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## Information and Notices

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## IV

(Notices)

## NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

## COURT OF AUDITORS

## Summary of the results of the Court's 2013 annual audits of the European Agencies and other bodies

(2014/C 442/01)

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## INTRODUCTION

1. Pursuant to the provisions of Article 287 of the Treaty on the functioning of the European Union, the Court has audited the annual accounts<sup>(1)</sup> for the financial year ended 31 December 2013 and the legality and regularity of the transactions underlying them for 32 decentralised agencies<sup>(2)</sup>, 6 executive agencies, the Euratom Supply Agency (Euratom), the European Institute of Innovation and Technology (EIT) and the Europol Pension Fund (hereinafter 'agencies'). Details on the audited agencies, their budgets and staff are provided in *Annex I*.

2. This summary provides an overview of the results of the Court's annual audits of the agencies for the financial year 2013. It aims to facilitate analysis and comparison of the Court's 41 specific reports on the 2013 annual accounts of the agencies. The Court's opinions and comments as well as the agencies' replies can be found in these specific reports. This summary is not an audit report or opinion.

3. Decentralised agencies play an important role in implementing EU policies, especially tasks of a technical, scientific, operational and/or regulatory nature. Their aim is to allow the Commission to concentrate on policymaking and to reinforce cooperation between the EU and national governments by pooling technical and specialist expertise from both sides. They are located throughout the EU. Executive agencies assist the Commission in the implementation of Union spending programmes. They are set up for a fixed period and based in the same location as the Commission.

4. The agencies' 2013 budget amounted to some 2 billion euro (2012: EUR 1,6 billion euro), i.e. about 1,4 % of the EU general budget (2012: 1,2 %). Approximately 1 billion euro comes from the European Commission's subsidies and the rest is income from fees and other sources. The agencies employ some 6 500 (2012: 6 100) permanent and temporary officials, i.e. 14 % (2012: 13 %) of the total number of EU officials authorised under the EU general budget (staff establishment plan). In addition, some 2 900 other staff are working for the agencies (contract or seconded staff).

5. Whereas financial risk related to the agencies is relatively low compared to the total EU budget, the reputational risk for the Union is high: they are highly visible in the Member States and they have significant influence on policy- and decision-making and programme implementation in areas of vital importance to European citizens, i.e. health, safety, security, freedom and justice.

## INFORMATION IN SUPPORT OF THE COURT'S OPINIONS

6. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of the agencies' internal controls. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations. In order to consider the particular risks involved, the 2013 audit placed special emphasis on the legality and regularity of grant transactions (in the 11 agencies concerned, see *Annex II*) and related internal controls. The audit of recruitment procedures focused on a follow-up of previous years' findings.

## AUDIT RESULTS

### *Opinions on the reliability of the accounts*

7. The final accounts of all agencies present fairly, in all material respects, their financial position as at 31 December 2013 and the results of their operations and their cash flows for the year then ended, in accordance with the provisions of the applicable Financial Regulations and the accounting rules adopted by the Commission's Accounting Officer.

8. Without calling into question its opinion expressed for eu-LISA, the Court's emphasis of matter<sup>(3)</sup> paragraph draws attention to the valuation of the Schengen Information System (SIS II), the Visa Information System (VIS) and Eurodac (systems) in the Agency's accounts. The operational management of these systems was transferred to the Agency from the Commission in May 2013 by way of a non-exchange transaction and is the core task of the Agency. In the absence of reliable and complete information in respect of their total development cost, they are recorded in the Agency's accounts at their net book values as per the Commission's books and updated at year end. These values relate mainly to hardware and off-the-shelf software components and do not include software development costs.

<sup>(1)</sup> These comprise the 'financial statements' and the 'reports on the implementation of the budget'.

<sup>(2)</sup> The European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) was granted financial autonomy by the Commission on 22 May 2013 and was audited by the Court for the first time in 2013.

<sup>(3)</sup> An Emphasis of Matter paragraph is used to draw readers' attention to a matter which is not materially misstated in the accounts, but is of such importance that it is fundamental to users' understanding of the accounts.

### Opinions on the legality and regularity of the transactions underlying the accounts

9. As was the case last year, the Court concluded that the transactions underlying the annual accounts for the year ended 31 December 2013 were legal and regular in all material respects for all agencies except EIT and Frontex (European Agency for the Management of Operational Cooperation at the External Borders).

10. A qualified opinion<sup>(4)</sup> was issued for EIT. Despite further improvements in the Institute's *ex ante* and *ex post* verifications, a material, but not pervasive level of error was found in relation to the legality and regularity of grant transactions and to procurements.

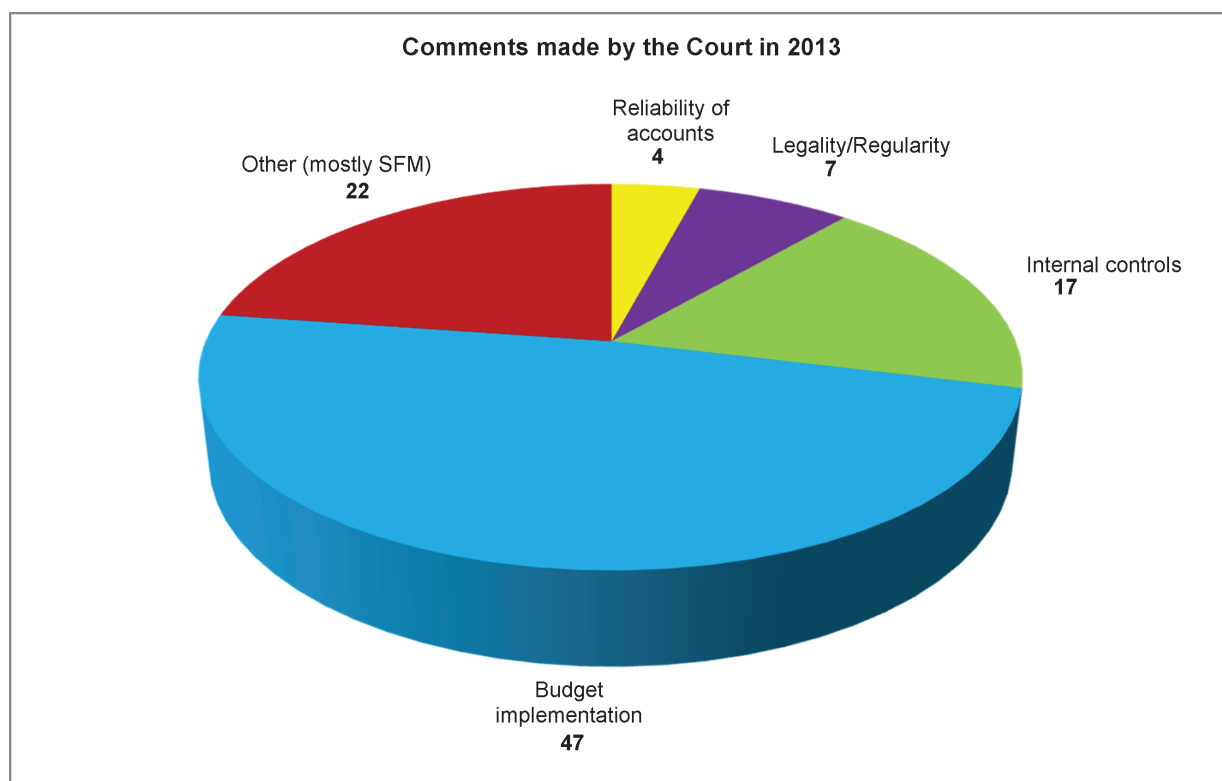
11. The Court also issued a qualified opinion for Frontex. There is still insufficient audit evidence on the legality and regularity of grant transactions. Despite the introduction of more comprehensive *ex ante* verifications for grant agreements signed since June 2013, the majority of 2013 transactions resulted from grant agreements signed before that date. The possible effects are material but no longer pervasive, as was the case last year<sup>(5)</sup>.

### Comments not calling the Court's opinions into question

12. Without calling its opinions into question, the Court made a total of 97 (2012: 123) comments affecting 35 agencies to highlight matters of importance and to indicate room for improvement. Comments were made regarding the reliability of accounts, the legality and regularity of transactions, internal controls, budget implementation and other matters such as sound financial management. Having audited recruitment procedures in detail for several years, the 2013 audit was a follow-up of previous years' findings in this area (hence the decrease in the number of comments)<sup>(6)</sup>.

Chart 1

#### Number of comments by heading



Source: Specific reports on the agencies' 2013 annual accounts.

<sup>(4)</sup> The Court expresses a qualified opinion when the auditor has obtained sufficient appropriate audit evidence and concludes that misstatements or instances of non-compliance are material, but not pervasive, to the annual accounts or underlying transactions (as outlined in paragraph 10). The Court also expresses a qualified opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the possible effects on the annual accounts or underlying transactions of that inability are material but not pervasive (as outlined in paragraph 11).

<sup>(5)</sup> The Court gave a disclaimer of opinion for the financial year 2012.

<sup>(6)</sup> In 2013, the Court made 3 recruitment-related comments (2012: 17).

13. An overview of the comments made for each of the agencies is provided in *Annex II*. A summary of the most frequent comments is provided below.

#### **Comments on the reliability of accounts**

14. Four comments were made in relation to four agencies and addressed weaknesses in the recording of accruals, the completeness of notes to the financial statements, the accounting of fixed assets and the reconciliation of suppliers' statements at year-end. (Last year, five of the seven comments made related to non-validated accounting systems which have since been validated by the agencies' accountants.)

#### **Comments on the legality and regularity of transactions**

15. The seven comments concern seven agencies. Six of them relate to weaknesses in procurement procedures in areas such as transparency of the outsourcing procedures, consistency between contract notice and tender specifications, the consistent application of eligibility/selection criteria, and the extension of framework contracts. Last year, the same number of comments was made on procurement procedures.

#### **Comments on internal controls**

16. The 17 comments (2012: 34) concern 10 agencies (2012: 22). In four cases (2012: five) they related to weaknesses in the implementation of internal control standards, either because they had not been adopted at year-end or they were adopted but only partially implemented, or corrective action was still ongoing. A positive development is the decrease in comments made on fixed assets management (from seven in 2012 to two in 2013) and grant management (from five in 2012 to two in 2013).

#### **Comments on budget implementation**

17. A high level of carry-overs of committed appropriations remains the most frequent comment in this area and concerned 24 (2012: 26) agencies. Although a high level of carry-overs is usually considered to be at odds with the budgetary principle of annuality and can indicate weaknesses in budget planning and implementation, it often resulted from events (partly) beyond the agencies' control (e.g. invoices or cost declarations that had not been received by the year-end) or were justified by the multiannual nature of operations, procurement procedures or projects.

18. High levels of cancellations of carry-overs from previous years were noted in seven cases (2012: nine). Such cancellations indicate that the appropriations carried over were made on the basis of overestimated needs or were otherwise not justified.

#### **Other comments**

19. There were 22 (2012: 27) other comments which concerned 15 agencies (2012: 20). Six related to the absence of headquarter agreements with agencies' host countries and 11 were to matters of sound financial management, for example:

- the level of stand-by duty allowances paid,
- agencies in multiple locations (even within the same Member State): it is likely that administrative costs could be reduced if all staff were centralised,
- cash balances in a number of agencies were higher than justified by operational requirements (506 million euro in total).

#### **Follow-up of previous years' comments**

20. *Annex III* shows that for the 192 open comments at the end of 2012, in 2013 corrective action was completed in 94 cases, ongoing in 47 and outstanding in five cases (no corrective action was required for 46 comments, mainly in relation to budget carry-overs).

#### **CONCLUSIONS**

21. All agencies prepared their accounts in accordance with the provisions of the applicable Financial Regulations and the accounting rules adopted by the Commission's Accounting Officer.



22. The Court concluded that transactions underlying the accounts were legal and regular for all except two agencies. Qualified opinions were issued for EIT and Frontex (mainly in relation to grant transactions).

23. Agencies further improved their procedures by taking corrective action in response to the Court's comments from previous years. Nevertheless, there is considerable room for improvement, as indicated by the high number of comments made in respect of 2013.

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## ANNEX I

## Agencies' income (budget forecasts, entitlements established and amounts received) and staff establishment plans

Agency	Parent DG	Policy Area	2013				2012					
			Forecasted income budget (1) (million euro)	Change of forecasted income budget 2013 vs 2012	Entitlements established (2) (million euro)	Amounts received (3) (million euro)	Staff establishment plan (1)	Change of establishment plan 2013 vs 2012	Forecasted income budget (4) (million euro)	Entitlements established (4) (million euro)	Amounts received (4) (million euro)	Staff establishment plan (2)
<b>Decentralised Agencies</b>												
European Medicines Agency — <b>EMA</b>	SANCO	Health and Consumer	252	14%	269	240	611	4%	222	254	224	590
Office for Harmonization in the Internal Market — <b>OHIM</b>	MARKT	Internal Market and Services	418	-3%	189	189	861	11%	429	176	176	775
European Aviation Safety Agency — <b>EASA</b>	MOVE	Mobility and Transport	151	1%	125	125	692	9%	150	116	115	634
European Agency for the Management of Operational Cooperation at the External Borders — <b>Frontex</b>	HOME	Home Affairs	94	4%	92	92	153	7%	90	76	76	143
European Police Office — <b>Europol</b>	HOME	Home Affairs	83	-1%	83	83	457	0%	84	83	83	457
European Food Safety Authority — <b>EFSA</b>	SANCO	Health and Consumer	76	-1%	76	76	351	-1%	77	77	77	355
European Maritime Safety Agency — <b>EMSA</b>	MOVE	Mobility and Transport	57	-3%	58	56	213	0%	59	54	53	213
European Centre for Disease Prevention and Control — <b>ECDC</b>	SANCO	Health and Consumer	58	0%	59	59	198	-1%	58	58	58	200

Agency	Parent DG	Policy Area	2013					2012				
			Forecasted income budget (million euro)	Change of forecasted income budget 2013 vs 2012	Entitlements established (million euro)	Amounts received (million euro)	Staff establishment plan (1)	Change of establishment plan 2013 vs 2012	Forecasted income budget (million euro)	Entitlements established (million euro)	Amounts received (million euro)	Staff establishment plan (2)
Translation Centre for the Bodies of the European Union — <b>CdT</b>	DGT	Translation	52	8 %	54	50	206	-6 %	48	49	45	220
European Environment Agency — <b>EAA</b>	ENV	Environment	49	17 %	63	63	138	1 %	42	52	51	136
European Body for the Enhancement of Judicial Cooperation — <b>Eurojust</b>	JUST	Justice	32	-3 %	32	32	213	0 %	33	33	33	213
European Chemicals Agency — <b>ECHA</b>	ENTR	Enterprise and Industry	99	200 %	98	98	503	7 %	33	35	35	470
European Railway Agency — <b>ERA</b>	MOVE	Mobility and Transport	26	0 %	26	26	143	-1 %	26	26	26	144
European Union Agency for Fundamental Rights — <b>FRA</b>	JUST	Justice	22	5 %	22	22	78	4 %	21	21	21	75
European Banking Authority — <b>EBA</b>	MARKT	Internal Market and Services	26	24 %	26	26	93	37 %	21	19	19	68
European foundation for the improvement of living & working conditions — <b>Eurofound</b>	EMPL	Internal Market and Services	21	0 %	21	21	101	0 %	21	21	21	101
European Training Foundation — <b>ETF</b>	EAC	Education and Culture	20	-5 %	22	22	96	0 %	21	20	20	96
European Securities and Markets Authority — <b>ESMA</b>	MARKT	Internal Market and Services	28	40 %	30	30	121	61 %	20	19	19	75

Agency	Parent DG	Policy Area	2013				2012					
			Forecasted income budget (million euro)	Change of forecasted income budget 2013 vs 2012	Entitlements established (million euro)	Amounts received (million euro)	Staff establishment plan (1)	Change of establishment plan 2013 vs 2012	Forecasted income budget (million euro)	Entitlements established (million euro)	Amounts received (million euro)	Staff establishment plan (2)
European Centre for the Development of Vocational Training — <b>Cedefop</b>	EAC	Education and Culture	19	0%	18	18	100	-1%	19	20	20	101
European Insurance and Occupational Pensions Authority — <b>EIOPA</b>	MARKT	Internal Market and Services	19	19%	18	18	80	16%	16	14	14	69
European Monitoring Centre for Drugs and Drug Addiction — <b>EMCDDA</b>	HOME	Home Affairs	16	0%	16	16	84	0%	16	16	16	84
European Agency for Safety and Health at Work — <b>EU-OSHA</b>	EMPL	Internal Market and Services	15	0%	16	16	44	0%	15	15	15	44
Community Plant Variety Office — <b>CPVO</b>	SANCO	Health and Consumer	14	8%	13	13	48	4%	13	13	13	46
European GNSS Agency — <b>GSA</b>	ENTR	Enterprise and Industry	14	8%	54	54	77	75%	13	21	21	44
European Fisheries Control Agency — <b>EFCA</b>	MARE	Maritime Affairs & Fisheries	9	-10%	9	9	54	0%	10	10	10	54
European Institute for Gender equality — <b>EIGE</b>	JUST	Justice	7	-13%	8	8	30	0%	8	8	8	30
European Police College — <b>CEPOL</b>	HOME	Home Affairs	8	0%	9	9	28	0%	8	9	9	28
European Union Agency for Network and Information Security — <b>ENISA</b>	CONNECT	Communication Networks, Content and Technology	10	25%	10	10	47	0%	8	8	8	47

Agency	Parent DG	Policy Area	2013				2012					
			Forecasted income budget (million euro)	Change of forecasted income budget 2013 vs 2012	Entitlements established (million euro)	Amounts received (million euro)	Staff establishment plan	Change of establishment plan 2013 vs 2012	Forecasted income budget (million euro)	Entitlements established (million euro)	Amounts received (million euro)	Staff establishment plan
Agency for the Cooperation of Energy Regulators — <b>ACER</b>	ENER	Energy	12	71 %	12	12	49	14 %	7	7	7	43
European Asylum Support Office — <b>EASO</b>	HOME	Home Affairs	11	57 %	10	10	45	18 %	7	2	2	38
Office of the Body of European Regulators for Electronic Communications — <b>BEREC</b>	CONNECT	Communication Networks, Content and Technology	4	33 %	4	4	16	0 %	3	3	3	16
European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice — <b>eu-LISA</b>	HOME	Home Affairs	34		19	19	120	financially autonomous from 2013	n/a	n/a	n/a	n/a
<b>Executive Agencies</b>												
Education, Audiovisual and Culture Executive Agency — <b>EACEA</b>	EAC	Education and Culture	51	2 %	52	52	105	2 %	50	50	50	103
Research Executive Agency — <b>REA</b>	RTD	Research and Innovation	47	2 %	47	47	140	9 %	46	47	47	128
European Research Council Executive Agency — <b>ERCEA</b>	RTD	Research and Innovation	40	3 %	40	40	100	0 %	39	39	39	100
Executive Agency for Competitiveness and Innovation — <b>EACI</b>	ENER	Energy	16	0 %	16	16	37	0 %	16	17	17	37
Trans-European Transport Network Executive Agency — <b>TEN-T EA</b>	MOVE	Mobility and Transport	10	0 %	10	10	33	0 %	10	10	10	33

Agency	Parent DG	Policy Area	2013					2012				
			Forecasted income budget (1) (million euro)	Change of forecasted income budget 2013 vs 2012	Entitlements established (2) (million euro)	Amounts received (3) (million euro)	Staff establishment plan (4) (1)	Change of establishment plan 2013 vs 2012	Forecasted income budget (4) (million euro)	Entitlements established (4) (million euro)	Amounts received (4) (million euro)	Staff establishment plan (3)
Executive Agency for Health and Consumers — <b>EAHC</b>	SANCO	Health and Consumer	7	0 %	7	7	12	0 %	7	7	12	
<b>Other Bodies</b>												
European Institute of Innovation and Technology — <b>EIT</b>	EAC	Education and Culture	99	27 %	97	97	34	21 %	77	77	28	
Euratom Supply Agency (1) — <b>Euratom</b>	ENER & RTD	Energy & Research and Innovation	0,1	0 %	0,1	0,1	25	0 %	0,1	0,1	25	
Europol Pension Fund — <b>EPF</b>	HOME	Administrative Expenditure of Europol	n/a		n/a	n/a	n/a		n/a	n/a	n/a	
<b>Total</b>			<b>2 026</b>	<b>10 %</b>	<b>1 830</b>	<b>1 794</b>	<b>6 536</b>	<b>8 %</b>	<b>1 844</b>	<b>1 582</b>	<b>6 075</b>	
			Commission subsidy part in agencies' income: Agencies' forecasted income budget in comparison with EU general budget: Agencies' staff establishment plan in comparison with total under the EU general budget:									
						2013			2012			
						51,9 %			64,0 %			
						1,4 %			1,4 %			
						14,0 %			13,1 %			

(1) Euratom Supply Agency is not consolidated in the EU annual accounts.

(2) According to 2013 provisional consolidated EU annual accounts.

(3) Permanent and temporary EU officials (AD and AST) only, according to staff establishment plan. In addition, some 2 880 staff are working for EU agencies on the basis of temporary or secondment contracts.

(4) According to 2012 final consolidated EU annual accounts (adjusted for OHIM).









	Total No of comments	Reliability of accounts	Legality/Regularity of Transactions		Internal Controls				Budget Implementation					Other comments				
			Weaknesses in procurement procedures	Other	ICS not fully implemented	Weak controls over fixed assets/stock taking	Weak grant controls	Other	High carry-overs	High budget transfers	High cancellations of 2012 carry-overs	Insufficient commitments	Other	Recruitment	SFM	No headquarters agreement with MS	Other	
<b>41 TEN-T EA — Brussels</b>	<b>3</b>																	
<b>Subtotals:</b>	<b>97</b>	<b>4</b>	<b>6</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>9</b>	<b>24</b>	<b>3</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>3</b>	<b>11</b>	<b>6</b>	<b>2</b>
<b>Totals:</b>		<b>4</b>	<b>7</b>		<b>17</b>				<b>47</b>						<b>22</b>			
		<b>4 %</b>	<b>7 %</b>		<b>18 %</b>				<b>48 %</b>						<b>23 %</b>			

(<sup>1</sup>) Grant management

## ANNEX III

## Follow-up of open 2011 and 2012 comments not calling the Court's opinions into question

		Total	Completed	Ongoing	Outstanding	N/A
	<b>Decentralised Agencies</b>					
1	European Medicines Agency — <b>EMA</b>	8	4	1		3
2	Office for Harmonization in the Internal Market — <b>OHIM</b>	5	2			3
3	European Aviation Safety Agency — <b>EASA</b>	5	3			2
4	European Agency for the Management of Operational Cooperation at the External Borders — <b>Frontex</b>	10	4	6		
5	European Police Office — <b>Europol</b>	14	10	1		3
6	European Food Safety Authority — <b>EFSA</b>	6	3	1		2
7	European Maritime Safety Agency — <b>EMSA</b>	6	3	2		1
8	European Centre for Disease Prevention and Control — <b>ECDC</b>	3		1		2
9	Translation Centre for the Bodies of the EU — <b>CdT</b>	2		2		
10	European Environment Agency — <b>EEA</b>	1		1		
11	European Body for the Enhancement of Judicial Cooperation — <b>Eurojust</b>	4	2	1		1
12	European Chemicals Agency — <b>ECHA</b>	4	2			2
13	European Railway Agency — <b>ERA</b>	6	3	3		
14	European Union Agency for Fundamental Rights — <b>FRA</b>	3	2			1
15	European Banking Authority — <b>EBA</b>	7	5	1		1
16	European Foundation for the Improvement of Living and Working Conditions — <b>Eurofound</b>	0				
17	European Training Foundation — <b>ETF</b>	1				1

		Total	Completed	Ongoing	Outstanding	N/A
18	European Securities and Markets Authority — <b>ESMA</b>	13	4	6	0	3
19	European Centre for the Development of Vocational Training — <b>Cedefop</b>	5	4			1
20	European Insurance and Occupational Pensions Authority — <b>EIOPA</b>	6	4		1	1
21	European Monitoring Centre for Drugs and Drug Addiction — <b>EMCDDA</b>	6	2	4	0	
22	European Agency for Safety and Health at Work — <b>EU-OSHA</b>	4	3	1		
23	Community Plant Variety Office — <b>CPVO</b>	3	1	2		
24	European GNSS Agency — <b>GSA</b>	3	2			1
25	European Fisheries Control Agency — <b>EFCA</b>	3	2			1
26	European Institute for Gender Equality — <b>EIGE</b>	4	2	2		
27	European Police College — <b>CEPOL</b>	10	2	4	1	3
28	European Union Agency for Network and Information Security — <b>ENISA</b>	2	1	1		
29	Agency for the Cooperation of Energy Regulators — <b>ACER</b>	7	5	2		
30	European Asylum Support Office — <b>EASO</b>	12	2	1	1	8
31	Office of the Body of European Regulators for Electronic Communications — <b>BEREC</b>	14	11	3		
32	European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice — <b>eu-LISA</b> <sup>(1)</sup>					
	<b>Executive Agencies</b>					
33	Education, Audiovisual and Culture Executive Agency — <b>EACEA</b>	1				1
34	Research Executive Agency — <b>REA</b>	2	1			1

	Total	Completed	Ongoing	Outstanding	N/A
<b>35</b> European Research Council Executive Agency — <b>ERCEA</b>	0				
<b>36</b> Executive Agency for Competitiveness and Innovation — <b>EACI</b>	2	2			
<b>37</b> Trans-European Transport Network Executive Agency — <b>TEN-T EA</b>	1				1
<b>38</b> Executive Agency for Health and Consumers — <b>EAHC</b>	3				3
<b>Other Bodies</b>					
<b>39</b> European Institute of Innovation and Technology — <b>EIT</b>	3	2	1		
<b>40</b> Euratom Supply Agency — <b>EURATOM</b>	2	1		1	
<b>41</b> Europol Pension Fund — <b>EPF</b>	1			1	
<b>Totals</b>	<b>192</b>	<b>94</b>	<b>47</b>	<b>5</b>	<b>46</b>

(<sup>1</sup>) Agency first audited in 2013 therefore no 2012 comments to refer to.

## REPORT

**on the annual accounts of the Agency for Cooperation of Energy Regulators for the financial year 2013, together with the Agency's replies**

(2014/C 442/02)

**INTRODUCTION**

1. The Agency for Cooperation of Energy Regulators (hereinafter 'the Agency', aka 'ACER'), which is located in Ljubljana, was created by Regulation (EC) No 713/2009 of the European Parliament and of the Council <sup>(1)</sup>. The Agency's main task is to assist National Regulatory Authorities in exercising, at Union level, the regulatory tasks that they perform in the Member States and, where necessary, to coordinate their action. Under the REMIT regulation <sup>(2)</sup>, the Agency was given new additional responsibilities, together with national regulatory authorities, regarding the monitoring of the European wholesale energy market <sup>(3)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(4)</sup> and the reports on the implementation of the budget <sup>(5)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(6)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer <sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> OJ L 211, 14.8.2009, p. 1.

<sup>(2)</sup> Regulation (EU) No 1227/2011 of the European Parliament and of the Council (OJ L 326, 8.12.2011, p. 1) which assigns an important role to the Agency in supervising trading in wholesale energy markets across Europe.

<sup>(3)</sup> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(8)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The Agency carried over 1,9 million euro or 56 % of total committed title II appropriations (Agency's building and associated costs), mainly related to the implementation of the REMIT regulation. This is an operational, multiannual activity and should have been budgeted under title III, a shortcoming which was rectified in subsequent commitment appropriations.

12. In addition, the Agency carried over 3,1 million euro or 91 % of total committed title III appropriations, also related to the implementation of the REMIT regulation. The exceptionally high rate of carry-over for title III is mainly due to some 3 million euro in additional funding received through an amended budget approved on 31 October 2013.

**OTHER COMMENTS**

13. The Agency held 5,5 million euro in cash at year-end, which included some 3 million euro relating to the late budget amendment (see paragraph 12). Nevertheless, average cash balances during the year were significantly higher than justified by operational requirements.

<sup>(8)</sup> Article 107 of Regulation (EU) No 1271/2013.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The high level of appropriations not used and of carry-overs as well as the low level of payments indicate shortcomings in budget planning and implementation and are at odds with the budgetary principle of annuality.	Completed
2011	There is room to improve the transparency of recruitment procedures. As an example, vacancy notices did not specify the maximum number of candidates to be put on a reserve list and made no reference to the possibility of appeal. Moreover the questions for written tests and interviews and their weightings were not prepared before the examination of the applications.	Completed
2012	In order to cover higher school fees, the Agency grants staff whose children attend primary or secondary school a top up allowance in addition to the education allowances provided for in the Staff Regulations <sup>(1)</sup> . Total 2012 top up allowances amounted to some 23 000 euro. They are not covered by the Staff Regulations and are therefore irregular.	Completed
2012	The Agency carried over committed appropriations under title II (Agency's building and associated costs) of its budget amounting to 1,7 million euro, representing 81 % of total committed title II appropriations. These carry-overs mainly relate to the implementation of the REMIT regulation which is ongoing. Since the implementation is linked to the Agency's operational activities, it should normally have been budgeted under title III.	Completed
2012	In 2012, the Agency made 20 budget transfers of some 1 million euro and affecting 43 budget lines. This indicates weaknesses in budget planning.	Completed
2012	The Agency held 4,2 million euro in cash at the year end, including the 2011 budget surplus of 1,6 million euro which resulted from an excessive call for funds in 2011 and was recovered by the Commission in January 2013. This is not consistent with a rigorous treasury management.	Ongoing
2012	The audited recruitment procedures revealed shortcomings affecting transparency and an equal treatment of candidates: questions for interviews and tests were not set before the examination of the applications. The conditions for admission to written tests and interviews and for being included in the list of suitable candidates were not specified in sufficient detail and the measures taken to ensure the anonymity of candidates sitting written tests were inadequate.	Ongoing

<sup>(1)</sup> Article 3 of Annex VII provides for twice the basic allowance of 252,81 euro = 505,62 euro.

## ANNEX II

**Agency for the Cooperation of Energy Regulators (Ljubljana)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 114 (ex Article 95 TEC) and Article 194 of the Treaty on the Functioning of the European Union)</i></p>	<p>The European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.</p> <p>In the context of the establishment and functioning of the internal market and with regard for the need to preserve and improve the environment, Union policy on energy shall aim, in a spirit of solidarity between Member States to:</p> <ul style="list-style-type: none"> <li>(a) ensure the functioning of the energy market;</li> <li>(b) ensure security of energy supply in the Union;</li> <li>(c) promote energy efficiency and energy saving and the development of new and renewable forms of energy; and</li> <li>(d) promote the interconnection of energy networks.</li> </ul> <p>The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish the measures necessary to achieve these objectives. Such measures shall be adopted after consultation of the Economic and Social Committee and the Committee of the Regions.</p>
<p><b>Competences of the Agency</b></p> <p><i>(As specified in Regulation (EC) No 713/2009 of the European Parliament and of the Council; Commission Regulation (EU) No 838/2010; Regulation (EU) No 1227/2011 of the European Parliament and of the Council)</i></p>	<p><b>Objectives</b></p> <p>The purpose of the Agency is to assist National Regulatory Authorities in exercising, at Union level, the regulatory tasks that they perform in the Member States and, where necessary, to coordinate their action.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To complement and coordinate the work of National Regulatory Authorities,</li> <li>— to participate in the creation of European network rules,</li> <li>— to take, under certain conditions, binding individual decisions on terms and conditions for access and operational security for cross-border infrastructure,</li> <li>— to give advice on various energy-related issues to the European institutions,</li> <li>— to monitor and report developments on the energy markets,</li> <li>— to formulate a proposal to the Commission on the annual cross-border infrastructure compensation sum for the ITC mechanism,</li> <li>— to cooperate with the national regulatory authorities, ESMA, competent financial authorities of the Member States and where appropriate with national competition authorities to monitor the wholesale energy markets,</li> <li>— to assess the operation and transparency of different categories of market places and ways of trading,</li> </ul>

	<ul style="list-style-type: none"> <li>— to make recommendations to the Commission as regards market rules, records of transactions, orders to trade, standards and procedures which could improve market integrity and the functioning of the internal market,</li> <li>— to assist the NRAs in assessing the consistent application of the Projects of Common Interests (PCIs) identification criteria/Cost-Benefit Analysis (CBA) methodology, in evaluating their cross border relevance within a region and in presenting such an assessment to the Regional Groups,</li> <li>— to provide an opinion on the draft regional lists of the electricity and gas PCIs and on the consistent application of the criteria and the cost-benefit analysis across regions,</li> <li>— to provide an opinion to the Commission and the Member States on the methodologies for a harmonised energy system-wide CBA at Union-wide level proposed by the ENTSOs,</li> <li>— to monitor the implementation of PCIs,</li> <li>— to facilitate the sharing of good practices and provide recommendations on incentives and common methodology to evaluate the incurred higher risks of investments in electricity and gas transmission.</li> </ul>
<p><b>Governance</b></p>	<p><b>Administrative Board</b></p> <p><i>Composition</i></p> <p>Two members appointed by the European Parliament, two members appointed by the Commission and five members appointed by the Council. Each member has an alternate.</p> <p><i>Tasks</i></p> <p>The Administrative Board adopts the Agency's work programme and the budget. It ensures that the Agency carries out its mission and performs the tasks assigned to it in accordance with the Agency Regulation.</p> <p><b>Director</b></p> <p>Appointed by the Administrative Board after a favourable opinion from the Board of Regulators and on the basis of a list of candidates proposed by the Commission.</p> <p><b>Board of Regulators</b></p> <p><i>Composition</i></p> <p>A senior representative of the regulatory authorities from each Member State and one non-voting representative of the Commission. Each member has an alternate, nominated by the national regulatory authority from each Member State.</p> <p><i>Tasks</i></p> <ul style="list-style-type: none"> <li>— the Board provides opinions to the Director on the opinions, recommendations and decisions that are considered for adoption,</li> <li>— provides guidance to the Director in the execution of its tasks,</li> <li>— delivers an opinion to the Administrative Board on the candidate to be appointed as Director, and</li> <li>— approves the work programme of the Agency.</li> </ul>

	<p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget 2013 (2012)</b></p> <p>11,9 (7,2) million euro</p> <p><b>Staff as at 31 December 2013 (2012)</b></p> <p>Posts listed in the establishment plan: 49 (43)</p> <p>Posts occupied on 31 December: 49 (42)</p> <p>Other staff: 20 (14)</p> <p>Total staff: 69 (57), of which assigned to:</p> <ul style="list-style-type: none"> <li>— operational tasks: 41 (34)</li> <li>— administrative tasks: 28 (23)</li> </ul>
<p><b>Products and services 2013</b></p>	<ul style="list-style-type: none"> <li>— One Framework Guideline (Gas: FG on rules regarding harmonised transmission tariff structures). Public consultations organised as required under Article 10 of Regulation (EC) No 713/2009, including workshop.</li> <li>— Network codes <ul style="list-style-type: none"> <li>(a) Seven Reasoned Opinions on Network Codes (Electricity: Network Code on Forward Capacity Allocation, Network Code on System Operations, Network Code on Operational Planning and Scheduling, Network Code on Load Frequency Control and Reserve, Network Code on Demand Connection; Gas: Network Code on Balancing and Network Code on Interoperability and Data Exchange).</li> <li>(b) Four Qualified Recommendations on Network Codes (all in Electricity: Network Code for Requirements for Grid Connection Applicable to all Generators, Network Code on Capacity Allocation and Congestion Management, Network Code on Operational Security and Network Code on Operational Planning and Scheduling).</li> <li>(c) Three Recommendations (Electricity: Network Code on Demand Connection, Network Code on Load Frequency Control and Reserves; Gas: Network Code on Gas Balancing of Transmission Networks).</li> </ul> </li> <li>— Opinion on ENTSO-E Work Programme for 2013.</li> <li>— Opinion on ENTSO-E Work Programme for 2014.</li> <li>— Opinion on Capacity Market for the ITRE Committee of the European Parliament.</li> <li>— Opinion on the ENTSO-E Winter Outlook Report 2012/2013 and Summer Review 2012.</li> </ul>

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- Opinion on whether long run average incremental costs are suitable for the assessment of infrastructure costs to be used in the inter-transmission system operator (TSO) compensation mechanism.
  - Opinion on the ENTSO-E R&D Roadmap 2013-2022 and implementation Plan 2014-2016.
  - Opinion on ENTSO-E Annual Report 2012.
  - Opinion on ENTSO-E Summer Outlook Report 2013 and Winter Review 2012/2013.
  - Opinion on the ENTSO-E Manual of Procedures (Transparency Platform).
  - Opinion on ENTSSOG 2011 Annual Report.
  - Opinion on ENTSSOG 2013 Work Programme.
  - Opinion on 2012/2013 Gas Winter Supply Outlook.
  - Opinion on Gas Regional Investment Plans (GRIPS) 2011(12) — 2020(21).
  - Opinion on Gas Summer Supply Outlook.
  - Opinion on ENTSSOG 2012 Annual Report.
  - Opinion on Gas TYNDP 2013-2022.
  - Opinion on the format, defined by ENTSSOG, which can be used to download data from the transparency platform (Regulation (EC) No 715/2009, Annex I, 3.1.1(1)(e)).
  - Opinion on ENTSSOG 2014 Work Programme.
  - Opinion on the consistent application of the criteria and the CBA methodology for submitted projects across regions and evaluation of their European added value.
  - Guidance on Development of Network Code amendment proposal on Incremental and New Capacity (Gas).
  - Update of the 2nd edition of the Guidance on the REMIT application, 3<sup>rd</sup> edition of the guidance on the application of REMIT definitions, and update of Q&A paper.
  - Recommendation on New Regulatory Framework for Inter-TSO Compensation.
  - Recommendation to the European Commission on the Records of Transactions (balancing market contracts and transportation contracts).
  - Recommendation regarding Cross-border Cost Allocation Requests submitted in the framework of the first Union list of electricity and gas projects of common interest.
  - Annual Report on REMIT activities.
  - ITC monitoring report 2012.
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|  | <ul style="list-style-type: none"><li>— Report on Capacity Remuneration Mechanisms and the Internal Electricity Market.</li><li>— Report on ENTSO-E and ENTSOG implementation of the tasks in Article 8(1), (2) and (3) of Regulation (EC) No 714/2009 and Article 8(1), (2) and (3) of Regulation (EC) No 715/2009 respectively.</li><li>— High-Level Conclusions of an Internal Workshop (with concerned NRAs) on Loop flows.</li><li>— A Joint ACER-CEER Market Monitoring Report (Article 11 of Regulation (EC) No 713/2009) was issued on 28 November; a presentation took place in Brussels.</li><li>— The Regional Initiatives Status Review for 2012 was published in February.</li><li>— Four On-line Gas Regional Initiatives (GRIs) and Four On-line Electricity Regional Initiatives (ERIs) quarterly reports were published.</li><li>— On 17 May the Agency organised its Annual Conference 'Energy Markets: 2014 and beyond'; 200 participants attended.</li></ul> |
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Source: Annex provided by the Agency.

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**THE AGENCY'S REPLIES**

11. As noted by the Court the identified shortcoming was already rectified by the Agency through subsequent commitments related to the implementation of REMIT being raised on the operational budget lines within title III.

12. As already acknowledged by the Auditors, the high rate of carry-overs reflected the delay in the implementation of REMIT. This delay was due to the fact that the transfer of the required additional funds from DG ENER was approved only in October 2013 and the funds received by the Agency in early November 2013. However, the Agency has successfully managed to conclude all planned procurement procedures related to the REMIT implementation by December 2013, with the related expenditure to occur in 2014.

13. The account balance at year end included the 3 million euro received late in the year, as a result of a budgetary adjustment, with the difference being held to cover all legal obligations, mainly REMIT related, for which commitments were entered towards the end of 2013. The cash forecasting tool introduced in 2014 will support a better cash management in the future.

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**REPORT****on the annual accounts of the Office of the Body of European Regulators for Electronic Communications for the financial year 2013, together with the Office's replies**

(2014/C 442/03)

**INTRODUCTION**

1. The Office of the Body of European Regulators for Electronic Communications (hereinafter 'the Office'), which is located in Riga, was established by Regulation (EC) No 1211/2009 of the European Parliament and of the Council <sup>(1)</sup>. The Office's main task is to provide professional and administrative support services to the Body of European Regulators for Electronic Communications (BEREC) and, under the guidance of the Board of Regulators, to collect and analyse information on electronic communications and to disseminate among National Regulatory Authorities regulatory best practices such as common approaches, methodologies or guidelines on the implementation of the EU regulatory framework <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Office, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 337, 18.12.2009, p. 1.

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

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

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

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

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



**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Office's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. Budget implementation rates improved considerably, which indicates better planning and more timely implementation of activities. Although the level of cancelled carry-overs from 2012 is still relatively high at 28 % (2012: 45 %), carry-overs of committed appropriations decreased to EUR 461 983 or 13 % (2012: EUR 611 223 or 19 %). Carry-overs were mostly related to contracts signed in the second half of 2013 for planned activities in 2013 and 2014.

**OTHER COMMENTS**

12. Of the 1 183 reimbursements for experts made in 2013, 1 078 were late. Where payments were late, they were overdue by an average delay of 78 days in the first half of 2013 as compared with 33 days in the second half of 2013.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Court identified 21 cases with a total value of EUR 94 120 in which appropriations carried over to 2012 did not correspond to legal commitments. These carry-overs were therefore irregular.	Completed
2011	The Office had not yet adopted and implemented all the internal control standards. Notably, no register of exceptions was introduced.	Completed (register of exceptions) Ongoing (internal control standards)
2011	The Office needs to improve the transparency of recruitment procedures. Questions for oral and written tests were not set before the applications were examined by the selection board, there was no decision of the Appointing Authority to appoint the selection board and the grade of the members of the selection board was not indicated.	Completed
2012	The Office's accounting system was still not validated by the Accounting Officer.	Completed
2012	Committed appropriations carried over amounting to EUR 61 500 (10 % of the total committed appropriations carried over) did not correspond to legal commitments and were thus irregular.	Completed
2012	The Office had not yet implemented the Internal Control Standards on 'Objectives and performance indicators' (ICS 5), 'Process and procedures' (ICS 8), 'Document management' (ICS 11) and 'Information and Communication' (ICS 12).	Ongoing
2012	There is no procedure related to the registration and disposal of fixed assets and no physical inventory has been performed.	Completed
2012	Procedures concerning the establishment, approval and recording of exceptions and deviations from policies and procedures have not been implemented.	Completed
2012	Some EUR 101 000, 45 % of the committed appropriations carried over from 2011, were cancelled. Appropriations for 2012 of EUR 545 000, 17 % of total 2012 appropriations, were not used and also had to be cancelled. The level of carry-overs of committed appropriations to 2013 was high at EUR 611 000 or 19 % of the total. This indicates difficulties in the planning and/or implementation of the Office's activities. The carry-overs for 2012 were mostly related to delayed recruitments and the absence of an effective policy to ensure the timely presentation and reimbursement of mission costs claimed by experts.	Ongoing

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	There is considerable room for improving the preparation, execution and documentation of procurement procedures. As an example, award procedures did not give sufficient attention to the price quality ratio and general award criteria had not been further broken down into sub criteria to allow a clear and comparable evaluation of the offers.	Completed
2012	The recruitment procedures examined showed significant shortcomings affecting transparency: questions for written tests and interviews were set after the applications had been examined by the selection board; no threshold scores were set for admission to written tests and interviews and for being included in the list of suitable candidates; nomination and changes in the composition of the selection board were not approved by the Appointing Authority.	Completed
2012	Most of the Office's staff have an administrative or support function and do not travel, but all have been provided with a mobile phone with a monthly limit up to approximately EUR 50. There are no controls to monitor private use.	Completed
2012	The Office does not have a treasury policy. At the end of 2012, all cash (EUR 1,6 million) was held in one bank (BBB rating <sup>(1)</sup> ).	Completed

<sup>(1)</sup> According to a note from the Commission's accounting officer dated 27.10.2008, the minimum short-term rating should be A-1.

## ANNEX II

**Office of the Body of European Regulators for Electronic Communications (Riga)****Competences and activities**

<b>Areas of Union competence deriving from the Treaty</b> <i>(Article 114 of the Treaty on the Functioning of the European Union)</i>	Approximation of laws in the field of electronic communications.
<b>Competences of the Office</b> <i>(Regulation (EC) No 1211/2009 of the European Parliament and of the Council)</i>	<p>The Office's powers are defined in Regulation (EC) No 1211/2009 of the European Parliament and of the Council.</p> <p>The Office referred to in Article 6 shall provide administrative and professional support services to BEREC.</p> <p>It shall perform its functions under the guidance of the Board of Regulators.</p>
<b>Governance</b>	<p>The Office comprises:</p> <p>(a) a <b>Management Committee</b>;</p> <p>(b) an <b>Administrative Manager</b>;</p> <p>which share between them all administrative and financial responsibilities, including the responsibilities for the staff.</p> <p>However, only the Management Committee is responsible for the appointment of staff (Article 7(4)).</p> <p>Guidance on the services and products specified in the 'Products and services in 2013' section is provided by the Board of Regulators.</p> <p><b>Internal audit</b></p> <p>European Commission's internal audit service (IAS).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<b>Resources made available to the Office in 2013 (2012)</b>	<p><b>Final Budget:</b> EUR 3 557 218,93 (amended budget 1/2013 and including internal assigned revenue)</p> <p><b>Staff as at 31 December:</b> 25 (22)</p>
<b>Products and services in 2013</b>	<p>Under the guidance of the Board of Regulators, the Office provided the following services:</p> <ul style="list-style-type: none"> <li>— professional and administrative support services to BEREC,</li> <li>— collection of information from NRAs and exchange and transmission of information,</li> <li>— dissemination of regulatory best practices among NRAs within the EU and to third parties,</li> <li>— assistance to the Chair in the preparation of the work of the Board of Regulators and the Management Committee of the Office,</li> <li>— support to the Expert Working Groups set up by the Board of Regulators.</li> </ul>

Source: Annex supplied by the Office.

**THE OFFICE'S REPLIES**

11. The BEREC Office takes note of the budgetary management comment and has set as target to further improve execution of budget 2014 in comparison to 2012 and 2013.

The high level of cancellation of carry-overs will continue to be addressed by thorough analysis of carried-over amounts at the end of the year. This measure should show a positive effect on the overall level of carry-overs, which the Office will continue to reduce by advancing the period of execution of contracts.

12. The BEREC Office acknowledges the high relevance of the matter brought forward by the Court's observation and is actively looking for measures to reduce the payment delays to the set target delay of 30 days.

The Office will explore three ways in which improvements are possible: further reduction in collection time of documents, ensuring necessary human resources to the financial circuit and pursuing technical improvements accessible via the financial systems.

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**REPORT****on the annual accounts of the Translation Centre for the Bodies of the European Union for the financial year 2013, together with the Centre's replies**

(2014/C 442/04)

**INTRODUCTION**

1. The Translation Centre for the Bodies of the European Union (hereinafter 'the Centre', aka 'CdT'), which is located in Luxembourg, was created by Council Regulation (EC) No 2965/94<sup>(1)</sup>. The Centre's task is to provide any European Union institutions and bodies which call upon its services with the translation services necessary for their activities<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Centre, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

11. In 2008 the Centre concluded 472 framework contracts with translation services providers for a maximum period of four years. In order to obtain better conditions for the new framework contracts to be signed in 2012, the Centre wanted to participate in the Commission's ongoing procurement procedure for translation services. However, no agreement on the contract terms could be reached with the Commission. Instead, the Centre extended its existing framework contracts for one more year. Although based on a derogation duly approved by the Centre's Director, such an extension is not in compliance with the implementing rules for the Centre's financial regulation, which provide for a maximum period of four years for framework contracts.

**COMMENTS ON INTERNAL CONTROLS**

12. Formal delegations (sub-delegations) from authorising officers (authorising officers by delegation) are not always consistent with the authorisation rights for transactions in the ABAC accounting system.

**OTHER COMMENTS**

13. Cash held by the Centre further increased from 35 million euro at the end of 2012 to 40 million euro at the end of 2013 (budgetary surplus and reserves increased from 30,9 million euro to 37,5 million euro). This indicates scope to reduce prices.

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<sup>(7)</sup> Article 107 of Delegated Regulation (EU) No 1271/2013.



14. The Centre became operational in 1994 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However, there is no comprehensive headquarters agreement between the Centre and the Member State. Such an agreement would further promote transparency in respect of the conditions under which the Centre and its staff operate.

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

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

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

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	At the end of 2012, the Centre held cash and short term deposits amounting to 35 million euro (budgetary surplus and reserves amounting to 30,9 million euro). The Centre cannot adjust prices during the year in order to balance income and expenditure although it has occasionally refunded its clients in order to reduce the surplus.	Ongoing
2012	The Founding Regulation of 20 regulatory agencies audited by the Court in 2012 requires them to use the Centre for all their translation needs (the Centre's Founding Regulation stipulates the same for four other agencies). Other agencies are not obliged to use the Centre. For non-technical documents agencies could reduce their costs by using local services. In the Court's opinion the legislator should consider allowing all agencies to do so.	Ongoing

## ANNEX II

**Translation Centre for the Bodies of the European Union (Luxembourg)****Competences and Activities**

<b>Areas of Union competence deriving from the Treaty</b>	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.
<b>Competences of the Centre</b> <i>(Council Regulation (EC) No 2965/94, as last amended by Regulation (EC) No 1645/2003)</i>	<b>Objectives</b> To provide the necessary translation services for the operation of the following bodies: <ul style="list-style-type: none"> <li>— European Environment Agency,</li> <li>— European Training Foundation,</li> <li>— European Monitoring Centre for Drugs and Drug Addiction,</li> <li>— European Medicines Agency,</li> <li>— European Agency for Safety and Health at Work,</li> <li>— Office for Harmonisation in the Internal Market (Trademarks and Designs),</li> <li>— European Police Office (Europol) and Europol Drugs Unit.</li> </ul> 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.  The Centre plays a full part in the work of the Interinstitutional Translation Committee.  <b>Tasks</b> <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>
<b>Governance</b>	<b>Management Board</b>  <i>Composition</i> <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> <i>Tasks</i> To adopt the Centre's annual budget and work programme, establishment plan and annual reports.  <b>Director</b>  Appointed by the Management Board on a proposal from the Commission.

	<p><b>External audit</b> European Court of Auditors.</p> <p><b>Internal audit</b> European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b> European Parliament, acting on a recommendation from the Council.</p>
<b>Resources made available to the Centre in 2013 (2012)</b>	<p><b>Final Budget:</b> 52,194 (48,293) million euro</p> <p><b>Staff:</b> 206 posts (225) in the establishment plan, of which 193 (199) were occupied. + 23 (17) contract staff Total staff: 216 (216), undertaking the following tasks: operational: 118 (114) administrative: 98 (102)</p>
<b>Products and services 2013 (2012)</b>	<p><b>Number of pages translated:</b> 804 986 (735 007)</p> <p><b>Number of pages by languages:</b> — official languages: 800 221 (722 505) — other languages: 4 765 (12 502)</p> <p><b>Number of pages per client:</b> — bodies: 780 310 (707 888) — institutions: 24 676 (27 119)</p> <p><b>Number of pages translated by freelances:</b> 512 524 (480 695)</p>

Source: Annex supplied by the Centre.

**THE CENTRE'S REPLIES**

11. The Centre had joined the Commission's call for tenders for this type of translation services in the past. Concerning the call for tenders referred to, the Commission began its preparatory work at a rather late stage and changed the conditions applicable to the Centre so that they differed from the call for tenders organised four years previously. Unfortunately, the Centre could not reach an agreement with the Commission as regards the conditions. Furthermore, the starting date for the new contracts did not coincide with the expiry date of the contracts in place and this resulted in practical problems for the Centre.

The Centre, therefore, decided to organise its own call for tenders for this specific type of translation services and to extend existing contracts by one year in order to prepare correctly for this extensive call for tenders. Considering the impact on the Centre in the event that no contracts had been in place on the expiry date of the existing contracts, it was considered justified to prolong the existing contracts.

12. The Centre has updated the formal delegation to bring it in line with the rights in ABAC. The internal procedure in place to keep delegations in ABAC updated has been modified slightly to avoid any discrepancies between rights in ABAC and the formal delegations.

13. The Centre is fully aware that it generated an economic surplus for the second consecutive year, but it must be noted that the 2013 surplus came about as a result of external factors beyond the Centre's control; especially as a result of a higher volume of invoiced pages than forecast, the cancelled salary increase and the pension contribution reimbursed to the Centre.

The Centre's 2013 budget was prepared in 2012 in the light of the economic loss of EUR 1 million in 2011 and considering that revenues from Community trademarks were particularly uncertain. It was only in December 2012, in the preliminary draft budget for 2014, when the Centre could react to the financial results by proposing the 2014 budget with a deficit of EUR 1 092 890, financed from the previously created price stability reserve. Based on the 2012 cost analysis and analysis of the first half of 2013 the Centre decreased the 2014 prices considerably in order to reflect not only changes in the cost of products, but also to use up part of the surplus. The 2014 budget was, therefore, constructed as a deficit budget from the outset; the deficit of EUR 4 106 650 is balanced by the reserve for price stability created in previous years.

The 2015 budget will, again, be prepared as a deficit budget in order to use up part of the previous years' surplus. Based on the 2014 mid-year cost analysis and simulations and forecasted volumes for 2015, further price modifications will be proposed for 2015. As an additional measure, the Centre, for the first time in its history, proposed that the Management Board further reduce 2014 prices in the middle of 2014, in order to respond more quickly and return back to its clients the positive financial results of 2013.

14. The works on the headquarters agreement have come into a final phase. The draft agreement was submitted to Luxembourg's *Conseil de Gouvernement* and was discussed and approved during its meeting at the end of April. The Centre is waiting for confirmation of a date for the signature of the agreement by the Luxembourg authorities.

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**REPORT****on the annual accounts of the European Centre for the Development of Vocational Training for the financial year 2013, together with the Centre's reply**

(2014/C 442/05)

**INTRODUCTION**

1. The European Centre for the Development of Vocational Training (hereinafter 'the Centre', aka 'Cedefop'), which is located in Thessaloniki, was established by Council Regulation (EEC) No 337/75<sup>(1)</sup>. Its core mandate is to serve the development of vocational training at Union level. In order to achieve this objective, it has the task of compiling and disseminating documentation on vocational training systems<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Centre, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The excessive level of carry-overs for title II is at odds with the budgetary principle of annuality.	Completed
2011	A significant number of budgetary transfers was made which were mostly concentrated at the year-end <sup>(1)</sup> . The justification for these budgetary transfers was insufficient, as no estimate of needs was made. This situation indicates weaknesses in budget planning and programming and is at odds with the principle of specification.	Completed
2012	The Centre awards grants on an annual basis to a network of national partners <sup>(2)</sup> (grants per agreement range between 23 615 euro and 43 620 euro). Grant expenditure (which mainly relates to beneficiaries' staff costs) in 2012 amounted to 695 337 euro <sup>(3)</sup> , or 4 % of total operating expenditure. The Centre's ex ante verifications of grants consist of a comprehensive desk-analysis of cost claims submitted by grant beneficiaries, as well as a review of certificates obtained from external auditors which were contracted by the beneficiaries or of certificates from independent public officers. However, the Centre does not usually verify the staff costs claimed by beneficiaries on the basis of original supporting documentation. Related ex post verifications were last carried out in 2009. As a result, ex ante verifications provide only limited assurance.	Completed
2012	Budget implementation rates were high at 100 % for titles I and III and 98 % for title II. While carry-overs of committed appropriations were high for title II at 39 % (673 392 euro), this mainly resulted from reasons beyond the Centre's control, such as delays in the repair works carried out by the Greek authorities on the Centre's premises. These led to a postponement of the related maintenance, repair and fitting-out of premises (some 124 000 euro), as well as delays in procuring equipment for the Centre's conference rooms (some 242 000 euro). Part of the carry-overs is attributable to delays in procuring IT equipment (some 172 000 euro).	N/A
2012	Two recruitment procedures for the post of the Centre's future Director had been launched in 2010 and 2011 and both of them were declared unsuccessful <sup>(4)</sup> . A third recruitment procedure was launched at the end of 2012 and is still ongoing. The Court found that in the first two recruitment procedures members of the Pre-selection Committee did not sign a declaration of absence of conflict of interests and that questions for interviews and their weightings, as	Completed



Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
	well as the threshold scores for being included in the list of suitable candidates were set after the screening of candidates.	

(<sup>1</sup>) In total, 77 budget transfers were made, totalling 1,5 million euro, of which 67 transfers (1,3 million euro) were made in November and December 2011.

(<sup>2</sup>) National agencies and research institutes mainly.

(<sup>3</sup>) Resulting from final payments and clearings of pre-financings related to grant agreements from previous years. For 2012 grant agreements, only pre-financings were made in 2012 which had not yet led to expenditure.

(<sup>4</sup>) In the first recruitment procedure, none of the candidates shortlisted by the Centre's Governing Board was appointed by the European Commission. In the second recruitment procedure, the Pre-selection Committee considered that none of the proposed candidates met the requirements for being shortlisted and did not submit a list of suitable candidates to the Governing Board.

## ANNEX II

**European Centre for the Development of Vocational Training (Thessaloniki)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Article 166(1) of the Treaty on the Functioning of the European Union)</p>	<p><b>Collection of information</b></p> <p>The Union shall implement a vocational training policy which shall support and supplement the action of the Member States, while fully respecting the responsibility of the Member States for the content and organisation of vocational training.</p>
<p><b>Competences of CEDEFOP</b> (Articles 2 and 3 of Regulation (EEC) No 337/75)</p>	<p><b>Objectives</b></p> <p>In its capacity as the European Union reference centre for vocational education and training, Cedefop provides policy-makers, researchers and professionals with evidence on current trends to enable them to reach soundly based decisions and actions. Cedefop assists the European Commission in promoting and developing vocational education and training at Union 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>Governance</b></p>	<p><b>Governing Board</b></p> <p><i>Composition</i></p> <p>For each Member State:</p> <ul style="list-style-type: none"> <li>(a) One member representing the Government.</li> <li>(b) One member representing the employers' organisations.</li> <li>(c) One member representing the employees' organisations.</li> </ul> <p>For the European Commission: three members.</p> <p>The members referred to in (a), (b) and (c) are appointed by the Council. The Commission appoints the members who are to represent it.</p> <p>Coordinators from the Employers' and Employees' organisations at European level and observers from the EEA countries also attend Governing Board and Bureau meetings.</p> <p><i>Duties</i></p> <p>To adopt the budget, medium term priorities (Cedefop's multiannual planning) and the work programme and to assess and analyse the annual activity report and the annual accounts. To adopt the final budget and the establishment plan.</p> <p><b>Bureau</b></p> <p><i>Composition</i></p> <p>The chairman and the three vice-chairmen of the Governing Board, one coordinator per group and one additional representative of the Commission.</p>

	<p><b>Director</b></p> <p>Appointed by the Commission from a list of candidates submitted by the Governing Board; he/she is responsible for the management of Cedefop and implements the decisions of the Governing Board and the Bureau.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Centre in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>18,53 (19,22) million euro</p> <p>Union contribution <sup>(1)</sup>: 97,4 % (97,6 %)</p> <p><b>Staff as at 31 December 2013</b></p> <p>Number of posts in establishment plan: 100 (101)</p> <p>Posts occupied: 98 <sup>(2)</sup> (98)</p> <p>Other staff:</p> <ul style="list-style-type: none"> <li>— contract staff: 23 (23)</li> <li>— seconded national experts: 4 (3)</li> </ul> <p>Total staff: 125 (124)</p> <ul style="list-style-type: none"> <li>— operational staff: 91 (90)</li> <li>— administrative: 34 (34)</li> </ul>
<p><b>Products and services in 2013 (2012)</b></p>	<p><b>Policy analysis and reporting</b></p> <p>Cedefop monitors countries' progress towards the short-term deliverables agreed in the Bruges Communiqué. Country fiches summarising policy progress were finalised for all EU Member States, Norway and Iceland and were made available to the European Commission, which proposes country specific recommendations for the European semester. To prepare for Cedefop's 2014 <i>VET policy monitoring report</i>, focus groups with members of the Advisory Committee on Vocational Training (ACVT) discussed the effectiveness of policies. <i>Descriptions of national VET systems</i> prepared by ReferNet partners were published online for 29 countries. <i>Spotlight on VET in Ireland</i> was prepared for the March meeting of the DGVTs. <i>Vocational education and training in Lithuania — Short description</i> and <i>Spotlight on VET in Lithuania</i> were released for the DGVTs' meeting in November and the Presidency Conference on VET. Cedefop's <i>On the way to 2020: data for vocational education and training</i> was published.</p> <p><b>Common European tools, qualifications and learning outcomes</b></p> <p>Cedefop provided policy advice and expertise to EU-level working groups to support the implementation of EU tools. Cedefop's study on qualifications at EQF</p>

level 5 and its *Analysis and overview of NQF level descriptors in European countries* contributed directly to EQF/NQF implementation. Cedefop's study *The role of qualifications in governing professions and occupations* was published. A briefing note on ECVET opportunities and challenges was released. Europass registered 20,85 million visits (14,8 million) and 10,16 million (8,3 million) CVs generated online. A working dinner with the European Parliament discussed achievements and challenges in relation to European tools. Cedefop's study *Renewing VET provision: Understanding feedback mechanisms between initial VET and the labour market* was published. The briefing note *Keeping young people in (vocational) education: what works?* was drafted for the Lithuanian Presidency Conference on VET.

### **Adult learning and transitions**

Cedefop's study *Return to Work — work-based learning and the reintegration of unemployed adults into the labour market* was debated at the VET conference of the Lithuanian Presidency. Cedefop's studies *Benefits of vocational education and training in Europe for people, organisations and countries* and *Labour market outcomes of vocational education in Europe* were published. Cedefop's study on Validation of non-formal and informal learning in European enterprises was finalised and a synthesis disseminated at the Cedefop/DG EAC joint seminar marking the start of the follow-up to the 2012 Council Recommendation on validation. To support the European alliance for apprenticeship, Cedefop organised a high-level conference on 'Renewing vocational education and training to tackle skill mismatch — work-based learning and apprenticeship for all?'.

### **Skills analysis**

Cedefop supported the development of the EU Skills Panorama (EUSP) for which it will take full responsibility as of 2014. Cedefop's 2013 projections for skill supply and demand in the European Union were released. *Roads to recovery: three skill and labour market scenarios for 2025* summarised the key findings. Cedefop's research paper *Quantifying skill needs in Europe — Occupational skills profiles: methodology and application* was published. A briefing note and publication *Skills for a low carbon Europe* were released. Cedefop's data and analyses on skill mismatch contributed to the work of the Global Agenda Council (GAC) on Employment of the World Economic Forum (WEF) and were presented at the Summit on the Global Agenda 2013 in Abu Dhabi.

### **Organisational impact**

The (external) evaluation of Cedefop for the 2007–2012 period examined whether its work was consistent with European policies and looked at its efficiency and impact and its synergies with four other EU agencies. It highlighted that: Cedefop was highly successful in implementing the objectives in its Founding Regulation and is recognised as a leading centre of expertise worldwide on qualifications frameworks and skills; Cedefop's work did not duplicate the activities of any other actors at European, national or international level; the popularity of its outputs and downloads had increased significantly; its events were of high quality and participant satisfaction very high; operations were

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	<p>cost-effective. Cedefop uses a performance measurement system (PMS) to help manage and evaluate its impact, efficiency and effectiveness. 173 EU-level policy documents (169) cited Cedefop's findings. Cedefop's administration continued to support operations in an effective and efficient way. A staff survey in 2013 confirmed the staff's satisfaction with administrative and support services.</p> <p>For more information see <a href="http://www.cedefop.europa.eu">www.cedefop.europa.eu</a> (Annual Report and Annual Activity Report 2013).</p>
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(<sup>1</sup>) Note: included are the assigned revenues from the DG EMPL Delegation Agreements amounting to 0,6 million euro in 2013 (1,32 million euro in 2012).

(<sup>2</sup>) This includes posts actually filled (96) and job offers made (2) for vacant posts (in line with the Multiannual Staff Policy Plan approach).

Source: Annex supplied by the Centre.

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**CENTRE'S REPLY**

Cedefop has taken note of the Court's report.

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**REPORT****on the annual accounts of the European Police College for the financial year 2013, together with the College's replies**

(2014/C 442/06)

**INTRODUCTION**

1. The European Police College (hereinafter 'the College', aka 'CEPOL'), which is located in Bramshill, was established by Council Decision 2000/820/JHA<sup>(1)</sup>, repealed and replaced in 2005 by Council Decision 2005/681/JHA<sup>(2)</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<sup>(3)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the College, which comprise the financial statements<sup>(4)</sup> and the reports on the implementation of the budget<sup>(5)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the College and the legality and regularity of the underlying transactions<sup>(6)</sup>:

- (a) The management's responsibilities in respect of the College's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the College after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the College in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> OJ L 336, 30.12.2000, p. 1.

<sup>(2)</sup> OJ L 256, 1.10.2005, p. 63.

<sup>(3)</sup> *Annex II* summarises the College's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(8)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the College are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the College's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. Out of the committed appropriations carried over from 2012 amounting to EUR 1,7 million, EUR 0,3 million (17,6 %) were cancelled in 2013. This was mainly due to lower than estimated costs to be reimbursed under 2012 grant agreements (EUR 0,21 million or 70 % of cancelled carry-overs), which indicates the need to obtain more accurate information from beneficiaries at year-end on the actual cost incurred.

12. The level of committed 2013 appropriations for the different titles varied between 92 % and 95 %, indicating that legal commitments were made in a timely manner. The level of committed appropriations carried over to 2014 was high for Title II (administrative expenditure) at EUR 145 410 (30,5 %), but this mainly arose from events beyond the College's control, such as payments due in 2014 for services and goods ordered and received as planned in 2013.

**OTHER COMMENTS**

13. The College's recruitment procedures are still not fully transparent. Guidance to members of the selection boards on the consistent assessment of selection criteria was not sufficiently clear; requirements set in respect of professional experience were not always compliant with the Implementing Rules to the College's Staff Regulations and recruitment documentation was incomplete.

<sup>(8)</sup> Article 107 of Regulation (EU) No 1271/2013.



**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The high level of carry-overs as well as the high level of cancellations indicate shortcomings in budget planning and/or implementation and are at odds with the budgetary principle of annuality.	Not applicable
2011	The high level of budget transfers indicates weaknesses in budget planning and is at odds with the principle of specification.	Ongoing
2011	The College is located in Bramshill, using premises of the UK National Policing Improvement Agency (NPIA). NPIA is due to close at the end of 2012 and it is not clear until when the College can continue using its current premises.	Ongoing
2011	The College needs to improve the transparency of recruitment procedures. Vacancy notices made no reference to the possibility of appeal; weightings for selection criteria were not set before the examination of applications and reports summarising screening procedures and decisions on reserve lists were not always prepared.	Completed
2012	The College has carried over to 2013 committed appropriations amounting to EUR 355 500 for the 2013 exchange programme, which is scheduled to take place between March and November 2013. In the absence of any reference to the 2013 exchange programme in the College's 2012 annual work programme and in view of the fact that no financing decision had been made on the matter in 2012, the carry-over is irregular.	Not applicable
2012	Out of the committed appropriations carried over from 2011 amounting to EUR 1,7 million, EUR 0,7 million (41,2 %) were cancelled in 2012. This was mainly due to lower than estimated costs to be reimbursed under 2011 grant agreements (EUR 0,44 million or 62 % of cancelled carry-overs).	Outstanding
2012	The level of committed 2012 appropriations for the different titles varied between 90 % and 99 % of total appropriations, indicating that legal commitments were made in a timely manner. The level of committed appropriations carried over to 2013 was high for Title III (operating expenditure) as it amounted to EUR 1,5 million (36 %). This however was not due to delays in implementing the College's 2012 annual work programme, but mainly arose from the carry-over referred to in paragraph 11 and from the fact that costs relating to courses that were organised in the last months of 2012 under 2012 grant agreements were not due for reimbursement until the beginning of 2013 (EUR 1 million).	Not applicable
2012	In 2012, the College made 37 budgetary transfers amounting to EUR 1 million, out of which 36 within their respective titles.	Ongoing

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	Discussions about the College's future that have been ongoing for several years have created a situation of uncertainty which continues to hamper business planning and implementation.	Ongoing
2012	The College needs to ensure full compliance with the 'Guide to CEPOL recruitment' and to improve further the transparency of recruitment procedures: vacancy notices were not always published at least 6 weeks before applications were due; there was no evidence that assessors checked that the rules for the submission of applications had been respected; the selection criteria that were applied did not always match those that had been specified in the vacancy notices; there were major delays in some cases in the examination of applications.	Completed

## ANNEX II

**European Police College (Bramshill)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Article 87 TFEU)</p>	<p><b>Approximation of laws</b></p> <p>'1. The Union shall establish police cooperation involving all the Member States' competent authorities, including police, customs and other specialised law enforcement services in relation to the prevention, detection and investigation of criminal offences.</p> <p>2. For the purposes of paragraph 1, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may establish measures concerning:</p> <p>[...]</p> <p>(b) support for the training of staff, and cooperation on the exchange of staff, on equipment and on research into crime-detection;' [...].</p>
<p><b>Competences of the College</b> (Council Decision 2005/681/JHA)</p>	<p><b>Objectives</b></p> <p>'The aim of CEPOL shall be to help train the senior police officers of 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 European 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>Governance</b></p>	<p><b>Governing Board</b></p> <p><i>Composition</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>Director</b></p> <p>Manages the College, is appointed and removed by the Governing Board.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the College in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>8,4 (8,4) million euro</p> <p><b>Staff</b></p> <p>The Establishment Plan for 2013 provided for 28 (28) Temporary Staff.</p> <p>In addition: 10 (10) Contract Staff posts were budgeted for.</p> <p>Member States also seconded a total of: five (five) National Experts during the course of the year.</p>
<p><b>Products and services in 2013 (2012)</b></p>	<p><b>Courses, Seminars and Conferences</b></p> <p>The College implemented a total of 72 (82) residential activities (courses, seminars and conferences). The assessment of the evaluation of the activities shows that general satisfaction with the College activities and its learning outcomes remained outstanding at 94 % (93 %).</p> <p>CEPOL has brought together highest number of participants in its history: 2 251 (2 098) law enforcement participants and 707 (772) trainers from 42 (33) countries (EU Member States and Third Countries) and 21 (27) EU and international bodies.</p> <p>Attendance rate (attendance v seats available) has considerably increased reaching the highest ever rate of 116 % (96 %) demonstrating increasing demand for CEPOL training. The College itself organised 19 (15) activities in support of the network and initiated a Grant Agreement application process for 2014. No activities were postponed to the next calendar year.</p> <p><b>External Relations</b></p> <p>In 2013 CEPOL continued its fruitful cooperation with candidate, potential candidate and ENP/EaP countries as well as Strategic Partners, JHA agencies and EU institutions, including the European External Action Service.</p> <p>In 2013 CEPOL signed two working arrangements with Albania and the Russian Federation (significantly, in 2013 for the first time a joint RF-CEPOL activity took place in Moscow) as well as one with EU-LISA. Negotiations were further pursued with the Former Yugoslav Republic of Macedonia and with Bosnia and Herzegovina, while formal contacts were initiated with Kosovo and Armenia, leading to two expert missions there to explore cooperation opportunities.</p>

Contacts were also initiated with law enforcement training actors in the United States. CEPOL successfully concluded its chairmanship of the Contact Group of Justice and Home Affairs agencies carrying out agreed common activities included in a final report validated by the COSI.

In 2013 CEPOL supported seven capacity-building projects implemented by EU Member States; those ranged from e-Learning methodologies through training against Child Sexual Exploitation to civilian crisis management and other important policing topics.

### **Development of Training Manuals and (Common) Curricula**

The SIRENE Trainers Manual was used in the context of SIRENE activities in 2013 and updated by the SIRENE Training Committee. It will be distributed to the General Secretariat of the Council of the European Union at the beginning of 2014.

The Common Curriculum on Drug Trafficking was updated and two new Common Curricula were developed: Counter-Terrorism and Eurojust, the latter with the strong involvement of Eurojust experts. A Europol expert contributed to the Common Curriculum on Counter-Terrorism and Europol also provided comments to the Common Curriculum on Drug Trafficking (*four Common Curricula updated and one completed in 2012*).

### **Research and Science**

The Annual CEPOL European Police Research and Science Conference 2013 with the title 'Policing civil societies in times of economic constraints' attracted 126 (120) participants from EU Member-States as well as from overseas and was well received. Contributions to the conference were put on CEPOL's websites and a conference volume is in preparation for publication.

With the support of the CEPOL network of National Research and Science Correspondents and the Knowledge Transfer Working Group, two new issues of the 'European Science and Research Bulletin' were published on the website. In addition, a web page was made available collecting scientific police publications published in the area of the European Union. The CEPOL e-Library continued to be offered as a knowledge repository for registered e-Net users.

### **European Police Exchange Programme**

CEPOL's 2013 European Police Exchange Programme (EPEP) comprised six segments plus a Study Visit part:

- General segment for Senior Police Officers;
- Commanders segment;
- Trainers segment;
- Researchers segment;
- Inter-agency segment;
- ENP-WB segment;
- Study visits to Europol (2x), Frontex, EMCDDA and OLAF.

The programme included topics deriving from the Stockholm Programme priorities, the EU Policy Cycle as well as requests from the Member States. The exchange visits are done on bilateral basis, with an implementation period of a maximum of 12 calendar days and a minimum of five working days. Study visits were organised for three-five days to the abovementioned organisations.

For the first time, Western Balkan countries, Turkey and the Eastern Partnership countries participated in EPEP.

Altogether 444 (293) participants from 25 Member States and ENP-WB countries took part — the biggest attendance ever since project inception in 2007. The programme had a budget of just over EUR 600 000 financed by CEPOL, and the utilisation rate was above 95 %.

The feedback collected from 135 exchangees and 54 study visit participants indicated a remarkable 98 % general satisfaction rate with the 2013 European Police Exchange Programme.

#### **Electronic Network (e-Net)**

— A meeting for national e-Net managers took place in November. CEPOL's LMS (Learning Management System) proved to be highly successful both in updating and improving the online support to CEPOL activities and by offering a platform for information sharing within the CEPOL network. Open Platforms have also been made available, where in a networked learning context communities of practice can learn from and with each other easily using online technology.

#### **E-Learning**

— In 2013 the College developed three (*four*) new and updated two (*0*) existing e-Learning Modules on the subjects Money Laundering, SISII, Pruem Decision, Europol and Cybercrime. Development of the online module on the EU Policy Cycle had been completed in 2013 and was adopted in January 2014. To date 19 online modules are available.

— In 2013 a total of 1 994 (1 961) unique users visited the online learning modules, 31 webinars had been implemented and attended by 3 562 (1 667) participants. Ten platforms for communities of practice were active in 2013 where 2 063 like-minded professionals in different domains of policing and police education shared and built on each other's knowledge and expertise.

Source: Annex supplied by the College.

**THE COLLEGE'S REPLIES**

11 & 12: The Agency has taken note of the Court's comments. The facts described enable us to acknowledge that the measures introduced by CEPOL in the recent years led to a significantly reduced amount of carry-overs. We are committed to further increase and maintain compliance with the budgetary principle of annuality provided in the Financial Regulation.

13: The Agency has taken note of the Court's comments. CEPOL has completed the documentation of the human resources processes by redesigning and improving the related work instructions, templates and checklists. We expect that these further developments, to be applied for the recently launched recruitments, will contribute to a better administration and increased transparency of the recruitment process.

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## REPORT

**on the annual accounts of the Community Plant Variety Office for the financial year 2013, together with the Office's reply**

(2014/C 442/07)

**INTRODUCTION**

1. The Community Plant Variety Office (hereinafter 'the Office', aka 'CPVO'), which is located in Angers, was created by Council Regulation (EC) No 2100/94 <sup>(1)</sup>. Its main task is to register and examine applications for the grant of Union 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 <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Office, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

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

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

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

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

<sup>(5)</sup> Articles 38 to 42 of the Financial Regulation of the Office.

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Office's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The budget execution rate for 2013 is low at 86 % (EUR 12 755 144) with a corresponding high rate of cancellations. This is partly explained by the fact that revenue and related operational expenditure (Title III) is highly dependent on the number of applications to register plant variety rights, which is difficult to forecast accurately. However, there is scope to further improve budget planning and monitoring, particularly with regard to administrative expenditure (Title II).

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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<sup>(7)</sup> Articles 87 to 92 of the Financial Regulation of the Office

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Office did not adopt the Implementing Rules of the Staff Regulations as regards the engagement and use of contract staff and the temporary occupation of management posts.	Ongoing
2012	The CPVO carried out a physical verification of its assets in December 2012. However, no physical verification report was produced. It is therefore not possible to verify the accuracy of the corresponding accounting records.	Completed
2012	Recruitment procedures showed significant shortcomings affecting transparency and equal treatment of candidates: the weightings and thresholds set were not always applied, no consistent evaluation method was used throughout the various recruitment procedures and the possibility of appeal was not mentioned in the vacancy notice.	Ongoing

## ANNEX II

**Community Plant Variety Office (Angers)****Competences and Activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Extract of Article 36 of the Treaty on the Functioning of the European Union)</i></p>	<p><b>Free movements of goods</b></p> <p>Such prohibitions or restrictions (the protection of industrial and commercial property) shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.</p>
<p><b>Competences of the Office</b></p> <p><i>(Council Regulation (EC) No 2100/94 and Strategic Plan 2010-2015)</i></p>	<p><b>Objectives</b></p> <p>To apply the system of European Union plant variety rights as the sole and exclusive form of European Union industrial property rights for plant varieties.</p> <p>To foster innovation in plant varieties by high quality processing of applications for Community plant variety rights at affordable costs while providing policy guidance and assistance in the exercise of these rights for the benefit of stakeholders.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— to decide whether to refuse or grant applications for Union 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 European Union plant variety right.</li> </ul>
<p><b>Governance</b></p>	<p><b>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>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>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>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 European Union 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>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>Administrative Council.</p>

<b>Resources made available to the Office in 2013 (2012)</b>	<p><b>Final Budget</b></p> <p>EUR 14,8 (14,3) million</p> <p><b>Staff as at 31 December 2013</b></p> <p>Number of posts in the establishment plan: 48 (46)</p> <p>Posts occupied: 45 (45)</p> <p>Total staff: 45 (45), undertaking the following tasks:</p> <ul style="list-style-type: none"> <li>— operational: 28,5 (17,5)</li> <li>— administrative: 16,5 (21,5)</li> </ul>
<b>Products and services 2013 (2012)</b>	<p>Applications received: 3 297(2 868)</p> <p>Rights granted: 2 706 (2 640)</p> <p>European Union rights in force at 31 December 2013: 21 576 (20 362)</p> <p>International Cooperation on Plant Variety Protection</p> <ul style="list-style-type: none"> <li>— Contribution to enforcement of plant variety rights.</li> <li>— Contacts and cooperation with the following organisations: European Commission (DG SANCO, Standing Committees), UPOV <sup>(1)</sup>, CIOPORA <sup>(2)</sup>, ESA3 <sup>(3)</sup>, OAPI <sup>(4)</sup>, OECD <sup>(5)</sup>, MAFF <sup>(6)</sup>(Japan).</li> </ul>

<sup>(1)</sup> Union pour la Protection des Obtentions végétales.

<sup>(2)</sup> International Community of Breeders of Asexually Reproduced Ornamental and Fruit Plants.

<sup>(3)</sup> European Seed Association.

<sup>(4)</sup> Organisation africaine de la Propriété intellectuelle.

<sup>(5)</sup> Organisation for Economic Co-operation and Development.

<sup>(6)</sup> Ministry of Agriculture, Food & Fisheries (JP).

Source: Annex supplied by the Office.

**THE OFFICE'S REPLY**

11. The CPVO takes note of the Court's comments regarding execution levels. In addition to external demand fluctuations, the non-resolution of an open court case related to salary levels contributed to lower execution levels in 2013. These events were beyond the control of the CPVO. The CPVO would draw attention to the fact that cancellations for Title II amount to only 2 % of the total budget for the Agency and reflect prudent spending.

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## REPORT

**on the annual accounts of the Education, Audiovisual and Culture Executive Agency for the financial year 2013 together with the Agency's reply**

(2014/C 442/08)

**INTRODUCTION**

1. The Education, Audiovisual and Culture Executive Agency (hereinafter 'the Agency', aka 'EACEA'), which is located in Brussels, was established by Commission Decision No 2009/336/EC<sup>(1)</sup>. The Agency's task is to manage programmes decided by the Commission in the educational, audiovisual and cultural fields, including undertaking the detailed implementation of technical projects<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 101, 21.4.2009, p. 26.

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

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

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

<sup>(5)</sup> Articles 62 and 68 in conjunction with Articles 53 and 58 of Regulation (EU, Euratom) No 966/2012 (OJ L 298, 26.10.2012, p. 1).

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

10. The comment which follows does not call the Court's opinions into question.

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The level of committed appropriations was high at 97 % for both title I (staff expenditure) and title II (administrative expenditure). Although carry-overs of committed appropriations were relatively high for title II at 25 %, they mainly relate to IT services and equipment ordered and partly received in 2013 for which invoices had not been issued at year-end, and also to the multiannual nature of the Agency's activities (experts' project reviews and project audits).

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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<sup>(7)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012.



## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The level of committed appropriations was high at 99 % for both title I (staff expenditure) and title II (administrative expenditure). Although carry-overs of committed appropriations were relatively high for title II at 28 %, they mainly related to services received in 2012 for which invoices had not been issued at year-end (building costs and IT consultancy) and to the multi-annual nature of activities (experts' project reviews and project audits).	N/A

## ANNEX II

**Education, Audiovisual and Culture Executive Agency (Brussels)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p>(Articles 165(1), 166(1), 167(1) and 173(1) TFEU)</p>	<p><b>Collection of information</b></p> <p>The European Union shall contribute to the development of quality education.</p> <p>The European Union shall implement a vocational training policy.</p> <p>The European Union shall contribute to the flowering of the cultures of the Member States.</p> <p>The European Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist.</p>
<p><b>Competences of the Agency</b></p> <p>(Council Regulation (EC) No 58/2003; Commission Decision 2009/336/EC, as amended by Decision 2012/797/EU; Commission Decision C(2009) 3355 as amended by Decision C(2012) 9475 final)</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 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, MEDIA Mundus and Tempus. In this respect, it implements the aid of the Union, except for tasks 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 projects implementing the Union programmes entrusted to it and to perform the necessary checks to that end, by adopting the relevant decisions where the Commission has empowered it to do so,</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 Union 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 Union programmes,</li> <li>— to implement, at EU level, the network of information on education in Europe (Eurydice) and activities intended to improve understanding and knowledge of the field of youth through the collection, analysis and dissemination of information and production of studies and publications.</li> </ul>
<p><b>Governance</b></p>	<p><b>Steering Committee</b></p> <p><i>Composition</i></p> <p>Comprises five members appointed by the European Commission.</p> <p><i>Duties</i></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>Director</b></p> <p>Appointed by the European Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>Internal Audit Capability.</p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>The 2013 administrative budget of the Agency was 51 (50) million euro (100 % financed by the general budget of the European Union).</p> <p>The Agency has managed 850 (728) million euro related to the programmes and projects delegated by the Commission to the Executive Agency.</p> <p><b>Staff as at 31 December 2013</b></p> <p>Temporary staff: 105 (103) posts for temporary staff in the establishment plan Post occupied: 99 (99)</p> <p>Contract staff: 348 (335) contract staff posts Posts occupied: 336 (329)</p> <p>Total staff: 435 (428) posts occupied by staff undertaking the following tasks:</p> <p>Operational: 352 Administrative: 83</p>
<p><b>Products and services in 2013 (2012)</b></p>	<p><b>Communication</b></p> <ul style="list-style-type: none"> <li>— Participation in 19 Info days organised by National Agencies/Structures and several other information sessions in Brussels, update of EVE <sup>(1)</sup> database with project results, organisation of events in cooperation with parent Directorates-General (DGs).</li> <li>— Kick-off meetings were organised in Brussels for new project coordinators and partners.</li> <li>— Thematic cluster meetings and meetings with project coordinators were held in different locations.</li> </ul> <p><b>Selections</b></p> <ul style="list-style-type: none"> <li>— 28 calls for proposals were published as well as one call for tenders.</li> <li>— The corresponding detailed fact sheets (or descriptions) of selected proposals (compendia) were published on the Agency's website.</li> <li>— Management of the approximately 15 000 proposals received.</li> <li>— Selection of approximately 4 000 projects and 4 308 Erasmus Charters for Higher Education.</li> </ul> <p><b>Monitoring visits</b></p> <ul style="list-style-type: none"> <li>— More than 310 monitoring missions (on site or in Brussels) with project participants were organised in order to monitor 310 projects.</li> </ul>

**Simplification measures**

- The use of e-forms was extended to cover more actions, i.e. 91 % of all applications.
- Simplified contracting was expanded (decisions instead of grant agreements) for some actions.
- The lump sum calculation method was refined and applied to more actions.
- Greater use was made of remote expert briefings and remote project evaluation to evaluate actions.
- Audit certificates were drawn up to simplify financial reporting and will be gradually deployed.
- A financial information kit to enhance guidance for beneficiaries was finalised and made available.

**Cooperation with parent DGs**

- Organisation of four Steering Committee meetings.
- Periodic coordination meetings on the delegated programmes with the parent DGs Operational Directors (three meetings per year).
- Assistance to the parent DGs in the preparation of the next generation of programmes.
- Providing information on programme implementation to the Commission on request.
- Implementation of the action plan following the 2nd interim evaluation of the Agency
- Close cooperation with parent DGs in the preparation of the new programmes for 2014-2020.

**Policy support**

- Continuous management of the Eurydice network for policy support in the field of education; it has been also extended to the field of youth.
- Several reports produced by the Eurydice unit.

**Audits**

114 audits under the 2012 audit plan are being implemented. 114 new audits are scheduled under the 2013 audit plan.

**Contracts and projects:**

5 492 contracts were signed, 4 969 projects were closed.

**Mandate**

- The mandate of the Agency was extended in 2013. The extension was adopted by the Commission in December.

<sup>(1)</sup> Electronic platform for the dissemination and exploitation of results of projects supported by programmes managed by the European Commission in the fields of education, training, culture, youth and citizenship.

**THE AGENCY'S REPLY**

11: The Agency takes note of the Court's comments. Compared to last year, the level of carried-over appropriations has been reduced. The Agency will continue the efforts put in place to control and further reduce the rate of carry-over.

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**REPORT****on the annual accounts of the Executive Agency for Competitiveness and Innovation for the financial year 2013, together with the Agency's replies**

(2014/C 442/09)

**INTRODUCTION**

1. The Executive Agency for Competitiveness and Innovation (hereinafter 'the Agency', aka 'EACI'), which is located in Brussels, is the former Intelligent Energy Executive Agency (IEEA). Its mandate and duration were modified by Commission Decision 2007/372/EC<sup>(1)</sup> amending Decision 2004/20/EC<sup>(2)</sup>. The Agency was established for a period beginning on 1 January 2004 and ending on 31 December 2015, to manage EU actions in the field of energy, entrepreneurship and innovation, and sustainable freight transport<sup>(3)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(4)</sup> and the reports on the implementation of the budget<sup>(5)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(6)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<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> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Articles 62 and 68 in conjunction with Articles 53 and 58 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(8)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. Although budget implementation rates for 2013 were satisfactory, the extent to which appropriations carried over from 2012 were cancelled in 2013 (215 000 euro, or 19 % of carry-overs) indicates weaknesses in the Agency's budget planning and is at odds with the budgetary principle of annuality. These cancellations are mainly related to provisional commitments made for routine administrative expenditure.

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

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

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

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

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<sup>(8)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012.

## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The Agency's Internal Audit Capability (IAC) is also responsible for the Agency's ex post verifications, which form part of its internal control system. This reduces the IAC's resources for internal audit activities and means that it is not in a position to carry out independent audits in this area. This dual role is incompatible with the Internal Control Standards and International Standards for the professional practice of Internal Auditing.	Completed
2012	There is room for improving the recruitment procedures: selection criteria were not fully in line with those mentioned in the vacancy notice; certain selection criteria were weighted disproportionately; no threshold scores for the pre-selection phase and no maximum number of candidates for the reserve lists were set in advance; the justification for the exclusion of candidates at the final stage of the procedures was not always sufficiently documented and declarations on confidentiality and absence of conflict of interest were not always signed.	Completed



## ANNEX II

**Executive Agency for Competitiveness and Innovation (Brussels)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty on the Functioning of the European Union (TFEU)</b></p>	<p>1. 'Union 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, and in particular combating climate change.'</p> <p><i>(Article 191 TFEU)</i></p> <p>2. 'The Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist [by taking] action aimed at speeding up the adjustment of industry to structural changes; encouraging an environment favourable to initiative and to the development of [...] and cooperation between undertakings; [and] 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><i>(Article 173 TFEU)</i></p> <p>3. 'The European Parliament and the Council shall [...] lay down common rules applicable to international transport to or from the territory of a Member State or passing across the territory of one or more Member States; [as well as] the conditions under which non-resident carriers may operate transport services within a Member State, [and] measures to improve transport safety.'</p> <p><i>(Articles 91(1) and 100(2) TFEU)</i></p> <p>4. 'Union policy on energy shall aim [...] to ensure the functioning of the energy market; ensure security of energy supply in the Union; promote energy efficiency and energy saving and the development of new and renewable forms of energy; and promote the interconnection of energy networks.'</p> <p><i>(Article 194(1) TFEU)</i></p>
<p><b>Competences of the Agency</b></p> <p><i>(as defined in Commission Decision 2004/20/EC, amended by Decision 2007/372/EC)</i></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. These measures include the establishment of the Competitiveness and Innovation Framework Programme (CIP) 2007-2013 (Decision No 1639/2006/EC of the European Parliament and of the Council), notably with the programmes Intelligent Energy — Europe (IEE) and Entrepreneurship and Innovation (EIP). The main objectives are to foster competitiveness of enterprises, in particular SMEs; to promote all forms of innovation, as well as eco-innovation; to promote energy efficiency and new and renewable energy sources. The measures taken in the framework of the Lisbon strategy also include the second Marco Polo (MP) programme (Regulation (EC) No 1692/2006 of the European Parliament and of the Council). The main objectives are to reduce congestion, improve the environmental performance of the transport system and to enhance inter-modal transport, thereby contributing to efficient and sustainable transport systems and to competitiveness and innovation, especially of SMEs. Under these EU programmes, the Agency is responsible for all implementing tasks concerning EU 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>Implementing the EU programmes according to the delegations received from the Commission:</p> <ul style="list-style-type: none"> <li>— To manage all phases in the lifetime of specific projects.</li> <li>— To carry out all operations necessary to manage the EU programmes, in particular budget implementation, including 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 programmes, as well as to promote coordination and synergy among the programmes.</li> <li>— As regards the EIP, to be in charge of project management and network animation of the Enterprise Europe Network, eco-innovation pilot and market replication projects, and innovation actions with a high degree of standardisation (IP Base project).</li> </ul>
<p><b>Governance</b></p>	<p><b>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. It also adopts the administrative budget of the Agency and its annual activity report.</p> <p><b>Director</b></p> <p>Appointed by the European Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation by the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p><i>Operational budget</i></p> <p>The total planned amount was 242,9 (241,3) million euro (of which 100 % came from the general budget of the EU). This amount was committed, and 213,9 million euro was paid, as approved by the Budgetary Authority. EACI implements the operational budget under the responsibility of the Commission.</p> <ul style="list-style-type: none"> <li>— IEE: 91,9 (83,9) million euro</li> <li>— EIP eco-innovation: 33,1 (35,0) million euro</li> <li>— EIP-Networks: 51,2 (57,4) million euro</li> <li>— MP: 66,8 (65,1) million euro</li> </ul> <p><i>Administrative budget</i></p> <p>The Agency had an administrative budget of 16,4 (16,4) million euro, for which EACI is independently responsible. The Agency's administrative budget was subsidised by the EU at a rate of 100 %.</p> <p><b>Staff at 31 December 2013</b></p> <ul style="list-style-type: none"> <li>— Total staff: 163 (162) budgeted posts, of which 161 (156) were occupied</li> <li>— Temporary staff: 37 (37) budgeted posts, of which 35 (37) were occupied</li> <li>— Contract staff: 126 (125) budgeted posts, of which 126 (119) were occupied</li> </ul>

**Products and services provided in 2013**

EACI is responsible for the management of Union actions in the fields of energy; entrepreneurship and innovation (including eco-innovation); and sustainable freight transport, under the following Union programmes:

- The following parts of the Competitiveness and Innovation Framework programme: Intelligent Energy Europe programme II (2007-2013); project management and animation activities of the Enterprise Europe Network; IPR projects and eco-innovation first application and market replication projects
- The Marco Polo I (2003-2006) and II (2007-2013) programmes
- The Intelligent Energy Europe I programme (2003-2006)

**Intelligent Energy Europe (IEE)***Key activities*

- The Agency kept in close contact with potential beneficiaries: it answered more than 1 400 email enquiries and attended 18 information days. It also took part in more than 120 project meetings and organised 10 contractors' meetings, including one important event organised together with DG REGIO and two large Build Up Skills meetings with representatives from the construction, vocational training and energy sectors of 30 countries. Thousands of players in the energy sector also answered the 2013 call for proposals; more proposals were received by the Agency than ever before. The call for proposals led to the biggest evaluation exercise ever carried out by the Agency. More than 550 applications were received by the main deadline.
- Thanks to its close contacts with project beneficiaries and other market participants, the Agency provided informed feedback to DG ENER on a wide range of topics. The most significant contribution was on the Horizon 2020 Energy work programme (2014-2015). The Agency took an active part in the working groups established by DG RTD on cross-cutting issues, evaluation and submission, and performance indicators. It also contributed to all of the inter-service meetings and all of the Shadow Programme Committee meetings. Other contributions concerned the Communication on Energy Technology and Innovation, as well as policy work on mobilising financing for sustainable energy investments, building capacity, reinforcing market surveillance, promoting the uptake of nearly-zero energy buildings, and addressing biomass sustainability.
- The Agency also provided input on initiatives from other DGs, including DG MOVE's Urban Mobility Package; DG MARE's Communication on Blue Energy; DG AGRI's Standing Forestry Committee; and DG CONNECT's inter-service group on lighting. Through its new Build Up Skills initiative, the Agency mobilised players from the construction, vocational training and energy sectors, and provided DG ENER, DG EMPL, DG EAC and DG ENTR with national data and roadmaps concerning the training of the construction workforce.
- In 2013, the Agency dedicated further efforts to quantifying the impact of programmes. The Agency continued with its work in training project coordinators in the use of performance indicators. It also produced guidelines

for calculating these indicators. The Agency showed that, since 2007, the IEE projects managed by the Agency had reached 40 million people across the EU through the media, delivered renewable energy equivalent to the annual electricity consumption of 6,7 million citizens, saved primary energy equivalent to the annual electricity use of 1,7 million households, and triggered nearly 3 billion euro in sustainable energy investments.

- Finally, the Agency was involved with the 2013 European Sustainable Energy Week. A high-level policy conference took place in Brussels; it attracted more than 3 000 participants. In addition, 91 other events took place in Brussels and 589 Energy Days were held across Europe. The Agency's extensive media work resulted in 253 media mentions, with a potential audience of almost 25 million people.

### **Eco-innovation**

#### *Key activities*

Eco-innovation is supported via the CIP through several types of measures (financial instruments, networks of national and regional actors, first application and market replication projects). The Agency is entrusted with the management of the eco-innovation first application and market replication projects with a budget of approximately 200 million euro for the 2008-2013 period.

In 2013, efforts were concentrated on the following areas.

- Completion of the implementation of the 2012 call for proposals. The majority of negotiations were completed in June and July. Some individual agreements were signed later in the year. In all, 46 grant agreements were signed.
- New call for proposals: the 2013 call for proposals, which was launched in May 2013, was followed by a successful European information day with 340 participants and 420 web viewers. During the event, 70 bilateral meetings were held. At these meetings, participants were able to discuss proposal ideas with members of staff familiar with eco-innovation. The Agency attended six national information days. This call for proposals attracted a record number of submissions (461).
- Experiences with close-to-market projects and the results of the study on results and impact of eco-innovation projects were shared with the Commission (Horizon 2020 working groups and the LIFE team). They were presented in a press event with Environment Commissioner Potočník.

### **Marco Polo programme**

#### *Key activities*

- The European information day in April attracted 173 participants (and a further 528 live web stream viewers). On this occasion, 42 bilateral meetings with potential Marco Polo beneficiaries were organised. To attract potential beneficiaries, an advertising campaign targeting 625 000 readers was launched.
- The 2013 call for proposals was published on 26 March; it closed on 23 August. A total of 61 proposals were received. Pre-evaluations were carried out between 9 and 20 September.
- In the 2012 call for proposals, from the 54 proposals received, 26 projects were successfully negotiated. The award decision was adopted on 23 May (after approval by DG MOVE);

- Management of on-going projects: 16 on-site verification visits took place. Additionally, the time to grant was drastically reduced between 2012 and 2013 (by 118 days), thanks to the efforts undertaken by the Marco Polo Unit to speed up the contracting process.
- During the last quarter, the practical arrangements for the transfer of the management of the Marco Polo Programme from EACI to INEA (from 1 January 2014), continued in close cooperation between the two Agencies. A message to stakeholders ensured that all were aware about the upcoming management changes.

### **EIP programme — Enterprise Europe Network**

#### *Key activities*

The programme is made up of more than 600 partner organisations in more than 50 countries, including the 28 EU Member States. In addition to project management tasks for 92 contracts (specific grant agreements) and the IPeuropAware project, the EACI is also responsible for supporting the Enterprise Europe Network and for managing the IT tools and databases used for interactive communication among the network partners.

- In June 2013, the new IT system for the Network (the 'Merlin' project) was launched. This major and successful event was a key step towards modernising the IT tools used by Network partners, which will not only facilitate cooperation and communication among them but will also allow further improvements to be made efficiently.
- The annual conference in Vilnius, organised in association with the Lithuanian EU Council Presidency, held in order to promote events and policies of direct relevance to SMEs at EU level with Network partners, attracted 725 participants. A subsequent satisfaction survey showed very positive levels of feedback (86 % of respondents indicated that they were 'satisfied' or 'very satisfied').
- In 2013, the Agency continued to provide support to network partners in recruiting SMEs to take part in Missions for Growth, Vice-President Tajani's initiative to stimulate closer cooperation between the EU and the countries concerned as a means of generating growth and jobs on both sides. The Agency actively contributed to nine of these missions.
- In April, the Agency provided DG ENTR with a note with concrete ideas for the future of the Network under COSME. The note focused on the overall architecture of the Network and its regional consortia, the strengthening of the Network's regional footing, visibility, competence and excellent quality, differentiation of services and budgetary as well as contractual arrangements. The paper served as an input to help the Commission define the most suitable policy, taking into consideration the experiences gained in the day-to-day management of the Network over the past years.

*Source:* Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. As every year, we reviewed our commitments end 2012 on the basis of our best knowledge and carried over around EUR 1,125 million of payment appropriations (less than 8 % of the 2012 budget) to cover our obligations.

A part of these carried over appropriations (0,215 million euro) was finally cancelled because the payments actually due were lower than expected. The main reasons were: first, a subcontractor that could not deliver all its work before year-end; second, lower amounts paid on certain commitments, due to external factors (share of costs related to the building and in SLAs, experts who worked in the last weeks of 2012); third, the number of budget lines (more than 20), which made that small amounts of a few thousand euros or less on each line, contributed to the cumulated amount of 0,215 million euro pointed by the Court of Auditors.

It is worth noting nevertheless that this amount of 0,215 million euro was 30 % lower than the year before (0,309 million euro) and represented 1,5 % only of the 2012 administrative budget of the Agency.

The new structure of the administrative budget adopted as of 2014, with less budget lines, should to some extent make it easier to reduce cancellations of carried-over appropriations.

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## REPORT ON THE ANNUAL ACCOUNTS

### of the Executive Agency for Health and Consumers for the financial year 2013, together with the Agency's replies

(2014/C 442/10)

#### INTRODUCTION

1. The Executive Agency for Health and Consumers (hereinafter 'the Agency', aka 'EAHC'), located in Luxembourg, was set up by Commission Decision No 2004/858/EC<sup>(1)</sup> and amended by Decision No 2008/544/EC<sup>(2)</sup>. The Agency was established for a period beginning 1 January 2005 and ending 31 December 2015 for the management of Union actions in the field of health and consumer policy<sup>(3)</sup>. By Commission Decision No 2013/770/EU<sup>(4)</sup>, the Agency was replaced by its legal successor Consumers, Health and Food Executive Agency (CHAFEA) established for a period beginning 1 January 2014 and ending 31 December 2024.

#### INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

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

#### STATEMENT OF ASSURANCE

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(5)</sup> and the reports on the implementation of the budget<sup>(6)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

#### The management's responsibility

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(7)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(8)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> OJ L 369, 16.12.2004, p. 73.

<sup>(2)</sup> OJ L 173, 3.7.2008, p. 27.

<sup>(3)</sup> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(4)</sup> OJ L 341, 18.12.2013, p. 69.

<sup>(5)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(6)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(7)</sup> Articles 62 and 68 in conjunction with Articles 53 and 58 of Regulation (EU, Euratom) No 966/2012 (OJ L 298, 26.10.2012, p. 1).

<sup>(8)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(9)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. Of the 1,1 million euro carried over from 2012, 0,23 million euro or 21 % were cancelled in 2013. Such a high level of cancellations indicates weaknesses in budget planning, particularly in forecasting costs for meetings with external participants.

12. The overall level of committed appropriations was relatively low at 94%. The 2013 payment rates against committed appropriations were satisfactory for title I and II at 97 % and 87 % respectively. Although carry-overs for title III are high at 1,0 million euro or 43 % of committed title III appropriations, they reflect the multiannual nature of the Agency's activities and payments were planned and made according to operational needs.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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<sup>(9)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012.



This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	For title III — Expenditure related to operational expenditure, an amount of 0,8 million euro, or 46 % of commitments made, was carried forward to 2012. The high level of carry-over is at odds with the budgetary principle of annuality.	N/A
2012	Of the 1,1 million euro carried over from 2011, 0,2 million euro (18 %) were cancelled in 2012. Although this is partly related to difficulties in forecasting costs for meetings with external participants, such a high level indicates deficits in terms of budget planning.	N/A
2012	The 2012 payment rates against committed appropriations are satisfactory for title I and II at 96 % and 84 % respectively. Carry-overs for title III, however, are high at 1,1 million euro or 47 % of committed title III appropriations. Although this is partly related to the late presentation of mission cost claims by external meeting participants, such a high level is at odds with the budgetary principle of annuality.	N/A

## ANNEX II

**Executive Agency for Health and Consumers (Luxembourg)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 168 and 169 of the Treaty on the Functioning of the European Union)</i></p>	<p>A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities. Union 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. The Union shall complement the Member States' action in reducing drugs-related health damage, including information and prevention.</p> <p>In order to promote the interests of consumers and to ensure a high level of consumer protection, the Union shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests.</p>
<p><b>Competences of the Agency</b></p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— The Agency is responsible for carrying out the implementation tasks for the management of the second Public Health Programme 2008-2013 as adopted by Decision No 1350/2007/EC, the Consumer Programme for 2007-2013 as adopted by Decision No 1926/2006/EC and the food safety training measures covered by Regulation (EC) No 882/2004 and Directive 2000/29/EC.</li> <li>— The Agency also manages all the phases in the lifetime of the implementing measures delegated to it in the framework of the programme of Union action in the field of public health 2003-2008, adopted by Decision No 1786/2002/EC of the European Parliament and of the Council.</li> <li>— By its implementing Decision of 17 December 2013 (Ref. 2013/770/EU) the European Commission established the Consumers, Health and Food Executive Agency — Chafea — which replaced and succeeded the Executive Agency for Health and Consumers from 1 January 2014 to 31 December 2024.</li> <li>— As a consequence, any reference in this annex to the Executive Agency for Health and Consumers (EAHC) shall also be deemed a reference, as of 1 January 2014, to the newly established Consumers, Health and Food Executive Agency (Chafea), which is the legal successor of EAHC.</li> </ul> <p><b>Tasks</b></p> <p>Under the Union programmes mentioned below, the Agency is responsible for implementing the following tasks as defined in the delegation act adopted on 9 September 2008 <sup>(1)</sup>:</p> <p><b>Public Health Programme 2003-2008</b> — Decision No 1786/2002/EC</p> <p><b>Public Health Programme 2008-2013</b> — Decision No 1350/2007/EC</p> <p><b>Consumers Programme 2007-2013</b> — Decision No 1926/2006/EC</p>

	<p><b>Food Safety Training Measures</b> — Regulation (EC) No 882/2004 and Directive 2000/29/EC:</p> <p>(a) Managing all the phases of the cycle of projects (for monitoring and dissemination purposes, the Agency shall take the necessary steps to create a database of projects or to continue an existing one, incorporating a project description and the final results).</p> <p>(b) Monitoring projects implemented under these programmes and measures including the necessary checks.</p> <p>(c) Collecting, processing and distributing data and in particular compiling, analysing and transmitting to the Commission all information required to guide implementation of the Union programmes and measures, promote coordination and synergy with other programmes of the Communities, the Member States or international organisations.</p> <p>(d) Organising meetings, seminars, talks, and training measures.</p> <p>(e) Helping to evaluate the programme's impact, in particular the annual and/or mid-term evaluation of implementation of the programmes, and implementing the follow-up actions on evaluations decided by the Commission.</p> <p>(f) Disseminating the results of the information operations planned and implemented by the Commission.</p> <p>(g) Producing overall control and supervision data.</p> <p>(h) Participating in preparatory work on financing decisions.</p>
<p><b>Governance</b></p>	<p><b>Steering Committee</b></p> <p>Comprises five members appointed by the European Commission. The members of the Steering Committee are appointed for two years.</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>Director</b></p> <p>Appointed by the European Commission for four years.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament following a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>The Agency's administrative budget for 2013 amounted to 7,23 (7,22) million euro.</p> <p><b>Staff at 31 December 2013</b></p> <p>On 31 December 2013, the Agency employed 49 (50) statutory staff members, including 11 (11) temporary staff and 38 (39) contract staff.</p>

**Products and services 2013**

1. Closing the 2005 — 2007 grants provided under the 2003 — 2008 Public Health Programme (PHP); monitoring the 2008 — 2012 grant provided under the second Health Programme — HP (2008 — 2013), successfully finalising negotiations for grants under the 2013 calls for proposals, including projects, conferences, operating grants and joint actions. Managed the 2013 call for proposals, the grants and contracts awarded under the 2008 calls for proposals and for tenders under the 2007 — 2013 Consumer Programme (CP); projects awarded under the 2007, 2008 and 2009 calls for tenders under Food Safety Training Measures.
2. HP work programme
  - The 2013 call for proposals was launched on 20 December 2012 and closed on 22 March 2013. It was published in the EU Official Journal <sup>(2)</sup> and on the EAHC <sup>(3)</sup> and Europa websites.
  - Project proposals: 9 of the 52 technically evaluated project proposals (17,3 %) were recommended for funding (excluding reserve list), for a total proposed EU co-funding of 12 243 354 euro.
  - Conference proposals: 11 of the 46 technically evaluated conference proposals (24 %) were recommended for funding. This amounts to a proposed EU co-funding of 719 758 euro.
  - Operating grant proposals: 20 of the 44 technically evaluated operating grant proposals (45,4 %) were recommended for funding. This amounts to a proposed EU co-funding of 5 293 430 euro.
  - Joint actions: All 5 joint action proposals submitted were recommended for EU co-funding of 13 572 397 euro.
  - Reserve lists have been established for projects, operating grants and conferences. For projects, 4 applications have been placed on the reserve list. In total these sum up to a proposed EU co-funding of 4 815 524 euro. For conferences a reserve list of 3 proposals was made (amounting to 275 934 euro) and for operating grants the reserve list comprises 4 submissions for a total of 425 280 euro co-funding.
  - 13 open calls for tender, including 2 for framework contracts and 13 requests for services were published in 2013.
  - As most contracts were concluded at the end of 2013, work on them began towards the end of the year. EAHC hosted a kick-off meeting for each contract and closely monitored execution, in coordination with DG SANCO.
3. CP work programme
  - In 2013, the Agency, being entrusted with the implementation of parts of the (annual) Consumer Work Programme, launched 8 Calls for Proposals and 21 public procurement procedures.

- The Agency awarded 56 grants for exchanges of officials between competent authorities of Member States (MS), giving the opportunity to enforcement officials to share experience and knowledge about the implementation of Directive 2001/95/EC on General Product Safety and of Regulation (EC) No 2006/2004 on Consumer Protection Cooperation (CPC).
- The grant awarded for the implementation of joint actions pertaining to the General Product Safety Directive (GPSD) aimed at exchanging and implementing best practices between the competent authorities of the participating MSs and improving cross-border cooperation.
- Following the accession of Croatia to the EU, the Agency signed the first grant for the support of the activities to be undertaken by the European Consumer Centre (ECC) in Croatia.
- The Agency concluded a service contract providing for a support mechanism for the ECC-Network in order to improve its visibility and the impact of the ECC's collective work. The development of quality standards is part of the service and will assist the ECC to measure its performance against the predefined indicators.
- The Agency launched a number of procurement procedures to support the objective of consumer safety; the services requested resulted in the design and validation (in accordance with ISO rules) of graphical symbols conveying certain safety or warning messages to be used for child-care articles, products intended to facilitate sleep, relaxation, hygiene and the feeding of children.
- The study on alcohol-powered flue-less fireplace combustion aimed at determining the effects of the emissions on indoor air quality via laboratory experiments.
- Two sets of actions were agreed during 2013 in respect of consumer protection cooperation (CPC). The first focuses on enforcement of Community rules on unfair terms included in consumer contracts (Directive 93/13/EEC on unfair terms in consumer contracts — Unfair Terms Directive (UTD)). The action aims at creating a more uniform understanding of the UTD, and intends to enable enhanced information exchange between the competent authorities. The second intends to build and develop an Internet Researchers Network, promoting the creation of Internet Labs throughout the competent authorities in EU Member States.
- In 2013 the Agency signed specific grants with the Bureau Européen des Unions de Consommateurs (BEUC) and has prepared the grant agreement with the European Association for the Coordination of Consumer Representation in Standardisation (ANEC).
- The co-financing of BEUC will contribute to further promoting the interests of European consumers in the EU policy process as purchasers or users of goods and services.
- The financial support given to ANEC ensures the representation and defence of consumer interests in the process of standardisation and certification.

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#### 4. BTSF work programme

- The Agency launched 26 procurement procedures which led to the 29 service contracts signed in 2013. The service which will be provided with these contracts consists in the organisation of training courses designed to train staff of EU Member States and of the national authorities of candidate countries and ENP and EFTA countries which are involved in official control activities.
- The purpose of the training is to keep the trainees up-to-date with all aspects of EU law in food-related areas and ensure that controls are carried out in a more uniform, objective and adequate manner in all Member States. These training courses will cover food-related legislation over a broad range, from Animal welfare to HACCP (Hazard Analysis and Critical Control point), from semen ova and embryos to risk assessment and from plant health to veterinary medicinal products.
- With the additional third country-related BTSF programme financed via DG DEVCO's and DG TRADE's budgets, a specific training course will also be organised in third and developing countries with a view to familiarising the third country officials who are involved in food controls with EU standards and import requirements. It is planned that 2 100 third country officials will be trained.
- With regard to the level of participants trained per year, the BTSF Initiative achieved a steady rate of around 6 000 participants, as planned from the outset, for trainees from Member States. Overall satisfaction reached the targeted 85 % while more than 90 % of the participants evaluated the knowledge gained as useful.

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<sup>(1)</sup> Commission Decision of 9 September 2008 — delegating powers to the Agency.

<sup>(2)</sup> OJ C 378/6, 8.12.2012, [http://ec.europa.eu/eahc/documents/health/calls/2013/HP\\_work\\_plan\\_for\\_2013.pdf](http://ec.europa.eu/eahc/documents/health/calls/2013/HP_work_plan_for_2013.pdf)

<sup>(3)</sup> <http://ec.europa.eu/eahc/>

Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. The Agency takes note of the Court's observation. Efforts are made to further reduce the level of cancellation of commitment appropriations carried forward. Notably, related to meeting and information days specific actions are implemented to lower the cancellation from the observed 94 953 € (2013) to below 24 000 € (2014).

12. The Agency takes note of the Court's observation and maintains its commitment to keep the level of carry forward of commitment appropriations — to the extent possible — low. Regarding the low overall level of committed appropriations — 94 % — it is to be noted that Title I (Staff Expenditure) represents 58,77 % of the total budget. The not fully implemented appropriations related principally to the Court of Justice ruling in November 2013 on the refused salary increases of 2011 and 2012, which concerns an isolated event.

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## REPORT

**on the annual accounts of the European Aviation Safety Agency, for the financial year 2013 together with the Agency's replies**

(2014/C 442/11)

## INTRODUCTION

1. The European Aviation Safety Agency (hereinafter 'the Agency', aka 'EASA'), which is located in Cologne, was established by Regulation (EC) No 1592/2002 of the European Parliament and of the Council <sup>(1)</sup> as last amended by Regulation (EC) No 1108/2009 <sup>(2)</sup>. The Agency has been given specific regulatory and executive tasks in the field of aviation safety <sup>(3)</sup>.

## INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

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

## STATEMENT OF ASSURANCE

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(4)</sup> and the reports on the implementation of the budget <sup>(5)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

## The management's responsibility

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(6)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer <sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

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

<sup>(2)</sup> OJ L 309, 24.11.2009, p. 51.

<sup>(3)</sup> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(8)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

11. In 2012 EASA selected 14 National Aviation Authorities (NAAs) and 10 'Qualified Entities' (QEs) through procurement procedures to outsource part of its certification activities <sup>(9)</sup>. Expenditure for such outsourced certification activities amounted to some 22 million euro in 2013. The process of allocating specific certification tasks to NAAs and QEs and the criteria to be used are described in specific guidelines established by the Agency <sup>(10)</sup>. However, the transparency of outsourcing could be improved through better documentation of the allocation processes, including the assessments made on the basis of the criteria set in the guidelines. This is also the case for the allocation of the many other low-value contracts to bidders.

**COMMENTS ON BUDGETARY MANAGEMENT**

12. The overall level of appropriations committed was high at 98 %. Although the Agency reduced further the overall level of carry-overs of committed appropriations from 10,1 million euro (11 %) in 2012 to 7,2 million euro (8 %) in 2013, carry-overs of committed appropriations for title III were high at 3,4 million euro (42 %). Although this is partly justified by the multiannual nature of the Agency's operations and the carry-overs included in the Court's sample were duly justified, such a high level is at odds with the budgetary principle of annuality.

<sup>(8)</sup> Article 107 of Regulation (EU) No 1271/2013.

<sup>(9)</sup> At the end of May 2014, 3 contracts with QEs had been terminated and consequently there were 14 active contracts with NAAs and 7 with QEs.

<sup>(10)</sup> 'Guidelines for the allocation of certification tasks to National Aviation Authorities and Qualified Entities', EASA Management Board Decision 01-2011.

**OTHER COMMENTS**

13. The Agency became operational in 2004 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However, a comprehensive headquarters agreement between the Agency and the Member State has not been signed. Such an agreement would promote transparency in respect of the conditions under which the Agency and its staff operate.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

14. An overview of the corrective action taken in response to the Court's comments from previous years is provided in *Annex I*.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	At the end of 2011, the Agency held bank balances of 55 million euro (2010: 49 million euro) at one bank only. There was no treasury policy in place to limit this risk while gaining appropriate investment returns.	Completed
2012	The Agency established a standard procedure for ex ante verifications. However, the related checklists were not completed and documentation justifying the validation of expenditure was not always available <sup>(1)</sup> .	Completed
2012	A methodology for ex post verifications was approved in 2009. Although the Agency made further developments in its implementation, room for improvement still exists in the following areas: there is still no annual planning of verifications, the sample of transactions to be checked is not risk-based and the methodology does not cover public procurement procedures.	Completed
2012	The overall level of appropriations committed was 95 %, varying between 96 % for title I (staff expenditure), 95 % for title II (administrative expenditure) and 89 % for title III (operational expenditure). However, carry-overs of committed appropriations were high for title III at 46 %. Although this is partly justified by the multiannual nature of the Agency's operations and the carry-overs included in the Court's sample were duly justified, such a high level is at odds with the budgetary principle of annuality.	N/A
2012	In one of the audited recruitment procedures, the selected candidate did not meet the Staff Regulations' requirements as regards university degrees or equivalent professional training.	N/A

<sup>(1)</sup> Timesheets to justify services charged on a man/days basis did not exist.

## ANNEX II

**European Aviation Safety Agency (Cologne)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 100 of the Treaty on the Functioning of the European Union)</i></p>	<p>The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may lay down appropriate provisions for sea and air transport. They shall act after consulting the Economic and Social Committee and the Committee of the Regions.</p>
<p><b>Competences of the Agency</b></p> <p><i>(The Agency's powers as defined in Regulation (EC) No 216/2008 of the European Parliament and of the Council (the 'Basic Regulation'))</i></p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety.</li> </ul> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To issue opinions and recommendations 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 the Basic Regulation and its implementing rules,</li> <li>— to take decisions regarding airworthiness and environmental certification, pilot certification, air operation certification, third country operators, inspections of Member States and investigation of undertakings,</li> <li>— to conduct standardization inspections of the competent authorities in the Member States, associated States and ex Joint Aviation Authority (JAA) States <i>(in this case in accordance with working arrangements)</i>.</li> </ul>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p>Composition: consisting of one representative of each Member State and one representative of the Commission,</p> <p><b>Tasks</b></p> <p>The tasks of the Management Board are described in the Basic regulation and are, for example:</p> <ul style="list-style-type: none"> <li>— appointment of the Executive Director, and the Directors on a proposal from the Executive Director;</li> <li>— adoption of the annual general report on the Agency's activities;</li> <li>— adoption of the Agency's work programme for the coming year;</li> <li>— appointment of the members of the Board of Appeal pursuant to Article 41;</li> <li>— establishment of its Rules of Procedure;</li> <li>— establishment, if it so wishes, of working bodies to assist in carrying out its functions, including the preparation of its decisions and monitoring the implementation thereof.</li> </ul> <p><b>Executive Director</b></p> <p>Manages the Agency and is appointed by the Management Board on a proposal from the Commission.</p>

	<p><b>The Board of Appeal</b></p> <p>Decides on appeals against the Agency's decisions in accordance with Article 44 of Regulation (EC) No 216/2008 in certain respects such as certification, fees &amp; charges and investigation of undertakings.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation by the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>Total budget: 151,2 (150,2) million euro, including:</p> <ul style="list-style-type: none"> <li>— own revenue: 83,8 (83,0) million euro (55,4 %)</li> <li>— union subsidy: 34,9 (34,9) million euro (23,1 %)</li> <li>— contribution from non-EU countries: 1,7 (1,7) million euro (1,1 %)</li> <li>— assigned revenue from fees and charges: 24,2 (25,2) million euro (16,0 %)</li> <li>— other revenue: 0,9 (0,9) million euro (0,6 %)</li> <li>— other subsidies: 5,7 (4,4) million euro (3,8 %)</li> </ul> <p><b>Staff as at 31 December 2013</b></p> <p>692 (634) temporary staff in the establishment plan</p> <p>Posts occupied: 647 (612)</p> <p>Post occupied by other staff</p> <p>Total: 100 (74,6) of which contract staff: 85 (63,3); seconded national experts: 15 (11,3); special advisors: 0 (0)</p> <p>Total temporary staff: 648 <sup>(1)</sup> (613)</p> <p>Filled posts subsidy-financed: 219 <sup>(2)</sup> (216)</p> <p>Filled posts fee-financed: 429 <sup>(2)</sup> (396)</p>
<p><b>Products and services in 2013 (2012)</b></p>	<p><b>Opinions</b></p> <p>12 Opinions</p> <p><b>Rulemaking Decisions</b></p> <p>28 Decisions related to: Certification specifications (8); Acceptable Means of Compliance and Guidance Material (20)</p> <p><b>Additional deliverables in 2013 (which will lead to Rules in the forthcoming years)</b></p> <p>32 Terms of Reference (ToRs), 26 Notices of Proposed Amendment (NPAs), 24 Comment Response Document (CRDs)</p> <p><b>International Cooperation</b></p> <p>12 Working Arrangements.</p> <p>2 modifications of Appendices to a Working Arrangement</p> <p>2 Rulemaking cooperation arrangements with EASA bilateral partners</p>

Support for the negotiations of the EU — Ukraine Common Aviation Area Agreement (agreement was initialled in 2013)

10 recommendations provided on International Civil Aviation Organization (ICAO) State Letters.

**BASA** (Bilateral Aviation Safety Agreement)

Support for the ratification process of the BASA EU-Brazil and the process for the development of the relevant instruments required for the practical implementation of the Agreement.

Support for the implementation of the EU — US Bilateral Aviation Safety Agreement (BASA), including for the preparation of the board meetings, and the annual Flight Standards meeting with the Federal Aviation Administration (FAA).

Support to the European Commission for the development of new Annexes to the EU-US BASA (Flight Crew Licensing, Flight Simulation Training Devices, Pilot Training Organisations)

**Certification decisions at 31 December 2013**

Type Certificates/Restricted Type Certificates (TCs/RTCs): 11 <sup>(3)</sup>

Supplemental Type Certificates (STCs): 688

Airworthiness Directives (ADs): 382

Alternative Method of Compliance (AMOC): 82

European Technical Standard Order Authorisation (ETSOA): 214

Major changes/Major repairs/TC New Derivatives: 1 017

Minor changes/Minor repairs: 643

Aircraft Flight Manual (AFM): 318

Approval of flight conditions (PTF): 457

Flight Simulation Training Devices (FSTD): 311

Approval of Design organisations (AP and Alternative Procedures to DOA (AP-DOA): 550

Approval of Maintenance organisations (bilateral) <sup>(4)</sup>: 1 544

Approval of Maintenance organisations (foreign) <sup>(4)</sup>: 328

Approval of Maintenance training organisations <sup>(4)</sup>: 52

Approval of Manufacturing <sup>(4)</sup>: 23

Approval of Flight Crew Licencing Organisations <sup>(4)</sup>: 15

Approval of ATM/ANS Organisations <sup>(4)</sup>: 3

**Standardisation inspections (number of inspections by type) at 31 December 2013**

In the field of Airworthiness (AIR): 22

In the field of Operations (OPS): 16

In the field of flight crew licencing (FCL): 16

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	In the field of medical flight crew licensing (MED): 12
	In the field of flight simulation training devices (FSTD): 9
	In the field of Air Traffic Management/Air Navigation Services (ANS): 14
	In the field of Safety Assessment of Foreign Aircraft (SAFA): 13

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(<sup>1</sup>) Two structural part-time pilots occupy one post.

(<sup>2</sup>) The split of filled posts between fee-financed and subsidy-financed may change subject to possible revision of the cost-accounting allocation keys as of 31 December 2013.

(<sup>3</sup>) Only those TCs/RTCs are counted which were issued for a new design type. TCs issued as a result of grandfathering, transfer or administrative re-issuance are excluded.

(<sup>4</sup>) The organisation approval activity is subdivided into a main surveillance activity of already approved organisations (with a renewal every 2/3 years) and an activity linked to new approvals. The data supplied concern the total number of approvals on 31 December 2013.

Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. In the frame of a better control of the certification activities outsourced to National Aviation Authorities (NAA) and potentially qualified entities (QE), the certification directorate (C) together with the finance directorate (F) will implement in 2014 a simple means to record that the selection of the provider for any given outsourcing purchase order has been made and optimised in accordance with the criteria of Annex 1 to ED decision 2011/056/F.

As regards shortlisting of candidates for low-value contracts the Agency will systematically consider the ECA's comment in selecting invitees and documenting it accordingly as relevant.

12. The Agency would like to highlight that great efforts have already been made to reduce the level of title III carry-overs and this is already reflected in the significant decrease compared to the previous year: i.e. 6,2 million euro in 2012 compared to 3,4 million euro in 2013.

During 2013 some appropriations had to be held back in case 2011 salary adjustments and were reassigned during the year to high priorities projects (rulemaking and safety research projects). This inhibited commitments early in the year resulting in a substantial impact on the level of carry overs at year end.

13. As the EASA has already experienced some unclarity concerning our relations with our host state due to the absence of a proper seat agreement, the EASA acknowledges the recommendation and will work closely with the EU Council, Parliament and Commission, to establish a proper headquarters agreement.

Such agreement should — apart from promoting transparency of relations with the host Member State — ensure that the host State takes all necessary measures to facilitate the unimpeded exercise by the Agency of its legal mandate as well as clarifying the relations between national judicial authorities and the Agency.

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**REPORT****on the annual accounts of the European Asylum Support Office for the financial year 2013, together with the Office's replies**

(2014/C 442/12)

**INTRODUCTION**

1. The European Asylum Support Office (hereinafter 'the Office', aka 'EASO'), which is located in Valletta, was established by Regulation (EU) No 439/2010 of the European Parliament and of the Council<sup>(1)</sup>. The Office's task is to support the development of the Common European Asylum System. It was established with the aim of enhancing practical cooperation on asylum matters and helping Member States fulfil their European and international obligations to give protection to people in need. EASO acts as a centre of expertise on asylum. It also provides support to Member States whose asylum and reception systems are under particular pressure.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Office, which comprise the financial statements<sup>(2)</sup> and the reports on the implementation of the budget<sup>(3)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions<sup>(4)</sup>:

- (a) The management's responsibilities in respect of the Office's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(5)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Office after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Office in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> OJ L 132, 29.5.2010, p. 11.

<sup>(2)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(3)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(4)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(5)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(6)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Office are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Office's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

10. The comments which follow do not call the Court's opinions into question. They should be considered in the light of the fact that 2013 was the Agency's first full year of financial autonomy.

**COMMENTS ON THE RELIABILITY OF THE ACCOUNTS**

11. The basis for an accrual amounting to 40 000 euro relating to expenses and allowances for staff who entered into service in 2013 was not made available in the course of the audit.

**COMMENTS ON INTERNAL CONTROLS**

12. Of the total number of payments, 446 (18 %) were made after the time limits set in the Financial Regulation. The average delay for late payments was 21 days.

13. Six of the 16 internal control standards have not been fully implemented.

**COMMENTS ON BUDGETARY MANAGEMENT**

14. The Agency had overestimated its budgetary needs for 2013 by 13 % (2012: 32 %) and only 10,4 million of the 12 million euro budget were committed. Appropriations carried over amounted to 2,5 million euro or 24 % (2012: 65 %) of total committed appropriations, of which 337 031 euro were not covered by a legal commitment. While there is scope for improved budgetary planning, both the overestimation of budgetary needs and the carry-overs of committed appropriations were significantly lower than the previous year.

15. Carry-overs of committed appropriations mainly concern title II (other administrative expenditure) at 540 269 euro, i.e. 31 % of committed appropriations, and title III (operational activities) at 1 841 798 euro (45 % of committed appropriations). They are mostly related to invoices not yet received and/or paid at year-end or where the services in question had not been delivered.

<sup>(6)</sup> Article 107 of Regulation (EU) No 1271/2013.

**OTHER COMMENTS**

16. There is room to improve the transparency of recruitment procedures: questions for interviews and written tests were drafted after examination of the applications, which increases the risk of questions being influenced by individual applications; the selection committees did not always award scores to all selection criteria included in the vacancy notices; the declaration of conflict of interest signed by selection committee members only considers a personal relationship to constitute a potential conflict of interest and explicitly excludes professional relationships; in the case of one specific recruitment procedure a discrepancy was noted between one eligibility criterion indicated in the vacancy notice and the corresponding selection criterion concerning the number of years of proven professional experience.

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

## Follow-up of previous year's comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The Office's accounting system has not yet been validated by the Accounting Officer.	Completed
2012	A carry-over of 0,2 million euro was not covered by a legal commitment (contract) and was therefore irregular.	N/A
2012	No physical inventory has been performed to ensure that all equipment purchased to set up the Office is included in the register.	Completed
2012	Fifty payments, representing about 20 % of the total amount of payments, were made after the deadlines set by the Financial Regulation.	N/A
2012	Ten of the 16 internal control standards <sup>(1)</sup> have not yet been fully implemented.	Ongoing
2012	The budgetary needs for 2012 were considerably overestimated: only 4,8 million euro out of the 7 million euro transferred upon receiving financial autonomy were committed.	N/A
2012	Committed appropriations of 3,2 million euro have been carried over, representing 65,13 % of total committed appropriations for the period of financial autonomy <sup>(2)</sup> . These carry-overs concern title I (staff expenditure) at 0,3 million euro, title II (other administrative expenditure) at 1,4 million euro and title III (operational activities) at 1,5 million euro. They are mostly related to invoices not yet received and/or paid at year-end and to pending reimbursements of costs relating to experts. Furthermore, some 0,8 million euro concern refurbishment work carried out at the Office's premises in 2012, for which the payments will be made following final acceptance <sup>(3)</sup> . Such a high level of carry-overs is however at odds with the budgetary principle of annuality.	N/A
2012	The amounts of several budget commitments were insufficient to cover the related goods and services delivered. The estimated amount of deliveries not covered was 0,2 million euro, resulting in a corresponding overstatement in the Budget Outturn Account.	N/A
2012	EASO coordinates the deployment of Member States' experts to support other Member States in crises (emergency support actions) and reimburses experts' mission costs on a flat-rate basis. Total reimbursed mission costs amounted to some 417 000 euro (24 % of total payments). Flat-rate reimbursements of costs were also made to external participants attending meetings held at EASO's premises. Meeting costs are spread over various budget lines and the total amount is unknown. Although the application of flat rates reduces administrative burdens, they may be higher than the actual costs incurred.	N/A

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	To host EASO, the Maltese Government offered the building <sup>(4)</sup> and the lease agreement with the Maltese Transport Authority stipulates that the premises 'are being transferred in a finished state with essential service points being provided'. For the building to become functional, however, it needed to be adapted <sup>(5)</sup> at an estimated cost of 4,3 million euro, of which 3,8 million euro was to be covered by the Commission. By the end of 2012, most of the work had been completed and advance payments amounting to some 3 million euro had been made to the Maltese Government. Furthermore EASO will pay rent amounting to some 3,7 million euro over a nine-year period.	N/A
2012	The Commission had informed the European Parliament and Council about the host arrangements and the fact that the building required some adaptation to be financed by the Maltese Government and the Commission. Although the budgetary authorities were informed about the project, there is no evidence that they were aware of the expected costs and the EU's share thereof.	N/A
2012	There is room to improve the transparency of recruitment procedures: there was no evidence that weightings and threshold scores to be invited for interviews and for being put on the reserve list were set before examination of the applications, or that questions for interviews and written tests were set before the examination of applications.	Outstanding

<sup>(1)</sup> ICS Nos 3, 4, 5, 6, 8, 9, 10, 11, 13 and 14.

<sup>(2)</sup> 40,32 % when taking the full 2012 calendar year into account.

<sup>(3)</sup> Final acceptance was on-going in May 2013.

<sup>(4)</sup> Described in the bid as state of the art.

<sup>(5)</sup> According to the related grant agreement between the Commission and the Maltese Government, this includes i.e. the modification of office space layout, double glazing, IT and security infrastructure, installation of a conference room, etc.

## ANNEX II

## European Asylum Support Office, EASO (Valletta Harbour, Malta)

## Competences and activities

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 3 of the Treaty on European Union and Articles 67, 78 and 80 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union shall offer its citizens an area of freedom, security and justice without internal frontiers, in which the free movement of persons is ensured in conjunction with appropriate measures with respect to external border controls, asylum, immigration and the prevention and combating of crime.</p> <p>The Union shall develop a common policy on asylum, subsidiary protection and temporary protection with a view to offering appropriate status to any third-country national requiring international protection and ensuring compliance with the principle of non-refoulement. This policy must be in accordance with the Geneva Convention of 28 July 1951 and the Protocol of 31 January 1967 relating to the status of refugees, and other relevant treaties.</p> <p>For that purpose, measures should be adopted for a common European asylum system comprising: a uniform status of asylum for nationals of third countries, valid throughout the Union; a uniform status of subsidiary protection for nationals of third countries who, without obtaining European asylum, are in need of international protection; a common system of temporary protection for displaced persons in the event of a massive inflow; common procedures for the granting and withdrawing of uniform asylum or subsidiary protection status; criteria and mechanisms for determining which Member State is responsible for considering an application for asylum or subsidiary protection; standards concerning the conditions for the reception of applicants for asylum or subsidiary protection; partnership and cooperation with third countries for the purpose of managing inflows of people applying for asylum or subsidiary or temporary protection.</p> <p>In the event of one or more Member States being confronted by an emergency situation characterised by a sudden inflow of nationals of third countries, provisional measures may be adopted for the benefit of the Member State(s) concerned.</p> <p>The policy of the Union on asylum and its implementation shall be governed by the principle of solidarity and fair sharing of responsibility, including its financial implications, between the Member States.</p>
<p><b>Competences of the Office</b></p> <p><i>(Regulation (EU) No 439/2010 of the European Parliament and of the Council establishing a European Asylum Support Office)</i></p>	<p><b>Objectives</b></p> <p>EASO contributes to the implementation of a Common European Asylum System. EASO's purpose is to facilitate, coordinate and strengthen practical cooperation among Member States on the many aspects of asylum, such as: providing practical and operational support to Member States; providing operational support to Member States with specific needs or Member States subject to particular pressure on their asylum systems; providing scientific and technical assistance for EU policymaking and legislation in all areas having a direct or indirect impact on asylum.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— <b>Permanent support:</b> supporting and stimulating the common quality of the asylum process through common training, a common asylum curriculum and common Country of Origin Information.</li> <li>— <b>Special support:</b> tailor-made assistance, capacity building, relocation, specific support and special quality-control processes.</li> </ul>

	<ul style="list-style-type: none"> <li>— <b>Emergency support:</b> organising solidarity for Member States confronted with particular pressures by providing temporary support and assistance to repair or to rebuild the asylum system.</li>   <li>— <b>Information and analysis support:</b> sharing and merging information and data, analysis and assessment: not only comparing and sharing information, but also common trend analysis and common assessment.</li>   <li>— <b>Third country support:</b> supporting the external dimension, supporting partnerships with third countries to reach common solutions, for example by capacity building and regional protection programmes, and coordinating Member States' actions on resettlement.</li> </ul>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p><i>Composition</i></p> <p>The EASO Management Board is composed of one member from each Member State except Denmark, two members from the European Commission and one non-voting member from the UNHCR. All members are appointed on the basis of their experience, professional responsibility and high degree of expertise in the asylum field.</p> <p>Croatia was invited to attend all meetings of the Management Board and other relevant meetings as an observer until 1 July 2013, when it became a full member of EASO following the entry into force of the Treaty of Accession between the EU and Croatia of 9 December 2011.</p> <p>Denmark, Iceland, Liechtenstein, Norway and Switzerland are invited to attend all meetings of the Management Board and other relevant meetings as observers.</p> <p><i>Tasks</i></p> <p>The key functions of the Management Board, as the governing and planning body of EASO, are outlined in Article 29 of the EASO Regulation and include the appointment of the Executive Director and the adoption of EASO's work programmes and annual reports, and of EASO's general budget. It has overall responsibility for ensuring that EASO performs its duties effectively.</p> <p><b>Executive Director</b></p> <p>The Executive Director, who is independent in the performance of his tasks, is the legal representative of the Office and is responsible, inter alia, for the administrative management of EASO and for the implementation of the work programme and the decisions of the Management Board. The Executive Director of EASO, Dr Robert K. Visser, took up office on 1 February 2011. His term of office is five years, renewable once for a further three years.</p> <p><b>Consultative Forum</b></p> <p>EASO has set up a Consultative Forum in accordance with Article 51 of the EASO Regulation. The Consultative Forum enables EASO to ensure close dialogue with civil society organisations and relevant competent bodies. The Consultative Forum constitutes a mechanism for the exchange of information and pooling of knowledge between EASO, civil society organisations and relevant bodies operating in the asylum field. In accordance with the EASO Regulation, the Consultative Forum meets in plenary at least once a year. In addition, EASO has an annual consultation calendar to organise its various consultation methodologies and activities, i.e. expert meetings, workshops, seminars and online consultation.</p>



	<p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Office in 2013</b></p>	<p><b>Final Budget</b></p> <p>12 million euro</p> <p><b>Staff as at 31 December 2013</b></p> <p>Authorised posts (temporary staff): 45. Posts occupied: 44</p> <p>Other posts (contract staff and SNEs): 32. Posts occupied: 27</p> <p>Total posts: 77</p> <p>Posts occupied: 71, by staff assigned to the following duties:</p> <ul style="list-style-type: none"> <li>— operational tasks: 43</li> <li>— administrative and support tasks: 28</li> </ul>
<p><b>Products and services in 2013</b></p>	<p>EASO's activities can be divided into five focus areas: permanent support, special support, emergency support, information and analysis support and third country support.</p> <p><b>Permanent support:</b> With regards to <i>training</i>, EASO organised 13 train-the-trainer sessions, developed three new training modules and updated six modules already existing, developed two training handbooks and a training cockpit, designed a new learning path, organised the Annual Didactic Seminar, two training National Contact Points meetings and a meeting with the training reference group.</p> <p>EASO's work on <i>quality</i> of asylum processes and decisions included the development of the EASO quality matrix, the organisation of four thematic practical cooperation meetings and a meeting of the national contact points on quality.</p> <p>With regards to <i>Country of Origin Information</i> (COI), EASO adopted the COI Network Approach, created three COI specific networks on Syria, Somalia and Pakistan, made available through the Common European COI Portal 2 108 new COI documents, organised two meetings of the National Common Portal Administrators, two meetings of the Strategic COI Network and ten country specific workshop and seminars. In addition, EASO produced a comparative analysis on the Western Balkans and delivered a training of the COI portal.</p> <p>In the field of <i>unaccompanied minors</i>, EASO issued a publication entitled <i>EASO age assessment practice in Europe</i>, organised four practical cooperation meetings, an annual conference on unaccompanied minors and conducted a research on family tracing.</p>

EASO updated the *list of languages available* for direct translation within the Member States, participated in relevant meetings of the JHA Agencies of *trafficking in human beings* and strengthen the cooperation with members of the *Courts and Tribunals*.

**Special support:** EASO provided *special support to Sweden and to Italy*. In case of Sweden, EASO delivered specific training on two EASO modules, while in the case of Italy, EASO contributed in the implementation of a Special Support Plan comprising 45 support activities. Twenty-five experts were deployed within ten support teams, delivering six thematic workshops on Dublin and COI, mapping the reception system of Italy and providing training to the Italian judiciary. In addition EASO organised two practical cooperation meetings on *relocation*, participated in the first Annual Relocation Forum and was involved in the *Task Force Mediterranean*, being eight actions earmarked for EASO.

**Emergency support:** EASO provided emergency support to Greece and to Bulgaria, deploying 49 experts within 25 Asylum Support Teams. An EASO-UNHCR project for Greece on processing of pending cases was implemented and an emergency exercise with Frontex in the Romanian and Hungarian border was conducted. EASO organised three meetings of the Asylum Intervention Pool National Contact Points.

**Information and analysis support:** EASO published its Annual Report on the state of asylum in the EU in 2012, three quarterly asylum reports and 12 monthly asylum reports. Moreover, EASO developed the stage II of its Early warning and Preparedness System.

**Third country support:** EASO adopted the External Action Strategy, participated in the Prague Process and in the EU Mobility Partnerships with Tunisia and Morocco and the dialogue on migration, mobility and security with Jordan. A project with these three countries was agreed in December 2013 in the context of the European Neighbourhood Partnership Instrument. Finally, EASO organised two practical cooperation meetings, one on resettlement and one on the external dimension of the CEAS and participated in two workshops of the Technical Assistance and Information Exchange (TAIEX) instrument.

With regard to **EASO's organisation**, EASO organised four Management Board meetings, adopted three Management Board decisions, signed a working agreement with UNHCR and with FRA, held its third Consultative Forum meeting and consulted the civil society on various topics. EASO adopted its Multi-Annual Work Programme 2014-2016. Finally, an evaluation on the impact of EASO practical cooperation on asylum and on the CEAS was carried out by the European Commission in 2013.

Source: Annex supplied by the Office.

**THE OFFICE'S REPLIES**

11. The accrual was a rough estimate and EASO was waiting for PMO's confirmation of all entitlements to be received by the staff entered into service in 2013. EASO has currently a payroll tracking system (excel) to register all entitlements received or pending for each staff member.

12. EASO late payments radically decreased by summer 2013; however due to a considerable increase in workload related to the year-end activities, late payments occurred again in the last quarter of 2013. New procedures such as mass upload payments have been put in place to decrease the rate of late payments.

13. The implementation of the six pending internal control standards is on-going and they will be fully implemented in 2014.

14. EASO acknowledges a significant improvement in its budgetary management in 2013 and will continuously monitor the consumption of budgetary commitments. This will ensure a high rate of budget execution and a regular carry-over.

15. EASO has implemented a monthly monitoring and reporting system of established budgetary commitments in order to ensure timely de-commitments and limit the carry-forward to year n+1 to the amount necessary and sufficient to cover existing legal obligations.

16. The questions for interviews and written tests are drafted based on the job requirements, as stated in the vacancy notice. The main reason for not drafting them prior to the preliminary meeting is to ensure their confidentiality.

For a number of criteria which are essential for a job, such as excellent planning and problem-solving skills, there is the risk of being unfair when assessing them through the application form. To increase transparency, EASO is mentioning all criteria that will be assessed during the interview under a specific paragraph of the vacancy notice. EASO complied with ECA's comments and changed the conflict of interest statement for the Selection Committees. Furthermore, a policy on prevention and management of conflict of interests has been signed on 29 November 2013.

17. Weightings and threshold scores are both set in advance before the examination of the applications. In accordance with the EASO Recruitment Policy, the threshold to be invited to the interviews and being put on the reserve list is 70 % and applies to all selection procedures. Furthermore, it is also stated in the Minutes of the selection procedures that the threshold is set in advance.

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**REPORT****on the annual accounts of the European Banking Authority for the financial year 2013, together with the Authority's replies**

(2014/C 442/13)

**INTRODUCTION**

1. The European Banking Authority (hereinafter 'the Authority', aka 'EBA'), which is located in London, was established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council <sup>(1)</sup>. The Authority's task is to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, to contribute to the consistent application of legally binding Union acts, to stimulate and facilitate the delegation of tasks and responsibilities among competent authorities, to monitor and assess market developments in the area of its competence and to foster depositor and investor protection <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Authority, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Authority and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 331, 15.12.2010, p. 12.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Authority's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. In 2013, the overall level of committed appropriations was 90 % as compared to 89 % in 2012, varying between 87 % for title I (staff expenditure), 98 % for title II (administrative expenditure) and 92 % for title III (operational expenditure). The commitment rate for title I was negatively impacted by the Court of Justice's decision against the indexation of staff salaries for the period 1 July 2011 to 30 June 2013 (1,8 million euro).

12. Although the overall level of carry-overs decreased significantly to 3 876 564 euro (17 %) compared with 6 547 808 euro (36 %) for the previous year, carry-overs of committed appropriations remained relatively high for title II at 1 974 511 euro (35 %) and title III at 1 651 203 euro (36 %). These carry-overs mainly result from the planned procurement of IT infrastructure and IT services, for which the contracts were concluded as planned in December 2013 and the related services will be provided in 2014.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The low budget execution rates show difficulties in budget planning and implementation.	Completed
2011	The Authority's budget for the financial year 2011 was 12,7 million euro. In accordance with its Founding Regulation <sup>(1)</sup> , 60 % of the 2011 budget was financed from Member States' and EFTA countries' contributions and 40 % from the Union budget. At the end of 2011, the Authority recorded a positive budget outturn of 3,6 million euro. In compliance with Articles 15(4) and 16(1) of its Financial Regulation the full amount was then recorded in the accounts as a liability towards the European Commission.	Completed
2011	The Authority needs to improve the transparency of recruitment procedures: weightings for selection criteria and threshold scores for being invited to interviews or for inclusion in the list of suitable candidates were not set before the examination of applications.	Completed
2012	In order to cover higher school fees, the Authority grants staff whose children attend primary or secondary school an education contribution in addition to the education allowances provided for in the Staff Regulations <sup>(2)</sup> . Total 2012 education contributions amounted to some 76 000 euro. They are not covered by the Staff Regulations and therefore irregular.	Ongoing <sup>(3)</sup>
2012	In accordance with the Authority's IT strategy which was drawn up by its predecessor organisation <sup>(4)</sup> , the EBA's IT core application systems were outsourced to an external IT provide <sup>(5)</sup> until December 2013. This poses risks related to the Authority's limited control and supervision over its IT systems.	Completed
2012	The overall level of appropriations committed was 89 %, varying between 84 % for title I (staff expenditure), 86 % for title II (administrative expenditure) and 100 % for title III (operational expenditure) <sup>(6)</sup> . Carry-overs of committed appropriations were high for title II (45 %) mainly for reasons beyond the Authority's control, such as the unsuccessful attempt to find new premises and delays in the implementation of some IT projects for which it was difficult to obtain information needed from the predecessor organisation. For title III, carry-overs of committed appropriations were high (85 %), mainly due to the complexity and lengthy duration of two IT procurement procedures which however were carried out according to plan, delays in the launching and implementation of three other IT projects and the late invoicing for certain IT services by the suppliers.	N/A

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Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The Court identified the following weaknesses in the audited recruitment procedures affecting transparency and equal treatment: candidates were given a global score instead of one score for each of the selection criteria; there was no evidence that the questions for interviews and tests had been set before the date of the examinations.	Completed

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<sup>(1)</sup> Article 62(1) of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010.

<sup>(2)</sup> Article 3 of Annex VII provides for twice the basic allowance of 252,81 euro = 505,62 euro.

<sup>(3)</sup> For 3 of the 9 schools concerned contracts had yet to be concluded in 2013.

<sup>(4)</sup> Committee of European Banking Supervisors.

<sup>(5)</sup> Banque de France.

<sup>(6)</sup> Following an analysis of needs for the remaining part of the year, the budget was revised and appropriations were reduced by 8,9 % in September 2012.

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## ANNEX II

**European Banking Authority (London)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Articles 26 and 114 of the Treaty on the Functioning of the European Union)</i></p>	<p><i>Article 26</i></p> <p>'1. The Union shall adopt measures with the aim of establishing or ensuring the functioning of the internal market, in accordance with the relevant provisions of the Treaties.</p> <p>2. The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of the Treaties.</p> <p>3. The Council, on a proposal from the Commission, shall determine the guidelines and conditions necessary to ensure balanced progress in all the sectors concerned.'</p> <p><i>Article 114</i></p> <p>'1. Save where otherwise provided in the Treaties, the following provisions shall apply for the achievement of the objectives set out in Article 26. The European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.'</p>
<p><b>Competences of the Authority</b></p> <p><i>(Regulation (EU) No 1093/2010 of the European Parliament and of the Council)</i></p> <p><i>(Regulation (EU) No 1022/2013 of the European Parliament and of the Council, amending Regulation (EU) No 1093/2010)</i></p>	<p><b>Objectives</b></p> <p>(a) Improving the functioning of the internal market, including, in particular, a sound, effective and consistent level of regulation and supervision;</p> <p>(b) ensuring the integrity, transparency, efficiency and orderly functioning of financial markets;</p> <p>(c) strengthening international supervisory coordination;</p> <p>(d) preventing regulatory arbitrage and promoting equal conditions of competition;</p> <p>(e) ensuring the taking of credit and other risks are appropriately regulated and supervised;</p> <p>(f) enhancing customer protection.</p> <p><b>Tasks</b></p> <p>(a) To contribute to the establishment of high-quality common regulatory and supervisory standards and practices;</p> <p>(b) to develop and maintain up to date a European supervisory handbook on the supervision of financial institutions in the Union as a whole;</p> <p>(c) to contribute to the consistent application of legally binding Union acts;</p> <p>(d) to facilitate the delegation of tasks and responsibilities among competent authorities;</p> <p>(e) to cooperate closely with the ESRB <sup>(1)</sup>;</p> <p>(f) to organise and conduct peer review analyses of competent authorities;</p> <p>(g) to monitor and assess market developments in the area of its competence;</p> <p>(h) to undertake economic analyses of markets to inform the discharge of the Authority's functions;</p>

	<p>(i) to foster depositor and investor protection;</p> <p>(j) to promote the consistent and coherent functioning of colleges of supervisors, the monitoring, assessment and measurement of systemic risk, the development and coordination of recovery and resolution plans, providing a high level of protection to depositors and investors throughout the Union and developing methods for the resolution of failing financial institutions and an assessment of the need for appropriate financing instruments;</p> <p>(k) to fulfil any other specific tasks set out in this Regulation or in other legislative acts;</p> <p>(l) to publish on its website, and to update regularly, information relating to its field of activities.</p>
<b>Governance</b>	<p><b>Board of Supervisors</b></p> <p>Composed of the Chairperson, one representative per Member State (head of NSA <sup>(2)</sup>), Commission, ECB <sup>(3)</sup>, ESRB, EIOPA <sup>(4)</sup> and ESMA <sup>(5)</sup>.</p> <p><b>Management Board</b></p> <p>Composed of the Chairperson and six other members of the Board of Supervisors.</p> <p><b>Chairperson</b></p> <p>Appointed by Board of Supervisors.</p> <p><b>Executive Director</b></p> <p>Appointed by Board of Supervisors.</p> <p><b>Board of Appeal</b></p> <p>Joint body of the three ESAs.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament.</p>
<b>Resources made available to the Authority in 2013 (2012)</b>	<p><b>2013 Budget</b></p> <p>26,0 (20,7) million euro</p> <p>Including:</p> <p>European Union subsidy: 10,4 (8,3) million euro</p> <p>Contributions from Member States: 15,2 (12,1) million euro</p> <p>Contributions from observers: 0,4 (0,3) million euro</p> <p><b>Posts filled as of 31 December 2013</b></p> <p>93 temporary staff (68) — of which offer letters sent to and accepted by seven TAs before 31 December 2013.</p> <p>14 contract staff (12)</p> <p>17 Seconded National Experts (14)</p>
<b>Products and services 2013</b>	<p>— Conduct of 56 public consultations (predominantly on draft Regulatory and Implementing Technical Standards developed under the CRDIV/CRR legislative framework), organisation of 34 public hearings</p>

- Submission of 36 draft Regulatory Technical Standards and 21 draft Implementing Technical Standards to the European Commission for final endorsement (developed in particular under (i) the CRDIV/CRR legislative framework, and relating to the area of banks' own funds, credit risk, market risk, liquidity and remuneration, as well as (ii) the Crisis Recovery and Resolution legislative framework)
- Issuance of two guidelines (on capital measures for FX lending, and on retail deposits subject to different outflows for the purpose of liquidity reporting) and four recommendations to national competent authorities (on banks' participation in Euribor, on the development of recovery plans, on the preservation of CT1 capital during the transition to CRDIV/CRR legislative framework, and on asset quality review of banks)
- Provision of six opinions addressed to the Commission, European Parliament and Council, one technical advice to the European Commission, four comment letters on accounting addressed to IASB and two comment letters on auditing addressed to IAASB
- One peer review completed on the implementation by national competent authorities of the stress testing guidelines
- Establishment of the Single Rulebook Questions and Answers tool on EBA website for institutions, supervisors and other stakeholders
- Issuance of an extensive number of thematic reports in various areas of EBA expertise (e.g. banking sector and cross-sectoral risk analysis reports, reports on the consistency of banks' risk-weighted assets, consumer trends report, report on the results of the Basel II monitoring exercise, end of term report of the Banking Stakeholder Group, reports on banks' liquidity, report on the impact of the liquidity coverage ratio, report on the data on high earners in EU banks, report on comparability of supervisory rules and practices, report on procyclicality of banks' capital requirements, reports in the area of comparability of the risk-weighted assets (RWAs), etc.)
- Performance of risk analysis, assessment and monitoring of key risks in the EU banking sector, including analysis of the consistency of outcomes in RWAs, the sustainability of banks business models and reviews of banks' asset quality
- Development of semi-annual banking sector and cross-sectoral risk reports, quarterly risk dashboards, weekly reporting on liquidity and funding conditions of European banks and on banking market indicators, regular updates on risks and vulnerabilities provided to the EU institutions and bodies
- Extensive work in the area of banks' balance sheet repair and banks' asset quality review (issuance of recommendations on the preservation of capital and on asset quality review, three interim reports on the consistency of RWAs, four other reports on various issues in relation to comparability of the RWAs, identification of common definitions of non-performing loans and forbearance, also in preparation for the asset quality reviews and the SSM comprehensive assessment)

- Execution of the EU-wide transparency exercise providing information on EU banks that were part of the recapitalization exercise in 2012
- Preparation for the 2014 stress testing of EU banks (work on development of methodologies, scenarios and key assumptions of the stress testing), inputs — as advisor to the Commission — to the stress tests in some program countries
- Development and assistance with implementation of the common reporting frameworks of financial reporting (FINREP) and common reporting (COREP) and XBRL Taxonomy for second level supervisory reporting
- Active participation in meetings and activities of colleges of national supervisory authorities, promoting and monitoring supervisory cooperation in colleges
- Work related to EURIBOR and benchmark-related issues, performed jointly with ESMA, including publication of principles for benchmark setting processes, and work on follow up to recommendations to the Euribor-EBF and national authorities
- Annual assessment on banks' implementation of Pillar 3 disclosure requirements
- Contribution to the Basel Committee' Regulatory Consistency Assessment Programme (RCAP)
- In the area of consumer protection, issuance of two consumer warnings (on virtual currencies and on contracts for difference), one joint position by the ESAs on product oversight and governance, co-organisation the 2013 Joint Consumer Day of the ESAs, and — as already mentioned under the above — issuance of three opinions on good practices for national competent authorities (on mortgages and exchange traded funds), one consumer trend report, and launch of one consultation on a draft RTS regarding mortgage intermediaries, and one consultation on joint complaints handling guidelines
- Providing input and contribution to the process of the review of the European System of Financial Supervision in the context of Article 81 of the EBA Regulation, jointly with other ESAs (provision of quantitative and qualitative data to the COM, report on achievements and challenges of the ESAs to the Council, participation in the COM's public hearing on the ESFS review and ECON's public hearing, submission of the ESAs' opinion on the review of the ESRB)
- Provision and coordination of 20 seminars and training activities to staff from the EBA and national supervisory authorities (out of which eight provided jointly with the other ESAs)
- 10 meetings of Board of Supervisors (six physical meetings, four teleconferences), seven meetings of Management Board (five physical meetings, two teleconferences), seven meetings of the Banking Stakeholders Group (two of them jointly with the Board of Supervisors)

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	<ul style="list-style-type: none"><li>— Fulfillment of the Establishment plan (61 selection procedures organised and 153 candidates interviewed in 2013 with no appeals to the ED or Ombudsman)</li><li>— Further improvement of administration and transparency of recruitment, introduction of induction training for newly recruited staff</li><li>— Definition and implementation of new procedure for administration of EBA education contribution (contracts with schools)</li><li>— Introduction of new medical service provider (joint procurement with EMA) and of new interim staff provider following procurement procedure</li><li>— In relation to Allegro, launching the work on development of eRecruitment, change to IBM platform, modification of Allegro to the new Staff Regulation</li><li>— Procession of 421 financial commitments and 2 335 payment orders</li><li>— Implementation of improved budget monitoring tools and of improvements in the Internal Control Standards</li><li>— Successful completion of nine procurements, all fully in line with the EU procurement rules</li><li>— Renewal of 20 contracts which initially had been signed in 2012 for a period of 12 months</li><li>— Revision of the costing sheets in four contracts, according to the trend in the Retail Price Indices (RPI) covering the UK</li><li>— Joining new Commission procedures for supply of office furniture, insurance services, IT services, licenses for computer software and Microsoft Licenses, and joined two inter-institutional procurement procedures with the European Medicine Agency, for the provision of medical services and of interim staff (legal profile).</li></ul>
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<sup>(1)</sup> European Systemic Risk Board.

<sup>(2)</sup> National Supervisory Authority.

<sup>(3)</sup> European Central Bank.

<sup>(4)</sup> European Insurance and Occupational Pensions Authority.

<sup>(5)</sup> European Securities and Markets Authority.

Source: Annex supplied by the Authority.

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**THE AUTHORITY'S REPLIES**

11. The EBA adopted a prudent approach to the 2011/2012 salary adjustments which, due to the form and timing of the Court of Justice decision, resulted in commitment execution of just over 90 %. The authority anticipates significantly improved budget execution in 2014, given ongoing improvement in budget management by the authority and taking account of the greater clarity regarding the salary adjustments.

12. The EBA acknowledges that, while there has been a significant decrease in the overall level of carry-overs, there is still room for further improvement. Given that the bulk of the carry-overs arises due to the timing of various annually renewable IT contracts, the EBA intends within the calendar year to pursue options to amend supplier contracts so as to change renewal periods and so reduce the level of carry-over.

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

(2014/C 442/14)

**INTRODUCTION**

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

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Centre, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

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

**COMMENTS ON BUDGETARY MANAGEMENT**

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

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

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

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

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



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

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

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

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

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## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	<p>The opinion on the legality and regularity of the Centre's transactions was qualified for the year 2011 because the Centre did not respect the maximum amount of a framework contract from 2009. According to this framework contract, the Centre could sign specific contracts with selected suppliers up to a maximum amount of 9 million euro. By the end of 2011 however, payments of 12,2 million euro had been made.</p> <p>In order to purchase essential services for the continuation of the related project, the Centre in 2012 concluded additional specific contracts for an amount of 2,5 million euro. Together with 2,7 million euro of payments made in 2012 for contracts signed already in 2011, payments made totalled 17,4 million euro by the end of 2012. Whilst payments above the 9 million euro ceiling set in the framework contract are irregular, the Centre has taken corrective action in 2012 and signed a replacement framework contract in June 2012 (no further payments will be made under the old contract) and has improved monitoring the consumption of framework contracts in general.</p>	N/A
	<p>The 2012 payments amounting to 5,2 million euro stem from failures in previous years when the ceiling of the framework contract was not respected. They relate to contractual obligations stemming from previous years (2,7 million euro) or taken in 2012 for business continuity reasons (2,5 million euro) pending the finalisation of the procurement procedure for the new framework contract. Given the corrective action taken by the Centre in 2012, the Court has not qualified the opinion on the legality and regularity of transactions this year.</p>	
2012	<p>In 2012, the Centre awarded grants to research institutions and individuals. Total grant expenditure amounted to 752 000 euro, representing 1,4 % of 2012 operating expenditure. The Centre's <i>ex ante</i> verifications before reimbursement of costs claimed by beneficiaries consist of a desk analysis of cost claims and partly also of audit certificates issued by independent audit firms contracted by the beneficiaries. The Centre does not usually obtain from beneficiaries any documents to substantiate the eligibility and accuracy of the costs claimed. In order to strengthen controls, the Centre has adopted an <i>ex post</i> verification strategy and planned for its implementation in 2012. However, it experienced a 10-month delay in gaining access to an interinstitutional audit contract and, at the time of the audit, no <i>ex post</i> verifications of 2012 grant expenditure had yet taken place. For the transactions audited by the Court, supporting documentation was obtained by the Centre on the Court's behalf which provided reasonable assurance as to their legality and regularity.</p>	Ongoing

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	Budget implementation rates were satisfactory for Title I (staff expenditure) and Title II (administrative expenditure) at 97 % and 80 % of committed appropriations respectively. While the level of carry-overs related to Title III is high at 8,3 million euro (41 % of Title III appropriations committed), this did not arise from delays in the implementation of the Centre's annual work programme, but reflects the multiannual nature of activities. The Centre has adopted a budgetary planning module that is linked directly to its annual work programme and payments were planned and made according to operational needs.	N/A

## ANNEX II

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

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

	<p><i>Tasks</i></p> <p>The Forum is to assure the scientific excellence of the work and the independence of the activities and opinions of the Centre.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on the recommendation of the Council.</p>
<p><b>Resources made available to the Centre in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>58,3 (58,2) million euro</p> <p><b>Staff as at 31 December 2013</b></p> <p>Posts in establishment plan: 198 (200)</p> <p>Occupied posts: 190 (187)</p> <p>Other posts: 95 (91)</p> <p>Total: 285 (278), assigned to the following duties:</p> <ul style="list-style-type: none"> <li>— operational tasks: 186 (183)</li> <li>— administrative and support tasks: 99 (95)</li> </ul>
<p><b>Products and services in 2013 (2012)</b></p>	<p>42 (69) health threats identified and monitored using the Threat Tracking Tool (TTT).</p> <p>52 (52) weekly threat reports on communicable diseases sent to 400 (334) recipients. In addition, as from 2012, the report is also made available on ECDC website every week and has become one of the site's most visited pages (8 000 visits in 2013).</p> <p>Provision of support to epidemic intelligence for 2 (3) large mass-gathering events.</p> <p>In addition, 4 (3) events of an exceptional nature or of exceptional public importance were also monitored.</p> <p>Preparation of 3 (6) risk assessments, 12 (16) new rapid risk assessments and 9 (16) rapid risk assessment updates.</p> <p>1 (1) simulation exercise conducted for testing and improving preparedness and response to communicable diseases.</p> <p>117 (104) fellows coached in the European Programme for Intervention Epidemiology Training (EPIET) and the European Public Health Microbiology Training (EUPHEM).</p> <p>112 (114) public health experts from 30 EU-EEA countries participated in the Centre's short training modules.</p> <p>945 000 (780 000) visitors to the Centre's web portal.</p> <p>216 (204) scientific publications published. Five-year impact factor citations: 5,6 (4,55)</p>

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

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**THE CENTRE'S REPLIES**

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

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

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

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

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

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

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**REPORT****on the annual accounts of the European Chemicals Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/15)

**INTRODUCTION**

1. The European Chemicals Agency (hereinafter 'the Agency', aka 'ECHA'), which is located in Helsinki, was set up by Regulation (EC) No 1907/2006 of the European Parliament and of the Council <sup>(1)</sup>. Its main tasks are to ensure a high level of protection of human health and the environment as well as the free movement of substances on the internal market while enhancing competitiveness and innovation. The Agency also promotes the development of alternative methods for the assessment of hazards relating to substances <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 396, 30.12.2006, p. 1.

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

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

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

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

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



**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. As in the previous year, budget implementation rates for the year 2013 were satisfactory for Titles I and II. Although the level of committed appropriations carried over to 2014 remained high for Titles III, IV and V (operational expenses) at EUR 10,6 million (46 %), this mainly resulted from the multiannual nature of planned IT development projects (EUR 6,3 million), cost for translations ordered in 2013 but not received by the year end (EUR 1,3 million) and substance evaluations for which the regulatory deadline was February 2014 (EUR 1,7 million).

**OTHER COMMENTS**

12. In his Declaration of assurance for the year 2013 ECHA's Executive Director confirmed reasonable assurance that resources have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions. However, a reservation to this assurance was made since the mandate of the Agency does not include controls or inspections at national level and therefore no confirmation could be given that only registered or authorised substances and products, for which a fee has been paid to the Agency, were circulating on the European Union market.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Agency's 2011 budget amounted to EUR 93,2 million, of which EUR 14,9 million (16 %) was carried over to 2012. Carry-overs related to Title III (operational expenditure) amounted to EUR 11,5 million (55 %). The level of carry-overs is excessive and at odds with the budgetary principle of annuality.	N/A
2011	The results of the latest physical inventory carried out in 2011 show several shortcomings, notably as regards the low proportion of ICT assets checked in terms of value. No formal policy on the inventory of fixed assets is in place.	Completed
2012	Physical inventory results show serious weaknesses in the safeguarding and tracking of fixed assets. There is no tracking procedure for software and internal components (2 370 items out of the 5 878 ICT fixed assets recorded). In addition, 306 items could not be found, of which 93 laptops and 29 computers.	Completed
2012	Budget implementation rates for the year 2012 were satisfactory for Titles I and II. While the rate of committed appropriations carried over was high for Title III at 50 % (EUR 11,3 million), this primarily relates to the multiannual nature of significant IT development projects (EUR 3,7 million), substance evaluations with an annual regulatory deadline set at February N+1 (EUR 1,8 million), translations not yet delivered by year-end (EUR 1,3 million) and the start of two new activities Biocides (EUR 1,2 million) and PIC (EUR 1,3 million) in the second half of the year.	N/A

## ANNEX II

## European Chemicals Agency (Helsinki)

## Competencies and activities

<b>Areas of Union competence deriving from the Treaty</b>	<b>Collection of information</b> <ul style="list-style-type: none"> <li>— The legal base of ECHA's founding regulation — the REACH Regulation (EC) No 1907/2006 — is Article 114 of the Treaty on the Functioning of the European Union.</li> </ul>
<b>Competences of the Agency</b>  <i>(as defined in Regulation (EC) No 1907/2006 of the European Parliament and of the Council (REACH Regulation), Regulation (EC) No 1272/2008 of the European Parliament and of the Council (Classification, labelling and packaging of substances and mixtures — CLP Regulation), Regulation (EU) No 528/2012 of the European Parliament and of the Council (Biocidal Products Regulation) and Regulation (EU) No 649/2012 of the European Parliament and of the Council (Prior informed consent))</i>	<b>Objectives</b> <ul style="list-style-type: none"> <li>— The purpose of the REACH and CLP Regulations is to ensure a high level of protection of human health and the environment, including the promotion of alternative methods for the assessment of hazards of substances, as well as the free circulation of substances on the internal market while enhancing competitiveness and innovation (Article 1(1) of the REACH Regulation, Article 1 of the CLP Regulation).</li> <li>— ECHA is established for the purposes of managing and, in some cases, carrying out the technical, scientific and administrative aspects of the REACH Regulation and to ensure consistency at Union level in relation to these aspects (Article 75 of the REACH Regulation) and to manage tasks related to the classification and labelling of chemical substances deriving from the CLP Regulation.</li> </ul> <b>Tasks</b> <ul style="list-style-type: none"> <li>— To receive registrations and other dossiers of chemical substances and undertake a completeness check thereof (Title II of the REACH Regulation).</li> <li>— To process inquiries regarding the registrations and take decisions on data sharing disputes (Title III of the REACH Regulation).</li> <li>— To examine registration dossiers for compliance with the REACH Regulation and the testing proposals therein, and coordinate the substance evaluation process (Title VI of the REACH Regulation).</li> <li>— To process proposals of substances of very high concern for the Candidate List and make recommendations for some of these substances to be included in the Authorisation List and handle authorisation applications (Title VII of the REACH Regulation).</li> <li>— To process restriction dossiers (Title VIII of the REACH Regulation).</li> <li>— To establish and maintain public database(s) with information on all registered substances and make certain information publicly available over the internet (Articles 77 and 119 of the REACH Regulation).</li> <li>— To provide technical and scientific guidance and tools where appropriate (Article 77 of the REACH Regulation, Article 50(2) of the CLP Regulation) and under the Biocidal Product Regulation (EU) No 528/2012.</li> <li>— To provide the Member States and the EU institutions with the best possible scientific and technical advice on questions relating to chemicals which fall within its remit and which are referred to it in accordance with the provisions of the REACH and CLP Regulations (Article 77(1) of the REACH Regulation, Article 50(1) of the CLP Regulation).</li> <li>— To receive C&amp;L notifications, maintain a public C&amp;L inventory, handle requests for alternative names and process proposals for the harmonised classification and labelling of substances (CLP).</li> </ul>

	<ul style="list-style-type: none"> <li>— To implement technical and scientific tasks in accordance with the Biocidal Products Regulation (EU) No 528/2012, which came into force on 1 September 2013.</li> <li>— To implement tasks under the PIC ('Prior Informed Consent') Regulation (EU) No 649/2012 when it enters into operation in March 2014.</li> </ul>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p>One representative of each Member State appointed by the Council and a maximum of six representatives appointed by the Commission, including three individuals from interested parties without voting rights and, in addition, two independent persons appointed by the European Parliament (Article 79 of the REACH Regulation).</p> <p><i>Tasks</i></p> <p>Article 78 of the REACH Regulation and framework financial regulation for agencies, mainly adopting annual and multi-annual work programmes, the final budget, a general report, internal rules of procedures and the appointment of and disciplinary authority over the Executive Director. In addition, the appointment of the Board of Appeal and Committee members.</p> <p><b>Executive Director</b></p> <p><i>Tasks</i></p> <p>Article 83 of the REACH Regulation.</p> <p><b>Committees</b></p> <p>The Agency comprises three Scientific Committees (Risk Assessment, Member States and Socio-Economic Analysis).</p> <p><i>Tasks</i></p> <p>Article 77(3)(a)-(c) of the REACH Regulation.</p> <p><b>Forum for Exchange of Information on Enforcement</b></p> <p><i>Tasks</i></p> <p>Article 77(4)(a)-(h) of the REACH Regulation.</p> <p><b>Secretariat</b></p> <p><i>Tasks</i></p> <p>Article 77(2)(a)-(o) of the REACH Regulation.</p> <p><b>Board of Appeal</b></p> <p><i>Tasks</i></p> <p>Article 76(1)(h) of the REACH Regulation.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament, upon a recommendation from the Council (Article 97(10) of the REACH Regulation).</p>

<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget (including amending budgets)</b></p> <ul style="list-style-type: none"> <li>— EUR 107,7 (98,9) million, including: <ul style="list-style-type: none"> <li>— revenue from fees: EUR 86,1 (26,6) million,</li> <li>— Union contribution: EUR 8,6 (4,9) million to support the implementation of Regulation (EU) No 528/2012 concerning the making available on the market and use of biocidal products (EUR 6,1 million) and the balancing contribution (EUR 0,9 million), Regulation (EU) No 649/2012 concerning the export and import of hazardous chemicals (EUR 1,5 million) and the Instrument for Pre-Accession — IPA (EUR 0,1 million).</li> </ul> </li> </ul> <p><b>Staff at 31 December 2013</b></p> <ul style="list-style-type: none"> <li>— Number of posts in the establishment plan: 503 (470)</li> <li>— Number of posts occupied: 468 (447)</li> <li>— Other staff: 95 (90) (contract staff and seconded national experts)</li> <li>— Total staff: 563 (506), assigned to the following: <ul style="list-style-type: none"> <li>— operational tasks: 386 (352),</li> <li>— administrative and support tasks: 177 (185).</li> </ul> </li> </ul>
<p><b>Activities and services provided in 2013 (2012)</b></p>	<p>ECHA's work programme was divided into the following 17 activities:</p> <p><b>Registration, Pre-registration and Data-sharing</b></p> <ul style="list-style-type: none"> <li>— Number of registration dossiers processed: 14 839 (9 773)</li> <li>— Number of confidentiality requests assessments completed: 662 (630) decisions (positive or negative) out of 860 assessments (initial and final)</li> <li>— Number of inquiries received: 1 903 (1 632)</li> <li>— Number of decisions issued on data sharing disputes: 11 (1)</li> <li>— Number of substances on which info made public (excluding confidential info): 10 561 (7 884)</li> </ul> <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>— Number of compliance checks completed: 637 (198)</li> <li>— Number of final decisions on testing proposals: 111 (171)</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>— Number of substances identified for inclusion in the Candidate List: 13 (67)</li> <li>— Number of recommendations of substances for inclusion in Authorisation List: 1 (0)</li> <li>— Number of restriction dossiers submitted for Commission decision: 2 (1)</li> <li>— Number of authorisation applications received: 8 (0)</li> <li>— Number of notifications of Candidate List substances in articles: 93 (31)</li> </ul> <p><b>Classification and Labelling (C&amp;L)</b></p> <ul style="list-style-type: none"> <li>— Number of C&amp;L notifications received: 6,1 million for over 125 000 substances (out of which almost 116 000 are included in the publicly disseminated notifications)</li> </ul>

— Number of proposals for harmonised classification and labelling received: 29 (27)

— Number of requests for alternative names for substances in mixtures received: 28 (13)

#### **Advice and assistance**

— Number of questions answered by ECHA Helpdesk: 5 975 (includes questions received via the contact forms, during webinars and one-to-one sessions). The ECHA Helpdesk also processed 755 requests-for-action for other units in ECHA which were received from companies via the contact forms.

— Number of new guidance documents issued: 1 (0) and number of guidance updates issued: 7 (30) including 4 (17) corrigenda.

#### **Scientific IT Tools**

— Completion of REACH-IT preparations for the 2013 deadline.

— Development and release of R4BP3 application and Biocides section in Dissemination website for Biocidal Products Regulation.

— Further enhancement and releases of IT Tools: IUCLID, CHESAR, Odyssey, RIPE, C&L Inventory.

— Release of an IT solution for Member States for single point of access to dossiers and substance data.

— Further enlargement of the scope of the disseminated information on substances.

— Development of a new application for processing notifications and consents under Prior Informed Consent Regulation.

— Further enhancement and releases of the Dossier Evaluation Process and Odyssey, in order to support the achievement of the check objectives for 2013.

— Development of a new application designed to support all REACH and CLP internal processes with an integrated case management system supporting the preparation of decisions and records.

#### **Scientific and technical advice to EU institutions and bodies**

— Contributions provided for the development of new test methods, mainly via the OECD test guidelines programme.

— Software on non-test methods procured and made accessible, taking into account scientific developments, expert knowledge build-up by training, practical experience and active exchange with experts outside ECHA. Training events organised in the field of alternatives to testing for in-house and external experts.

— Webinar on 'How to ensure the safe use of NM under REACH — Part II: Current best practices for human health and environmental hazard assessment for NM'.

— 'Assessing human health and environmental hazards of nanomaterials — Best practice for REACH Registrants' report published.

- ECHA input into the establishment of a baseline for the purpose of an impact assessment of possible modifications of REACH Annexes for nanomaterials.
- Draft summary of the main outcomes of the discussions of the Topical Scientific Workshop on Risk Assessment for the Sediment Compartment.
- Cooperation with the IHCP/JRC.

#### **Committees and Forum**

- Number of unanimous MSC agreements: 155 (179)
- Number of RAC opinions: 41 (34)
- Number of SEAC opinions: 3 (1)
- Number of advices on restrictions: 6 (4)

#### **Board of Appeal**

- Number of appeals lodged: 22 (8)
- Number of decisions on appeals: 8 (1) and Number of procedural decisions: 16 (6)

#### **Communication**

- 4 stakeholder events organised:
  - 8th REACH&CLP Stakeholders' Day in March (280 on-site + 1 700 online participants),
  - 1st Biocides Stakeholders' Day in June (270 on-site + 1 200 online participants),
  - Accredited Stakeholder Workshop in November (35 participants),
  - briefing event for new accredited stakeholders (11 participants).
- 15 webinars organised with 2 060 participants.
- Approx. 250 products (online and offline content) published in 23 EU languages.
- Approx. 1 800 updates performed on the website.
- Approx. 1 300 000 website visitors for a total of approx. 3 600 000 visits.
- 53 publications.
- 45 press releases produced, 2 e-press briefings and 71 interviews with media organised.
- 50 news alerts, 51 e-News bulletins, 6 newsletters, 503 Tweets.
- 6 bi-monthly e-bulletins published for accredited stakeholders.
- 449 internal news items, 50 internal news summaries.
- 4 quarterly Staff Assemblies organised, 3 ED Breakfast meetings with ECHA staff and the Executive Director.



**International Cooperation**

- Scientific and technical co-operation with the OECD (e.g. IUCLID) and peer agencies (Australia, Canada, Japan and USA) and technical support to the Commission's international work (e.g. UN GHS).

**Management**

- Continued development and improvement of administrative and management systems, including IQMS.

**Finance, Procurement and Accounting**

- Rigorous budget and cash reserve management.
- ECHA procured scientific, IT and administrative services under its existing Framework Contracts; successfully concluded open calls for tenders for the establishment of new Framework Contracts for a human resources (HR) integrated management system, for phase 3 of the QSAR toolbox and for travel and medical services; carried out an audit to increase efficiency in its procurement and contract management processes that resulted in planned actions to be implemented in 2014.
- Total number of companies verified regarding SME status: 516.

**Human resources and corporate services**

- 27 (23) selection procedures finalised; 87 (65) staff members recruited (TA and CA).

**Information and communication technology**

- 67 services defined and maintained to provide the ICT infrastructure and keep ICT resources operational and at the appropriate level of performance.
- Continued identification and establishment of HA solutions in compliance with BCP requirements.
- Successful outsourcing of management and hosting of several IT systems.
- Migration of 700 workstations to provide a more mobile, secure and feature-rich solution.
- Implementation of a record management system based on the records relating to the Secretariat of the Management Board, the planning, monitoring and review process and the Director's coordination meetings.
- Framework contract concluded for a human resources management system based on a hosted software package; implementation begun.
- Identity management system implemented providing increased user-management efficiency among systems with automated provisioning and de-provisioning of users

**Biocides**

- Analysis, design and implementation of the Register for Biocidal Products (R4BP): one release on 1 September 2013.
- First key guidance documents finalised and published in 2013: *Guidance for Human Health Risk Assessment*, *Guidance on data sharing*, *Guidance on applications for technical equivalence*, *Guidance on information requirements* and *Guidance on active substance suppliers*.

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|  | <ul style="list-style-type: none"><li>— one preliminary work plan for the Biocidal Products Committee.</li><li>— Member States appointed Members for the Coordination Group.</li></ul> |
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**PIC**

- Preparatory activities.
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*Source:* Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. ECHA appreciates the conclusion from the Court of Auditors and will continue to be attentive to avoid any non-justified carry-over operations.

12. In response to the European Court of Auditors' observation made during the autumn 2013 mission, the Executive Director of the European Chemicals Agency included the following text in his Declaration of Assurance for 2013:

*'As regards the implementation of the European Union legislation and the fee regulations under the Agency's remit, this assurance has to be limited to the field of competences of the Agency. Since the mandate of the European Chemicals Agency does not include controls or inspections at national level, it cannot be confirmed that only registered or authorised substances and products, for which a fee has been paid to the Agency, are circulating on the European Union market.'*

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**REPORT****on the annual accounts of the European Environment Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/16)

**INTRODUCTION**

1. The European Environment Agency (hereinafter 'the Agency', aka 'EEA'), which is located in Copenhagen, was established by Council Regulation (EEC) No 1210/90 <sup>(1)</sup>. It is responsible for setting up an observation network to provide 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 <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON INTERNAL CONTROLS**

11. In 2013 the Agency awarded grants under five grant programmes <sup>(8)</sup> to consortia consisting of environmental institutions and bodies in Europe, UN organisations and national environment organisations. Total grant expenditure in 2013 was 13,9 million euro, representing 31 % of total operating expenditure. The Agency's ex ante verifications consist of a desk analysis of cost claims.

12. Following the Court's comment of last year (see *Annex I*), the EEA intensified its checks on the eligibility and accuracy of staff costs claimed under the grant programmes, as these represent the major part of costs. In particular, for a sample of beneficiaries, time sheets were obtained to check the salary costs claimed, but payslips have not been obtained. On-the-spot verifications of costs at beneficiary level are rare.

13. Existing controls therefore provide only limited assurance on the eligibility and accuracy of the costs claimed by beneficiaries. For the transactions audited by the Court supporting documentation was obtained which provided reasonable assurance as to their legality and regularity.

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

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

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

<sup>(8)</sup> European Topic Centres (ETCs), European Neighbourhood Partnership Instrument (ENPI) Global Monitoring for Environment and Security Initial Operations (GIO and GIO2), GMES in-situ coordination (GISC) and Instrument for Pre-Accession Assistance (IPA2).

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
<b>2012</b>	In 2012 the Agency awarded grants under three major grant programmes <sup>(1)</sup> to consortia consisting of environmental institutions and bodies in Europe, UN organisations and national environment organisations. Total grant expenditure in 2012 was 11,9 million euro, representing 27% of the total operating expenditure. The Agency's ex ante verifications before reimbursement of costs claimed by beneficiaries consist of a desk analysis of cost claims. It does not usually obtain from beneficiaries any document to substantiate the eligibility and accuracy of the staff costs claimed, which represent the main part of costs <sup>(2)</sup> . Ex ante on-the-spot verifications of costs at beneficiary level are rare <sup>(3)</sup> .	<b>Ongoing</b>
<b>2012</b>	Existing controls therefore provide only limited assurance to the Agency's management as to the eligibility and accuracy of the costs claimed by beneficiaries. For the transactions audited by the Court supporting documentation was obtained by the Agency on the Court's behalf which provided reasonable assurance as to their legality and regularity. A random verification of supporting documents for staff expenses and a higher coverage of beneficiaries by on-the-spot verifications could considerably increase assurance.	<b>Ongoing</b>

<sup>(1)</sup> European Topic Centers (ETC), European Neighbourhood Partnership Instrument (ENPI) and Global Monitoring for Environment and Security Initial Operations (GIO).

<sup>(2)</sup> For other types of costs (i.e. sub-contracting, acquisition of equipment), supporting documents are requested and analysed.

<sup>(3)</sup> In 2012 and in 2011 one ex ante verification was carried out to check one beneficiary's control systems. In 2010 one ex ante verification had been carried out to check the eligibility of expenditure declared by one beneficiary.

## ANNEX II

**European Environment Agency (Copenhagen)**  
**Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b>  <i>(Article 191 of the Treaty on the Functioning of the European Union)</i></p>	<p><b>Environment policy</b></p> <p>Union policy on the environment shall contribute to pursuit of [...] the objectives of preserving, protecting and improving the quality of the environment, protecting human health, prudent and rational utilisation of natural resources, promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.</p> <p>Union 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 Union. 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 Union shall take account of available scientific and technical data, environmental conditions in the various regions of the Union, the potential benefits and costs of action or lack of action, the economic and social development of the Union as a whole and the balanced development of its regions [...].</p>
<p><b>Competences of the Agency</b>  <i>(Regulation (EEC) No 1210/90)</i></p>	<p><b>Objectives</b></p> <p>To set up a European environment information and observation network to provide the Union and the Member States with:</p> <ol style="list-style-type: none"> <li>1. Objective, reliable and comparable information at European level enabling them to: <ol style="list-style-type: none"> <li>(a) take the requisite measures to protect the environment,</li> <li>(b) assess the results of such measures,</li> <li>(c) ensure that the public is properly informed about the state of the environment.</li> </ol> </li> <li>2. The necessary technical and scientific support.</li> </ol> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To establish, in cooperation with the Member States, and coordinate the European Environment Information and Observation Network;</li> <li>— to provide the Union and the Member States with the objective information necessary for framing and implementing sound and effective environmental policies;</li> <li>— to assist the monitoring of environmental measures through appropriate support for reporting requirements;</li> <li>— to advise individual Member States on the development, establishment and expansion of their systems for the monitoring of environmental measures;</li> <li>— to record, collate and assess data on the state of the environment, to report on the quality of and pressures on the environment within the territory of the Union, to provide uniform assessment criteria for environmental data to be applied in all Member States and to develop further and maintain a reference centre of information on the environment;</li> </ul>



	<ul style="list-style-type: none"> <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 environment monitoring programmes;</li> <li>— to publish a report on the state of, trends in and prospects for the environment every five years, supplemented by indicator reports focusing upon specific issues;</li> <li>— to stimulate the development of environmental forecasting techniques, exchanges of information on technologies for preventing or reducing damage to the environment, methods of assessing the costs of damage to the environment and the costs of environmental preventive, protection and restoration policies;</li> <li>— to ensure the broad dissemination of reliable and comparable environmental information, in particular on the state of the environment, to the general public and, to this end, to promote use of new telematics technology for this purpose;</li> <li>— to cooperate actively with other Union bodies and programmes and other international bodies and in areas of common interest with those institutions in countries which are not members of the Union, taking account of the need to avoid duplication of effort;</li> <li>— to support the Commission in the process of exchange of information on the development of environmental assessment methodologies and best practice and in the diffusion of information on the results of relevant environmental research and in a form which can best assist policy development.</li> </ul>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p><i>Composition</i></p> <p>One representative of each Member State, one of each EEA member country, two representatives of the Commission, and two scientists appointed by the European Parliament.</p> <p><i>Tasks</i></p> <p>To adopt the multiannual and annual work programmes and to ensure their implementation and to adopt the annual report on the Agency's activities.</p> <p><b>Executive Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p><b>Scientific Committee</b></p> <p>Consisting of qualified persons in the field of the environment, designated by the Management Board.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>41,7 (41,7) million euro</p> <p>Union subsidy: 100 % (100 %)</p>

	<p><b>Staff as of 31 December 2013</b></p> <p>Number of posts in the establishment plan: 138 (136)</p> <p>Posts occupied: 132 (131) plus 78 (86) other posts (contract staff and seconded national experts)</p> <p>Total staff numbers: 210 (217)</p> <p>Establishment plan posts assigned to the following tasks:</p> <ul style="list-style-type: none"> <li>— operational 98 (96)</li> <li>— administrative 40 (40)</li> </ul>
<p><b>Products and services in 2013 (2012)</b></p>	<p>Articles 48 (19)</p> <p>Highlights 53 (50)</p> <p>Press releases 11 (12)</p> <p>Data sets 29 (36)</p> <p>Indicators 46 (66)</p> <p>Maps, graphs 217 (466)</p> <p>Brochures, flyers etc. 5</p> <p>Corporate docs 5 (3)</p> <p>Reports 13 (11)</p> <p>Technical reports 21 (18)</p> <p>EEA Signals 1 (1)</p> <p>Pan-European assessments 0 (1)</p> <p>SOER 2010 0 (2)</p>

Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. — 13. We have taken note of the contents, and would like to highlight that our efforts as regards intensified verification measures goes well beyond what is reflected in the preliminary observations. A new verification policy has been adopted which ensure a common risk approach towards all ETCs, has an increased focus on staff costs, and is supervised and coordinated by the internal audit capability.

As regards the on-the-spot verifications, two verification missions have been performed regarding the 2013 final cost claims, covering approx. 18 % of the ETCs' total staff costs at the level of the beneficiary. At least two more verification missions are planned for the autumn 2014.

Additionally, we are issuing written guidelines to the beneficiaries to ensure a greater understanding as regards eligibility of costs and supporting documentation needs.

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**REPORT****on the annual accounts of the European Fisheries Control Agency for the financial year 2013,  
together with the Agency's replies**

(2014/C 442/17)

**INTRODUCTION**

1. The European Fisheries Control Agency (hereinafter 'the Agency', aka 'EFCA'), which is located in Vigo, was established by Council Regulation (EC) No 768/2005<sup>(1)</sup>. 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 an effective and uniform application of the rules of the common fisheries policy<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. In 2013 the overall level of committed appropriations was 99 %, indicating that commitments were made in a timely manner. The level of committed appropriations carried over to 2014 however was high at 498 592 euro (38 %) for title II (administrative expenditure) and 734 301 euro (43 %) for title III (operating expenditure).

12. For Title III, an important reason for the high level of planned carry-overs was the considerable workload faced by the agency as a result of the large number of IT projects that were either launched or ongoing during 2013.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Court identified a need to further improve staff selection procedures. Vacancy notices did not provide information on complaint and appeal procedures. Meetings of the Selection Board were insufficiently documented and in one recruitment case the Appointing Authority did not follow the order of the Selection Board's list without providing a reason.	Completed
2012	The level of committed appropriations for the different titles varied between 94 % and 99 % of total appropriations, indicating that legal commitments were signed in a timely manner. However, the level of committed appropriations carried over to 2013 was high for title II (administrative expenditure) at 35 % and title III (operating expenditure) at 46 %. For title II, this was caused, to a large extent, by events beyond the Agency's control, such as the late invoicing of the 2012 office rental costs by the Spanish authorities. Also, in order to meet the increased operational needs that it was faced with in the last quarter of 2012, the Agency ordered a high volume of goods and services for which delivery was still pending by the year end. For title III, an important reason for the high level of carry-overs was the considerable workload faced by the agency as a result of the large number of IT projects that were either launched or ongoing during 2012. This workload had an impact on the timeliness of procurement procedures in the case of two IT projects launched in 2012. Furthermore, expenses related to training and missions undertaken by staff and experts in the last quarter of 2012 were only due for reimbursement at the beginning of 2013.	N/A
2012	In response to the Court's 2011 report, the Agency took corrective action in June 2012 to improve the transparency of recruitment procedures. In 2012, the only weaknesses identified related to three audited recruitment procedures that were initiated prior to the Court's 2011 report: the vacancy notices did not provide information to the candidates on complaint and appeal procedures; candidates were given a global score instead of one score for each of the selection criteria; there was no evidence that the questions for interviews and written tests had been set before the date of the examinations.	Completed

## ANNEX II

**European Fisheries Control Agency (Vigo)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Article 43 TFEU)</p>	<p>The European Parliament and the Council, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, shall establish the common organisation of agricultural markets provided for in Article 40(1) and the other provisions necessary for the pursuit of the objectives of the common fisheries policy.</p>
<p><b>Competences of the Agency</b> (Council Regulation (EC) No 768/2005, amended by Regulation (EC) No 1224/2009)</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— The Regulation establishes a European Fisheries Control Agency (EFCA), 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.</li> </ul> <p><b>Tasks/Mission</b></p> <ul style="list-style-type: none"> <li>— To coordinate control and inspection by Member States relating to the control and inspection obligations of the EU;</li> <li>— to coordinate the deployment of the national means of control and inspection pooled by the Member States concerned in accordance with this Regulation;</li> <li>— to assist Member States in reporting information on fishing activities and control and inspection activities to the Commission and third parties;</li> <li>— in the field of its competences, to assist Member States to fulfil their tasks and obligations under the rules of the common fisheries policy;</li> <li>— to assist Member States and the Commission in harmonising the application of the common fisheries policy throughout the EU;</li> <li>— to contribute to the work of Member States and the Commission on research into and development of control and inspection techniques;</li> <li>— to contribute to the coordination of inspector training and the exchange of experience between Member States;</li> <li>— to coordinate the operations to combat illegal, unreported and unregulated fishing in conformity with EU rules;</li> <li>— to assist in the uniform implementation of the control system of the common fisheries policy, including in particular: <ul style="list-style-type: none"> <li>1) organisation of operational coordination of control activities by Member States for the implementation of specific control and inspection programmes, control programmes related to illegal, unreported and unregulated (IUU) fishing and international control and inspection programmes;</li> <li>2) inspections as necessary to fulfil the Agency's tasks.</li> </ul> </li> </ul> <p>Please note that, among other competences, after the amendment of the Agency's establishing Regulation by Council Regulation (EC) No 1224/2009:</p> <ol style="list-style-type: none"> <li>1. Operational coordination by the Agency shall cover control of all activities covered by the common fisheries policy.</li> </ol>

	<ol style="list-style-type: none"> <li>2. Officials of the Agency may be assigned in international waters as Union inspectors.</li> <li>3. The Agency may acquire, rent or charter the equipment that is necessary for the implementation of the joint deployment plans.</li> <li>4. The Agency shall, where appropriate: <ol style="list-style-type: none"> <li>(a) issue manuals on harmonised standards of inspections;</li> <li>(b) develop guidance material reflecting the best practices in the field of control of the common fisheries policy, including on the training of control officials, and update this on a regular basis;</li> <li>(c) provide the Commission with the necessary technical and administrative support to carry out its tasks.</li> </ol> </li> <li>5. The Agency shall facilitate cooperation between Member States and between them and the Commission in the development of harmonised standards for control and best practices in the legal procedures field, with due regard to the different legal systems in the individual MS and in accordance with EU legislation and agreed international standards.</li> <li>6. The Agency shall set up an Emergency Unit, upon a notification by the Commission or of its own initiative, where a situation involving direct, indirect or potential serious risk to the common fisheries policy is identified, and the risk cannot be prevented, eliminated, or reduced by existing means or cannot adequately be managed.</li> <li>7. The Agency shall contribute to the implementation of the EU integrated maritime policy, and in particular conclude administrative agreements with other bodies in matters covered by this Regulation after approval by the Administrative Board.</li> </ol>
<p><b>Governance</b></p>	<p><b>Administrative Board</b></p> <p><i>Composition</i></p> <p>Comprises one representative from each Member State and six representatives of the Commission.</p> <p><i>Duties, inter alia,</i></p> <p>to adopt the budget and the establishment plan, the multiannual and annual work programmes, the annual report and multiannual staff policy plan. To give an opinion on the final accounts.</p> <p><b>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>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal control</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>



**Resources made available to the Agency in 2013 (2012)****Final Budget**

Total Budget 2013: 9,22 (9,22) million euro

— Title I — 6,33 (6,22) million euro

— Title II — 1,18 (1,28) million euro

— Title III — 1,71 (1,71) million euro

**Staff as at 31 December 2013**

54 (54) posts for temporary staff in the establishment plan, of which occupied: 52 (1) (50)

+ five (five) posts for contract staff, of which occupied: five (five)

+ four (four) posts for Seconded National Experts (SNEs), of which occupied: three (four) SNE

Total number of posts including SNEs: 63 (63), of which occupied 60 (59)

**Products and services 2013 (2012)****Operational Coordination**

— Implementation of JDP (Joint Deployment Plan) cod fishery in the North Sea, Skagerrak, Kattegat and the Eastern Channel and Western Waters (West of Scotland and the Irish Sea).

— JDP cod and salmon fisheries in the Baltic Sea.

— JDP bluefin tuna fishery in the Mediterranean Sea and Eastern Atlantic.

— Implementation of JDP in Northwest Atlantic Fisheries Organization area and North East Atlantic Fisheries Organization area.

— JDP pelagic species in Western Waters of the European Union.

— Support to national control programmes in the Black Sea.

— Consolidation of the JDPs through promoting a regional approach.

**Capacity Building**

— Development and maintenance of the Core Curricula.

— Development of the web-based collaboration platform for training.

— Assistance to the Member States' national training programmes.

— Training of trainers and training of Union inspectors before their first deployment.

— Operation, maintenance, enhancement and development of ICT monitoring capabilities: Vessel Monitoring System (VMS), Electronic Reporting System (ERS), Electronic Inspection Report (EIR), Coordination of inspections (JADE), portal and operational conferencing (Fishnet).

— Maritime Surveillance Application MARSURV3 (with EMSA).

— Support activities to fight Illegal unreported and unregulated fisheries.

— Provision of contractual services to charter an EFCA Fisheries Patrol Vessel.

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	— Advanced training for Union inspectors (officials involved in fight against IUU) (exchange of best practice, refresher courses, etc.), and training for third countries' inspectors at the European Commission's request.
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*(see Annual Work Program 2013 of the Agency for details)*

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(<sup>1</sup>) Job offers made for staff recruitment (three offers) are included in this figure in line with the statistical information provided in the multiannual staff policy plan 2015-2017 (Status 31.1.2014).

Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. The Agency agrees with the facts presented by the Court concerning the high level of planned carry overs. A certain part of this was due to the situation concerning the amount and timing of possible payments for retroactive salary adjustments of 2011 and 2012, which was finally clarified in November 2013.
12. As indicated by the Court, the nature and cycle of the projects implementation implied the need for planned carry-over.
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**REPORT****on the annual accounts of the European Food Safety Authority for the financial year 2013, together with the Authority's replies**

(2014/C 442/18)

**INTRODUCTION**

1. The European Food Safety Authority (hereinafter 'the Authority', aka 'EFSA'), which is located in Parma, was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council <sup>(1)</sup>. The Authority's main tasks are to supply the scientific information needed for Union legislation to be drawn up concerning food and food safety, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Authority, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Authority and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Authority's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON INTERNAL CONTROLS**

11. According to the Authority's self-assessment of its internal control system which was carried out in 2012 and 2013, the majority of internal control standards (ICS) are met. This is not yet the case for ICS 4 (Staff appraisal and development) and ICS 11 (Document management), for which corrective action was still ongoing at the time of the audit.

12. The Authority's Annual Work Programmes do not contain sufficient details on planned procurements and grants to support financing decisions in the sense of Article 64 of the Implementing Rules to its Financial Regulation. Including such details in the Annual Work Programme would allow a more effective monitoring of procurements and grants.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

*For the Court of Auditors*

Vitor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	This high number of budget transfers indicates weaknesses in budget planning and implementation and is at odds with the principle of specification.	Completed
2011	The Authority purchased a new headquarters building in December 2011 for 36,8 million euro which will be paid by quarterly instalments over 25 years, resulting in interest payments of 18,5 million euro. The Court questions whether a more economic alternative could have been sought from the budgetary authorities in accordance with the principle of sound financial management and ensuring full respect of the Financial Regulation.	N/A (The Commission did not agree to provide additional funds to repay the loan in full).
2011	There is room for improving the transparency of recruitment procedure. Questions for written tests and interviews were set after the examination of the applications by the selection board and declarations on confidentiality and absence of conflict of interest were signed by the selection board members only during, not before the evaluation of candidates' applications.	Completed
2012	The validation of the accounting systems by the Authority's accounting officer covers the central ABAC and SAP systems, but not the local systems and the reliability of data exchanges between central and local systems. This represents a risk as to the reliability of accounting data.	Completed
2012	Following high level risk assessments carried out by an external consultation 2012 and by the Commission's Internal Audit Service in February 2013 a number of potential critical risks were identified in the operation of the Authority's internal controls, particularly in the areas of data management, business continuity and IT security. The Authority started a comprehensive self-assessment of its internal control system in 2012. The process is on-going and implementation of corrective actions is planned for 2013.	Ongoing
2012	The overall level of appropriations committed was 99 %. The level of committed appropriations carried over was however high for title II (administrative expenditure) at 2,3 million euro (22 % of title II appropriations) and title III (operational expenditure) at 5,6 million euro (30 % of title III appropriations). For title II, carry-overs amounting to 1,1 million euro were made in conformity with EFSA's management plan or were related to payments suspended for reasons beyond the Authority's control. In case of title III, carry-overs of 2,1 million were made in conformity with EFSA's management plan and an amount of 0,83 million euro was carried-over for reasons beyond the Authority's control.	N/A

## ANNEX II

**European Food Safety Authority (Parma)****Competences and activities**

<b>Areas of Union competence deriving from the Treaty</b>	<b>Collection of information</b> <ul style="list-style-type: none"> <li>— Common agricultural policy (Article 38 TFEU).</li> <li>— Functioning of the Internal Market (Article 114 TFEU).</li> <li>— Public health (Article 168 TFEU).</li> <li>— Common trade policy (Article 206 TFEU).</li> </ul>
<b>Competences of the Authority</b> <i>(Regulation (EC) No 178/2002 of the European Parliament and of the Council)</i>	<b>Objectives</b> <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> <b>Tasks</b> <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 for, 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>
<b>Governance</b>	<b>Management Board</b> <i>Composition</i> 14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and one representative of the Commission. <i>Task</i> To adopt the work programme and the budget and ensure that they are implemented. <b>Executive Director</b> 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><b>Advisory Forum</b></p> <p><i>Composition</i></p> <p>One representative per Member State.</p> <p><i>Task</i></p> <p>To advise the Executive Director.</p> <p><b>Scientific Committee and scientific panels</b></p> <p>To draw up the Authority's scientific opinions.</p> <p><b>External audit</b></p> <p>European Court of Auditors</p> <p><b>Internal audit</b></p> <p>EFSA's Internal Audit unit.</p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on recommendation by the Council.</p>
<p><b>Resources made available to the Authority in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>78,1 (78,3) million euro of which 100 % (100 %) is a European Union subsidy.</p> <p><b>Staff as at 31 December 2013</b></p> <p>Posts in the establishment plan: 351 (355), of which occupied:</p> <ul style="list-style-type: none"> <li>— staff (temporary staff and officials): 328 (342)</li> <li>— other staff (contractual, seconded national experts): 120 (124).</li> </ul> <p>Total staff (including three offer letters pending acceptance on 31.12.2013): 448 (466), of which for:</p> <ul style="list-style-type: none"> <li>— operational duties: 332 (345)<sup>(1)</sup></li> <li>— administrative duties: 116 (121)</li> </ul>
<p><b>Products and services provided in 2013 (2012)</b></p>	<p><b>Scientific outputs and supporting publications 2013</b></p> <p><i>Activity 1: Provision of scientific opinions and advice and risk assessment approaches</i></p> <ul style="list-style-type: none"> <li>— Guidance of the Scientific Committee/Scientific Panel: 2 (4)</li> <li>— Opinion of the Scientific Committee/Scientific Panel: 44 (46)</li> <li>— Scientific Report of EFSA: 12 (9)</li> <li>— Statement of EFSA: 2 (2)</li> <li>— Statement of the Scientific Committee/Scientific Panel: 2 (4)</li> </ul> <p><b>Total scientific outputs activity 1 = 62 (65)</b></p> <p><i>Activity 2: Evaluation of products, substances and claims subject to authorisation</i></p> <ul style="list-style-type: none"> <li>— Conclusion on Pesticides Peer Review: 45 (60)</li> <li>— Guidance of EFSA: 2 (0)</li> <li>— Guidance of the Scientific Committee/Scientific Panel: 3 (7)</li> <li>— Opinion of the Scientific Committee/Scientific Panel: 203 (241)</li> </ul>



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<ul style="list-style-type: none"> <li>— Scientific Report of EFSA: 0 (1)</li> <li>— Statement of the Scientific Committee/Scientific Panel: 8 (7)</li> <li>— Statement of EFSA: 6 (4)</li> </ul> <p><u>Total scientific outputs activity 2 = 267 (320)</u></p> <p><i>Activity 3: Data Collection, scientific cooperation and networking</i></p> <ul style="list-style-type: none"> <li>— Guidance of EFSA: 2 (1)</li> <li>— Statement of EFSA: 0 (4)</li> <li>— Reasoned Opinion: 113 (114)</li> <li>— Scientific Report of EFSA: 7 (12)</li> </ul> <p><u>Total scientific outputs activity 3 = 122 (131)</u></p> <p><i>Supporting Publications</i></p> <ul style="list-style-type: none"> <li>— Event report: 11 (11)</li> <li>— External Scientific Report: 74 (74)</li> <li>— Technical report: 70 (77)</li> </ul> <p><u>Total Supporting Publications = 155 (162)</u></p> <p><u>Total outputs = 606 (678)</u></p> <ul style="list-style-type: none"> <li>— Scientific outputs supported by communication activities: 7 % (9,5 %)</li> <li>— Public consultations: 56 (39)</li> <li>— Website visits: 4,7 (4,4) million</li> <li>— Highlights subscribers: 31 912 (30 309)</li> <li>— Media coverage: 11 820 (9 194)</li> <li>— Media queries: 625 (893)</li> <li>— Press releases: 16 (25)</li> <li>— Web news stories: 54 (60)</li> <li>— Interviews: 95 (111)</li> </ul>
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(<sup>1</sup>) 2013 FTE allocation computed according to EC methodology; for comparison purposes the data of 2012 were recalculated  
Source: Annex supplied by the Authority.

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**THE AUTHORITY'S REPLIES**

11. According to EFSA's self-assessment of its internal control system which was carried out in 2012 and 2013, the majority of internal control standards are met. This is not yet the case for ICS 4 (staff appraisal and development) and ICS 11 (Document management), for which corrective action was still ongoing.

12. EFSA welcomes the ECA finding that mirrors the evolution being implemented as part of 2014 budget cycle. EFSA already published in its Work Programme more detailed information on science procurements and grants as well as on all other procurements, such as those under communication programme or operational support. We trust that this evolution from 2013 practises commented by the Court above goes beyond the requirements foreseen, in line with EFSA endeavour to continuously improve the transparency of the information provided.

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**REPORT****on the annual accounts of the European Institute for Gender Equality for the financial year 2013,  
together with the Institute's reply**

(2014/C 442/19)

**INTRODUCTION**

1. The European Institute for Gender Equality (hereinafter 'the Institute', aka 'EIGE'), which is located in Vilnius, was established by Regulation (EC) No 1922/2006 of the European Parliament and of the Council<sup>(1)</sup>. The Institute's task is to collect, analyse and disseminate information as regards gender equality and to develop, analyse, evaluate and disseminate methodological tools in order to support the integration of gender equality into all Union policies and the resulting national policies<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Institute, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Institute and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 403, 30.12.2006, p. 9.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Institute's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. In 2013 the overall level of committed appropriations was 99 %, indicating that commitments were made in a timely manner. The Institute has further reduced the overall level of carry-overs of committed appropriations from 2,5 million euro (32 %) in 2012 to 2,2 million euro (29 %) in 2013. These carry-overs mainly relate to title III (operational expenditure) with 2,0 million euro, representing 56 % of the corresponding committed appropriations. They mainly concern procurement procedures that were concluded late in the year due to reasons mostly beyond the Institute's control, such as a late communication by the Presidency of the EU Council regarding a study to be performed (1,1 million euro) and complex IT-related projects for which procurement was time consuming (0,6 million euro).

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The high level of carry-over is at odds with the budgetary principle of annuality.	Completed
2011	The European Commission's Internal Audit Service carried out a 'Limited review of the implementation of Internal Control Standards' at the Institute in December 2011. The Institute accepted the recommendations to finalise the procedure for the implementation of the Internal Control Standards and management adopted an action plan to be implemented in 2012.	Ongoing
2012	The Institute has reduced the overall level of carry-overs of committed appropriations from 50 % in 2011 to 32 % in 2012. The carry-overs to 2013 amount to 2,5 million euro and mainly concern title II (administrative expenditure) with 0,3 million euro and title III (operational expenditure) with 2,1 million euro, representing 23 % and 59 % of the corresponding committed appropriations. Carry-overs for title II mainly relate to commitments made at year-end in connection with the move to new premises, which took place in January 2013. Carry-overs for title III mainly relate to procurement procedures that were concluded late in the year. The Institute does not have a formalised procurement planning and monitoring procedure. In particular, its Annual Work Programme does not include a procurement schedule linked to the planned activities that would define the optimal scope and timing of procurements. However, only 7 % of committed appropriations carried over from 2011 to 2012 have not been used and needed to be cancelled.	Completed
2012	The Court identified shortcomings in the documentation of recruitment procedures. There is no evidence that questions for written tests and interviews, as well as their respective weightings were prepared before the examination of the applications.	Ongoing

## ANNEX II

**European Institute for Gender Equality (Vilnius)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Articles 2 and 3 of the Treaty of the European Union)</p>	<p>The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and <b>equality between women and men</b> prevail.</p> <p>It shall combat social exclusion and discrimination, and shall promote social justice and protection, <b>equality between women and men</b>, solidarity between generations and protection of the rights of the child.</p>
<p><b>Competences of the Institute</b> (Regulation (EC) No 1922/2006 of the European Parliament and of the Council)</p>	<p><b>Objectives</b></p> <p>To contribute to and strengthen the promotion of gender equality including gender mainstreaming in all Union policies and the resulting national policies, and the fight against discrimination based on sex, and to raise EU citizens' awareness of gender equality.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To collect, analyse and disseminate relevant comparable and reliable information as regards gender equality;</li> <li>— to develop methods to improve the objectivity, comparability and reliability of data at European level;</li> <li>— to develop, analyse, evaluate and disseminate methodological tools in order to support the integration of gender equality into all Union policies and the resulting national policies and to support gender mainstreaming in all Union institutions and bodies;</li> <li>— to carry out surveys on the situation in Europe as regards gender equality;</li> <li>— to set up and coordinate a European Network on Gender Equality;</li> <li>— to organise ad-hoc meetings of experts to support the Institute's research work;</li> <li>— in order to raise EU citizens' awareness of gender equality, to organise, with relevant stakeholders, conferences, campaigns and meetings at EU-level, and present the findings and conclusions to the Commission;</li> <li>— to disseminate information regarding positive examples of non-stereotypical roles for women and men in every walk of life, to present its findings together with initiatives designed to publicise and build on such success stories;</li> <li>— to develop dialogue and cooperation with non-governmental and equal opportunities organisations, universities and experts, research centres, social partners;</li> <li>— to set up documentation resources accessible to the public;</li> </ul>

	<ul style="list-style-type: none"> <li>— to make information on gender mainstreaming available to public and private organisations;</li> <li>— to provide the Union institutions with information on gender equality and gender mainstreaming in accession and candidate countries.</li> </ul>
<b>Governance</b>	<p><b>Management Board</b></p> <p><i>Composition</i></p> <p>Eighteen representatives appointed by the Council, on a proposal from each Member State concerned and one member representing the Commission, appointed by the Commission. The members are appointed on the basis of the highest standards of competence and a broad range of relevant and trans-disciplinary expertise in the area of gender equality. The Council and the Commission aim to achieve a balanced representation between men and women on the Management Board. The members appointed by the Council shall represent eighteen Member States in the order of the rotating Presidencies.</p> <p><i>Duties</i></p> <ul style="list-style-type: none"> <li>— To adopt the annual and mid-term work programmes, the budget and annual report;</li> <li>— to adopt the internal rules of the Institute and rules of procedure of the Management Board.</li> </ul> <p><b>Experts' Forum</b></p> <p><i>Composition</i></p> <p>Members from competent bodies specialised in gender equality issues, one representative designated by each Member State, two members designated by the European Parliament representing other relevant organisations specialised in gender equality issues, three members designated by the Commission.</p> <p><i>Duties</i></p> <p>Supports the Director in ensuring the excellence and independence of the Institute's activities, constitutes a mechanism for an exchange of information in relation to gender equality issues and the pooling of knowledge, and ensures close cooperation between the Institute and competent bodies in the Member States.</p> <p>The <b>Director</b> is appointed by the Management Board on the basis of a list of candidates proposed by the Commission after an open competition.</p> <p><i>Duties</i></p> <p>Responsible for performance of the tasks referred to in Regulation (EC) No 1922/2006, preparing and implementing the Institute's annual and medium-term programmes of activities; preparing the meetings of the Management Board and the Experts' Forum; preparing and publishing the annual report; all staff-related matters: matters of day-to-day administration; implementation of effective monitoring and evaluation procedures relating to the Institute's performance.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament on a recommendation from the Council.</p>

<b>Resources made available to the Institute in 2013 (2012)</b>	<p><b>Final Budget</b></p> <p>7,5 (7,7) million euro of which the Union subsidy is 100 % (100 %)</p> <p><b>Staff as at 31 December 2013</b></p> <p>30 (30) posts foreseen in the establishment plan, of which occupied: 30 (30); 16 (14) other staff (contract staff, seconded national experts).</p> <p><b>Total staff as at 31 December 2013</b></p> <p>46 (44), undertaking the following tasks:</p> <ul style="list-style-type: none"> <li>— operational: 32 (30)</li> <li>— administrative: 11 (11)</li> <li>— mixed: 3 (3)</li> </ul>
<b>Products and services in 2013 (2012)</b>	<p><b>Focal Areas:</b></p> <p>Comparable and reliable data and indicators on gender equality; collecting and processing methods and good practices for gender equality work; resource and documentation centre; awareness-raising, networking and communication.</p> <p>Number of studies launched: 14 (7)</p> <p>Number of contributions to Presidency countries: 2 (2)</p> <p>Number of experts' and working group meetings: 13 (23)</p> <p>Many additional meetings were held in the framework of the LT presidency of the Council of the EU.</p> <p>International conferences: 2 (1)</p> <p>Number of research reports: 2 (2)</p> <p>Annual reports: 1 (1)</p>

Source: Annex supplied by the Institute.



**THE INSTITUTE'S REPLY**

11. Agreed. EIGE has introduced acceptable ceilings by Title (TITLE I: MAX 10 %, TITLE II: MAX 20 %, TITLE III: MAX 30 %). However as stated in previous years again in 2013 under operational appropriations delays are due to the circumstances outside EIGE's control, i.e. a delayed decision by the Presidency of the Council of the EU regarding a subject of study.

In order to improve the procurement planning and monitoring EIGE has now in place a monitoring tool which follows the expected dates of each step of the annual procurement proceedings.

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**REPORT****on the annual accounts of the European Insurance and Occupational Pensions Authority for the financial year 2013, together with the Authority's replies**

(2014/C 442/20)

**INTRODUCTION**

1. The European Insurance and Occupational Pensions Authority (hereinafter 'the Authority', aka 'EIOPA'), which is located in Frankfurt, was established by Regulation (EU) No 1094/2010 of the European Parliament and of the Council<sup>(1)</sup>. The Authority's task is to contribute to the establishment of high-quality common regulatory and supervisory standards and practices, to contribute to the consistent application of legally binding Union acts, to stimulate and facilitate the delegation of tasks and responsibilities among competent authorities, to monitor and assess market developments in the area of its competence and to foster the protection of policyholders, pension scheme members and beneficiaries<sup>(2)</sup>. The Authority was set up on 1 January 2011.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Authority, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Authority and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 331, 15.12.2010, p. 48.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Authority's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON INTERNAL CONTROLS**

11. The Management Board adopted the Authority's 16 Internal Control Standards in March 2013. At the end of the year, their implementation was ongoing on the basis of a clear action plan agreed with the Commission's Internal Audit Service.

12. Legal commitments were not always authorised by officers with a proper delegation and were not always preceded by a properly authorised budgetary commitment. This shows the need to improve the definition of, and compliance with, financial circuits in accordance with the Financial Regulation.

**COMMENTS ON BUDGETARY MANAGEMENT**

13. The overall level of committed appropriations was 95 %. However, the level of committed appropriations carried over further increased as compared with previous years and was high at 5,2 million euro (28 %), particularly for title II at 1,0 million euro (30 %) and title III at 3,7 million euro (85 %). This mainly resulted from specific contracts with a cumulative value of 3 million euro signed late in the year, particularly for the development and maintenance of a European database (2,6 million euro) and other IT services to be provided in 2014. Although the related commitments are legal and regular and low cancellation rates for carry-overs from 2012 confirmed sound estimations, the extent to which 2013 appropriations were used to cover 2014 activities is at odds with the budgetary principle of annuality.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Authority's budget for the financial year 2011 amounted to 10,7 million euro. In accordance with Article 62(1) of its Founding Regulation, 55 % of the 2011 budget was financed from Member States' and EFTA countries' contributions and 45 % from the Union budget. At the end of 2011 the Authority recorded a positive budget outturn of 2,8 million euro. In compliance with its Financial Regulation the full amount was then recorded in the accounts as a liability towards the European Commission.	Completed
2011	The audited procurement procedures were not fully consistent with the provisions of the general Financial Regulation. For five purchases of IT equipment (total amount of 160 117 euro) the award criteria applied were not set in advance and no written contracts were signed. In another case related to recruitment services (55 000 euro), the award criteria were incorrectly applied. The Authority should ensure that all new contracts are awarded in full compliance with the EU procurement rules.	Completed
2011	The Authority needs to improve the transparency of recruitment procedures: threshold scores for admission to written tests and interviews or for inclusion in the list of suitable candidates, and questions for oral and written tests, were not set before the examination of applications, and there was no decision of the Appointing Authority to appoint the selection boards.	Completed
2012	EIOPA has improved its procurement procedures in order to become fully compliant with EU procurement rules. However, one contract related to the design of a financial database was subdivided into four lots of 60 000 euro each, which were all directly awarded to two companies. Given the total value of the services to be procured for the same project (240 000 euro), an open or restricted procedure should have been applied and the related commitments and payments are thus irregular.	N/A
2012	A physical verification of assets was carried out in May and June 2012, but no physical verification report was produced. The Authority has not adopted any procedures or guidelines on physical checks on tangible assets.	Completed
2012	The carry-over of committed appropriations to 2013 was very high for title III (operational expenditure) at 79 % of total appropriations. This mainly results from the complexity and lengthy duration of one IT procurement procedure for which the contract of 2,2 million euro was signed as planned in December 2012.	Outstanding

## ANNEX II

**European Insurance and Occupational Pensions Authority (Frankfurt am Main)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Articles 26, 114, 290, 291 of the Treaty on the Functioning of the European Union)</i></p>	<ul style="list-style-type: none"> <li>— Establish or ensure the functioning of the internal market, in accordance with the relevant provisions of the Treaties.</li> <li>— Prepare draft technical standards as preparatory work for non-legislative acts of general application to supplement or amend certain non-essential elements of the legislative act or where uniform conditions for implementing legally binding Union acts are needed.</li> </ul>
<p><b>Competences of the Authority</b></p> <p><i>(Regulation (EU) No 1094/2010 of the European Parliament and of the Council establishing the Authority, Article 1(6) and Article 8 on tasks and powers)</i></p>	<p><b>Objectives</b></p> <p>Protect the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system, for the Union economy, its citizens and businesses.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To contribute to the establishment of high-quality common regulatory and supervisory standards and practices,</li> <li>— to contribute to the consistent application of legally binding Union acts, to stimulate and facilitate the delegation of tasks and responsibilities among competent authorities,</li> <li>— to cooperate closely with the ESRB,</li> <li>— to organise and conduct peer review analyses of competent authorities,</li> <li>— to monitor and assess market developments in the area of its competences,</li> <li>— to undertake economic analyses of markets to inform the discharge of the Authority's functions,</li> <li>— to foster the protection of policyholders, pension scheme members and beneficiaries,</li> <li>— to contribute to the consistent and coherent functioning of colleges of supervisors, the monitoring, assessment and measurement of systemic risk, the development and coordination of recovery and resolution plans, providing a high level of protection to policy holders, to beneficiaries and throughout the Union,</li> <li>— to fulfil any other specific tasks set out in this Regulation or in other legislative acts,</li> <li>— to publish on its website, and to update regularly, information relating to its field of activities,</li> <li>— to take over, as appropriate, all existing and ongoing tasks from the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).</li> </ul>

**Governance**

(Regulation (EU) No 1094/2010 establishing the Authority: Articles 40-44: Board of Supervisors; Articles 45-47: Management Board; Articles 48-50: Chair; Articles 51-53: Executive Director)

**Board of Supervisors (BoS)***Composition*

Chairperson (non-voting), the head of the national public authority competent for the supervision of financial institutions in each Member State (one voting member per Member State), one representative of the Commission (non-voting), of the European Systemic Risk Board (non-voting), the European Banking Authority, the European Securities Markets Authority (both non-voting); observers may be permitted and the Executive Director may participate in meetings (non-voting).

*Tasks*

The Authority's main decision-making body.

**Management Board (MB)***Composition*

Chairperson of the Authority (voting), six Members of the BoS (voting). A representative of the European Commission shall participate in MB meetings and may vote on budget issues. The Executive Director shall participate in meetings of the MB without the right to vote.

*Tasks*

The MB shall ensure that the Authority carries out its mission and performs the tasks assigned to it in accordance with Regulation No 1094/2010.

**The Authority's Chairperson**

Represents the Authority, prepares the work of the Board of Supervisors (BoS), chairs the BoS and MB meetings.

**The Authority's Executive Director**

Is in charge of the management of the Authority and the implementation of the annual work programme and the budget; prepares the work of the Management Board, the budget, the work programme.

**Quality Control Committee***Composition*

The Authority's Alternate Chairperson (chair) and two Members of the Management Board. The Executive Director participates as an observer.

*Tasks*

To oversee and assess appropriate implementation of the internal procedures and decisions.

**External audit**

European Court of Auditors.

**Internal audit**

European Commission's Internal Audit Service (IAS).

**Discharge authority**

European Parliament acting on a recommendation from the Council.

<p><b>Resources made available to the Authority in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>Final Budget Appropriations: 18 767 470 (15 655 000) euro</p> <p><b>Establishment Plan</b></p> <p>Statutory staff: 80 (69) posts authorized in the establishment plan, of which occupied: 80 (69)</p> <p>Establishment plan 100 % (100 %) fulfilled</p> <p>Contract staff posts: 22 (12) planned in the budget, 19 (14) occupied</p> <p>Seconded National Experts posts: 12 (8) planned in the budget, of which occupied: 11 (8)</p> <p>Total: 110 (91) staff</p>
<p><b>Products and services in 2013</b></p>	<p><b>Regulatory tasks</b></p> <ul style="list-style-type: none"> <li>— Four public consultations related to the Authority's activities in insurance.</li> <li>— Issuance of four guidelines relating to the Authority's activities in insurance.</li> <li>— Approval of an Implementing Technical Standard relating to the Authority's activities in occupational pensions.</li> <li>— Discussion paper on long term investments.</li> <li>— Report to the Commission on long term investments.</li> <li>— Quantitative impact study in the area of occupational pensions.</li> <li>— Report on information to members of occupational pension schemes.</li> <li>— Discussion paper in the area of personal pensions.</li> <li>— Publication of the register of IORPs and database of pension plans and products.</li> <li>— Selection of two Stakeholder Groups for insurance and reinsurance, and occupational pensions.</li> <li>— Professional secrecy &amp; gap analysis reports for Australia, Chile, China, Hong Kong, Israel, Mexico, Singapore, South Africa.</li> <li>— Memorandum of Understanding signed between EIOPA and the World Bank.</li> </ul> <p><b>Supervisory tasks</b></p> <ul style="list-style-type: none"> <li>— Attendance of Colleges of Supervisors' meetings and/or telephone conferences for 82 groups.</li> <li>— Participation in four joint on-site inspections.</li> <li>— Collection and dissemination of Practical Solutions and Examples (PSEs) in three areas (coordination arrangements, College Workplans, Confidentiality agreements and processes).</li> <li>— Two events for Group Supervisors were organised.</li> <li>— Dissemination of a structure for a group risk assessment approach.</li> <li>— Action Plan for Colleges 2014-2015 disseminated.</li> </ul>



- Interim and end of the year report on the Functioning of Colleges and the Accomplishments of the 2012 Action Plan.
- Abstract from the Preparatory Guidelines listing the Guidelines that are relevant for discussion and assessment in the Colleges was provided to the Group Supervisors.
- The continuous update of the Helsinki Plus list on the restricted area of EIOPA's website and publication of a summary on the public part of EIOPA's Website.
- Organisation of six meetings (visits) between EIOPA's oversight staff and the supervisory authorities involved in the supervision of groups, either as Group or as Host Supervisor, in individual countries.

#### **Consumer protection and financial innovation**

- Guidelines on Complaints-Handling by Insurance Intermediaries.
- Report on Best Practices by Insurance Intermediaries in handling complaints.
- Consumer Trends Report.
- Revised Methodology Report for collecting, analysing and reporting on consumer trends.
- Report on Good Supervisory practices regarding knowledge and ability requirements for distributors of insurance products (including public consultation).
- Opinion on Payment Protection Insurance.
- Background note on Payment Protection Insurance.
- Opinion on Beneficiary Protection Arrangements Regarding Life Insurance Contracts.
- Consultation Paper on a draft Report on Good Practices on Comparison Websites.
- Discussion Paper on a possible EU-single market for personal pension products (supervisory and consumer protection).

#### **Common supervisory culture**

- Three cross-sector seminars.
- Seventeen seminars for national competent authorities.
- Completed three peer reviews, launched two new peer reviews, launched one follow-up process to a peer review, and optimised the process for applying the methodology for conducting peer reviews.

#### **Financial stability**

- Two bi-annual Financial Stability Reports.
- Preparation of Europe-wide stress test for the insurance sector (test postponed due to Long-Term Guarantee Assessment).
- Production of quarterly Risk Dashboard.
- Completion of the Long-Term Guarantee Assessment exercise and delivery of report to Trialogue parties.
- Publication of revised annual insurance statistics.

**Crisis management**

- Finalisation of a comprehensive, decision-making framework setting out in detail the processes that the Authority will follow in discharging its crisis prevention and management responsibilities.
- Completion of Task Force on Crisis Management mandate and disbanding of task force.
- Agreement of an EIOPA Opinion on the supervisory response to a prolonged period of low interest rates.
- Detailed contribution to the Financial Stability Board consultation on recovery and resolution for non-bank financial institutions.
- Publication of Survey Report on Crisis Prevention, Management and Resolution Preparedness of National Supervisory Authorities.

**External relations**

- Ten meetings, including a joint one with BoS, of IRSG and OPSG, 12 official opinions and feedback statements on public documents, six own initiative papers and three responses to informal consultations.
- Approximately 20 Regulatory and Supervisory Dialogues with third country supervisors and supervisory associations from Austral-Asia, Latin and North America, South Africa, Iceland and Switzerland. Active participation in and contributions to the IAIS Technical and Executive Committee, Financial Stability Committee, Solvency & Actuarial Subcommittee, development of Insurance Global Capital Requirements (Field Testing Task Force/Higher Loss Absorbency Task Force) and IAIS Annual Conference.
- EU-US Dialogue Project: regular Steering Committee Meetings, the Technical Committees progressing on plan and Public Event in Washington DC.
- Equivalence: Gap analysis of the (re)insurance regimes of Australia, Chile, China, Hong Kong, Israel, Mexico, Singapore, South Africa, including full professional secrecy assessment, as basis for an EC decision on equivalence transitionals. Initiation of professional secrecy assessment of 10 countries in Central and Eastern Europe. Signature of the Multilateral Memorandum of Understanding for supervisory cooperation between EIOPA members and the Bermuda Monetary Authority (BMA).
- Operational Memorandum of Understanding signed between EIOPA and the World Bank.

**Conferences/other public events in 2013**

- Six conferences and events ('Conference on Global Insurance Supervision (GIS)', Results of 'QIS (Quantitative Impact Study) for Pensions', Personal Pensions and Sponsor Support Public Events, annual EIOPA Conference and third Consumer Protection Day.

Source: Annex supplied by the Authority.

**THE AUTHORITY'S REPLIES**

11. Further to an audit by the Internal Audit Service (IAS) in 2013 on the implementation of the Internal Control Standards in EIOPA, the Authority has developed an action plan to implement all recommended actions by the IAS. The action plan was presented to EIOPA's Management Board and agreed with the IAS. The full implementation of the plan is nearly completed and the remaining work will be finished by the end of 2014.

12. With regard to the legal commitments, EIOPA has put in place extra approval arrangements taking away any ambiguity regarding the duly authorisation of these commitments. With regard to the sequencing of the budget and legal commitments, EIOPA acknowledges that in certain instances the full completion of the budget commitment was only finalised after having established the corresponding legal commitments. The corrective measures that have been taken are: regular revisions of EIOPA's financial circuits, strengthened finance and budget processes with a focus on compliance to the financial circuits as well as, in regular intervals, specific finance and procurement training for all EIOPA officials involved in the financial circuits.

13. In order to fulfil its ambitious mandate, the Authority has developed a multi-annual IT strategy and implementation plan (including data standardisation, data collection, storage and analysis solutions as well as online communication and collaboration tools). EIOPA acknowledges that the percentage of carried over appropriations from 2013 to 2014 to cover for these initiatives in title III of the Budget was high. This is however due to the multi-annual nature of the work, the challenging time frame (mainly driven by the Solvency II calendar), the complex and lengthy procurement exercises involved and the necessity to guarantee service continuity. Yet, as these carried over commitments are critical to the further implementation of the IT plan in accordance with the agreed timing, their execution rate will be again very high, like it was the case in the previous year. As regards the way forward, the following measures will reduce the carry-over percentages in the next years: (1) an increased level of maturity of EIOPA's IT capability (the remaining major IT developments will be completed at the end of 2015) and (2) reinforced finance and budget management processes (including the integration of budget and procurement processes into the overall planning and coordination processes of EIOPA).

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## REPORT

**on the annual accounts of the European Institute of Innovation and Technology for the financial year 2013, together with the Institute's replies**

(2014/C 442/21)

**INTRODUCTION**

1. The European Institute of Innovation and Technology (hereinafter 'the Institute', aka 'EIT'), which is located in Budapest, was created by Regulation (EC) No 294/2008 of the European Parliament and of the Council <sup>(1)</sup>. The Institute's objective is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the European Union. The Institute awards grants to three 'Knowledge and Innovation Communities' (KICs), linking the higher education, research and business sectors with one another and aiming thereby to boost innovation and entrepreneurship <sup>(2)</sup>. KICs coordinate the activities of hundreds of partners. The grants provided by EIT reimburse partners' costs and costs stemming from the KICs' coordination activities.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Institute, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Institute and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 97, 9.4.2008, p. 1.

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

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

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

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

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

### **The auditor's responsibility**

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

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

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

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

8. In the Court's opinion, the Institute's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

### **Basis for a qualified opinion on the legality and regularity of the underlying transactions**

No reasonable assurance on the legality and regularity of grant transactions

9. In 2013, the Institute made final payments and clearings of pre-financings (transactions) for grants amounting to 84,1 million euro (2012 activities). Grant expenditure represents some 97 % of total 2013 expenditure. All grant transactions are subject to review by the Commission before authorisation by EIT. The Institute itself continued to make considerable efforts to implement effective *ex ante* verifications with the aim of providing reasonable assurance on the legality and regularity of grant transactions. About 87 % of grant expenditure claimed by the KICs is covered by certificates issued by independent audit firms contracted by the KICs and their partners. EIT itself carried out *ex ante* verifications consisting of comprehensive desk checks. Supporting documents obtained from the KICs and their partners were reviewed by EIT in the case of particular risks identified. The Court found however that, although the quality of the audit certificates is improving, in part due to better guidance, there is room for further improvement in the work of the independent audit firms, in general.

10. In order to have a second layer of assurance on the legality and regularity of grant transactions, EIT contracted complementary *ex post* verifications for grant transactions that were carried out by an independent audit firm. The cost claims of 29 of the 300 KIC partners were verified *ex post*, corresponding to 29 % of the total grant transactions made in 2013. *Ex post* verification results confirmed that *ex ante* verifications are improving, but not yet fully effective. On the basis of the errors detected by the *ex post* verifications, EIT decided in 2014 to recover a total amount of 575 593 euro, corresponding to 3 % of the audited 2012 grants.

### **Material procurement errors**

11. Payments amounting to some 665 000 euro and 105 000 euro, in respect of two framework contracts which had been concluded in 2010 and 2012 using a negotiated procedure, were made in 2013. From the audit it emerged that the use of a negotiated procedure was not justified, the resulting payments are therefore irregular.

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

12. The combined error rate of the matters explained in paragraphs 9 to 11 is between 2 % and 3 % of total 2013 expenditure.

***Qualified opinion on the legality and the regularity of the transactions underlying the accounts***

13. In the Court's opinion, except for the possible effects of the matters described in the basis for a qualified opinion (see paragraphs 9 to 12), the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

14. The comments which follow do not call into question the Court's opinion on the reliability of the accounts or its qualified opinion on the legality and regularity of the underlying transactions.

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

15. The Framework Partnership Agreements (FPA) with the three KICs stipulate that the EIT financial contribution may cover up to 25 % of the KIC's global expenditure over the first four years, from 1 January 2010 to December 2013. According to the figures reported by the KICs, this ceiling was respected by all three KICs. However, as these figures will not be audited before 2015, there is no appropriate audit evidence that the EIT funding did not exceed this 25 % ceiling.

**COMMENTS ON BUDGETARY MANAGEMENT**

16. In 2013 the overall level of committed appropriations was 97 %, indicating that overall commitments were made in a timely manner. The budget implementation rate was low, however, at 74 % of the EU contributions for title I (staff expenditure), which is mainly related to the high turnover of staff and the outstanding adoption of the regulations on salary adjustments.

17. The Institute carried over committed appropriations under title II (administrative expenditure) amounting to 193 420 euro (24 %). Carry-overs mainly concerned invoices not yet received and ongoing IT projects. It did not implement 91 918 euro (29 %) of the committed appropriations carried over from 2012 to 2013 under this title, which were largely due to overestimated costs for a Governing Board meeting.

18. The Institute had budgeted 34 078 025 euro under title III (operational expenditure) for KIC grants. The relatively low execution rate of 82 % is due to the fact that the KICs did not fully absorb the available funding for 2012 activities (2012 grants).

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/ Outstanding/N/A)
2012	<p>In 2012, the Institute made final payments and clearings of pre-financings (transactions) for grants amounting to 11,3 million euro (2010 activities) and 48,6 million euro (2011 activities).</p> <p>All grant transactions are subject to review by the Commission before authorisation by EIT. The Institute itself made considerable efforts to implement effective <i>ex ante</i> verifications with the aim of providing reasonable assurance on the legality and regularity of grant transactions. About 80 % of grant expenditure claimed by KIC's is covered by certificates issued by independent audit firms contracted by the KICs and their partners. EIT itself carried out <i>ex ante</i> verifications consisting of comprehensive desk checks. Supporting documents obtained from the KICs and their partners were reviewed by EIT initially only in the case of particular risks identified.</p> <p>The Court found however that the quality of the audit certificates is inadequate in many instances <sup>(1)</sup>. In order to have a second layer of assurance on the legality and regularity of grant transactions, at the end of 2012 the Institute introduced complementary <i>ex post</i> verifications for grants related to 2011 activities. They were carried out by independent audit firms contracted by EIT and are assessed as reliable. <i>Ex post</i> verification results confirmed that <i>ex ante</i> verifications are not fully effective. The Institute has however recovered the irregular payments found and the residual error rate for 2011 grant transactions is not material.</p> <p>No <i>ex post</i> verifications have been carried out yet for the transactions related to grants for 2010 activities (11,3 million euro). In addition, given the limited assurance that can be drawn from <i>ex ante</i> verifications, there is no reasonable assurance as to the legality and regularity of these transactions. The Court could not obtain sufficient appropriate audit evidence on the legality and regularity of the audited grant transactions related to 2010 activities.</p>	Completed
2012	<p>In addition to the matter described in paragraphs 9 to 13, budgets for grant agreements signed in 2010 and 2011, which resulted in payments in 2012, were not sufficiently specific. There was no link between the approved funds and the activities to be implemented. Grant agreements did not set individual thresholds for specific cost categories (i.e. staff costs, sub-contracting, legal services, etc.) and did not include rules for the procurement of goods and services by the KICs and their partners.</p> <p>EIT also carried out technical verifications for all funded projects as part of its <i>ex ante</i> verifications. However, there was a lack of quantifiable targets that hampered an effective assessment of project activities and results. Business plans did not define in detail the activities to be implemented; nor did they set clear milestones, deliverables per activity or quality criteria.</p> <p>Out of the committed appropriations carried over from 2011 amounting to some 22 million euro, some 10 million euro (45 %) were cancelled in 2012. The high level of cancellations is mainly due to lower than estimated costs claimed by beneficiaries under 2011 grant agreements (9,2 million euro or 92 % of cancelled carry-overs).</p>	Ongoing

Year	Court's comment	Status of corrective action (Completed/Ongoing/ Outstanding/N/A)
2011	Grant agreements resulting in payments in 2011 were systematically signed by the European Commission (Directorate General for Education and Culture) and the Institute after most of the activities had already been implemented. Between September and December 2011, the Institute made final payments <sup>(2)</sup> , amounting to 4,2 million euro, related to three grant agreements that were signed well after the start of activities <sup>(3)</sup> . This is an issue in terms of good financial management.	Completed

<sup>(1)</sup> I.e. Audit certificates did not always indicate the cost claim audited. Not all cost categories had to be audited in sufficient detail (as an example, actual indirect costs, which can be declared without threshold, was not checked on the basis of original supporting evidence). The risk of double funding of equipment declared as cost was not comprehensively checked. Most audit certificates did not mention the coverage of costs audited and there was no common methodology to identify the overall error in the cost claims.

<sup>(2)</sup> Advance payments had been made by the European Commission.

<sup>(3)</sup> In one case, the contract was signed 14 days before the end of the 13-month implementation period.



## ANNEX II

**European Institute of Innovation and Technology (Budapest)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 173 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist.</p> <p>For that purpose, in accordance with a system of open and competitive markets, their action shall be aimed at:</p> <ul style="list-style-type: none"> <li>— speeding up the adjustment of industry to structural changes,</li> <li>— encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings,</li> <li>— encouraging an environment favourable to cooperation between undertakings,</li> <li>— fostering better exploitation of the industrial potential of policies of innovation, research and technological development.</li> </ul>
<p><b>Competences of the Institute</b></p> <p><i>(Regulation (EC) No 294/2008 of the European Parliament and of the Council)</i></p>	<p><b>Objectives</b></p> <p>The Institute's objective is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the Community. It shall do this by promoting and integrating higher education, research and innovation of the highest standards.</p> <p><b>Tasks</b></p> <p>In order to achieve its objective, the Institute shall:</p> <ul style="list-style-type: none"> <li>(a) identify its priority fields;</li> <li>(b) raise awareness among potential partner organisations and encourage their participation in its activities;</li> <li>(c) select and designate KICs in the priority fields and define their rights and obligations by agreement; provide them with appropriate support; apply appropriate quality control measures; continuously monitor and periodically evaluate their activities; and ensure an appropriate level of coordination between them;</li> <li>(d) mobilise funds from public and private sources and use its resources in accordance with this Regulation. It shall in particular seek to raise a significant and increasing proportion of its budget from private sources and from income generated by its own activities;</li> <li>(e) encourage the recognition in the Member States of degrees and diplomas which are awarded by higher education institutions that are partner organisations and which may be labelled EIT degrees and diplomas;</li> <li>(f) promote the dissemination of good practices for the integration of the knowledge triangle in order to develop a common innovation and knowledge transfer culture;</li> <li>(g) seek to become a world class body for excellence in higher education, research and innovation;</li> <li>(h) ensure complementarity and synergy between the Institute's activities and other Community programmes.</li> </ul>

<p><b>Governance</b></p>	<p><b>Governing Board</b></p> <p><i>Composition</i></p> <p>The Institute's Governing Board (GB) consists of 18 appointed members providing a balance between experience and excellence in business, higher education and research, and four representative members proposed by the Knowledge and Innovation Communities (KICs). The European Commission has observer status.</p> <p><i>Tasks</i></p> <p>The Governing Board is responsible for steering the activities of the Institute, for the selection, designation, grant allocation to and evaluation of the KICs, and for all other strategic decisions.</p> <p><b>Executive Committee</b></p> <p><i>Composition</i></p> <p>The Executive Committee consists of five Governing Board members, including the Chairperson and Vice-Chairperson. It is chaired by the Chairperson of the Governing Board.</p> <p><i>Tasks</i></p> <p>The Executive Committee oversees the running of the Institute and takes such decisions as are necessary between meetings of the Governing Board.</p> <p><b>Director</b></p> <p>Appointed by and responsible to the Governing Board for the administrative and financial management of the Institute; the Institute's legal representative.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Institute in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>142,20 million euro for commitment appropriations and 98,76 million euro for payment appropriations.</p> <p><b>Staff as at 31 December 2013</b></p> <p>Authorised posts: 58 (52)</p> <p>Posts occupied: 41 (47)</p> <p>Other posts: 0 (0)</p> <p>Total staff: 41 (47) assigned to the following duties:</p> <ul style="list-style-type: none"> <li>— operational tasks: 25 (26)</li> <li>— administrative and support tasks: 16 (21)</li> </ul>

**Products and services in 2013**

- Organization of four EIT Forum meetings with KICs (a platform created to establish regular dialogue between the Director of the Institute and the KIC CEOs) and a Spring Workshop with KICs and EIT Governing Board.
- Decision of the Governing Board on the 5 December 2013 for the allocation in the year 2014 of a total of 180 million euro budget to the funding of KIC Value Added Activities for the three KICs after the implementation of a process of Competitive Funding corresponding to 36 % of the overall budget. The Governing Board also decided to defer a supplementary budget allocation to the KICs of 40 million euro for 2014 to be allocated separately and equally split on the basis, inter alia, of the follow-up of strategic recommendations.
- The three KICs have managed in the year 2013 a total budget of 125 615 015 euro for EIT funding of KIC Value Added Activities and a budget of 750 535 096 euro for non-EIT Funding of KAVA activities and complementary activities.
- The total number of KIC partners involved in the three KICs in 2013 reached a maximum of 487 organisations from Climate-KIC (187), EIT ICT Labs (105), and KIC InnoEnergy (195).
- In 2013, KICs provided EIT with 6 consolidated Key Performance Indicators and their respective supporting documents for the year 2012; they were assessed and validated by EIT, as part of the KICs past performance assessment in view of the competitive funding process for the 2014 allocation. The KICs also provided EIT with estimates for their 2013 Key Performance Indicators.
- Organisation of 'Fostering Innovation and Strengthening Synergies within the EU' Conference in Dublin, Ireland on 29 and 30 April 2013 under the auspices of the Irish Presidency of the Council of the European Union.
- Publication of 'Analysis of Synergies fostered by the EIT in the EU Innovation Landscape' study.
- Roundtable of Entrepreneurs on the topic 'Matching Entrepreneurship with Venture Capital' was organised from July 11 to 13 in Grundlsee, Austria.
- Launch of the EIT Alumni Community on 11 November in Budapest, Hungary.
- 2013 EIT Awards with three winners of the EIT Venture Award and three winners of the new EIT CH.A.N.G.E. Awards on 12 November in Budapest, Hungary.
- Dissemination of a larger number of success stories derived from the implementation of KIC activities.

Source: Annex supplied by the Institute.

**THE INSTITUTE'S REPLIES**

9. The EIT welcomes the acknowledgement by the Court of Auditors concerning the considerable efforts made by EIT to implement effective *ex ante* verifications with the aim to obtain reasonable assurance on the legality and regularity of grant transactions. The EIT is committed to further improve the instructions provided to certifying auditors in order to remedy the weaknesses identified by the Court of Auditors and to increase the level of assurance obtained from audit certificates.

10. In accordance with the *ex-post* audit strategy of the EIT, KIC Partners to be audited are selected primarily on the basis of a risk assessment for maximum efficiency of limited resources. However, in order to be in a position to provide a representative error rate, the EIT selects part of the sample on a random basis. This ensures a more balanced coverage of KIC Partners over the duration of the Framework Partnership Agreements. As regards Grant Agreements 2012, while the overall error rate was indeed 3 % of the audited grants, as reported by the Court of Auditors, the detected error rate in the random sample was only 1,37 %. The detected error rate of 3,29 % in the risk-based sample is by definition not representative for the overall population. As the representative error rate of 1,37 % remained below the materiality threshold of 2 %, the EIT did not make a reservation in the Annual Activity Report and considers that grants paid under Grant Agreements 2012 are free from material errors.

11. The EIT has taken a proactive approach in order to launch immediate mitigating actions in the area of procurement as follows. 1) Extensive revision of the internal procedures, circuits and templates to fully comply with the respective public procurement rules, with special attention to the sound planning and estimation of needs. 2) In order to ensure the provision of the necessary services, the EIT has started to use the available Commission framework contracts and has launched procurement procedures to award new service contracts. 3) The EIT has planned a series of trainings for EIT staff on procurement. The EIT is committed to implement mitigating measures in order to avoid procurement procedural errors in the future.

12. According to the EIT's calculation, based on the methodology of the Court of Auditors, the combined error rate for 2013 expenditure was 2,12 %. While this error rate is indeed in the range reported by the Court of Auditors, it is important to note that the level of financial errors in grants (i.e. representative error rate of 1,37 %) was well below the materiality threshold of 2 %. Furthermore, the EIT is committed to improve its internal procedures to avoid future procurement procedural errors.

15. The EIT will obtain audit certificates on costs of KIC complementary activities in the first quarter of 2015 and compliance with the 25 % ceiling set out in the Framework Partnership Agreements will be verified on the basis of final figures in the first half of 2015. If the 25 % ceiling is not met, the corresponding amount will be recovered from the KIC(s) in accordance with the provisions of the Framework Partnership Agreement. Such a recovery will be reflected in the annual accounts of the EIT for the financial year 2014.

16. The EIT welcomes the acknowledgement by the Court of Auditors concerning the budget execution. The overall implementation rate of commitment appropriations for title 1 (staff expenditure) was 84 %. While it is true that the implementation rate of EU contribution was 74 %, as reported by the Court of Auditors, it is important to note that 100 % of Host Member State contribution was implemented. The non-executed part of staff expenditure relates to high staff turnover and the appropriations earmarked for salary adjustments for the years 2011 and 2012, for which the European Court of Justice eventually made a ruling that prevented such adjustments to be paid before year-end.

17. The EIT acknowledges the comments of the Court of Auditors on the execution of carry-overs on title 2 (administrative expenditure). Non-execution of appropriations carried over from 2012 to 2013 under this title was largely due to overestimated costs for a Governing Board meeting of December 2012, more specifically, the actual costs turned out to be lower than the estimates.

18. The EIT acknowledges the comments of the Court of Auditors on the execution of commitments for 2012 KIC grants carried over from 2012 to 2013.

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## REPORT

**on the annual accounts of the European Medicines Agency for the financial year 2013, together with the Agency's reply**

(2014/C 442/22)

**INTRODUCTION**

1. The European Medicines Agency (hereinafter 'the Agency', aka 'EMA'), which is located in London, was established by Council Regulation (EEC) No 2309/93, which was replaced by Regulation (EC) No 726/2004 of the European Parliament and of the Council<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<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 214, 24.8.1993, p. 1 and OJ L 136, 30.4.2004, p. 1. In accordance with 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> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	There is scope for improving the transparency of procurement procedures.	Completed
2011	The Court identified a need to improve the transparency of staff selection procedures. Selection Board members did not always complete their conflict of interest declarations, or did not do so in a timely manner, and there was no evidence of any action taken to address the issues raised by these declarations. The documentation of the Selection Board's proceedings was not always adequate and there is no evidence as to how the method for the short-listing of candidates was established and that the questions for the written tests or interviews were set before the examinations.	Completed
2012	The Agency applies differing recognition criteria for fee revenue and associated expenditure. Revenue from application fees is recognised on a straight-line basis over a set time period. Expenditure for the evaluation of such applications by the competent national authorities is however accrued when a specific milestone in service delivery is reached. This is in contradiction with the matching principle.	Completed
2012	The Agency has not yet validated its accounting system in the area of intangible fixed assets. Given the considerable investment in the ICT development <sup>(1)</sup> , this is a crucial part of the whole accounting system.	Completed
2012	In 2011 and 2012, the Council refused salary increases for EU staff. The Commission appealed this decision to the Court of Justice which did not yet rule on the matter. Since the Agency is located in London, the salary increases in question will be paid in GBP whereas the Agency's accounts are prepared in Euros. Given the fluctuations in the exchange rate over the period concerned, the possible back pay to staff would lead to an estimated exchange rate loss for the Agency of 2,9 million euro. The Agency has included this amount in the calculation of its budgetary outturn account, leading to an equivalent understatement of funds to be paid back to the Commission <sup>(2)</sup> .	N/A
2012	In 2012, the Agency issued cascading framework contracts for the provision of services <sup>(3)</sup> . The procurement procedure presented some irregularities affecting the principle of transparency.	N/A
2012	In addition to the education allowances provided for in the Staff Regulations <sup>(4)</sup> , the Agency pays education contributions directly to schools for staff whose children attend primary or secondary school without having contracts with schools in place. Total 2012 education contributions amounted to some 389 000 euro. Such expenditure is not covered by the Staff Regulations and irregular.	Ongoing <sup>(5)</sup>

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The Agency's budget implementation rates for the year 2012 were satisfactory for titles I and III. While the rate of committed appropriations carried over was high for title II at 27 %, this primarily relates to the Agency's planned move to new premises in 2014 (4 205 000 euro) and the development of ICT systems (1 596 000 euro). While the latter is of a multiannual nature that can partly justify the carry-overs, the Agency's ICT Unit was significantly reorganised in 2012 and a number of projects planned for 2012 were delayed.	N/A

<sup>(1)</sup> 2012 investments in ICT development amounted to 11 625 000 euro.

<sup>(2)</sup> In so doing, the Agency followed an instruction from the Commission dated December 2012 which however was further clarified in June 2013.

<sup>(3)</sup> By 31 December 2012, total budgetary commitments of 13 475 000 euro had been made for specific contracts under these framework contracts, and payments of 4 690 000 euro had been made.

<sup>(4)</sup> Article 3 of Annex VII provides for twice the basic allowance of 252,81 euro = 505,62 euro.

<sup>(5)</sup> A new procedure was prepared in 2013 and will enter into force in 2014.



## ANNEX II

**European Medicines Agency (London)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 168 of the Treaty on the Functioning of the European Union)</i></p>	<p><b>Collection of information</b></p> <p>A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities.</p> <p>Union action, which shall complement national policies, shall be directed towards improving public health, preventing physical and mental illness and diseases, and obviating sources of danger to physical and mental health. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education, and monitoring, early warning of and combating serious cross-border threats to health.</p>
<p><b>Competences of the Agency</b></p> <p><i>(Regulation (EC) No 726/2004 of the European Parliament and of the Council)</i></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 Union marketing authorisation procedures,</li> <li>— to coordinate the supervision of medicinal products which have been authorised within the Union (<i>Pharmacovigilance</i>),</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>
<p><b>Governance</b></p>	<p>The <b>Committee for Medicinal Products for Human Use (CHMP)</b> is responsible for preparing the Agency's opinions on all questions concerning medicines for human use. The CHMP consists of one member and one alternate from each Member State, one member and an alternate nominated by Iceland and by Norway and up to five co-opted members.</p> <p>The <b>Committee for Medicinal Products for Veterinary Use (CVMP)</b> is responsible for preparing the Agency's opinions on all questions concerning veterinary medicines. The CVMP consists of one member and one alternate from each Member State, Iceland and Norway and up to five co-opted members.</p> <p>The <b>Committee on Orphan Medicinal Products (COMP)</b> is responsible for reviewing applications from people or companies seeking orphan medicinal product designation. The COMP consists of one member from each Member State, three members nominated by the European Commission representing patients' organisations, three members nominated by the European Commission on the Agency's recommendation, one member nominated by Iceland, one by Liechtenstein and one by Norway, and one European Commission representative.</p>

	<p>The <b>Committee on Herbal Medicinal Products</b> (HMPC) is responsible for preparing the Agency's opinions on herbal medicines. The HMPC consists of one member and one alternate from each Member State, Iceland and Norway, and up to five co-opted members.</p> <p>The <b>Paediatric Committee</b> (PDCO) is responsible for assessing the content of applications: for paediatric investigation plans, with or without request of deferral (s) and/or partial waivers; for modification of a previously agreed paediatric investigation plan; for product-specific waivers and for compliance checks. The PDCO consists of five members of the CHMP and their five alternates, one member and one alternate from each Member State which is not represented by the five above, and six members and alternates appointed by the European Commission representing healthcare professionals and patients' associations.</p> <p>The <b>Committee for Advanced Therapy</b> (CAT) is responsible for assessing the quality, safety and efficacy of advanced therapy medicinal products (ATMPs) and following scientific developments in the field. The CAT consists of five members of the CHMP and their five alternates, one member and one alternate from each Member State which is not represented by the five above, and four members and four alternates appointed by the European Commission representing patients' associations and clinicians.</p> <p>The <b>Pharmacovigilance Risk Assessment Committee</b> (PRAC) is responsible for assessing and monitoring safety issues for human medicines. The PRAC consists of one member and one alternate from each Member State, Iceland and Norway, six independent scientific experts nominated by the European Commission and two members and two alternates nominated by the European Commission to represent healthcare professionals and patients' organisations</p> <p>The <b>Management Board</b> consists of one member and one alternate from each Member State, two representatives of the Commission, two representatives of the European Parliament and 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.</p> <p>The <b>Executive Director</b> is appointed by the Management Board on a proposal from the Commission.</p> <p><b>Internal audit</b></p> <p>Commission's Internal Audit Service (IAS)</p> <p>EMA Internal Audit Capability (IAC)</p> <p><b>External audit</b></p> <p>European Court of Auditors</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>251,560 (222,489) million euro <sup>(1)</sup>; Union contribution: 13,0 % (9,6 %) <sup>(2)</sup></p> <p><b>Staff as at 31 December 2013</b></p> <p>611 (590) in the establishment plan, of which occupied: 583 (575)</p> <p>144 (160) other staff (contract staff, seconded national experts, employment agency staff)</p> <p>Total staff: 727 (735), undertaking the following tasks: operational: 590 (594), administrative 137 (141)</p>

**Products and services in 2013  
(2012)****Medicinal Products for Human Use**

- Applications for marketing authorisations: 80 (96)
- Favourable opinions: 80 (57)
- Average evaluation time: 200 (188) days
- Opinions after authorisation: 5 447 (5 137)
- Pharmacovigilance (CAP EEA and non-EEA ADR reports): 679 413 (522 073) reports
- Periodic safety update reports: 525 (463)
- Scientific advice finalised: 474 (420)
- Mutual Recognition Procedures and Decentralised Procedures: started 6 293 (6 991); ended 6 242 (6 709)
- Applications for paediatric investigation plans: 211 (178) relating to 225 (218) indications

**Medicinal Products for Veterinary Use**

- Applications for marketing authorisations: 23 (13)
- Applications in respect of variants: 315 (261)

**Inspections**

Inspections: 480 (450)

**Herbal Medicinal Products**

Herbal monographs: 9 (15)

List of herbal substances, preparations and combinations thereof: 0 (0)

**Orphan Medicinal Products**

- Applications: 201 (197)
- Favourable opinions: 136 (139)

**SMEs**

- Requests for SME status 401 (684)
- Applications for fee reduction or deferrals 336 (316)

<sup>(1)</sup> This is the final budget, not the actual total of the budgetary outturn account.

<sup>(2)</sup> This is the percentage of the budgeted EU contribution (excluding special contribution for orphan fee reductions and excluding the use of surplus n-2) in relation to the final budget.

Source: Annex supplied by the Agency.

**THE AGENCY'S REPLY**

The European Medicines Agency has taken note of the Court of Auditors' report.

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## REPORT

**on the annual accounts of the European Monitoring Centre for Drugs and Drug Addiction for the financial year 2013, together with the Centre's replies**

(2014/C 442/23)

**INTRODUCTION**

1. The European Monitoring Centre for Drugs and Drug Addiction (hereinafter 'the Centre', aka 'EMCDDA'), which is located in Lisbon, was established by Council Regulation (EEC) No 302/93<sup>(1)</sup>. Its main task is to collect, analyse and disseminate information as regards drugs and drug addiction in order to prepare and publish information at European level that is objective, reliable and comparable. 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<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Centre, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 36, 12.2.1993, p. 1. This Regulation and its amendments were repealed by Regulation (EC) No 1920/2006 of the European Parliament and of the Council (OJ L 376, 27.12.2006, p. 1).

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

11. The Centre launched a procurement procedure to rent photocopying machines over a four-year period for a maximum amount of 160 000 euro. The technical requirements were subject to a significant modification during the procedure. Following this modification, an amended contract notice was published extending the deadline for the submission of tenders, but there was no clear indication of the changes in the technical requirements. The latter were again adjusted for the conclusion of the contract, in accordance with the option announced in the published specifications, leading to a decrease in the contract value by 35 %. The information published on the contract's price structure was not sufficiently clear and this led to a misinterpretation by one bidder, who therefore had lower chances to win the procedure. In addition, the evaluation criteria were not sufficiently specific to ensure full transparency and equal treatment of bidders. The above referred weaknesses affected the efficiency and effectiveness of this procurement procedure and created a risk of hampering competition.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 22 July 2014.

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

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## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Centre currently bears the annual cost of about 275 000 euro for unused office space in its former building and in the new Headquarters. The Centre should continue, in cooperation with the European Commission and National Authorities, to seek adequate solutions for the unused office space.	Ongoing
2011	The Centre's procurement files were not always complete and adequately organised.	Completed
2012	In 2012, the Centre gave grants to Member States' national drug monitoring centres (beneficiaries) in order to support cooperation under the REITOX network <sup>(1)</sup> . Total grant expenditure in 2012 was 2,6 million euro, representing 16 % of total operating expenditure. The Centre's <i>ex ante</i> verifications before reimbursement of costs claimed by beneficiaries consist of a desk analysis of cost claims and of audit certificates issued by external auditors contracted by the beneficiaries. The Centre does not usually obtain from beneficiaries any documents to substantiate the eligibility and accuracy of the costs claimed. <i>Ex post</i> on-the-spot verifications of costs at beneficiary level are rare <sup>(2)</sup> . Existing controls therefore provide only limited assurance to the Centre's management as to the eligibility and accuracy of the costs claimed by beneficiaries. For the transactions audited by the Court supporting documentation was obtained by the Centre on the Court's behalf which provided reasonable assurance as to their legality and regularity. A random verification of supporting documents and a higher coverage of beneficiaries by on-the-spot verifications could considerably increase assurance.	Ongoing
2012	No <i>ex post</i> verifications were carried out for any transactions made after 2008, except for grants	Ongoing
2012	The Centre had not yet adopted Business Continuity or Disaster Recovery Plans.	Completed
2012	The Centre currently bears the annual cost of about 200 000 euro for unused office space in its former building and in the new Headquarters. The Centre should continue, in cooperation with the Commission and National Authorities, to seek adequate solutions for this unused office space.	Ongoing

<sup>(1)</sup> Under the European Information Network on Drugs and Drug Addiction (REITOX) the Centre collects country data on drugs from national drug monitoring centres.

<sup>(2)</sup> In 2011, two *ex post* verifications were carried out in two Member States. No such verifications took place in 2012.



## ANNEX II

**European Monitoring Centre for Drugs and Drug Addiction (Lisbon)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Articles 168 and 114 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union shall complement the Member States' action in reducing drugs-related health damage, including information and prevention.</p>
<p><b>Competences of the Centre</b></p> <p><i>(Regulation (EC) No 1920/2006 of the European Parliament and of the Council)</i></p>	<p><b>Objectives</b></p> <p>To provide the Union and its Member States with factual, objective, reliable and comparable information at Union level concerning drugs, drug addiction and their consequences.</p> <p>The Monitoring Centre is to 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 Union 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 countries outside the Union,</li> <li>— to identify new developments and changing trends.</li> </ul>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p>Comprises one representative from each Member State, two representatives from the Commission and two independent experts, designated by the European Parliament, who are particularly knowledgeable in the field of drugs.</p> <p>The Management Board adopts the work programme, the general activities report and the budget, and gives an opinion on the final accounts.</p> <p><b>Executive Committee</b></p> <p><i>Composition</i></p> <p>Chairperson of the Management Board</p> <p>Vice-Chairperson of the Management Board</p> <p>Two other elected members from the Management Board representing the Member States</p> <p>Two representatives from the Commission</p>

	<p><b>Director</b></p> <p>Appointed by the Management Board on a proposal by the Commission.</p> <p><b>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 the risk assessment of new psychoactive substances.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Centre in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>16,31 (16,32) million euro. Union subsidy: 95,4 % (95,3 %).</p> <p><b>Staff at 31 December 2013</b></p> <p>Number of posts in establishment plan: 84 (84)</p> <p>Posts occupied: 76 (79) + 24 (25) other staff (seconded national experts, contract staff and temporary replacements)</p> <p>Total staff: 100 (104)</p> <p>Allocated to the following tasks:</p> <ul style="list-style-type: none"> <li>— operational: 61 (64,5)</li> <li>— administrative and IT support: 28,5 (29)</li> <li>— mixed: 10,5 (10,5)</li> </ul>
<p><b>Products and services 2013 (2012)</b></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> <p>2013 was the first year of the 2013-15 EMCDDA strategy and work programme and the first year of implementation of the new communication strategy adopted by the Management Board in July 2012, together with the three-year work programme. In accordance with this strategy, some product lines were streamlined and others were redesigned. There is therefore no strict correspondence between the 2013 products and those of 2012.</p> <ul style="list-style-type: none"> <li>— European Drug Report — Trends and developments (23 language versions) publication and interactive website (<i>Annual report on the state of the drug problem in Europe</i>; 22 language versions, publication and interactive website)</li> <li>— Perspectives on drugs (PODs) — 11 (0), EN, interactive website</li> <li>— Selected issues — 0 (2), EN</li> </ul>

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- Statistical bulletin and interactive website containing over 350 (350) tables and 100 (100) graphs
  - General report of activities — annual, EN
  - Drugnet Europe newsletter — four issues, EN (4)
  - Drugs in focus (policy briefings) — 0 (1)
  - Centre Scientific Monograph — 0 (0), EN
  - Centre Insights — 1 (3), EN
  - Manuals — 1 (2), EN
  - Centre thematic papers — 2 (8)
  - EMCDDA Papers — 4 (0), EN
  - Policy profiles — 1 (0), EN
  - Joint publications — 1 (2): EN
  - Outputs linked to the implementation of the Council Decision on new psychoactive substances (2005/387/JHA) — 2 (2), EN
  - Drug profiles — 0 new (0) and zero updated (0)
  - Technical and scientific studies, including articles and scientific summaries 28 (23)
  - Ad hoc publications — 1 (3), EN
  - Brochures — 1 (1), EN
  - Work programmes and strategies — 3 (2), EN
  - Data collection, validation, storage and retrieval system (Fonte)
- Other websites**
- Reorganisation/updating/content development of public Centre website including:
- Country overviews
  - Drug treatment overviews, health and social responses profiles, prevention profiles
  - European legal database on drugs
  - Evaluation instruments bank
  - Best practice portal (exchange on drug demand reduction action, harm reduction and treatment modules)
  - Topic pages
  - Publications database
- Promotional material**
- Conference materials: 4 EN (2)
- Media products: 12 (13) news releases and 13 (10) fact sheets, EN
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	<b>Participation in international conferences, technical and scientific meetings:</b> 285 (266).
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Source: Annex supplied by the Centre.

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**THE CENTRE'S REPLIES**

11. The referred modification of the technical specifications was intended to update the Centre's capacity/speed for copying/printing. The relevant contract notice was duly published via the information system for European public procurement (SIMAP). This system imposes some restrictions to the information that can be published on the terms and content of changes to the initial publication.

The published technical specifications, along with the draft contract attached to these specifications, explicitly gave the option of adjusting the number and combination of the equipment to be provided by the winning tenderer/contractor, depending on the EMCDDA's actual needs. This adjustment was the result of a review of the use of the EMCDDA's printing and copying devices, carried out in 2013 in order to promote efficiency.

All tenderers were treated equally and evaluated in accordance with the established and published award criteria and method, which determined the tender providing the best value for money.

The EMCDDA will pursue its efforts to improve its procurement processes, namely to reduce further the need to adjust technical specifications and ensure the provision of more effective information to tenderers on such adjustments.

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## REPORT

**on the annual accounts of the European Maritime Safety Agency for the financial year 2013, together with the Agency's reply**

(2014/C 442/24)

**INTRODUCTION**

1. The European Maritime Safety Agency (hereinafter 'the Agency', aka 'EMSA'), which is located in Lisbon, was set up by Regulation (EC) No 1406/2002 of the European Parliament and of the Council <sup>(1)</sup>. The Agency's tasks are to ensure a high level of maritime safety and to prevent pollution by ships, provide the Commission and the Member States with technical assistance, and monitor the implementation of Union legislation, as well as to evaluate its effectiveness <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

10. An overview of the corrective action taken in response to the Court's comments from previous years is provided in Annex I.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Agency's 2011 budget <sup>(1)</sup> amounted to 56 million euro compared with 51 million euro the previous year. Budget commitments amounting to 0,9 million euro were not related to existing legal commitments and the Agency should have decommitted and paid back the amount to the Commission at the beginning of 2012. However, the Agency initiated the process too late. As a consequence, due to restrictions imposed by the IT system, the funds will be blocked for one year and will only be decommitted and paid back at the end of 2012.	Completed
2011	The Court identified the need to improve the Agency's asset management. There are unexplained differences between the recorded annual and cumulated depreciation. For internally created intangible assets, accounting procedures and information on costs are not reliable. Evidence of a physical inventory of administrative equipment within the required period is lacking.	Completed for physical inventory Ongoing for internally-created intangible assets
2012	A budget commitment amounting to 0,8 million euro was not related to an existing legal commitment and was thus irregular.	N/A
2012	Accounting procedures and information in respect of costs for internally generated intangible assets are not fully reliable.	Ongoing
2012	The Court identified shortcomings in the transparency of two recruitment procedures carried out during the first half of 2012. Questions for written tests and interviews, as well as their weightings, were not prepared before the examination of the applications. In addition, threshold scores for being included on a list of suitable candidates were not prepared before the examination of the applications. However, following the Court's comments from last year, the Agency implemented corrective measures and no such weaknesses were found for the two audited recruitment procedures carried out in the second half of 2012.	Completed

<sup>(1)</sup> According to third budget amendment dated 3.12.2011, not yet published in the Official Journal; current year appropriations only.



## ANNEX II

**European Maritime Safety Agency (Lisbon)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 100 of the Treaty on the Functioning of the European Union)</i></p>	<p><b>Common transport policy</b></p> <p>‘The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may lay down appropriate provisions for sea and air transport’.</p>
<p><b>Competences of the Agency</b></p> <p><i>(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 and Regulation (EU) No 100/2013)</i></p>	<p><b>Objectives</b></p> <p>The European Maritime Safety Agency has been established for the purpose of ensuring a high, uniform and effective level of maritime safety, maritime security, and prevention of and response to pollution by ships within the Union.</p> <p>The Agency provides the Member States and the Commission with the technical and scientific assistance needed, with a high level of expertise, in order to help them:</p> <ul style="list-style-type: none"> <li>— apply EU legislation properly in the field of maritime safety and prevention of pollution by ships;</li> <li>— monitor its implementation;</li> <li>— evaluate the effectiveness of the measures in place.</li> </ul> <p>The Agency also provides operational means, upon request, as well as technical and scientific assistance, to help Member States and the Commission respond to marine pollution by ships within the EU.</p> <p><b>Tasks</b></p> <p>The last amendment has further fine-tuned the Agency’s mandate, enabling EMSA to better assist the Commission and the Member States in its core tasks and make broader use of its resources to help EU Member States respond to pollution caused by ships as well as respond to marine pollution caused by oil and gas installations. Moreover, ancillary tasks have been introduced, with the possibility for the Agency to use its expertise and tools for other EU activities related to the Union’s maritime transport policy.</p> <p>The Agency’s tasks are broadly divided into four key areas in line with its founding Regulation and relevant EU legislation. Firstly, the Agency assists the Commission in monitoring the implementation of EU legislation relating, among other things, to ship survey and certification, the certification of marine equipment, ship security, the training of seafarers and port state control.</p> <p>Secondly, the Agency develops and operates maritime information capabilities at EU level. Significant examples are SafeSeaNet, the vessel traffic monitoring system to enable EU-wide tracking of vessels and their cargoes, and accidents and incidents; the EU LRIT Cooperative Data Centre, to ensure the identification and tracking of EU flagged ships worldwide; and THETIS, the information system to support the new port state control regime.</p> <p>In parallel, a marine pollution preparedness, detection and response capability is provided by EMSA to coastal States. This includes a European Network of Stand-by Oil Spill Response Vessels as well as a European satellite oil spill and vessel detection service (CleanSeaNet), contributing to an effective system for protecting EU coasts and waters from pollution by ships.</p>

	<p>Finally, the Agency provides technical and scientific advice to the Commission in the field of maritime safety and prevention of pollution by ships in the continuous process of evaluating the effectiveness of the measures in place, and in the updating and development of new legislation. It also provides support to, and facilitates co-operation between, the Member States and disseminates information on best practice.</p>
<p><b>Governance</b></p>	<p><b>Administrative Board</b></p> <p><i>Composition</i></p> <p>One representative per Member State, four representatives of the Commission and 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 multi-annual staff policy plan, the annual budget, the work programme, the annual report and a detailed plan for the Agency's pollution preparedness and responses activities,</li> <li>— To supervise the work undertaken by the Executive Director.</li> </ul> <p><b>Executive Director</b></p> <p>Appointed by the Administrative Board. The Commission may propose one or more candidates.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>— European Commission's Internal Audit Service (IAS).</li> <li>— Internal Audit Capability of the Agency.</li> </ul> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p><i>Commitment Appropriations (C1)</i></p> <p>57,8 (55,1) million euro</p> <p><i>Payment Appropriations (C1)</i></p> <p>54,03 (57,5) million euro</p> <p>Amending budgets published in the Official Journal of the European Union cover a variety of fund sources, with C1 being almost the exclusive fund source. For the sake of clarity and transparency, only predominant and therefore relevant C1 budget appropriations are quoted.</p> <p><b>Staff as at 31 December 2013</b></p> <p><i>Statutory Staff</i></p> <p>210 (213) posts authorised in the establishment plan, of which occupied: 203 (204)</p> <p><i>Contract staff</i></p> <p>29 (29) posts planned in the budget, of which occupied: 25 (25). The Agency also recruited three additional project-financed contract staff.</p>

	<p><i>Seconded National Experts</i></p> <p>15 (15) posts planned in the budget, of which occupied: 14 (12)</p> <p>N.B. As regards statutory posts, EMSA has taken into consideration the target of 210 posts to be implemented on 1 January 2014 rather than the number of posts (213) authorised in the establishment plan for 2013.</p> <p>Please note that in 2013 budgetary resources were already available for 18 SNEs.</p>
<b>Products and services 2013 (2012)</b>	<ul style="list-style-type: none"> <li>— 53 (53) workshops and other events (with 1 424 (1 300) participants in workshops);</li> <li>— 35 (28) different training sessions, which resulted in 861 (734) national experts trained;</li> <li>— 74 (109) inspections and visits;</li> <li>— SSN was 99,43 % (99,33 %) available throughout the year;</li> <li>— 2 547 (2 234) satellite images ordered and analysed through CleanSeaNet;</li> <li>— EU LRIT Data Centre 99,68 % available throughout the year;</li> <li>— 16 (16) anti-pollution vessels contracted;</li> <li>— 65 (65) drills and 33 (33) exercises with the anti-pollution vessels (10 (16) operational exercises and 11 (17) notification exercises);</li> <li>— EMSA Maritime Support Services operating on a 24/7 basis;</li> <li>— THETIS 99,61 % (99,23 %) available throughout the year.</li> </ul>

Source: Annex supplied by the Agency.

**THE AGENCY'S REPLY**

The Agency has taken note of the Court's report.

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**REPORT****on the annual accounts of the European Union Agency for Network and Information Security for the financial year 2013, together with the Agency's replies**

(2014/C 442/25)

**INTRODUCTION**

1. The European Union Agency for Network and Information Security (hereinafter 'the Agency', aka 'ENISA'), which is located in Athens and Heraklion<sup>(1)</sup>, was created by Regulation (EC) No 460/2004 of the European Parliament and of the Council<sup>(2)</sup> which, following different amendments was superseded by Regulation (EU) No 526/2013<sup>(3)</sup>. The Agency's main task is to enhance the Union's capability to prevent and respond to network and information security problems by building on national and Union efforts<sup>(4)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(5)</sup> and the reports on the implementation of the budget<sup>(6)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(7)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(8)</sup>; making accounting estimates that are reasonable in the circumstances. The Executive Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> The Agency's operational staff were relocated to Athens in March 2013. Its administrative staff remain in Heraklion.

<sup>(2)</sup> OJ L 77, 13.3.2004, p. 1.

<sup>(3)</sup> OJ L 165, 18.6.2013, p. 41.

<sup>(4)</sup> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(5)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(6)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(7)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(8)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(9)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The overall level of committed appropriations was 94 %, which is explained mainly by the fact that additional funds requested from the Commission to finance the refurbishment of the new office in Athens were only approved in November 2013. In this context, an amount of 0,5 million euro that was not yet committed at year-end was carried over following a Management Board decision.

12. In total, non-committed and committed appropriations carried over to 2014 amounted to 1,2 million euro (or 13,5 % of total appropriations). This mainly concerned Title II (administrative expenditure) with 0,8 million euro or 59 % of Title II appropriations. This high level is explained by the 0,5 million euro carry-over referred to in paragraph 11 and an additional 0,3 million euro carried over in order to finance furniture and networking equipment for the Athens office which was ordered towards the year-end.

**OTHER COMMENTS**

13. Operational staff of ENISA were relocated to Athens in 2013 while administrative staff remain in Heraklion. It is likely that the administrative costs could be reduced if all staff were centralised in one location.

14. According to the lease agreement between the Greek authorities, the Agency and the landlord, rent for the offices in Athens is paid by the Greek authorities. This rent is constantly paid with a delay of several months which is a business continuity and financial risk to the Agency: its operations would be affected, and its investments in office fitting and refurbishment would be lost, if the landlord were to cancel the lease agreement because of these delays in payment.

<sup>(9)</sup> Article 107 of Regulation (EU) No 1271/2013.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Court identified the need to improve the documentation of fixed assets. Purchases of fixed assets are recorded at invoice and not at item level. When several new assets are covered by one single invoice, there is only one entry for all the purchased assets and the total amount.	Completed
2012	Whereas the Financial Regulation and the corresponding Implementing Rules provide for a physical inventory of fixed assets at least every three years, the Agency has not carried out a comprehensive physical inventory since 2009.	Ongoing



## ANNEX II

**European Union Agency for Network and Information Security (Athens and Heraklion)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 114 of the Treaty on the functioning of the European Union)</i></p>	<p>'The European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.'</p> <p><i>(Article 114 TFEU)</i></p> <p>Responsibility for the internal market is shared between the Union and the Member States</p> <p><i>(Article 4(2)(a) TFEU).</i></p>
<p><b>Competences of the Agency</b></p> <p><i>(Quoted from Regulation (EU) No 526/2013 of the European Parliament and of the Council)</i></p>	<p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. The Agency shall develop and maintain a high level of expertise.</li> <li>2. The Agency shall assist the Union institutions, bodies, offices and agencies in developing policies in network and information security.</li> <li>3. The Agency shall assist the Union institutions, bodies, offices and agencies and the Member States in implementing the policies necessary to meet the legal and regulatory requirements of network and information security under existing and future legal acts of the Union, thus contributing to the proper functioning of the internal market.</li> <li>4. The Agency shall assist the Union and the Member States in enhancing and strengthening their capability and preparedness to prevent, detect and respond to network and information security problems and incidents.</li> <li>5. The Agency shall use its expertise to stimulate broad cooperation between actors from the public and private sectors.</li> </ol> <p><b>Tasks</b></p> <ol style="list-style-type: none"> <li>1. The Agency shall perform the following tasks:       <ol style="list-style-type: none"> <li>(a) support the development of Union policy and law, by:           <ol style="list-style-type: none"> <li>(i) assisting and advising on all matters relating to Union network and information security policy and law;</li> <li>(ii) providing preparatory work, advice and analyses relating to the development and update of Union network and information security policy and law;</li> <li>(iii) analysing publicly available network and information security strategies and promoting their publication;</li> </ol> </li> <li>(b) support capability building by:           <ol style="list-style-type: none"> <li>(i) supporting Member States, at their request, in their efforts to develop and improve the prevention, detection and analysis of and the capability to respond to network and information security problems and incidents, and providing them with the necessary knowledge;</li> <li>(ii) promoting and facilitating voluntary cooperation among the Member States and between the Union institutions, bodies, offices and agencies and the Member States in their efforts to prevent, detect and respond to network and information security problems and incidents where these have an impact across borders;</li> </ol> </li> </ol> </li> </ol>

- (iii) assisting the Union institutions, bodies, offices and agencies in their efforts to develop the prevention, detection and analysis of and the capability to respond to network and information security problems and incidents, in particular by supporting the operation of a Computer Emergency Response Team (CERT) for them;
  - (iv) supporting the raising of the level of capabilities of national/governmental and Union CERTs, including by promoting dialogue and exchange of information, with a view to ensuring that, with regard to the state of the art, each CERT meets a common set of minimum capabilities and operates according to best practices;
  - (v) supporting the organisation and running of Union network and information security exercises, and, at their request, advising Member States on national exercises;
  - (vi) assisting the Union institutions, bodies, offices and agencies and the Member States in their efforts to collect, analyse and, in line with Member States' security requirements, disseminate relevant network and information security data; and on the basis of information provided by the Union institutions, bodies, offices and agencies and the Member States in accordance with provisions of Union law and national provisions in compliance with Union law, maintaining the awareness, on the part of the Union institutions, bodies, offices and agencies as well as the Member States of the latest state of network and information security in the Union for their benefit;
  - (vii) supporting the development of a Union early warning mechanism that is complementary to Member States' mechanisms;
  - (viii) offering network and information security training for relevant public bodies, where appropriate in cooperation with stakeholders;
- (c) support voluntary cooperation among competent public bodies, and between stakeholders, including universities and research centres in the Union, and support awareness raising, inter alia, by:
- (i) promoting cooperation between national and governmental CERTs or Computer Security Incident Response Teams (CSIRTs), including the CERT for the Union institutions, bodies, offices and agencies;
  - (ii) promoting the development and sharing of best practices with the aim of attaining an advanced level of network and information security;
  - (iii) facilitating dialogue and efforts to develop and exchange best practices;
  - (iv) promoting best practices in information sharing and awareness raising;
  - (v) supporting the Union institutions, bodies, offices and agencies and, at their request, the Member States and their relevant bodies in organising awareness raising, including at the level of individual users, and other outreach activities to increase network and information security and its visibility by providing best practices and guidelines;
- (d) support research and development and standardisation, by:
- (i) facilitating the establishment and take-up of European and international standards for risk management and for the security of electronic products, networks and services;

	<ul style="list-style-type: none"> <li>(ii) advising the Union and the Member States on research needs in the area of network and information security with a view to enabling effective responses to current and emerging network and information security risks and threats, including with respect to new and emerging information and communications technologies, and to using risk-prevention technologies effectively;</li> <li>(e) cooperate with Union institutions, bodies, offices and agencies, including those dealing with cybercrime and the protection of privacy and personal data, with a view to addressing issues of common concern, including by: <ul style="list-style-type: none"> <li>(i) exchanging know-how and best practices;</li> <li>(ii) providing advice on relevant network and information security aspects in order to develop synergies;</li> </ul> </li> <li>(f) contribute to the Union's efforts to cooperate with third countries and international organisations to promote international cooperation on network and information security issues, including by: <ul style="list-style-type: none"> <li>(i) being engaged, where appropriate, as an observer and in the organisation of international exercises, and analysing and reporting on the outcome of such exercises;</li> <li>(ii) facilitating exchange of best practices of relevant organisations;</li> <li>(iii) providing the Union institutions with expertise.</li> </ul> </li> </ul> <p>2. Union institutions, bodies, offices and agencies and Member State bodies may request advice from the Agency in the event of breach of security or loss of integrity with a significant impact on the operation of networks and services.</p> <p>3. The Agency shall carry out tasks conferred on it by legal acts of the Union.</p> <p>4. The Agency shall express independently its own conclusions, guidance and advice on matters within the scope and objectives of this Regulation.</p>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p>The Management Board is composed of one representative of each Member State, and two representatives appointed by the Commission. All representatives have voting rights. Each member of the Management Board has an alternate to represent the member in their absence.</p> <p>Members of the Management Board and their alternates are appointed in light of their knowledge of the Agency's tasks and objectives, taking into account the managerial, administrative and budgetary skills relevant to fulfil the tasks of a member of the Management Board.</p> <p>The term of office of members of the Management Board and of their alternates is four years. That term is renewable.</p> <p><b>Permanent Stakeholders Group</b></p> <p>The Management Board, acting on a proposal by the Executive Director, appoints a Permanent Stakeholders' Group composed of recognised experts representing the relevant stakeholders, such as the ICT industry, providers of electronic</p>

	<p>communications networks or services available to the public, consumer groups, academic experts in network and information security, and representatives of national regulatory authorities notified under Directive 2002/21/EC as well as of law enforcement and privacy protection authorities. The term of office of the Permanent Stakeholders' Group's members is two and a half years.</p> <p>The Permanent Stakeholders' Group advises the Agency in respect of the performance of its activities. In particular, it advises the Executive Director on drawing up a proposal for the Agency's work programme, and on ensuring communication with the relevant stakeholders on all issues related to the work programme.</p> <p><b>Executive Director</b></p> <p>The Executive Director is appointed by the Management Board, from a list of candidates proposed by the Commission, following an open and transparent selection procedure, for a term of five years which is renewable.</p> <p><b>Executive Board</b></p> <p>The Executive Board is made up of five members appointed from among the members of the Management Board. It must include the Chairperson of the Management Board, who may also chair the Executive Board, and one of the representatives of the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>Internal Audit Service of the European Commission.</p> <p><b>Discharge authority</b></p> <p>European Parliament on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>9,7 million euro (8,2 million euro) of which the Union subsidy is 93 % (100 %)</p> <p><b>Staff at 31 December 2013</b></p> <p>47 (44) posts provided for in the establishment plan, of which occupied: 43 (42).</p> <p>Other posts occupied: 13 (12) contract agents; 3 (4) seconded national experts.</p> <p>Total staff: 59 (58), undertaking the following tasks:</p> <p>operational: 42 (40)</p> <p>administrative: 17 (18)</p>

**Products and services provided in 2013 (2012)**

**WS<sup>(1)</sup> 1 — Evolving risk environment & opportunities**

The objective of this work stream was to identify the most important evolving threats that are relevant to critical infrastructure and trust services. This was done by monitoring publicly available sources that publish threat-related data and by making a regular assessment of this data. Based on the analysis done, ENISA has proposed good practices and guidelines for mitigating these risks. The work has been performed in a collaborative manner with involved stakeholders and has used existing information sources wherever possible.

The following objectives and results are achieved:

- collection and consolidation of information on the emerging threat landscape
- unification of available information sources under a common context.
- involvement of relevant stakeholders
- formulation of key messages (good practices and guidelines) to Member States and other stakeholders on how to improve their policies and capabilities.

Number of deliverables: 7 (7)

**WS2 — Improving Pan-European CIIP<sup>(2)</sup> & Resilience**

Protecting Critical Information Infrastructures (CIIP) is a key priority for Member States, the Commission and industry (operators, service providers, manufacturers). By facilitating cooperation and coordination among Member States, ENISA has continued in this work stream to support all of these stakeholders in developing sound and implementable preparedness, response and recovery strategies, policies and measures to meet the challenges of a continuously evolving threat environment.

The objectives and consequently results of this work stream were to:

- finalise the evaluation of Cyber Europe 2012 and initiate the organisation and management of the next Cyber Europe 2014
- support the European Commission in implementing the EU's Cybersecurity Strategy
- support Member States and EU Commission on the development of a sound European Cyber Crisis Cooperation Framework, national contingency plans and national exercises
- enhance the co-operation of public and private stakeholders in activities related to CIIP through the EP3R
- further support the Commission in its efforts to guide NRAs in the implementation of both Article 13a of the revised Framework Directive for electronic communications and Article 4 of the e-Privacy Directive and consult with stakeholders on the development of an integrated approach
- examine the feasibility of the extension of Article 13a of the revised Framework Directive for electronic communications to new areas
- enhance the security of Smart Grids and ICS-SCADA

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— assist interested Member States in the development of their national Governmental Cloud Strategies

Number of deliverables: 16 (13)

**WS3 — Enabling communities to improve network and information security (NIS)**

The aim of this work stream was to help the communities that are instrumental in improving NIS to enhance their capabilities and to facilitate their work through the improvement of the legal and regulatory scenarios that they must comply with.

ENISA has continued to work with CERTs to improve baseline capabilities in Europe. The Agency has also complemented this approach by addressing other communities that are active in improving NIS of their systems and infrastructure such as network and information systems managers as well as providers of security services within individual organisations (e.g. Information Security Officers (ISOs)).

The objectives and results of this work stream were:

- to keep up to date and enhance the operational capabilities of Member States institutions by helping the CERT community to increase its level of efficiency and effectiveness and support to law enforcement agencies, the fight against cyber-crime, the protection of children and minors, etc.,
- to support and enhance co-operation between CERTs and other communities,
- to develop and promote the use of training and exercise material,
- to support the implementation of pan-European trust marks (seals) in line with the Commission's actions in this field,
- to investigate data leakage and implement appropriate data access controls, and
- to review the situation on the use of cryptographic techniques in Europe, following up ENISA's work in 2011 in this field.

Number of deliverables: 15 (10)

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<sup>(1)</sup> WS: Work stream

<sup>(2)</sup> CIIP: Critical Information Infrastructure Protection

Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. The Agency notes that the 0,5 million euro carried over at year end were committed in 2014 at a rate of 99,78 %, and only an amount of 1 100.00 euro was cancelled.

12. The total carry over of Title II, which reached the rate of 59,1 % of total Title II appropriations for 2013 can be further broken down to 50,5 % linked to projects and purchases relevant to the refurbishment works and upgrade of infrastructure of Athens office and 8,6 % relevant to projects not linked to the refurbishment project, such as day to day utilities' costs. The funds for the refurbishment works were only approved on 4 November 2013.

13. The Agency notes that the creation of an additional office based in Athens was a political compromise reached among the European Parliament, the Commission and the government of the host country, in order to increase the operational efficiency of the Agency and in particular of the work of the Core Operations Department. This decision was beyond the influence of ENISA.

14. The Agency agrees with the comment and notes that it continuously communicates the problems and the risks involved to the partner DG CNECT and various authorities of the Greek Government in order to ensure that the issues pertaining to the payment of the subsidy from the Greek Government are overcome. To date the landlord has accepted the delays attributed to procedures of the Greek Government without imposing any penalty on the Agency. The landlord has given his consent to the launch of the refurbishment works, despite the delay in the payment of rent in 2014. The Agency, following a risk assessment which took into account the facts also noted by the Court, has launched the refurbishment works in June 2014, as the risk of cancellation of the lease agreement is considered low. The Agency continues to exercise and explore all possible remedies arising from the late payments from the Greek Government. To date the Agency has been able to mitigate any risks arising from the late payments.

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**REPORT****on the annual accounts of the Europol Pension Fund for the financial year 2013, together with the Fund's replies**

(2014/C 442/26)

**INTRODUCTION**

1. The Europol Pension Fund (hereinafter 'the Fund', aka 'EPF'), which is located in The Hague, was established by Article 37, Appendix 6, of the former Staff Regulations of the European Police Office, The Hague (Europol). Rules on the implementation of the Fund were established by Council Act of 12 March 1999<sup>(1)</sup> and amended by Council Decision 2011/400/EU<sup>(2)</sup>. The objective of the Fund is to finance and pay pensions for staff already employed by Europol before it became a European Agency on 1 January 2010.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Fund<sup>(3)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Fund and the legality and regularity of the underlying transactions<sup>(4)</sup>:

- (a) The management's responsibilities in respect of the Fund's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; applying the accounting rules for the Fund as adopted by the Council<sup>(5)</sup> and making accounting estimates that are reasonable in the circumstances. The Management Board of the Fund and the Director of the European Police Office approve the annual accounts after the Fund's accounting officer has prepared them on the basis of all available information. They also establish a note to accompany the accounts in which they declare, *inter alia*, that they have reasonable assurance that the accounts present a true and fair view of the financial position of the Fund in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> Document 5397/99 on the Council's public register: <http://register.consilium.europa.eu/>

<sup>(2)</sup> OJ L 179, 7.7.2011, p. 5.

<sup>(3)</sup> The accounts comprise the balance sheet, the statement of income and expenses, the cash-flow statement and the explanatory notes.

<sup>(4)</sup> Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002 (OJ L 357, 31.12.2002, p. 72).

<sup>(5)</sup> In accordance with Council Act of 12 March 1999 adopting rules on the EPF and Council Decision of 28 June 2011 amending the latter, the accounts are prepared on the basis of The Netherlands accounting rules on Pension Funds, namely Directive 610 of the Dutch financial reporting rules, and on the international Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.



**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(6)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Fund are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Fund's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Council.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

**Emphasis of Matter**

10. The Court draws attention to Notes 2.6 and 2.7 to the Fund's Annual Report 2013. The Fund's Management Board prepared the accounts on a going concern basis. However, it is expected that 2014 will lead to a further settlement of most of the currently still unpaid pension rights via a transfer to another pension scheme and that by 31 December 2014 there will be no active participants. The Fund's Board and Europol's Management Board together with the Council are currently assessing options for the future of the Fund, one of which is liquidation shortly after 31 December 2014.

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

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

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

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

For the Court of Auditors  
Vitor Manuel da SILVA CALDEIRA  
President

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<sup>(6)</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

## ANNEX

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	Europol Staff Regulations set the capitalisation of pension contributions paid by officials at an annual rate of 3,5 %. Since contributions are made monthly and can be different from one month to another, the use of an annual rate is incorrect and a monthly rate should be applied. However, there is no material effect on the annual accounts.	Outstanding

**THE FUND'S REPLY**

The Europol Pension Fund has taken note of the Court's report.

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## REPORT

**on the annual accounts of the European Railway Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/27)

**INTRODUCTION**

1. The European Railway Agency (hereinafter 'the Agency', aka 'ERA'), which is located in Lille and Valenciennes, was created by Regulation (EC) No 881/2004 of the European Parliament and of the Council <sup>(1)</sup>. The Agency's task 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 <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON INTERNAL CONTROLS**

11. There is room to improve the accuracy and documentation of information used in the Agency's procurement procedures.

**OTHER COMMENTS**

12. According to the Agency's founding regulation <sup>(8)</sup>, staff shall consist of:

- temporary employees recruited by the Agency for a maximum of five years from among professionals from the railways sector on the basis of their qualifications and experience in the field of railway safety and interoperability,
- officials assigned or seconded by the Commission or Member States for a maximum of five years, and
- other servants to carry out implementing or secretarial tasks.

13. At the end of 2013, 136 temporary employees were working for the Agency. The founding regulation also stipulates that during the first 10 years of the Agency's operations, the five-year period for them may be extended by up to a maximum of a further three years when required to guarantee business continuity. The Agency used this option as standard practice until mid-2013. Furthermore, in the period from September 2013 to March 2014, the Agency re-employed four temporary employees (for an eight-year period) whose contracts with ERA had ended in 2013 after the maximum eight-year period.

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

<sup>(8)</sup> Regulation (EC) No 881/2004, Article 24(3).

14. In 2013 the Agency adopted a new decision in agreement with its Administrative Board and the Commission, according to which temporary employees can have indefinite contracts. The proposal for a revised founding regulation for ERA includes similar provisions but it is unclear if and when this will be adopted by Parliament and Council.

15. The Agency is located in Lille and Valenciennes. As the Court mentioned in its Specific Annual Report for the financial year 2006, it is likely that costs could be reduced if all operations were centralised in one location. This might also facilitate a comprehensive seat agreement with the host Member State thereby clarifying the conditions under which the Agency and its staff operate.

#### **FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The level of payments against budget appropriations improved for all titles, but remained low for title III (operational expenditure) at 47 % (39 % in 2010). This situation is at odds with the budgetary principle of annuality.	Completed
2011	The Agency's Founding Regulation sets maximum employment periods for temporary staff recruited by the Agency from the professionals of the railways sector. According to these provisions, the Agency will have to replace half of its operational staff in the period 2013-2015, which may cause major disruptions in the Agency's operational activities <sup>(1)</sup> .	Ongoing
2011	There is room to improve the Agency's recruitment procedures in order to fully ensure transparency and equal treatment of candidates. As an example, vacancy notices did not provide information on the required minimum number of years of post-secondary or university studies which however was used as a selection criterion. The pass marks for interviews and reserve lists, the scoring of selection criteria, the questions for oral and written tests and the weightings between written and oral tests were not set before applications were examined.	Ongoing
2012	The Agency has suppressed the Internal Audit Capability and has replaced it with an Internal Control Coordinator (ICC). The internal auditor left the Agency and there are uncertainties on how the internal auditing function provided for in the Agency's financial regulation will be carried out under the new structure.	Completed
2012	The Agency should reinforce the controls in place to ensure that family allowances are correctly calculated and paid on the basis of complete and up to date information.	Completed
2012	The Agency does not comply with its Internal Control Standard regarding business continuity; there are no approved IT Business Continuity and Disaster Recovery plans.	Ongoing

<sup>(1)</sup> Regulation (EC) No 881/2004, Article 24.

## ANNEX II

**European Railway Agency (Lille/Valenciennes)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Article 91(1) of the Treaty on the Functioning of the European Union)</p>	<p>‘For the purpose of implementing Article 90, and taking into account the distinctive features of transport, the European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee of the Regions, lay down:</p> <ul style="list-style-type: none"> <li>(a) common rules applicable to international transport to or from the territory of a Member State or passing across the territory of one or more Member States;</li> <li>(b) the conditions under which non-resident carriers may operate transport services within a Member State;</li> <li>(c) measures to improve transport safety;</li> <li>(d) any other appropriate provisions.’</li> </ul>
<p><b>Competences of the Agency</b> (Regulation (EC) No 881/2004 of the European Parliament and of the Council)</p>	<p><b>Objectives</b></p> <p>To contribute, on technical matters, to the implementation of the Union legislation aimed at:</p> <ul style="list-style-type: none"> <li>— improving the competitive position of the railway systems,</li> <li>— developing a common approach to safety on the European railway system,</li> </ul> <p>in order to contribute to creating a European railway area without frontiers and guaranteeing a high level of safety.</p> <p><b>Tasks</b></p> <ol style="list-style-type: none"> <li>1. To address recommendations to the Commission on: <ul style="list-style-type: none"> <li>— the common safety methods (CMS) and common safety targets (CSTs) provided in the Railway Safety Directive (2004/49/EC),</li> <li>— safety certificates and measures in the field of safety,</li> <li>— development of technical specifications for interoperability,</li> <li>— vocational competencies,</li> <li>— registration of rolling stock.</li> </ul> </li> <li>2. To issue opinions on: <ul style="list-style-type: none"> <li>— national safety rules,</li> <li>— monitoring the quality of the work of notified bodies,</li> <li>— interoperability of the trans-European network.</li> </ul> </li> <li>3. To coordinate national bodies: <p>Coordination of national safety authorities and national investigation bodies (as described in Directive 2004/49/EC, Articles 17 and 21).</p> </li> </ol>



	<p>4. Publications and databases:</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>
<p><b>Governance</b></p>	<p><b>Administrative Board</b></p> <p>Comprises one representative from each Member State, four representatives from the Commission and six representatives, without the right to vote, from the professional sectors concerned.</p> <p><b>Director</b></p> <p>Appointed by the Administrative Board on a proposal from the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, following a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>25,8 (25,8) million euro</p> <p><b>Staff at 31 December 2013</b></p> <p>Posts listed in the establishment plan: 143 (144)</p> <p>Posts occupied on 31.12.2013: 135 (139)</p> <p>Other staff: 15 (14)</p> <p>Total staff: 150 (153), of which assigned to:</p> <ul style="list-style-type: none"> <li>— operational tasks: 116 (119)</li> <li>— administrative tasks: 34 (34)</li> </ul>
<p><b>Products and services in 2013</b></p>	<p>Follow-up activities, modifications of the texts, dissemination and monitoring activities in relation to the Single Safety Certificate.</p> <p>Evaluation of the effectiveness and practical implementation of measures through the Joint Network Secretariat.</p> <p>Development of a Single Safety Certificate Regime.</p> <p>Implementation of a common template based on the relevant Directives and Commission Recommendation 2011/217/EU (known as DV29) to be used by the Member States to document the authorisation process applied.</p> <p>Completion of the drafting of almost all the Technical Specifications for Interoperability (TSIs) applicable to the entire EU railway network.</p> <p>Definition and compilation of the reference document of national rules for vehicle authorisation and classification of their equivalence for cross acceptance.</p>

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	<p>Reports on railway safety and interoperability.</p> <p>Recommendations on safety assessment and reporting, including Common Safety Indicators and Common Safety Methods, coordination of safety authorities and investigation bodies and reporting on safety performance in the Member States.</p> <p>Recommendations on safety regulation, including evaluating the way national safety rules are made available, and examination of the transposition of the Railway Safety Directive in the Member States.</p> <p>Setting up and maintaining a series of registers for safety and interoperability.</p> <p>Guidance, support and advice to the rail sector and MSs when implementing the telematics TSIs (TAF and TAP).</p> <p>Acting as the System Authority and Change Control Manager for ERTMS (European Railway Traffic Management System); issuing the ETCS Baseline 3 specification; assisting the Commission in evaluating ERTMS projects.</p> <p>Cooperation with the TEN-T Executive Agency in evaluating specific ERTMS projects.</p> <p>Technical Opinions on national rules and monitoring of the work of Notified Bodies.</p> <p>Accompanying appropriate recommendations with an impact assessment.</p>
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Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. The Agency has taken good note of the remark of the Court and will review its procurement procedure.

12-14. The Agency has taken note of the comments of the Court.

15. The Agency has regular contacts with the host Member State about a seat agreement. However, the French authorities have so far taken the view that the 'Protocol on Privileges and Immunities' applies and that is sufficient for the Agency.

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## REPORT

**on the annual accounts of the European Research Council Executive Agency for the financial year 2013, together with the Agency's reply**

(2014/C 442/28)

**INTRODUCTION**

1. The European Research Council Executive Agency (hereinafter 'the Agency', aka 'ERCEA'), which is located in Brussels, was created by Commission Decision 2008/37/EC<sup>(1)</sup>. The Agency was established for a period beginning on 1 January 2008 and ending on 31 December 2017 with the aim of managing the 'Ideas' specific programme under the 7th Framework Programme for Research<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 9, 12.1.2008, p. 15.

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

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

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

<sup>(5)</sup> Articles 62 and 68 in conjunction with Articles 53 and 58 of Regulation (EU, Euratom) No 966/2012 (OJ L 298, 26.10.2012, p. 1).

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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<sup>(7)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012.

## ANNEX

**European Research Council Executive Agency (Brussels)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Article 182 of the Treaty on the Functioning of the European Union)</p>	<ol style="list-style-type: none"> <li>1. A multiannual framework programme, setting out all the activities of the Union, shall be adopted by the European Parliament and the Council, after consulting the Economic and Social Committee. The framework programme shall: <ul style="list-style-type: none"> <li>— establish the scientific and technological objectives to be achieved by the activities provided for in Article 180 and fix the relevant priorities,</li> <li>— indicate the broad lines of such activities,</li> <li>— fix the maximum overall amount and the detailed rules for Union financial participation in the framework programme and the respective shares in each of the activities provided for.</li> </ul> </li> <li>2. The framework programme shall be adapted or supplemented as the situation changes.</li> <li>3. The framework programme shall be implemented through specific programmes developed within each activity. Each specific programme shall define the detailed rules for implementing it, fix its duration and provide for the means deemed necessary. The sum of the amounts deemed necessary, fixed in the specific programmes, may not exceed the overall maximum amount fixed for the framework programme and each activity.</li> <li>4. The Council, acting in accordance with a special legislative procedure and after consulting the European Parliament and the Economic and Social Committee, shall adopt the specific programmes.</li> </ol>
<p><b>Competences of the Agency</b> (Commission Decision 2008/37/EC)</p>	<p><b>Objectives</b></p> <p>The Agency was set up in December 2007 by Commission Decision 2008/37/EC, for the management of the specific Community Programme “Ideas” in the field of frontier research in the application of Council Regulation (EC) No 58/2003. “Ideas” is implemented by the European Research Council (ERC), comprising an independent Scientific Council which establishes the ERC’s scientific strategy and monitors its implementation by the Agency that handles the operational management. The Agency became autonomous from the Directorate-General for Research and Innovation on 15 July 2009.</p> <p><b>Tasks</b></p> <p>The tasks of the Agency are described in the Delegation Act (See Commission Decision C(2008) 5694), namely in Articles 5-7 thereof. Among these tasks, the Agency has been entrusted with tasks covering:</p> <ul style="list-style-type: none"> <li>— all aspects of administrative implementation and programme execution and, in particular, the evaluation procedures, peer review and selection process according to the principles established by the Scientific Council;</li> <li>— the financial and scientific management of the grants.</li> </ul>

<p><b>Governance</b></p> <p>(Commission Decisions C(2008) 5132 and C(2011) 4877)</p> <p>(Commission Decisions 2007/134/EC and 2011/12/EU)</p> <p>(Council Decision 2006/972/EC)</p> <p>(Council Regulation (EC) No 58/2003)</p>	<p><b>Steering Committee</b></p> <p>The Steering Committee is the body that supervises the operations of the Agency and is appointed by the Commission (See Commission Decision C(2008) 5132). It adopts the Agency's annual work programme (after approval by the Commission), administrative budget and annual reports. It is composed of five members and one observer.</p> <p><b>Scientific Council of the ERC</b></p> <p>The Scientific Council of the ERC is entrusted by virtue of Commission Decision 2007/134/EC with establishing a scientific strategy for the Ideas Specific Programme, deciding on the type of research to be funded in accordance with Article 5(3) of Council Decision 2006/972/EC and acting as a guarantor of the quality of the activity from a scientific perspective. Its tasks cover, in particular, the establishment of the annual work programme for the Ideas Specific Programme, and of the peer review process, as well as the monitoring and quality control of the implementation of the Specific Programme "Ideas", without prejudice to the responsibility of the Commission. It is composed of twenty-two members appointed by the Commission.</p> <p><b>Director of the Agency</b></p> <p>Appointed by the European Commission for four years.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, following a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>40,1 (37,8) million euro</p> <p><b>Staff at 31 December 2013</b></p> <p>The 2013 operating budget provides for an establishment plan of 100 (100) Temporary Staff (TS) and a budget for 289 (289) Contract Staff (CS) and Seconded National Experts (SNE), i.e. a total of 389 (389) staff. Of these posts, 379 (380) were occupied at year-end 2013:</p> <ul style="list-style-type: none"> <li>— 99 (96) Temporary Staff, out of which 13 (11) seconded TS and 86 (85) external TS;</li> <li>— 270 (275) Contract Staff;</li> <li>— 10 (9) SNEs.</li> </ul> <p><i>Allocated to:</i></p> <ul style="list-style-type: none"> <li>— operational activities (Scientific and Grant Management departments): 70 % (71 %)</li> <li>— administrative activities (other departments): 30 % (29 %)</li> </ul>
<p><b>Products and services in 2013 (2012)</b></p>	<p>1. Monitor the grant agreements awarded under the Ideas Work Programme, calls for Starting Grants, Advanced Grants, Synergy Grants and Proof-of-Concept Grants. The Ideas work programme is implemented via the publication of the annual calls for proposals, which is followed by an evaluation (by external experts), the preparation and signing of grant agreements and finally the monitoring of project implementation. Each call for proposals results in a series of Grant Agreements, with an expected project cycle of about five years.</p>

2. Execution of the 2013 Calls for proposals for the Ideas work programme (Starting Grants, Advanced Grants, Synergy Grants and Proof-of-Concept Grants): 10 151 proposal applications were submitted in 2013, out of which 3 329 were for Starting Grants, 3 673 were for the newly introduced Consolidator call, 2 408 for Advanced Grants, 449 for Synergy Grants and 292 for Proof-of-Concept Grants. Of these a total of 9 968 were eligible and thus evaluated by the review panels. A total of 959 proposals were selected for the granting process (890 on the main lists, 69 on the reserve lists).
3. Generation and dissemination of information on the Ideas Specific Programme and the Agency's activities in 2013.
4. The Scientific Council held regular meetings in 2013 across Europe, usually at the invitation of national authorities. Meeting in different countries which are either EU Member States or associated countries is a way of making the ERC more visible. The meetings are also considered important events both by the national authorities as well as the local scientific and research community. Five Scientific Council plenary sessions were organised during the period between 1 January and 31 December 2013: in January, March and December in Brussels (Belgium), in June in Bratislava (Slovakia) and in October in Utrecht (Netherlands). Following the recommendations of the panel on the review of the ERC's structures and mechanisms in 2009, the Scientific Council established two standing committees: the first providing guidance on conflicts of interest, scientific misconduct and ethical issues and the second dealing with the selection of evaluation panellists. The executive agency supported the operational activities of the two committees, which met three times each in 2013. The members of the Scientific Council also meet in WGs addressing specific issues. In 2013, various meetings of the ERC working groups on innovation and relations with industry, open access, internationalisation and gender balance were organised by the executive agency. The WGs carry out analyses and contribute to the ERC's scientific strategy through proposals to be adopted by the Scientific Council in plenary in the areas covered by their mandates. A series of working documents containing analyses and key messages on the specific issues dealt with by the WGs and by the standing committees were prepared by the executive agency, in collaboration with members of the groups.

In 2013, four of the five working groups organised four main events in Brussels:

- WG on Innovation and Relations with Industry: "New technologies from the ERC", on 5 February, co-organised with Science Business; eleven ERC grantees holding Proof-of-Concept grants met various investors from industry to speak about their projects and establish potential business contacts.
- WG on Open Access: "Workshop on Open Access infrastructures in the Social Sciences and Humanities". The event was planned and implemented in cooperation with the Scientific Council Working Group on Open Access. It brought together a broad range of experts in the field, including representatives of universities, funders and policy makers. It also saw the presence of two ERC grantees.
- WG on KPIs: "Identification of "frontier research" and "emerging research areas" in research proposals" was organised with the coordinators of the two CSA (Coordination and Support Actions) projects studying the potential of bibliometrics in support of ERC monitoring and evaluation strategy. During a



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two-day discussion on 20-21 of February, ERC Scientific Council members, scientometrics experts, ERCEA Scientific Officers, colleagues from DG RTD and DG CONNECT and representatives of other research funding bodies scrutinised results presented by the CSA projects team members, namely, bibliometric techniques and indicators measuring the extent to which ERC is supporting research proposals with “frontier research” and “emerging research areas”.

- WG on Gender Balance: “On the way to the top: providing equal opportunities for men and women in science and technology”. The aim of the Workshop was to gather representatives from national research organisations and gender experts to discuss the diversity of practices and approaches to gender mainstreaming in various European countries and to exchange best practices on policies and approaches aiming at the promotion of wider participation of women researchers.

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*Source:* Annex supplied by the Agency.

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**THE AGENCY'S REPLY**

The Agency has taken note of the Court's report.

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**REPORT****on the annual accounts of the European Securities and Markets Authority for the financial year 2013,  
together with the Authority's replies**

(2014/C 442/29)

**INTRODUCTION**

1. The European Securities and Markets Authority (hereinafter 'the Authority', aka 'ESMA'), which is located in Paris, was established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council <sup>(1)</sup>. The Authority's task is to improve the functioning of the EU internal financial market by ensuring a high, effective and consistent level of regulation and supervision, promoting the integrity and stability of the financial systems and strengthening international supervisory coordination in order to ensure the stability and effectiveness of the financial system <sup>(2)</sup>. ESMA was set up on 1 January 2011.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Authority, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Authority and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 331, 15.12.2010, p. 84.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Authority's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The overall level of committed appropriations increased from 86 % in 2012 to 93 % in 2013, indicating that commitments were made on a more timely basis. However, the level of committed appropriations carried over to 2014 was high for title III (operational expenditure) at 3 688 487 euro (58 %). This was caused by IT services received in 2013 but not yet paid for (0,8 million euro), IT services planned in the 2014 work programme and contracted at year-end (1,1 million euro), some delays in IT procurements (0,4 million euro) and also the multiannual nature of some IT projects.

12. In 2013 the Authority made 12 budget transfers amounting to 5,1 million euro or 18 % of the budget (2012: 22 transfers amounting to 3,2 million euro or 16 % of the budget), which indicates continued weaknesses in budget planning.

**OTHER COMMENTS**

13. Some 27 % of payments made in 2013 for goods and services received were late. Where payments were late, they were overdue by an average of 32 days. Late interest paid in 2013 amounted to 3 834 euro.

14. According to the Protocol on the privileges and immunities of the European Union <sup>(8)</sup> and the EU VAT Directive <sup>(9)</sup>, the Authority is exempt from indirect taxes. Total VAT charged to ESMA in the period 2011-2013 was 3,3 million euro. Following lengthy discussions with the host Member State, the Authority started claiming VAT reimbursements in the last quarter of 2012, but only 1,3 million euro had been claimed back by the end of 2013.

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

<sup>(8)</sup> Protocol (No 7) on the privileges and immunities of the European Union (OJ C 115, 9.5.2008, p. 266).

<sup>(9)</sup> Council Directive 2006/112/EC (OJ L 347, 11.12.2006, p. 1).

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Authority's commitments amounted to 12 841 997 euro or 76 % of the 2011 budget. The commitment rates were low especially for title III 'Operational expenditure' (47 %). This impacted on the Authority's IT objectives which were not entirely achieved. The low budget execution rates indicate difficulties in budget planning and implementation.	N/A
2011	The Authority's budget for the financial year 2011 amounted to 16,9 million euro. In accordance with Article 62(1) of its Founding Regulation, 60 % of the 2011 budget was financed from Member States' and EFTA countries' contributions and 40 % from the Union budget. At the end of 2011, ESMA recorded a positive budget outturn of 4,3 million euro. In compliance with its Financial Regulation <sup>(1)</sup> , the full amount was then recorded in the accounts as a liability towards the European Commission.	Ongoing
2011	Weaknesses were noted as regards six legal commitments made in advance of budget commitments (483 845 euro).	Ongoing <sup>(2)</sup>
2011	The Court identified a number of cases with a total value of 207 442 euro in which payment appropriations carried over to 2012 did not correspond to legal commitments made. These carry-overs were therefore irregular and should be cancelled.	Ongoing
2011	There is a need to improve the Authority's management of fixed assets. For intangible assets developed by the Authority, accounting procedures and information on costs were not reliable.	Completed
2011	The Authority needs to improve the transparency of recruitment procedures. The number of years of experience required for a given position was not respected, applications received after the deadline were accepted, questions for oral and written tests were not set before the applications were examined by the selection board and there was no decision of the Appointing Authority to appoint the selection board.	Completed
2012	The Authority's accounting system has not yet been validated by the Accounting Officer.	Completed
2012	During its second year of activity, the Authority took an important step with the adoption and implementation of the baseline requirements for all internal control standards. However, full implementation of the standards has not been achieved.	Ongoing
2012	There is considerable room to improve the timeliness and documentation of procurement procedures.	Ongoing

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	<p>The Authority's total appropriations for 2012 amounted to 20,3 million euro, out of which 2,8 million euro (14 %) were cancelled and 4,2 million euro (21 %) of committed appropriations were carried over to 2013.</p> <p>The high level of cancellations results mainly from the fact that the budget was established on the basis of a fully implemented staff establishment plan at the beginning of 2012, whereas some recruitments were only made during the year. Delays in IT procurements also caused cancellations.</p>	N/A
2012	<p>The level of committed appropriations carried over is high for title II (administrative expenditure) at 39 % and for title III (operational expenditure) at 52 %. For title II, this was mainly caused by the fact that a significant contract for works on the Authority's premises was awarded in December 2012 (0,6 million euro) and by the purchase of IT hardware (0,5 million euro), telephony equipment (0,1 million euro) and furniture (0,3 million euro) for which delivery was not completed at year-end. For title III, the high level of committed appropriations carried over results from the multiannual nature of significant IT development projects and delays in related procurements.</p>	N/A
2012	<p>In 2012, the Authority made 22 budget transfers amounting to 3,2 million euro (16 % of total 2012 budget), which indicates weaknesses in budget planning.</p>	Ongoing
2012	<p>The Authority needs to further improve the transparency of its recruitment procedures. In particular, in one audited recruitment procedure, the number of years of experience for a given position was not applied and in three audited recruitment procedures there was no evidence that thresholds for the shortlists were established before the examination of the applications.</p>	Completed

<sup>(1)</sup> Articles 15(4) and 16(1).

<sup>(2)</sup> Similar cases were found in 2013.

## ANNEX II

**European Securities and Markets Authority (Paris)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 114 of the Treaty on the Functioning of the European Union)</i></p>	<p>The European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.</p>
<p><b>Competences of the Authority</b></p> <p><i>(Regulation (EU) No 1095/2010 of the European Parliament and of the Council and Regulation (EC) No 1060/2009 of the European Parliament and of the Council)</i></p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To develop draft regulatory technical standards.</li> <li>— To develop draft implementing technical standards.</li> <li>— To issue guidelines and recommendations.</li> <li>— To issue recommendations where a national competent authority has not applied sectoral acts or has applied them in a way which appears to be a breach of Union law.</li> <li>— To take individual decisions addressed to competent authorities in certain emergency situations and in settlement of disagreements between competent authorities in cross-border situations.</li> <li>— In cases concerning directly applicable Union law, to take individual decisions addressed to financial market participants, where: (i) a national competent authority has not applied sectoral acts or has applied them in a way which appears to be a breach of Union law and where the competent authority has not complied with a formal opinion of the Commission; (ii) in certain emergency situations where a competent authority does not comply with the decision of the Authority adopted, or (iii) in settlement of disagreements between competent authorities in cross-border situations where a competent authority has not complied with the decision of the Authority.</li> <li>— To issue opinions to the European Parliament, the Council or the Commission on all issues related to its areas of competence.</li> <li>— To collect the necessary information concerning financial market participants to carry out the duties assigned to it.</li> <li>— To develop common methodologies for assessing the effect of product characteristics and distribution processes on the financial position of financial market participants and on consumer protection.</li> <li>— To provide a centrally accessible database of registered financial market participants in the area of its competence where specified in sectoral legislation.</li> <li>— To issue warnings in the event that a financial activity poses a serious threat to its objectives.</li> <li>— To temporarily prohibit or restrict certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the Union in the cases specified and under the conditions laid down in sectoral legislation or if so required in the case of an emergency situation.</li> <li>— To participate in the activities of colleges of supervisors, including on-site examination, carried out jointly by two or more competent authorities.</li> </ul>



	<ul style="list-style-type: none"> <li>— To address any risk of disruption in financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the internal market and the real economy.</li> <li>— To draw up additional guidelines and recommendations for key financial market participants, to take account of the systemic risk posed by them.</li> <li>— To conduct an inquiry into a particular type of financial activity or type of product or type of conduct in order to assess potential threats to the integrity of financial markets or the stability of the financial system and make appropriate recommendations for action to the competent authorities concerned.</li> <li>— To carry out tasks and responsibilities delegated by competent authorities.</li> <li>— To provide opinions to competent authorities.</li> <li>— To conduct peer reviews of the activities of competent authorities.</li> <li>— To coordinate between competent authorities, in particular where adverse development could potentially jeopardise the orderly functioning and integrity of financial markets or the stability of the financial system in the Union.</li> <li>— To initiate and coordinate Union-wide assessments of the resilience of financial market participants to adverse market developments.</li> <li>— To take decisions on applications for certification and registration of credit rating agencies and on withdrawal of such certification and registration.</li> <li>— To establish cooperation agreements with the relevant credit rating agency supervisory authorities of third countries.</li> <li>— To conduct investigations of and on-site inspections at the premises of credit rating agencies, rated entities and related third parties.</li> <li>— Where a credit rating agency has committed an infringement, to take decisions to withdraw its registration, temporarily prohibit it from issuing credit ratings, suspend the use for regulatory purposes of the credit ratings it issued, require the infringement to be brought to an end, and/or issue public notices.</li> <li>— Where a credit rating agency has committed an infringement intentionally or negligently, to take decisions to impose a fine.</li> </ul>
<p><b>Governance</b></p>	<p><b>Board of Supervisors</b></p> <p><i>Composition</i></p> <p>Chairperson (non-voting); the head of the national public authority competent for the supervision of financial market participants in each Member State; one representative of the Commission (non-voting); one representative of the European Systemic Risk Board (non-voting); one representative of each of the other two European Supervisory Authorities (non-voting).</p> <p><i>Tasks</i></p> <p>Gives guidance to the work of the Authority and is in charge of taking decisions referred to in Chapter II of the founding Regulation.</p>

	<p><b>Management Board</b></p> <p><i>Composition</i></p> <p>Chairperson and six other members of the Board of Supervisors, elected by and from the voting members of the Board of Supervisors. The Executive Director and a representative of the Commission participate in meetings without the right to vote (though the representative of the Commission can vote on budgetary matters).</p> <p><i>Tasks</i></p> <p>Ensures that the Authority carries out its mission and performs the tasks assigned to it in accordance with the founding Regulation.</p> <p><b>Chairperson</b></p> <p>Representative of the Authority responsible for preparing the work of the Board of Supervisors and chairing the meetings of the Board of Supervisors and the Management Board. Appointed by the Board of Supervisors after having been heard by the European Parliament.</p> <p><b>Executive Director</b></p> <p>Appointed by the Board of Supervisors after confirmation by the European Parliament. In charge of the management of the Authority and prepares the work of the Management Board.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Authority in 2013</b></p>	<p><b>Final Budget</b></p> <p>Total budget: 28,189 million euro, including:</p> <p>Union subsidy: 8,6 million euro</p> <p>Contributions from National Competent Authorities: 12,9 million euro</p> <p>Fees from supervised entities: 6,53 million euro (Credit Rating Agencies: 5,7 million euro; Trade Repositories: 0,83 million euro)</p> <p><b>Staff as at 31 December 2013</b></p> <ul style="list-style-type: none"> <li>— Statutory staff: 106 temporary staff posts authorised in the establishment plan, of which recruited: 102</li> <li>— Contract staff: 25 contract staff posts planned in the budget; contract staff posts actually filled at 31.12.2013: 19</li> <li>— Seconded National Experts: 14 Seconded National Expert posts planned in the budget; Seconded National Experts posts actually filled at 31.12.2013: 15</li> </ul>
<p><b>Products and services in 2013</b></p>	<ul style="list-style-type: none"> <li>— Monitoring financial stability. Issued several periodic risk reports and trend summaries of financial markets.</li> <li>— Conducted tailored economic research and impact assessments.</li> <li>— Contributed to ESRB work on central counterparties and systemic risk.</li> </ul>

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- Developed benchmark principles and recommendations together with EBA.
  - Looked into impact of the Short-Selling Regulation.
  - Carried out reviews of retailisation in the EU. Published a report on retailisation, i.e. the sales of complex products to retail investors.
  - Expanded work on monitoring markets and financial innovation. Put in place a financial innovation framework.
  - Conducted in-depth analysis of innovative financial products and processes. Conducted analysis of bail-in securities and securitisation. Surveyed NCAs on the topics of captive placement and crowdfunding.
  - Monitored and analysed retail investor trends.
  - Worked on investor education. Became an associate member of the OECD International Network on Investor Education.
  - Prepared reinforced investor protection regime under MiFID II. Prepared for future investor protection work.
  - Issued remuneration guidelines for investment firms. Guidelines covered governance, design and control of pay schemes.
  - Warned investors about contracts for difference (CFDs). Published joint warning with EBA on dangers of investing in CFDs.
  - Issued jointly with EBA guidelines for complaints-handling for securities and banking.
  - Published three ESAs joint positions on principles for manufacturers' product oversight and governance processes.
  - Held Joint Consumer Protection Day of the three ESAs in Paris.
  - Strengthened its credit rating agencies (CRA) supervision. Twenty-two CRAs registered, two certified.
  - Following the cross-CRAs investigation into the bank rating methodologies in 2012, the implementation of the resulting remedial actions was monitored in 2013 as part of on-going supervision. Published a report on sovereign ratings investigation. Carried out an assessment of 14 small and medium-sized CRAs focusing on the systems and controls put in place by the CRAs to ensure compliance with the regulation.
  - Assessed CRAs' compliance with the new requirements focusing on the disclosure aspects of sovereign ratings, pricing policies and procedures.
  - Enhanced its CRA risk analysis framework. Looked into CRAs' implementation of regulatory rule changes. Furthered ESA cooperation and cooperation with international authorities on CRA matters.
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- Conducted CRA policy-related work. Published guidelines and recommendations providing clarity on the scope of the CRA Regulation and the list of registered CRAs with their market shares. Published a discussion paper on CRA3 implementation and on the three draft Regulatory Technical Standards (RTS). Published the first advice concerning the feasibility of a network of smaller CRAs.
  - Authorised six trade repositories and took on supervision.
  - Participated in CCPs supervisory colleges. Finalised a framework written agreement for the establishment and functioning of the colleges of supervisors and a common risk assessment template. Began recognition of third-country CCPs — 35 third-country CCPs applied for recognition.
  - Published further advice on the equivalence between the EU regulatory regime for CRAs and the respective legal and supervisory frameworks of Argentina, Brazil, Mexico, Hong Kong and Singapore.
  - Provided implementing rules for EMIR. Published Q&A to promote consistent implementation of EMIR. This included:
    - Preparing technical details for clearing obligation
    - Commencing examination of pension scheme arrangements and intra-group transactions
    - Raising awareness of non-financial counterparties (NFC) on obligation
    - Issuing regulatory technical standards on CCP colleges
    - Publishing a final report on the guidelines and recommendations for interoperability arrangements, as mandated under EMIR
    - Issuing standards on OTC derivatives entered into by non-EU counterparties
    - Advising Commission on equivalence of third-country rules and EMIR
    - Preparing for Central Securities Depositories Regulation (CSDR)
    - Coordinating international derivatives dialogue
  - Prepared for future MiFID II mandates.
  - Submitted to the Commission the standards on acquisitions and increases in holdings in investment firms under current MiFID. Reviewed implementation of MiFID conduct of business rules.
  - Reviewed and clarified data reporting rules from a cross-regulatory perspective.
  - Clarified reporting of on-exchange derivatives. Prepared details for transaction reporting, order record keeping and reference data.
  - Advised Commission on review of the Short-Selling Regulation.
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- Prepared implementing measures of future Market Abuse Regulation (MAR). Consulted on MAR policy options for certain implementing measures.
  
  - Strengthened framework for retail investment funds.
  
  - Clarified impact of EMIR on the calculation of counterparty risks for UCITS.
  
  - Concluded supervisory cooperation arrangements for alternative investment funds with 46 non-EU authorities.
  
  - Continued clarifying rules for alternative investment funds (AIFMs). Published a final report on Draft RTS on types of AIFMs and submitted it to the Commission for endorsement.
  
  - Clarified scope of AIFMD. Published a final report on guidelines on key concepts of the AIFMD. Adopted remuneration guidelines for alternative investment fund managers. Published a final report on guidelines on sound remuneration policies under the AIFMD.
  
  - Clarified reporting requirements for alternative investment fund managers. Published guidelines on reporting obligations under the AIFMD. Addressed late transposition of the AIFMD. Issued an opinion on practical arrangements for the late transposition of the AIFMD.
  
  - Delivered first standards under Prospectus Directive (PD). The draft RTS and the report were submitted to the Commission. Updated framework for equivalence of third-country prospectuses. Prepared standards on transparency requirements for major shareholdings.
  
  - Published report on liability regimes under Prospectus Directive (PD).
  
  - Clarified concept of 'acting in concert' to international investors. Published a statement containing information on shareholder cooperation and acting in concert under the PD.
  
  - Promoted convergent application of Short-Selling Regulation.
  
  - Finalised guidelines on market making activities. Published guidelines on the exemption for market making activities and primary market operations.
  
  - Facilitated and coordinated the implementation of temporary bans. ESMA played its coordination role in eight instances in 2013.
  
  - Monitored settlement discipline and fails.
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	<ul style="list-style-type: none"><li>— Contributed to the consistent application of International Financial Reporting Standards (IFRS) in the EU. Consulted on draft guidelines on enforcement of financial information. Published a consultation paper on proposed guidelines on the enforcement of financial information.</li><li>— Compared IFRS and EU firms' financial statements. Participated in the development of IFRS. Prepared standards for financial information. Monitored proposed rules on audit.</li><li>— Facilitated development of code of conduct for EU proxy advising industry.</li><li>— Reviewed Member States' implementation of EU law. Amended methodology for peer reviews. Finalised a peer review on its Money Market Funds Guidelines.</li></ul>
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Source: Annex supplied by the Authority.

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**THE AUTHORITY'S REPLIES**

11. Regarding the high level of carry-overs, even so they are due to the not yet paid financial liabilities of the IT contracts and the multiannual nature of IT projects under those contracts and, therefore, impossible to eliminate completely, ESMA is further strengthening the procurement plan monitoring to reduce the level of carry-overs to the minimum level possible.

12. Regarding the number of budget transfers, the comment of the Court is noted. It should be kept in mind that ESMA's budget 2013 was prepared at the end of 2011, e.g. after less than a year of operation for the Authority. In 2013, a new budget planning methodology has been put in place to minimise the need of budget transfers in 2015 and beyond. ESMA has also started in 2013 to set up periodic budget reviews to improve budget implementation.

13. ESMA is aware of the issue related to late payments and took several initiatives in 2013 in order to address it. ESMA has enhanced monitoring with the setup of biweekly reports and has developed a training campaign on the payment circuits. Finally, ESMA streamlined at the end of 2013 the financial circuits and adapted the forms to improve the timeliness of the process.

14. Due to the ongoing discussions on the headquarter agreement, ESMA's process to recover VAT from the French government was implemented only end 2012. In 2013, ESMA had therefore to process a back log of VAT claims for which the last batch was sent out in May 2014. Together with finalising the handling of the backlog, a regular quarterly VAT claiming procedure has been put in place at the end of 2013. With the above measures, ESMA expects to significantly reduce or eliminate the outstanding VAT by the end of 2014.

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**REPORT****on the annual accounts of the European Training Foundation for the financial year 2013, together with the Foundation's reply**

(2014/C 442/30)

**INTRODUCTION**

1. The European Training Foundation (hereinafter 'the Foundation', aka 'ETF'), which is located in Turin, was established by Council Regulation (EEC) No 1360/90 <sup>(1)</sup> (recast Regulation (EC) No 1339/2008 of the European Parliament and of the Council <sup>(2)</sup>). The Foundation's task is to support the reform of vocational training in the European Union's partner countries. To do this, it assists the Commission in the implementation of various programmes (e.g. IPA, FRAME, GEMM) <sup>(3)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Foundation, which comprise the financial statements <sup>(4)</sup> and the reports on the implementation of the budget <sup>(5)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Foundation and the legality and regularity of the underlying transactions <sup>(6)</sup>:

- (a) The management's responsibilities in respect of the Foundation's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer <sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Foundation after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Foundation in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

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

<sup>(2)</sup> OJ L 354, 31.12.2008, p. 82.

<sup>(3)</sup> *Annex II* summarises the Foundation's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.



**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(8)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Foundation are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Foundation's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**OTHER COMMENTS**

11. At the end of 2013, the Foundation had 7,5 million euro in accounts at a single bank with a low credit rating (F3, BBB).

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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<sup>(8)</sup> Article 107 of Regulation (EU) No 1271/2013.

## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	In 2012 the overall level of committed appropriations was 99,9 %, indicating that commitments were made in a timely manner. The level of committed appropriations carried over to 2013 however was high for title II (administrative expenditure) at 0,6 million euro (36,8 %). The main reasons were the late receipt of invoices for building-related services delivered in 2012 (0,3 million euro) and a number of IT hardware and software purchases ordered as planned during the last months of 2012 (0,3 million euro) but not delivered until 2013.	N/A

## ANNEX II

**European Training Foundation (Turin)****Competences and activities**

<p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 166(3) of the Treaty on the Functioning of the European Union)</i></p>	<p>'The Union and the Member States shall foster cooperation with third countries and the competent international organisations in the sphere of vocational training.'</p>
<p><b>Competences of the Foundation</b></p> <p><i>(Council Regulation (EEC) No 1360/90)</i></p>	<p><b>Objective</b></p> <ul style="list-style-type: none"> <li>— To contribute, in the context of EU external relations policies, to improving human capital development in the following countries: the countries eligible for support under Council Regulation (EC) No 1085/2006 and Regulation (EC) No 1638/2006 of the European Parliament and of the Council and subsequent related legal acts; other countries designated by decision of the Governing Board on the basis of a proposal supported by two thirds of its members and a Commission opinion, and covered by a Union instrument or international agreement that includes an element of human capital development, and as far as available resources allow.</li> <li>— For the purposes of this Regulation, 'human capital development' is defined as work which contributes to the lifelong development of individuals' skills and competences through the improvement of vocational education and training systems.</li> </ul> <p><b>Tasks</b></p> <p>For the purpose of achieving the objective, the Foundation, within the limits of the powers conferred on the Governing Board and following the general guidelines established at Union level, has the following functions:</p> <ul style="list-style-type: none"> <li>— providing information, policy analyses and advice on human capital development issues in the partner countries,</li> <li>— promoting knowledge and analysis of skills needs in national and local labour markets,</li> <li>— supporting relevant stakeholders in partner countries in building capacity in human capital development,</li> <li>— facilitating the exchange of information and experience among donors engaged in human capital development reform in partner countries,</li> <li>— supporting the delivery of Union assistance to partner countries in the field of human capital development,</li> <li>— disseminating information and encourage networking and the exchange of experience and good practice between the EU and partner countries and amongst partner countries in human capital development issues,</li> <li>— contributing, at the Commission's request, to the analysis of the overall effectiveness of training assistance to the partner countries,</li> <li>— undertaking such other tasks as may be agreed between the Governing Board and the Commission, within the general framework of this Regulation.</li> </ul>

<p><b>Governance</b></p>	<p><b>Governing Board</b></p> <p>One representative of each Member State.</p> <p>Three representatives of the Commission.</p> <p>Three non-voting experts appointed by the European Parliament.</p> <p>In addition, three representatives of the partner countries may attend meetings of the Governing Board as observers.</p> <p><b>Director</b></p> <p>Appointed by the Governing Board on a proposal from the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Foundation in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>22,0 (20,1) million euro for commitments and 22,0 (20,1) million euro for payments, of which 19,9 million euro was funded by a Commission subsidy.</p> <p><b>Staff at 31 December 2013</b></p> <p>96 (96) temporary posts in the establishment plan, of which 92 <sup>(1)</sup> (93) posts occupied.</p> <p>40 (37) other staff (local staff, contract staff, seconded national experts)</p> <p>Total staff: 132 (130), assigned to the following duties:</p> <p>operational tasks: 76,5 (73)</p> <p>administrative tasks: 28 (28) + two replacement pool in the ETF according to need</p> <p>corporate coordination and communication tasks: 25,5 (29)</p>
<p><b>Products and services supplied during the financial year 2013 (2012)</b></p>	<p><b>Activities</b></p> <p>The Foundation contributes, in the context of EU external relations policies, to improving human capital development (HCD) in 30 partner countries designated by its establishing Regulation and the Governing Board. Its main activities involve supporting EU policies and projects, providing policy analyses, disseminating and exchanging information and experience and supporting partner-country capacity building.</p> <p>The Foundation's added value comes from its neutral, non-commercial and unique established knowledge base consisting of expertise in human capital development and its links to employers. This includes expertise in adapting the approaches to human capital development in the EU and its Member States to the context of the partner countries.</p>

In 2013, the Torino Process, implemented in 27 ETF partner countries as a participatory, evidence-based analysis of vocational education and training (VET) policies and systems, was validated in a corporate conference organised in May with a title 'Torino Process: Moving Skills Forward'.

The Foundation worked on its main functions, as defined in the Council Regulation, as follows:

	Outputs completed in	
	2013	2012
Supporting EU policies and project cycle of external relations instruments for the partner countries	40	36
Capacity building of partner countries	63	66
Policy analysis	20	31
Dissemination and networking	21	28
<b>Total</b>	<b>144</b>	<b>161</b>

Outputs measure the accomplishment of the results of a project, and put the budget in relation to the Foundation's functions and results.

In addition to these functions carried out in the context of its work programme, the Foundation also responded to direct requests from the European Commission throughout the year.

	2013	2012
Ongoing Commission requests	78	107
Requests addressed to countries in South Eastern Europe and Turkey	38 %	42 %
Requests addressed to Southern Eastern Mediterranean countries	28 %	32 %
Requests addressed to Eastern European countries	18 %	12 %
Requests addressed to Central Asian countries	15 %	14 %

(<sup>1</sup>) Including 1 job offer accepted, starting 1.3.2014.

Source: Annex supplied by the Foundation.

**THE FOUNDATION'S REPLY**

11. ETF agrees with the Court's finding and confirms its intention to participate in 2014 in a joint procurement procedure for banking services launched by the Commission. In the event of this procurement procedure failing, ETF will launch its own procurement in order to have a contract with a bank with a higher credit rating.

The high bank balance at 31 December 2013 is due to the first instalment of the 2014 subvention being paid in advance and funds received for the new GEMM and FRAME projects.

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**REPORT****on the annual accounts of the Euratom Supply Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/31)

**INTRODUCTION**

1. The Euratom Supply Agency (hereinafter 'the Agency'), located in Luxembourg, was created in 1958<sup>(1)</sup>. Council Decision 2008/114/EC, Euratom<sup>(2)</sup> replaced the preceding Statutes of the Agency. The Agency's main task is to ensure a regular supply of nuclear materials, in particular nuclear fuels, to EU users, by means of a common supply policy based on the principle of equal access to sources of supply.

2. From 2008 up to and including 2011, the Agency did not receive a budget of its own to cover its operations. The Commission bore all costs incurred by the Agency when implementing its activities. For 2012 and 2013, the Agency was granted its own budget by the Commission, which however only covers a minor part of its expenditure.

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ 27, 6.12.1958, p. 534/58.

<sup>(2)</sup> OJ L 41, 15.2.2008, p. 15.

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON THE RELIABILITY OF ACCOUNTS**

11. The notes to the Agency's 2013 annual accounts explain that all salaries and some additional costs for administrative services were paid directly from the Commission's budget. The salary costs are disclosed, but no details are provided on the costs for the administrative services. Therefore the extent to which the Agency is dependent upon the Commission is not fully visible.

**COMMENTS ON INTERNAL CONTROLS**

12. There is insufficient documentation of the main elements of the Agency's internal controls, such as a risk management and control strategy, procedures to monitor performance, an assessment of the functioning of the internal control system and a code of professional standards.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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



This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	<p>Without calling into question the opinion expressed in paragraph 10, the Court wishes to draw again attention to the following matter. Article 54 of the Treaty establishing the European Atomic Energy Community provides that the Agency shall have financial autonomy. Article 7 of the Agency's Statutes provides that 'the expenditure of the Agency shall consist of administrative expenses of its staff and of the Committee, as well as expenses resulting from contracts entered into with third parties'. In fact, the Agency has not, since 2008, received a budget. That being the case, the European Commission has directly discharged the Agency's expenses mentioned in Article 7 above. In the Court's view, this situation is at odds with the Statutes of the Agency and the Court considers that the Agency and the Commission should, together with all interested parties, consider measures to eliminate this situation.</p>	Completed
2012	<p>Without calling into question the opinion expressed in paragraph 9, the Court wishes to draw attention to the following matter. Between 2008 and 2011, the Agency did not receive its own budget and the European Commission directly financed and discharged all expenditure. The Court had considered this situation to be at odds with the Statutes of the Agency.</p> <p>For 2012, following the Court's comments, the Commission granted the Agency its own budget amounting to 98 000 euro (104 000 euro including financial revenue from own investments). Whereas Article 54 of the Treaty establishing the European Atomic Energy Community and Article 6 of the Agency's Statutes provide that it shall have financial autonomy, most of the Agency's expenditure (staff, office space and IT systems) is still financed directly by the Commission. As far as staff costs are concerned, this is foreseen in Article 4 of its Statutes. The provisions are contradictory which goes against the required financial autonomy of the Agency.</p>	Outstanding

## ANNEX II

**Euratom Supply Agency (Luxembourg)****Competencies and activities**

<b>Areas of Union competence deriving from the Treaty</b>	<p><b>Common supply policy for nuclear materials</b> in accordance with the principles and the objectives (<i>security of supply</i>) set by the Euratom Treaty.</p> <p>The Euratom Supply Agency (ESA) was established directly by Article 52 of the Euratom Treaty, signed in 1957. The ESA is further governed by its Statutes, laid down by a Council decision on the legal basis of Article 54 of the Euratom Treaty.</p>
<p><b>Competences of the Agency</b></p> <p>(as defined in the Euratom Treaty, mainly Chapter 6 thereof, and Council Decision 2008/114/EC, Euratom of 12 February 2008 establishing Statutes for the Euratom Supply Agency)</p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— Ensure the supply of nuclear materials, by means of a common supply policy, on the principle of equal access to sources of supply.</li> <li>— Ensure that all users in the Community receive a regular and equitable supply of ores and nuclear fuels.</li> <li>— Identify and monitor market trends likely to affect security of supply for nuclear materials and services in the European Union.</li> <li>— Contribute to the Community policies by providing expertise, information and advice on any subject connected with the operation of the market in nuclear materials and services.</li> </ul> <p><b>Tasks</b></p> <p>As per the Euratom Treaty, the ESA is endowed with a right of option on nuclear materials produced in the territories of Member States and with an exclusive right to conclude contracts relating to the nuclear materials coming from inside the Community or from outside.</p> <p>In the light of the above, the ESA's tasks include:</p> <ul style="list-style-type: none"> <li>— to assess the commitments negotiated between the parties concerned and, consequently, conclude, deny concluding or accept to conclude only under certain conditions, any contract, or amendment to it, pertaining to the supply of materials in the meaning of Article 52 of the Euratom Treaty,</li> <li>— to receive notification of all contracts relating to the processing, conversion or shaping of ores, source materials or special fissile materials, as per Article 75 of the Euratom Treaty, and process them,</li> <li>— to receive notification of all transfers, import or export operations concerning small quantities of ores, source materials or special fissile materials, as per Article 74 of the Euratom Treaty, and process them,</li> <li>— to instruct the files and take all the preparatory steps in view of a Commission decision in cases for which, pursuant to Euratom law, the agreement of the Collège is required,</li> <li>— to manage, as appropriate, the contracts which it concluded or of which it received notification,</li> <li>— to collect and process information with a view to constantly monitoring the market of nuclear materials and services in the EU. In 2013, the observatory role of ESA has been further enlarged to cover the aspects of the supply of medical radioisotopes in the EU,</li> <li>— to publish regular reports for internal use, and/or for the general public, regarding the operation of, and recent trends in, the market of nuclear materials and services,</li> </ul>

	<ul style="list-style-type: none"> <li>— to provide the Community, upon request, with expertise and advice on any subject connected with the operation of the market of nuclear materials and services,</li> <li>— to liaise with the ESA's Advisory Committee (AC) and seek the opinion thereof and to participate, as appropriate, including by providing a secretariat, to the said AC's meetings.</li> </ul>
<p><b>Governance</b></p>	<ul style="list-style-type: none"> <li>— The Agency is endowed with legal personality and financial autonomy.</li> <li>— It operates under the supervision of the Commission, on a non-profit-making basis.</li> <li>— The Director-General (DG) and the staff of the ESA have to be, or to become, officials of the European Communities. They have to possess a security clearance. Their salaries are paid by the Commission.</li> <li>— The Euratom Treaty and the ESA's Statutes determine the Agency's capital and the conditions upon which it is subscribed.</li> </ul> <p><b>Director-General</b></p> <p>Appointed by the Commission, for an indefinite period of time. The DG's duties and powers are determined, in particular, in the ESA's Statutes.</p> <p><b>The Euratom Supply Agency's Supervision by the Commission</b></p> <p>The Commission may issue directives to the Agency and possesses a right of veto over the Agency's decisions. Moreover, certain decisions of the ESA are subject to prior Commission authorisation.</p> <p><b>Advisory Committee</b></p> <p>Composed from members of the Member States, who are appointed <i>intuitu personae</i> for a (renewable) three-year term. The AC assists the Agency in carrying out its tasks. It acts as a link between the ESA and both producers and users in the nuclear industry. The Committee may be consulted upon all matters in the Agency's purview. It has to give its opinion on all matters listed in Article 13 of the Statutes. It normally meets twice every year.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>104 000 (104 000) euro, including contribution from the Commission: 98 000 (98 000) euro.</p> <p><b>Staff on 31 December 2013</b></p> <p>Total staff number: 18 (17) (including the Director-General).</p>
<p><b>Products and services provided in 2013 (2012)</b></p>	<p><b>Security of supply ensured</b></p> <p><b>Transactions processed</b></p> <p>Some 279 (270) transactions, including contracts, amendments and notifications of the front-end activities, were processed by the Agency in 2013.</p> <p><b>Reports</b></p> <p>In 2013, the Agency issued:</p> <ul style="list-style-type: none"> <li>— the Agency's Annual Report for 2012,</li> </ul>

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- 4 (3) Quarterly Uranium Market Reports,
  - 6 (6) bimonthly Nuclear News Digests,
  - 40 (45) Weekly Nuclear News Briefs, for readers inside the EC.

**Participation to activities of the Euratom Supply Agency's Advisory Committee**

- The Agency's AC held two meetings (in April and November), with the Agency's support and participation.
- The Agency facilitated the activities of two Working Groups of its AC.

**Relations with other EU Institutions and International Cooperation**

Relation with the EC as described above.

Each year the Agency has to submit to the European Parliament, the Council and the Commission a report covering its activities in the previous year, as well as its work programme for the coming year.

The ESA cooperates also with the international organisations, namely the IAEA (International Atomic Energy Agency) and the OECD/NEA (Nuclear Energy Agency). In that context, the Agency participates in the joint NEA/IAEA Uranium Group and in the NEA High-Level Group on the Security of Supply of Medical Radioisotopes (HLG-MR).

**Security of supply of medical radioisotopes**

In September 2013, ESA was entrusted the chairmanship of the European Observatory on the Supply of Medical Radioisotopes to help implement a European Council policy towards ensuring continuity of supply for medical radioisotopes.

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Source: Information supplied by the Agency.

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**THE AGENCY'S REPLIES**

12. The notes to the Agency's 2013 final accounts include an estimate of salary costs. Precise data concerning the Agency's administrative costs covered by the Commission are owned by the latter. In our view, the fact that the Commission pays the salaries of the Agency's staff (and some other administrative expenses) does not jeopardise per se the ESA's independence while it enables economies of scale.

13. In the Agency's understanding, an appropriate risk management and control strategy is effectively in place. However, starting within the current year, the Agency will provide further, structured documentation on risk-assessment and risk-mitigation actions.

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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 2013, together with the Foundation's replies**

(2014/C 442/32)

## INTRODUCTION

1. The European Foundation for the Improvement of Living and Working Conditions (hereinafter 'the Foundation', aka 'Eurofound'), which is located in Dublin, was established by Council Regulation (EEC) No 1365/75 <sup>(1)</sup>. The Foundation's task is to contribute to the planning and establishment of better living and working conditions in the Union by increasing and disseminating knowledge which is relevant to this subject <sup>(2)</sup>.

## INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

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

## STATEMENT OF ASSURANCE

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

- (a) the annual accounts of the Foundation, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Foundation and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 139, 30.5.1975, p. 1.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Foundation's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON THE RELIABILITY OF THE ACCOUNTS**

11. The Foundation carried out a comprehensive physical inventory exercise at the end of 2013 and the beginning of 2014. At the time of the Court's audit in February 2014, a physical inventory report had not yet been finalised. Tests carried out by the Court revealed that not all fixed assets were barcoded and recorded in the register and accounts. Equipment with a value of 209 843 euro <sup>(8)</sup> had been expensed instead of being capitalised, the error was corrected following the Court's audit. Some assets could not be traced to the suppliers' delivery notes in order to ensure the correct starting date for the calculation of the depreciation charge.

**COMMENTS ON INTERNAL CONTROLS**

12. The facts presented in paragraph 11 represent considerable internal control weaknesses in the area of fixed assets registration and accounting.

**COMMENTS ON BUDGETARY MANAGEMENT**

13. In 2013, the overall level of committed appropriations was 99 %, indicating that commitments were made in a timely manner. However, the level of committed appropriations carried over to 2014 however was high at some 662 831 euro (35,6 %) for title II (administrative expenditure) and some 3 375 781 euro (48,6 %) for title III (operating expenditure).

14. Carry-overs of committed title II appropriations mainly related to the procurement of IT hard- and software (281 934 euro, of which purchases amounting to 189 934 euro were originally planned for 2014), urgent and unforeseen repair works (69 000 euro) and refurbishment works to be contracted and planned for the beginning of 2014 (230 718 euro).

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

<sup>(8)</sup> Air conditioning system and other equipment in the Foundation's Conference Centre.



15. For title III, committed appropriations carried over amounting to 2 625 543 euro concerned multiannual projects for which activities were implemented and payments were made according to schedule. Unplanned carry-overs of 750 238 euro mainly related to an increase in the budget for several projects to enhance their scope and quality (65 %), translation services ordered in December 2013 but originally planned for 2014 (14 %), delays in procurement procedures (7 %), late invoicing by contractors (14 %) and other events beyond the Foundation's control.

#### **OTHER COMMENTS**

16. The Foundation became operational in 1975 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However, a comprehensive headquarters agreement between the Foundation and the Member State has not been signed. Such an agreement would further promote transparency in respect of the conditions under which the Foundation and its staff operate.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

**European Foundation for the Improvement of Living and Working Conditions (Dublin)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 151 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union and the Member States, having in mind fundamental social rights such as those set out in the European Social Charter signed at Turin on 18 October 1961 and in the 1989 Community Charter of the Fundamental Social Rights of Workers, shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion. [...]</p>
<p><b>Competences of the Foundation</b></p> <p><i>(Council Regulation (EEC) No 1365/75, as amended by Regulation (EC) No 1111/2005)</i></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>Governance</b></p>	<p><b>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> <li>— one regular meeting per year.</li> </ul> <p><b>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> <li>— six regular meetings per year.</li> </ul>

	<p><b>The Director and Deputy Director</b> are appointed by the Commission from a list of candidates submitted by the GB. The Director implements the decisions of the GB and its Bureau and manages the Foundation.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on recommendation of the Council.</p>
<p><b>Resources available to the Foundation in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>20,6 (21,4) million euro</p> <p><b>Staff at 31 December 2013</b></p> <p><i>Officials and temporary staff:</i></p> <p>101 posts provided for in the establishment plan, of which 99 (98) were occupied at 31 December 2013</p> <p><i>Other staff:</i></p> <p>Seconded National Experts: 0 (0)</p> <p>Contract staff: 13 (12)</p> <p><i>Total staff employed:</i> 112 (110)</p> <p><i>Allocated to:</i></p> <p>Operating activities: 78 (77)</p> <p>Administrative tasks: 29 (28)</p> <p>Mixed: 5 (5)</p>
<p><b>Activities and services provided in 2013</b></p>	<p><b>Increasing labour market participation and combating unemployment by creating jobs, improving labour market functioning and promoting integration</b></p> <ul style="list-style-type: none"> <li>— European Restructuring Monitor (ERM): 1 489 restructuring fact sheets added; two comparative analytical reports.</li> <li>— European Restructuring Monitor: ERM Annual Report 2013 — Monitoring and managing restructuring in the 21st century.</li> <li>— Other reports: Restructuring in SMEs in Europe; Born global: The potential of job creation in new international businesses; Employment polarisation and job quality in the crisis: European Jobs Monitor 2013.</li> <li>— 'Restructuring legislation' database and 'Restructuring support instruments' database verified and updated.</li> </ul> <p><b>Improving working conditions and making work sustainable throughout the life course</b></p> <ul style="list-style-type: none"> <li>— European Working Conditions Observatory (EWCO): 100 information updates added; four comparative analytical reports; Annual Report: Industrial relations and working conditions developments in Europe 2012; six survey reports.</li> </ul>

— 5th European Working Conditions Survey — five secondary analysis reports published: Working time and work–life balance in a life course perspective; Health and well-being at work; Work organisation and employee involvement in Europe; Women, men and working conditions in Europe; Quality of employment conditions and employment relations in Europe.

— 3rd European Company Survey: fieldwork in 32 countries completed; summary of first findings published.

— Report: Impact of the crisis on working conditions in Europe.

**Developing industrial relations to ensure equitable and productive solutions in a changing policy context**

— European Industrial Relations Observatory (EIRO): 247 information updates added; four representativeness studies; two annual updates on pay and working time; Annual Report: Industrial relations and working conditions developments in Europe 2012; four comparative analytical reports; two survey reports.

— Other reports: Social partners' involvement in pension reform in the EU; National practices of information and consultation in Europe; Role of governments and social partners in keeping older workers in the labour market.

**Improving standards of living and promoting social cohesion in the face of economic disparities and social inequalities**

— 3rd European Quality of Life Survey:

— three secondary analysis reports published: Quality of life in Europe — Quality of society and public services; Third European Quality of Life Survey — Quality of life in Europe: Social inequalities; Third European Quality of Life Survey — Quality of life in Europe: Subjective well-being,

— two policy papers published: Household over-indebtedness in the EU: The role of informal debts; Political trust and civic engagement during the crisis,

— reports on quality of life in enlargement countries published.

— Report and country case studies: More and better jobs in home-care services.

— Report: Mobility and migration of healthcare workers in central and eastern Europe.

**Communication and sharing ideas and experience**

— 113 760 downloads of reports from Eurofound website. 2 060 195 user visits.

— 172 publications in PDF (671 linguistic versions).

— 220 EU policy documents quoting references to Eurofound findings and expertise.

— 202 on-request contributions to events.

**THE FOUNDATION'S REPLIES**

11. The physical inventory report was in the meantime finalised and published. Mistakes in relation to barcoding and registration have been rectified. Due to the low value of the items involved they are not considered assets and, therefore, the impact of these mistakes on the financial accounts was zero.

In all cases there is now a copy of the delivery note attached to the invoice which ensures proper tracing of the correct starting date for calculation of the depreciation.

12. The weaknesses in the area of fixed assets registration and accounting were largely due to the transition period towards a new assets accounting system. This is now remedied by the full implementation of ABAC Assets and substantial changes in the internal workflows.

13.-15. The figures and analysis are accepted and confirmed. The high level of carry-overs relating to services originally planned for 2014 (43 % of all unplanned carry-overs) are due to the decisions on staff salaries for 2011 and 2012 which were taken late in 2013 and led to some available budget left. To ensure a high level of budget execution it was decided to use up the available funds according to the advice received from the Commission. Carry-overs (excl. those related to activities planned for 2014 and brought forward) show that less than 20 % were unplanned and partly outside Eurofound's control.

16. For over 30 years Eurofound had quite detailed arrangements with the Irish government on the application of the Protocol on Privileges and Immunities.

Nevertheless, in early February Eurofound started negotiations on this topic with a view to come to an agreement with the Irish government by the end of 2014.

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**REPORT****on the annual accounts of Eurojust for the financial year 2013, together with Eurojust's replies**

(2014/C 442/33)

**INTRODUCTION**

1. The European Union's Judicial Cooperation Unit (hereinafter 'Eurojust'), which is located in The Hague, 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 cross-border investigations and prosecutions between the Member States of the European Union, and between Member States and non-Member States <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of Eurojust, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of Eurojust and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 63, 6.3.2002, p. 1.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, Eurojust's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The level of committed appropriations for the different titles varied between 99 % and 98 % of total appropriations, indicating that legal commitments were made in a timely manner. However, the level of committed appropriations carried over to 2014 was high for title III (operating expenditure) at 2 341 825 euro (32 %). This was mainly the result of delays associated with the handover of internal software management to a new service provider at the year-end. Also, reimbursements of expenditure from grant schemes which were used to support 'Joint Investigation Teams' were only due in 2014.

12. In 2013, the Agency made 49 budget transfers affecting 101 budget lines. This indicates weaknesses in budget planning and implementation.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	In the report for the financial year 2010, the Court noted that there was scope to reconsider the definition of respective roles and responsibilities between the Director and the College of Eurojust in order to avoid the overlap of responsibilities, currently resulting from the Founding Regulation <sup>(1)</sup> . No corrective measures were taken in 2011.	Ongoing
2011	Eurojust has not yet adopted all Implementing Rules of the Staff Regulations <sup>(2)</sup> .	Completed
2012	A framework contract for security services was signed in 2008 and amended in 2009. The amended formula to calculate prices increased them progressively up to 22 %, whereas the original framework contract had provided for a maximum increase of 4 %. The total price increase above the 4 % ceiling amounted to some 440 000 euro for the 2008 to 2012 period, of which some 68 000 euro were paid in 2012. Such a significant increase may undermine the transparency and fairness of the initial procurement procedure and distort competition.	N/A
2012	There is room to improve the transparency of recruitment procedures. There was no evidence that questions for tests and interviews were set before the examination of the applications by the Selection Board and there is no evidence that the weighting between written tests and interviews was set before candidates' screening.	Completed

<sup>(1)</sup> Articles 28, 29, 30 and 36 of Decision 2002/187/JHA, as amended by Decisions 2003/659/JHA (OJ L 245, 29.9.2003, p. 44) and 2009/426/JHA (OJ L 138, 4.6.2009, p. 14).

<sup>(2)</sup> Implementing rules are missing for the following areas: 'Reclassification', 'Administrative inquiries and disciplinary procedure', 'Part-time work', 'Job-Sharing', 'Middle management', 'Temporary occupation of management posts', 'Appraisal senior management', 'Early retirement without reduction of pension rights', 'Leave', 'Staff Committee' and 'Mission guide.'



## ANNEX II

**Eurojust (The Hague)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 85 of the Treaty on the Functioning of the European Union)</i></p>	<p>Eurojust's mission is to support and strengthen coordination and cooperation between national authorities in the fight against serious cross-border crime affecting the European Union.</p>
<p><b>Competences of Eurojust</b></p> <p><i>(as defined in Articles 3, 5, 6 and 7 of Council Decision 2002/187/JHA, as amended by Decision 2003/659/JHA and Decision 2009/426/JHA)</i></p>	<p><b>Objectives</b></p> <p><i>Article 3 of Council Decision 2002/187/JHA, as amended by Decision 2003/659/JHA and Decision 2009/426/JHA</i></p> <p>In the context of investigations and prosecutions, concerning two or more Member States, of criminal behaviour referred to in Article 4 in relation to serious crime, particularly when it is organised, the objectives of Eurojust shall be:</p> <p>(a) to stimulate and improve the coordination, between the competent authorities of the Member States, of investigations and prosecutions in the Member States, taking into account any request emanating from a competent authority of a Member State and any information provided by any competent body by virtue of provisions adopted within the framework of the Treaties;</p> <p>(b) to improve cooperation between the competent authorities of the Member States, in particular by facilitating the execution of requests for, and decisions on, judicial cooperation, including regarding instruments giving effects to the principle of mutual recognition;</p> <p>(c) to support otherwise the competent authorities of the Member States in order to render their investigations and prosecutions more effective.</p> <p><b>Tasks</b></p> <p><i>Article 5 of Council Decision 2002/187/JHA, as amended by Decision 2003/659/JHA and Decision 2009/426/JHA</i></p> <p>1. In order to accomplish its objectives, Eurojust shall fulfil its tasks:</p> <p>(a) through one or more of the national members concerned in accordance with Article 6, or</p> <p>(b) as a College in accordance with Article 7:</p> <p>(i) when so requested by one or more of the national members concerned by a case dealt with by Eurojust, or</p> <p>(ii) when the case involves investigations or prosecutions which have repercussions at Union level or which might affect Member States other than those directly concerned, or</p> <p>(iii) when a general question relating to the achievement of its objectives is involved, or</p> <p>(iv) when otherwise provided for in this Decision.</p> <p>2. When it fulfils its tasks, Eurojust shall indicate whether it is acting through one or more of the national members within the meaning of Article 6 or as a College within the meaning of Article 7.</p> <p><i>Article 6 of Council Decision 2002/187/JHA, as amended by Decision 2003/659/JHA and Decision 2009/426/JHA</i></p>

1. When Eurojust acts through its national members concerned, it:
  - (a) may ask the competent authorities of the Member States concerned, giving its reasons, to:
    - (i) undertake an investigation or prosecution of specific acts,
    - (ii) accept that one of them may be in a better position to undertake an investigation or to prosecute specific acts,
    - (iii) coordinate between the competent authorities of the Member States concerned,
    - (iv) set up a joint investigation team in keeping with the relevant cooperation instruments,
    - (v) provide it with any information that is necessary for it to carry out its tasks,
    - (vi) take special investigative measures,
    - (vii) take any other measure justified for the investigation or prosecution;
  - (b) shall ensure that the competent authorities of the Member States concerned inform each other on investigations and prosecutions of which it has been informed;
  - (c) shall assist the competent authorities of the Member States, at their request, in ensuring the best possible coordination of investigations and prosecutions;
  - (d) shall give assistance in order to improve cooperation between the competent national authorities;
  - (e) shall cooperate and consult with the European Judicial Network, including making use of and contributing to the improvement of its documentary database;
  - (f) shall, in the cases referred to in Article 3(2) and (3) and with the agreement of the College, assist investigations and prosecutions concerning the competent authorities of only one Member State.

2. The Member States shall ensure that competent national authorities respond without undue delay to requests made under this Article.

*Article 7 of Council Decision 2002/187/JHA, as amended by Decision 2003/659/JHA and Decision 2009/426/JHA*

1. When Eurojust acts as a College, it:
  - (a) may in relation to the types of crime and the offences referred to in Article 4 (1) ask the competent authorities of the Member States concerned, giving its reasons:
    - (i) to undertake an investigation or prosecution of specific acts,
    - (ii) to accept that one of them may be in a better position to undertake an investigation or to prosecute specific acts,
    - (iii) to coordinate between the competent authorities of the Member States concerned,
    - (iv) to set up a joint investigation team in keeping with the relevant cooperation instruments,
    - (v) to provide it with any information that is necessary for it to carry out its tasks;
  - (b) shall ensure that the competent authorities of the Member States inform each other of investigations and prosecutions of which it has been informed and which have repercussions at Union level or which might affect Member States other than those directly concerned;

	<p>(c) shall assist the competent authorities of the Member States, at their request, in ensuring the best possible coordination of investigations and prosecutions;</p> <p>(d) shall give assistance in order to improve cooperation between the competent authorities of the Member States, in particular on the basis of Europol's analysis;</p> <p>(e) shall cooperate and consult with the European Judicial Network, including making use of and contributing to the improvement of its documentary database;</p> <p>(f) may assist Europol, in particular by providing it with opinions based on analyses carried out by Europol;</p> <p>(g) may supply logistical support in the cases referred to in points (a), (c) and (d). Such logistical support may include assistance for translation, interpretation and the organisation of coordination meetings.</p> <p>2. Where two or more national members cannot agree on how to resolve a case of conflict of jurisdiction as regards the undertaking of investigations or prosecution pursuant to Article 6 and in particular Article 6(1)(c), the College shall be asked to issue a written non-binding opinion on the case, provided the matter could not be resolved through mutual agreement between the competent national authorities concerned. The opinion of the College shall be promptly forwarded to the Member States concerned. This paragraph is without prejudice to paragraph 1(a)(ii).</p> <p>3. Notwithstanding the provisions contained in any instruments adopted by the European Union regarding judicial cooperation, a competent authority may report to Eurojust recurrent refusals or difficulties concerning the execution of requests for, and decisions on, judicial cooperation, including regarding instruments giving effect to the principle of mutual recognition, and request the College to issue a written non-binding opinion on the matter, provided it could not be resolved through mutual agreement between the competent national authorities or through the involvement of the national members concerned. The opinion of the College shall be promptly forwarded to the Member States concerned.</p>
<p><b>Governance</b></p> <p><i>(Articles 2, 9, 23, 28, 29 and 36 of Eurojust Decision 2002/187/JHA; Article 3 of the Rules of Procedure of Eurojust)</i></p>	<p><b>College</b></p> <p>The College is responsible for the organisation and operation of Eurojust. The College is composed of National Members who are seconded by each Member State in accordance with its legal system and who are prosecutors, judges or police officers. The College elects its President from among the National Members.</p> <p><b>Director</b></p> <p>The Administrative Director is appointed by the College acting by a two-thirds majority.</p> <p><b>The Joint Supervisory Body</b></p> <p>Supervises the processing of personal data.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a Recommendation from the Council acting by qualified majority.</p>
<p><b>Resources made available to Eurojust in 2013 (2012)</b></p>	<p><b>Final budget</b></p> <p>32,4 (33,3) million euro including assigned revenue</p> <p><b>Staff as at 31 December 2013</b></p> <p>National Members: 28 (of which 2 based in Member States) (27, of which 2 based in Member States)</p>

	<p>Deputy National Members: 20 (of which 11 based in Member States) (17, of which 10 based in Member States)</p> <p>Assistants to National Members: 21 (of which 8 based in Member States) (22, of which 11 based in Member States)</p> <p>Temporary staff: 203 (188)</p> <p>Contract staff: 27 (29)</p> <p>Seconded national experts: 14 (18)</p>
<p><b>Products and services provided in 2013 (2012)</b></p>	<p><b>Number of coordination meetings: 206 (194)</b></p> <p><b>Total number of cases: 1 576 (1 533)</b></p> <p>Deception and fraud: 472 (382)<sup>(1)</sup></p> <p>(Mobile) organised crime: 264 (231)<sup>(1)</sup></p> <p>Drug trafficking: 248 (263)<sup>(1)</sup></p> <p>Money laundering: 202 (144)<sup>(1)</sup></p> <p>Illegal immigration and trafficking in human beings: 110 (89)<sup>(1)</sup></p> <p>Corruption: 56 (30)<sup>(1)</sup></p> <p>Cybercrime: 29 (42)<sup>(1)</sup></p> <p>Terrorism: 17 (32)<sup>(1)</sup></p> <p>Criminal offences affecting the EU's financial interests: 15 (27)<sup>(1)</sup></p>

<sup>(1)</sup> The crime list used for the classification of the cases reflects the Eurojust priority crime types in 2013.

Source: Annex supplied by Eurojust.

**EUROJUST'S REPLIES**

11. Eurojust accepts the fact that carry-overs to 2014 for title III are relatively high, however refers to the justifications identified by the Court. Eurojust remains vigilant to avoid any unjustified carry-overs.
  12. Eurojust accepts the comment and has already implemented the guidance of the Court through the reduction of the number of budget lines used in financial year 2014 by 26,4 %.
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**REPORT****on the annual accounts of the European Police Office for the financial year 2013, together with the Office's replies**

(2014/C 442/34)

**INTRODUCTION**

1. The European Police Office (hereinafter 'the Office', aka 'Europol'), which is located in The Hague, was established by Council Decision (2009/371/JHA) <sup>(1)</sup>. The objective of the Office is to support and strengthen action by the Member States' police authorities and other law enforcement services and their mutual cooperation in preventing and combating serious crime affecting two or more Member States, terrorism and forms of crime which affect a common interest covered by a Union policy <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Office, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 121, 15.5.2009, p. 37.

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Office's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

11. Although the Office has improved the preparation, execution and documentation of procurement procedures over the years, not all decisions taken in 2013 were based on sufficiently specific selection criteria, realistic price offers or in accordance with the established professional requirements. This affected the effectiveness of the procurement procedures.

**COMMENTS ON BUDGETARY MANAGEMENT**

12. Budget implementation rates further improved in 2013 and total carry-overs of committed appropriations decreased to 9,4 million euro or 11,6 % (2012: 16,3 million euro or 19,6 %). However, carry-overs of committed appropriations were still high for Title II (administrative expenditure) with 3,0 million euro or 41 % (2012: 4,2 million euro or 49 %). They mainly related to planned modifications of the building late in the year (1,8 million euro) and other administrative costs for which invoices had not been received at year end.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

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

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

*For the Court of Auditors*

Vitor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The high carry-over and cancellation rates and also the high number of budget transfers made in 2011 indicate difficulties in the planning and/or implementation of the Office's activities.	Completed
2011	The level of payments against commitments was low, with 34 % for Title II and 45 % for Title III and is at odds with the budgetary principle of annuality.	N/A
2011	Procedures concerning the establishment, approval and recording of exceptions and deviations from policies and procedures have not been adopted. Exceptions and deviations were recorded for 7 % of 2011 payments.	Procedures: Completed Level of exceptions and deviations: Ongoing
2011	The accounting system has not been fully validated by the Accounting Officer. Key processes such as year-end closing and the establishment of staff's financial rights are not yet covered.	Completed
2011	Weaknesses were found as regards the physical verification and recording of assets before and after the move to the new headquarters. In addition, insurance contracts do not reflect the value of the Office's assets. Whereas, before the move, net assets were over-insured by about 17 million euro, they are now under-insured by about 21 million euro.	Completed
2011	The Office's Financial Regulation refers to detailed rules and procedures laid down in its Implementing Rules. However, they have not yet been adopted.	N/A
2011	There is considerable room for improving the transparency of recruitment procedures: questions for written tests and interviews were set after the applications had been examined by the selection board; no threshold scores were set for admission to written tests and interviews and for being included in the list of suitable candidates; selection boards did not document all their meetings and decisions.	Completed
2012	The Office carried over 1,2 million euro for changes to the Office's building in connection with setting up the European cybercrime centre. Whilst it agreed these changes with the host state in July 2012, the contract for the works required was only signed in April 2013. In addition, Europol carried over 0,1 million euro related to the introduction of a new HR system. The contract expired at the end of the year and was not extended. Both carry-overs did not correspond to legal commitments made at year-end and were thus irregular.	Completed

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The Office does not regularly require from staff up-to-date information on the amount of child allowance received from other sources. In consequence, a number of cases were found where the child allowance was not reduced accordingly and any amounts paid unduly should be recovered.	Completed
2012	Commitments amounting to 2,6 million euro (out of 15 million euro) carried over from 2011 had to be cancelled in 2012, as these were in excess of the actual needs.	Completed
2012	The Office carried over 16,3 million euro of committed appropriations (19,64 % of total committed appropriations) to 2013. These carry-overs mainly concern Title II — other administrative expenditure — (4,2 million euro) and Title III — operational activities — (11,2 million euro) and are mostly related to the new task assigned to Europol in June 2012 of running the European cybercrime centre. The implementation of this task resulted in significant budgetary commitments made close to year-end and affected the amount carried over to 2013.	N/A
2012	The Office made 19 budgetary transfers amounting to 4,5 million euro affecting 82 of the 115 budget lines. They were mainly performed to purchase IT equipment for the European cybercrime centre.	Completed
2012	The recruitment procedures examined showed the following shortcomings: questions for written tests and interviews were set after the applications had been examined by the selection board; there was no evidence that the weighting of the selection criteria used for shortlisting was set before the examination of the applications; selection boards did not appropriately document all their meetings and decisions.	Completed

## ANNEX II

**European Police Office (The Hague)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 88 of the Treaty on the functioning of the European Union)</i></p>	<p>‘Europol’s mission shall be to support and strengthen action by the Member States’ police authorities and other law enforcement services and their mutual cooperation in preventing and combating serious crime affecting two or more Member States, terrorism and forms of crime which affect a common interest covered by a Union policy’.</p>
<p><b>Competences of the Office</b></p> <p><i>(Council Decision 2009/371/JHA establishing the European Police Office (Europol) (ECD))</i></p>	<p><b>Competence</b></p> <p>Europol’s competence covers organised crime, terrorism and other forms of serious crime affecting two or more Member States in such a way as to require a common approach by the Member States owing to the scale, significance and consequences of the offences.</p> <p>Europol’s competence also covers related criminal offences as defined in Article 4 (3) ECD.</p> <p><b>Principal tasks</b></p> <ul style="list-style-type: none"> <li>— To collect, store, process, analyse and exchange information and intelligence.</li> <li>— To notify the competent Member State authorities without delay via the national unit referred to in Article 8 of information concerning them and of any connections identified between criminal offences.</li> <li>— To aid investigations in the Member States, in particular by forwarding all relevant information to the national units.</li> <li>— To ask the competent authorities of the Member States concerned to initiate, conduct or coordinate investigations and to suggest the setting up of joint investigation teams in specific cases.</li> <li>— To provide intelligence and analytical support to Member States in connection with major international events.</li> <li>— To prepare threat assessments, strategic analyses and general situation reports relating to its objective, including organised crime threat assessments.</li> <li>— To provide support to Member States in their tasks of gathering and analysing information from the Internet in order to assist in the identification of criminal activities facilitated by or committed using the Internet.</li> </ul> <p><b>Additional tasks</b></p> <ul style="list-style-type: none"> <li>— To develop specialist knowledge of the investigative procedures of the competent authorities of the Member States and to provide advice on investigations.</li> <li>— To provide strategic intelligence to assist and promote the efficient and effective use of the resources available at national and Union level for operational activities and the support of such activities.</li> </ul> <p><b>Additionally, to assist Member States through support, advice and research in the following areas</b></p> <ul style="list-style-type: none"> <li>— the training of members of their competent authorities, where appropriate in cooperation with the European Police College,</li> </ul>

	<ul style="list-style-type: none"> <li>— the organisation and equipment of those authorities by facilitating the provision of technical support between the Member States,</li> <li>— crime prevention methods,</li> <li>— technical and forensic methods and analysis, and investigative procedures.</li> </ul> <p>Europol also acts as the <b>Central Office for combating euro counterfeiting</b> in accordance with Council Decision 2005/511/JHA of 12 July 2005 on protecting the euro against counterfeiting, by designating Europol as the Central Office for combating euro counterfeiting.</p> <p>Europol also processes and transfers financial messaging data in accordance with the Agreement between the European Union and the United States of America on the processing and transfer of Financial Messaging Data from the European Union to the United States for the purposes of the <b>‘Terrorist Finance Tracking Program’ (TFTP)</b>.</p> <p>Europol also continues efforts to establish the <b>Prüm Helpdesk</b> in order to support the daily application of the Prüm Decisions in accordance with the Council conclusions of 13 December 2011 on intensifying the implementation of the Prüm Decisions.</p> <p>Europol also supports the EU Policy Cycle for serious and organised crime and Impact <sup>(1)</sup> projects in line with the Council’s conclusions on the creation and implementation of an EU policy cycle for organised and serious international crime and the Council’s subsequent conclusions of 27 May 2011 on setting the EU’s priorities for the fight against organised crime between 2011 and 2013.</p> <p>Europol also hosts the <b>European Cybercrime Centre (EC3)</b> and acts as the focal point in Europe’s fight against cybercrime in accordance with the communication from the Commission to the Council and European Parliament COM (2012) 140 final of 28 March 2012 ‘Tackling crime in our Digital Age: Establishing a European Cybercrime Centre’.</p>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p>The Management Board is composed of one representative of each Member State and one representative of the Commission.</p> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>— Is appointed by the Council, acting by qualified majority, from a list of at least three candidates presented by the Management Board, for a four-year period (may be extended once for not more than four years).</li> <li>— Is assisted by three Deputy Directors appointed for a four-year period (extendable once).</li> <li>— Leads Europol and is accountable to the Management Board in respect of the performance of his or her duties.</li> <li>— Is Europol’s legal representative.</li> </ul> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>— European Commission’s Internal Audit Service (IAS);</li> <li>— Internal Audit Function (IAF).</li> </ul> <p><b>Data protection and safeguarding of personal rights</b></p> <ul style="list-style-type: none"> <li>— Joint Supervisory Body (JSB);</li> <li>— Data Protection Officer (DPO)</li> </ul>

	<p><b>Discharge authority</b></p> <p>European Parliament, taking into account a recommendation from the Council, acting by qualified majority.</p>
<p><b>Resources made available to the Office in 2013 (2012)</b></p>	<p><b>Final budget 2013</b></p> <p>82,5 (84,2) million euro</p> <p><b>Staff in 2013</b></p> <ul style="list-style-type: none"> <li>— Temporary staff: 457 (457) in establishment plan. Actual number in post on 31 December 2013 = 426</li> <li>— Seconded National Experts: 34 (37) (actual year-end number)</li> <li>— Contract staff: 94 (94) (actual year-end number)</li> </ul>
<p><b>Products and services in 2013 (2012)</b></p>	<p><b>Europol as the principal EU support centre for law enforcement operations</b></p> <p>Operational support to operations and Joint Investigation Teams (JITs) includes: data processing, cross-match reports, intelligence notifications, technical/forensic support and expertise, mobile office deployments, analysis reports, operational coordination at Europol HQ, operational meetings, financial assistance, etc. Once more, the amount of operational support provided to Member States had increased; this confirms the growing trend which has been evident in previous years in the number of requests for all Europol services:</p> <ul style="list-style-type: none"> <li>— 18 310 cross-border cases supported, an increase of 15 % on 2012 (15 949),</li> <li>— 684 investigations in the Member States actively supported by Europol focusing on prioritised crime areas,</li> <li>— 2 250 operational reports produced in 2013 compared to 2 141 in 2012 (incl. cross-match reports, operational analysis reports, intelligence notifications and technical ad hoc analysis reports),</li> <li>— Lead investigator(s) of operations in the Member States and Member States' experts expressed a high level of satisfaction with the operational support provided by Europol,</li> <li>— Europol financially supported 214 operational meetings and 36 Impact meetings,</li> <li>— 39 euro counterfeiting investigations were financially supported by Europol,</li> <li>— 41 (30) Joint Investigation Teams were supported by Europol as a full member,</li> <li>— EC3 supported various successful operational actions with Member States and third countries including the private sector (e.g. disruption of global credit card fraud networks, involving 15 000 compromised credit cards and two skimming factories; joint operational actions against global online child sexual exploitation activities; and dismantling of a botnet infecting almost 2 million computers),</li> <li>— Implementation of TFTP Agreement Articles 4, 9, 10 by processing all related US requests and information leads.</li> </ul>

### **Strategic analysis capability**

Strategic products including threat assessments and situation reports

- 38 strategic reports on organised crime and 14 strategic reports on terrorism were produced including the Serious and Organised Crime Threat Assessment (SOCTA), a threat assessment for each Impact priority (Policy Cycle 2013-2017), ad hoc strategic reports on newly identified emerging threats, joint EMCDDA<sup>(2)</sup>-Europol reports, strategic assessments on cybercrime, EU Terrorism Situation and Trend Report (TE-SAT), and a situation report on travel for terrorist purposes.

### **Europol as the EU criminal information hub**

Information management capabilities, Secure Information Exchange Network Application (SIENA), Europol Information System (EIS), Liaison Bureaux network.

- In total, 456 598 operational messages were exchanged via SIENA between Europol, Member States and Third Parties, a 10 % increase compared to 2012 (414 334).
- At the end of 2013, 67 % of all SIENA messages were shared with Europol.
- The EIS contained 245 142 (186 896) records at the end of 2013 with an increasing proportion of person records (the most important and valuable variety of records from a law enforcement point of view).
- By the end of 2013, 21 Member States' national asset recovery offices were linked to SIENA. Europol supported 93 organised crime related asset tracing requests in 2013.
- A unique network of almost 165 liaison officers ensures a live link between Europol headquarters in The Hague and 28 Europol National Units in the national capitals of the Member States. They facilitate the exchange of information and provide support and coordination for ongoing investigations. Europol also hosts liaison officers from 10 non-EU countries and organisations who work together with Europol on the basis of cooperation agreements. In addition, Europol has seconded two liaison officers to Washington (USA) and one to Interpol's headquarters in Lyons (France).

### **Europol as the EU centre for law enforcement expertise**

Europol Platforms for Experts (EPE), Data exchange platforms and storage solutions, Knowledge products and services, Training, Conferences and awareness sessions:

- 32 expert areas covered by Europol Platform for Experts including 4 419 active accounts (25 platforms and 2 663 users at the end of 2012);
- Europol supported the delivery of 83 training courses (organised by Europol, CEPOL or MS);
- the annual large-scale European Police Conference was organised at Europol Headquarters.

### **External relations**

Europol cooperates with a number of EU partners, third countries and international organisations. The exchange of information with these partners takes place on the basis of cooperation agreements. Strategic agreements make it possible for the two parties involved to exchange all information with the exception of personal data, while operational agreements also allow the exchange of personal data.

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	<ul style="list-style-type: none"><li>— 21 strategic agreements and 11 operational agreements in place at the end of 2013 (18 non-EU countries, 11 EU bodies and agencies and three other international organisations, including Interpol).</li><li>— Information exchange with external partners (8 663) increased slightly compared to 2012 (8 547).</li><li>— In total, eight operational cooperation partners and five strategic cooperation partners have direct access to SIENA.</li></ul>
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<sup>(1)</sup> European Multidisciplinary Platform against Criminal Threats (Empact)

<sup>(2)</sup> European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)

Source: Annex supplied by the Office.

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**THE OFFICE'S REPLIES**

11. Europol acknowledges the comment by the ECA which relates to three individual tender procedures. In Q1 2014, next to the ECA findings, Europol initiated an organisational-wide review of the overall procurement process (in particular regarding the key stages of tendering, contracting and monitoring of contracts), with a view to refining the current internal organisational set-up and the underlying processes (including respective quality controls).

12. Europol acknowledges the ECA's comment on the high level of carry forward appropriations for administrative expenditure and will continue its efforts to reduce future carry forwards as much as possible.

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## REPORT

**on the annual accounts of the European Union Fundamental Rights Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/35)

**INTRODUCTION**

1. The European Union Fundamental Rights Agency (hereinafter 'the Agency', aka 'FRA'), which is located in Vienna, was established by Council Regulation (EC) No 168/2007<sup>(1)</sup>. The objective of the Agency is to provide the relevant authorities of the Union and its Member States with assistance and expertise when implementing Union law relating to fundamental rights<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

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

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

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

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

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

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. In 2013, the overall level of committed appropriations was 100 %, indicating that commitments were made in a timely manner. However the level of committed appropriations carried over to 2014 was high at 579 429 euro (27 %) for title II (administrative expenditure) and 5 625 444 euro (69 %) for title III (operating expenditure).

12. The amounts carried over under title II mainly relate to the planned purchase of IT goods and services. The carry-overs under title III mainly reflect the multi-annual nature of the Agency's operational projects, where payments are made according to planned schedules.

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

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

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

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	In 2012, the Agency procured cleaning services via cascading framework contracts to two suppliers. Due to a clerical error during the evaluation of offers, the ranking of the contractors was incorrect. One specific contract for 56 784 euro awarded in 2012 and the related payments are irregular. Following the Court's audit, the Agency has amended the ranking of the contractors accordingly.	Completed
2012	The Agency did not have a formal ex post verification procedure in place during 2012. A formal procedure was however implemented at the beginning of 2013, following a comprehensive risk analysis conducted by the Agency.	Completed
2012	While budget implementation for title III (operational expenditure) was low at 49 % of committed appropriations, this did not arise from delays in the implementation of the Agency's Annual Work Programme and reflects the multi-annual nature of activities. The Agency has adopted a budgetary planning module that is linked directly to its Annual Work Programme and payments were planned and executed according to operational needs.	N/A

## ANNEX II

## European Union Agency for Fundamental Rights (Vienna)

## Competences and activities

<b>Areas of Union competence deriving from the Treaty</b>	<b>Collection of information</b> <ul style="list-style-type: none"> <li>— The Commission may, within the limits and under conditions laid down by the Council acting by a simple majority in accordance with the provisions of the Treaties, collect any information and carry out any checks required for the performance of the tasks entrusted to it. (<i>Article 337</i>).</li> </ul>
<b>Competences of the Agency</b> <i>(Council Regulation (EC) No 168/2007)</i>	<b>Objectives</b> <ul style="list-style-type: none"> <li>— To provide the relevant institutions, bodies, offices and agencies of the Union and its Member States when implementing Union 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.</li> </ul> <b>Tasks</b> <ul style="list-style-type: none"> <li>— To collect, record, analyse and disseminate relevant, objective, reliable and comparable information and data;</li> <li>— to develop methods and standards to improve the comparability, objectivity and reliability of data at European level;</li> <li>— to carry out, cooperate with or encourage scientific research and surveys, preparatory studies and feasibility studies;</li> <li>— to formulate and publish conclusions and opinions on specific thematic topics, for the Union institutions and the Member States when implementing Union law;</li> <li>— to publish an annual report on fundamental-rights issues covered by the areas of the Agency's activity;</li> <li>— to publish thematic reports based on its analysis, research and surveys;</li> <li>— to publish 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 and actively disseminate information about its work.</li> </ul>
<b>Governance</b>	<b>Management Board</b> <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> <p>To adopt the budget, work programme and annual reports. To adopt the final budget and the establishment plan. To give an opinion on the final accounts.</p> <b>Executive Board</b> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— Chairperson of the Management Board.</li> <li>— Vice-Chairperson of the Management Board.</li> </ul>

	<ul style="list-style-type: none"> <li>— one representative of the Commission.</li> <li>— Two other elected members from 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> </ul> <p><b>Scientific Committee</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— 11 independent persons, highly qualified in the field of fundamental rights, appointed by the Management Board following a transparent call for applications and selection procedure.</li> </ul> <p><b>Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission and after opinions of the European Parliament and the Council of the European Union (who will state their preference).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS).</p> <p><b>Discharge authority</b></p> <p>European Parliament on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>21,620 (20,376) million euro of which the Union subsidy is 99 % (99 %)</p> <p><b>Staff as at 31 December 2013</b></p> <p>78 (72) posts in the establishment plan, of which occupied: 75 (70) + 38 (22) other staff (contract staff, seconded national experts)</p> <p>Total staff: 116 (94), undertaking the following tasks:</p> <ul style="list-style-type: none"> <li>— operational: 75 (58)</li> <li>— administrative: 33 (29)</li> <li>— mixed: 8 (7)</li> </ul>
<p><b>Products and services 2013 (2012)</b></p>	<p><b>FRANET</b></p> <p>Number of contributions by the 28 contractors (national lots): 403 (185)</p> <p>Number of contributions by the partner in charge of the EU International Analysis: 1 (1)</p> <p>Number of contributions by the partner in charge of the Comparative Analysis: 2 (1)</p> <p>Number of meetings: 3 (3) (one with 4 participants, one with 10 participants and one with 2 participants)</p> <p><b>Research Reports</b></p> <p>Number of reports: 19 (13) plus 12 (23) language versions</p> <p>Number of meetings: 1 (2)</p> <p>Annual reports: 2 (2) plus 2 (3) language versions</p> <p>Annual Report Summary: 1 (1) plus 2 (2) language versions</p> <p>FRA opinions: 2 (3)</p>

E-book FRA Annual Report 2012: 1 (0) plus 1 (0) language versions  
 Factsheets: 4 (11) plus 71 (118) language versions

**Non-Research Materials**

Various FRA publications: 20 (5) plus various (31) language versions  
 Posters: 15 (20)

**Key Conferences and Events**

Fundamental Rights Conference: 1 (1)  
 Diversity Day Event: 0 (1)  
 FRA Symposium: 1 (1)  
 Meeting of Fundamental Rights Platform: 1 (1)  
 Joint Seminar with (Irish) EU Presidency 1 (1)

**Cooperation with institutions and bodies at EU and Member State level**

Member States: 29 (7)  
 Council of the EU: 19 (9)  
 European Commission: 22 (12)  
 European Parliament: 15 (20)  
 EU external action service: 4 (-)  
 EU Agencies and other bodies: 23 (-)  
 European Court of Justice: 2 (1)  
 Committee of the Regions: 1 (1)  
 European Economic and Social Committee: 0 (1)  
 European Ombudsman: 2 (1)  
 Fundamental Rights Platform: 3 (3)  
 Council of Europe: 25 (24)  
 OSCE: 4 (2)  
 United Nations: 9 (2)  
 Specialised Bodies (NHRIs and Equality Bodies): 8 (3)  
 Other Meetings and Round Tables: 7 (12)

Source: Annex supplied by the Agency.

**THE AGENCY'S REPLIES**

11 and 12. At the beginning of year, the Agency plans the carry overs for the following year and closely monitors their evolution. The level of cancellations (less than 2 %) is an indicator of the precise planning and management of the carry overs.

The Agency's consumption of its EU subsidy over the past two budget years has been in excess of 99 % demonstrating an excellent budgetary management.

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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 2013, together with the Agency's replies**

(2014/C 442/36)

**INTRODUCTION**

1. The European Agency for the Management of Operational Cooperation at the External Borders of the Member States (hereinafter 'the Agency', aka 'Frontex'), which is located in Warsaw, was created by Council Regulation (EC) No 2007/2004<sup>(1)</sup>. The Agency's task is to coordinate the Member States' activities in the field of the management of external borders (support for operational cooperation, technical and operational assistance, and risk analysis)<sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

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

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

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

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

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

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



**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

**Basis for a qualified opinion on the legality and regularity of the transactions underlying the accounts**

9. In 2013, expenditure related to grants amounted to 32 million euro, representing 39 % of total expenditure. In order to verify the expenditure claimed by cooperating countries, the Agency performed reasonableness checks prior to payment for all types of financed operations (joint return operations and joint land/sea/air operations). Documentation supporting the cooperating countries' entitlements has usually been requested for joint return operations, but not for joint land/sea/air operations implemented under grant agreements signed before June 2013.

10. Transactions in relation to joint land/sea/air operations represented 23 million euro or 28 % of total 2013 expenditure. Although a more comprehensive system of *ex ante* verifications was introduced for grant agreements signed since June 2013, the majority of 2013 transactions resulted from grant agreements signed before that date.

11. The Agency carries out *ex post* controls on grants which cover transactions from previous years. None of the 2013 grant transactions was subject to this cycle of *ex post* controls.

12. In the absence of sufficient appropriate audit evidence on the effectiveness of *ex ante* verifications and *ex post* verifications on 2013 transactions there is insufficient assurance as to the legality and regularity of the 2013 grant transactions related to joint land/sea/air operations.

**Qualified opinion on the legality and the regularity of the transactions underlying the accounts**

13. In the Court's opinion, except for the matters described in paragraphs 9 to 12, the transactions underlying the annual accounts of the Agency for the period from 1 January to 31 December 2013 are legal and regular in all material respects.

14. The comments which follow do not call into question the Court's opinion on the reliability of the accounts or its qualified opinion on the legality and regularity of the underlying transactions.

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

**COMMENTS ON THE RELIABILITY OF THE ACCOUNTS**

15. Suppliers' statements at year-end were reconciled with considerable difficulty. There is a need to monitor supplier balances more regularly and to analyse differences in a more timely manner.

**COMMENTS ON BUDGETARY MANAGEMENT**

16. Some 32 million euro or 35 % of committed 2013 appropriations were carried over to 2014. Although the multiannual nature of the Agency's operations and the heightened risk of unforeseen events represent a particular challenge in respect of annual budget planning and implementation, there is still scope for improved budget monitoring to help reduce the level of carry-overs.

17. The carry-overs include global commitments of 5,2 million euro, which are the leftover balance of an 8,2 million euro additional subsidy made available by the budgetary authorities towards the end of 2013 to deal with unforeseen and urgent operational needs. Although the global commitment was made to cover the related operations in 2014, the Agency's Financial Regulation does not provide a clear basis for such carry-overs.

18. In 2013, 29 budgetary transfers amounting to 12,2 million euro were made. This is partly due to the fact that funds needed for operations had been transferred from other budget lines until the additional subsidies were made available.

**OTHER COMMENTS**

19. Frontex became operational in 2005 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However a comprehensive headquarters agreement between the Agency and the Member State has not been signed. Such an agreement would further promote transparency in respect of the conditions under which the Agency and its staff operate.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	As in the previous year, the level of carry-overs is excessive and at odds with the budgetary principle of annuality.	Ongoing
2011	Within the total amount carried over, the Agency carried over global commitments of 5,1 million euro. The Agency's Financial Regulation however does not provide a clear basis for such a carry-over <sup>(1)</sup> .	Ongoing
2011	In 2011, the Agency financed grants for joint operations amounting to 74 million euro. In order to verify the expenditure claimed by the beneficiaries (Member States and Schengen Associated Countries), the Agency, although it performs reasonableness checks, does not usually request supporting documentation that would address the risk of ineligible expenditure.	Ongoing
2011	Internal control weaknesses were identified as regards the management of fixed assets. There is no procedure related to the disposal of fixed assets and the physical inventory is incomplete.	Completed
2012	The physical inventory was incomplete and did not cover all assets owned by the Agency. Assets under construction and assets purchased near year-end were not taken into account.	Completed
2012	There is no procedure for the disposal of fixed assets. Fixed assets no longer in use are written off from the fixed assets register without being physically disposed of. No register of these assets is kept.	Completed
2012	Weaknesses were still noted in the system for reconciling suppliers' statements with the corresponding records at the Agency.	Ongoing
2012	The Agency's 2012 budget amounted to 89,6 million euro of which 21,8 million euro (25 % of committed appropriations) were carried over to 2013. Carry-overs related to Title III (operational expenditure) amounted to 19,6 million euro. Such a high level of carry-overs is excessive and at odds with the budgetary principle of annuality, although it is partly related to the operational, multi-annual nature of the Agency's activities. By the end of February 2013, 1,1 million euro of these carry-overs had been cancelled.	Ongoing
2012	The Agency made 39 budgetary transfers amounting to 11,5 million euro in 2012, affecting 70 of the 79 budget lines. This is partly due to the fact that the second budgetary amendment for 2012 was only approved in October 2012 and the funds needed for operations had meanwhile been transferred from other budget lines.	Completed

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Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	The recruitment procedures examined showed significant shortcomings affecting transparency and the equal treatment of candidates: questions for written tests and interviews were set after the applications had been examined by the selection board; no threshold scores were set for admission to written tests and interviews and for being included in the list of suitable candidates; the Selection Board did not document all its meetings and decisions.	Ongoing

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(<sup>1</sup>) The Agency Financial Regulation states in its Article 62(2) that 'Global budget commitments shall cover the total cost of the corresponding individual legal commitments concluded up to 31 December of year N+1'. Both the EU Financial Regulation and the Agency Financial Regulation are however unclear concerning the use of global commitments for non differentiated appropriations. The Agency used global commitments to justify an automatic carry-over of non-differentiated appropriations.

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## ANNEX II

**European Agency for the Management of Operational Cooperation at the External Borders (Warsaw)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p>Articles 74 and 77(2)(b) and (d) of the Treaty on the Functioning of the European Union</p>	<p>Article 74: 'The Council shall adopt measures to ensure administrative cooperation between the relevant departments of the Member States in the areas covered by this title, as well as between those departments and the Commission. (...)'</p> <p>Article 77(2): '(...) the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt measures concerning:</p> <p>(...) (b) the checks to which persons crossing external borders are subject; (...)</p> <p>(...) (d) any measure necessary for the gradual establishment of an integrated management system for external borders (...)'.</p>
<p><b>Competences of the Agency</b></p> <p>Council Regulation (EC) No 2007/2004, amended by Regulation (EC) No 863/2007 and Regulation (EU) No 1168/2011 of the European Parliament and of the Council</p> <p>The last amendment entered into force on 12 December 2011; the content of the table reflects the situation after this last amendment.</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><b>Main Tasks</b></p> <p>(a) To coordinate operational cooperation between Member States in the field of management of external borders;</p> <p>(b) to assist Member States on training of national border guards and establish common training standards;</p> <p>(c) to carry out risk analyses, including the assessment of the capacity of Member States to face threats and pressures at the external borders;</p> <p>(d) to participate in the development of research relevant for the control and surveillance of external borders;</p> <p>(e) to assist Member States in circumstances requiring increased technical and operational assistance, especially those Member States facing specific and disproportionate pressures;</p> <p>(f) to provide Member States with the necessary support including, upon request, coordination or organisation of joint return operations;</p> <p>(g) to set up European Border Guard Teams (EBGT) to be deployed during joint operations, pilot projects and rapid interventions;</p> <p>(h) to develop and operate information systems for information exchange, including ICONet;</p> <p>(i) to provide necessary assistance to the development and operation of a European border surveillance system (Eurosur).</p>
<p><b>Governance</b></p>	<p><b>Management Board</b></p> <p><i>Composition</i></p> <p>One representative of each Member State (MS) + two representatives of the Commission + one representative per Schengen Associated Country (SAC).</p> <p><i>Tasks</i></p> <p>(a) To appoint the Executive Director;</p> <p>(b) to adopt the general report of the Agency;</p> <p>(c) to adopt the Agency's programme of work;</p>

	<p>(d) to establish procedures for taking decisions related to the operational tasks of the Agency;</p> <p>(e) to carry out its functions relating to the Agency's budget;</p> <p>(f) to exercise disciplinary authority over the (Deputy) Executive Director;</p> <p>(g) to establish its Rules of Procedure;</p> <p>(h) to establish the organisational structure of the Agency and adopt the Agency's staff policy;</p> <p>(i) to adopt the Agency's multiannual plan.</p> <p><b>Executive Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation of the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>93,95 (89,6) million euro</p> <p>Union subsidy 87,7 (84) million euro</p> <p><b>Staff as at 31 December 2013</b></p> <p><i>Establishment plan</i></p> <p>Temporary staff planned: 153 (143) — Temporary staff posts occupied: 142 (137)</p> <p><i>Other posts</i></p> <p>Contract staff planned: 87 (87) — Contract staff posts occupied: 82 (84)</p> <p>Seconded National Experts planned: 78 (83) — Seconded National Experts posts occupied: 76 (82)</p> <p>Total staff posts: 318 (313) — of which occupied: 300 (303)</p> <p>Assigned to the following tasks: operational 227 (216) — administrative 91 (87)</p>
<p><b>Products and services in 2013 (2012)</b></p>	<p>The <b>Risk Analysis Unit (RAU)</b> produced 79 (80) strategic reports including 6 regular annual reports, 1 annual report of new type, 3 tailored reports, 12 quarterly reports with situational updates and analyses for EU MSs and selected neighbouring regions, 57 strategic monitoring reports; 510 (482) analytical products supporting the planning, implementation and evaluation of Joint Operations; 81 (54) reports/contributions of other types, including briefings for the Agency's Management, the EU Commission and others; published 7 (7) strategic reports for the general public via the Agency website. The updated Common Integrated Risk Analysis Model (CIRAM v 2.0) was made available to MSs in selected EU languages. 4 (4) regular Frontex Risk Analysis Network meetings, 5 (5) meetings of the specialist network with MSs on EU Document Fraud, 4 (2) Tactical Risk Analysis meetings, 10 (6) regional expert meetings/conferences, and 1 (3) regional technical workshop were organised. In line with the tasks of the Risk Analysis Unit within Eurosur, in 2013 the following were undertaken (and MSs informed/consulted as appropriate within the framework of the Analysis Layer User Group, which met five times in 2013): within the CPIP/ESP analysis layer — delivery of content (317 (281) products) and basic services, completion of design for the analysis tools, development of the initial impact levels methodology and long term planning for its implementation.</p>

The **Joint Operations Unit (JOU)** organised 19 (17) joint operations, 10 (12) pilot projects and projects, 8 (10) conferences and 64 (25) meetings with external stakeholders including preparatory/planning/evaluation meetings and workshops. Furthermore, during 39 (39) Frontex coordinated joint return operations 2 152 (2 110) third country nationals were returned. The total number of operational days accumulated in all joint operations amounted to 2 832 (3 503); the number of operational man-days accumulated came to 89 548 (117 114).

The **Frontex Situation Centre (FSC)** provided 2 226 (2 169) situational reports, 43 (31) serious incident reports, 44 (27) flash news reports and 10 (13) mission awareness reports, while uploading 20 084 (2 130) artefacts to Eurosur and 107 (145) document alerts in the FOSS portal. 237 Daily Newsletters were delivered to approx. 500 (241) subscribers; 795 (308) media contributions were made to daily situational reports and operational briefings. The FSC, as a single point of contact, managed over 25 000 (24 000) correspondence items; it consolidated the Frontex One-Stop-Shop (FOSS) as the main information exchange platform between Frontex and external partners, with 6 238 (6 000) documents uploaded and almost 4 500 users at the end of 2013. FSC received around 29 000 (30 000) incidents through the Joint Operations Reporting Application (JORA) and provided JORA training to 200 (500) officers from Frontex and MSs/SACs.

The **Pooled Resources Unit (PRU)** organised 9 (11) events with the participation of 252 (295) attendees from the MSs. Over 1 250 man-days (551) were invested by stakeholders in the unit's activities. The focus of attention for PRU in 2013 was the development of the European Border Guards Teams (EBGT) and Technical Equipment (TE) pools, creating a suitable software application to manage them and, in addition, developing the Seconded Guest Officers mechanism. Attention was also given to the acquisition of aerial means for border surveillance. In particular, PRU organised and managed the Annual Bilateral Talks between Frontex and the MSs, as well as talks with 3<sup>rd</sup> countries, in order to agree the national contributions to the pools. To this end, PRU implemented 7 (7) projects designed to improve the overall effectiveness of Frontex operations.

In the framework of 3 (3) programmes comprising 17 (19) projects, the **Training Unit (TRU)** organised 205 (207) activities with the participation of 3 253 (2 980) attendees (training experts, trainees, etc.). In total, 12 460 (13 300) man-days were invested by the stakeholders in training activities. Under the first programme, the Sectoral Qualifications Framework for Border Guarding (SQF) was launched and work on the implementation of the Common Core Curricula (CCC) and the development of the Joint Master Study Programme continued. For the further training and specialisation of Border Guards, to which the second programme is dedicated, TRU finalised the development of the Fundamental Rights Trainers' Manual for border guards and continued the development and implementation of specialised training courses for border guards. Induction training courses were organised for members of the EBGT and a new pre-deployment briefing concept was developed in order to ensure that all guest officers participating in Frontex coordinated joint operations receive adequate training prior to their deployment. Thirdly, for networking and IT-related issues, TRU implemented new administrative tools for online registration for events, sharing documents and planning activities. New e-learning components are under development ensuring the delivery of parts of Frontex training in a modern, cost-effective way.

The **Research and Development Unit (RDU)** organised 8 projects (including Eurosur) covering 40 activities with the participation of above 950 (1 020) attendees (participants from MSs, SACs, EU institutions, intergovernmental and international organisations, academies, research institutes and industry representatives). In total, 2 000 man-days were invested by the stakeholders in these activities. RDU continued its efforts to identify and develop best practice guidelines in the area of Automated Border Control, Border Checks at land border crossing points, the roll-out and implementation of the Visa Information System (VIS) by MSs and land border surveillance. In order to improve the capabilities to detect document fraud in the first line, several events were organised aiming at assessing performance of both machines and human experts. In 2013, RDU undertook activities to boost the MSs' awareness concerning new developments in the field of sensors, platforms and advanced system solutions while also facilitating the deployment (try-out) of new technologies for border surveillance in MSs and in the context of Joint Operations coordinated by Frontex. Also, an end-user informal Advisory Group on Border Security Research consisting of representatives of 22 EU MSs and SACs was set-up. This Group prepared a first draft of a report on Border Security Challenges and Research Topics for the mid- and long-term perspective with the goal of providing input to the European Commission for the research activities to be organised and financed under the new EU research funding framework Horizon 2020.

**Partnership and cooperation with third countries:** During 2013, 1 Working Arrangement (WA) was concluded with the competent authorities of Azerbaijan, increasing the overall number of WAs to 19 (18). Within the framework of the respective WAs, operational cooperation on border security/management related matters between the Agency and the third country authorities was further enhanced, with a view to progressively developing mutually beneficial and sustainable partnerships. Tangible results have been achieved particularly in the field of information sharing, training and joint operational activities.

**Cooperation with EU bodies and international organisations:** During 2013 within the framework of the respective Agreements already concluded (11 WA, 2 Cooperation Arrangements, 2 Memoranda of Understanding (MoU), 1 Administrative Agreement and 1 Service Level Agreement) cooperation with EU bodies and international organisations was further enhanced. 1 MoU was signed with Eurojust. Within the area of 'Trafficking in Human Beings', Frontex continued the 'train the trainers' programme and organised 3 sessions to tutor MS trainers.

The conference on the European System of Border Guards was organised, involving numerous stakeholders of the JHA area. Preparatory work has been done in order to facilitate the implementation of the first technical assistance project led by Frontex within the framework of the Eastern Partnership, involving extensive cooperation with IOM, UNHCR and ICMPD and WCO. Contacts were established with the Joint European Research Centre to find synergies in projects in the field of security.



**THE AGENCY'S REPLIES**

9-13. The Agency takes note of the qualified opinion of the Court on the legality and regularity of the underlying transactions.

Frontex acknowledges the view of the Court with regard to the reasonableness checks prior to payments and the introduction of reinforced *ex ante* controls as of June 2013. The statistical sample of the Court for the audit 2013 did unfortunately not include transactions falling under the reinforced *ex ante* control system. Thus the functioning of the reinforced *ex ante* control system was not audited, although in place for seven months in 2013.

15. The reconciliation process is a lengthy and time-consuming exercise, requiring cooperation and accounting information systems on both sides. Most of the public entities have neither centralised accounting systems nor do they implement accrual-based accounting. In order to improve the quality of the reconciliation, the Agency will launch an additional reconciliation exercise in summer 2014.

16. Continuous efforts are made to reduce the rate of carry-overs in Title III; late amending budgets remain beyond the control of the Agency; an improved control over the financing of operational activities which are of a multiannual nature, linked to a timely consumption of C1 funds is targeted.

17. With regard to the carry-forward rules of global commitments, the Agency would like to point out that the Frontex Financial Regulation, which follows the revised Framework Financial Regulation, remains also after its revision from 2013 vague.

18. The Agency managed to reduce the number of transfer compared to 2012 by 30 % and will continue its efforts; however the operational needs will continue to steer the allocation of appropriations to the budget lines most in need.

19. Since its inception, Frontex has requested repeatedly the Polish authorities to conclude a Headquarters Agreement, with no success; the entry into force of the amended Frontex Regulation in December 2011 did not change the situation. Recently, Polish authorities have expressed willingness to start negotiations and exchanges are under way. The follow-up and corrective action of this finding is therefore only to a limited extent in the hands of the Agency.

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## REPORT

**on the annual accounts of the European GNSS Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/37)

## INTRODUCTION

1. The European GNSS (Global Navigation Satellite System) Agency (hereinafter 'the Agency', aka 'GSA'), which is located in Prague <sup>(1)</sup>, was set up by Regulation (EU) No 912/2010 of the European Parliament and the Council <sup>(2)</sup>, repealing Council Regulation (EC) No 1321/2004 <sup>(3)</sup> and amending Regulation (EC) No 683/2008 <sup>(4)</sup>. The Agency's main tasks are the operation of the Galileo Security Monitoring Centre, the security accreditation of Galileo and EGNOS satellite navigation systems, the preparation of their commercialisation and the performance of other tasks in relation to the implementation of the two programmes <sup>(5)</sup>.

## INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

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

## STATEMENT OF ASSURANCE

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(6)</sup> and the reports on the implementation of the budget <sup>(7)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(8)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer <sup>(9)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> Decision 2010/803/EU taken by common accord between the Representatives of the Governments of the Member States (OJ L 342, 28.12.2010, p. 15).

<sup>(2)</sup> OJ L 276, 20.10.2010, p. 11.

<sup>(3)</sup> OJ L 246, 20.7.2004, p. 1.

<sup>(4)</sup> OJ L 196, 24.7.2008, p. 1.

<sup>(5)</sup> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(6)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(7)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(8)</sup> Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

<sup>(9)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(10)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

11. The Agency is in charge of organising and managing the exploitation of the European Geostationary Navigation Overlay Service (EGNOS) which is the first pan-European satellite navigation system. On the basis of a delegation agreement with the Commission, the Agency signed a contract for the exploitation of EGNOS for the 2014 to 2021 period for an amount of some 588 million euro. Although the competitiveness of the procedure is not called into question, an eligibility criterion applied in the first phase of the procurement procedure excluding applications from consortia was not in accordance with the rules on implementation of the Financial Regulation <sup>(11)</sup> <sup>(12)</sup>.

**COMMENTS ON BUDGETARY MANAGEMENT**

12. The overall level of committed appropriations was close to 100 % for all titles. However, carry-overs of committed appropriations were high for title II (administrative expenditure) at 1,8 million euro (52 %). This is mainly due to specific contracts signed at year-end (0,9 million euro), following the late approval of an amending budget in September that provided additional funds to the Agency. Another 0,4 million euro relate to services rendered by suppliers but not invoiced in 2013.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

<sup>(10)</sup> Article 107 of Regulation (EU) No 1271/2013.

<sup>(11)</sup> Article 116(6) of Commission Regulation (EC, Euratom) No 2342/2002 (OJ L 357, 31.12.2002, p. 1).

<sup>(12)</sup> Article 121(5) of Commission Delegated Regulation (EU) No 1268/2012 (OJ L 362, 31.12.2012, p. 1).

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

*For the Court of Auditors*

Vitor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	In 2011, the Agency made grant payments under the Seventh Framework Programme for Research and Development (FP7) amounting to 5,8 million euro. In order to verify the expenditure claimed by the beneficiaries (private and public entities performing research), the Agency, although it performs reasonableness checks, does not usually request supporting documentation that would address the risk of ineligible expenditure.	Completed
2012	The overall level of committed appropriations was close to 100 % for all titles. However, carry-overs of committed appropriations were relatively high for title II (administrative expenditure) at 1,7 million euro (38 %). This was partly due to events beyond the Agency's control, such as the relocation of its seat to Prague in September 2012 (0,4 million euro) and the setting-up of the Galileo Security Monitoring Centre (0,4 million euro), which necessitated the provision of certain goods and services in the last quarter of the year. In addition, an amount of 0,7 million euro was transferred from title I (staff expenditure) to title II in November 2012 and several contracts relating to IT and legal services included in the 2013 work programme were signed in December 2012.	N/A
2012	The Court identified the following weaknesses in the recruitment procedures audited which affected transparency and equal treatment: no threshold scores were determined for admission to written tests and interviews or for inclusion in the list of suitable candidates; the vacancy notice made no provision for appeals by rejected candidates	Completed

## ANNEX II

**European GNSS Agency (Prague)****Competences and activities**

<b>Areas of Union competence deriving from the Treaty</b>	Competitiveness for growth and employment.
<b>The Agency's powers</b> <i>(Regulation (EU) No 912/2010 of the European Parliament and of the Council)</i>	<b>Objectives:</b> To contribute to the achievement of fully operational European satellite navigation systems established under the EGNOS and Galileo programmes.  <b>Tasks:</b> <ul style="list-style-type: none"> <li>— To ensure the security accreditation of the systems and the operation of the Galileo Security Monitoring Centres (GSMCs);</li> <li>— to contribute to the preparation of the commercialisation of the systems, including the necessary market analysis;</li> <li>— to accomplish other tasks that may be entrusted to it by the Commission, such as managing EU Framework Programmes for Research and Technological Development on innovative satellite navigation applications and technologies, promoting satellite navigation applications and services, preparing for the successful commercialisation and exploitation of the systems, aiming for smooth functioning, seamless service provision, and ensuring that the systems' components obtain certification.</li> </ul>
<b>Governance</b>	<b>Administrative Board</b>  <i>Composition</i> <ul style="list-style-type: none"> <li>— one representative per Member State,</li> <li>— five representatives from the European Commission,</li> <li>— a non-voting representative of the European Parliament,</li> <li>— one representative of the High Representative for Foreign Affairs and Security (HR) and one representative of the European Space Agency (ESA) to be invited as observers.</li> </ul> <i>Tasks</i> <ul style="list-style-type: none"> <li>— appoints the Executive Director (ED),</li> <li>— adopts the annual work programme,</li> <li>— produces a statement of estimates of revenue and expenditure,</li> <li>— adopts the budget,</li> <li>— delivers an opinion on the final accounts of the Agency,</li> <li>— oversees the operation of the Galileo Security Monitoring Centre,</li> <li>— exercises disciplinary power over the ED,</li> <li>— adopts the special provisions necessary for implementing right of access to documents,</li> <li>— adopts the annual report on the activities and prospects of the Agency.</li> </ul> <b>Executive Director</b> Appointed by the Administrative Board.

	<p><b>Security Accreditation 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> <li>— one representative from the HR,</li> <li>— one representative of ESA to be invited as observer.</li> </ul> <p><i>Tasks</i></p> <p>To act as the security accreditation authority in relation to the European GNSS systems.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p>53,3 (20,8) million euro consisting of the EU subsidy of 13,9 (12,9) million euro, which is the operating subsidy from the Commission, and 39,4 (7,9) million euro in operational funds provided by the Commission to perform delegated tasks.</p> <p>Staff as at 31 December 2013</p> <p>Authorised posts: 77 (44)</p> <p>Posts occupied: 59 (39)</p> <p>Other posts: 35 (29)</p> <p>Total staff: 94 (68), assigned to the following duties:</p> <ul style="list-style-type: none"> <li>— operational tasks: 43 (34)</li> <li>— administrative and support tasks: 37 (23)</li> <li>— mixed tasks: 14 (11)</li> </ul>
<p><b>Products and services 2013</b></p>	<p><b>Programmes</b></p> <p>Support for the European Commission in the implementation of the EGNOS and Galileo programmes.</p> <p><b>Systems Security</b></p> <p>Systems Security (Security Accreditation of the systems and sites, Galileo System-specific Security requirements, Flight Key Cell activities).</p> <p>Support for Public Regulated Service — PRS (Preparation of the PRS User Segment).</p> <p>Operation of the Galileo Security Monitoring Centres — GSMCs.</p> <p><b>EGNOS/Galileo Exploitation</b></p> <p>Preparatory activities for EGNOS and Galileo exploitation.</p> <p><b>Market development</b></p> <p>Market analysis and publication of GNSS Market Reports.</p> <p>Market readiness for the launch of Galileo early services.</p>

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	<p>Market development actions focused on receiver manufacturers to foster Galileo penetration in consumer and professional markets.</p> <p>Implementation of adoption roadmaps for EGNOS in all priority markets with special focus on aviation, maritime and rail.</p> <p>Launch of the European GNSS Service Centre helpdesk.</p> <p>Information and outreach — EGNOS information portal, GSA website, events (European Space Solutions conference in Munich, 40 participations in events with stands and brochures, EP-GSA event, opening of Facebook page for GSA)</p> <p><b>Research and development</b></p> <p>Management of projects under the 7th Framework Programme for research and under Horizon 2020.</p> <p>Maximisation of the projects' results and achievement of strategic objectives.</p> <p>Dissemination of the results of R&amp;D.</p>
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Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. It followed from the Single European Sky legal framework that:

1. the tenderer winning the contemplated contract had to be duly certified (e.g. for Safety of Life service) -> this had to be made a selection criterion;
2. only already established and stable legal entities were eligible to obtain the required non-derogated ANSP certificate for CNS and the EGNOS certificate -> this de facto ruled out consortia.

The express exclusion of consortia was in that sense only translating a fact for the sake of transparency. More generally the Agency appreciates the Court's recognition that this exclusion did not affect the conduct of the procedure which de facto achieved effective competition, as demonstrated by the submission of five applications.

12. A rather large volume of commitments was made at the end of the year due to the late approval of the amending budget. The amendment was initially planned in March, but not finally adopted until mid-September. While these contracts had been planned earlier in the year, the GSA was compelled to put them on hold until the approval of the amending budget and its exact amount was certain. Other title II carry-overs were largely due to services for the new Galileo Security Monitoring Centre site in France which was only functional as of September 2013 and many of these payments were made in the first quarter of 2014. The Agency is making a concerted effort in 2014 not only to align contracting with the calendar year but also to ensure earlier commitments on title II, given that it does not face the same budgetary constraints as in 2013.

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**REPORT****on the annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) for the financial year 2013, together with the Agency's replies**

(2014/C 442/38)

**INTRODUCTION**

1. The European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA), hereinafter 'the Agency', which is located in Tallinn, Strasbourg and St. Johann im Pongau (see para. 18), was established by Regulation (EC) No 1077/2011 of the European Parliament and of the Council<sup>(1)</sup>. The core mission of this Agency is to fulfil the operational management tasks for the Second Generation Schengen Information System (SIS II), the Visa Information System (VIS) and Eurodac<sup>(2)</sup>.
2. The Commission granted financial autonomy to the Agency on 22 May 2013. Therefore the audited period for the financial year 2013 runs from 22 May 2013 to 31 December 2013.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

4. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:
  - (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
  - (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

5. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>.
  - (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(6)</sup>; making accounting estimates that are reasonable in the circumstances. The Administrative Manager approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
  - (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> OJ L 286, 1.11.2011, p. 1.

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

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

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

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

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

**The auditor's responsibility**

6. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(7)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

9. In the Court's opinion, the annual accounts of the Agency present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

10. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

**Emphasis of matter in relation to the reliability of the accounts**

11. Without calling into question the opinion expressed in paragraph 9, the Court draws attention to the valuation of the Schengen Information System (SIS II), the Visa Information System (VIS) and Eurodac (systems) in the Agency's accounts. The operational management of these systems was transferred to the Agency from the Commission in May 2013 by way of a non-exchange transaction and is the core task of the Agency. In the absence of reliable and complete information in respect of their total development cost, they are recorded in the Agency's accounts at their net book values as per the Commission's books and updated at year-end. These values relate mainly to hardware and off-the-shelf software components and do not include software development costs (see note 6.3.1 to the annual accounts of the Agency).

12. The comments which follow do not call the Court's opinion on the reliability of the accounts and its opinion on the legality and regularity of the transactions underlying the accounts into question. It should be noted that 2013 was the first year of the Agency's financial autonomy and that the establishment of its procedures is ongoing.

**COMMENTS ON INTERNAL CONTROLS**

13. The development of the Agency's Internal Control Standards was ongoing at the end of the year. They were approved by the Management Board in June 2014.

14. There is no insurance coverage for fixed tangible assets, except for multi-risk fire for the premises in Tallinn.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

15. According to the Agency's Founding Regulation<sup>(8)</sup>, the Commission was responsible for the establishment and initial operation of the Agency until it was granted financial autonomy on 22 May 2013. The migration of data on commitment and payment appropriations from the Commission to the Agency was a complex process and a reconciliation of the figures between the Commission's and the Agency's accounting systems was finally completed in June 2014. This affected the Agency's payment planning and the preparation of its provisional accounts.

16. According to the Agency's final accounts budget implementation rates were 96 % for commitment appropriations and 67 % for payment appropriations. Due to the fact that part of the Agency's total annual budget was executed by the Commission and the differences between the Commission's and the Agency's budgetary structures, a more detailed analysis per budget title could not be carried out for 2013.

17. According to the Agency's Founding Regulation<sup>(9)</sup>, countries associated with the implementation, application and development of the Schengen *acquis* and Eurodac-related measures must make a contribution to the Agency's budget. Although Schengen associated countries were using the systems managed by the Agency in 2013 the Commission's negotiations were still ongoing.

**OTHER COMMENTS**

18. Though the seat of the Agency is in Tallinn (with 46 occupied posts), operational activities are carried out in Strasbourg (with 79 occupied posts)<sup>(10)</sup>. It is likely that management effectiveness could be increased and administrative costs reduced if all staff were centralised in one location.

19. A headquarters agreement that would clarify the conditions under which the Agency and its staff operate has not yet been signed with the host Member State, Estonia, and negotiations were still ongoing at the time of the audit.

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

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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<sup>(8)</sup> Article 32 of Regulation (EU) No 1077/2011 of the European Parliament and of the Council (OJ L 286, 1.11.2011, p. 1).

<sup>(9)</sup> Article 32 of Regulation (EU) No 1077/2011.

<sup>(10)</sup> The Agency's back-up systems are located in Sankt Johann im Pongau with no staff located there.

## ANNEX

**EU Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (Tallinn)**

**Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 74, 77(2)(a) and (b), 78(2)(e), 79(2)(c), 82(1)(d), 85(1), 87(2)(a) and Article 88(2) of the Treaty on the Functioning of the European Union)</i></p>	<p>Contribute to the creation of an area of free circulation of people by increasing cooperation on cross-border issues, such as asylum, immigration, border control, as well as judicial and police cooperation in criminal matters.</p>
<p><b>Competences of the Agency</b></p> <p><i>(Regulation (EC) No 1077/2011 of the European Parliament and of the Council)</i></p>	<p>With reference to its establishing Regulation (EU) No 1077/2011, and without prejudice to the respective responsibilities of the Commission and of the Member States under the legislative instruments governing large-scale IT Systems, the Agency's objectives are the following:</p> <ul style="list-style-type: none"> <li>(a) effective, secure and continuous operation of large-scale IT systems (at present the second generation Schengen Information System (SIS II), the Visa Information System (VIS) and a large-scale database for the comparison of fingerprints for the effective application of the Dublin Convention (Eurodac));</li> <li>(b) the efficient and financially accountable management of large-scale IT systems;</li> <li>(c) an adequately high quality of service for users of large-scale IT systems;</li> <li>(d) continuity and uninterrupted service;</li> <li>(e) a high level of data protection, in accordance with the applicable rules, including specific provisions for each large-scale IT system;</li> <li>(f) an appropriate level of data and physical security, in accordance with the applicable rules, including specific provisions for each large-scale IT system; and</li> <li>(g) the use of an adequate project management structure for efficiently developing large-scale IT systems.</li> </ul>
<p><b>Governance</b></p>	<p><b>1. Management Board</b></p> <p>The eu-LISA Management Board is composed of one member designated by each Member State, two representatives of the European Commission plus one member from each country associated with the implementation, application and development of the Schengen <i>acquis</i> and Eurodac-related measures. Its function is to ensure that the Agency carries out its tasks, including the appointment and if appropriate the dismissing of the Executive Director.</p> <p><b>2. Executive Director</b></p> <p>The eu-LISA Executive Director is appointed by the Management Board on the basis of a list of eligible candidates identified in an open competition organised by the Commission. His/her function is to manage and represent the Agency. For this purpose he/she shall assume full responsibility for the tasks entrusted to the Agency and shall be subject to the procedure for annual discharge by the European Parliament for the implementation of the budget.</p>

	<p><b>3. Advisory Groups: SIS II Advisory Group, VIS Advisory Group and Eurodac Advisory Group</b></p> <p>The Advisory Groups are composed of a representative of each Member State, the Commission plus one member from each country associated with the implementation, application and development of the Schengen <i>acquis</i> and Eurodac-related measures. Their function is to provide the Management Board with expertise relating to large-scale IT systems and, in particular, in the context of the preparation of the annual work programme and the annual activity report.</p>
<p><b>Resources made available to the Agency in 2013</b></p>	<p><b>Final Budget <sup>(1)</sup></b></p> <p>61,35 million euro (commitment appropriations)</p> <p>34,38 million euro (payment appropriations)</p> <p><b>Staff as at 31 December 2013</b></p> <p>Posts authorised:</p> <ul style="list-style-type: none"> <li>— 120 Temporary Agents</li> <li>— 6 Contractual Agents</li> <li>— 6 Seconded National Experts</li> </ul> <p>Posts occupied:</p> <ul style="list-style-type: none"> <li>— 120 Temporary Agents</li> <li>— 5 Contractual Agents</li> <li>— 3 Seconded National Experts</li> </ul>
<p><b>Products and services in 2013</b></p>	<p>Products and services in 2013 included:</p> <ul style="list-style-type: none"> <li>— Operational management and evolution of SISII, VIS and EURODAC</li> <li>— Helpdesk: provided first level support services to users across all systems under the management of eu-LISA.</li> <li>— Monitoring and evolution of appropriate Service Level Agreements for such systems under the management of the Agency;</li> <li>— Provision of coordination, security and supervision of relations between the Member States and the network provider for the communication infrastructure for SIS II, Eurodac and VIS (sTESTA network);</li> <li>— Participation in preparatory processes to design, develop and implement new systems;</li> <li>— Statistics: timely and accurate provision of statistics and information on the performance of the systems, as provided for in the relevant legal bases;</li> <li>— Reporting: fulfilment of all reporting obligations laid down in the establishing Regulation and legal bases for the IT systems under the Agency's management</li> <li>— Monitoring of new technologies and solutions relevant for the operational management and evolution of SIS II, VIS, Eurodac and other large-scale IT systems.</li> <li>— Training: provision of bespoke system training plans for national authorities on IT systems managed by the Agency</li> </ul>

<sup>(1)</sup> For the period 22nd May 2013, when the Agency was granted financial autonomy, to 31 December 2013

Source: Annex supplied by the Agency.

**THE AGENCY'S REPLIES**

11. The Agency acknowledges the Court's mention, having regard to it in the notes to the balance sheet, 6.3.1 'Non-current assets', section 'Material transfer of tangible & intangible fixed assets received from other consolidated entities'.

13. The Agency acknowledges the Court's comment and will continue to develop further its robust processes and procedures already in place in order to ensure full compliance with Internal Control Standards' requirements.

14. Technical specifications are being drafted, procurement is planned for the second half of the year, aiming at start of contractual execution in the fourth quarter 2014.

15. During the handover of responsibilities on operational management of the systems from the European Commission to the Agency there was intensive exchange of information at working level. As the Commission informed the Agency:

- the migration followed a standard process, already used for the independence of other agencies,
- coherence controls by a third independent actor were performed to ensure a safe and complete transfer.

A comprehensive set of documents relating to the technical documentation or contracts signed were transmitted to eu-LISA in electronic or paper format in support of the migration exercise; some original documents were retained by the Commission for control and audit purposes.

While the Agency acknowledges the complexity and length of the reconciliation exercise, a full reconciliation of the budgetary data has been achieved, presenting a complete — i.e. combining DG HOME's and the Agency's implementation — overview of the 2013 budget. As the migration of appropriations following financial independence is a non-recurring exercise, future budgetary implementation reporting is expected to provide the basis for fully detailed analysis.

17. The procedure for adoption by the Council will be launched as soon as the negotiations led by the Commission are over. Following the decision by the Council, the associated countries will have to ratify the agreement in line with their national legislation. It should be noted that the text of the agreements currently includes a provision which entails retroactive payment of contribution to the Agency starting from December 2012.

18. The organisational set-up of the Agency is governed by its establishing Regulation. The Agency is not in a position to elaborate on this comment.

19. The Agency acknowledges the observation. The only outstanding item subject of negotiations with the Estonian Government is VAT regime applicable to the Agency's staff.

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## REPORT

**on the annual accounts of the Office for Harmonization in the Internal Market for the financial year 2013, together with the Office's replies**

(2014/C 442/39)

**INTRODUCTION**

1. The Office for Harmonization in the Internal Market (hereinafter 'the Office', aka 'OHIM'), which is located in Alicante, was established by Council Regulation (EC) No 40/94<sup>(1)</sup>, which was repealed and replaced by Regulation (EC) No 207/2009<sup>(2)</sup>. The Office's task is to implement the Union legislation on trade marks and designs, which gives undertakings uniform protection throughout the entire area of the European Union<sup>(3)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Office, which comprise the financial statements<sup>(4)</sup> and the reports on the implementation of the budget<sup>(5)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Office and the legality and regularity of the underlying transactions<sup>(6)</sup>:

- (a) The management's responsibilities in respect of the Office's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The President approves the annual accounts of the Office after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Office in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

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

<sup>(2)</sup> OJ L 78, 24.3.2009, p. 1.

<sup>(3)</sup> *Annex II* summarises the Office's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Articles 38 and 43 of Regulation No CB-3-09 of the Budget Committee of the Office for the harmonisation in the internal market.

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.



**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the Budget Committee of the Office a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions <sup>(8)</sup>. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Office are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Office's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The amount of cancelled carry-overs from previous years increased from 4,2 million euro (13 %) in 2012 to 6,0 million (16 %) in 2013. In both years this was mainly due to lower than estimated costs to be reimbursed under cooperation agreements with Member States' National Offices (1,9 million euro in 2012 and 3,8 million euro in 2013), which indicates the need to obtain more accurate information from National Offices at year-end on the actual cost incurred.

12. The level of committed 2013 appropriations for the different titles varied between 98 % and 89 % of total appropriations, indicating that legal commitments were made in a timely manner. The level of committed appropriations carried over to 2014 was high for title II (administrative expenditure) at 23,9 million euro (28 %) and title III at 13,3 million euro (38 %). For title II this resulted from multiannual contracts mainly related to the construction of the new building and IT developments and services/supplies ordered, as planned, at the end of 2013 which were only due for payment in 2014. For title III, it was mainly related to cooperation agreements with National Offices for which cost claims were not due to be submitted by National Offices until 2014, and the usual order of translation services in the last months of 2013, which were only due for payment in 2014.

**OTHER COMMENTS**

13. The Office has a Business Continuity and Crisis Management Plan in place which stipulates that some 25 roles have to be covered permanently by employees on stand-by duty. Although budget appropriations for stand-by duty allowances are approved annually by the Office's Budget Committee, the amount paid in 2013 (402 458 euro) considerably exceeds such allowances paid by other agencies which need to ensure permanent service.

<sup>(8)</sup> Articles 91 to 95 of Regulation No CB-3-09 of the Budget Committee of the Office for the harmonisation in the internal market.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

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

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## ANNEX I

## Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The Court identified several shortcomings as regards the 2011 service level agreement between the Office and the Translation Center for the Bodies of the EU (CDT). The agreement was signed by the Office on 20 June 2011 and according to Article 10, applied from 1 January 2011. The execution of the contract started before the contract signature. On request of CDT, the Office made a payment of 1,8 million euro in compensation <sup>(1)</sup> . Furthermore, this payment was authorised without a budget commitment and without available appropriations <sup>(2)</sup> .	N/A
2011	There is a need to improve the Office's management of fixed assets. For intangible assets developed by the Office, accounting procedures and information on costs were not reliable.	Completed
2011	Cash held by the Office as at 31 December 2011 totalled 520 million euro (495 million euro in 2010). Following the treasury policy approved by the Budget committee in 2010 the cash was held in 9 banks in 5 Member States.	Completed However the Court notes the still high level of cash.
2012	Out of the 31,9 million euro of committed appropriations carried over from 2011 to 2012, 4,16 million euro (13 %) were cancelled in 2012. Of this amount, 1,93 million euro was related to cooperation agreements with Member States which did not absorb the full amounts allocated to them.	N/A
2012	In 2012 the overall level of committed appropriations was 93 %, indicating that commitments were made in a timely manner. The level of committed appropriations carried over to 2013 however was high at 36,7 million euro (19 % of total committed appropriations), out of which 21,7 million euro related to title II (administrative expenditure) and 14,1 million euro related to title III (operating expenditure). The main reason for the high level of carry-overs was the late receipt of invoices for goods and services delivered in 2012. More specifically, for title II, the high level of carry-overs also arose from a number of multiannual contracts relating to the construction of the Office's new building (6,09 million euro) and the procurement of IT developments (7,67 million euro). For title III, carry-overs are largely related to cooperation agreements signed with Member States for which cost claims were only due to be submitted in 2013 (8,13 million euro). In addition, translation services were ordered in the last months of 2012 (5,43 million euro) which were only due for payment in 2013.	N/A

<sup>(1)</sup> The minimum value was set in the agreement to be 16,3 million euro. The services provided in 2011 totalled 14,5 million euro.

<sup>(2)</sup> This payment was made from the 2012 budget.

## ANNEX II

**Office for Harmonization in the Internal Market (Alicante)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Articles 36 and 56 of the Treaty on the Functioning of the European Union)</p>	<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 Member States.</p> <p>[...] restrictions on freedom to provide services within the Union shall be prohibited in respect of nationals of Member States who are established in a Member State other than that of the person for whom the services are intended. [...]</p>
<p><b>Competences of the Office</b> (Council Regulation (EC) No 207/2009) (Regulation EU No 386/2012 of the European Parliament and of the Council)</p>	<p><b>Objectives</b></p> <p>To implement the Union legislation on trade marks and designs, which gives undertakings the right to uniform protection throughout the entire area of the European Union.</p> <p>To promote discussion, research, training, communication, the creation of advanced IT support tools and the spread of best practice on IP matters.</p> <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 Union 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> <li>— to improve understanding of the value of intellectual property,</li> <li>— to improve understanding of the scope and impact of infringements of intellectual property rights,</li> <li>— to enhance knowledge of best public and private sector practices to protect intellectual property rights,</li> <li>— to assist in raising citizens' awareness of the impact of infringements of intellectual property rights,</li> <li>— to enhance the expertise of persons involved in the enforcement of intellectual property rights,</li> <li>— to enhance knowledge of technical tools to prevent and tackle infringements of intellectual property rights, including tracking and tracing systems which help to distinguish genuine products from counterfeit ones,</li> </ul>

	<ul style="list-style-type: none"> <li>— to provide mechanisms which help to improve the online exchange, between Member States' authorities working in the field of intellectual property rights, of information relating to the enforcement of such rights, and fostering cooperation with and between those authorities,</li> <li>— to work in consultation with Member States, to foster international cooperation with intellectual property offices in third countries so as to build strategies and develop techniques, skills and tools for the enforcement of intellectual property rights.</li> </ul>
<b>Governance</b>	<p><b>Administrative Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— One representative from each Member State and one representative from 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 125) for President, Vice-Presidents and chairmen and members of the Boards of Appeal.</li> </ul> <p><b>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>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>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>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>The Office's Budget Committee.</p>
<b>Resources made available to the Office in 2013 (2012)</b>	<p><b>Budget</b></p> <p>418 (429) million euro.</p> <p><b>Staff at 31 December 2013</b></p> <p>861 (775) posts in the establishment plan; posts occupied: 731 (680) + 171 (138) other staff (auxiliary contracts, seconded national experts, local and employment agency staff, special advisers)</p> <p>Total staff: 902 (818)</p>

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**Products and services supplied  
2013 (2012)****Trade marks**

Number of applications: 114 421 (107 924)

Number of registrations: 98 092 (95 645)

Cases of opposition: 17 006 (16 634)

Appeals to the Boards of Appeal: 2 602 (2 339)

Appeals pending: 2 361 (2 352)

**Designs**

Designs received: 95 429 (92 175)

Designs registered: 84 056 (78 658)

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Source: Annex supplied by the Office.

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**THE OFFICE'S REPLIES**

11. The Office is currently putting in place measures, together with the National Offices, to reduce the high cancellation rate of carryovers. A pilot of interim execution report every 6 months has been put in place. The idea is to extend these pilots to the important projects that the Office has with the National Offices, once the participation in this pilot has broadened. Finally, the Office will also analyse possible adjustments of the contracts (for 2015) with the National Offices in order to minimize unnecessary carryovers.

12. Apart from the measures referred to above, that would reduce the high level of carryovers mainly in title III, but also in title II, the Office is currently setting up a system with the CDT to reduce the volume of carryovers at year end. Furthermore, as mentioned by the Court, the extension of the Office's headquarters and IT developments justifies the high level of carryovers in title II.

The Office is putting in place measures in order to better control the amounts carried over every year.

13. In line with requirements of international quality standards (ISO 27001) and the internal control standards (ICS 10) adopted by the Office's Budget Committee, the Office put in place a Business Continuity Plan (BCP). This is now also foreseen in the 2013 Framework Financial Regulation.

In November 2006, the governing boards of the Office — Administrative Board and Budget Committee — were informed of and supported the OHIM strategy based on a three-level scenario (Level 0: Crisis management team; Level 1: IT & logistics teams, recovery coordination team, and global communication team; Level 2: teams that will work on the recovery). A payment to the staff involved in stand-by duties is prescribed by the Staff Regulation. The budgetary impact of this payment is included in a specific budget line, updated (in line with the needs of the organisation) and adopted in the budget every year.

The BCP was established after an exhaustive impact analysis made, with the help of external consultants and covers ALL activities of the Office.

The Office has 25 roles permanently on stand-by duty and the payments in 2013 amounted to € 402 458. The reasons for which the BCP implemented such a robust structure are the following:

The Office has a strong exposure and visibility towards its stakeholders and need to ensure a 24/7 operational e-business service and an immediate response to its users. Lack of availability of the IT system would have a serious impact on the continuity of business. Throughout the Office, business continuity is therefore essential and all departments are involved (visibility of activities such as cooperation activities with the Member States and in the remit of the Observatory, interaction with the Brussels office, support of teleworking staff, ensuring good functioning of fee collection (automated IT system used by the whole Office) and finally involvement of Procurement staff since it has a defined centralizing role of intervention (managing of all economic files) in case of a disaster. Due to the size and the international background of our suppliers, the quantity of formal documentation is very high and extremely dependent on IT.

These reasons justify, in our view, the differences with other agencies.

The Office has already made use of the stand-by shifts twice since its establishment, the last time in relation to the introduction of its new website.

The level of stand-by duty paid in 2013 represents less than 0,5 % of the total expenditure of title I. These costs also represent less than a business day of income through the Office's online services.

The Office will consider the observation made by the Court of Auditors in its yearly revision of processes, procedures and schemes with a view to continual improvement.

14. The Office takes note that the Court of Auditors has considered all previous year findings as completed or not applicable.

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**REPORT****on the annual accounts of the European Agency for Safety and Health at Work for the financial year 2013, together with the Agency's reply**

(2014/C 442/40)

**INTRODUCTION**

1. The European Agency for Safety and Health at Work (hereinafter 'the Agency', aka 'EU-OSHA'), which is located in Bilbao, was created by Council Regulation (EC) No 2062/94 <sup>(1)</sup>. The Agency's task is to collect and disseminate information on national and Union priorities in the field of health and safety at work, to support national and Union organisations involved in policymaking and implementation and provide information on preventive measures <sup>(2)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements <sup>(3)</sup> and the reports on the implementation of the budget <sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions <sup>(5)</sup>:

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

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

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

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

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

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

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



**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON BUDGETARY MANAGEMENT**

11. The overall level of committed appropriations was 99 % as compared to 95 % in 2012. However, the level of committed appropriations carried over to 2014 was high at 601 426 euro (30 %) for Title II (administrative expenditure) and 3 693 549 euro (46 %) for Title III (operational expenditure).

12. For Title II, this was caused by the purchase of goods and services, as planned, at the end of the year in connection with the Agency's move to its new premises and with the renewal of annual IT contracts. For Title III, the high level of planned carry-overs mainly resulted from the multiannual nature of major projects launched in 2013, such as the European Survey of Enterprises on New and Emerging Risks (ESENER II).

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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

## ANNEX I

**Follow-up of previous years' comments**

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	The high cancellation rate for appropriations indicates difficulties in the implementation of the actions foreseen in the annual work programme and in complying with the budgetary principle of annuality.	Completed
2011	In contrast to the other two European Agencies based in Spain (OHIM in Alicante and CFCA in Vigo), a seat agreement had not been concluded.	Completed
2012	The Agency's 2012 budget amounted to 15,3 million euro, out of which 3,2 million euro (22 %) was carried over to 2013. The level of committed appropriations carried over is high for Title II (infrastructure) at 36 % and for Title III (operational expenditure) at 33 %. For Title II, this was mainly caused by the renewal of annual IT contracts concluded as planned in the fourth quarter of 2012. For Title III, the high level resulted from both the multiannual nature of major projects and from delays in the award of specific contracts. The delays mainly result from a decentralised organisation of procurement procedures which prevents effective monitoring of the implementation of the procurement plan.	Ongoing
2012	The cancellation rate for Title I appropriations for the year 2012 was high at 9,5 % (0,5 million euro) which mainly resulted from frozen recruitment procedures and an anticipated salary increase which had not yet been paid out.	Completed

## ANNEX II

**European Agency for Safety and Health at Work (Bilbao)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Articles 151 and 153 of the Treaty on the Functioning of the European Union)</p>	<p><i>Article 151</i></p> <p>The Union and the Member States [...], shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion.</p> <p><i>Article 153</i></p> <p>With a view to achieving the objectives of Article 151, the Union shall support and complement the activities of the Member States in the following fields:</p> <p>(a) improvement in particular of the working environment to protect workers' health and safety;</p> <p>(b) working conditions;</p> <p>[...]</p> <p>(e) the information and consultation of workers;</p> <p>[...]</p> <p>(h) the integration of persons excluded from the labour market, without prejudice to Article 166;</p> <p>(i) equality between men and women with regard to labour market opportunities and treatment at work;</p> <p>(j) the combating of social exclusion;</p> <p>[...].</p>
<p><b>Competences of the Agency</b> (Council Regulation (EC) No 2062/94)</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 strategies and action programmes concerning health and safety at the workplace, the aim of the Agency shall be to provide the Union and 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 (Article 2).</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>— To collect, analyse and disseminate information on national and Union priorities and on research;</li> <li>— to promote cooperation and the exchange of information, including information on training programmes;</li> <li>— to supply the Union bodies and the Member States with the information they require for formulating and implementing 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 Union action programmes;</li> <li>— to set up a network comprising national focal points.</li> </ul>

<p><b>Governance</b></p>	<p><b>Governing Board (GB)</b></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> <li>— 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.</li> </ul> <p><b>Bureau of the GB</b></p> <ul style="list-style-type: none"> <li>— Chair and three vice-chairs of the Board.</li> <li>— Coordinators from each of the three interest groups.</li> <li>— One additional member from each of the groups and the Commission.</li> </ul> <p><b>Director</b></p> <p>is appointed by the Governing Board on the basis of a short-list from the Commission.</p> <p><b>Committees</b></p> <p>Obligatory consultation of the European Commission and the Advisory Committee on Safety and Health at Work in respect of the work programme and budget.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources available to the Agency in 2013 (2012)</b></p>	<p><b>Budget</b></p> <p>17,5 (16,9) million euro of which:</p> <ul style="list-style-type: none"> <li>— Union subsidy, DG Employment: 86,3 % (89,0 %)</li> <li>— Other Union subsidy, DG Employment: 9,4 % (5,9 %)</li> <li>— Other Union subsidy, DG Enlargement: 3,2 % (3,9 %)</li> <li>— Other: 1,0 % (1,2 %)</li> </ul> <p><b>Staff at 31 December 2013</b></p> <p>44 (44) posts in the establishment plan, of which, 42 (42) posts were occupied.</p> <p>Other staff:</p> <ul style="list-style-type: none"> <li>— Seconded National Experts: 0 (0)</li> <li>— contract staff: 24 (24)</li> <li>— local staff: 1 (1)</li> </ul> <p>Total staff employed: 67(67)</p> <p>Allocated to:</p> <ul style="list-style-type: none"> <li>— operational activities: 48 (48)</li> <li>— administrative tasks: 10 (10)</li> <li>— mixed tasks: 9 (9)</li> </ul>

**Products and services in 2013**  
(Collecting and analysing information)

**PREVENTION AND RESEARCH**

**Specific objective 1: To provide a basis for priority setting for OSH research and actions via identifying and monitoring trends and anticipating new and emerging risks related to OSH by carrying out a large-scale foresight study**

Two e-facts and two accompanying hazard identification checklists on OSH in green building construction and on OSH and small-scale applications of solar energy were published and promoted on 3 June through a web teaser on the occasion of the EU Green Week and are available from the single entry point (SEP) on OSH in green jobs created earlier in the year. The German, Spanish, Italian and Polish versions of the summary report 'Foresight on new and emerging OSH risks associated with new technologies in green jobs' were published beginning of June. The French version of the summary report was published early October.

A foresight workshop with the Focal Points was held on 12-13 November in order to disseminate the scenarios and foresight findings, to demonstrate and encourage the application of scenarios to decision-making and to promote the policy relevance of the foresight on green jobs.

A draft report on the state of the art review on 'current and emerging issues in the health care sector including community and home care' was received.

**Specific objective 2: To provide input for more focused research and prevention efforts via the review and analysis of research on risk factors and health outcomes**

A draft was received of a report on work-related cancer and cancer risk factors from the Topic Centre following the 2012 workshop on the topic.

Three e-facts on OSH and nanomaterials (Tools for the management of nanomaterials in the workplace and prevention; Nanomaterials in the health care sector; OSH risks and prevention; Nanomaterials and maintenance: OSH risks and prevention) were published and promoted on 24 June, together with a new single entry point (SEP) on Managing nanomaterials in the workplace, from which all EU-OSHA's information material on OSH and nanomaterials is available.

The 'Women at work' report was published. It covers employment trends and their impact on the OSH of women (incl. recent trends), OSH statistics, work-related cancer (incl. the links between shift work and breast cancer), MSDs and stress, violence and harassment in service professions, and explores existing research on the OSH of women in informal work, as well as disability and rehabilitation of women at work. It includes selected examples of gender mainstreaming into OSH from three Member States and is intended to be complementary to an EU-OSHA case study report on recent policy initiatives that will be published in 2014.

**Specific objective 3: To support priority setting for OSH research and actions via the provision of an overview of safety and health at work in Europe based on historical and current data**

The final report for the project 'Estimation of the costs of non-OSH at macro-level' was delivered in September. The aim of the project is to assess different methodologies for estimating the cost of poor or non-OSH at macro-level in order to understand the rationale behind the different estimates and get a better knowledge of the economic impact of poor OSH; provide information to support policymakers at European and national level; establish a sound basis for debate on key issues on the subject; and contribute to the promotion and fostering of further research.

**Specific objective 4: To stimulate debate about, and ensure the relevance of, the observatory's findings through discussion and consolidation with target groups and beneficiaries**

The Agency presented its approach to emerging risks and work-related diseases at the COST Modernet meeting on 16 October in Paris. A jointly organised workshop between the Agency and the German Road Safety Council at the A+A conference was held on 6 November in Düsseldorf.

**Specific objective 5: To help policymakers and providers of OSH information in giving better support to enterprises through the implementation of surveys to collect real-time information on OSH management and key emerging OSH risks**

All draft reports (summary overview report, national overview report and substantive findings report) of the qualitative post-test on ESENER were finalised for publication.

The report 'Analysis of the determinants of workplace occupational safety and health practice in a selection of EU Member States (Report and summary in several languages)' was published in September.

Preparations for ESENER-2 proceeded according to plan, including cognitive pre-tests. Fieldwork is planned for 2014 and first results will be received at the end of 2014, with first publications planned for early 2015.

**Specific objective 6: To seek a current consensus on research priorities in OSH, and to encourage national OSH research institutes to set joint priorities, exchange results as well as encourage the inclusion of OSH requirements in research programmes**

The report on OSH research priorities in the EU for the years 2013-20, including feedback from Focal Points and seminar participants, was published online and promoted in June. As a follow-up to the report, a high-level seminar was organised on 9-10 October to discuss and validate the priorities identified in the report and the ways in which to foster research coordination in the field of OSH. The seminar brought together representatives of research funding bodies, research institutes and policymakers at European and national level.

**WORKING ENVIRONMENT INFORMATION: SHARING KNOWLEDGE ON GOOD PRACTICE AT WORKPLACE LEVEL**

**Specific objective 1: To develop useful, practical and high-quality information products to support the Healthy Workplaces Campaigns**

HWC 2012-13: 'Working together for risk prevention'

The closing event of the campaign took place on 11-12 November together with the Healthy Workplaces summit on 'Working together for risk prevention'. Three parallel workshops were held as part of the Closing Event that reflected the Good Practice Awards, the Campaign Partner Benchmarking scheme and the Campaigning aspects of HWC 2012-13.

HWC 2014-15 'Healthy Workplaces Manage Stress'.

A first interim report 'Stress and psychosocial risk management — portable application for micro and small enterprises' was delivered by the contractor. The report included, as requested, outlines of the main sections of the application, and a 'Memorandum of Understanding' describing the technical aspects.

A final draft of the report 'Costs of stress and psychosocial risks at work' is under the internal review and editing process.

A final draft was delivered of the joint EU-OSHA — Eurofound report on psychosocial risks.

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**Specific objective 2: To strengthen prevention measures via the provision of useful and practical good practice information on priority sectors and topics**

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The 'Safer and healthier work at any age — occupational safety and health (OSH) in the context of an ageing workforce' project aims to assess the prerequisites for OSH systems to take account of an ageing workforce and ensure better prevention for all throughout working life.

The contract was signed in June, kick-off meeting was held on 10 June in Brussels. Further to the meeting, the contractor prepared the inception report and revised the time schedule for the whole project. At the end of July, the first progress report was received, at the beginning of October the contractor submitted the interim country inventories and the long list of examples of good practices. A half-day meeting on progress took place on 2 December at the European Parliament.

An e-fact on dangerous substances and successful workplace communication was published to complement 2012 materials (Napo material, FAQs, ppt, and website sections on REACH, CLP and links to OSH). It offers hints for successful communication in the workplace about dangerous substances, including the use of safety data sheets, and provides a list of sources of further information.

Results from the 2012 Focal Points survey on national initiatives related to cooperation between national REACH and OSH authorities were made available to the SLIC Chemex group for the development of their labour inspection guidance on links between REACH and OSH.

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**Specific objective 3: To support prevention measures via ensuring the continued relevance of existing information products**

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The legislation section of the website continued to be updated under the contract with the Topic Centre. The latest new information concerns Directive 2013/35/EU — electromagnetic fields.

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**Specific objective 4: To improve the implementation and quality of risk assessments in micro and small enterprises (1-49 employees) via increased awareness on the need to do risk assessment and how to do it**

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The Agency further developed the Online interactive Risk Assessment (OiRA) tool project at both EU level and at Member State level. Basic development of the software approached completion in 2013 and saw a limited number of new functionalities being developed to better meet the needs identified by OiRA partners. The Agency was very active in the promotion and the development of the OiRA community, with tools being taken up widely at national level and through the sectoral social dialogue committees at EU level.

**Networking and Coordination**

Further development of focal point network, the governance of the Agency and liaison with European and International organisations.

Institutional capacity building in candidate and potential candidate countries (earmarked funds).

Programming and evaluation coordination.

**COMMUNICATION, CAMPAIGNING AND PROMOTION**

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**Specific objective 1: To raise awareness amongst key target groups of the importance of working together for risk prevention through the organisation of a decentralised pan-European campaign**

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In 2013, EU-OSHA implemented the second year of its Healthy Workplaces Campaign 2012-13 on 'Working together for risk prevention'.

Flagship campaign events were organised in cooperation with the incumbent EU Presidencies, including the European Good Practice Awards Ceremony and the Healthy Workplaces Summit.

Campaign-related press, media and public relations activities were carried out at EU and national level. The Agency also continued to support its network of national focal points through the implementation of the 'European Campaign Assistance' programme (ECAP), including the provision of seminars, conferences, media actions and campaign promotion material in 24 languages.

The 'Campaign Partnership' programme, including the active engagement of partners, organising meetings and providing campaign promotion material, added a further important dimension to the campaign while the launch of an online OSH campaigning toolkit provided practical tips and advice for anyone wanting to run an OSH awareness raising campaign.

Preparatory actions for the Healthy Workplaces Campaign 2014-15 included the development of the campaign plan, the campaign branding and the core promotion material (including Napo film).

Work also started on an independent external evaluation of the Healthy Workplaces Campaign 2012-13.

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**Specific objective 2: To maintain the Agency, including its website, as Europe's first reference point for OSH information by using appropriate communication tools and channels to reach the intended target groups**

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Research and development actions were carried out to support the implementation of a new Agency online strategy and redevelopment of the Agency online presence in 2014. At the same time, the Agency produced and published online content and further developed its online promotion and presence in social media.

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	<p>The year saw the organisation of awareness raising and communication partnership activities including strengthened relations with the Enterprise Europe Network.</p> <p>The 2013 publications programme resulted in a range of publications in a variety of EU languages.</p> <p>There was also further development of the Online Interactive Risk Assessment (OiRA) site and application and of the Healthy Workplaces Campaign's sites and applications.</p>
	<p><b>Specific objective 3: To effectively promote the agency's information to the intended target groups via media and public relations, events and exhibitions</b></p>
	<p>A range of press and PR activities were implemented, including news releases, press articles and press conferences to promote, among other things, the results of the 3rd OSH opinion poll; the foresight project and green jobs; CLP regulation; ESENER secondary analyses and macroeconomic costs of OSH information project; carcinogenic-related publications.</p> <p>Diffusion strategy of the NAPO teachers'online kit successfully implemented. Further development of promotion and author recruitment strategy for the OSHwiki and of the promotion and developers' recruitment strategy for the Online interactive Risk Assessment tool</p> <p>Presentations and active participation in selected European and international conferences and exhibitions by providing Agency speakers and/or an Agency stand and/or Agency literature:</p> <p>Annual general report 2012 and other publications (reports, factsheets, Napo DVDs, etc.) and promotion materials were distributed across Europe and beyond to reach our target audiences.</p> <p>Joint activities with EU Council Presidencies (Ireland and Lithuania) were carried out in order to promote OSH in Council Presidency agendas.</p>

Source: Annex supplied by the Agency.

**THE AGENCY'S REPLY**

The Agency confirms the reasons for high carry forward reported by the Court.

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**REPORT****on the annual accounts of the Research Executive Agency for the financial year 2013, together with the Agency's reply**

(2014/C 442/41)

**INTRODUCTION**

1. The Research Executive Agency (hereinafter 'the Agency', aka 'REA'), which is located in Brussels, was set up by Commission Decision 2008/46/EC<sup>(1)</sup>. The Agency was established for a limited period beginning on 1 January 2008 and ending on 31 December 2017 with the aim of managing specific Union activities in the field of research<sup>(2)</sup>. On 15 June 2009 the Agency was officially granted its administrative and operational autonomy by the European Commission.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(3)</sup> and the reports on the implementation of the budget<sup>(4)</sup> for the financial year ended 31 December 2013; and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(5)</sup>:

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

<sup>(1)</sup> OJ L 11, 15.1.2008, p. 9.

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

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

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

<sup>(5)</sup> Articles 62 and 68 in conjunction with Articles 53 and 58 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

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

**The auditor's responsibility**

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

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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<sup>(7)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012.

## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2011	There is room for improving the transparency of recruitment procedures. Questions for written tests and interviews were set after the applications had been examined by the selection board; threshold scores for being included in the reserve list were not set in advance; the selection board did not fully document all its meetings and decisions.	Completed
2012	In 2012 a REA officer signed payment orders amounting to 8,86 million euro (19 % of the 2012 REA budget) as authorising officer when deputising for his head of unit. The officer did not receive a formal subdelegation nor was he officially nominated by the authorising officer as his deputy. This is not in compliance with the subdelegation system laid down in the Financial Regulation.	N/A

## ANNEX II

**Research Executive Agency (Brussels)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b> (Articles 179 and 180 of the TFEU)</p>	<p><b>Collection of information</b></p> <p>The Union shall have the objective of strengthening its scientific and technological bases by achieving a European research area in which researchers, scientific knowledge and technology circulate freely, and encouraging it to become more competitive, including in its industry.</p> <p>For this purpose the Union shall encourage undertakings, including SMEs, research centres and universities in their research and technological development activities of high quality; it shall support their efforts to cooperate with one another, aiming, notably, at permitting researchers to cooperate freely across borders and at enabling undertakings to exploit the internal market potential to the full, in particular through [...] the definition of common standards and the removal of legal and fiscal obstacles to that cooperation. [...]</p> <p>In pursuing these objectives, the Union shall carry out the following activities, complementing the activities carried out in the Member States:</p> <ul style="list-style-type: none"> <li>(a) implementation of research, technological development and demonstration programmes, by promoting cooperation with and between undertakings, research centres and universities;</li> <li>(b) promotion of cooperation in the field of Union research, technological development and demonstration with third countries and international organisations;</li> <li>(c) dissemination and optimisation of the results of activities in Union research, technological development and demonstration;</li> <li>(d) stimulation of the training and mobility of researchers in the Union.</li> </ul>
<p><b>Competences of the Agency</b> (Commission Decision 2008/46/EC)</p>	<p><b>Objectives</b></p> <p>The objective of the Agency is to manage the programmes entrusted to it under the seventh framework programme of the Union for Research, Technological Development and Demonstration Activities (2007-2013) (hereafter FP7) (the People Specific Programme, the SME actions of the Capacities Specific Programme, and the Space and Security themes of the Cooperation Specific Programme) efficiently and effectively, to deliver efficient and effective services to the research community and to provide centralised FP7 support services to the respective Commission services for all areas of the Cooperation, Capacities and People Specific Programmes.</p> <p>With regard to efficient and effective programme implementation, the Agency — as promoter of the European Research Area — aims at improving project management, establishing close contact with final beneficiaries and providing high visibility for the European Union.</p> <p><b>Tasks</b></p> <p>With regard to the management of projects, the Agency concludes and manages grant agreements, involving the following operations:</p> <ul style="list-style-type: none"> <li>— preparation and publication of calls for proposals,</li> <li>— evaluation of proposals,</li> </ul>

	<ul style="list-style-type: none"> <li>— preparation and signature of grant agreements,</li> <li>— monitoring the implementation of projects including acceptance of reports and other deliverables,</li> <li>— payments, recoveries, and application of sanctions within the meaning of Article 114(4) of the general Financial Regulation, notably when errors in declared costs have been identified following ex-post audits at the level of the final beneficiaries,</li> <li>— ex post publicity and dissemination of results.</li> </ul> <p>With regard to FP7 Support Services, the Agency performs the following tasks:</p> <ul style="list-style-type: none"> <li>— administrative support for call publication,</li> <li>— management of the electronic reception of proposals,</li> <li>— support for remote and on-site evaluations,</li> <li>— support for the preparation of appointment letters and payments for experts,</li> <li>— management of the Central FP7 participants database (Unique Registration Facility — URF), including support for financial capacity checks on selected beneficiaries,</li> <li>— management of the Research Enquiry Service.</li> </ul>
<b>Governance</b>	<p><b>Steering Committee</b></p> <p>Comprises five members appointed by the European Commission. It adopts the Agency's organisation chart and its Annual Work Programme after approval by the Commission. In addition, it adopts the administrative budget of the Agency and its Annual Activity Report.</p> <p><b>Director</b></p> <p>Appointed by the Commission, manages the Agency together with the Steering Committee, implements the administrative budget, sets up management and internal control systems adapted to the tasks entrusted to the Agency and prepares the reports to be presented to the Commission.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the European Council. With respect to the Agency's implementation of its administrative budget, the discharge decision is addressed to the Director. For the implementation of the operational budget delegated by the Commission to the Agency, the Commission remains accountable.</p>
<b>Resources made available to the Agency in 2013 (2012)</b>	<p><b>Operational Budget 2013 (2012)</b></p> <p>1 759,2 (1 479,9) million euro of commitment appropriations and 1 443,6 (1 459,6) million euro of payment appropriations. The Agency implements the Commission's operational budget under a delegation decision of the Commission.</p> <p><b>Administrative Budget 2013 (2012)</b></p> <p>46,8 (46,4) million euro. The Agency implements the administrative budget autonomously.</p> <p><b>Staff at 31 December 2013 (2012)</b></p> <p>Establishment plan posts: 140 (128) of which 138 (122) occupied.</p> <p>Contract staff: 418 (385) staff planned of which 407 (374) were in place as of 31 December 2013.</p>

	<p>Total staff in place: 545 (496) undertaking the following tasks:</p> <ul style="list-style-type: none"> <li>— programme implementation: 366 (330)</li> <li>— FP7 support services: 96 (90)</li> <li>— management and administrative functions: 83 (76)</li> </ul>
<b>Products and services 2013 (2012)</b>	<p>For the People Programme, 9 (10) calls were closed in 2013 and 10 (10) evaluations completed. 1 874 (1 899) new grant agreements were signed and 3 787 (3 599) payments made (excluding payments for expert evaluators). The Agency now manages a total of 6 090 (5 492) projects under this programme.</p> <p>For the SME actions of the Capacities Programme, 1 (1) call was closed and 1 (1) evaluation completed. 204 (201) new grant agreements were signed and 577 (508) payments made (excluding payments for expert evaluators). The Agency now manages a total of 691 (625) projects under this scheme.</p> <p>For the Space and Security themes of the Cooperation Programme, 2 (2) calls were closed in 2013 and 2 (2) evaluations completed. 79 (80) new grant agreements were signed and 294 (258) payments made (excluding payments to expert evaluators). The Agency now manages a total of 348 (317) projects under these themes.</p> <p>As regards the FP7 support services, the results obtained for 2013 are as follows:</p> <ul style="list-style-type: none"> <li>— 194 (89) call publications supported,</li> <li>— 25 214 (32 286) proposals received through the electronic proposal submission tool,</li> <li>— 4 323 (6 462) expert evaluators contracted and 5 055 (4 217) expert payments made (for programmes managed by the Agency only),</li> <li>— 4 524 (6 616) validations of participants completed,</li> <li>— 4 488 (5 871) replies sent following questions to the Research Enquiry Service.</li> </ul>

Source: Annex supplied by the Agency.



**THE AGENCY'S REPLY**

The Agency has taken note of the Court's Report

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## REPORT

**on the annual accounts of the Trans-European Transport Network Executive Agency for the financial year 2013, together with the Agency's replies**

(2014/C 442/42)

**INTRODUCTION**

1. The Executive Agency for the Trans-European Transport Network (hereinafter 'the Agency', aka 'TEN-TEA'), located in Brussels, was set up by Commission Decision 2007/60/EC<sup>(1)</sup>, amended by Decision 2008/593/EC<sup>(2)</sup>. The Agency was established for a period beginning on 1 November 2006 and ending on 31 December 2015 for the management of EU actions in the field of the trans-European transport network<sup>(3)</sup>.

**INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

**STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>(4)</sup> and the reports on the implementation of the budget<sup>(5)</sup> for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

**The management's responsibility**

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>(6)</sup>:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>(7)</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

<sup>(1)</sup> OJ L 32, 6.2.2007, p. 88.

<sup>(2)</sup> OJ L 190, 18.7.2008, p. 35.

<sup>(3)</sup> *Annex II* summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(5)</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>(6)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

<sup>(7)</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

**The auditor's responsibility**

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council <sup>(8)</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

**Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

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

**COMMENTS ON INTERNAL CONTROLS**

11. The Agency does not perform satisfactory ex ante verifications on the charges for its premises invoiced by the building manager. Most of the underlying contracts, invoices and receipts were not at the Agency's disposal.

12. According to the Protocol on the privileges and immunities of the European Union <sup>(9)</sup> and the EU VAT Directive <sup>(10)</sup>, the Agency is exempt from indirect taxes. However, by the end of 2013 it had paid and not claimed back VAT for the period 2011 to 2013 amounting to 113 513 euro on premises charges.

**COMMENTS ON BUDGETARY MANAGEMENT**

13. While budget implementation was satisfactory for titles I and III, the rate of committed appropriations carried over was high for title II at 27 % (666 119 euro). These carry-overs mainly related to IT goods and services contracted and/or ordered at year-end which will be provided as planned in late 2013 or in 2014 (296 486 euro), and invoices for 2013 expenses not received by year-end (286 197 euro).

<sup>(8)</sup> Article 162 of Regulation (EU, Euratom) No 966/2012.

<sup>(9)</sup> Protocol (No 7) on the privileges and immunities of the European Union (OJ C 115, 9.5.2008, p. 266).

<sup>(10)</sup> Council Directive 2006/112/EC (OJ L 347, 11.12.2006, p. 1).

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

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 1 July 2014.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

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## ANNEX I

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

Year	Court's comment	Status of corrective action (Completed/Ongoing/Outstanding/N/A)
2012	Budget implementation was satisfactory for title I while the rate of committed appropriations carried over was high for titles II and III at 38 % (805 755 euro) and 50 % (363 613 euro) respectively. Out of the total amount carried over (1,37 million euro), 74 % is linked to services delivered in 2012 or early 2013. The remaining 26 % relates to goods and services ordered at the end of 2012 that were originally planned on the 2013 budget, but which were advanced to 2012.	N/A

## ANNEX II

**Trans-European Transport Network Executive Agency (Brussels)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Articles 26, 170, 171, 172, 174 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union shall adopt measures with the aim of establishing or ensuring the functioning of the internal market. The internal market shall comprise an area in which the free movement of goods, persons, services and capital is ensured.</p> <p>In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion.</p> <p>To help achieve these objectives, and to enable citizens in the Union, economic operators and regional and local communities to derive full benefit from the setting up of an area without internal frontiers, the Union shall contribute to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructures. Action by the Union shall aim at promoting the interconnection and interoperability of national networks as well as access to them.</p> <p>In order to achieve these objectives, the Union shall establish a series of guidelines covering the objectives, priorities and broad lines of measures envisaged in the sphere of trans-European networks (TENs).</p>
<p><b>Competences of the Agency</b></p> <p><i>(Decision No 661/2010/EU of the European Parliament and of the Council)</i></p> <p><i>(Regulation (EC) No 67/2010 of the European Parliament and of the Council)</i></p> <p><i>(Regulation (EC) No 680/2007 of the European Parliament and of the Council)</i></p> <p><i>(Council Regulation (EC) No 58/2003)</i></p> <p><i>(Commission Decision 2007/60/EC, last amended by 2008/593/EC)</i></p>	<p><b>Objectives</b></p> <p>The Decision on Union Guidelines for the development of the Trans-European Transport Network (TEN-T) establishes the guidelines covering the objectives, priorities and broad lines envisaged in the area of TEN-T. General rules were laid down for the Union financing of TENs, in order to permit the implementation of these guidelines.</p> <p>Council Regulation (EC) No 58/2003 empowers the Commission to establish executive agencies to carry out tasks related to Union programmes. TEN-TEA was therefore set up to manage Union action in the field of the TENs on the basis of the TEN-T Guidelines and Financial Regulation and add value in the management of the TEN-T Programme. It remains under the supervision of its parent DG MOVE, which retains responsibility for policy issues.</p> <p>TEN-TEA is responsible for managing the technical and financial implementation of the TEN-T Programme by following the entire project lifecycle. In its day to day work it aims to improve the effectiveness and flexibility of TEN-T implementation at a lower cost whilst at the same time mobilising a high level of expertise by recruiting more specialised staff. It also strengthens the links between the TEN-T and key stakeholders, ensures a better coordination of funds with other EU instruments, raises the profile and benefits of EU funding and provides support/feedback to the Commission.</p>
<p><b>Governance</b></p>	<p><b>Steering Committee</b></p> <p>The Agency's activities are supervised by a Steering Committee which is composed of five members from the EU Directorates-General Mobility and Transport (two members), Regional and Urban Policy, Environment, Human Resources and Security and an observer from the European Investment Bank. The Committee meets four times a year and approves the Agency's Administrative Budget, Work Programme, Annual Activity Report, Accounts of all revenue and expenditure and the external evaluation report, and adopts other specific implementing rules.</p>

	<p><b>Director</b></p> <p>Appointed by the European Commission.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS) and the Agency's Internal Audit Capability (IAC).</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<p><b>Resources available to the Agency in 2013</b></p>	<p><b>Budget</b></p> <p>A. 7,9 billion euro (100 % general budget of the European Union) for the TEN-T budget linked to the 2007-2013 Financial Perspective.</p> <p>B. 9,8 million euro (administrative budget) in the form of a 100 % EU subsidy, which the Agency manages autonomously.</p> <p><b>Staff at 31 December 2013</b></p> <p>Temporary Agent posts: 33 posts listed in establishment plan, of which 32 occupied.</p> <p>Contract staff: 67 posts planned, of which 66 were occupied.</p> <p>Total staff: 100 (98 occupied).</p> <p>Allocated to:</p> <p>(a) Operational activities: 65 (64 occupied).</p> <p>(b) Administrative activities: 35 (34 occupied).</p>
<p><b>Products and services 2013</b></p>	<p><b>Selections</b></p> <ul style="list-style-type: none"> <li>— 2012 Annual Work Programme (AP) call for proposals with four priority areas for a total of 250 million euro. 164 eligible proposals requesting 523,9 million euro were evaluated and 83 proposals for 247,2 million euro were recommended for funding.</li> <li>— 2012 Multiannual Work Programme (MAP) call for proposals with six priority areas for a total of 1 347 million euro. 189 eligible proposals requesting 5 727,77 million euro were evaluated and 89 proposals for 1 348,38 million euro were recommended for funding. The AP and MAP calls were evaluated by 61 external evaluators.</li> <li>— Preparation of the 2013 multiannual and annual calls for 280 million euro and 70 million euro respectively, published in 2013.</li> </ul> <p><b>Project Management</b></p> <ul style="list-style-type: none"> <li>— Preparation of 157 new financing Decisions (there was one cancellation before Decision adoption) and 14 top-up amendments (2012 calls) — 398 ongoing projects at the end of 2013.</li> </ul>

- Processing of 36 new requests for amendments from the beneficiaries.
- Analysis and approval of 116 Action Status Reports (ASRs — the main tool for monitoring project progress) and 73 Strategic Action Plans (SAPs).
- 246 project meetings, excluding decision preparation meetings, held either on-site or at the Agency's premises.
- Full use of the available payment appropriations, with an average net time to pay of only 11 days.

#### **Simplification measures**

- Improving internal procedures and communication with beneficiaries, e.g. revision and improvement of the public procurement controls; organisation of a project management workshop for beneficiaries focusing on legal, operational and financial issues, with a presentation from the Court of Auditors on the experience of auditing TEN-T projects.
- Use of an e-recruitment tool.
- Review of the administrative circuits resulting in the introduction of some paperless and some simplified circuits.
- Use of an electronic submission tool for ASRs.
- Updating the user-friendliness of the TENtec project management section.
- The Good Practices Working Group was replaced by an Advisory Group, intended to serve as major stakeholder for the Agency in the development of financial and project management for current and future programmes. The membership of the Group was determined through a selection process designed to ensure a good balance of stakeholders. The first meeting will be held on 4 March 2014 to discuss application procedures, including documentation, for the calls and the model decision.
- Remote evaluation was tested on most of the 2012 AP call.
- Continuous updating and use of models and guidelines.
- Updating inventories regarding interpretations of Commission Decision provisions and of procurement cases.
- Improving and streamlining internal procedures through the administrative and operational expenditure template working groups.
- Streamlining of the administrative procedures with DG MOVE for the adoption of the new Decisions.



- Streamlining of the reporting systems by changing the frequency of some of the reports, performing exhaustive data quality checks and optimising the use of existing data in TENtec. This allowed closer follow-up of the projects and anticipation of implementation problems, which, in turn, led to shorter reaction times and optimisation of budgetary implementation.

### **Communication**

- Agency website and its enlarged project successes section, plus the Motorways of the Sea Helpdesk website, had over 220 000 visitors. Twitter feed (@tentea\_eu) had over 700 followers.
- Third campaign on additional TEN-T project achievements ('TENtastic') with website updates, tweets, brochure and posters.
- Publication of 15 e-Newsletters/updates for beneficiaries; 140 press releases prepared and distributed in 20+ languages on the 2012 calls, achievements and new projects selected; 53 press releases from the 2011 Annual Call distributed. Other publications included two on the 'vision' of the Agency in its extended mandate, a financial engineering brochure, the TEN-T implementation report, and two 100+ page brochures for the FAC on the selected Annual and Multi-Annual Call projects.
- Events organised included the joint TEN-T Days and Exhibition in Tallinn with DG MOVE, 2013 Calls Info Day, TEN-T Project Management Workshop and PPP/Financial Engineering Workshop; participation with DG MOVE in International Transport Forum in Leipzig and Institutional Open Day.
- Planning and preparation of the INEA (the successor to the TEN-T Agency) visual identity changeover for all dissemination materials, website, Intranet, templates and signage.

### **Cooperation with parent DG**

- Joint preparation for the next financial perspective including: assistance with finalisation of the Connecting Europe Facility (CEF) and the new TEN-T Guidelines; proposals for scenarios on funding allocations and implementation modalities; participation in the evaluation committees for selection of consultants for the TEN-T Core Network Corridor studies.
- Joint preparation of the final call for proposals under the 2007-2013 TEN-T Programme and joint presentations at an Info Day.
- Joint contributions to the annual programme conference — the TEN-T Days. TEN-T EA was responsible for the exhibition.
- Joint preparation of the interinstitutional procedure for the extension of the Agency's mandate and the new organisational structure.
- Participation in the ex-post evaluation of financial instruments, undertaken by the Commission.

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|  | <ul style="list-style-type: none"><li>— Organisation of a financial engineering workshop with joint presentations.</li><li>— Developing expertise in analysis of statistical and geographical information for reporting and cartography related to the TEN-T Programme, e.g. 'the Report on TEN-T Programme Implementation' for Tallinn, 43 Member State and Priority Project reports.</li><li>— Joint Management meeting once per month with participation of Directors, Heads of Units, Head of Communication and Agency/DG Liaison Officers.</li><li>— Participation of the Director in the parent DG's management meetings. Participation of a Head of Unit from the responsible Directorate in the Agency's management meetings.</li><li>— Preparation of the Steering Committee meetings.</li></ul> |
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**Audits**

- First year of implementation of a multiannual audit strategy adopted in 2012.
  - 17 audits were carried out, representing 28 % of interim/final payments (monetary amount) in 2012.
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Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLIES**

11. The Agency performs ex-ante controls on each statement of charges which include verification that the services have been rendered; that the invoiced amounts are comparable to previous reporting periods; that the invoiced periods are correct and that the repartitions correspond to those foreseen in the contract. In case of anomalies copies of the invoices are requested and unduly invoiced services are reimbursed. As the Agency does not have the in-house technical capacities required to manage and check the underlying contracts, it pays the building management company a fee to carry out this service on its behalf. The verification of the contracts, invoices and receipts underlying the charges is included in the service. To further improve the verification of the statements of charges, the Agency will systematically request for each statement copies of invoices on a sampling basis.

12. During the negotiations of the building contract, the VAT was included in the contract for all common services as it was not possible to make distinction between the rest of the building and the space rented by the Agency.

In March 2014 the Agency requested the recovery of the VAT paid for the period 2011 to 2013 from the building management company, which had issued the invoices and collected the VAT. The total amount of 113 513 euro will be repaid to the Agency by June 2014. The receivable was recorded in the 2013 Agency accounts.

The Agency also requested the building management company to exempt VAT at the base for all future invoices as of 1 January 2014.

13. The Agency is continuously making efforts to reduce the level of carry-overs. Between 2012 and 2013 the percentage of carry-overs for title II diminished from 38 to 27 %, the total budgetary carry-overs decreased from 14 to 9 %. The carry-overs to 2014 were justified by the need to advance certain expenditures in the preparation of the new mandate of the Agency and reduce the burden of the very tight 2014 budget. The guiding principle in the carry-overs was the sound and efficient financial management.

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