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ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
CÚIRT INIÚCHÓIRÍ NA HEORPA



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ANNEX I
of the President's letter

Summary of results from the Court's 2012 annual audits of the
European Agencies and other bodies

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 accounts¹ for the financial year ended 31 December 2012 and the legality and regularity of the transactions underlying them for 31 decentralised agencies, 6 executive agencies, the Euratom Supply Agency (EURATOM), the European Institute of Innovation and Technology (EIT) and the EUROPOL Pension Fund (agencies). Details on the audited agencies, their budgets and staff are provided in **Annex I**.

2. This summary provides an overview on the results of the Court's annual audits of the agencies for the financial year 2012. It aims at facilitating the analysis and comparison of the Court's 40 specific reports on the 2012 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 policy-making 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.

4. The six executive agencies are entrusted with tasks relating to the management of one or more Union programmes and are set up for fixed periods of times. They are located in Brussels (5) or Luxembourg (1).

¹ These comprise the "financial statements" and the "reports on the implementation of the budget".

5. EIT in Budapest is an independent, decentralised EU body which pools scientific, business and education resources to boost the Union's innovation capacity.
6. EURATOM in Luxembourg was created to support the aims of the European Atomic Energy Community Treaty and provides the Union with expert advice on the nuclear materials and their related services market. It also monitors the latter.
7. The EUROPOL Pension Fund, which is located in The Hague, was established to finance and pay pensions for staff employed by EUROPOL before it became a European Agency on 1 January 2010.
8. The agencies' total 2012 budget amounted to some 1,6 billion euro (2011: 1,5 billion euro) or about 1,2 % of the 2012 EU general budget (2011: 1,2 %). Approximately 1 billion euro (2011: 0,9 billion euro) comes from the European Commission's subsidies and the rest is income from fees and other sources. The agencies employ some 6 100 (2011: 5 800) permanent and temporary staff or 13,2 % (2011: 12,6 %) of total EU staff authorised under the EU general budget (staff establishment plan). In addition, some 2 500 other staff are working for the agencies (contractual or seconded agents).
9. 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

10. 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 2012 audit placed special emphasis on the legality and regularity of grant transactions and related internal controls.

AUDIT RESULTS

Opinions on the reliability of the accounts

11. The final accounts of all agencies present fairly, in all material respects, their financial position as at 31 December 2012 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.

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

12. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 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).

13. A qualified opinion was issued for EIT. The Court concluded that ex ante verifications on grant transactions provided only limited assurance. Whereas ex post verifications could provide such assurance for transactions made in 2012 related to 2011 activities (2011 grants), no such ex post verifications were carried out for the 2010 grants amounting to 11 million euro or 23 % of all final grant payments and clearings made in 2012. There is thus insufficient appropriate audit evidence on which to base the opinion as far as 2012 transactions related to 2010 grants are concerned and the possible effects are considered material but not pervasive. The Court also made comments on weak objective setting and performance monitoring for grant funded projects.

14. The Court issued a disclaimer to its opinion for FRONTEX. There is insufficient appropriate audit evidence on which to base its opinion, and the

possible effects are both material and pervasive. Grant expenditure in this case represented some 56 million euro or 63 % of 2012 total operating expenditure. The Court concluded that ex ante verifications provided only limited assurance which could not be compensated for by the recently introduced ex post verifications, as these covered only transactions from before 2012.

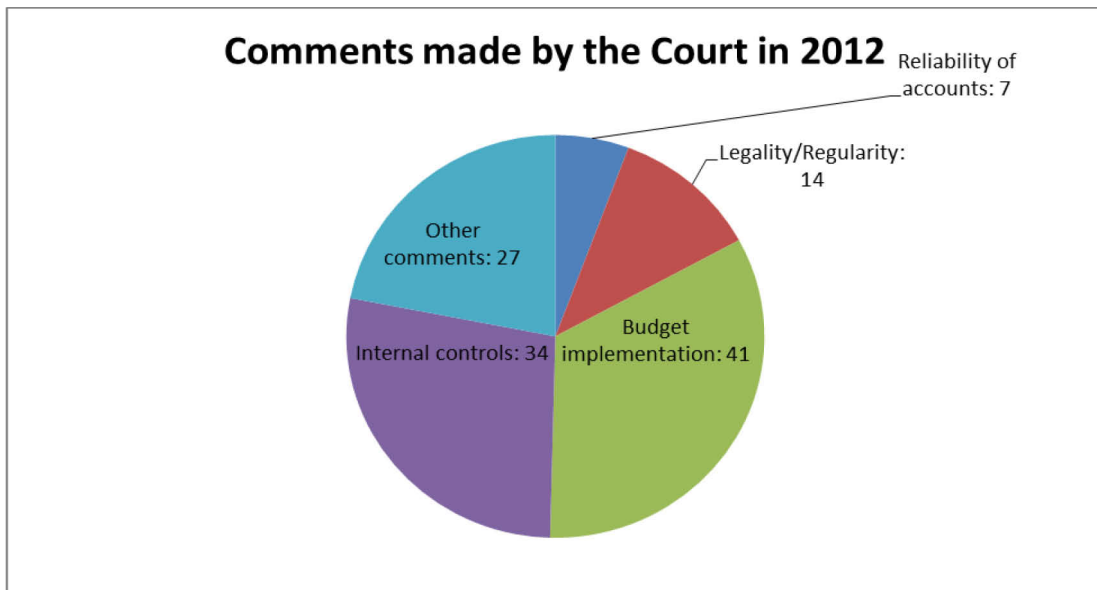
Emphasis of matter

15. The Court draws attention to the fact that, although EURATOM was granted its own budget by the Commission as from 2012, most of this agency's expenditure is still financed directly by the Commission. This is in contradiction with the financial autonomy that is enshrined in the agency's statutes.

Comments not calling the Court's opinions into question

16. Without calling its opinions into question, the Court made a total of 123 comments affecting all agencies except ERCEA (European Research Council Executive Agency) and EURATOM 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.

Chart 1 – Number of comments by heading



Source: Specific reports on the agencies 2012 annual accounts

17. 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

18. For five agencies the accounting systems had not been (completely) validated.

Comments on the legality and regularity of transactions

19. Comments under this heading concentrate on two areas. Five agencies had made a number of carry-overs that were not accompanied by a financing decision or legal commitment (contract). Irregularities in the area of public procurement (such as revision of terms of contract immediately after signature of the contract, lack of monitoring of thresholds, splitting of public procurement procedures, etc.) were noted for six agencies.

20. In addition, it was found that three agencies, in the absence of a European school at their locations, had paid contributions to school fees for staff's

children which exceeded the maximum education allowances laid down in the EU Staff Regulations.

Comments on internal controls

21. For five agencies weaknesses were noted in the implementation of internal control standards, especially with regard to (i) operations and control activities (such as ex ante / ex post verifications, processes and procedures incl. exceptions reporting, business continuity and disaster recovery plans, delegations of powers, etc.) and (ii) evaluation and audit (assessment of the internal control system).

22. A matter of particular concern is that ex ante and ex post verifications in relation to grant management are frequently inadequate. Apart from EIT and FRONTEX (see paragraphs 13 and 14), five more of the ten agencies that provide grants to beneficiaries² from their own budget³ carry out plausibility and analytical checks only and/or rely to an excessive extent on certificates issued by auditors or national authorities confirming the accuracy and eligibility of expenditure claimed. Agencies' own checks of documents supporting the eligibility and accuracy of costs claimed by beneficiaries are rare. Ex post controls of grant transactions are carried out by four agencies, of which two contracted independent external audit firms for that purpose.

23. Asset management also remains an area of concern and seven agencies need to improve their procedures for the recording and physical inventory of assets.

² CEDEFOP, CEPOL, ECDC, EEA, EFSA, EIT, EMCDDA, FRONTEX, GSA, EUROJUST.

³ Grants managed by executive agencies on behalf of the Commission and financed from the Commission's budget are not covered by the specific annual audits for these agencies, but by the Court's annual DAS audit.

Comments on budget implementation

24. High levels of cancellations of carry-overs from 2011 to 2012 (ranging from 13 % to 45 %) were noted in nine cases. Such cancellations indicate that the related 2011 commitments were made on the basis of over-estimated needs or were not justified.

25. There was a high level of carry-overs from 2012 to 2013 of committed appropriations in the case of 26 agencies, especially with regard to budget title II, administrative expenditure (ranging from 23 % to 81 % of committed appropriations), and title III, operational expenditure (ranging from 33 % to 85 % of committed appropriations). 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 multi-annual nature of operations, procurement procedures or projects.

Other comments

26. Although the audits found no cases of irregular recruitment, comments on the transparency of recruitment procedures and the equal treatment of applicants for employment were made for 17 agencies.

Follow-up of previous year's comments

27. The 2012 specific annual reports provide an overview of follow-up actions taken by the agencies in response to the comments made for 2011. **Annex III** shows that of the 139 comments made by the Court for the 2011 audit, corrective action was completed in 69 cases, ongoing in 54 and outstanding in 9 cases (no corrective action was required for 7 comments made in 2011).

CONCLUSIONS

28. All agencies have produced reliable accounts but two have had the opinion on their accounts qualified in respect of the legality and regularity of the transactions underlying them. The combined amount of expenditure concerned is 67 million euro or about 4 % of total agency budgets.

29. Agencies further improved their procedures by taking corrective action in response to the Court's comments from previous years. Nevertheless, there is still considerable room for improvement, as indicated by the Court's 2012 comments. In particular agencies working with grants need to improve their procedures.

Agencies' Income (Budget forecasts, entitlements established and amounts received) and Staff establishments plans

Agency	Parent DG	Policy Area	2012				2011				
			Forecasted Income budget (1) Million euro	Entitlements established (1) Million euro	Amounts received (1) Million euro	Staff establishment plan (2)	Forecasted Income budget (1) Million euro	Entitlements established (1) Million euro	Amounts received (1) Million euro	Staff establishment plan (2)	
Decentralised Agencies											
European Medicines Agency – EMA	SANCO	Health and Consumer Protection	222	254	224	590	209	220	199	567	
Office for Harmonisation in the Internal Market – OHIM	MARKT	Internal Market	175	176	176	775	166	176	176	687	
European Aviation Safety Agency – EASA	MOVE	Mobility and Transport	150	116	115	634	139	111	111	574	
European Agency for the Management of Operational Cooperation at the External Borders – FRONTEX	HOME	Home Affairs	90	76	76	143	118	119	119	143	
European Police Office – EUROPOL	HOME	Home Affairs	84	83	83	457	85	85	85	457	
European Food Safety Authority – EFSA	SANCO	Health and Consumer Protection	77	77	77	355	76	76	76	355	
European Maritime Safety Agency – EMSA	MOVE	Mobility and Transport	59	54	53	213	57	53	53	208	
European Centre for Disease Prevention and Control – ECDC	SANCO	Health and Consumer Protection	58	58	58	200	57	57	57	200	
Translations Centre for the Bodies of the EU – CDT	TRANSLATION	Language Services	48	49	45	220	51	47	43	225	
European Environment Agency - EEA	ENV-CLIM	Environment	42	52	51	136	62	45	44	134	
European Body for the Enhancement of Judicial Cooperation – EUROJUST	HOME	Justice	33	33	33	213	32	31	31	186	
European Chemicals Agency – ECHA	ENTERPRISE AND INDUSTRY	Enterprise	33	35	35	470	35	38	38	456	
European Railway Safety Agency – ERA	MOVE	Mobility and Transport	26	26	26	144	26	25	25	144	
European Union Agency for Fundamental Rights – FRA	JUSTICE	Justice	21	21	21	75	22	22	22	72	
European Banking Authority – EBA	MARKT	Internal Market	21	19	19	68	13	13	13	46	
European foundation for improvement of living & working conditions – EUROFOUND	EMPL	Employment and Social Affairs	21	21	21	101	21	21	21	101	
European Training Foundation – ETF	EAC	Education and Culture	21	20	20	96	20	20	20	96	
European Securities and Markets Authority – ESMA	MARKT	Internal Market	20	19	19	75	17	17	17	58	
European Centre for the Development of Vocational Training – CEDEFOP	EAC	Education and Culture	19	20	20	101	19	19	18	101	
European Insurance and Occupational Pensions Authority – EIOPA	MARKT	Internal Market	16	14	14	69	11	9	9	46	

European Monitoring Centre for Drugs and Drug Addiction – EMCDDA	HOME	Home Affairs	16	16	16	84	16	16	16	84
European Agency for Safety and Health at Work – EU-OSHA	EMPL	Employment and Social Affairs	15	15	15	44	15	15	15	44
Community Plant Variety Office – CPVO	SANCO	Agriculture and Rural Development	13	13	13	46	13	13	13	46
European GNSS Agency – GSA	ENTERPRISE AND INDUSTRY	Enterprise	13	21	21	44	8	39	39	29
European Fisheries Control Agency – EFCA	MARE	Maritime Affairs & Fisheries	10	10	10	54	12	12	12	53
European Institute for Gender equality – EIGE	JUSTICE	Justice	8	8	8	30	8	8	8	27
European Police College – CEPOL	HOME	Home Affairs	8	9	9	28	8	9	9	26
European Union Agency for Network and Information Security – ENISA	INFSO	Information Society and Media	8	8	8	47	8	8	8	44
Agency for the Cooperation of Energy Regulators – ACER	ENER	Energy	7	7	7	43	4	4	4	40
European Asylum Support Office – EASO	HOME	Home Affairs	7	2	2	38	n/a	n/a	n/a	38
Office for the body of European Regulators for Electronic Communications – BEREC	INFSO	Information Society and Media	3	3	3	16	1	1	1	12
Executive Agencies										
Education, Audiovisual and Culture Executive Agency – EACEA	EAC	Education and Culture	50	50	50	103	50	50	50	102
Research Executive Agency – REA	RTD	Research and Innovation	46	47	47	128	39	39	39	117
European Research Council Executive Agency – ERCEA	RTD	Research and Innovation	39	39	39	100	36	36	36	100
Executive Agency for Competitiveness and Innovation – EACI	ENER	Energy, Entrepreneurship and Innovation	16	17	17	37	16	16	16	37
Trans-European Transport Network Executive Agency – TEN-TEA	MOVE	Mobility and Transport	10	10	10	33	10	10	10	33
Executive Agency for Health and Consumers – EAHC	HEALTH AND COSUMERS	Consumer Protection	7	7	7	12	7	7	7	12
Other Bodies										
European Institute of Innovation and Technology – EIT	EAC	Innovation and Technology	78	77	77	28	16	10	10	28
Euratom Supply Agency (3) – EURATOM	ENER & RTD	Energy and Innovation	0.1	0.1	0.1	25	0	0	0	25
European Pension Fund – EPF	HOME	Administrative Expenditure of Europol	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total			1 592	1 584	1 546	6 150	1 503	1 497	1 470	5 828

Commission subsidy part in agencies' income:	2012	2011
Agencies' forecasted income budget in comparison with EU general budget:	64 %	59 %
Agencies' staff establishment plan in comparison with total under the EU general budget:	1,2 %	1,2 %
	13,2 %	12,6 %

(1) According to consolidated EU annual accounts

(2) Permanent and temporary EU officials (AD and AST) only, according to staff establishment plan. In addition, some 2 500 staff are working for EU agencies on the basis of temporary or secondment contracts.

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

Comments made by the Court in 2012 that do not call its opinion into question

		Total No of comments	Reliability of Accounts		Legality/Regularity of Transactions			Internal Controls					Budget Implementation				Other comments				
			System not completely validated	Other	Irregular education contributions	Absence of legal commitment/ financing decision	Weaknesses in procurement procedures	ICS not fully implemented	Weak controls over fixed assets / stock taking	IAC functioning	Weak grant controls	Weak procedures on staff allowances	Other	High carry-overs	High budget transfers	High cancellations of 2011 carry-overs	Insufficient commitments	Recruitment	SFM	Building costs	Other
1	ACER - Ljubljana	5			X								X	X			X	X			
2	BEREC - Riga	11	X			X	X	X	X				X		X		X		XX		
3	CdT - Luxembourg	2																		XX	
4	CEDEFOP - Thessaloniki	3											X				X				
5	CEPOL - Bramshill	6				X								X	X	X				X	
6	EFCA - Vigo	2												X						X	
7	CPVO - Angers	2																		X	
8	EACEA - Brussels	1												X							
9	EACI - Brussels	2								X										X	
10	EAHC - Luxembourg	2												X		X					
11	EASA - Koln	4											XX	X						X	
12	EASO - Valletta	10	X			X	X	X	X				X	X			X	X	X		
13	EBA - London	4			X								X	X						X	
14	ECDC - Stockholm	3						X						X							
15	ECHA - Helsinki	2												X							
16	EEA - Kobenhavn	1												X							
17	EFSA - Parma	3	X										X	X							
18	EIGE - Vilnius	2												X						X	
19	EIOPA - Frankfurt	3												X							
20	EIT - Budapest	2												X		X					
21	EMA - London	6	X	XX	X		X	X						X							
22	EMCDDA - Lisboa	4					X						X							X	
23	EMSA - Lisboa	3				X							X							X	
24	ENISA - Heraklion	1												X							
25	ERA - Valenciennes	3						X	X			X									
26	ERCEA - Brussels	0																			
27	ESMA - Paris	7	X				X						X	X	X	X				X	
28	ETF - Torino	1												X							
29	EU-OSHA - Bilbao	2												X		X					
30	EURATOM - Luxembourg	0																			
31	EUROFOUND - Dublin	1												X							
32	EUROJUST - The Hague	2																		X	
33	EUROPOL - The Hague	6				X								X	X	X				X	
34	EPF - The Hague	1																		X	
35	FRA - Wien	3											X	X							
36	FRONTEX - Warsaw	7											XX	X	X	X				X	
37	GSA - Prague	2												X						X	
38	OHIM - Alicante	2												X		X					
39	REA - Brussels	1												X							
40	TEN-TEA - Brussels	1												X							
Subtotals:		123	5	2	3	5	6	5	7	2	5	2	13	26	5	9	1	17	4	2	4
Totals:			7		14			34						41				27			

Follow-up of 2011 comments not calling the Court's opinions into question

		Total	Completed	Ongoing	Outstanding	N/A
	Decentralised Agencies					
1	European Medicines Agency – EMA	4	1	1	1	1
2	Office for Harmonisation in the Internal Market – OHIM	5	3	1	-	1
3	European Aviation Safety Agency – EASA	6	4	2	-	-
4	European Agency for the Management of Operational Cooperation at the External Borders – FRONTEX	5	1	2	1	1
5	European Police Office – EUROPOL	10	3	7	-	-
6	European Food Safety Authority – EFSA	3	-	3	-	-
7	European Maritime Safety Agency – EMSA	4	2	1	-	1
8	European Centre for Disease Prevention and Control – ECDC	6	6	-	-	-
9	Translations Centre for the Bodies of the EU – CDT	2	-	-	-	2
10	European Environment Agency – EEA	2	2	-	-	-
11	European Body for the Enhancement of Judicial Cooperation – EUROJUST	4	2	2	-	-
12	European Chemicals Agency – ECHA	4	2	2	-	-
13	European Railway Safety Agency – ERA	3	-	3	-	-
14	European Union Agency for Fundamental Rights – FRA	0	-	-	-	-
15	European Banking Authority – EBA	6	3	3	-	-
16	European foundation for improvement of living & working conditions – EUROFOUND	2	2	-	-	-
17	European Training Foundation – ETF	4	4	-	-	-
18	European Securities and Markets Authority – ESMA	9	3	5	1	-
19	European Centre for the Development of Vocational Training – CEDEFOP	3	1	2	-	-
20	European Insurance and Occupational Pensions Authority – EIOPA	5	2	3	-	-
21	European Monitoring Centre for Drugs and	6	4	1	1	-

	Drug Addiction – EMCDDA					
22	European Agency for Safety and Health at Work – EU-OSHA	4	2	2	-	-
23	Community Plant Variety Office – CPVO	3	2	1	-	-
24	European GNSS Agency – GSA	3	2	1	-	-
25	European Fisheries Control Agency – EFCA	4	2	1	-	1
26	European Institute for Gender equality – EIGE	3	1	1	1	-
27	European Police College – CEPOL	4	-	1	3	-
28	European Union Agency for Network and Information Security – ENISA	3	2	1	-	-
29	Agency for the Cooperation of Energy Regulators – ACER	3	1	2	-	-
30	European Asylum Support Office - EASO	N/A	-	-	-	-
31	Office for the body of European Regulators for Electronic Communications – BEREC	4	1	3	-	-
	Executive Agencies					
32	Education, Audiovisual and Culture Executive Agency – EACEA	0	-	-	-	-
33	Research Executive Agency – REA	3	2	1	-	-
34	European Research Council Executive Agency – ERCEA	2	2	-	-	-
35	Executive Agency for Competitiveness and Innovation – EACI	2	2	-	-	-
36	Trans-European Transport Network Executive Agency – TEN-TEA	1	1	-	-	-
37	Executive Agency for Health and Consumers – EAHC	1	-	-	1	-
	Other Bodies					
38	European Institute of Innovation and Technology – EIT	2	1	1	-	-
39	Euratom Supply Agency – EURATOM	1	-	1	-	-
40	European Pension Fund – EPF	3	3	-	-	-
	Totals:	139	69	54	9	7