounts, as required by Article 248 of the Treaty establishing the European Community.

7. The Authority's accounts for the financial year ended 31 December 2007 were drawn up by its Executive Director, pursuant to Article 12 of Council Regulation (EC) No 1321/2004, and sent to the Court, which is required to give a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

8. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(7)</sup> International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

9. The Court has thus obtained a reasonable basis for the Statement expressed below:

**Reliability of the accounts**

Due to the situations described in paragraphs 3 and 4, and 13 to 18, the Court is unable to form an opinion as to the reliability of the Authority's accounts for the financial year ended 31 December 2007.

**Legality and regularity of the underlying transactions**

The transactions underlying the Authority's annual accounts for the financial year ended 31 December 2007 are, taken as a whole, legal and regular.

## OBSERVATIONS

10. The Authority's final 2007 budget was 436,5 million euro. The main expenses concern the two European satellite navigation programmes, Galileo and EGNOS <sup>(8)</sup>. The budget was

<sup>(6)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(7)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(8)</sup> European Geostationary Navigation Overlay System.

mainly financed from Commission subsidies <sup>(1)</sup>, transfers from the Galileo Joint Undertaking (GJU) and third countries contributions <sup>(2)</sup>. The appropriations actually made available to the Authority (210 million euro) were substantially lower than the 436,5 million euro initially foreseen due to the delays incurred by the Galileo programme.

11. Even with a de facto 50 % budget reduction, the consumption level of commitment and payment appropriations for operational activities was low: 63 % for commitments and 51 % for payments.

12. Furthermore, there were weaknesses in the management of the budget, such as an absence of a clear link between the Authority's work programme and the budget, transfers neither adequately justified nor documented, repeated late booking of recovery orders <sup>(3)</sup> in the budgetary accounts and inconsistent presentation of the budget's implementation.

13. Under the In Orbit Validation (IOV) phase of the Galileo programme, assets are being created which will be largely integrated into the infrastructure installed under the deployment phase <sup>(4)</sup>. The funds invested in this infrastructure can therefore not be considered as research expenditure. This is particularly pertinent as the Galileo system is meant to be operated on a commercial basis from 2013 onwards <sup>(5)</sup>. At the end of 2007, the process of ownership transfer of the Galileo project's assets was far from complete. Despite the signature of transfer agreements between the interested parties (GJU, ESA and the Authority), no list of the Galileo project's assets held by the ESA had been established at the end of 2007, so the Authority was unable to disclose their existence in its accounts.

14. In December 2006, the assets developed under the EGNOS project had been devolved to the Authority due to an amendment to Regulation No 1321/2004 <sup>(6)</sup>. These assets will be integral elements of the Galileo system (back-up signal necessary for Galileo's official approval for air transport safety). The modalities for the transfer of these assets are subject to an agreement being reached with the original EGNOS investors. These negotiations were not complete at the end of 2007. There is no up to date accurate inventory of the EGNOS assets and no indication of their value in the Authority's accounts.

<sup>(1)</sup> Operating subsidy of 7,6 million euro and operational funds of 194,5 million euro.

<sup>(2)</sup> MATIMOP (Israeli Industry Centre for Research and Development), National Remote Sensing Centre of China (NRSCC — People's Republic of China) and Belgium.

<sup>(3)</sup> Recovery orders are established after the receipt of the corresponding funds and then booked, often with delays, in the budgetary accounts.

<sup>(4)</sup> Ground stations, signal protocols and even satellites (tangible and intangible assets).

<sup>(5)</sup> It is intended that the EGNOS signal will be commercialised before Galileo becomes operational.

<sup>(6)</sup> This was repeated in article 3 of the agreement between the European GNSS supervisory Authority and the European Space Agency on the integration of EGNOS into Galileo (16 May 2007). The total cost of the EGNOS programme is around 660 million euro.

15. According to the GalileoSat declaration <sup>(7)</sup>, the cost of the IOV phase should be equally shared between the ESA and the European Union. At the end of 2007, the Union's contribution exceeded the ESA's own contribution by some 114 million euro. This prefinancing should have been shown in the Authority's accounts.

16. According to its founding Regulation, the Authority received the GJU assets. These include the unsettled prefinancings paid to the ESA. In its 2007 accounts, the Authority only included the GJU cash assets remaining at the end of 2006 which had been transferred to it in 2006 and 2007 (70,1 and 80,4 million euro respectively). Although an amount of some 558 million euro had been received by the ESA for the IOV phase, only 53,7 million euro paid in 2007 by the Authority had been recorded as prefinancing. The Authority had not checked the earlier prefinancings paid by the GJU to determine which amounts should still be shown on the assets side of its balance sheet. There is therefore a serious uncertainty as to the real amount of outstanding prefinancings forming part of the Authority's assets <sup>(8)</sup> as at the end of 2007.

17. In 2006 and 2007, 150,5 million euro were transferred in several instalments by the GJU to the Authority which recorded these cash transfers as prefinancing received among short-term liabilities for 121,2 million euro (liability side of the balance sheet) and as revenue for 29,3 million euro. Most of these funds represent the remaining part of the GJU capital subscribed at the time by the Commission and the ESA. These postings raise the following issues:

- (a) As there is no clear schedule for when the funds received by the Authority shall be used, it is unclear whether the liabilities should be considered as short term liabilities;
- (b) While it relates to an exceptional transfer of net equity carried forward from the GJU, the amount of 29,3 million euro was recorded as 'own resources'. This is the only reason for the large surplus for the year (27,1 million euro). In order not to distort the image of the operations of the year, as this amount is revenue from previous years, it should not have been posted again to the economic outturn account. It should instead have been considered as a simple transfer of equity. The real economic outturn should have been a deficit of 2,3 million euro.

<sup>(7)</sup> The GalileoSat declaration is the project masterplan established by the ESA which specifies its overall technical and financial set up.

<sup>(8)</sup> This question is further complicated by the fact that the ESA itself pays prefinancing to its industrial partners to an extent which is not known by the Authority.

In order to improve the quality of its financial management, the Authority should adopt clear rules for recording revenue under an accruals accounting system.

18. The GJU had received 15 million euro from third parties <sup>(1)</sup>. The status of these sums is unclear and no specific disclosure was made in the Authority's 2007 accounts.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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<sup>(1)</sup> MATIMOP, NRSCC and Belgium (5 million euro each).



Table 1

## European GNSS Supervisory Authority (Brussels)

| Areas of Community competence deriving from the Treaty | The Authority's powers as defined in Council regulation (EC) No 1321/04 and as amended by Council regulation (EC) No 1942/06  |   | Governance   | Resources made available to the Authority in 2007 (2006)  | Products and services 2007  |
|--|---|---|--|---|---|
| Competitiveness for growth and employment              | <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To manage the public interests relating to the European GNSS programmes;</li> <li>— To be the regulatory authority for the European GNSS programmes.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To conclude the concession contract with the private concession holder responsible for implementing and managing the Galileo deployment and operating phases;</li> <li>— To ensure that the concession holder complies with the concession contract;</li> <li>— To ensure the continuity of services in case of default of the concession holder;</li> <li>— To manage the funds allocated to the European GNSS programmes;</li> <li>— To take over the management of the agreement with the economic operator charged with operating EGNOS;</li> <li>— To present a framework on the future policy options concerning EGNOS;</li> <li>— To coordinate Member States' actions in respect of the frequencies necessary to ensure the operation of the system;</li> <li>— To assist the Commission in preparing proposals for the European GNSS programmes;</li> <li>— To modernize the system and develop new generations thereof;</li> <li>— To accomplish budgetary implementation tasks entrusted by the Commission;</li> <li>— To ensure that the components of the system are duly certified;</li> <li>— To manage all aspects relating to the system safety and security;</li> <li>— To take over the completion of the development phase of the Galileo programme;</li> <li>— To carry out all research of benefit to the European GNSS programmes.</li> </ul> | <p><b>1. Administrative Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— one representative per Member State;</li> <li>— one representative from the Commission.</li> </ul> <p><i>Tasks</i></p> <ul style="list-style-type: none"> <li>— Appoints the Director;</li> <li>— Adopts the annual work programme;</li> <li>— Adopts the budget;</li> <li>— Adopts the annual report on the activities and prospects of the Authority.</li> </ul> <p><b>2. Executive Director</b></p> <p>Appointed by the Administrative Board.</p> <p><b>3. Scientific and Technical Committee</b></p> <p>Composed of acknowledged experts from Member States and the Commission.</p> <p><b>4. System Safety and Security Committee</b></p> <p>Composed of one representative per Member State and one representative from the Commission.</p> <p><b>5. External audit</b></p> <p>European Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>European Parliament on a recommendation from the Council.</p> | <p><b>Final budget</b></p> <p>210,0 million euro (7,0) of which Community subsidy 4 % (100 %):</p> <p><b>Staff as of 31 December 2007</b></p> <p>46 (39) establishment plan posts, of which filled: 39 (18),</p> <p>+ 10 (5) other servants (contract agents and seconded national experts and interim staff)</p> <p><b>Number of staff:</b> 49 (23) of which assuming:</p> <ul style="list-style-type: none"> <li>— operational tasks: 30 (9)</li> <li>— administrative tasks: 11 (9)</li> <li>— mixed tasks: 8 (5)</li> </ul> | <p><b>Galileo system:</b></p> <ul style="list-style-type: none"> <li>— Support to the Commission regarding the alternatives for Galileo after termination of the Concession negotiations and regarding preparation of the Full-Operational-Capability deployment phase;</li> <li>— Restart of the formal Mission Requirements Document Change Control Board;</li> <li>— Launch of Galileo Performance Monitoring and Analysis Facility;</li> <li>— Contribution to task forces and work groups for frequencies;</li> <li>— Certification requirements and certification plan for the Committee on Galileo Certification;</li> <li>— Draft standards for Galileo in aviation and maritime sectors.</li> </ul> <p><b>European Geostationary Navigation Overlay System (EGNOS):</b></p> <ul style="list-style-type: none"> <li>— Structuring of the EGNOS operational phase through agreement of a baseline for the EGNOS framework agreement between the Authority, the Commission, the ESA and the Egnos Operator and Infrastructure Group;</li> <li>— Assistance to the Commission for the EGNOS master-plan;</li> <li>— Update of the EGNOS System Safety Case (issuance of the EGNOS certification plan and new versions of the Design Safety Case and Operations Safety Case);</li> <li>— Modification to EGNOS Mission Requirements Document;</li> <li>— Monitoring of the EGNOS operations qualification;</li> <li>— Production of a statement of work for the contract with the future EGNOS service provider.</li> </ul> |

| Areas of Community competence deriving from the Treaty | The Authority's powers as defined in Council regulation (EC) No 1321/04 and as amended by Council regulation (EC) No 1942/06 |  | Governance | Resources made available to the Authority in 2007 (2006) | Products and services 2007  |
|--|--|--|------------|--|---|
|  |  |  |            |  | <p><b>Systems security:</b></p> <ul style="list-style-type: none"> <li>— Establishment of the System Safety and Security Committee and participation in the Galileo Security Board;</li> <li>— Technical management of the System specific Security Requirements Statement for Galileo;</li> <li>— Production, validation and application of security documents for EGNOS;</li> <li>— Definition of the Galileo Security Monitoring Centre.</li> </ul> <p><b>Market development:</b></p> <ul style="list-style-type: none"> <li>— Definition of market development tools;</li> <li>— Support to EGNOS market entry.</li> </ul> <p><b>Research and development:</b></p> <ul style="list-style-type: none"> <li>— Management of 61 projects under the 6<sup>th</sup> framework program for research transferred by the Galileo Joint Undertaking;</li> <li>— Preparation and launch of the 1<sup>st</sup> call for GNSS R&amp;D under the 7<sup>th</sup> framework programme for research;</li> <li>— Implementation of a web-based knowledge management and dissemination tool.</li> </ul> |

Source: Information supplied by the Authority.

Table 2  
European GNSS Supervisory Authority (Brussels) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                                       |  |                  | Expenditure                            |  |                |                |               |                |              |  |            |            |            |
|---|--|------------------|--|--|----------------|----------------|---------------|----------------|--------------|--|------------|------------|------------|
| Origin of revenue                             | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure              | Final budget appropriations for the financial year |                |                |               |                |              | Appropriations carried over from the previous financial year |            |            |            |
|   |  |                  |  | entered  | available      | committed      | paid          | carried over   | cancelled    | entered  | committed  | paid       | cancelled  |
| Community subsidy                             | 7 599  | 7 599            | Title I<br>Staff (NDA)                 | 4 437  | 4 437          | 4 050          | 3 996         | 54             | 387          | 398  | 0          | 164        | 234        |
|   |  |                  | Title II<br>Administration (NDA)       | 1 364  | 1 364          | 1 322          | 526           | 796            | 42           | 878  | 0          | 648        | 230        |
| Operational funds from the Commission (R0)    | 194 500  | 24 950           | Title III<br>Operating activities (DA) |  |                |                |               |                |              |  |            |            |            |
| Transfers from Galileo Joint Undertaking (R0) | 234 368  | 150 487          | — CA                                   | 1 798  | 1 798          | 1 653          | 0             | 0              | 145          | 198  | 198        | 0          | 0          |
|   |  |                  | — PA                                   | 1 798  | 1 798          | 0              | 1 042         | 0              | 756          | 0  | 0          | 0          | 0          |
| Other revenue                                 | 0  | 396              | Assigned revenue                       |  |                |                |               |                |              |  |            |            |            |
|   |  |                  | — CA                                   | 428 868  | 202 436        | 128 176        | 0             | 113 475        | 0            | 0  | 0          | 0          | 0          |
|   |  |                  | — PA                                   | 428 868  | 175 436        | 0              | 88 961        | 86 475         | 0            | 0  | 0          | 0          | 0          |
| <b>Total</b>                                  | <b>436 467</b>   | <b>183 432</b>   | <b>Total CA</b>                        | <b>436 467</b>                                     | <b>210 035</b> | <b>135 201</b> | <b>0</b>      | <b>114 325</b> | <b>574</b>   | <b>1 474</b>   | <b>198</b> | <b>812</b> | <b>464</b> |
|   |  |                  | <b>Total PA</b>                        | <b>436 467</b>                                     | <b>183 035</b> | <b>0</b>       | <b>94 525</b> | <b>87 325</b>  | <b>1 185</b> | <b>1 276</b>   | <b>0</b>   | <b>812</b> | <b>464</b> |

NDA: non differentiated appropriations (commitment appropriations equal payment appropriations).

DA: differentiated appropriations (commitment and payment appropriations may differ).

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

The difference of 226,4 million euro between 'entered' and 'available' commitments appropriations concerns 50 million euro for the 'In Orbit Validation' phase which was to be financed by a TEN T grant, 100 million euro for the Galileo deployment phase, 11,3 million euro to be received from Matimop and 65 million to be contributed by the NRSCC. These amounts were not made available in 2007 due to the delays incurred by the Galileo programme.

The difference of 253,4 million euro between 'entered' and 'available' payment appropriations concerns 50 million euro for the 'In Orbit Validation' phase which was to be financed by a TEN T grant, 100 million euro for the Galileo deployment phase, 11,3 million euro to be received from Matimop, 65 million euro to be contributed by the NRSCC, a balance of 2 million euro to be received through the Sixth Framework Programme for Research, a balance of 20 million euro to be received through the Seventh Framework Programme for Research and a balance of 5 million euro concerning a grant for EGNOS. These amounts were not made available in 2007 due to the delays incurred by the Galileo programme.

Source: Data supplied by the Authority. This table summarises the data provided by the Authority in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European GNSS Supervisory Authority (Brussels) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |              |
|--|---------------|--------------|
|  | 2007          | 2006         |
| <b>Operating revenue</b>   |               |              |
| Own resources  | 31 746        | 0            |
| Community subsidies  | 51 360        | 1 981        |
| Other revenues   | 44            | 60           |
| <b>Total (a)</b>   | <b>83 150</b> | <b>2 041</b> |
| <b>Operating expenditure</b>                                       |               |              |
| Staff expenditure  | 3 740         | 564          |
| Fixed asset related expenditure                                    | 77            | 4            |
| Other administrative expenditure                                   | 2 028         | 595          |
| Operational expenditure  | 50 872        | 53           |
| <b>Total (b)</b>   | <b>56 717</b> | <b>1 216</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>26 433</b> | <b>825</b>   |
| Financial operations revenue (e)                                   | 643           | 0            |
| Financial operations expenditure (f)                               | 0             | 0            |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>643</b>    | <b>0</b>     |
| <b>Economic result for the year (h = c + g)</b>                    | <b>27 076</b> | <b>825</b>   |

Source: Data supplied by the Authority. This table summarises the data supplied by the Authority in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European GNSS Supervisory Authority (Brussels) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro)   |               |
|----------------------------------|----------------|---------------|
|                                  | 2007           | 2006          |
| <b>Non-current assets</b>        |                |               |
| Intangible fixed assets          | 111            | 0             |
| Tangible fixed assets            | 228            | 65            |
| <b>Current assets</b>            |                |               |
| Short-term pre-financing         | 28             | 0             |
| Short-term receivables           | 68 931         | 59            |
| Cash and cash equivalents        | 91 942         | 76 485        |
| <b>Total assets</b>              | <b>161 240</b> | <b>76 609</b> |
| <b>Current liabilities</b>       |                |               |
| Provisions for risks and charges | 68             | 29            |
| Accounts payable                 | 133 271        | 75 755        |
| <b>Total liabilities</b>         | <b>133 339</b> | <b>75 784</b> |
| <b>Net assets</b>                | <b>27 901</b>  | <b>825</b>    |
| <b>Reserve</b>                   |                |               |
| Accumulated surplus/deficit      | 825            | 0             |
| Economic result of the year      | 27 076         | 825           |
| <b>Net capital</b>               | <b>27 901</b>  | <b>825</b>    |

Source: Data supplied by the Authority. This table summarises the data supplied by the Authority in its annual accounts: these accounts are drawn up on an accrual basis.

**THE AUTHORITY'S REPLIES**

12. The Authority is taking the necessary action to improve its performance in respect of its budget reporting. In 2007 the Authority had to perform a high number of transfers due to an exceptional budgetary situation (50 % reserve on operating budget) which made it extremely difficult to keep a clear link between work programme and budget.

13. The Court is correct in pointing out that, as at 31 December 2007, the Authority was not controlling the assets of the IOV Phase. These assets were at that time under the control of ESA. This was due to the legal uncertainties surrounding the project at that date, with ESA claiming that, as an international organisation, it was not bound by Regulation (EC) No 1942/2006. The Authority shares the view that an inventory of the project assets is desirable. This is one of the deliverables of the GalileoSat Programme, which shall be made available by ESA to the Commission, as new programme manager.

14. The Court is right in pointing out that no agreement had been reached by 31 December 2007 on the transfer of assets of EGNOS by ESA, and that, as a consequence, the Authority was not controlling these assets.

15. The Authority only recognised advance payments of 53,2 million euro in respect of the costs of the IOV phase as these 53,2 million euro were the total of the sums paid by the Authority to ESA for the IOV Phase.

16. All payments made by GJU were treated as expenditure in the GJU's annual accounts and therefore are not recorded in the Authority's accounts. The accounts of GJU for the year 2006 were discharged by its Administrative Board in September 2007 after receiving a positive audit opinion. From the point of view of the Commission, the net position registered in the accounts of GJU at the end of 2006 (i.e. neither a payable position towards the Commission, nor a receivable position towards third parties) reflected the situation of the grants.

17.

- (a) Taking into account the uncertainty over the Authority's role on the Galileo & EGNOS projects, those settlements are classified as a current liability. The Authority recognises that it could perform a more detailed analysis of the liabilities in the future.
- (b) The Authority considers that the amount of 29,3 million euro is related to the activities of the GJU in the previous years, not to the activities of the Authority in the previous years. The Authority considers it therefore as extraordinary revenue in the reporting year.

18. According to the information received by the Authority, the Administrative Board of the GJU in the liquidation plan decided that there would be no redistribution of the unused amounts to the shareholders of the GJU.

The Liquidator of GJU has informed the GSA that all unused funds (except for an amount of 200 000 euro) had been transferred to the Authority.

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**REPORT****on the annual accounts of the Translation Centre for the Bodies of the  
European Union for the financial year 2007 together with the Centre's  
replies**

(2008/C 311/17)

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## INTRODUCTION

1. The Translation Centre for the Bodies of the European Union (hereinafter the Centre) was established by Council Regulation (EC) No 2965/94 <sup>(1)</sup>. 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.

2. Table 1 summarises the Centre's competences and activities. Key data taken from the financial statements drawn up by the Centre for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> 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 a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the statement set out below:

### **Reliability of the accounts**

The Centre's accounts for the financial year ended 31 December 2007 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 statement into question.

## OBSERVATIONS

7. In one case, the audit of procurement procedures showed that the evaluation of the award criteria was not appropriately documented because the Centre did not make a cost/benefit analysis of the different alternatives proposed to justify the final choice.

8. There was a lack of due diligence in the way in which one of the six recruitment procedures audited was implemented. The file examined showed various anomalies (errors in the evaluation sheets, dates not correctly registered as required, imprecision of the supporting documents). This situation did not ensure the transparency of the procedure.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 16 June 2008 and received by the Court on 3 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

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  |   | Governance  | Resources made available to the Centre in 2007<br>(Data for 2006)  | Products and services provided during the financial year 2007<br>(Data for 2006)  |
|---|---|---|---|--|---|
| <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.</p> <p>(Council Decision taken on the basis of Article 235 of the Treaty).</p> | <p><b>Objectives</b></p> <p>To provide the necessary translation services for the operation of the following bodies:</p> <ul style="list-style-type: none"> <li>— the European Environment Agency,</li> <li>— the European Training Foundation,</li> <li>— the European Monitoring Centre for Drugs and Drug Addiction,</li> <li>— the European Medicines Agency,</li> <li>— the European Agency for Health and Safety at Work,</li> <li>— the Office for Harmonization in the Internal Market (Trademarks and Designs),</li> <li>— the European Police Office (Europol) and the Europol Drugs Unit.</li> </ul> <p>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><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To make arrangements for cooperation with the bodies and institutions.</li> <li>— To participate in the work of the Interinstitutional Translation Committee.</li> </ul> | <p><b>1. Management Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— one representative per Member State;</li> <li>— two representatives from the Commission;</li> <li>— one representative from each body or institution calling upon the Centre's services.</li> </ul> <p><i>Task</i></p> <p>Adopts the Centre's annual work programme and annual report.</p> <p><b>2. Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p><b>3. External audit</b></p> <p>Court of Auditors.</p> <p><b>4. Internal audit</b></p> <p>Commission's internal auditor.</p> <p><b>5. Discharge authority</b></p> <p>Parliament acting on a recommendation from the Council.</p> | <p><b>Final budget:</b></p> <p>46,12 (40,88) million euro.</p> <p><b>Staff at 31 December 2007:</b></p> <p>200 (189) posts provided for in the establishment plan,</p> <p>posts occupied: 176 (169).</p> <p><b>Assigned to the following duties:</b></p> <ul style="list-style-type: none"> <li>— operational: 88 (80)</li> <li>— administrative: 88 (89)</li> </ul> | <p><b>Number of pages translated</b></p> <p>732 673 (546 735)</p> <p><b>Number of pages by language</b></p> <ul style="list-style-type: none"> <li>— official languages: 729 286 (537 797)</li> <li>— other languages: 3 387 (8 938)</li> </ul> <p><b>Number of pages per client</b></p> <ul style="list-style-type: none"> <li>— bodies: 711 131 (531 454)</li> <li>— institutions: 21 542 (15 281)</li> </ul> <p><b>Number of pages translated freelance</b></p> <p>395 701 (260 303)</p> |

Source: Information supplied by the Centre.



Table 2

## Translation Centre for the Bodies of the European Union (Luxembourg) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                                 |  |                  | Expenditure                       |                             |               |               |              |               |  |              |            |
|---|--|------------------|-----------------------------------|-----------------------------|---------------|---------------|--------------|---------------|--|--------------|------------|
| Source of revenue                       | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure         | Final budget appropriations |               |               |              |               | Appropriations carried over from the previous financial year |              |            |
|   |  |                  |                                   | entered                     | com-mitted    | paid          | carried over | cancelled     | available  | paid         | cancelled  |
| Own revenue                             | 37 967   | 40 291           | Title I<br>Staff                  | 17 285                      | 15 614        | 15 430        | 185          | 1 670         | 196  | 168          | 28         |
| Interest                                | 450  | 1 301            | Title II<br>Administration        | 4 983                       | 4 215         | 2 757         | 1 457        | 769           | 1 215  | 1 124        | 91         |
| Balance for the previous financial year | 16 994   | 16 994           | Title III<br>Operating activities | 14 753                      | 13 385        | 11 102        | 2 283        | 1 368         | 1 475  | 1 473        | 2          |
| Reimbursement to clients                | - 9 295  | - 9 295          | Title X<br>Reserve                | 9 095                       | 0             | 0             | 0            | 9 095         | 0  | 0            | 0          |
| Other revenue                           | 0  | 12               |                                   |                             |               |               |              |               |  |              |            |
| <b>Total</b>                            | <b>46 116</b>  | <b>49 303</b>    | <b>Total</b>                      | <b>46 116</b>               | <b>33 214</b> | <b>29 289</b> | <b>3 925</b> | <b>12 902</b> | <b>2 886</b>   | <b>2 765</b> | <b>121</b> |

Source: Data supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**Translation Centre for the Bodies of the European Union (Luxembourg) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Own resources  | 41 317        | 32 817        |
| Other revenue  | 211           | 126           |
| <b>Total (a)</b>   | <b>41 528</b> | <b>32 943</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 15 476        | 13 713        |
| Fixed-asset-related expenditure                                    | 3 875         | 4 195         |
| Other administrative expenditure                                   | 2 229         | 2 021         |
| Operational expenditure  | 12 810        | 8 757         |
| <b>Total (b)</b>   | <b>34 390</b> | <b>28 686</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>7 138</b>  | <b>4 257</b>  |
| Revenue from financial operations (e)                              | 1 301         | 844           |
| Expenditure on financial operations (f)                            | 4             | 3             |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>1 297</b>  | <b>841</b>    |
| <b>Economic result for the year (h = c + g)</b>                    | <b>8 435</b>  | <b>5 099</b>  |

Source: Data supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Translation Centre for the Bodies of the European Union (Luxembourg) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro)  |               |
|----------------------------------|---------------|---------------|
|                                  | 2007          | 2006          |
| <b>Non-current assets</b>        |               |               |
| Intangible fixed assets          | 539           | 267           |
| Tangible fixed assets            | 551           | 391           |
| <b>Current assets</b>            |               |               |
| Stock                            | 390           | 313           |
| Short-term receivables           | 6 900         | 5 907         |
| Cash and cash equivalents        | 34 930        | 34 618        |
| <b>Total assets</b>              | <b>43 310</b> | <b>41 496</b> |
| <b>Current liabilities</b>       |               |               |
| Provisions for risks and charges | 12 829        | 10 600        |
| Accounts payable                 | 2 436         | 1 991         |
| <b>Total liabilities</b>         | <b>15 265</b> | <b>12 591</b> |
| <b>Net assets</b>                | <b>28 045</b> | <b>28 905</b> |
| <b>Reserve</b>                   |               |               |
| Reserves                         | 10 760        | 9 761         |
| Accumulated surplus/deficit      | 8 849         | 14 045        |
| Economic result for the year     | 8 435         | 5 099         |
| <b>Net capital</b>               | <b>28 045</b> | <b>28 905</b> |

Source: Data supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE CENTRE'S REPLIES**

7. The Centre takes full note of the Court's observation and will strengthen its ex-ante control by ensuring that cost-benefit analysis becomes an integral part of all activities that entail significant expenditure when different possible options are available.
  8. The Centre takes full note of the Court's observation and the procedures will be adapted accordingly.
-

**REPORT****on the annual accounts of the European Centre for Disease Prevention  
and Control for the financial year 2007 together with the Centre's replies**

(2008/C 311/18)

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## INTRODUCTION

1. The European Centre for Disease Prevention and Control (hereinafter referred to as 'the Centre') was set up by Regulation (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004 <sup>(1)</sup>. Its main tasks are to collect and disseminate data on the prevention and control of human diseases and to provide scientific opinions on this subject. It is also required to coordinate the European network of bodies operating in this field.

2. *Table 1* summarises the Centre's competences and activities. Key data summarised from the financial statements drawn up by the Centre for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 23 of Regulation (EC) No 851/2004, and sent to the Court, which is required to give a Statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

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

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 18 June 2008 and received by the Court on 30 June 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Centre's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The Centre's 2007 budget amounted to 28,9 million euro, as compared with 17,1 million euro the previous year. The budget increase is mainly due to the development of the Centre's activities as laid down in its multiannual programme. 28,3 million euro of the 2007 commitment appropriations were used up, of which 16,3 million euro were paid and 12,0 million euro carried over. The low level of payments is an indicator of difficulties in implementing the 2007 activities. This low level is partly explained by additional funds (1,8 million euro) made available by the Commission at the end of the year. Moreover, the level of budget amendments <sup>(5)</sup> reveals weaknesses in the monitoring of the implementation of the budget. This situation was at odds with the principles of annuality and specification.

8. The inventory of fixed assets (gross amount 3,5 million euro) was managed using a spreadsheet, which did not guarantee the integrity of the data, and no exhaustive physical inventory of fixed assets has been made since the Centre was set up.

9. The Centre's 2007 work programme is activity-based and the initial budget follows the structure of the work programme. However, when budget amendments were decided, no evaluation was made of their impact on the work programme and the achievement of the objectives.

<sup>(5)</sup> Title I and Title III appropriations decreased respectively by 0,9 and 1,3 million euro to increase the Title II.

10. In 2007, the Centre has disbursed 0,5 million euro on various renovation works on the building rented for its premises. As in 2006, these works were decided by direct agreement between the Centre and the owner without specifying the nature

of the works to be done as well as deadlines and payment conditions. This situation did not comply with the Financial Regulation and was at odds with the principle of economy.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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Table 1

## European Centre for Disease Prevention and Control (Stockholm)

| Area of Community competence deriving from the Treaty  | Competences of the Centre as specified in Regulation (EC) No 851/2004  |   | Governance  | Resources available to the Centre<br>(Data for 2006)   | Products and services supplied in 2007  |
|--|--|---|---|--|---|
| <p>A high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities. 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. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education.</p> <p>(Article 152 of the Treaty)</p> | <p><b>Objectives</b></p> <p>To strengthen Europe's defences against infectious diseases; specifically, to identify, assess and communicate current and emerging threats to human health from communicable diseases.</p> <p>Therefore the Centre shall operate dedicated surveillance networks, provide scientific opinions, operate the early warning and response system (EWRS) and provide scientific and technical assistance and training.</p> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To operate dedicated disease surveillance networks and enhance networking activities. The Centre has a specific role in data collection, validation, analysis and dissemination.</li> <li>— To provide authoritative expert advice and scientific opinions and studies on communicable diseases.</li> <li>— To operate the EWRS. Develop procedures for identifying emerging health threats.</li> <li>— To strengthen Member States' capacity in preparedness planning and in training.</li> <li>— To inform the general public and interested parties of its work.</li> </ul> | <p><b>1. Management Board</b></p> <p>One member designated by each MemberState, two members designated by the European Parliament and three representatives of the Commission.</p> <p>The Board adopts the Centre's annual programme and budget and monitors their implementation.</p> <p><b>2. Director</b></p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission.</p> <p><b>3. Advisory Forum</b></p> <p>A representative of each MemberState and three non-voting representatives of the Commission.</p> <p>The Forum is to assure the scientific excellence of the work and the independence of the activities and opinions of the Centre.</p> <p><b>4. External audit</b></p> <p>Court of Auditors.</p> <p><b>5. Discharge authority</b></p> <p>Parliament acting on a recommendation by the Council.</p> | <p><b>2007 Final Budget</b></p> <p>28,9 (17,1) million euro, including a community subsidy of 98 % and 2 % of EFTA funds</p> <p><b>Staff Numbers</b></p> <p>Posts in the establishment plan: 90 (50)</p> <p>Posts occupied: 80 (48)</p> <p>+ 42 (36) other posts</p> <p>Total staff: 122 (84)</p> <p>assigned to the following duties:</p> <ul style="list-style-type: none"> <li>— operational: 75 (49)</li> <li>— administrative: 47 (35)</li> </ul> | <ul style="list-style-type: none"> <li>— A communicable disease threat database (Threat Tracking Tool, TTT) was developed and implemented in 2007.</li> <li>— ECDC completed the transfer of the EWRS operations in 2007, and also initiated the development of standard operating procedures for outbreak investigation and response.</li> <li>— Two simulation exercises were conducted in 2007: test of internal procedures and equipment and test of procedures regarding risk assessment and Member States support for contact tracing activities.</li> <li>— Launch of the European Surveillance System in late autumn 2007, collecting data for the DSNs migrating to ECDC.</li> <li>— Publication of the First European Epidemiological Report and of the EU Zoonoses Report in close collaboration with membersStates and EFSA.</li> <li>— Integration of the scientific journal <i>Eurosurveillance</i> into ECDC.</li> <li>— Organisation of five training sessions on outbreak investigation in partnership with ASPHER. Additionally, a module on management of public health crises was organised, gathering senior epidemiologists from all Member States. A training manual on applied epidemiology was further developed.</li> </ul> |

| Area of Community competence deriving from the Treaty | Competences of the Centre as specified in Regulation (EC) No 851/2004 |  | Governance | Resources available to the Centre<br>(Data for 2006) | Products and services supplied in 2007   |
|---|---|--|------------|--|--|
|   |   |  |            |  | <ul style="list-style-type: none"> <li data-bbox="1637 193 2040 592">— Influenza Pandemic Preparedness Self-Assessment visits to all thirty EU/EEA Member States were completed. In the area of HIV and STI surveillance and prevention, the Centre prepared the ground for taking responsibility for the surveillance of HIV/AIDS in Europe, performed two country visits to review programmes for prevention, control and surveillance, and carried out EU-wide studies to evaluate prevention interventions. In the context of the TB disease specific activities, an Action Plan to fight TB in the EU was developed.</li> <li data-bbox="1637 608 2040 655">— A Scientific Consultation Group of EU-wide Learned Societies was created.</li> <li data-bbox="1637 671 2040 790">— The first European Scientific Conference on Applied Infectious Disease Epidemiology (ESCAIDE) was organised and hosted by The Centre.</li> </ul> |

Source: Information supplied by the Centre.



Table 2

## European Centre for Disease Prevention and Control (Stockholm) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue             |  |                  | Expenditure                       |                             |               |               |               |            |   |              |              |
|---------------------|--|------------------|-----------------------------------|-----------------------------|---------------|---------------|---------------|------------|---|--------------|--------------|
| Source of revenue   | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure         | Final budget appropriations |               |               |               |            | Appropriations carried over from previous financial year(s) |              |              |
|                     |  |                  |                                   | entered                     | committed     | paid          | carried over  | cancelled  | Available   | paid         | cancelled    |
| Community subsidies | 28 898   | 28 614           | Title I<br>Staff                  | 9 598                       | 9 528         | 8 825         | 703           | 70         | 404   | 330          | 74           |
|                     |  |                  | Title II<br>Administration        | 6 268                       | 5 915         | 3 498         | 2 417         | 353        | 1 620   | 1 505        | 115          |
|                     |  |                  | Title III<br>Operating activities | 13 032                      | 12 866        | 3 928         | 8 938         | 166        | 5 073   | 3 956        | 1 117        |
| <b>Total</b>        | <b>28 898</b>  | <b>28 614</b>    | <b>Total</b>                      | <b>28 898</b>               | <b>28 309</b> | <b>16 251</b> | <b>12 058</b> | <b>590</b> | <b>7 097</b>  | <b>5 791</b> | <b>1 306</b> |

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

Source: Data supplied by the Centre. This table summarises the data supplied by the Centre in its own financial statements. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Centre for Disease Prevention and Control (Stockholm) — Economic outturn account  
for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 26 980        | 15 806        |
| <b>Total (a)</b>   | <b>26 980</b> | <b>15 806</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 8 252         | 4 536         |
| Fixed asset related expenditure                                    | 612           | 305           |
| Other administrative expenditure                                   | 4 395         | 2 893         |
| Operational expenditure  | 8 699         | 2 623         |
| <b>Total (b)</b>   | <b>21 958</b> | <b>10 357</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>5 022</b>  | <b>5 449</b>  |
| Financial operations revenue (e)                                   | 22            | 0             |
| Financial operations expenditure (f)                               | 4             | 64            |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>18</b>     | <b>– 64</b>   |
| <b>Economic result for the year (h = c + g)</b>                    | <b>5 040</b>  | <b>5 385</b>  |

Source: Data supplied by the Centre. This table summarises the data provided by the Centre in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Centre for Disease Prevention and Control (Stockholm) — Balance Sheet  
at 31 December 2007 and 2006**

|                                 | (1 000 euro)  |              |
|---------------------------------|---------------|--------------|
|                                 | 2007          | 2006         |
| <b>Non-current assets</b>       |               |              |
| Intangible assets               | 324           | 111          |
| Tangible fixed assets           | 2 414         | 936          |
| <b>Current assets</b>           |               |              |
| Short-term prefinancing         | 461           | 400          |
| Stocks                          | 2             | 7            |
| Short-term receivables          | 787           | 387          |
| Cash and cash equivalents       | 13 420        | 7 223        |
| <b>Total assets</b>             | <b>17 408</b> | <b>9 064</b> |
| <b>Current liabilities</b>      |               |              |
| Provision for risks and charges | 136           | 70           |
| Accounts payable                | 5 893         | 2 655        |
| <b>Total liabilities</b>        | <b>6 029</b>  | <b>2 725</b> |
| <b>Net assets</b>               | <b>11 379</b> | <b>6 339</b> |
| <b>Reserve</b>                  |               |              |
| Accumulated surplus/deficit     | 6 339         | 954          |
| Economic result for the year    | 5 040         | 5 385        |
| <b>Net capital</b>              | <b>11 379</b> | <b>6 339</b> |

Source: Data supplied by the Centre. This table summarises the data provided by the Centre in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE CENTRE'S REPLIES**

7. As the Court noted the Centre is still in a growth phase which makes it more challenging to have high payment execution rates. Nevertheless, the management has already increased the payment execution, and has put forward as an objective to approach 70 % of payment execution by 2010.

The Centre carefully considers the needs for budgetary amendments and is committed to further improve its monitoring on the basis of acquired experience in order to reduce further the volume of transfers.

8. The Centre is aware of the limited reliability of a spreadsheet based inventory register and to remedy this, regular verifications of the data have taken place. A new asset inventory system has been developed and is expected to be functional at the end of 2008. In addition the Logistics unit has been reinforced to track deliveries and verify physically the Centre's assets.

9. All the transfers affecting the operational title of the budget were done in view of dynamic prioritisation of the Centre's objectives. However, the Centre agrees with the observation and starting from 2008 it will update its work programme together with any budgetary amendment.

10. The Centre monitors closely the works made in order to implement the economy principle. The Centre is currently concluding on a framework agreement specifying the conditions for specific works that are to be carried out.

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**REPORT****on the annual accounts of the European Centre for the Development of Vocational Training for the financial year 2007 together with the Centre's replies**

(2008/C 311/19)

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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 <sup>(1)</sup>. 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.

2. Table 1 summarises the Centre's competences and activities. Key data summarised from the financial statements drawn up by the Centre for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 12(a) of Regulation (EEC) No 337/75, and sent to the Court, which is required to provide a statement as to their reliability and the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the following Statement set out below:

### **Reliability of the accounts**

The Centre's accounts for the financial year ended 31 December 2007 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 observation which follows does not call the Court's Statement into question.

## OBSERVATION

7. The Centre's 2007 budget amounted to 17,4 million euro, as compared with 17,6 million euro the previous year. The Centre's 2007 work programme lists the planned activities for each specific objective with a detailed description of outputs to be delivered. Objectives and performance indicators are often not measurable which makes it difficult to assess achievements. If it wishes its budget to be genuinely activity-based, the Centre should define precise objectives and improve its programming. The programming should establish a clear and consistent link between the set objectives and the implementation of the budgetary resources needed to achieve them.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 17 June 2008 and received by the Court on 3 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

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

| Area 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  | Governance  | Resources made available to the Centre in 2007<br>(Data for 2006)   | Products and services supplied in 2007<br>(Data for 2006)   |  |
|---|--|---|---|---|--|
| <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"> <li>— facilitate adaptation to industrial changes, in particular through vocational training and retraining;</li> <li>— improve initial and continuing vocational training in order to facilitate vocational integration and reintegration into the labour market;</li> <li>— facilitate access to vocational training and encourage mobility of instructors and trainees and particularly young people;</li> <li>— stimulate cooperation on training between educational or training establishments and firms;</li> <li>— develop exchanges of information and experience on issues common to the training systems of the member States.</li> </ul> <p>(From Article 150 of the Treaty)</p> | <p><b>The Centre's mandate</b></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><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To compile selected documentation and produce data analysis;</li> <li>— To contribute to research development and coordination;</li> <li>— To utilise and disseminate relevant information;</li> <li>— To encourage and support a concerted approach to matters relating to the development of vocational training;</li> <li>— To provide a forum for a broad and diverse public.</li> </ul> | <p><b>1. Governing Board (GB)</b></p> <p><i>Consisting of:</i></p> <p>For each Member State:</p> <ul style="list-style-type: none"> <li>— one member representing the Government;</li> <li>— one member representing the employers' organisations;</li> <li>— one member representing the employees' organisations and three members representing the European Commission.</li> </ul> <p><b>2. Bureau</b></p> <p><i>Made up of:</i></p> <p>The chairman and the three vice-chairmen of the GB (one from each of the groups), one coordinator per group and one representative of the Commission.</p> <p><b>3. Director</b></p> <p>Appointed by the Commission from a list of candidates submitted by the Governing Board; is responsible for the management of the Centre and implements the decisions of the Governing Board and the Bureau.</p> <p><b>4. Internal control</b></p> <p>Commission's Internal Audit Service.</p> <p><b>5. External audit</b></p> <p>Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>Parliament acting on recommendation from the Council.</p> | <p><b>Budget:</b></p> <p>17,4 million euro (17,6 million euro)</p> <p>Community contribution: 96 % (95 %)</p> <p><b>Staff numbers at 31 December 2007:</b></p> <p>Number of posts in establishment plan: 97 (95)</p> <p>Posts occupied: 89 (81)</p> <p>Other staff: contract staff, seconded national experts.</p> <p><i>Total staff:</i> 128 (123)</p> <p>assigned to the following duties:</p> <p>operational: 89 (84)</p> <p>administrative: 39 (34)</p> <p>mixed: 0 (5)</p> | <ul style="list-style-type: none"> <li>— Conferences and seminars: 11 (24);</li> <li>— Workshops: 82 (24);</li> <li>— Visits/presentations: 24 (21);</li> <li>— Studies: 14 (35) + 23 grant procedures for ReferNet;</li> <li>— Projects: 40 (36) (of which 8 (2) administrative) plus 13 (15) virtual communities (of which 3 (1) administrative);</li> <li>— Participation in: Helsinki follow-up and preparation for the ministerial meeting in Bordeaux 2008, Education and Training 2010 programme, Leonardo da Vinci programme and transition to Lifelong Learning programme, social partners' joint action framework, Advisory Committee for Vocational Training, Directors-General for Vocational Training, Education and Training 2010 Coordination Group;</li> <li>— Publications: 34 (43);</li> <li>— 3 (3) issues of Cedefop info;</li> <li>— 3 (3) issues of the European journal on vocational training;</li> <li>— Circulation of documents: 8 477 (8 733) on request, 1 565 (1 774) subscriptions to the European journal, 8 490 (8 498) subscriptions to Cedefop info;</li> <li>— Electronic publications: 3 364 (3 324) subscriptions to ETV newsletter, 4 000 000 (3 583 478) number of ETV page views, 5 841 (7 553) registered members in the virtual communities, 769 (844) participants in the study visits programme.</li> </ul> |

Source: Information supplied by the Centre.

Table 2

## European Centre for the Development of Vocational Training (Cedefop) — Thessaloniki — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                         |  |                   | Expenditure                            |                                       |               |               |              |            |  |              |            |              |            |   |
|---------------------------------|--|-------------------|--|---------------------------------------|---------------|---------------|--------------|------------|--|--------------|------------|--------------|------------|---|
| Source of revenue               | Revenue entered in the final budget for the financial year | Revenue collected | 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  |   |
| Community subsidy               | 16 730   | 16 317            | Title I<br>Staff (NDA)                 | 9 631                                 | 9 000         | 8 694         | 306          | 631        | 338  | 338          | 240        | 0            | 98         |   |
| Other revenue                   | 125  | 96                |  |                                       |               |               |              |            |  |              |            |              |            |   |
|                                 |  |                   | Title II<br>Administration (NDA)       | 2 049                                 | 1 754         | 808           | 1 096        | 145        | 559  | 559          | 519        | 0            | 40         |   |
|                                 |  |                   | Title III<br>Operating activities (DA) |                                       |               |               |              |            |  |              |            |              |            |   |
|                                 |  |                   |  | — CA                                  | 5 150         | 4 805         |              | 0          | 0  | 0            | 0          | 0            | 0          | 0 |
|                                 |  |                   |  | — PA                                  | 5 175         |               | 4 869        | 99         | 207  | 0            | 0          | 0            | 0          | 0 |
| Assigned revenue <sup>(1)</sup> | 544  | 494               | Assigned revenue                       | 544                                   | 82            | 19            | 525          | 0          | 916  | 446          | 227        | 551          | 138        |   |
|                                 |  |                   | <b>Total CA</b>                        | <b>17 374</b>                         | <b>15 641</b> |               | <b>1 927</b> | <b>775</b> | <b>1 813</b>   | <b>1 343</b> |            | <b>551</b>   | <b>276</b> |   |
| <b>Total</b>                    | <b>17 399</b>  | <b>16 907</b>     | <b>Total PA</b>                        | <b>17 399</b>                         |               | <b>14 390</b> | <b>2 026</b> | <b>983</b> | <b>1 813</b>   |              | <b>986</b> | <b>551</b>   | <b>276</b> |   |

<sup>(1)</sup> For Phare funds of 50 000 euro the recovery order of 2007 was only collected in February 2008.

NDA: non-differentiated appropriations (commitment appropriations equal payment appropriations)

DA: differentiated appropriations (commitment appropriations may differ from payment appropriations)

CA: commitment appropriations in the context of differentiated appropriations

PA: payment appropriations in the context of differentiated appropriations

Source: Data supplied by the Centre. This table summarises data provided by the Centre in its Annual Accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Centre for the Development of Vocational Training (Cedefop) — Thessaloniki — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 15 707        | 14 146        |
| Other subsidies  | 396           | 457           |
| Other revenues   | 373           | 279           |
| <b>Total (a)</b>   | <b>16 476</b> | <b>14 882</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 9 041         | 8 166         |
| Fixed asset related expenditure                                    | 460           | 480           |
| Other administrative expenditure                                   | 1 429         | 1 181         |
| Operational expenditure  | 5 290         | 4 340         |
| <b>Total (b)</b>   | <b>16 220</b> | <b>14 167</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>256</b>    | <b>715</b>    |
| Financial operations revenue (e)                                   | 0             | 0             |
| Financial operations expenditure (f)                               | 3             | 4             |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>– 3</b>    | <b>– 4</b>    |
| <b>Economic result for the year (h = c + g)</b>                    | <b>253</b>    | <b>711</b>    |

Source: Data supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Centre for the Development of Vocational Training (Cedefop) — Thessaloniki — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        |              |              |
| Intangible fixed assets          | 110          | 92           |
| Tangible fixed assets            | 4 621        | 4 887        |
| Long-term receivables            | 5            | 5            |
| <b>Current assets</b>            |              |              |
| Short-term pre-financing         | 384          | 552          |
| Stock                            | 155          | 0            |
| Short-term receivables           | 462          | 438          |
| Cash and cash equivalents        | 3 763        | 3 919        |
| <b>Total assets</b>              | <b>9 500</b> | <b>9 893</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 412          | 317          |
| Accounts payable                 | 3 037        | 3 777        |
| <b>Total liabilities</b>         | <b>3 449</b> | <b>4 094</b> |
| <b>Net assets</b>                | <b>6 050</b> | <b>5 799</b> |
| <b>Reserves</b>                  |              |              |
| Accumulated surplus/deficit      | 5 798        | 5 088        |
| Economic result for the year     | 253          | 711          |
| <b>Net capital</b>               | <b>6 050</b> | <b>5 799</b> |

Source: Data supplied by the Centre — This table summarises the data provided by the Centre in its annual accounts: these accounts are drawn up on an accrual basis.



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**THE CENTRE'S REPLY**

7. The Centre takes account of the observation of the Court. The Centre is working on a more precise formulation of objectives and performance indicators. For 2008 the Centre introduced an Activity Based Budgeting which establishes a clear link between activities, their objectives and the budgetary resources attributed.

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**REPORT**  
**on the annual accounts of the European Police College for the financial**  
**year 2007 together with the College's replies**  
(2008/C 311/20)

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## INTRODUCTION

1. The European Police College (hereinafter called the College) was established by Council Decision 2000/820/JHA, as repealed in 2005 and replaced by Council Decision 2005/681/JHA <sup>(1)</sup>. The College's task is to function as a network and bring together the national police training institutes in the Member States to provide training sessions, based on common standards, for senior police officers.

2. Table 1 summarises the College's competences and activities. Key data taken from the financial statements drawn up by the College for the financial year 2007 are presented in Tables 2 and 3 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 <sup>(2)</sup>; it was drawn up following an examination of the College's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The College's accounts for the financial year ended 31 December 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 11 of Council Decision 2005/681/JHA, and sent to the Court, which is required to give a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

Except for the situation described in paragraphs 9 and 10, the College's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable. Furthermore, the Court draws attention to the observation in paragraph 7.

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

Except for the situations described in paragraphs 14 and 15, the transactions underlying the College's annual accounts, taken as a whole, are legal and regular. Furthermore, the Court draws attention to the observation in paragraph 13.

## OBSERVATIONS

7. The 2007 College's budget amounted to 6,5 million euro, as compared to 5,1 million euro the previous year. The increase in the budget was due to the expansion of the College's activities. This budget amount did not include a contribution of 1,5 million euro received from the Commission in 2007 to implement a MEDA <sup>(5)</sup> programme. This situation was at odds with the principle of unity and accuracy of the budget.

8. Only 5,6 million euro of the 2007 commitment appropriations <sup>(6)</sup> were used, of which 1,7 million euro were carried over. More than 20 % (0,5 million euro) of the appropriations carried over from the preceding year were cancelled. The high level of carry-overs and cancellations of appropriations shows difficulties in budget management.

9. As in 2006, the College did not have, for most of the year, a proper commitment accounting system. For example, for operating expenditure, decisions to spend were taken by the Director on the advice of the Governing Board. Commitments were only recorded against budget lines after payments had been made. The absence of internal control standards <sup>(7)</sup> and ineffective budget monitoring led to spending in excess of the amount foreseen on some budgetary lines. This then led to either ex-post transfers to correct the overdrawn positions or the creation of new budgetary lines *ex nihilo*.

10. In November 2007, a commitment accounting system was put in place for operating activities. It explicitly provided for the creation of budgetary commitments before any legal commitment or any check on the availability of appropriations. The form of the standard legal commitment in this new procedure does not provide sufficient legal guarantees. It consists of a simple sheet providing some administrative information on the project plus a breakdown of its total cost between the relevant budgetary lines. No contractual conditions are detailed. This approach is not in line with the principle of transparency.

<sup>(1)</sup> OJ L 256, 1.10.2005, p. 63.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 31 July 2008 and received by the Court on 30 September 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(5)</sup> The Euro-Mediterranean Partnership.

<sup>(6)</sup> Assigned revenue not included.

<sup>(7)</sup> Internal control standards were adopted by the Governing Board on 28 November 2007.

11. Contrary to the College's Financial Regulation <sup>(1)</sup>, neither the provisional accounts nor the report on the budgetary and financial management had been prepared.

12. The recoverable VAT for the 2007 financial year, amounting to 102 281 euro, had not been reclaimed by the year end. VAT should be recovered at regular intervals during the year. This situation is not consistent with sound financial management.

13. The College's Financial Regulation foresees the need for detailed rules for the implementation <sup>(2)</sup> of the regulation. The College has not yet adopted any detailed implementing rules, including those ensuring the transparency of the College's procurement procedures. This had already been commented on in the 2006 audit report <sup>(3)</sup>.

14. The system of procurement did not comply with the provisions of the Financial Regulation. There was no documentation available to justify the need to purchase particular items and to explain recourse to a particular supplier. This had already been commented on in the 2006 audit report <sup>(4)</sup>.

15. Cases were identified where appropriations were used to finance the private expenditure of some of the College's staff. As it was not feasible for the auditors to review all payments made during the year it is not possible to quantify either the amount that was irregularly spent on private use or all the different types of private expenditure made. This use of public funds for private purposes is material by nature. Steps should be taken to ensure complete reimbursement of these funds.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 9 October 2008.

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

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<sup>(1)</sup> Articles 76 and 82.

<sup>(2)</sup> For example, in Article 10(3), Article 34 and Article 74.

<sup>(3)</sup> Paragraph 8.

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<sup>(4)</sup> Paragraph 11.

Table 1

## European Police College (Bramshill)

| Areas of Community Competence deriving from the Treaty   | Competences of the College as defined in Council Decision 2005/681/JHA   |   | Governance   | Resources made available to the College in 2007 (data for 2006)   | Main products and services supplied in 2007  |
|--|--|---|--|---|--|
| <p><b>Approximation of laws</b></p> <p><i>Treaty on European Union, in particular Article 30(1) and Article 34(2) thereof.</i></p> | <p><b>Objectives</b></p> <p>The aim of CEPOL shall be to help train senior police officers in the Member States by optimising cooperation between CEPOL's various components. It shall support and develop a European approach to the main problems facing Member States in the fight against crime, crime prevention and the maintenance of law and order and public security, in particular the cross-border dimensions of those problems.</p> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To increase knowledge of the national police systems and structures of other Member States and of cross-border police cooperation within the European Union.</li> <li>— To improve knowledge of international and Union instruments, particularly in the following sectors. <ul style="list-style-type: none"> <li>(a) the institutions of the European Union, their functioning and role, as well as the decision-making mechanisms and legal instruments of the European Union, in particular as regards their implications for law-enforcement cooperation;</li> <li>(b) Europol's objectives, structure and functioning, as well as ways to maximise cooperation between Europol and relevant law-enforcement services in the Member States in the fight against organised crime;</li> <li>(c) Eurojust's objectives, structure and functioning;</li> </ul> </li> <li>— To provide appropriate training with regard to respect for democratic safeguards, with particular reference to the rights of defence.</li> </ul> | <p><b>1. Governing Board</b></p> <p><i>Composed of:</i></p> <p>One delegation from each Member State.</p> <p>Each delegation shall have one vote. Representatives of the European Commission and of the General Secretariat of the Council of the European Union and Europol shall be invited to attend meetings as non-voting observers.</p> <p><b>2. Director</b></p> <p>Manages the Agency, is appointed and removed by the Governing Board.</p> <p><b>3. External audit</b></p> <p>Court of Auditors.</p> <p><b>4. Internal Auditor</b></p> <p>Internal Audit service of the Commission.</p> <p><b>5. Discharge authority</b></p> <p>Parliament acting on a recommendation from the Council.</p> | <p><b>Final budget:</b></p> <p>7,4 million Euro (5,0)</p> <p>(100 % Community subsidy)</p> <p><b>Staff at 31 December 2007:</b></p> <p>Number of posts in the Establishment Plan: 22,5 (22,5)</p> <p>Posts occupied: 12 (7)</p> <p>Other posts: (contract staff, seconded national experts, etc.): 9 (8)</p> <p><i>Total staff:</i> 21 (15)</p> | <ol style="list-style-type: none"> <li>1. Courses, seminars and conferences: 85 conferences</li> <li>2. Training and research: <ul style="list-style-type: none"> <li>— 2 working groups for training involving 49 tutors from all the Member States.</li> <li>— Recommendation on trainers and course standards has been adopted.</li> <li>— European approach for police science adopted.</li> <li>— Reference groups for the e-Network and for E-learning have been established.</li> <li>— e-doc database and CEPOL's glossary have continued to be developed.</li> </ul> </li> <li>3. External relations: <ul style="list-style-type: none"> <li>— Agreements signed with Eurojust, Frontex and Europol.</li> <li>— Organisation of two specific activities for candidate countries.</li> <li>— Launch of the Euromed II project</li> <li>— Preliminary contacts initiated for cooperation with international (OSCE, Interpol) and national organisations (Russia, European Neighbourhood Policy countries).</li> </ul> </li> </ol> |

Source: Information supplied by the College.

Table 2

## European Police College (Bramshill) — Economic outturn account for the financial year 2007 and 2006

|  | (1 000 euro) |              |
|--|--------------|--------------|
|  | 2007         | 2006         |
| <b>Operating revenue</b>   |              |              |
| Community subsidies  | 7 165        | 4 352        |
| <b>Total (a)</b>   | <b>7 165</b> | <b>4 352</b> |
| <b>Operating expenditure</b>                                       |              |              |
| Staff expenditure  | 1 954        | 1 460        |
| Other administrative expenditure                                   | 213          | 358          |
| Operational expenditure  | 4 009        | 2 454        |
| <b>Total (b)</b>   | <b>6 176</b> | <b>4 272</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>989</b>   | <b>80</b>    |
| Financial operations revenue (d)                                   | —            | —            |
| Financial operations expenditure (e)                               | – 18         | – 12         |
| <b>Surplus/(deficit) from non-operating activities (f = d + e)</b> | <b>– 18</b>  | <b>– 12</b>  |
| <b>Economic result for the year (g = c + f)</b>                    | <b>971</b>   | <b>68</b>    |

Source: Data supplied by the College.

Table 3

## European Police College (Bramshill) — Balance Sheet at 31 December 2007 and 2006

|                                | (1 000 euro) |              |
|--------------------------------|--------------|--------------|
|                                | 2007         | 2006         |
| <b>Non-current assets</b>      |              |              |
| Intangible fixed assets        | 8            | —            |
| Tangible fixed assets          | 139          | 37           |
| Long-term receivables          | 102          | —            |
| <b>Current assets</b>          |              |              |
| Short-term receivables         | 182          | 298          |
| Cash and cash equivalents      | 4 586        | 3 682        |
| <b>Total assets</b>            | <b>5 017</b> | <b>4 017</b> |
| <b>Non-current liabilities</b> |              |              |
| Long-term liabilities          | 1 190        | —            |
| <b>Current liabilities</b>     |              |              |
| Accounts payable               | 2 788        | 3 949        |
| <b>Total liabilities</b>       | <b>3 978</b> | <b>3 949</b> |
| <b>Net assets</b>              | <b>1 039</b> | <b>68</b>    |
| <b>Reserve</b>                 |              |              |
| Accumulated surplus/deficit    | 68           | —            |
| Economic result for the year   | 971          | 68           |
| <b>Total net assets</b>        | <b>1 039</b> | <b>68</b>    |

Source: Data supplied by the College. This table summarises the data provided by the College in its annual accounts: these accounts are drawn up on an accrual basis.

**THE COLLEGE'S REPLIES**

7. The specific MEDA project was not initially included in the Budget Out-turn Report.

Three separate entities were set up; CEPOL, AGIS and MEDA.

The income and expenditure for each entity was correctly recorded in the accounts as of 31 December 2007.

8. The four main reasons the budget appropriations were not fully used are:

1. The number of participants in CEPOL activities was less than estimated and a few activities were cancelled.
2. The recruitment process for new staff has taken longer time than estimated.
3. The new office accommodation, to be provided by NPIA, Bramshill in autumn 2007 was not available in 2007.
4. The cost for organising CEPOL activities were less than calculated due to cost effective solutions by organisers of the activities.

9. CEPOL did not have an accounting system in place in 2007 which complied with the Financial Regulation. A paper-based system for commitments and segregation of duties was established in December 2007 and came into force on 1 January 2008. ABAC was implemented in June 2008. New budget lines were used as a temporary measure. Internal procedures have been reviewed and amended to ensure the observed errors will not recur.

10. In November 2007 CEPOL Governing Board approved a system with Agreements between the National Colleges/Institutes and CEPOL, which came into force 1 January 2008, and which will be further amended in order to optimise the transparency of the agreements concluded with the colleges/institutes. A proposal is tabled to the Governing Board in September.

11. The draft 2007 Financial Statements were not prepared on 1 March, as specified in the Financial Regulation. The Consolidated Reporting Package was prepared and finalised in accordance with the Financial Regulation and sent to the Accounting Officer of the Commission by 18 January 2008.

12. Following the procedures of previous years, the VAT of the fourth quarter was recovered in the first quarter of the following year. VAT for 2007 has now been recovered.

13. The Implementing Rules of the Financial Regulation were adopted by the Governing Board in February 2008. Internal Procurement Guidelines is adopted in September 2008.

14. The purchase of ICT equipment was done under the 'Catalyst Framework Agreement' and followed the conditions as provided by UK Home Office in 2004 to CEPOL when CEPOL did not have legal personality, following the start up phase of CEPOL in 2004.

15. Cost regarding use of mobile phones and use of the CEPOL pool cars have been recovered. The recovery of the taxi/transport costs has been initiated. In order to follow up the use of CEPOL funds, an *ex post* control will be carried out by an external company, regarding the recovery of the costs.

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**REPORT**  
**on the annual accounts of Eurojust for the financial year 2007 together**  
**with Eurojust's replies**  
(2008/C 311/21)

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## INTRODUCTION

1. Eurojust was set up by Council Decision 2002/187/JHA <sup>(1)</sup> 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.

2. *Table 1* summarises Eurojust's competences and activities. Key data taken from the financial statements drawn up by Eurojust for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council pursuant to Article 36 of Council Decision 2002/187/JHA.

4. Eurojust's accounts for the financial year ended 31 December 2007 <sup>(2)</sup> 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 a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(3)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

Eurojust's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. Eurojust's total budget for 2007 was 18,9 million euro, as compared with 14,7 million euro the previous year. 18,0 million euro of appropriations were committed, 5,2 million euro of which were carried over. Most of the carry-overs (4,1 million euro) concerned administrative (Title II) and operating activities (Title III) expenditure. Such high levels of carry-overs were at odds with the principle of annuality and suggest weaknesses in the programming and the monitoring of Eurojust's activities.

8. Following observations made by the Court in previous years <sup>(4)</sup>, Eurojust centralised the management of its procurement procedures in a specialised unit to improve the quality of their implementation. However, due to implementation difficulties with this new system, Eurojust extended existing contracts in a manner contrary to the rules. Most of the contracts concerned are framework contracts and their expiry dates have been known for a long time, since 2002 in one case. The authorising officer should put in place an effective plan for managing procurement procedures.

9. The number of posts authorised by the establishment plan for 2007 was 147, as compared with 112 for 2006. As at the end of 2006 only 87 posts were filled, which would have meant recruiting at least 60 staff during 2007 <sup>(5)</sup>. At the end of 2007 only 95 posts were filled. This situation shows shortcomings in the recruitment planning. As the forecast budgetary expenditure for temporary staff is based on an overestimate of the number of staff, the corresponding budgetary article is used as a reserve to cover increased expenditure for employment-agency staff. During 2007 the budget for employment-agency staff increased by 595 000 euro from its initial budget of 662 000 euro (90 %).

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

<sup>(2)</sup> These accounts were drawn up on 30 June 2008 and received by the Court on 4 July 2008.

<sup>(3)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(4)</sup> E.g. see paragraph 8 of the 2006 annual report (OJ C 309, 19.12.2007, p. 112) and paragraph 11 of the 2005 annual report (OJ C 312, 19.12.2006, p. 69).

<sup>(5)</sup> Without taking into account the departure for various reasons of staff already recruited (14 staff left Eurojust in 2007).

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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Table 1  
Eurojust (The Hague) 2007

| Areas of competence deriving from the Treaty on European Union  | Competences of Eurojust as defined in Council Decision 2002/187/JHA  |  | Governance  | Resources made available to Eurojust in 2007<br>(Data for 2006)   | Products and services supplied in 2007<br>(Data for 2006)   |
|---|--|--|---|---|---|
| <p>Third pillar body created by Council Decision.</p> <p>The Union's objective is to provide citizens with a high level of safety within an area of freedom, security and justice.</p> <p>The Council encourages cooperation through Eurojust by enabling it to facilitate proper coordination between the Member States' national prosecuting authorities.</p> <p>(Extracts from Articles 29 and 31)</p> <p>Eurojust's main areas of responsibility are the same as Europol's, that is, 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.</p> | <p><b>Objectives</b></p> <p>Article 3</p> <p>Eurojust Decision</p> <ul style="list-style-type: none"> <li>— To stimulate and improve the coordination, between the competent national authorities of the Member States, of investigations and prosecutions.</li> <li>— To improve cooperation, in particular by facilitating the exchange of information, mutual legal assistance and the implementation of extradition requests.</li> <li>— To support the competent authorities of the Member States in order to render their investigations and prosecutions more effective.</li> <li>— To provide support with procedures involving a MemberState and a non-memberState.</li> <li>— To provide support with procedures involving a MemberState and the Community.</li> </ul> | <p><b>Tasks</b></p> <p>Articles 5, 6 and 7</p> <p>Eurojust Decision</p> <p>To organise cooperation between the various national legal systems, Eurojust acts:</p> <ul style="list-style-type: none"> <li>— through its national members; or</li> <li>— as a College.</li> </ul> <p>If the competent authorities of the MemberState concerned decide not to respond to the requests which Eurojust has issued as a College, they shall inform Eurojust of the reasons for their decision.</p> | <ol style="list-style-type: none"> <li>1. <b>The College</b> is responsible for the organisation and operation of Eurojust.</li> <li>2. The College is composed of <b>national members</b> who are seconded by each MemberState in accordance with its legal system and who are prosecutors, judges or police officers of equivalent competence.</li> <li>3. The College elects its <b>President</b> from among the national members.</li> <li>4. <b>The Joint Supervisory Body</b> checks the processing of personal data.</li> <li>5. <b>The Administrative Director</b> is unanimously appointed by the College.</li> <li>6. <b>External audit</b></li> </ol> <p>Court of Auditors.</p> <ol style="list-style-type: none"> <li>7. <b>Discharge authority</b></li> </ol> <p>Parliament acting on a recommendation by the Council.</p> | <p><b>Final budget:</b></p> <p>18,9 million euro (14,7 million euro)</p> <p><b>Staff at 31 December 2007:</b></p> <p>147 (112) posts listed in the establishment plan; posts occupied: 98 (93) + 32 (21) other positions: (six contract staff, four seconded national experts, 22 employment-agency staff)</p> <p>Total staff: 179 (133)</p> <p>Assigned to the following duties:</p> <p>Operational tasks: 95 (71)</p> <p>Administrative tasks: 65 (51)</p> <p>Combined tasks: 19 (12)</p> | <p><b>Number of meetings:</b> 91 (89)</p> <p>Standard cases: 236</p> <p>Complex cases: 849</p> <p><b>Total number of cases:</b> 1 085 (771)</p> <p>Fraud: 744 (175)</p> <p>Drug trafficking: 207 (170)</p> <p>Terrorism: 23 (44)</p> <p>Murder: 80 (59)</p> <p>Trafficking in human beings: 71 (32)</p> |

Source: Information supplied by Eurojust.

Table 2

## Eurojust — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                 |  |                   | Expenditure                       |                             |               |               |              |            |   |              |            |
|-------------------------|--|-------------------|-----------------------------------|-----------------------------|---------------|---------------|--------------|------------|---|--------------|------------|
| Source of revenue       | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure         | Final budget appropriations |               |               |              |            | Appropriations carried over from previous financial year(s) |              |            |
|                         |  |                   |                                   | entered                     | committed     | paid          | carried over | cancelled  | available   | paid         | cancelled  |
| Community subsidies     | 18 414   | 18 414            | Title I<br>Staff                  | 8 608                       | 8 435         | 7 830         | 605          | 173        | 189   | 129          | 60         |
| Other subsidies         | —  | 54                | Title II<br>Administration        | 4 107                       | 4 038         | 2 511         | 1 558        | 38         | 1 081   | 949          | 132        |
|                         |  |                   | Title III<br>Operating activities | 5 699                       | 5 104         | 3 047         | 2 601        | 51         | 1 320   | 960          | 360        |
| Assigned revenue (Agis) | 527  | 316               | Assigned revenue (Agis)           | 527                         | 415           | 107           | 420          | —          | —   | —            | —          |
| <b>Total</b>            | <b>18 941</b>  | <b>18 784</b>     | <b>Total</b>                      | <b>18 941</b>               | <b>17 992</b> | <b>13 495</b> | <b>5 184</b> | <b>262</b> | <b>2 590</b>  | <b>2 038</b> | <b>552</b> |

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

Source: Information supplied by Eurojust — this table summarises the data supplied by Eurojust in its financial statements.

Table 3

## Eurojust — Economic outturn account for the financial years 2007 and 2006

(1 000 euro)

|  | 2007          | 2006          |
|--|---------------|---------------|
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 17 546        | 12 858        |
| Other revenue  | 55            | 973           |
| <b>Total (a)</b>   | <b>17 601</b> | <b>13 831</b> |
| <b>Operating expenditure</b>                                       |               |               |
| Staff expenditure  | 6 484         | 6 581         |
| Fixed-asset-related expenditure                                    | 803           | 674           |
| Other administrative expenditure                                   | 5 010         | 2 202         |
| Operational expenditure  | 4 125         | 3 297         |
| <b>Total (b)</b>   | <b>16 422</b> | <b>12 754</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>1 179</b>  | <b>1 077</b>  |
| Financial operations revenue (e)                                   | 0             | 0             |
| Financial operations expenditure (f)                               | 1             | 0             |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>– 1</b>    | <b>0</b>      |
| <b>Economic result for the year (h = c + g)</b>                    | <b>1 178</b>  | <b>1 077</b>  |

Source: Data supplied by Eurojust. This table summarises the data provided by Eurojust in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

## Eurojust — Balance sheet at 31 December 2007 and 2006

(1 000 euro)

|                                 | 2007         | 2006         |
|---------------------------------|--------------|--------------|
| <b>Non-current assets</b>       |              |              |
| Intangible fixed assets         | 598          | 556          |
| Tangible fixed assets           | 1 816        | 1 673        |
| Long-term receivables           | 1            | 1            |
| <b>Current assets</b>           |              |              |
| Short-term receivables          | 180          | 372          |
| Cash and cash equivalents       | 5 887        | 4 749        |
| <b>Total assets</b>             | <b>8 482</b> | <b>7 351</b> |
| <b>Current liabilities</b>      |              |              |
| Provision for risks and charges | 137          | 134          |
| Accounts payable                | 2 712        | 2 762        |
| <b>Total liabilities</b>        | <b>2 849</b> | <b>2 896</b> |
| <b>Net assets</b>               | <b>5 633</b> | <b>4 455</b> |
| <b>Reserve</b>                  |              |              |
| Accumulated surplus/deficit     | 4 455        | 3 378        |
| Economic result for the year    | 1 178        | 1 077        |
| <b>Net capital</b>              | <b>5 633</b> | <b>4 455</b> |

Source: Data supplied by Eurojust. This table summarises the data provided by Eurojust in its annual accounts: these accounts are drawn up on an accrual basis.

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**EUROJUST'S REPLIES**

7. Due to the lack of appropriate staff to manage them, funds were reallocated to the Title II and III in order to best use the budget. It resulted in commitments being prepared late. The difficulties linked to the implementation of the new procurement system (see point 2) has also played a role. Eurojust has taken corrective actions to fill its deficit of staff. It has also introduced a carry over reduction strategy for 2008.

8. Eurojust is fully aware of this need. As a result, a general Procurement Planning for the year 2008 has already been defined. Moreover, on the basis of the difficulties encountered, a new Decision on the organisation of Procurement and related tasks, has been taken to ensure more efficient planning and management of procurement procedures. In the meantime, all of the contracts mentioned by the Court have now been re-tendered in conformity with the rules.

9. Eurojust is conscious of the need to fulfil the establishment plan as soon as possible and has increased its capacity of recruitment in order to do so. In 2007, the recruitment policy of Eurojust was reviewed which had as a consequence an unforeseen delay in recruitment and the need to hire more employment-agency staff as a consequence. In 2008, Eurojust aims to reduce the use of this staff and to fulfill its establishment plan.

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**REPORT****on the annual accounts of the European Training Foundation for the  
financial year 2007 together with the Foundation's replies**

(2008/C 311/22)

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## INTRODUCTION

1. The European Training Foundation (hereinafter called the Foundation) was created by Council Regulation (EEC) No 1360/90 <sup>(1)</sup>. 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).

2. *Table 1* summarises the competences and activities of the Foundation. Key data summarised from the financial statements drawn up by the Foundation for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>; 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 11 of Regulation (EEC) No 1360/90, and sent to the Court, which is required to deliver a Statement of Assurance on the reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has obtained a reasonable basis for the Statement set out below:

### *Reliability of the accounts*

The Foundation's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATIONS

7. The 2007 budget of the European Training Foundation amounted to 21,1 million euro as compared with 26,5 million euro the previous year. The budget is mainly financed by subsidy from the Commission (19,7 million euro). The balance is financed by assigned revenue for implementing Commission programmes. The decrease in the budget is due on the one hand to a change in the presentation of assigned revenue and on the other hand to the phasing out of the ETE-MEDA programme.

8. In the amending budget <sup>(5)</sup>, the amount of the assigned revenue is incorrect. It should have been 1,2 million euro instead of the 3,4 million euro shown, which erroneously included assigned revenue carried over from the previous year.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

<sup>(1)</sup> OJ L 131, 23.5.1990, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 18 June 2008 and received by the Court on 1 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(5)</sup> For 2007, the Foundation only approved one amending budget; it was published on 4 January 2008 (OJ L 2, 4.1.2008).



Table 1

## European Training Foundation (Turin)

| Areas of Community competence deriving from the Treaty   | Competences of the Foundation Council Regulation (EEC) No 1360/90   |   | Governance   | Resources made available to the Foundation in 2007<br>(Data for 2006)   | Products and services supplied during the financial year 2007  |
|--|---|---|--|---|--|
| <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 181a of the Treaty)</p> | <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To contribute to the development of the professional training systems of Central and Eastern Europe, the independent States of the former Soviet Union benefiting from the economic reform and recovery assistance programme, and the territories and Mediterranean third countries benefiting from financial and technical accompanying measures for the reform of their economic and social structures.</li> <li>— To promote the coordination of the assistance provided to eligible countries.</li> </ul> | <p><b>Tasks</b></p> <p>In accordance with the general guidelines laid down by the Community, the ETF operates in the field of training, covering professional, initial and lifelong training and the retraining of young people and adults via the following tasks:</p> <ul style="list-style-type: none"> <li>— Assistance in defining training needs and priorities through the implementation of technical assistance measures in the training field and cooperation with the appropriate designated bodies in the eligible countries.</li> <li>— Acts as a clearing house to provide the Community, its Member States and interested third countries with information on current initiatives and future needs in the training field and provides a framework for channelling offers of assistance.</li> </ul> | <p><b>1. Governing Board</b></p> <ul style="list-style-type: none"> <li>— One representative of each Member State.</li> <li>— Three representatives of the Commission.</li> <li>— Chaired by the Commission.</li> </ul> <p><b>2. Director</b></p> <ul style="list-style-type: none"> <li>— Appointed by the Governing Board on the basis of a proposal from the Commission</li> </ul> <p><b>3. Advisory Forum</b></p> <ul style="list-style-type: none"> <li>— Appointed by the Governing Board.</li> <li>— Two experts from each Member State.</li> <li>— Two experts from each eligible country.</li> <li>— Two experts from the social partners at European level.</li> </ul> <p><b>4. External audit</b></p> <p>Court of Auditors.</p> <p><b>5. Internal audit</b></p> <p>The Commission's internal audit department.</p> <p><b>6. Discharge authority</b></p> <p>Parliament acting on recommendation from of the Council.</p> | <p><b>Final budget</b></p> <p>21,1 (26,5) million euro of which 19,7 (19,5) million euro funded by a Commission subsidy and 1,4 (7,0) million euro funded by other bodies as assigned revenue.</p> <p>This sum of 1,4 million euro is divided up as follows:</p> <ul style="list-style-type: none"> <li>— 0,3 million euro from the Italian Ministry of foreign affairs;</li> <li>— 0,9 million euro DG EAC (Tempus).</li> <li>— 0,2 million euro from the Translations Centre.</li> </ul> <p><b>Staff numbers as of 31 December 2007</b></p> <ul style="list-style-type: none"> <li>— 100 (105) temporary posts in the establishment plan, of which 91 (94) posts occupied.</li> <li>— 40 (32) other staff (auxiliaries, local agents, contract agents).</li> </ul> <p><i>Total staff:</i> 131 (126), assigned to the following duties:</p> <ul style="list-style-type: none"> <li>— operational tasks: 72 (73)</li> <li>— administrative tasks: 40 (34)</li> <li>— mixed tasks: 19 (19).</li> </ul> | <p><b>Activities</b></p> <p>The assistance provided by the ETF covers a large range of technical fields including: initial vocational training, lifelong learning, continuing (adult) education, human resources development in companies, employment policies, training of the unemployed, poverty alleviation and social inclusion, and training to encourage local development.</p> <p><b>Support for the Commission:</b></p> <p>In 2007, 115 new requests for support were received from the Commission. Most came from the delegations (40 %), EAR (17 %), DG AIDCO (10 %), DG EAC and DG ENTRE (9 %), DG EMPL (6 %), DG ELARG (4 %), DG RELEX (3 %) and DG JLS (3 %). This included 29 analyses of the situation in the ENPI countries. The Commission's satisfaction rate with the ETF's response was 96 %.</p> <p>The most frequent applications were those in the field of programming (32 %), followed by policies and contributions in the preparation of European Neighbourhood Instruments (25 %), the identification of projects (14 %) and follow-up.</p> |

| Areas of Community competence deriving from the Treaty | Competences of the Foundation Council Regulation (EEC) No 1360/90 |  | Governance | Resources made available to the Foundation in 2007<br>(Data for 2006) | Products and services supplied during the financial year 2007  |
|--|---|--|------------|---|--|
|  |   |  |            |   | <p><b>Information and analysis:</b> Country sector studies, statistics on education, policy advice to countries.</p> <p><b>Innovation and development support projects</b></p> <p>As a centre of expertise, the ETF contributes towards 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><b>Technical assistance to DG EAC for the implementation of the Tempus Programme:</b> 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 communications, including general administrative support.</p> <p>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 (Turin) — Budgetary implementation for the financial year 2007

(1 000 euro)

| Revenue                             |  |                   | Expenditure                            |                                       |               |               |              |              |  |              |              |            |  |
|-------------------------------------|--|-------------------|--|---------------------------------------|---------------|---------------|--------------|--------------|--|--------------|--------------|------------|--|
| Origin of revenue                   | Revenue entered in the final budget for the financial year | Revenue collected | Allocation of expenditure              | Appropriations for the financial year |               |               |              |              | Appropriations carried over from the previous financial year |              |              |            |  |
|                                     |  |                   |  | entered                               | committed     | paid          | carried over | cancelled    | available  | paid         | carried over | cancelled  |  |
| Community subsidies                 | 19 700   | 19 450            | Title I<br>Staff (NDA)                 | 13 819                                | 12 795        | 11 787        | 1 008        | 1 024        | 562  | 439          | 0            | 123        |  |
| Other revenue                       | 183  | 188               | Title II<br>Administration (NDA)       | 1 745                                 | 1 592         | 1 128         | 464          | 153          | 437  | 361          | 0            | 76         |  |
|                                     |  |                   | Title III<br>Operating activities (DA) |                                       |               |               |              |              |  |              |              |            |  |
|                                     |  |                   | — CA                                   | 4 319                                 | 3 794         |               |              | 525          |  |              |              |            |  |
|                                     |  |                   | — PA                                   | 4 319                                 |               | 3 556         | 17           | 746          | 0  | 0            | 0            | 0          |  |
| Assigned revenue Italian government | 300  | 300               | Assigned revenue Italian government    | 300                                   | 209           | 115           | 185          | 0            | 485  | 111          | 374          | 0          |  |
| Assigned revenue ETE-MEDA           | 0  | 0                 | Assigned revenue ETE-MEDA              | 0                                     | 0             | 0             | 0            | 0            | 3 131  | 1 106        | 2 025        | 0          |  |
| Assigned revenue TEMPUS             | 870  | 609               | Assigned revenue TEMPUS                | 870                                   | 455           | 332           | 277          | 261          | 864  | 512          | 352          | 0          |  |
| <b>Total</b>                        | <b>21 053</b>  | <b>20 547</b>     | <b>Total CA</b>                        | <b>21 053</b>                         | <b>18 845</b> |               | <b>1 934</b> | <b>1 963</b> | <b>5 479</b>   | <b>2 529</b> | <b>2 751</b> | <b>199</b> |  |
|                                     |  |                   | <b>Total PA</b>                        | <b>21 053</b>                         |               | <b>16 918</b> | <b>1 951</b> | <b>2 184</b> | <b>5 479</b>   | <b>2 529</b> | <b>2 751</b> | <b>199</b> |  |

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

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

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

NB: For assigned revenue the amounts given for the revenue entered in the budget and the expenditure appropriations are the corrected amounts (see paragraph 8 of the present report).

Source: Data supplied by the Foundation. This table summarises the data provided by the Foundation in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

## European Training Foundation (Turin) — Economic outturn account for the financial years 2007 and 2006

|   | (1 000 euro)  |                |
|---|---------------|----------------|
|   | 2007          | 2006           |
| <b>Operating revenue</b>  |               |                |
| Commission subsidy  | 17 572        | 16 015         |
| CDT — reimbursement   | 183           | 0              |
| Miscellaneous   | 33            | 36             |
| Assigned revenue  | 2 250         | 3 183          |
| <b>Total (a)</b>  | <b>20 038</b> | <b>19 234</b>  |
| <b>Operating expenses</b>   |               |                |
| Staff expenses  | 12 101        | 11 539         |
| Fixed asset related expenses  | 336           | 358            |
| Operational expenses  | 2 980         | 4 021          |
| Other administrative expenses                                       | 2 720         | 2 580          |
| Operational expenses — assigned revenue                             | 2 250         | 3 183          |
| <b>Total (b)</b>  | <b>20 387</b> | <b>21 681</b>  |
| <b>Surplus /(deficit) from operating activities (c = a – b)</b>     | <b>– 349</b>  | <b>– 2 447</b> |
| Financial operations revenue (e)                                    | 0             | 0              |
| Financial operations expense (f)                                    | 0             | 1              |
| <b>Surplus /(deficit) from non-operating activities (g = e – f)</b> | <b>0</b>      | <b>– 1</b>     |
| <b>Economic result for the year (h = c + g)</b>                     | <b>– 349</b>  | <b>– 2 448</b> |

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

Table 4

## European Training Foundation (Turin) — Balance sheet at 31 December 2007 and 2006

|                                  | (1 000 euro)  |               |
|----------------------------------|---------------|---------------|
|                                  | 2007          | 2006          |
| <b>Non current assets</b>        |               |               |
| Intangible fixed assets          | 2 882         | 3 053         |
| Tangible fixed assets            | 265           | 311           |
| <b>Current assets</b>            |               |               |
| Stocks                           | 26            | 34            |
| Short-term pre-financing         | 857           | 1 169         |
| Short-term receivables           | 517           | 339           |
| Cash and cash equivalents        | 12 806        | 12 157        |
| <b>Total assets</b>              | <b>17 353</b> | <b>17 063</b> |
| <b>Non current liabilities</b>   |               |               |
| Provisions for risks and charges | 1 001         | 550           |
| <b>Current liabilities</b>       |               |               |
| Provision for untaken leave      | 155           | 157           |
| Accounts payable                 | 15 324        | 15 134        |
| <b>Total liabilities</b>         | <b>16 480</b> | <b>15 841</b> |
| <b>Net assets</b>                | <b>873</b>    | <b>1 222</b>  |
| <b>Reserve</b>                   |               |               |
| Accumulated surplus/deficit      | 1 222         | 3 670         |
| Economic result for the year     | – 349         | – 2 448       |
| <b>Net capital</b>               | <b>873</b>    | <b>1 222</b>  |

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

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**THE FOUNDATION'S REPLIES**

7. ETF confirms the facts presented in the Court's observation. For precision, ETF would like to add that in addition to Commission programmes, the assigned revenue contains as well funds from the Italian Ministry of Foreign Affairs.

8. ETF takes note of the Court's observation. While at no stage the principle of transparency has been disrespected, further efforts will be made to align ETF's budget presentation practices with regulatory requirements.

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**REPORT****on the annual accounts of the European Foundation for the Improvement  
of Living and Working Conditions for the financial year 2007 together  
with the Foundation's replies**

(2008/C 311/23)

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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 <sup>(1)</sup>. 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.

2. *Table 1* summarises the Foundation's competences and activities. Key data summarised from the financial statements drawn up by the Foundation for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement of assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>. 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 16 of Council Regulation (EEC) No 1365/75, and sent to the Court, which is required to provide a statement on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Foundation's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable.

<sup>(1)</sup> OJ L 139, 30.5.1975, p. 1.

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 30 June 2008 and received by the Court on 18 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

### **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 Statement into question.

## OBSERVATIONS

7. The Foundation's 2007 budget amounted to 20,2 million euro, as compared to 19,8 million euro for the previous year. It included contributions from the Commission to prepare the future membership of Croatia and Turkey. These contributions should have been treated as assigned revenue in the budget, but that was not the case. This situation was not in conformity with the Financial Regulation.

8. Recoverable VAT for the 2007 financial year of 376 611 euro was not claimed by the year end. VAT claims should be recovered from time to time during the year. This situation was at odds with the principle of sound financial management.

9. In the case of recruitment procedures, neither the weighting of the selection criteria nor the minimal scores to be achieved were decided by the Selection Board from the outset. Moreover, in one case, the selection criteria defined were either not in conformity with the vacancy notice or remained vague. This did not ensure transparent and non-discriminatory procedures.

10. With regard to procurement procedures, the following anomalies were observed: financial evaluation procedure for a contract not clearly specified in the tender documents and selection criteria not allowing proper performance of an evaluation of the financial capacity of the candidates <sup>(5)</sup>. These weaknesses undermined the quality of the procedure and risked biasing the final selection.

<sup>(5)</sup> Three cases.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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Table 1

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

| Areas of Community competence deriving from the Treaty  | Competences of the Foundation as defined in Council Regulation (EEC) No 1365/75 as amended by Regulation (EC) No 1111/2005   |  | Governance   | Resources available to the Foundation<br>(Data for 2006)  | Activities and services provided in 2007  |
|---|--|--|--|---|---|
| <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 ...'</p> <p>(Articles 136 and 137 of the Treaty)</p> | <p><b>Objectives</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>— Man at work.</li> <li>— Organisation of work and particularly job design.</li> <li>— Problems peculiar to certain categories of workers.</li> <li>— Long-term aspects of the improvement of the environment.</li> <li>— The distribution of human activities in space and in time.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To foster the exchange of information and experience in these fields.</li> <li>— To facilitate contact between universities, study and research institutes, economic and social administrations and organisations.</li> <li>— To carry out studies or to conclude study contracts and to provide assistance for pilot projects.</li> <li>— To cooperate as closely as possible with existing specialised institutes in the Member States and at international level.</li> </ul> | <p><b>1. The Governing Board (GB)</b></p> <ul style="list-style-type: none"> <li>— From each Member State: one government representative, one representative from employers' organisations and one workers' representative.</li> <li>— Three representatives from the Commission.</li> </ul> <p><b>2. The Bureau of the GB</b></p> <ul style="list-style-type: none"> <li>— Consists of 11 members; three members from each of the social partners and the governments, two from the Commission.</li> <li>— It monitors the implementation of decisions of the GB and takes measures to ensure proper management between GB meetings.</li> </ul> <p><b>3. The Director</b> is appointed by the Commission from a list of candidates submitted by the GB, he implements the decisions of the GB and the Bureau of the GB and manages the Foundation.</p> <p><b>4. The Advisory Committees</b> are composed of up to 3 members from the Commission, governments and the social partners, with the aim of advising on the implementation of major projects and the assessment of results.</p> <p><b>5. External audit</b></p> <p>Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>Parliament acting on recommendation of the Council.</p> | <p><b>Final Budget 2007:</b></p> <p>20,2 million Euro (19,8 million euro)</p> <p><b>Staff in December 2007:</b></p> <p>94 (94) posts provided for in the establishment plan, of which 84 (89) were occupied</p> <p>Other Staff:</p> <p>Seconded National Experts and employment agency staff: 3 (1)</p> <p>Contract Agents: 10 (9)</p> <p>Total Staff employed: 97 (99)</p> <p>Operating activities: 55 (58)</p> <p>Administrative tasks: 30 (32)</p> <p>Mixed: 4 (4)</p> | <p><b>Monitoring and surveys:</b></p> <ul style="list-style-type: none"> <li>— European Industrial Relations Observatory (EIRO), European Working Conditions Observatory (EWCO) and European Restructuring Monitor (ERM);</li> <li>— 4th European Working Conditions Survey: secondary analysis (themes of gender and working conditions, ageing workforce, work organisation, working time and work intensity ...);</li> <li>— European survey on working time and work-life balance: five reports published in 2007. Preparations for the second survey.</li> </ul> <p><b>Employment and restructuring:</b></p> <ul style="list-style-type: none"> <li>— Undeclared work;</li> <li>— European Restructuring Monitor case studies;</li> <li>— Stakeholder enquiry service.</li> </ul> <p><b>Work-life balance and working conditions:</b></p> <ul style="list-style-type: none"> <li>— Attractive workplace for all;</li> <li>— Flexibility and security over the life course;</li> <li>— Changes in the job structure.</li> </ul> <p><b>Industrial relations and partnership:</b></p> <ul style="list-style-type: none"> <li>— Codes of conduct and framework agreements;</li> <li>— Capacity building for sectoral and local level; social dialogue in the EU 10;</li> <li>— Working time and industrial relations.</li> </ul> |

| Areas of Community competence deriving from the Treaty | Competences of the Foundation as defined in Council Regulation (EEC) No 1365/75 as amended by Regulation (EC) No 1111/2005 |  | Governance | Resources available to the Foundation<br>(Data for 2006) | Activities and services provided in 2007  |
|--|--|--|------------|--|---|
|  |  |  |            |  | <p><b>Social cohesion and quality of life:</b></p> <ul style="list-style-type: none"> <li>— Role of local authorities in the integration of migrants;</li> <li>— Developments in childcare services in disadvantaged areas;</li> <li>— Promoting quality of life in rural Europe.</li> </ul> <p><b>Communication and sharing ideas and experience:</b></p> <ul style="list-style-type: none"> <li>— 376 publications, 1,57 million users sessions (average of 4 303/day);</li> <li>— 37 press activities, 45 press releases, up 28 % on 2006;</li> <li>— 1 126 article cuttings with advertising value equivalent (AVE) of 2,1 million euro, reaching ca 58 765 000 people, up 80 % from 32 536 000 in 2006. 252 journalist enquiries, + 9 % up on the previous year;</li> <li>— Promotion campaign 'Fourth Working Conditions Survey: what workers say', 'Quality of Life in Turkey';</li> <li>— Roadshows in five countries;</li> <li>— Company Network Seminars on Diversity in Europe and Environmental Changes;</li> <li>— Foundation Seminar Series 'Youth and Work';</li> <li>— National Outreach Centres covering 10 Members States;</li> <li>— 16 exhibitions;</li> <li>— 58 visits to the Foundation, including the Finnish President.</li> </ul> |

Source: Information supplied by the Foundation.

Table 2

## European Foundation for the Improvement of Living and Working Conditions (Dublin) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue (1)       |  |                   | Expenditure (1)                   |                                       |               |               |              |            |  |              |            |
|-------------------|--|-------------------|-----------------------------------|---------------------------------------|---------------|---------------|--------------|------------|--|--------------|------------|
| Source of revenue | Revenue entered in the final budget for the financial year | Revenue collected |                                   | Appropriations for the financial year |               |               |              |            | Appropriations carried over from previous financial year |              |            |
|                   |  |                   |                                   | entered                               | committed     | paid          | carried over | cancelled  | available  | paid         | cancelled  |
| Community subsidy | 19 600   | 19 600            | Title I<br>Staff                  | 10 687                                | 10 260        | 10 084        | 243          | 360        | 120  | 94           | 26         |
| Other subsidies   | 300  | 340               | Title II<br>Administration        | 1 272                                 | 1 190         | 892           | 370          | 10         | 635  | 567          | 68         |
| Other revenue     | 280  | 321               | Title III<br>Operating activities | 8 221                                 | 7 943         | 3 712         | 4 397        | 112        | 3 557  | 3 410        | 147        |
| <b>Total</b>      | <b>20 180</b>  | <b>20 261</b>     | <b>Total</b>                      | <b>20 180</b>                         | <b>19 393</b> | <b>14 688</b> | <b>5 010</b> | <b>482</b> | <b>4 312</b>   | <b>4 071</b> | <b>241</b> |

(1) Includes assigned revenue.

Source: Data supplied by the Foundation — This table summarises the data supplied by the Foundation in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**European Foundation for the Improvement of Living and Working Conditions (Dublin) — Economic outturn account for the financial years 2007 and 2006**

|  | (1 000 euro)  |               |
|--|---------------|---------------|
|  | 2007          | 2006          |
| <b>Operating revenue</b>   |               |               |
| Community subsidies  | 19 600        | 19 000        |
| Other subsidies  | 340           | 517           |
| Other revenue  | 884           | 248           |
| <b>Total (a)</b>   | <b>20 824</b> | <b>19 765</b> |
| <b>Operating expenses</b>  |               |               |
| Staff expenses   | 9 132         | 8 908         |
| Fixed asset related expenses                                       | 608           | 724           |
| Other administrative expenses                                      | 2 416         | 2 106         |
| Operational expenses   | 8 597         | 7 409         |
| <b>Total (b)</b>   | <b>20 753</b> | <b>19 147</b> |
| <b>Surplus/(deficit) from operating activities (c = a – b)</b>     | <b>71</b>     | <b>618</b>    |
| Financial operations revenue (e)                                   | 0             | 0             |
| Financial operations expenses (f)                                  | 4             | 10            |
| <b>Surplus/(deficit) from non-operating activities (g = e – f)</b> | <b>– 4</b>    | <b>– 10</b>   |
| <b>Economic result for the year (h = c + g)</b>                    | <b>67</b>     | <b>608</b>    |

Source: Data supplied by the Foundation — This table summarises the data provided by the Foundation in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**European Foundation for the Improvement of Living and Working Conditions (Dublin) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        |              |              |
| Intangible fixed assets          | 46           | 84           |
| Tangible fixed assets            | 3 327        | 2 388        |
| <b>Current assets</b>            |              |              |
| Short-term pre-financing         | 732          | 344          |
| Short-term receivables           | 1 095        | 690          |
| Cash and cash equivalents        | 4 635        | 3 111        |
| <b>Total assets</b>              | <b>9 835</b> | <b>6 617</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 141          | 274          |
| Accounts payable                 | 3 695        | 1 643        |
| <b>Total liabilities</b>         | <b>3 836</b> | <b>1 917</b> |
| <b>Net assets</b>                | <b>5 999</b> | <b>4 700</b> |
| <b>Reserve</b>                   |              |              |
| Accumulated surplus/deficit      | 5 932        | 4 092        |
| Economic result for the year     | 67           | 608          |
| <b>Net capital</b>               | <b>5 999</b> | <b>4 700</b> |

Source: Data supplied by the Foundation — This table summarises the data provided by the Foundation in its annual accounts: these accounts are drawn up on an accrual basis.

**THE FOUNDATION'S REPLIES**

7. From 2008 on, we have set up budget lines for assigned revenues in ABAC and will proceed according to the Court's recommendation.

8. Due to introduction of the new financial software ABAC, the VAT recovery for 2007 was delayed. It was processed in April 2008 and fully recovered.

9. In 2008 Eurofound has already adapted the recruitment procedure to address the issues highlighted by the Court.

10. The Foundation used the criticised procedure due to budgetary uncertainties. However, the Foundation is confident that best value for money was achieved. In future, price evaluation methods will be defined in a way that avoids discretionary power from the outset.

With regard to the financial capacity, Article 135(2) of the Implementing Rules stipulates that the Foundation may lay down minimum capacity levels. In future, the Foundation will lay down criteria for the application of minimum financial capacity levels.

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**REPORT****on the annual accounts of the European Monitoring Centre for Drugs and  
Drug Addiction for the financial year 2007 together with the Centre's  
replies**

(2008/C 311/24)

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## INTRODUCTION

1. The European Monitoring Centre for Drugs and Drug Addiction (hereinafter the Centre) was established by Council Regulation (EEC) No 302/93 of 8 February 1993 <sup>(1)</sup>. 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 the demand for drugs and ways of reducing it, as well as, in general, phenomena associated with the drug market.

2. Table 1 summarises the Centre's competences and activities. Key data taken from the financial statements drawn up by the Centre for the financial year 2007 are presented in Tables 2, 3 and 4 for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 <sup>(2)</sup>. 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 2007 <sup>(3)</sup> were drawn up by its Director, pursuant to Article 11 of Regulation (EEC) No 302/93, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(4)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

<sup>(1)</sup> OJ L 36, 12.2.1993. This Regulation was amended by Regulations (EC) No 3294/94 of 22 December 1994 (OJ L 341, 30.12.1994, p. 7) and (EC) No 1651/2003 of 18 June 2003 (OJ L 245, 29.9.2003, p. 30).

<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(3)</sup> These accounts were drawn up on 30 June 2008 and received by the Court on 7 July 2008.

<sup>(4)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

6. The Court has thus obtained a reasonable basis for the Statement below:

### **Reliability of the accounts**

The Centre's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable.

### **Legality and regularity of 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 Statement into question.

## OBSERVATIONS

7. The Centre's 2007 final budget amounted to 14,4 million euro, as compared with 13,1 million euro the previous year. The Centre's budget is mainly financed by subsidies from the Commission. The final budget, adopted on 23 October 2007, included supplementary appropriations of 469 000 euro; most of these, i.e. 420 000 euro, increasing by more than 80 % the initial amount of the budget line for IT operations.

8. The Centre is in disagreement with Norway concerning the calculation of Norway's financial contribution for its participation in the Centre's work (applicable from 2007 onwards). The disagreement is due to the fact that the formula in the signed original agreement (applied by the Centre) differs from the formula in the agreement as published in the Official Journal (applied by Norway). The Centre has accounted for this contribution using its interpretation of the formula. The Centre should seek to resolve this disagreement as soon as possible as it has an impact on the budget and on the Centre's financial statements <sup>(5)</sup>.

<sup>(5)</sup> The Centre's estimation is approximately 80 000 euro higher than that of the Norwegian authorities.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 24 and 25 September 2008.

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

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Table 1

## European Monitoring Centre for Drugs and Drug Addiction (Lisbon)

| Areas of Community competence deriving from the Treaty   | The Centre's powers as defined in Regulation (EC) No 1920/2006 of the Parliament and of the Council of 12 December 2006   |   | Governance  | Resources available to the Centre in 2007<br>(Data for 2006)  | Products and services supplied in 2007<br>(Data for 2006)   |
|--|---|---|---|---|---|
| <p>The Community complements the Member States' action in reducing drugs-related health damage, including information and prevention.</p> <p>(Article 152 of the Treaty)</p> | <p><b>Objectives</b></p> <p>To provide the Union and its Member States with factual, objective, reliable and comparable information at Community level concerning drugs, drug addiction and their consequences.</p> <p>The Monitoring Centre should focus on the following priority areas:</p> <ol style="list-style-type: none"> <li>1. monitoring the state of the drugs problem, and emerging trends, in particular those involving multi-drug use;</li> <li>2. monitoring the solutions and providing information on best practices;</li> <li>3. assessing the risks of new psychoactive substances and maintaining a rapid information system;</li> <li>4. developing tools and instruments to help Member States to monitor and evaluate their national policies and the Commission to monitor and evaluate EU policies.</li> </ol> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To collect and analyse data.</li> <li>— To improve data-comparison methods.</li> <li>— To disseminate data.</li> <li>— To cooperate with European and international bodies and organisations and with third countries.</li> <li>— To identify new developments and changing trends.</li> </ul> | <p><b>1. The Management Board</b></p> <p>Comprises one representative from each Member State, two representatives of the Commission and two independent experts designated by the European Parliament.</p> <p>It adopts the work Programme, the general activities report and the budget.</p> <p><b>2. Director</b></p> <p>Appointed by the Management Board at the Commission's proposal.</p> <p><b>3. Scientific Committee</b></p> <p>Delivers opinions. It consists of at most fifteen well-known scientists appointed in view of their excellence by the Management Board following a call for expressions of interest. The Management Board may also appoint a panel of experts to the extended Scientific Committee for risk assessment of new psychoactive substances.</p> <p><b>4. External audit</b></p> <p>Court of Auditors.</p> <p><b>5. Discharge authority</b></p> <p>Parliament acting on a recommendation from the Council.</p> | <p><b>Final budget</b></p> <p>14,4 million euro (13,1 million euro). Community subsidy 93 % (92 %).</p> <p>Number of posts in establishment plan: 82 (77)</p> <p>Posts occupied: 73 (68)</p> <p>+ 25 (23) other staff (auxiliary contracts, contract staff and temporary replacements)</p> <p>Total staff: 98 (91)</p> <p>Assigned to the following duties:</p> <p>operational: 60 (53,5)</p> <p>administrative and IT support: 29 (30)</p> <p>mixed: 9 (7,5)</p> | <p><b>Network:</b></p> <p>The Centre runs a computerised network for the collection and exchange of information called the 'European Information Network on Drugs and Drug Addiction' (Reitox); this network connects national drug information networks, specialist centres in the Member States and the information systems of international organisations working with the Centre.</p> <p><b>Publications:</b></p> <ul style="list-style-type: none"> <li>— Annual report on the state of the drug problem in Europe; 23 language versions, publication and interactive website);</li> <li>— Selected issues published alongside the Annual report (3 issues, publication, summaries and interactive website, EN);</li> <li>— Statistical bulletin and interactive website containing over 350 (250) tables, 100 (150) graphs and PDF files;</li> <li>— General activities report — annual, EN;</li> <li>— Drugnet Europe newsletter — 4 issues, EN (4);</li> <li>— Drugs in Focus (policy briefings) — 3 issues, 25 language versions;</li> <li>— Technical and scientific studies, including Articles and scientific summaries 57 (37);</li> </ul> |

| Areas of Community competence deriving from the Treaty | The Centre's powers as defined in Regulation (EC) No 1920/2006 of the Parliament and of the Council of 12 December 2006 | Governance | Resources available to the Centre in 2007<br>(Data for 2006) | Products and services supplied in 2007<br>(Data for 2006)   |
|--|---|------------|--|---|
|  |   |            |  | <p><b>Other websites:</b></p> <p>Set-up/updating/content development of public EMCDDA website:</p> <ul style="list-style-type: none"> <li>— Drug profiles,</li> <li>— Country situation summaries,</li> <li>— Country data profiles,</li> <li>— Drug treatment overviews,</li> <li>— European legal database on drugs,</li> <li>— Evaluation instruments bank,</li> <li>— Exchange on drug demand reduction action,</li> <li>— FONTE: a data collection, validation, storage and retrieval system</li> </ul> <p><b>Promotional brochures: 3 (4) products</b></p> <p><b>Media products: 174 (174) miscellaneous products</b></p> <p><b>Participation in international conferences/meetings: 230 (162)</b></p> <p><b>Organisation of technical and scientific meetings: 41 (27)</b></p> |

Source: Information supplied by the Centre.

Table 2  
European Monitoring Centre for Drugs and Drug Addiction (Lisbon) — Budget implementation for the financial year 2007

(1 000 euro)

| Revenue                            |  |                  | Expenditure                              |  |               |               |              |            |  |            |              |            |
|------------------------------------|--|------------------|--|--|---------------|---------------|--------------|------------|--|------------|--------------|------------|
| Source of revenue                  | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure                | Final budget appropriations for the financial year |               |               |              |            | Appropriations carried over from the previous financial year |            |              |            |
|                                    |  |                  |  | entered  | committed     | paid          | carried over | cancelled  | available  | paid       | carried over | cancelled  |
| Community subsidies                | 13 469   | 13 469           | Title I<br>Staff (NDA)                   | 7 118  | 7 098         | 7 011         | 87           | 20         | 95   | 88         | 0            | 7          |
| Other subsidies                    | 412  | 333              | Title II<br>Administrations (NDA)        | 2 093  | 2 064         | 1 294         | 770          | 30         | 405  | 307        | 0            | 97         |
|                                    |  |                  | Title III<br>Operational activities (DA) |  |               |               |              |            |  |            |              |            |
|                                    |  |                  | CA                                       | 4 669  | 4 498         |               |              | 172        |  |            |              |            |
|                                    |  |                  | PA                                       | 4 669  |               | 4 452         |              | 218        |  |            |              |            |
| Assigned revenue (Phare and CARDS) | 550  | 0                | Assigned revenue (Phare and CARDS)       | 550  | 26            | 0             |              | 550        | 584  | 257        | 327          | 0          |
| Other assigned revenue             | pm   | 251              | Other assigned revenue                   | pm   | 220           | 177           | 74           | 0          | 144  | 139        | 0            | 5          |
|                                    |  |                  | <b>Total CA</b>                          | <b>14 431</b>                                      | <b>13 906</b> |               |              | <b>772</b> |  |            |              |            |
| <b>Total</b>                       | <b>14 431</b>  | <b>14 053</b>    | <b>Total PA</b>                          | <b>14 431</b>                                      |               | <b>12 934</b> | <b>931</b>   | <b>818</b> | <b>1 228</b>   | <b>791</b> | <b>327</b>   | <b>109</b> |

NDA: non-differentiated appropriations (commitment appropriations equal payment appropriations).

DA: differentiated appropriations (commitment appropriations and payment appropriations may differ).

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

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

Table 3

**European Monitoring Centre for Drugs and Drug Addiction (Lisbon) — Economic outturn account for the financial years 2007 and 2006**

|   | (1 000 euro)  |               |
|---|---------------|---------------|
|   | 2007          | 2006          |
| <b>Operating revenue</b>  |               |               |
| Community subsidy   | 13 369        | 13 394        |
| Other revenues  | 662           | 93            |
| <b>Total (a)</b>  | <b>14 031</b> | <b>13 488</b> |
| <b>Operating expenditure</b>  |               |               |
| Staff expenditure   | 7 044         | 6 566         |
| Fixed asset-related expenditure                                     | 358           | 292           |
| Other administrative expenditure                                    | 1 289         | 2 369         |
| Operating expenditure   | 5 028         | 4 629         |
| <b>Total (b)</b>  | <b>13 719</b> | <b>13 857</b> |
| <b>Surplus /(deficit) from operating activities (c = a – b)</b>     | <b>312</b>    | <b>– 370</b>  |
| Revenue from financial operations (e)                               | —             | —             |
| Expenditure on financial operations (f)                             | 17            | 16            |
| <b>Surplus /(deficit) from non-operating activities (g = e – f)</b> | <b>– 17</b>   | <b>– 16</b>   |
| <b>Economic result for the year (h = c + g)</b>                     | <b>295</b>    | <b>– 385</b>  |

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

Table 4

**European Monitoring Centre for Drugs and Drug Addiction (Lisbon) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro) |              |
|----------------------------------|--------------|--------------|
|                                  | 2007         | 2006         |
| <b>Non-current assets</b>        |              |              |
| Intangible fixed assets          | 426          | 374          |
| Tangible fixed assets            | 2 725        | 2 809        |
| <b>Current assets</b>            |              |              |
| Short-term receivables           | 556          | 416          |
| Cash and cash equivalents        | 1 847        | 1 881        |
| <b>Total assets</b>              | <b>5 554</b> | <b>5 480</b> |
| <b>Current liabilities</b>       |              |              |
| Provisions for risks and charges | 165          | 149          |
| Accounts payable                 | 2 606        | 2 843        |
| <b>Total liabilities</b>         | <b>2 771</b> | <b>2 992</b> |
| <b>Net assets</b>                | <b>2 783</b> | <b>2 488</b> |
| <b>Reserves</b>                  |              |              |
| Accumulated surplus/deficit      | 2 488        | 2 872        |
| Economic result for the year     | 295          | – 385        |
| <b>Net capital</b>               | <b>2 783</b> | <b>2 488</b> |

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

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**THE CENTRE'S REPLIES**

7. The referred supplementary appropriations were entered into the EMCDDA 2007 budget by means of the amending and supplementary budget adopted by the EMCDDA on 23 October 2007. These appropriations aimed at coping with supplementary needs that could not be anticipated when the initial 2007 budget was adopted (December 2006). These needs depended on some factors/events that were only known during the third quarter of 2007, namely the schedule for the EMCDDA's move into its new premises and associated IT technical requirements. However, in accordance with the position expressed by the Court, the EMCDDA is fully committed to pursuing its constant efforts to anticipate and plan, as much as possible, its budget needs.

8. The EMCDDA is actively trying to reach a compromise with the Norwegian authorities in order to overcome the current impasse, whilst avoiding jeopardising the EMCDDA's activities/operations and its good relations with Norway.

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**REPORT****on the annual accounts of the Community Plant Variety Office for the  
financial year 2007 together with the Office's replies**

(2008/C 311/25)

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## INTRODUCTION

1. The Community Plant Variety Office (hereinafter the Office) was created by Council Regulation (EC) No 2100/94 of 27 July 1994 <sup>(1)</sup>. 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.

2. *Table 1* summarises the Office's competences and activities. Key data taken from the financial statements drawn up by the Office for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the Administrative Council of the Office in accordance with Article 111 of Council Regulation (EC) No 2100/94.

4. The Office's accounts for the financial year ended 31 December 2007 <sup>(2)</sup> 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 a Statement of Assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(3)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community

context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### ***Reliability of the accounts***

The Office's accounts for the financial year ended 31 December 2007 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 Statement into question.

## OBSERVATION

7. In order to obtain higher interest than on a standard savings account, the Office bought shares in investment funds for 3 to 6 months for amounts varying from 2 to 10 million euro <sup>(4)</sup>. In February 2007, it also invested 5 million euro in a two-year investment fund. The Office should adopt a treasury management policy before investing in such financial instruments.

This Report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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

<sup>(2)</sup> These accounts were drawn up on 27 June 2008 and received by the Court on 1 July 2008.

<sup>(3)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(4)</sup> At the year-end 2007, all those investments had been settled.

Table 1  
Community Plant Variety Office (Angers)

| Areas of Community competence deriving from the Treaty   | Competences of the Office as defined in Council Regulation (EC) No 2100/94   |   | Governance  | Resources made available to the Office in 2007<br>(Data for 2006)  | Products and services supplied in 2007<br>(Data for 2006)   |
|--|--|---|---|--|---|
| <p><b>Free movement of goods</b></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><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To apply the system of Community plant variety rights as the sole and exclusive form of Community industrial property rights for plant varieties.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To decide whether to refuse or grant applications for Community plant variety rights.</li> <li>— To decide on objections.</li> <li>— To decide on appeals.</li> <li>— To decide on the revocation or cancellation of a Community plant variety right.</li> </ul> | <p><b>1. The President</b></p> <p>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><b>2. The Administrative Council</b></p> <p>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, plus their alternates.</p> <p>3. Decisions regarding the grant of Community plant variety rights are adopted by <b>Committees</b> composed of three members of staff of the Office and by the <b>Board of Appeal</b> in appeal proceedings.</p> <p><b>4. Control of the legality of the Office's acts</b></p> <p>Review by the Commission of the legality of the acts of the Office's President in respect of which Community law does not provide for any control on legality by another body and of the acts of the Administrative Council relating to the Office's budget.</p> <p><b>5. External audit</b></p> <p>Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>Administrative Council.</p> | <p><b>Final budget:</b></p> <p>13,4 (13,0) million euro</p> <p><b>Staff numbers as at 31 December 2007:</b></p> <p>Number of posts in establishment plan: 42 (41)</p> <p>Posts occupied: 42 (41)</p> <p>+ 2,5 (4) other posts (auxiliary contracts, national experts on secondment, local staff, employment-agency staff)</p> <p><i>Total staff: 44,5 (45)</i></p> <p>Assigned to the following duties:</p> <p>Operational: 17,5</p> <p>Administrative: 21</p> <p>Mixed: 6</p> | <p>Applications heard: 2 977 (2 751)</p> <p>Rights granted: 2 616 (2 289)</p> <p>Community rights in force at 31 December 2007: 14 598 (12 933)</p> |

Source: Information supplied by the Office.



Table 2

## Community Plant Variety Office (Angers) — Budget implementation for the financial year 2007

(1 000 euro)

| Revenue             |   |                   | Expenditure                      |                             |               |               |              |              |  |            |            |
|---------------------|---|-------------------|----------------------------------|-----------------------------|---------------|---------------|--------------|--------------|--|------------|------------|
| Source of revenue   | Revenue entered in the final budget for the financial year <sup>(1)</sup> | Revenue collected | Allocation of expenditure        | Final budget appropriations |               |               |              |              | Appropriations carried over from the previous financial year |            |            |
|                     |   |                   |                                  | entered                     | committed     | paid          | carried over | cancelled    | available  | paid       | cancelled  |
| Own revenue         | 8 991   | 8 999             | Title I<br>Staff (NDA)           | 4 857                       | 4 556         | 4 508         | 48           | 301          | 53   | 51         | 2          |
| Accumulated surplus | 3 545   | 0                 |                                  |                             |               |               |              |              |  |            |            |
| Community subsidies | 172   | 0                 | Title II<br>Administration (NDA) | 2 857                       | 2 477         | 997           | 1 481        | 380          | 852  | 408        | 444        |
| Other revenue       | 707   | 575               | Title III — CA                   | 6 896                       | 5 458         |               | 0            | 1 438        | —  |            | —          |
|                     |   |                   | Operating activities (DA) — PA   | 5 701                       |               | 5 161         | 0            | 540          |  |            |            |
| <b>Total</b>        | <b>13 415</b>   | <b>9 574</b>      | <b>Total CA</b>                  | <b>14 610</b>               | <b>12 492</b> | <b>5 505</b>  | <b>1 528</b> | <b>2 118</b> | —  | —          | —          |
|                     |   |                   | <b>Total PA</b>                  | <b>13 415</b>               | <b>7 033</b>  | <b>10 666</b> | <b>1 528</b> | <b>1 221</b> | <b>905</b>   | <b>459</b> | <b>446</b> |

<sup>(1)</sup> The published budget states 13 405 (000) as total revenue and 13 399 (000) as total payment appropriations. The correct amount, however, should have been 13 415 (000). This table works with the correct amounts.

NDA: non-differentiated appropriations (commitment appropriations equal payment appropriations).

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

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

Source: Data supplied by the Office. This table summarises the data provided by the Office in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

**Community Plant Variety Office (Angers) — Economic outturn account for the financial years 2007 and 2006**

(1 000 euro)

|  | 2007           | 2006           |
|--|----------------|----------------|
| <b>Operating revenue</b>   |                |                |
| Fees collected   | 8 983          | 8 844          |
| Other revenue  | 387            | 29             |
| <b>Total (a)</b>   | <b>9 370</b>   | <b>8 873</b>   |
| <b>Operating expenditure</b>                                       |                |                |
| Staff expenditure  | 4 554          | 4 398          |
| Fixed-asset-related expenditure                                    | 184            | 191            |
| Other administrative expenditure                                   | 1 130          | 1 031          |
| Operational expenditure  | 4 814          | 4 535          |
| <b>Total (b)</b>   | <b>10 682</b>  | <b>10 155</b>  |
| <b>Surplus/(deficit) from operating activities (c = a - b)</b>     | <b>- 1 312</b> | <b>- 1 282</b> |
| Revenue from financial operations (e)                              | 602            | 495            |
| Expenditure on financial operations (f)                            | 8              | 0              |
| <b>Surplus/(deficit) from non-operating activities (g = e - f)</b> | <b>594</b>     | <b>495</b>     |
| Extraordinary income   | 0              | 7              |
| Extraordinary expenditure  | 7              | 38             |
| <b>Surplus/(deficit) from extraordinary activities</b>             | <b>- 7</b>     | <b>- 31</b>    |
| <b>Economic result for the year</b>                                | <b>- 725</b>   | <b>- 818</b>   |

Source: Data supplied by the Office. This table summarises the data provided by the Office in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Community Plant Variety Office (Angers) — Balance sheet at 31 December 2007 and 2006**

(1 000 euro)

|                                      | 2007          | 2006          |
|--------------------------------------|---------------|---------------|
| <b>Non-current assets</b>            |               |               |
| Intangible fixed assets              | 269           | 43            |
| Tangible fixed assets                | 3 677         | 3 316         |
| Financial fixed assets               | 5 003         | 3             |
| <b>Current assets</b>                |               |               |
| Short-term receivables               | 2 644         | 1 866         |
| Cash and cash equivalents            | 11 905        | 18 487        |
| <b>Total assets</b>                  | <b>23 498</b> | <b>23 715</b> |
| Accounts payable                     | 8 591         | 8 342         |
| <b>Total liabilities</b>             | <b>8 591</b>  | <b>8 342</b>  |
| <b>Net assets</b>                    | <b>14 907</b> | <b>15 373</b> |
| <b>Reserve</b>                       |               |               |
| Accumulated surplus/deficit          | 15 373        | 16 191        |
| Provisions for risks and liabilities | 259           | 0             |
| Economic result for the year         | - 725         | - 818         |
| <b>Net capital</b>                   | <b>14 907</b> | <b>15 373</b> |

Source: Data supplied by the Office. This table summarises the data provided by the Office in its annual accounts: these accounts are drawn up on an accrual basis.

**THE OFFICE'S REPLIES**

7. The Office takes note of the observation. Investment decisions were made on basis of analysis and information presented by the accountant to management. The latter co-signed all subscription orders.

From October 2007 onward, available treasury has been invested only in fixed term accounts. The Office will formalise a treasury management policy.

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**REPORT****on the annual accounts of the Office for Harmonization in the Internal  
Market for the financial year 2007 together with the Office's replies**

(2008/C 311/26)

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## INTRODUCTION

1. The Office for Harmonization in the Internal Market (hereinafter 'the Office') was set up by Council Regulation (EC) No 40/94 <sup>(1)</sup> 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.

2. *Table 1* summarises the Office's competences and activities. Key data summarised from the financial statements drawn up by the Office for the financial year 2007 are presented in *Tables 2, 3 and 4* for information purposes.

## STATEMENT OF ASSURANCE

3. This Statement is addressed to the Office Budget Committee in accordance with Article 137 of Council Regulation (EC) No 40/94.

4. The Office's accounts for the financial year ended 31 December 2007 <sup>(2)</sup> were drawn up by its President, pursuant to Article 119 of Council Regulation (EC) No 40/94, and sent to the Court, which is required to provide a statement on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and ISSAI <sup>(3)</sup> International Auditing Standards and Codes of Ethics, in so far as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the Statement set out below:

### **Reliability of the accounts**

The Office's accounts for the financial year ended 31 December 2007 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 Statement into question

## OBSERVATIONS

7. The Office's 2007 budget amounted to 276 million euro, as compared with 212 million euro the previous year. The 2007 budget includes a reserve of 118 million euro, as compared with 77 million euro the previous year. The Office's budget is financed by fees paid by the users of its services.

8. In recent years, the Office has significantly reduced the number of its permanent staff while increasing the volume of its activities via a systematic automatization of processes and an outsourcing of supporting activities. Expenditure on IT consultancy, development and maintenance increased from 7,5 million euro in 2000 to 17 million euro in 2006 and to 22 million euro in 2007. The benefits of this approach should be evaluated by the Office through a global cost-benefit analysis.

9. For the 2007 projects managed by the Office's Quality management department, cost/benefit analysis, financial estimates and due justifications were not always prepared. A direct link between the projects and the budgetary commitments was not established, which did not permit efficient cost controlling and management.

10. In its report <sup>(4)</sup> on the Office's annual accounts for 2006, the Court observed the need for the Office to propose a level of fees to the Commission which reflects more accurately its real costs <sup>(5)</sup>. The accumulated budgetary surplus <sup>(6)</sup> in 2006 was 201 million euro and in 2007 it reached 273 million euro. The Office, together with the Commission, also needs to reflect on how it can make better and more productive use of the funds currently held in reserves.

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

<sup>(2)</sup> These accounts were drawn up on 20 June 2008 and received by the Court on 1 July 2008.

<sup>(3)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

<sup>(4)</sup> OJ C 309, 19.12.2007, p. 141.

<sup>(5)</sup> Article 134(2) of Council Regulation (EC) No 40/94 of 20 December 1993.

<sup>(6)</sup> Carried over budgetary results plus reserve fund according to Article 16 of the Office's Financial Regulation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 18 September 2008.

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

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

| Area of Community competence deriving from the Treaty  | Competences of the Office as specified in Council Regulation (EC) No 40/94   |   | Governance   | Resources made available to the Office in 2007<br>(Data for 2006)   | Products and services supplied in the 2007 financial year   |
|--|--|---|--|---|---|
| <p><b>Free movement of goods</b></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.</p> <p>(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.</p> <p>(From Article 49 of the Treaty)</p> | <p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— 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.</li> </ul> | <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To receive and enter applications for registration.</li> <li>— To examine the conditions for entry in the Register and compatibility with Community legislation.</li> <li>— To search at the industrial property offices of the Member States for any pre-existing national trade marks.</li> <li>— To publish applications.</li> <li>— To examine any opposition by third parties.</li> <li>— To register or reject applications.</li> <li>— To examine applications for revocation or invalidity.</li> <li>— To handle appeals against decisions.</li> </ul> | <p><b>1. Administrative Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— One representative of each Member State.</li> <li>— One representative of the Commission and their alternates.</li> </ul> <p><i>Task</i></p> <ul style="list-style-type: none"> <li>— To advise the President on matters for which the Office is responsible.</li> <li>— To prepare lists of candidates (Article 120) for President, Vice-Presidents and chairmen and members of the Boards of Appeal.</li> </ul> <p><b>2. President of the Office</b></p> <ul style="list-style-type: none"> <li>— Appointed by the Council from a list of at most three candidates which has been prepared by the Administrative Board.</li> </ul> <p><b>3. Budget Committee</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— One representative of each Member State and one representative of the Commission and their alternates.</li> </ul> <p><i>Task</i></p> <ul style="list-style-type: none"> <li>— To adopt the budget and the financial regulation, grant discharge to the President and determine the cost of search reports.</li> </ul> <p><b>4. Decisions related to the applications</b></p> <p>Decisions are taken by:</p> <ol style="list-style-type: none"> <li>(a) the Examiners;</li> <li>(b) the Opposition Divisions;</li> <li>(c) the Administration of Trade Marks and Legal Division;</li> <li>(d) the Cancellation Divisions;</li> <li>(e) the Boards of Appeal.</li> </ol> <p><b>5. External audit</b></p> <p>Court of Auditors.</p> <p><b>6. Discharge authority</b></p> <p>The Office's Budget Committee.</p> | <p><b>Final budget</b></p> <p>276 million euro<br/>(212 million euro)</p> <p>Including a Community subsidy: 0 % (0 %)</p> <p><b>Staff numbers as at 31 December 2007</b></p> <p>647 (675) posts in the establishment plan, posts occupied: 619 (603) + 89 (72) other staff (auxiliary contracts, seconded national experts, local and employment agency staff, special advisers)</p> <p><i>Total staff: 708 (675)</i></p> | <p><b>Trade marks</b></p> <p>Numbers of applications: 88 200</p> <p>Number of registrations: 68 000</p> <p>Cases of opposition: 16 400</p> <p>of which cases settled: 12 200</p> <p>Appeals to the Boards of Appeal: 1 970</p> <p>Average time of registration (excluding opposition or appeal):</p> <ul style="list-style-type: none"> <li>— before publication: 7,5 months</li> <li>— between publication and registration: 6,5 months</li> </ul> <p><b>Designs</b></p> <p>Designs received: 78 000</p> <p>Designs registered: 77 000</p> |

Source: Information supplied by the Office.

Table 2

## Office for Harmonization in the Internal Market (Alicante) — Implementation of the budget for the financial year 2007

(1 000 euro)

| Revenue                                |  |                  | Expenditure                       |                             |                |                |               |                |  |               |              |
|--|--|------------------|-----------------------------------|-----------------------------|----------------|----------------|---------------|----------------|--|---------------|--------------|
| Source of revenue                      | Revenue entered in the final budget for the financial year | Revenue received | Allocation of expenditure         | Final budget appropriations |                |                |               |                | Appropriations carried over from the previous financial year |               |              |
|  |  |                  |                                   | entered                     | committed      | paid           | carried over  | cancelled      | available  | paid          | cancelled    |
| Own revenue                            | 172 887  | 179 777          | Title I<br>Staff                  | 63 716                      | 60 066         | 58 968         | 1 097         | 3 650          | 1 390  | 1 056         | 333          |
| Other revenue                          | 465  | 6 801            | Title II<br>Administration        | 37 363                      | 35 272         | 25 402         | 9 870         | 2 091          | 10 691   | 9 616         | 1 075        |
| Interest                               | 11 100   | 12 284           | Title III<br>Operating activities | 56 294                      | 48 091         | 30 390         | 17 702        | 8 203          | 14 407   | 13 193        | 1 214        |
| Balance of the previous financial year | 91 123   | 124 682          | Title X<br>Reserve                | 118 202                     | 0              | 0              | 0             | 118 202        | 0  | 0             | 0            |
| <b>Total</b>                           | <b>275 575</b>   | <b>323 544</b>   | <b>Total</b>                      | <b>275 575</b>              | <b>143 429</b> | <b>114 760</b> | <b>28 669</b> | <b>132 146</b> | <b>26 488</b>  | <b>23 865</b> | <b>2 622</b> |

Source: Data supplied by the Office. This table summarises the data provided by the Office in its annual accounts. Revenue collected and payments are estimated on a cash basis.



Table 3

**Office for Harmonization in the Internal Market (Alicante) — Economic outturn account for the financial years 2007 and 2006**

|   | (1 000 euro)   |                |
|---|----------------|----------------|
|   | 2007           | 2006           |
| <b>Operating revenue</b>  |                |                |
| Revenue from fees   | 179 040        | 184 066        |
| Revenue from the sale of publications                               | 186            | 285            |
| Other revenue   | 6 583          | 172            |
| <b>Total (a)</b>  | <b>185 809</b> | <b>184 523</b> |
| <b>Operating expenses</b>   |                |                |
| Staff expenses  | 59 640         | 58 055         |
| Fixed asset related expenses  | 3 650          | 3 586          |
| Other administrative expenses                                       | 34 100         | 26 833         |
| Operational expenses  | 40 745         | 34 720         |
| <b>Total (b)</b>  | <b>138 136</b> | <b>123 194</b> |
| <b>Surplus /(deficit) from operating activities (c = a – b)</b>     | <b>47 673</b>  | <b>61 329</b>  |
| Financial operations revenues (e)                                   | 14 011         | 8 149          |
| Financial operations expenses (f)                                   | 74             | 63             |
| <b>Surplus /(deficit) from non-operating activities (g = e – f)</b> | <b>13 938</b>  | <b>8 086</b>   |
| <b>Economic result for the year (h = c + g)</b>                     | <b>61 611</b>  | <b>69 415</b>  |

Source: Data supplied by the Office. This table summarises the data supplied by the Office in its annual accounts: these accounts are drawn up on an accrual basis.

Table 4

**Office for Harmonization in the Internal Market (Alicante) — Balance sheet at 31 December 2007 and 2006**

|                                  | (1 000 euro)   |                |
|----------------------------------|----------------|----------------|
|                                  | 2007           | 2006           |
| <b>Non-current assets</b>        |                |                |
| Intangible fixed assets          | 1 307          | 1 023          |
| Tangible fixed assets            | 25 728         | 25 948         |
| <b>Current assets</b>            |                |                |
| Short-term pre-financing         | 186            | 124            |
| Short-term receivables           | 4 105          | 2 520          |
| Cash and cash equivalents        | 343 350        | 281 510        |
| <b>Total assets</b>              | <b>374 676</b> | <b>311 125</b> |
| <b>Non-current liabilities</b>   |                |                |
| Provisions for risks and charges | 834            | 727            |
| Other long-term liabilities      | 23             | 20             |
| <b>Current liabilities</b>       |                |                |
| Provisions for risks and charges | 8 849          | 12 266         |
| Accounts payable                 | 59 928         | 54 681         |
| <b>Total liabilities</b>         | <b>69 634</b>  | <b>67 694</b>  |
| <b>Net assets</b>                | <b>305 042</b> | <b>243 431</b> |
| <b>Reserve</b>                   |                |                |
| Reserves                         | 90 171         | 72 353         |
| Accumulated surplus/deficit      | 153 261        | 101 663        |
| Economic result of the year      | 61 611         | 69 415         |
| <b>Net capital</b>               | <b>305 042</b> | <b>243 431</b> |

Source: Data supplied by the Office. This table summarises the data supplied by the Office in its annual accounts: these accounts are drawn up on an accrual basis.

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**THE OFFICE'S REPLIES**

8. Future automation projects and eventual outsourcing of tasks are systematically taken into account when planning future establishment plan's sizes and recruitment processes. The increase in the IT budget is the result of a significant increase of information systems, either because new tasks (Madrid protocol, Community designs, renewals) or because of the e-business strategy and the re-engineering of our internal trademark management systems as well as important investments in IT Security (business continuity). Internal methodology already foresees cost/benefit analysis for each IT project. A similar methodology will be implemented for outsourced activities.

9. New tools for project management (including financial estimates management) are going to be introduced. The application of the existing quality management methodology will be enhanced to cover systematically all these aspects in all projects.

10. In December 2006, the Commission made proposals for a new fee mechanism. The Council, in May 2007, asked the Commission to make an immediate proposal for a reduction.

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**NOTE TO THE READER**

The institutions have decided to no longer quote in their texts the last amendment to cited acts.

Unless otherwise indicated, references to acts in the texts published here are to the version of those acts currently in force.