2007 discharge: European Railway Agency ERA

2008/2270(DEC) - 05/12/2008

PURPOSE: presentation of the report by the Court of Auditors on the 2007 annual accounts of the European Railway Agency.

CONTENT: the Court of Auditor's report includes a detailed section on the Agency's expenditure and an analysis of the expenditure, as well as the Agency's replies.

- **Analysis of the accounts by the Court**: the Court has **several reservations about certain aspects of the management of the budget**. It makes a series of observations, in particular, as regards budget management. Agency's final budget for 2007 amounted to EUR 16.6 million (including a reserve of EUR 1.9 million), as compared to EUR 14.4 million for 2006. Appropriations cancelled at the end of 2007 amounted to EUR 3.4 million, including the EUR 1.9 million reserve which had remained unused. In addition to the cancelled appropriations, EUR 2.7 million were carried over to 2008. This means that more than 35 % of the final 2007 appropriations had not been used during the year. This situation shows that the Agency's programming and budgeting procedures were affected by serious weaknesses. Despite this significant level of unused appropriations, in 2007 the Agency had requested extra cash equivalent to the sum of its whole budget. The fact that such large amounts were left unused shows that the Agency's cash forecasts had not been prepared rigorously, which was at odds with the principle of sound financial management. Moreover, the Court noted that the Agency has not yet carried out a physical inventory of its fixed assets. Discrepancies were also found in the selection procedures. Weaknesses were identified in the area of procurement.
- **Agency's replies**: the Agency states that its 2007 budget was prepared when the Agency had only just become financial independent which means that there was no past experience to base estimations on, in particular for operational expenditure. As regards the inventory, a physical inventory was carried out in June 2008 and all the fixed assets are now labelled and will be recorded in the inventory. The Agency states that due to the limited staff and the workload, it is not always possible to invite members with the same group of function or the same grade. As regards procurement, the Agency has already initiated significant corrective measures in this area in 2007 but acknowledges that some improvements are still needed. The Agency is preparing a procurement manual in order to standardise its procedures.