2006 discharge: European Railway Agency

2007/2062(DEC) - 15/11/2007

PURPOSE: presentation of the report by the Court of Auditors on the 2006 annual accounts of the European Railway Agency.

CONTENT: the report indicates that the appropriations entered in the Agency's budget for the financial year in question are **EUR 14.398 million**, EUR 10.422 million was committed and EUR 7.742 million paid. Of this overall amount, EUR 2.68 million was carried over to 2007 and EUR 3.976 million was cancelled.

The Court notes that the annual accounts are reliable in all material respects and that the underlying transactions of the accounts, taken as a whole, are legal and regular. However, the Court expresses **concern regarding the tendering procedure** used by the Agency.

Analysis of the accounts by the Court: the Court notes that in its first year of financial autonomy, the Agency implemented 72% of its commitment appropriations. The levels of carryover for administrative expenditure (Title II) and operating expenditure (Title III) were 37.5% and 85% respectively. Thus, the budgetary principle of **annuality** was not strictly observed.

The Court recalls that the Agency is located in two towns: its administrative headquarters is in Valenciennes, yet its meetings must be held in Lille. The Agency has not yet found a way of offsetting the costs resulting from its obligation to be located in two different towns. The internal control system showed some weaknesses in this area.

The Court also pointed out that the examination of the **tendering procedures** showed various **anomalies**:

- Use of expired contracts (for a total of EUR 49 000),
- Irregular extensions of existing contracts (for a total of EUR 630 000).

Thus, the Agency must launch procurement procedures for those areas currently covered by contracts, which have not been the subject of regular procedures.

The Agency's replies: the Agency replies to all of the criticisms one by one and indicates that the programmed activities for 2006 were not fully implemented as the Agency was still in its start-up phase. In 2007, the Agency indicates that it shall proceed to an in-depth analysis of the programming of its activities, the resources required and the budget to be allocated, together with a plan for calls for tenders.

The Agency points out, moreover, that it is currently negotiating with the host state authorities, the possibility of entering into a Seat Agreement. In this context, the host state (FR) has agreed to make a substantial contribution to the rent of the future new building in Valenciennes, which will partly offset the annual costs (estimated at EUR 450 000) that result from the Agency's double location.

Lastly, the Agency points out that in order to prevent such situations in terms of calls for tenders, as described by the Court, arising in future, a procurement function was created in June 2007. Its task is to coordinate and supervise the procurement procedures.