



EUROPEAN  
COURT  
OF AUDITORS

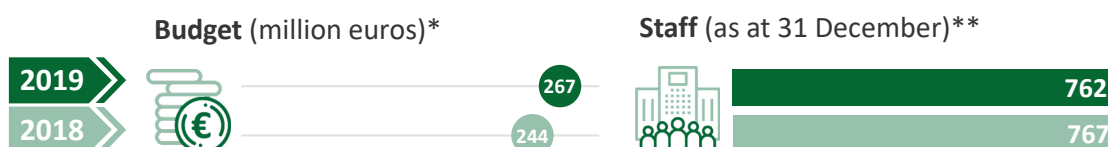
**Report on the annual accounts of the  
European Union Aviation Safety Agency  
(EASA)  
for the financial year 2019,  
together with the Agency's reply**

# Introduction

**01** The European Union Aviation Safety Agency ( “the Agency”, or “EASA”), which is located in Cologne, is governed by Regulation (EU) 2018/1139<sup>1</sup> of the European Parliament and of the Council of 4 July 2018, repealing Regulation (EC) No 216/2008<sup>2</sup>. The Agency has been given specific regulatory and executive tasks in the field of aviation safety.

**02** *Graph 1* presents key figures for the Agency<sup>3</sup>.

## Graph 1: Key figures for the Agency



\* Budget figures are based on the total payment appropriations available during the financial year.

\*\* “Staff” includes EU officials, EU temporary agents, EU contract staff and seconded national experts, but excludes interim workers and consultants.

*Source:* Consolidated annual accounts of the European Union for the financial year 2018 and Provisional consolidated annual accounts of the European Union Financial year 2019; Staff figures provided by the Agency.

## Information in support of the statement of assurance

**03** 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 and an analysis of information provided by the Agency’s management.

<sup>1</sup> OJ L 212, 22.8.2018, p. 1.

<sup>2</sup> OJ L 79, 19.3.2008, p. 1.

<sup>3</sup> More information on the Agency’s competences and activities is available on its website: [www.easa.europa.eu](http://www.easa.europa.eu).

## The Court's statement of assurance provided to the European Parliament and the Council – Independent auditor's report

### Opinion

**04** We have audited:

- (a) the 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 2019 and
- (b) the legality and regularity of the transactions underlying those accounts

as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

### Reliability of the accounts

#### Opinion on the reliability of the accounts

**05** In our opinion, the accounts of the Agency for the year ended 31 December 2019 present fairly, in all material respects, the financial position of the Agency at 31 December 2019, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer. These are based on internationally accepted accounting standards for the public sector.

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<sup>4</sup> The financial statements comprise the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets and a summary of significant accounting policies and other explanatory notes.

<sup>5</sup> The reports on implementation of the budget comprise the reports which aggregate all budgetary operations and the explanatory notes.

## Legality and regularity of the transactions underlying the accounts

### Revenue

#### Opinion on the legality and regularity of revenue underlying the accounts

**06** In our opinion, revenue underlying the accounts for the year ended 31 December 2019 is legal and regular in all material respects.

### Payments

#### Opinion on the legality and regularity of payments underlying the accounts

**07** In our opinion, the payments underlying the accounts for the year ended 31 December 2019 are legal and regular in all material respects.

## Basis for opinions

**08** We conducted our audit in accordance with the IFAC International Standards on Auditing (ISAs) and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities' section of our report. We are independent, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance

**09** In accordance with Articles 310 to 325 of the TFEU and the Agency's Financial Regulation, management is responsible for preparing and presenting the Agency's accounts on the basis of internationally accepted accounting standards for the public sector and for the legality and regularity of the transactions underlying them. This includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that

are free from material misstatement, whether due to fraud or error. The Agency's management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the official requirements which govern those statements. The Agency's management bears the ultimate responsibility for the legality and regularity of the transactions underlying the Agency's accounts.

**10** In preparing the accounts, the Agency's management is responsible for assessing the Agency's ability to continue as a going concern. It must disclose, as applicable, any matters affecting the Agency's status as a going concern, and use the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**11** Those charged with governance are responsible for overseeing the Agency's financial reporting process.

### **The auditor's responsibilities for the audit of the accounts and underlying transactions**

**12** Our objectives are to obtain reasonable assurance about whether the accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular, and to provide, on the basis of our audit, the European Parliament and the Council or the other respective discharge authorities with statements of assurance as to the reliability of the Agency's accounts and the legality and regularity of the transactions underlying them. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement or non-compliance when it exists. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

**13** For revenue, we verify subsidies received from the Commission or cooperating countries and assess the Agency's procedures for collecting fees and other income, if any.

**14** For expenditure, we examine payment transactions when expenditure has been incurred, recorded and accepted. This examination covers all categories of payments (including those made for the purchase of assets) other than advances at the point they are made. Advance payments are examined when the recipient of funds provides justification for their proper use and the Agency accepts the justification by clearing the advance payment, whether in the same year or later.

**15** In accordance with the ISAs and ISSAIs, we exercise our professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the European Union, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement or non-compliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the accounts, including the disclosures, and whether the accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Agency to express an opinion on the accounts and transactions underlying them. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.
- Considered the audit work of the independent external auditor performed on the Agency's accounts as stipulated in Article 70(6) of the EU Financial Regulation, where applicable.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit. From the matters on which we communicated with the Agency, we determine those matters that were of most significance in the audit of the accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**16** The observations which follow do not call the Court's opinion into question.

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

**17** We found instances of non-compliance in the management of the procurement procedures. In particular, the issue of re-opening of competition had been identified in our audits in previous years without being satisfactorily resolved.

**18** Framework contracts are agreements with suppliers to establish terms governing specific purchases during the life of the agreement. The Agency signed a framework contract with a single operator for the procurement of facility-management consulting services. The contract had a ceiling of 1,78 million euros. However, the terms used in the contract were not specific enough to allow for fair competition. This was because the specific requirements concerning the services to be provided were not yet known at the time of the procurement procedure, as the services in the scope of the contract were only generically defined. According to the Financial Regulation, in such circumstances the contracting authority must award a framework contract to multiple operators, and a competitive procedure between the selected contractors must be used for specific purchases.

**19** For a procedure concerning the procurement of IT services with a value of up to 3,5 million euros, the Agency required potential tenderers to submit evidence that their minimum annual turnover was at a level which exceeded the maximum allowed by the Financial Regulation.

**20** For three out of four procurement procedures audited, the Agency did not publish the estimated volume of the contract as required by the Financial Regulation.

## Follow-up of previous years' observations

**21** An overview of the action taken in response to the Court's observations from previous years is provided in the **Annex**.

This Report was adopted by Chamber IV, headed by Mr Alex Brenninkmeijer, Member of the Court of Auditors, in Luxembourg on 22 September 2020.

*For the Court of Auditors*

A handwritten signature in black ink, appearing to read 'K-H se', written in a cursive style.

Klaus-Heiner Lehne

*President*



## Annex - Follow-up of previous years' observations

Year	Court's observations	Action taken to respond to Court's observations (Completed / Ongoing / Outstanding / N/A)
2016	The Agency has accumulated a 52 million euro surplus from industry-financed activities over the years <sup>6</sup> , for which there is no provision in the Agency's Founding Regulation.	<b>Ongoing</b> <b>(Not under the Agency's control)</b>
2017	The Agency publishes vacancy notices on its own website and on social media, but not on the website of the European Personnel Selection Office (EPSO).	<b>Completed</b>
2017	E-procurement: by the end of 2017 the Agency had introduced e-tendering and e-submission for certain procedures, but not e-invoicing.	<b>Completed</b>
2018	The terms used in the framework contract with a single operator were not specific enough to allow fair competition. The Agency should design framework contracts, which allow fair competition and ensure value for money.	<b>Ongoing</b>

<sup>6</sup> In 2014 and 2015, there were surpluses of 15,3 million and 16,9 million euros, respectively. By the end of 2018, the surplus amounted to 52 million euros.

Year	Court's observations	Action taken to respond to Court's observations (Completed / Ongoing / Outstanding / N/A)
<b>2018</b>	The Agency awarded the contracts solely on the basis of the quality of the services without evaluating their price. The Agency should base its award decision on quality and price aspects and ensure that contracts are signed only after having verified the exclusion criteria.	<b>Completed</b>
<b>2018</b>	The Agency committed the funds for an agreement with the Commission on archiving services after the renewal of the agreement. The commitment of funds should be recorded before entering a legal obligation in order to ensure that funds are available.	<b>Ongoing</b>

# ECA Legality and Regularity report

## EASA - The Agency's reply

18

The Agency concurs with the Court's observation and will ensure that for such cases either a multiple framework contract with re-opening of competition shall be launched or will care for sufficiently precise terms of the needs resulting in a single framework contract or multiple framework contract in cascade.

19

The turnover was calculated based on an initial contract value estimation of EUR 4 million; later it was omitted to update the turnover requirement prior to publication.

The Agency will especially monitor and verify that this criterion is compliant to the Financial Regulation in the future.

20

The Agency had published the volume for all four procedures, however, for three of them only in the tender specifications. The Agency appreciates the advice from the Court and will ensure to either contain an indication of magnitude in the Contract Notice (CN) itself or to make a reference in the CN to the section of the tender specifications where the volume is set, contributing to an increase of transparency.

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