

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА
TRIBUNAL DE CUENTAS EUROPEO
EVROPSKÝ ÚČETNÍ DVŮR
DEN EUROPÆISKE REVISIONSRET
EUROPÄISCHER RECHNUNGSHOF
EUROOPA KONTROLLIKODA
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
CÚIRT INIÚCHÓIRÍ NA HEORPA



EUROPSKI REVIZORSKI SUD
CORTE DEI CONTI EUROPEA
EIROPAS REVĪZIJAS PALĀTA
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK
IL-QORTI EWROPEA TAL-AWDITURI
EUROPESE REKENKAMER
EUROPEJSKI TRYBUNAŁ OBRACHUNKOWY
TRIBUNAL DE CONTAS EUROPEU
CURTEA DE CONTURI EUROPEANĂ
EURÓPSKY DVOR AUDÍTOROV
EVROPSKO RAČUNSKO SODIŠČE
EUROOPAN TILINTARKASTUSTUOMIOISTUIN
EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Aviation Safety Agency
for the financial year 2013

together with the Agency's replies

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 Council¹ as last amended by Regulation (EC) No 1108/2009. The Agency has been given specific regulatory and executive tasks in the field of aviation safety².

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 statements³ and the reports on the implementation of the budget⁴ for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

¹ OJ L 240, 7.9.2002, p. 1.

² **Annex II** summarises the Agency’s competences and activities. It is presented for information purposes.

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

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

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 transactions⁵:

- (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 officer⁶; 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.

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

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

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council⁷ 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.

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

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 activities⁸. 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 Agency⁹. 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.

⁸ 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.

⁹ "Guidelines for the allocation of certification tasks to National Aviation Authorities and Qualified Entities", EASA Management Board Decision 01-2011.

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.

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

Vítor Manuel da SILVA CALDEIRA
President

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 ¹ .	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

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

¹ Timesheets to justify services charged on a man / days basis did not exist.

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

<p>Areas of Union competence deriving from the Treaty</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>Competences of the Agency</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>Objectives</p> <ul style="list-style-type: none"> - To maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety. <p>Tasks</p> <ul style="list-style-type: none"> - To issue opinions and recommendations to the Commission, - 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, - to take decisions regarding airworthiness and environmental certification, pilot certification, air operation certification, third country operators, inspections of Member States and investigation of undertakings, - 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>.
<p>Governance</p>	<p>Management Board</p> <p>Composition: consisting of one representative of each Member State and one representative of the Commission,</p> <p>Tasks</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"> - appointment of the Executive Director, and the Directors on a proposal from the Executive Director; - adoption of the annual general report on the Agency's activities; - adoption of the Agency's work programme for the coming year; - appointment of the members of the Board of Appeal pursuant to Article 41; - establishment of its Rules of Procedure; - 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. <p>Executive Director</p> <p>Manages the Agency and is appointed by the Management Board on a proposal from the Commission.</p> <p>The Board of Appeal</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 & charges and investigation of undertakings.</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Discharge authority</p> <p>European Parliament, acting on a recommendation by the Council.</p>

<p>Resources made available to the Agency in 2013 (2012)</p>	<p>Final Budget</p> <p>Total budget: 151,2 (150,2) million euro, including:</p> <ul style="list-style-type: none"> – own revenue: 83,8 (83,0) million euro (55,4 %) – union subsidy: 34,9 (34,9) million euro (23,1 %) – contribution from non-EU countries: 1,7 (1,7) million euro (1,1 %) – assigned revenue from fees and charges: 24,2 (25,2) million euro (16,0 %) – other revenue: 0,9 (0,9) million euro (0,6 %) – other subsidies: 5,7 (4,4) million euro (3,8 %) <p>Staff as at 31 December 2013</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⁽¹⁾ (613)</p> <p>Filled posts subsidy-financed: 219⁽²⁾ (216)</p> <p>Filled posts fee-financed: 429⁽²⁾ (396)</p>
<p>Products and services in 2013 (2012)</p>	<p>Opinions</p> <p>12 Opinions</p> <p>Rulemaking Decisions</p> <p>28 Decisions related to: Certification specifications (8); Acceptable Means of Compliance and Guidance Material (20)</p> <p>Additional deliverables in 2013 (which will lead to Rules in the forthcoming years)</p> <p>32 Terms of Reference (ToRs), 26 Notices of Proposed Amendment (NPAs), 24 Comment Response Document (CRDs)</p> <p>International Cooperation</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> <p>Support for the negotiations of the EU – Ukraine Common Aviation Area Agreement (agreement was initialled in 2013)</p> <p>10 recommendations provided on International Civil Aviation Organization (ICAO) State Letters.</p> <p>BASA (Bilateral Aviation Safety Agreement)</p> <p>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.</p> <p>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).</p> <p>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)</p> <p>Certification decisions at 31 December 2013</p> <p>Type Certificates/Restricted Type Certificates (TCs/RTCs): 11⁽³⁾</p> <p>Supplemental Type Certificates (STCs): 688</p> <p>Airworthiness Directives (ADs): 382</p> <p>Alternative Method of Compliance (AMOC): 82</p> <p>European Technical Standard Order Authorisation (ETSOA): 214</p> <p>Major changes/Major repairs/TC New Derivatives: 1017</p> <p>Minor changes/Minor repairs: 643</p> <p>Aircraft Flight Manual (AFM): 318</p>

	<p>Approval of flight conditions (PTF): 457</p> <p>Flight Simulation Training Devices (FSTD): 311</p> <p>Approval of Design organisations (AP and Alternative Procedures to DOA (AP-DOA): 550</p> <p>Approval of Maintenance organisations (bilateral)⁽⁴⁾: 1 544</p> <p>Approval of Maintenance organisations (foreign)⁽⁴⁾: 328</p> <p>Approval of Maintenance training organisations⁽⁴⁾: 52</p> <p>Approval of Manufacturing⁽⁴⁾: 23</p> <p>Approval of Flight Crew Licencing Organisations⁽⁴⁾: 15</p> <p>Approval of ATM/ANS Organisations⁽⁴⁾: 3</p> <p>Standardisation inspections (number of inspections by type) at 31 December 2013</p> <p>In the field of Airworthiness (AIR): 22</p> <p>In the field of Operations (OPS): 16</p> <p>In the field of flight crew licencing (FCL): 16</p> <p>In the field of medical flight crew licencing (MED): 12</p> <p>In the field of flight simulation training devices (FSTD): 9</p> <p>In the field of Air Traffic Management / Air Navigation Services (ANS): 14</p> <p>In the field of Safety Assessment of Foreign Aircraft (SAFA): 13</p>
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⁽¹⁾ Two structural part-time pilots occupy one post.

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

THE AGENCY'S REPLY

Para 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.

Para 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. € 6.2M in 2012 compared to € 3.4M 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.

Para 13: As EASA has already experienced some unclarities concerning our relations with our host state due to the absence of a proper seat agreement, 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.