

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 Trans-European Transport Network Executive Agency  
for the financial year 2013

together with the Agency's replies

## **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:

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<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.

- (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

<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.

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.

*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

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

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).

### **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**.

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<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).

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 year's comments***

<b>Year</b>	<b>Court's comment</b>	<b>Status of corrective action (Completed / Ongoing / Outstanding / N/A)</b>
<b>2012</b>	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.	<b>N/A</b>

**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> European Court of Auditors.</p> <p><b>Discharge authority</b> 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> A. 7,9 billion euro (100 % general budget of the European Union) for the TEN-T budget linked to the 2007-2013 Financial Perspective. 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> Temporary Agent posts: 33 posts listed in establishment plan, of which 32 occupied. Contract staff: 67 posts planned, of which 66 were occupied. Total staff: 100 (98 occupied). Allocated to: (a) Operational activities: 65 (64 occupied). (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> <li>– Processing of 36 new requests for amendments from the beneficiaries.</li> <li>– Analysis and approval of 116 Action Status Reports (ASRs - the main tool for monitoring project progress) and 73 Strategic Action Plans (SAPs).</li> <li>– 246 project meetings, excluding decision preparation meetings, held either on-site or at the Agency's premises.</li> <li>– Full use of the available payment appropriations, with an average net time to pay of only 11 days.</li> </ul> <p><b>Simplification measures</b></p> <ul style="list-style-type: none"> <li>– 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.</li> <li>– Use of an e-recruitment tool.</li> <li>– Review of the administrative circuits resulting in the introduction of some paperless and some simplified circuits.</li> <li>– Use of an electronic submission tool for ASRs.</li> <li>– Updating the user-friendliness of the TENtec project management section.</li> <li>– 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</li> </ul>

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.
- Organisation of a financial engineering workshop with joint presentations.
- 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.
- Joint Management meeting once per month with participation of Directors, Heads of Units, Head of Communication and Agency/DG Liaison Officers.
- Participation of the Director in the parent DG's management meetings. Participation of a

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	<p>Head of Unit from the responsible Directorate in the Agency's management meetings.</p> <ul style="list-style-type: none"><li>– Preparation of the Steering Committee meetings.</li></ul> <p><b>Audits</b></p> <ul style="list-style-type: none"><li>– First year of implementation of a multiannual audit strategy adopted in 2012.</li><li>– 17 audits were carried out, representing 28 % of interim/final payments (monetary amount) in 2012.</li></ul>
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Source: Annex supplied by the Agency.

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## THE AGENCY'S REPLY

Para 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.

Para 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.

Para 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.