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EUROPEAN  
COURT  
OF AUDITORS

# 2018

**audit of EU agencies in brief**

**Introducing the European Court of Auditors'  
2018 annual report on EU agencies**

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## **List of acronyms used for the EU agencies and other bodies**

### **Audit team**

## Executive summary

I The European Court of Auditors (ECA) is the external auditor of the EU's finances. In this capacity we act as the independent guardian of the financial interests of the citizens of the Union, notably by helping to improve the EU's financial management<sup>1</sup>.

II This document summarises our audit results for the financial year 2018 for the 41 EU agencies and other Union bodies (agencies) under our mandate. A comprehensive overview on the agencies set up by the European Union and the detailed results of our annual agency audits can be found in our new Annual Report on EU agencies for the financial year 2018.

III Overall, our audit of the agencies for the year ended 31 December 2018 confirmed the positive results reported in previous years. Through the *statements of assurance* issued for each agency, we provided:

- o unqualified (clean) audit opinions on the reliability of all agencies' accounts;
- o unqualified (clean) audit opinions on the legality and regularity of the revenue underlying the accounts for all agencies;
- o unqualified (clean) audit opinions on the legality and regularity of the payments underlying the agencies' accounts for all agencies, except for EASO (for which qualified opinion was issued).

IV Nevertheless, for most agencies we addressed areas for improvement through our *emphasis of matter* and *other matter* paragraphs and through the *observations not calling the audit opinions into question*. We also proposed the following *actions to be taken* to address these areas for improvement:

- o Public procurement errors remain the most frequent type of errors detected through our audits. The agencies are encouraged to further improve their public procurement procedures, ensuring full compliance with the applicable rules and best value for money procurements.

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<sup>1</sup> More information on our work can be found in our activity reports, our annual reports on the implementation of the EU budget, our special reports, our landscape reviews and our opinions on new or updated EU laws or other decisions with financial management implications ([www.eca.europa.eu](http://www.eca.europa.eu)).

- When using inter-institutional contracts, agencies remain responsible for the application of public procurement principles for their specific purchases. Agencies' internal controls must ensure they are respected.
- The use of framework contracts must not hinder a fair and competitive procurement procedure. Competition on price must take into account all major price elements, such as unit prices and the related quantity of units to be charged for the specific services.
- Agencies are encouraged to continue using joint procurement procedures or inter-institutional framework contracts, in order to achieve efficiency gains and economies of scale. For new agencies like EPPO and ELA, participating in joint procurements instead of establishing their own, stand-alone contracts, can be particularly beneficial. However, before launching joint procurement procedures and spending the related administrative efforts, market analysis should prove the feasibility of a joint procedure.
- The agencies may analyse, together with the budgetary authorities, whether the use of external staff is cost efficient as compared to the use of own statutory staff.
- Where external staff is used, full compliance with the applicable EU and national legal framework is required as a matter of principle, but also to avoid litigation risks and reputational damage.
- The adoption and implementation of the Commission's Internal Control Framework (2017) by all agencies is a necessity in order to align internal control standards to the highest international standards and make sure internal controls support decision making effectively and efficiently.
- The agencies are invited to agree on which posts are to be considered sensitive and to introduce or align their sensitive posts policies in order to mitigate the risk of misuse of powers for personal gain.
- In order to increase the transparency of budgetary reporting, agencies implementing assigned revenue are encouraged to include in their financial statements a standardised overview disclosing the assigned revenue and related expenditure per Commission delegation agreement.
- A publication of agency budgets by activity would allow linking resources to the activities they are used for.
- The agencies concerned are invited to consult the Commission concerning any need to adjust the legal framework in order to ensure fee calculations on the basis of accurate information reflecting economic reality.

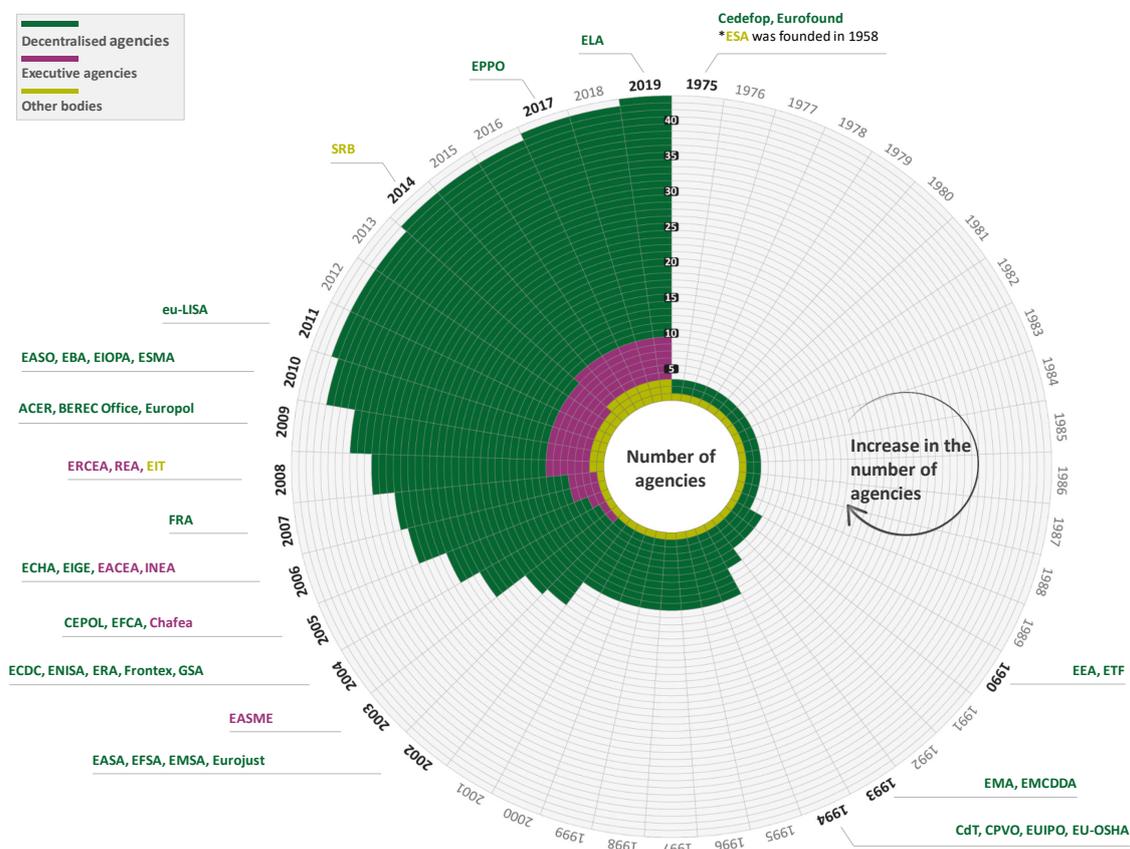
## What we audited

**01** The EU agencies are distinct legal entities set up by an act of secondary legislation to carry out specific technical, scientific or managerial tasks that help the EU institutions design and implement policies. They are highly visible in the Member States and have significant influence on policy and decision making and programme implementation in areas of vital importance to European citizens' daily life, e.g. health, safety, security, freedom and justice. References to specific agencies in this summary are made by using abbreviations of their full names, which are provided in the list of acronyms at the end of the document.

**02** Depending on their set-up and tasks, there are three types of EU agencies: decentralised agencies, Commission executive agencies and other bodies. The main characteristics of each are described below.

**03** The number of agencies has increased over the years and stood at 43 in 2019, as shown in [Figure 1](#), including two new agencies which are currently being created. These are the European Public Prosecutor's Office (EPPO), for which the constituent regulation has already been in force since 2017, and the European Labour Authority (ELA), the founding regulation for which entered into force in August 2019.

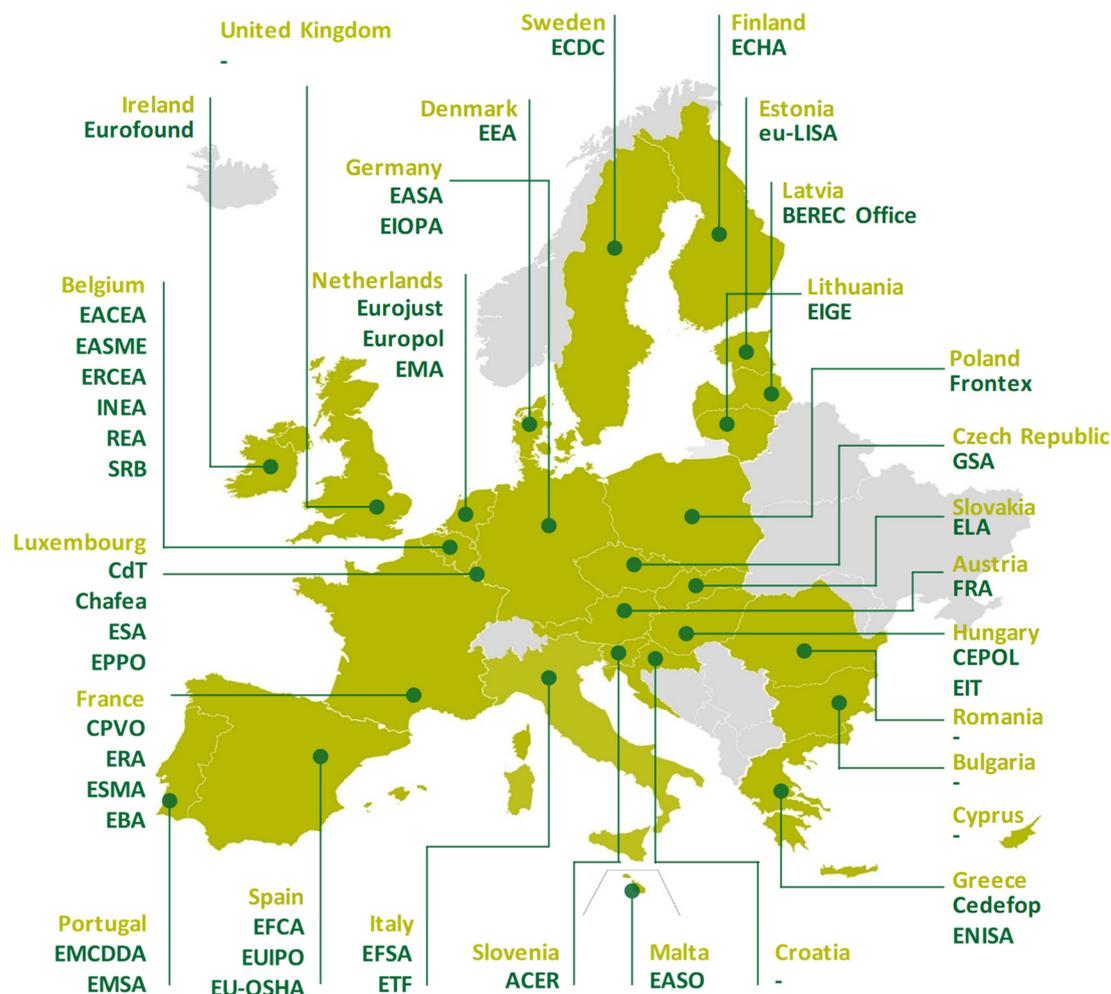
**Figure 1 – Increase in the number of agencies**



*\*Some of the agencies operated before as intergovernmental organisations under a different status.  
Source: ECA.*

**04** Commission executive agencies are located at the seats of the Commission in Brussels and Luxembourg. Decentralised agencies and other bodies are located across the EU in different Member States as shown in the list of acronyms and in [Figure 2](#). Their locations are decided by the Council or jointly by the Council and the European Parliament. Following the United Kingdom's decision to leave the EU, EMA and EBA were relocated to Amsterdam and Paris respectively during the first half of 2019. The EPPO will be located in Luxembourg and the ELA in Bratislava, Slovakia.

Figure 2 – Agencies' location across the Member States



Source: ECA.

## Decentralised agencies address specific policy needs

**05** The **34 decentralised agencies**<sup>2</sup> play an important role in preparing and implementing EU policies, especially for tasks of a technical, scientific, operational and/or regulatory nature. The intention is to address specific policy needs and to reinforce European cooperation by pooling technical and specialist expertise from the EU and national governments. They have been set up for an indefinite period by Regulation of the Council or of the European Parliament and the Council.

<sup>2</sup> ACER, BEREC Office, Cedefop, CdT, CEPOL, CPVO, EASA, EASO, EBA, ECDC, ECHA, EEA, EFCA, EFSA, EIGE, EIOPA, ELA, EMA, EMCDDA, EMSA, ENISA, EPPO, ERA, ESMA, ETF, EUIPO, eu-LISA, EU-OSHA, Eurofound, Eurojust, Europol, FRA, Frontex, GSA.

**06** The newly established EPPO is the independent and decentralised prosecution office of the European Union, with the competence to investigate, prosecute and bring to judgment crimes against the EU budget, such as fraud, corruption or serious cross-border VAT fraud. The ELA's mandate will be to strengthen cooperation between labour market authorities at all levels and better manage cross-border situations, as well as develop further initiatives in support of fair mobility. Both agencies will become subject to our audit from the financial year 2019.

### Commission executive agencies implement EU programmes

**07** The six Commission **executive agencies**<sup>3</sup> are entrusted with executive and operational tasks relating to one or more EU programmes and were set up for a fixed period of time.



© European Union 2016, source: European Commission, photographer: Etienne Ansotte, Architect: Lucien De Vestel, Jean Gilson, A&J Polak.

### Other bodies have specific mandates

**08** The three **other bodies** are the Innovation and Technology (EIT), the Euratom Supply Agency (ESA) and the Single Resolution Board (SRB). The EIT in Budapest is an independent, decentralised EU body, which pools scientific, business and education resources to boost the Union's innovation capacity by providing grant funding. It was set up for an indefinite period. ESA in Luxembourg was created for an indefinite period to ensure a regular and equitable supply of nuclear fuels to EU users, in line with the Euratom Treaty. The SRB in Brussels is the key authority of the Single Resolution Mechanism in the European Banking Union. Its mission is to ensure the orderly resolution of failing banks, with as little impact as possible on the real economy and public finances of EU Member States and others.

### Agencies are financed from various sources and under different MFF headings

**09** In 2018, the total budget of all agencies (excluding SRB) amounted to 4,2 billion euros (an increase of 20 % compared with the budget of 3,5 billion euros in 2017) which is equivalent

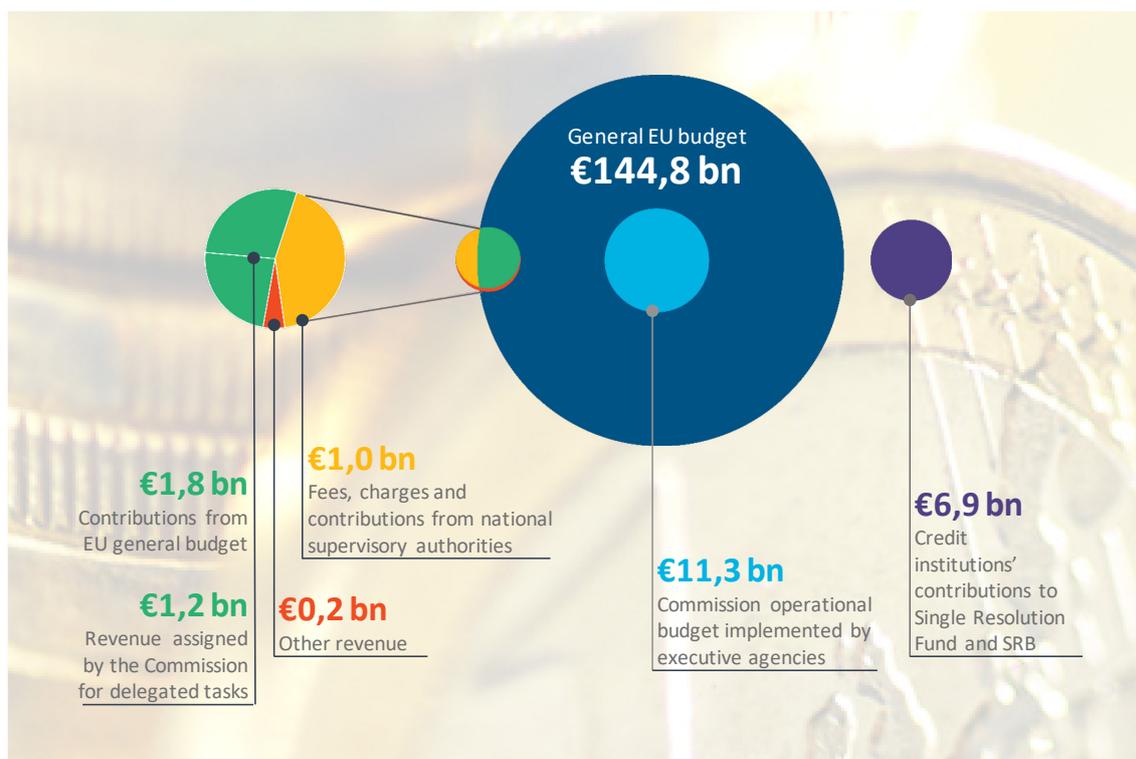
<sup>3</sup> Chafea, EACEA, EASME, ERCEA, INEA, REA.

to some 2,9 % of the 2018 EU general budget (2017: 2,7 %) as shown in [Figure 3](#). The agencies with the highest absolute increase in their budgets from 2017 to 2018 were EIT, EMSA and ECHA, which are financed under MFF heading 1a (Competitiveness for growth and jobs) and eu-LISA, Frontex, EMA, EASO and Europol financed under MFF heading 3 (Security and citizenship).

**10** In addition, the 2018 budget of the SRB amounted to 6,9 billion euros (2017: 6,6 billion euros). This consists of contributions from credit institutions to set up the Single Resolution Fund and to finance the SRB's administrative expenditure.

**11** The budgets of the decentralised agencies and the other bodies cover their staff, administrative and operational expenditure. The executive agencies implement programmes financed by the Commission's budget, and their own budgets (in 2018 some 249 million euros in total) only cover their staff and administrative expenditure. The Commission operational budget (commitment appropriations) implemented by the six executive agencies in 2018 amounted to some 11,3 billion euros (2017: 11 billion euros).

**Figure 3 – Agencies' financing sources for 2018**

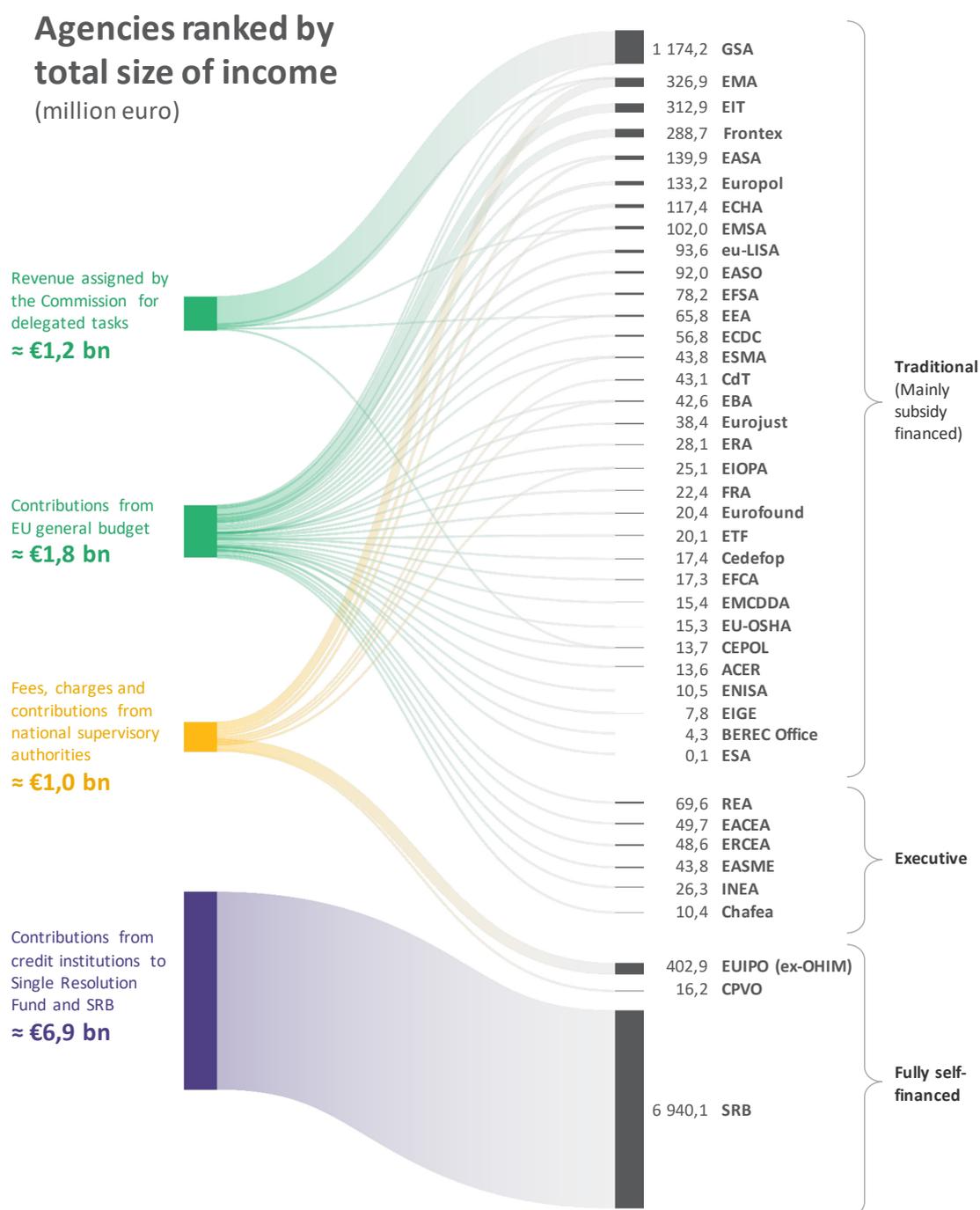


Source: EU general budget 2018 and agencies' budgets 2018, compiled by ECA.

Photo: © European Communities 2001.

**12** Most agencies, including all executive agencies, are financed almost entirely by the EU general budget. The others are fully or partially financed by fees and charges and by direct contributions from countries participating in their activities. *Figure 4* shows a breakdown of the agencies' budgets by source of revenue.

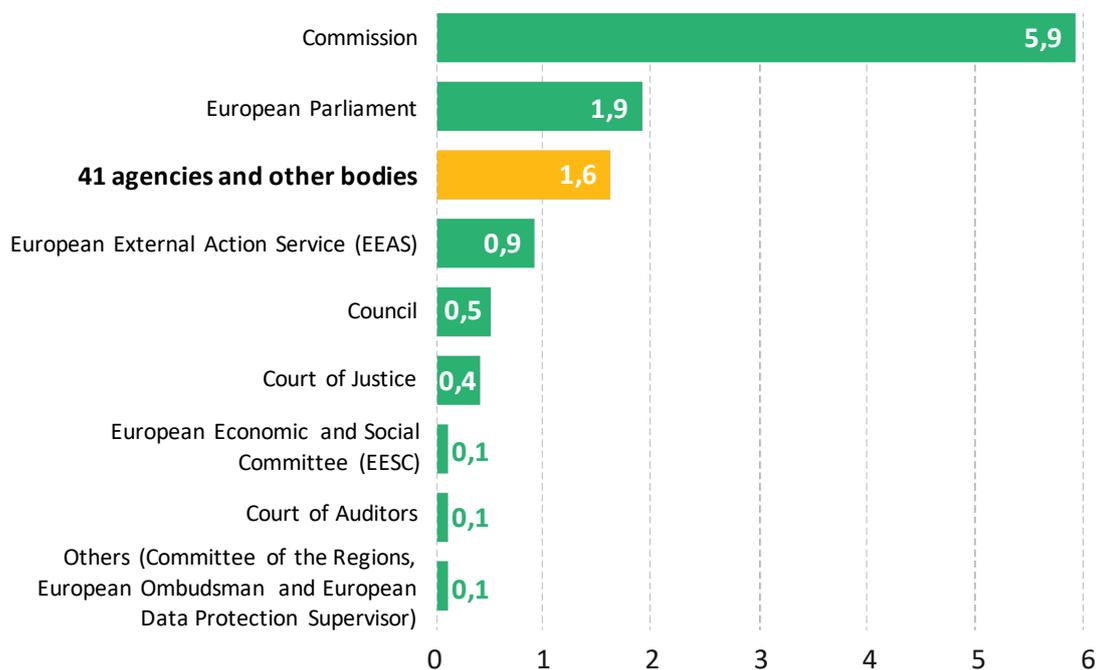
**Figure 4 – Agencies' 2018 budgets by source of revenue**



Source: Agencies' budgets 2018, compiled by ECA.

**13** Most of the agencies do not implement big operational spending programmes, but rather deal with tasks of a technical, scientific and/or regulatory nature. Therefore, in most of the cases their budgets consist of staff and administrative expenditure mainly. Overall, agencies staff and administrative expenditure represent some 14 % of all EU institutions' and other bodies' expenditure of this type (*Figure 5*).

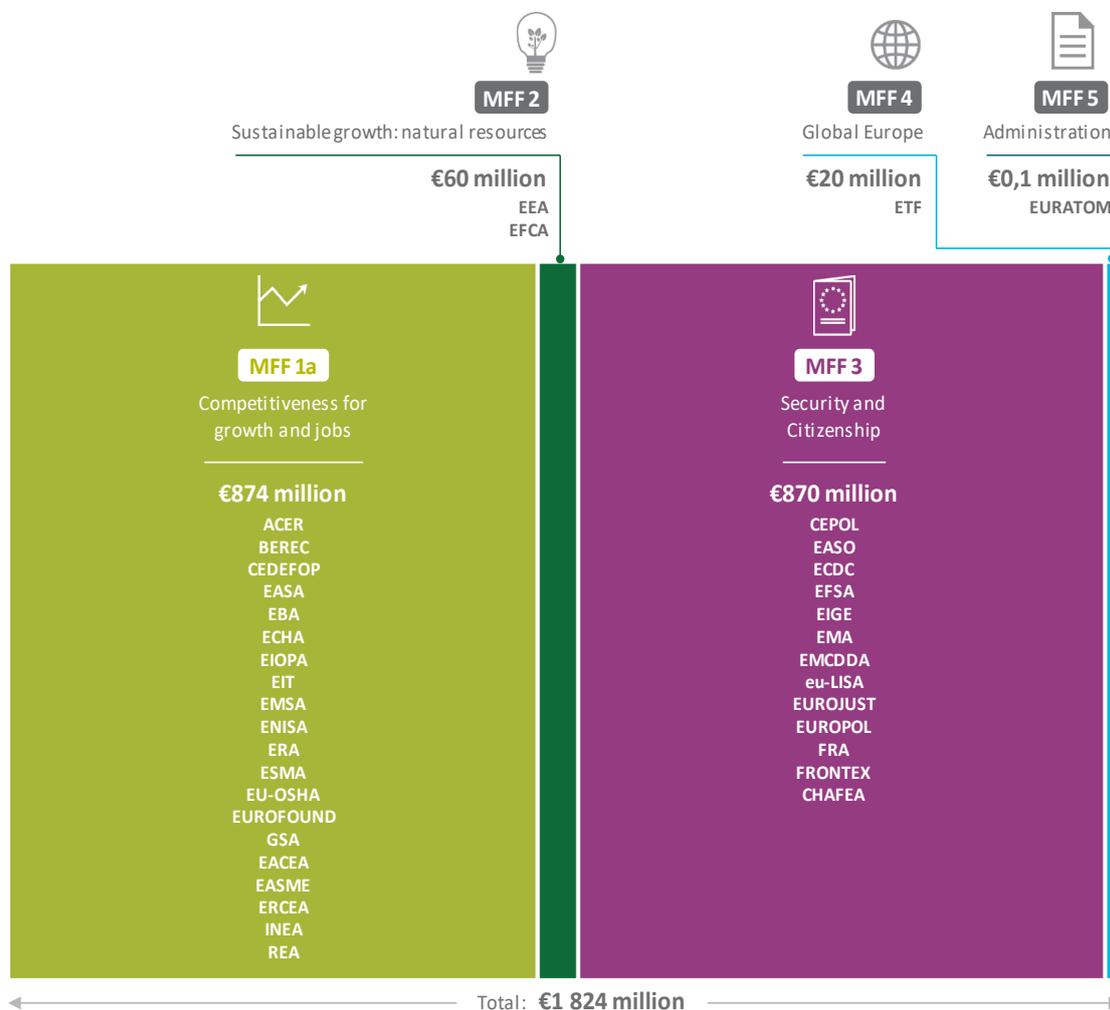
**Figure 5 – Staff and administrative expenditure\* of EU institutions and bodies (billion euros) in 2018**



\*Staff expenditure include those for staff working both on operational and administrative activities.  
Source: 2018 consolidated accounts of the EU.

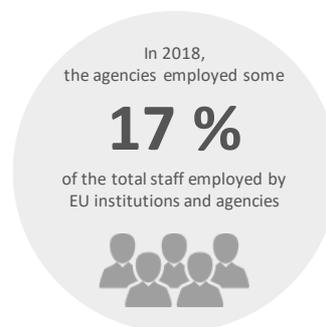
**14** The 1,8 billion euros in contributions from the EU general budget are financed under different MFF headings as illustrated in *Figure 6*.

**Figure 6 – Agency financing by EU general budgets' MFF heading**



Source: EU Multiannual financial framework covering the period 2014-2020 and agencies' budgets 2018, compiled by ECA.

**15** With regard to staff, at the end of 2018 the agencies employed some 11 400 staff<sup>4</sup> (2017: some 11 000), about one fifth of the total staff employed by EU institutions and agencies.



Source: Agencies, compiled by ECA.

<sup>4</sup> These staff figures include officials, temporary and contract staff as well as seconded national experts.



© European Union, Source: European Court of Auditors. Architects of the Court's buildings: Jim Clemes (2004 & 2013) and Paul Noël (1988).

## What we found

### “Clean” opinions on the reliability of all agencies’ accounts

**16** We issued *unqualified (“clean”) audit opinions* on the accounts of all agencies. In our opinion, these accounts present fairly, in all material respects, the agencies’ financial positions as of 31 December 2018 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<sup>5</sup>.

### Emphasis of matter paragraphs are important for the understanding of the accounts (EBA, EMA, Frontex and SRB)

**17** Emphasis of matter paragraphs draw the readers’ attention to matters of importance that are fundamental to the users’ understanding of the accounts. For the financial year 2018, we address emphasis of matter paragraphs for four agencies: **EBA, EMA, Frontex and SRB**.

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<sup>5</sup> These are based on internationally accepted accounting standards for the public sector.

**18** For **EBA** and **EMA**, the previously London-based agencies, we draw attention to the fact that they left the UK in 2019 and that their accounts include provisions for the related removal costs. For EMA we also referred to developments following the lease agreement and to the uncertainty about the total loss of staff following the agency’s relocation. For both EBA and EMA we also referred to possible decreases in revenue following the UK’s departure from the EU.



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**19** Concerning the accounts of the **SRB**, we point out that administrative appeals or judicial proceedings related to Fund contributions between some credit institutions and national resolution authorities and the Board as well as legal actions brought before the Court of Justice related to decisions on the adoption of resolution schemes were not subject to our audit. Their possible impact on the Board’s financial statements for the financial year ended 31 December 2018 (in particular on contingent liabilities, provisions and liabilities) is subject to a specific annual audit and audit results will be published by 1 December 2019, as stipulated under Article 92(4) of the SRM Regulation.

**20** In 2018, **Frontex** managed financing agreements with cooperating countries for operational activities representing 59 % of the Agency’s budget. The Court has consistently reported since 2014 that proof of equipment-related cost claimed by cooperating countries is often insufficient, which was again confirmed by this year’s audit results. Frontex’ ex ante verifications of these costs are ineffective as long as reimbursements of costs which are not substantiated by supporting documents are continued. In addition, as in the previous years, Frontex did not carry out any ex post verifications, further increasing the risk of unjustified cost reimbursements.

### “Clean” opinions on the legality and regularity of the revenue underlying all agencies’ accounts

**21** For all agencies, we issued unqualified (“clean”) audit opinions on the legality and regularity of the revenue underlying the annual accounts for the year ended 31 December 2018. In our opinion, revenue was legal and regular in all material respects.

## “Clean” opinions on the legality and regularity of the payments underlying the agencies’ accounts, except for EASO

**22** For 40 agencies, we issued unqualified (“clean”) audit opinions on the legality and regularity of the payments underlying the annual accounts for the year ended 31 December 2018. In our opinion, payments were legal and regular in all material respects for these agencies.

**23** For **EASO** we issued a qualified opinion in relation to our findings reported for the financial years 2016 and 2017. Overall, we conclude that the unsatisfactory situation reported for the year 2017 as regards the Office’s governance and internal control arrangements and the legality and regularity of transactions is only slowly improving and that the corrective actions launched by the Office’s management still need to be completed. This is also reflected by the fact that the major procurement procedure carried out by the Office in 2018 was again irregular due to major weaknesses in the procedure.



© Frontex 2015 / Francesco Malavolta.

## Other matter paragraphs address issues of specific importance (EBA, EIOPA, ESMA, EASO, ECHA, SRB and GSA)

**24** For **EBA**, **EIOPA** and **ESMA** we draw attention to the fact that their budgets are financed partly from European Union funds and partly through direct contributions from EU Member States’ supervising authorities and/or supervised entities. It is possible that the Authorities’ revenue will decrease in future as a result of the UK’s decision to leave the EU.

**25** Furthermore, as identified by **ESMA** already, fees charged to credit rating agencies are based on their revenue as legal entities, but not as a group or group of related entities. This creates a quasi-legitimate opportunity to reduce or avoid fees by transferring revenues from credit rating agencies under EU jurisdiction to their related entities outside the EU. The likely financial effect of this loophole in the regulations is unknown.

**26** For **EASO**, we continue to draw attention to the fact that as from the end of 2017, the human resources situation at the Office had deteriorated exponentially. The majority of vacancies were still not filled at the end of 2018. Of particular concern is the lack of managers in the administration department. Overall, this situation causes a significant risk to the continuation of the Office’s operations at the current scale.

**27** For **ECHA**, the Court again emphasises that the Agency is partly self-financed and receives a fee from every company applying for the registration of chemicals as required under the REACH Regulation<sup>6</sup>. The Agency calculates and invoices the fees on the basis of self-declarations provided by the companies. Ex-post verifications by the Agency identified the need for considerable fee corrections, with the total amount of corrections being unknown at the end of 2018.

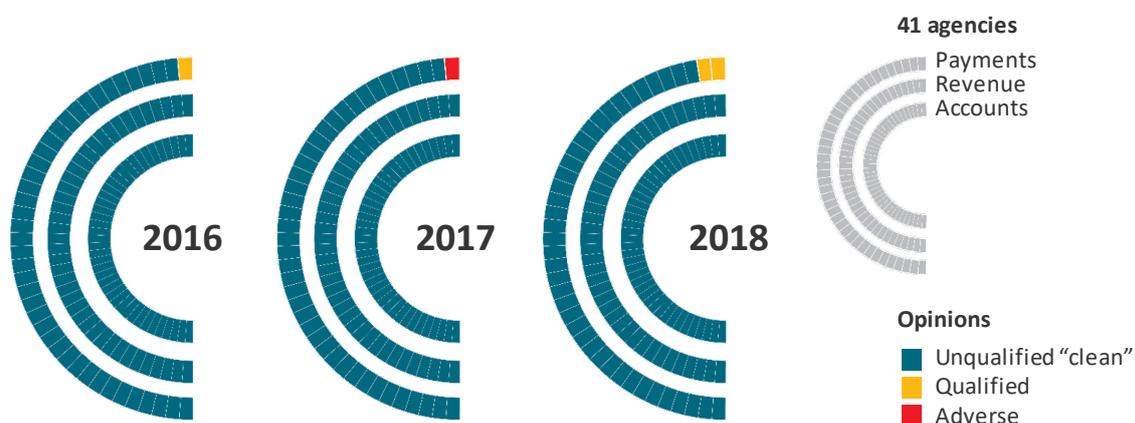
**28** In the case of the **SRB** we reiterate that the Single Resolution Fund contributions are calculated on the basis of information provided by credit institutions to the Board through the national resolution authorities. Given that the Single Resolution Mechanism Regulation does not provide for a comprehensive and consistent control framework to ensure the reliability of the information, no checks are carried out at the level of the credit institutions. However, the SRB performs consistency and analytical checks of the information. Furthermore, we noted that the methodology for calculating contributions laid down in the legal framework is very complex, resulting in a risk to accuracy. For confidentiality reasons, the Board cannot release the credit institutions' data used for the calculation of Fund contributions, which reduces transparency.

**29** For the **GSA**, we again draw attention to the fact that the procurement procedure for a Framework Contract for the exploitation of the Galileo satellite system during the period 2017 to 2027, amounting to 1,5 billion euros has been challenged by one of the tenderers. The ruling of the European Court of Justice will decide on the legality and regularity of the procurement procedure for the framework contract and all related specific contracts and future payments.

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<sup>6</sup> Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) (OJ L 396, 30.12.2006, p. 1).

**Figure 7 – 2016 – 2018 annual audit opinions on agencies' accounts, revenue and payments**



Source: ECA.

## Our observations address areas for improvement in 36 agencies

**30** In addition to the opinions and accompanying "Emphasis of matter" and "Other matter" paragraphs, we also made around 100 observations concerning 36 agencies to address areas where further improvements are needed. Most of these observations concern shortcomings in public procurement procedures, as was the case in previous years.

## Public procurement management remains the most error prone area

**31** The objective of public procurement rules is to ensure fair competition between economic operators and to achieve the most economically advantageous purchases, thereby respecting the principles of transparency, proportionality, equal treatment and non-discrimination. Our audit included framework, specific and direct contracts and covered all agencies. In 27 agencies (BEREC Office, Cedefop, CPVO, CEPOL, EASA, EASO, EBA, ECHA, ECDC, EEA, EFCA, EIGE, EIOPA, EIT, EMCDDA, EMSA, ERA, ESMA, ETF, EUIPO, eu-LISA, Eurojust, Europol, Eurofound, Frontex, REA, SRB) these contracts were affected by public procurement shortcomings of different kinds, mostly concerning sound financial management and legality aspects. The agencies are encouraged to further improve their public procurement procedures, ensuring full compliance with the applicable rules and best value for money procurements.



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### Box 1 – Example of a non-justified use of negotiated procurement procedure without prior publication of contract notice

Following a negotiated procurement procedure without prior publication of a contract notice, an agency signed a 3 year IT framework contract (FWC) with a company which had provided the same services under a previous FWC. The FWC was signed for a total amount of 450 000 euros (150 000 euros per year). Under the Financial Regulation, such simplified procedure is only acceptable under specific circumstances which were not substantiated by the agency.

## The use of framework contracts by some of the agencies may limit competition

**32** Framework contracts (FWC) are agreements with suppliers to establish terms governing specific purchases during the life of the agreement. They are used for a precisely defined subject, but where the exact quantities and delivery times cannot be indicated in advance. The main reason for the use of framework contracts is to achieve administrative efficiency and economies of scale. However, we identified cases (EASA and EUIPO) where the use of large framework contracts covering a multitude of different services not defined precisely, caused a risk to competition.

### Box 2 – Example of a FWC lacking specifications

For the procurement of data analytics services for a volume of up to 5 million euros, one agency chose to use a framework contract with a single operator resulting from an open procedure. However, the terms used in the framework contract were not specific enough to allow fair competition, because the concrete requirements concerning the services to be provided were not yet known at the time of the procurement procedure. According to the rules of application of the Financial Regulation, in such circumstances, the contracting authority has to award a framework contract to multiple operators and a competitive procedure between the selected contractors must be held for the specific purchases.

**33** *Figure 8* shows values of FWCs signed by the agencies between 2015 and 2018. In 2018, the agencies signed multi-annual framework contracts totalling some 1,1 billion euros<sup>7</sup>.

**Figure 8 – Total value of FWCs signed between 2015 – 2018 (billion euros)**



Source: Agencies' network, compiled by ECA.

<sup>7</sup> Figure provided by the Network of EU agencies (EUAN).

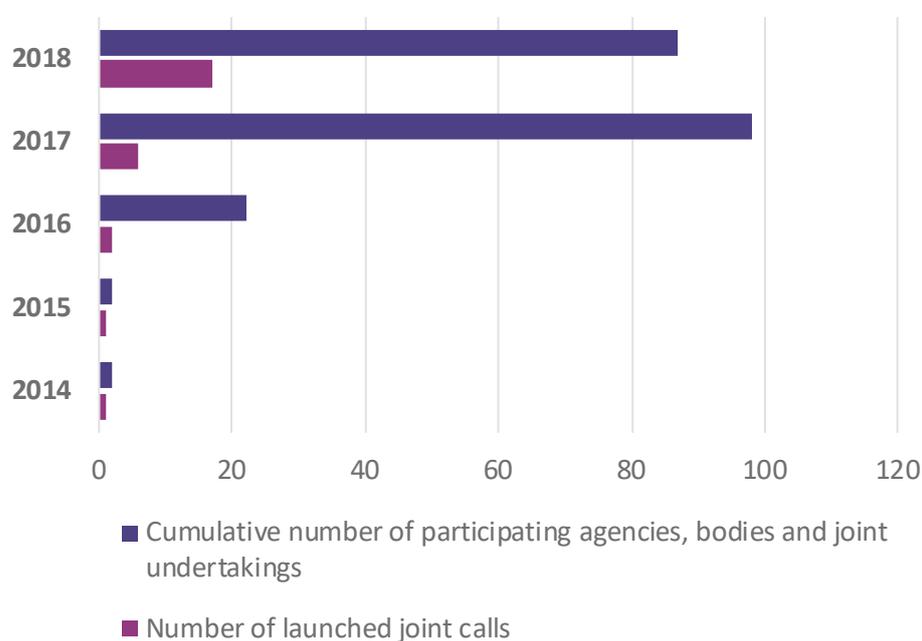
## Joint procurement procedures may achieve efficiency gains and economies of scale



**34** The 35 decentralised agencies and other bodies, together with the eight EU joint undertakings (EU bodies), also push for increased administrative efficiency and economies of scale through an increased use of joint procurement procedures where two or more agencies and joint undertakings in need of similar services carry out a procurement procedure jointly and together they become owners of the contract (*Figure 9*). However, despite the promising trend, attempts for joint procurement procedures were not always successful, for instance due to inadequate market analysis.

© European Union 2009. Source: European Commission, photographer: Christian Lambiotte.

**Figure 9 – Substantive increase in number of joint calls**



Source: Agencies' network, compiled by ECA.

### Box 3 - Examples of unsuccessful joint procurements

In the absence of appropriate market analysis for two pan-European calls for telecommunication and for banking services, no compliant offers covering the required local markets were received and the procedures failed, causing administrative inefficiency. Also, despite the common location of two agencies, the joint procurement procedure for their new premises was not successful.

### Temporary agency workers and consultants are not always used in compliance with the legal framework

**35** In 2017, the Court issued a rapid case review<sup>8</sup> on how EU institutions and agencies implemented the commitment made to cut 5 % of staff. For the agencies, we concluded that the 5 % reduction had been implemented, albeit with some delays. It is in this context that this year's observations on the use of consultants and interim workers by some of the agencies are of particular importance. While we did not audit the use of external staff horizontally for all agencies, for some of the agencies there was an indication of a trend to compensate shortages of own statutory staff by external staff. *Figure 10* presents information collected by the Network of EU agencies (EUAN) on the increasing number of IT consultants working in the premises of the agencies and other bodies on times and means contracts and interim staff used by the 33 agencies who replied to a respective survey.

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<sup>8</sup> Rapid case review on the implementation of the 5 % reduction of staff posts; published on 21 December 2017.

**Figure 10 – Number of IT consultants and interim agents (33 agencies)**



Source: Network of EU agencies (EUAN), figures compiled by ECA.

**36** For eight agencies (**BEREC Office, Chafea, CPVO, EASO, ERCEA, ESMA, SRB, EUIPO**), we found that they used contracts on the provision of IT and other consultancy services which were formulated and/or implemented in a way that, in practice, might result in the assignment (“mise à disposition”) of temporary agency workers instead of the provision of clearly specified services or products. The provision of interim workers can only be done through contracts with registered temporary work agencies and in accordance with Directive 2008/104/EC of the European Parliament and of the Council, and according to the specific rules adopted by the Member States in the transposition of that Directive.

**37** Furthermore, seven agencies (**EASO, EBA, EIOPA, EIGE, EMCDDA, ERCEA, SRB**) engaged in the use of interim workers provided by registered temporary work agencies, but did not respect all the rules laid down in both the Directive and in the respective national law, for instance as regards working conditions for interim workers.

## Consultancy and non-consultancy services in EUIPO

**38** Given the scale of consulting services used by EUIPO, we carried out an analysis of the Office's management of consulting services. The number of external staff provided by service providers under these and similar contracts was equal to some 20 % of the Office's statutory staff at the beginning of 2018.

**39** We noted that, while a part of the services delivered under these contracts is indeed consultancy, another part is rather on administrative support, which represents a purchase of labour or loan of staff, which is strictly regulated by European and national labour law. Only registered temporary work agencies are authorised to make external staff available and such service cannot be provided by consultancy companies.

## The implementation of a new internal control framework is on the way

**40** Internal control applies to all financial and non-financial activities and is a process that helps an organisation to achieve its objectives and sustain performance, respecting rules and regulations. It supports sound decision making, taking into account risks to achieve objectives and reduce them to acceptable levels through cost-effective controls. In April 2017, the Commission approved a revised internal control framework (ICF). As was the case for the Commission's internal control standards which are being replaced by the ICF, entrusted bodies such as agencies are expected to implement the ICF by analogy. By the end of 2018, the boards of 29 agencies had adopted the ICF while 15 agencies also reported its implementation.

## Not all agencies have a sensitive posts policy in place

**41** Management of sensitive functions is a standard element of internal control, which aims to reduce the risk of the misuse of powers delegated to staff to an acceptable level. In an effective internal control framework, risks associated with sensitive functions are managed through mitigating controls and ultimately staff mobility. We found that seven agencies (**EASO, EASME, ECHA, EEA, ENISA, Frontex, SRB**) do not have policies in place defining their sensitive functions and related mitigating controls.

**42** Even though agencies have a similar administrative structure and the roles of the financial actors are governed by similar financial regulations, they apply different interpretations of what posts should be considered potentially sensitive. *Figure 11* below shows the number of agencies that consider a specific post potentially sensitive.

**Figure 11 – Potentially sensitive posts**

Source: ECA.

### There is scope for more meaningful budget structure and reporting

**43** As in previous years, the number and volume of delegation and grant agreements concluded between the Commission and a number of agencies has further increased in 2018. Under these agreements, agencies receive funds from the Commission assigned for the execution of specific tasks on behalf of the Commission. We noted that for the agencies implementing assigned revenue there is a need to increase the transparency of budgetary reporting and to include in their financial statements a standardised overview disclosing the assigned revenue and related expenditure per Commission delegation agreement.

**44** Furthermore, the planning procedures implemented by all agencies and resulting in annual and multi-annual work programmes (or single programming documents) are based on activities. However, we noted that the published budgets of all agencies are presented by type of expenditure (staff expenditure, administrative expenditure and operational expenditure), but not by activity. Consequently, resources spent for the different activities are not visible.

### There are risks to the correct calculation of registration and service fees

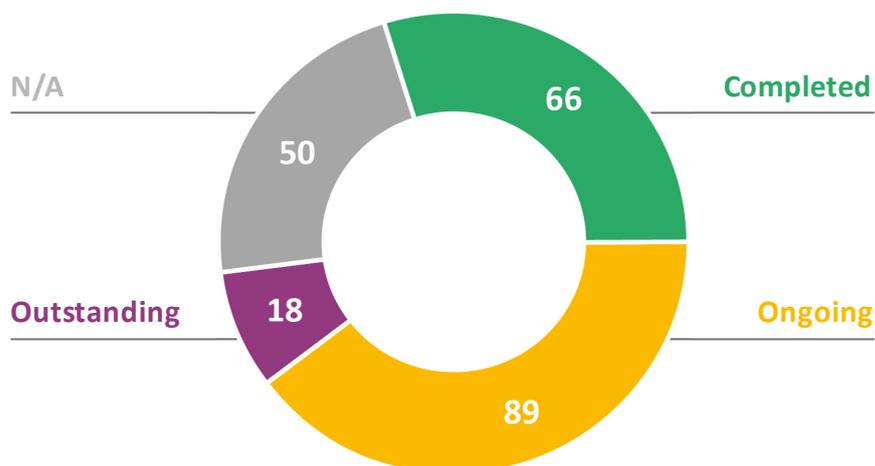
**45** A number of agencies (CdT, CPVO, EASA, EBA, ECHA, EIOPA, EMA, ESMA, EUIPO, SRB) collect revenue from service or registration fees charged to economic operators. We noted risks concerning the correct calculation of such fees. The agencies concerned are invited to

consult the Commission concerning any need to adjust the legal framework in order to ensure fee calculations.

### Agencies are following-up on previous years' audit observations

**46** We provided a status on follow-up actions taken by the agencies in response to observations from previous years. [Figure 12](#) shows that for the 223 observations that had not been addressed at the end of 2017, corrective action was completed or ongoing in most cases in 2018. Out of the 107 outstanding and ongoing observations, the necessary corrective action to address 13 observations was not under the agency's (sole) control.

**Figure 12 – Agencies' efforts to follow-up previous years' observations**

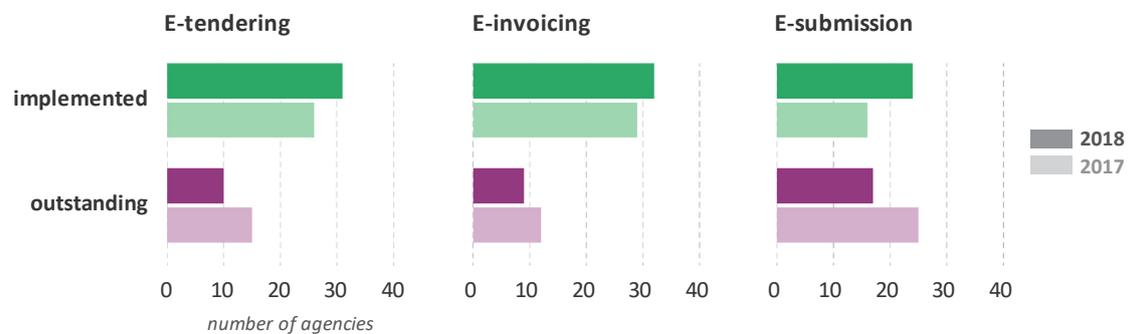


Source: ECA.

**47** In the course of last year's annual audit, we reviewed agencies' accounting environments. Following the Court's observations on the independence of accounting officers, the majority of agencies addressed the issue in 2018, except for two (**EACEA, EFSA**). A similar trend was observed concerning outstanding (re) validations of accounting systems. All seven agencies for which we reported such a need in 2018 had completed corrective action in 2018.

**48** Good progress was also made in relation to the introduction of e-procurement. [Figure 13](#) below shows the progress made in introduction of the tools by the end of 2018.

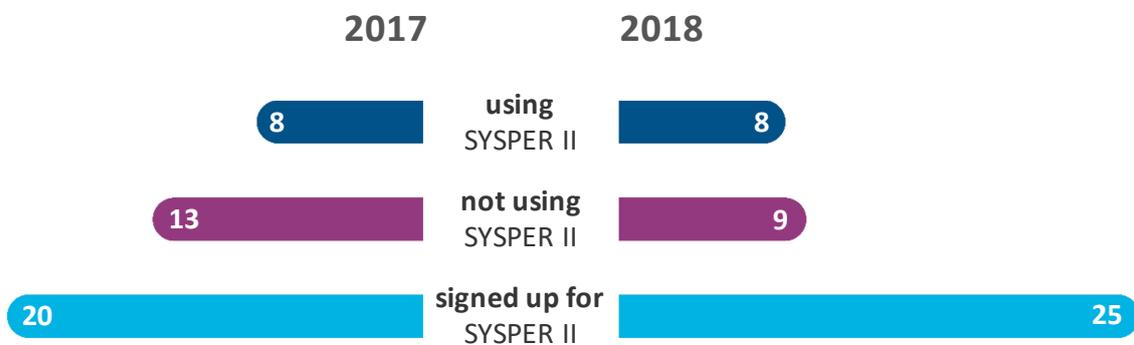
**Figure 13 – E-procurement is on its way**



Source: ECA.

**49** Some progress was also made in 2018 in relation to the introduction of SYSPER II, the HR management tool on human resources developed by the Commission. *Figure 14* below shows that in 2018 five additional agencies signed up for the tool.

**Figure 14 – Introduction of SYSPER II HR tool**



\*Figure in the last line for 2018 includes also EPPO.

Source: ECA.

## Not all agencies are subject to the same budgetary discharge procedure

**50** For most decentralised agencies and other bodies and for all Commission executive agencies, the European Parliament and the Council are responsible for the annual budgetary and discharge procedures. The timeline of the discharge procedure is shown in *Figure 15*.



**Figure 15 – Discharge procedure for most agencies**



Source: ECA.

**51** Unlike other agencies, the fully self-financed decentralised agency EUIPO is subject to discharge procedure by its Budget Committee, rather than by the European Parliament and the Council. Similarly, for the other two fully self-financed agencies SRB and CPVO, the annual budgetary and discharge procedures are the responsibility of their Boards. These different procedures are provided by their founding regulations.

**52** These are self-financed agencies and bodies, whose budgets do not form part of the general budget of the Union, however their revenue stems from the exercise of a public authority on the basis of EU law. Thus, the ECA has consistently stated that the same principles of accountability and transparency should be applied to all EU-related bodies. For EUIPO, the ECA expressed concerns about the Office's budgetary discharge procedure in its opinions issued in 2015<sup>9</sup> and 2019<sup>10</sup>. For SRB<sup>11</sup> and CPVO<sup>12</sup>, the Court equally addressed its concerns in opinions published in 2015.

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<sup>9</sup> See ECA opinion No 5/2015 concerning the proposal for an amended Regulation of the Budget Committee of the Office for Harmonisation in the Internal Market laying down the financial provisions applicable to the Office.

<sup>10</sup> See ECA opinion No 1/2019 concerning the proposal for regulation BC-01-2019 of the Budget Committee of the European Intellectual Property Office laying down the financial provisions applicable to the Office.

<sup>11</sup> See ECA opinion No 3/2015 on a proposal for the Financial Regulation of the Single Resolution Board laying down the financial provisions applicable to the Board.

<sup>12</sup> See ECA opinion No 2/2015 on a proposal for an amended of the Financial Regulation of the Community Plant Variety Office.

## Audit results from other agency-related products issued by the Court

### **ECA special report No 29/2018: EIOPA made an important contribution to supervision and stability in the insurance sector, but significant challenges remain**

**53** In a special audit carried out in addition to our annual financial and compliance audit of EIOPA, we examined whether the authority makes an effective contribution to supervision and financial stability in the insurance sector. In particular, we analysed EIOPA's actions in the field of supervision and supervisory convergence, the 2016 insurance stress test as well as the adequacy of EIOPA's resources and governance.

**54** Our overall conclusion is that EIOPA has made good use of a wide range of tools to support supervisory convergence and financial stability. However, there are still significant challenges to be addressed by EIOPA itself, by national supervisors and by legislators, for example in the context of the European Supervisory Authorities' (ESAs) and Solvency II reviews. Moreover, we recommended that for improving the efficiency and effectiveness of EIOPA's actions, the Authority should strengthen human resources assigned to supervision. The full audit conclusions, together with the related recommendations and the authority's replies, are addressed in our special report No 29/2018 which is available on our website [eca.europa.eu](http://eca.europa.eu).

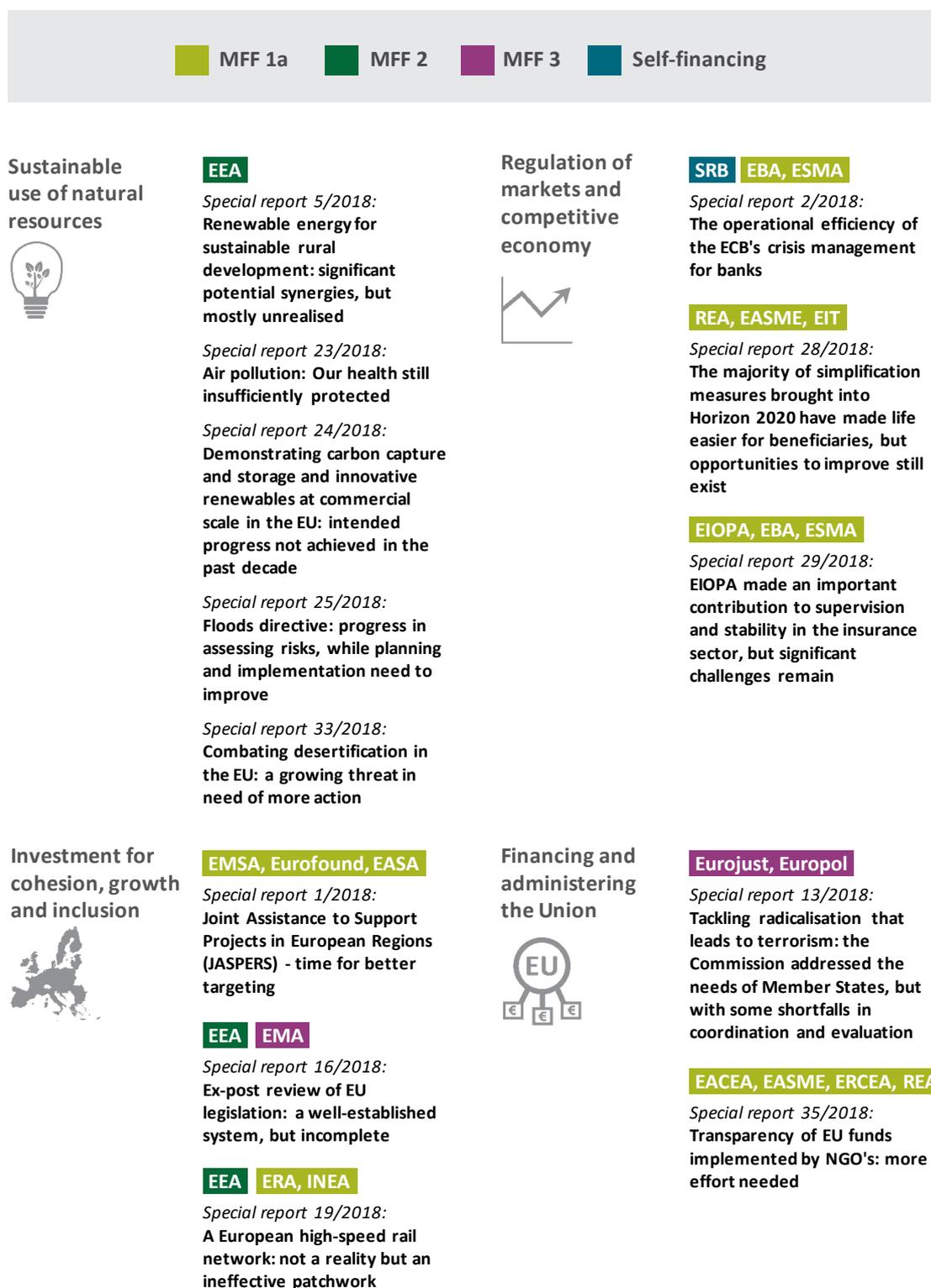
### **ECA 2017 specific annual report pursuant to Article 92(4) of Regulation (EU) 806/2014 on any contingent liabilities arising as a result of the performance by the Single Resolution Board, the Council and the Commission of their tasks under this Regulation for financial year 2017**

**55** Pursuant to Article 92(4) of the SRM Regulation we audit annually the existence of any contingent liabilities arising as a result of the performance by the Single Resolution Board, the Council and the Commission of their tasks under this Regulation. The audit conclusions for the financial year 2017, together with the related recommendations and the SRB's replies, are addressed in our specific report, which is available on our website [eca.europa.eu](http://eca.europa.eu).

## Other ECA special reports also referring to one or more agencies

**56** Apart from audit reports specifically dedicated to the agencies, in the course of 2018 we also issued a number of special audit reports on EU policy implementation which referred to a number of agencies (*Figure 16*).

Figure 16 – Other ECA special audit reports referring to agencies



Source: ECA.

## List of acronyms used for the EU agencies and other bodies

Acronym	Full name	Location
ACER	Agency for the Cooperation of Energy Regulators	Ljubljana, Slovenia
BEREC Office	Office of the Body of European Regulators for Electronic Communications	Riga, Latvia
CdT	Translation Centre for the Bodies of the European Union	Luxembourg, Luxembourg
Cedefop	European Centre for the Development of Vocational Training	Thessaloniki, Greece
CEPOL	European Union Agency for Law Enforcement Training	Budapest, Hungary
Chafea	The Consumers, Health, Agriculture and Food Executive Agency	Luxembourg, Luxembourg
CPVO	Community Plant Variety Office	Angers, France
EACEA	Education, Audiovisual and Culture Executive Agency	Brussels, Belgium
EASA	European Aviation Safety Agency	Cologne, Germany
EASME	Executive Agency for Small and Medium-sized Enterprises	Brussels, Belgium
EASO	European Asylum Support Office	Valletta, Malta
EBA	European Banking Authority	Paris, France
ECDC	European Centre for Disease Prevention and Control	Stockholm, Sweden
ECHA	European Chemicals Agency	Helsinki, Finland
EEA	European Environment Agency	Copenhagen, Denmark
EFCA	European Fisheries Control Agency	Vigo, Spain
EFSA	European Food Safety Authority	Parma, Italy

EIGE	European Institute for Gender Equality	Vilnius, Lithuania
EIOPA	European Insurance and Occupational Pensions Authority	Frankfurt, Germany
EIT	European Institute of Innovation and Technology	Budapest, Hungary
ELA	European Labour Authority	Bratislava, Slovakia
EMA	European Medicines Agency	Amsterdam, The Netherlands
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction	Lisbon, Portugal
EMSA	European Maritime Safety Agency	Lisbon, Portugal
ENISA	European Union Agency for Network and Information Security	Heraklion, Greece
EPPO	European Public Prosecutor's Office	Luxembourg, Luxembourg
ERA	European Union Agency for Railways	Valenciennes, France
ERCEA	European Research Council Executive Agency	Brussels, Belgium
ESA	EURATOM Supply Agency	Luxembourg, Luxembourg
ESMA	European Securities and Markets Authority	Paris, France
ETF	European Training Foundation	Turin, Italy
EUIPO	European Union Intellectual Property Office	Alicante, Spain
eu-LISA	European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice	Tallinn, Estonia
EU-OSHA	European Agency for Safety and Health at Work	Bilbao, Spain
Eurofound	European Foundation for the Improvement of Living and Working Conditions	Dublin, Ireland
Eurojust	The European Union's Judicial Cooperation Unit	The Hague, The Netherlands
Europol	European Union Agency for Law Enforcement Cooperation	The Hague, The Netherlands
FRA	European Union Agency for Fundamental Rights	Vienna, Austria

Frontex	European Border and Coast Guard Agency	Warsaw, Poland
GSA	European Global Navigation Satellite Systems Agency	Prague, Czech Republic
INEA	Innovation & Networks Executive Agency	Brussels, Belgium
REA	Research Executive Agency	Brussels, Belgium
SRB	Single Resolution Board	Brussels, Belgium

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