



EUROPEAN
COURT
OF AUDITORS

Summary of results from the Court's 2014 annual audits of the European Agencies and other bodies

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INTRODUCTION

1. Pursuant to the provisions of Article 287 of the Treaty on the functioning of the European Union, the Court has issued an opinion on the reliability of the accounts and on the legality and regularity of the underlying transactions, for the financial year ended 31 December 2014, for each of the 32 regulatory agencies, six executive agencies, the Euratom Supply Agency (Euratom), the European Institute of Innovation and Technology (EIT) and the Europol Pension Fund (see **Table 1**).
2. As in prior years the Court has audited the legality and regularity of the transactions. However, 2014 is the first year whereby the annual accounts of the 30 Union-subsidised regulatory agencies and EIT were verified by an independent external auditor (audit firm) according to Article 208(4)¹ of the new EU Financial Regulation and Article 107(1)² of the new framework financial Regulation for agencies. The Court's opinion on these accounts considered the audit work performed by the independent external auditor and the action taken in response to the auditor's findings.
3. For the Euratom Supply Agency, two fully self-financed agencies (OHIM and CPVO), the six executive agencies and the Europol Pension Fund (EPF), the Court carried out its own audit work on the annual accounts.

Table 1 – Audit arrangements by cluster

	Agencies audited by the Court	Audited by ECA only	Audited by ECA + external auditor	Total
Regulatory Agencies	Union-subsidised agencies	-	30	32
	Self-financed agencies – OHIM and CPVO	2	-	
Executive agencies	EACEA, REA, ERCEA, EASME, INEA and CHAFAA	6	-	6

¹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

² Article 107 of Commission delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

Other bodies	Euratom and EPF	2	-	3
	EIT	-	1	
Total		10	31	41

4. Details on the audited agencies, their budgets and staff are provided in **Annex I**.

5. This summary provides an overview of the results of the Court's annual audits of the agencies for the financial year 2014. It aims to facilitate the analysis and comparison of the Court's specific reports. The Court's opinions and comments as well as the agencies' replies can be found in the Specific Annual Reports (SAR). This summary is not an audit report or opinion.

6. 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.

7. 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 (five) or Luxembourg (one).

8. EIT in Budapest is an independent, decentralised EU body which pools scientific, business and education resources to boost the Union's innovation capacity.

9. Euratom in Luxembourg was created to support the aims of the European Atomic Energy Community Treaty.

10. 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.

11. The agencies' total 2014 budget amounted to some 1,9 billion euro (2013: 2 billion euro) or about 1,4 % of the 2014 EU general budget (2013: 1,4 %). Approximately 1,2 billion euro comes from the European Commission's subsidies and the rest is income from fees and

other sources. The agencies employ 6 578 (2013: 6 536) permanent and temporary officials or 14 % (2013: 14 %) of total EU officials authorised under the EU general budget (staff establishment plan). In addition, some 3 200 (2013: 2 900) other staff are working for the agencies (contractual or seconded staff). The increase in staff is primarily concentrated in those agencies assigned additional tasks, those with supervisory responsibility for the financial industry, and the executive agencies with additional responsibilities under Horizon 2020 and other programmes.

12. Whereas financial risk related to the agencies is relatively low compared to the total EU budget, the reputational risk for the Union is high. Nevertheless, the agencies 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

13. Regarding the 31 agencies audited by an independent external auditor, the Court has reviewed the work of the audit firms in accordance with international audit standards. In forming its opinion on the reliability of the accounts expressed in the SARs, the Court took into account the audit firms' work.

14. There is adequate assurance for the Court to base its own audit opinions on the reliability of the accounts using the private audit firms' work.

15. Regarding the legality and regularity of transactions, for which the Court remains exclusively responsible, the audit approach comprises analytical audit procedures, direct testing of transactions and an assessment of the agencies' internal controls.

16. For the remaining 10 agencies, the Court continued to perform the audit of both the legality and regularity of the underlying transactions and the reliability of the accounts.

AUDIT RESULTS

Opinions on the reliability of the accounts

17. The final accounts of the 41 agencies present fairly, in all material respects, their financial position as at 31 December 2014 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.

18. The Court included emphasis of matter³ paragraphs in relation to the reliability of the accounts of European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA) and the EPF. In the case of eu-LISA, the situation to which the Court drew attention in its 2013 SAR continues, namely the need for reliable and complete data for the valuation of the agency's core information systems, including the costs of hardware, off-the-shelf software and software development. These assets are being depreciated and while still material for 2014, the amount involved is decreasing each year. In the case of the EPF, the Court drew attention to the fact that the EPF's 2014 accounts were prepared on a going concern basis whereas it is expected that by the end of 2015 there will be no active participants and the liquidation of the Fund is currently being assessed.

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

19. The Court concluded that for the 41 agencies, the transactions underlying the annual accounts for the year ended 31 December 2014 were legal and regular in all material respects.

20. The Court included an emphasis of matter paragraph in relation to the legality and regularity of the transactions underlying the accounts of EIT. The grant agreements signed under the Framework Partnership Agreements (FPA) with the three first "Knowledge and Innovation Communities" (KICs) stipulate that the EIT financial contribution may not exceed

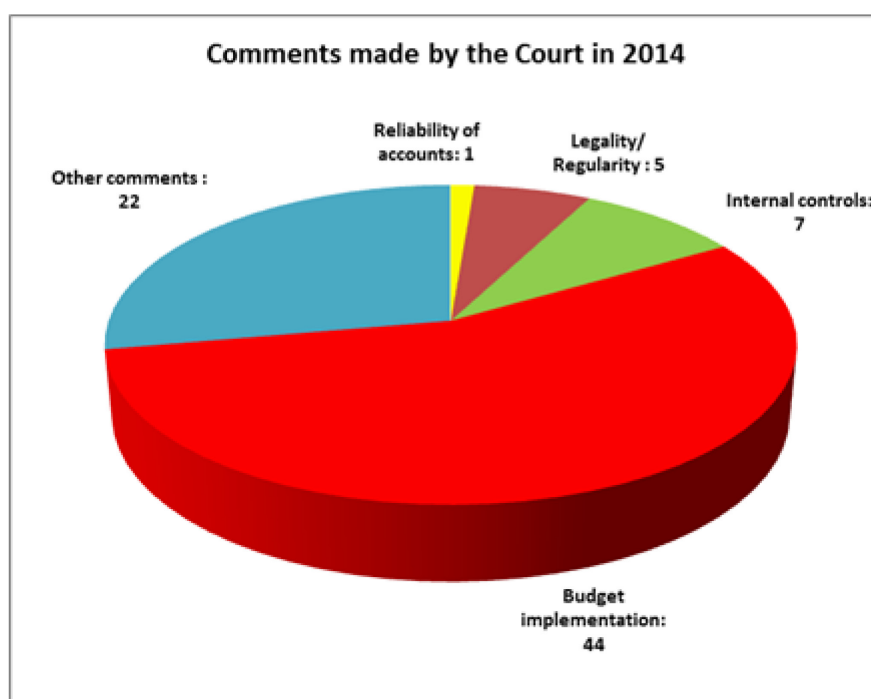
³ An Emphasis of Matter paragraph is used to draw readers' attention to a matter which is not materially misstated in the accounts, but is of such importance that it is fundamental to users' understanding of the accounts.

25 % of the KIC's global expenditure over the first five years, from 1 January 2010 to 31 December 2014.

Comments not calling the Court's opinions into question

21. Without calling its opinions into question, the Court made a total of 79 comments (2013: 97) affecting 35 agencies (2013: 35) 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 2014 annual accounts.

22. An overview of the comments made for each of the agencies is provided in **Annex II**. A summary of the most frequent comments and/or those comments of particular relevance is provided below.

Comment on the reliability of accounts

23. In addition to the two emphasis of matter paragraphs previously noted, there was one comment on the reliability of the accounts affecting European Securities and Markets Authority (ESMA) that addresses the disclosure of revenue based on estimated amounts rather than actual amounts.

Comments on the legality and regularity of transactions

24. The five comments (2013: seven) in this category affect five agencies (2013: seven) and relate to weaknesses in procurement procedures regarding the clarity of the tender technical specifications and the timeliness of the calls for tender; weaknesses in grant controls and compliance with regulatory dates for the collection of fees.

Comments on internal controls

25. The seven comments (2013: 17) affect seven agencies (2013: 10). In two cases they relate to weaknesses in grant controls (2013: two) and in another case to weaknesses in controls over assets (2013: two); the other comments refer to different internal control shortcomings. Overall, there has been a significant improvement in internal control. Comments decreased by more than 50 % and there are no comments related to non-implementation of internal control standards (ICS).

Comments on budget implementation

26. A high level of carry-overs of committed appropriations remains the most frequent comment in this area and affected 28 agencies (2013: 24). Although it 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.

27. High rates of cancellation of carry-overs from previous years were noted in eight cases (2013: seven). Such cancellations indicate that the appropriations carried over were made on the basis of over-estimated needs or were otherwise not justified.

28. There are three comments on insufficient commitments (2013: six) and one comment on high budget transfers (2013: three).

Other comments

29. There was a total of 22 other comments (2013: 22) made in respect of 17 agencies (2013: 15), of which seven relate to matters of sound financial management. Four of the seven observations related to weaknesses in procurement and contract management: the accumulation of significant overheads and profits; insufficient competition on price due to excessive concentration on quality; planned objective and activities not sufficiently specific to justify the procurement decision; and poor planning to replace an existing contract which affected fair competition.

30. During the audit of one agency, a miscalculation in salaries, resulting in the underpayment of some EU staff recruited before the application of the 2004 Staff Regulations was detected by the Court. Following further checks requested by the Court the same problem was found in 18 other agencies (total underpayments some 378 670 euro). However the sums involved were only significant for six agencies and thus specifically mentioned in the relevant SAR. A difference of opinion exists between the agencies and the PMO as to where responsibility for the error lies.

31. The European Environment Agency (EEA) contracted backup services with a cloud services provider using an inter-institutional contract procured by DIGIT. The conditions of the contract did not ensure that the privileges and immunities of the European Communities, which are applicable to the Agency, were guaranteed, nor that the privacy guarantees granted by Article 7 of the Charter of Fundamental Rights to citizens of the European Union are respected. It is likely that other agencies will use such services in future. It is important that they ensure that such services provide full protection of the privileges and immunities necessary for the performance of the Agency and privacy of EU citizens.

Follow-up of previous years' comments

32. The 2014 specific annual reports provide an overview of follow-up actions taken by the agencies in response to open comments from previous years. Annex III shows that for the 153 comments open at the end of 2013, corrective action was completed during 2014 in 51 cases; remained ongoing in 41 cases; and six comments remained outstanding. No corrective action was required for 55 comments, mainly in relation to justified budget carry-overs.

CONCLUSIONS

33. All agencies have produced reliable accounts. The Court expressed two emphases of matter for eu-LISA and EPF.

34. The Court concluded that transactions underlying the accounts were legal and regular for all agencies and expressed one emphasis of matter for EIT.

35. There was one comment in respect of the EEA's use of cloud services.

36. There were six observations related to underpayments of EU staff recruited before the application of the 2004 Staff Regulations.

37. Agencies further improved their procedures by taking corrective action in response to the Court's comments from previous years. Nevertheless, there is still room for improvement, as indicated by the number of comments made in 2014.

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

Annex I

Agency	Parent DG	Policy Area
Regulatory Agencies		
European Medicines Agency – EMA	SANCO	Health and Consumer Protection
Office for Harmonisation in the Internal Market – OHIM	MARKT	Internal Market
European Aviation Safety Agency – EASA	MOVE	Mobility and Transport
European Agency for the Management of Operational Cooperation at the External Borders – FRONTEX	HOME	Home Affairs
European Police Office – EUROPOL	HOME	Home Affairs
European Food Safety Authority – EFSA	SANCO	Health and Consumer Protection
European Maritime Safety Agency – EMSA	MOVE	Mobility and Transport
European Centre for Disease Prevention and Control – ECDC	SANCO	Health and Consumer Protection
Translations Centre for the Bodies of the EU – CDT	LANGUAGE	Language Services
European Environment Agency - EEA	ENV-CLIM	Environment
European Body for the Enhancement of Judicial Cooperation – EUROJUST	HOME	Justice
European Chemicals Agency – ECHA	ENTERPRISE AND INDUSTRY	Enterprise
European Railway Agency – ERA	MOVE	Mobility and Transport
European Union Agency for Fundamental Rights – FRA	JUSTICE	Justice
European Banking Authority – EBA	MARKT	Internal Market
European foundation for improvement of living & working conditions – EUROFOUND	EMPL	Employment and Social Affairs
European Training Foundation – ETF	EAC	Education and Culture
European Securities and Markets Authority – ESMA	MARKT	Internal Market
European Centre for the Development of Vocational Training – CEDEFOP	EAC	Education and Culture
European Insurance and Occupational Pensions Authority – EIOPA	MARKT	Internal Market
European Monitoring Centre for Drugs and Drug Addiction – EMCDDA	HOME	Home Affairs
European Agency for Safety and Health at Work – EU-OSHA	EMPL	Employment and Social Affairs
Community Plant Variety Office – CPVO	SANCO	Agriculture and Rural Development
European GNSS Agency – GSA	ENTERPRISE AND INDUSTRY	Enterprise
European Fisheries Control Agency – EFCA	MARE	Maritime Affairs & Fisheries

2014			
Forecasted Income budget ² (million euro)	Entitlements established ² (million euro)	Amounts received ² (million euro)	Staff establishment plan ³
282	311	272	599
194	196	196	844
162	145	137	685
98	87	87	152
84	85	85	450
80	80	80	344
58	58	58	210
60	59	59	194
56	48	47	203
43	53	52	135
34	34	34	209
33	37	37	495
26	26	26	140
21	21	21	75
34	34	34	111
21	21	21	99
20	21	21	94
33	32	32	133
18	17	17	98
22	22	22	87
15	16	16	82
15	15	15	43
15	13	13	47
25	358	358	96
9	9	9	53

2013			
Forecasted Income budget ² (million euro)	Entitlements established ² (million euro)	Amounts received ² (million euro)	Staff establishment plan ³
252	269	240	611
418	189	189	861
151	125	125	692
94	92	92	153
83	83	83	457
76	76	76	351
57	58	56	213
58	59	59	198
52	54	50	206
49	63	63	138
32	32	32	213
99	98	98	503
26	26	26	143
22	22	22	78
26	26	26	93
21	21	21	101
20	22	22	96
28	30	30	121
19	18	18	100
19	18	18	80
16	16	16	84
15	16	16	44
14	13	13	48
14	54	54	77
9	9	9	54

European Institute for Gender equality – EIGE	JUSTICE	Justice
European Police College – CEPOL	HOME	Home Affairs
European Network and Information Security Agency – ENISA	INFSO	Information Society and Media
European Agency for the Cooperation of Energy Regulators – ACER	ENER	Energy
European Asylum Support Office – EASO	HOME	Home Affairs
Office of the body of European Regulators for Electronic Communications – BEREC	INFSO	Information Society and Media
European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice - eu-LISA	HOME	Home Affairs
Executive Agencies		
Education, Audiovisual and Culture Executive Agency – EACEA	EAC	Education and Culture
Research Executive Agency – REA	RTD	Research and Innovation
European Research Council Executive Agency – ERCEA	RTD	Research and Innovation
Executive Agency for Small and Medium-sized Enterprises - EASME (previously EACI)	ENER	Energy, Entrepreneurship and Innovation
Innovation and Networks Executive Agency – INEA (previously TEN-TEA)	MOVE	Mobility and Transport
Consumers, Health, Agriculture and Food Executive Agency – CHAFEA (previously EAHF)	SANCO	Consumer Protection
Other Bodies		
European Institute of Innovation and Technology – EIT	EAC	Innovation and Technology
Euratom Supply Agency ¹ – EURATOM	ENER & RTD	Energy and Innovation
Europol Pension Fund – EPF	HOME	Administrative Expenditure of Europol
Total		

7	7	7	29
9	9	9	27
10	10	10	48
11	11	11	54
16	13	13	51
4	4	4	16
65	57	57	120
47	47	47	108
52	52	52	145
36	36	36	100
24	25	25	77
13	14	14	49
7	7	7	12
175	167	167	39
0,1	0,1	0,1	25
n/a	n/a	n/a	n/a
1 934	2 257	2 208	6 578

7	8	8	30
8	9	9	28
10	10	9	47
12	12	12	49
11	10	10	45
4	4	4	16
34	19	19	120
51	52	52	105
47	47	47	140
40	40	40	100
16	16	16	37
10	10	10	33
7	7	7	12
99	97	97	34
0,1	0,1	0,1	25
n/a	n/a	n/a	n/a
2 026	1 830	1 794	6 536

	2014	2013
Commission subsidy part in agencies' income:	60,5%	51,9%
Agencies' forecasted income budget in comparison with EU general budget:	1,4%	1,4%
Agencies' staff establishment plan in comparison with total under the EU general budget:	14,1%	14,0%

¹ Euratom Supply Agency is not consolidated in the EU annual accounts;

² According to 2014/2013 consolidated EU annual accounts.

³ Permanent and temporary EU officials (AD, AST and AST/SC) only, according to staff establishment plan.

		Total No of comments	Reliability of accounts	Legality/Regularity of Transactions				Internal controls			Budget Implementation					Other comments			
				Weaknesses in procurement procedures	Weaknesses in grant controls	Carry overs without legal commitment	Delays in collecting fees	Weak controls over fixed assets / stock taking	Weak grant controls	Other	High carry-overs	High budget transfers	High cancellations of 2013 carry-overs	Insufficient commitments	Other	SFM	Miscalculation in staff salaries	High turnover of staff	Other
1	ACER- Ljubljana	3									X				X				X
2	BEREC -Riga	3									X	X			X				
3	CdT - Luxembourg	1														X			
4	CEDEFOP - Thessaloniki	0																	
5	CEPOL - Budapest	2									X		X						
6	CHAFEA - Luxembourg	1									X								
7	CPVO - Angers	2								X									X
8	EACEA - Brussels	1									X								
9	EASA - Koln	2									X					X			
10	EASME - Brussels	3									X		X	X					
11	EASO - Valletta	7			X					X	X		X	X		X		X	
12	EBA - London	1									X								
13	ECDC - Stockholm	1									X								
14	ECHA - Helsinki	2									X				X				
15	EEA - Kobenhavn	3		X					X										X
16	EFCA - Vigo	0																	
17	EFSA - Parma	1															X		
18	EIGE - Vilnius	1									X								
19	EIOPA - Frankfurt	1									X								
20	EIT - Budapest	4							X					X				X	X
21	EMA - London	4					X	X								X			X
22	EMCDDA - Lisboa	1									X								
23	EMSA - Lisboa	0																	
24	ENISA - Heraklion	1									X								
25	EPF - The Hague	0																	
26	ERA - Valenciennes	2									X					X			
27	ERCEA - Brussels	1						X											
28	ESMA - Paris	4	X	X							X		X						
29	ETF - Torino	3									X		X				X		
30	EU-LISA - Tallinn	2									X		X						
31	EU-OSHA - Bilbao	2									X						X		
32	EURATOM - Luxembourg	0																	
33	EUROFOUND - Dublin	2									X						X		
34	EUROJUST - The Hague	2									X				X				
35	EUROPOL - The Hague	2									X		X						
36	FRA - Wien	2									X						X		
37	FRONTEX - Warsaw	4			X						X								XX
38	GSA - Prague	3									X					XX			
39	INEA - Brussels	1									X								
40	OHIM - Alicante	4								X	X		X				X		
41	REA - Brussels	0																	
Subtotals:		79	1	2	1	1	1	2	2	3	28	1	8	3	4	7	6	2	7
Totals:			1	5				7			44					22			

1%

6%

9%

56%

28%

Follow-up of open 2012 and 2013 comments not calling the Court's opinions into question

Annex III

		Total	Completed	Ongoing	Outstanding	N/A
	Regulatory Agencies					
1	European Medicines Agency – EMA	1	1			
2	Office for Harmonisation in the Internal Market – OHIM	4	1	1	1	1
3	European Aviation Safety Agency – EASA	3		2		1
4	European Agency for the Management of Operational Cooperation at the External Borders – FRONTEX	11	3	4		4
5	European Police Office – EUROPOL	3		2		1
6	European Food Safety Authority – EFSA	3	2	1		
7	European Maritime Safety Agency – EMSA	3	1	2		
8	European Centre for Disease Prevention and Control – ECDC	6	1	1		4
9	Translations Centre for the Bodies of the EU – CDT	5	3	1	1	
10	European Environment Agency – EEA	2		2		
11	European Body for the Enhancement of Judicial Cooperation – EUROJUST	3	1	1		1
12	European Chemicals Agency – ECHA	2				2
13	European Railway Agency – ERA	6	2	4		
14	European Union Agency for Fundamental Rights – FRA	2				2
15	European Banking Authority – EBA	3		1		2
16	European foundation for improvement of living & working conditions – EUROFOUND	5	2	1		2
17	European Training Foundation – ETF	1		1		
18	European Securities and Markets Authority – ESMA	10	4	5		1
19	European Centre for the Development of Vocational Training – CEDEFOP	0				
20	European Insurance and Occupational Pensions Authority – EIOPA	4	2			2
21	European Monitoring Centre for Drugs and Drug Addiction – EMCDDA	4	3			1
22	European Agency for Safety and Health at Work – EU-OSHA	2				2
23	Community Plant Variety Office – CPVO	3	2			1
24	European GNSS Agency – GSA	2				2
25	European Fisheries Control Agency – EFCA	2				2
26	European Institute for Gender equality – EIGE	3	2			1
27	European Police College – CEPOL	8	4	3		1
28	European Network and Information Security Agency – ENISA	5	1	1		3
29	European Agency for the Cooperation of Energy Regulators – ACER	5	4			1
30	European Asylum Support Office – EASO	8		3	2	3
31	Office for the body of European Regulators for Electronic Communications – BEREC	6	2	2		2
32	European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice – eu-LISA*	8	2	1	1	4
	Executive Agencies					
33	Education, Audiovisual and Culture Executive Agency – EACEA	1				1
34	Research Executive Agency – REA	0				

35	European Research Council Executive Agency – ERCEA	0				
36	Executive Agency for Small and Medium-sized Enterprises - EASME (previously EACI)	1			1	
37	Innovation and Networks Executive Agency – INEA (previously TEN-TEA)	3	2			1
38	Consumers, Health, Agriculture and Food Executive Agency – CHAFEA (previously EAHF)	2				2
	Other Bodies					
39	European Institute of Innovation and Technology – EIT	9	4	2		3
40	Euratom Supply Agency – EURATOM	3	2			1
41	Europol Pension Fund – EPF	1				1
Totals		153	51	41	6	55