2007 discharge: European GNSS Supervisory Authority GSA

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PURPOSE: to present the Court of Auditors report on the 2007 accounts of the European GNSS (Global Navigation Satellite System) Supervisory Authority.

BACKGROUND: the Supervisory Authority for the European Global Navigation Satellite System (GNSS) was set up as a Community Agency by Council Regulation (EC) No 1321/2004 to manage the public interests relating to the European GNSS programmes and to act as the regulatory authority for the programme during the deployment and operational phases of the Galileo Programme. The Authority took over responsibility for its financial operations in September 2006 and 2007 is its first full year of activity.

Council Regulation (EC) No 1942/2006 extended the mandate of the Authority to cover the activities of the development phase (first phase of the Galileo Programme) which the Galileo Joint Undertaking (GJU) had not been able to finalise before its winding-up on 31 December 2006. In 2007, the Galileo Joint Undertaking transferred EUR 80.5 million to the Authority in addition to the EUR 70 million already transferred at the end of 2006.

Although the Authority had been set up to monitor the deployment phase of the Galileo project, this approach was abandoned due to a dispute on the issue of the risks relating to the project. In November 2007, the Council decided to relinquish the concession-contract option and to fund construction (deployment) from the EU budget. The entire architecture of the project had thus to be redesigned and the Commission lodged a proposal to amend Regulation No 1321/2004 on 19 September 2007. This proposal does not clarify the Authority's new role and refers, without any further detail, to delegation agreements to be concluded by the Authority and the ESA (European Space Agency) regarding the management of the programme's funds and the ownership of its assets.

It was in this fragile legal environment that the Authority's accounts were prepared at the end of 2007 and that the Court now establishes its report, with a statement of assurance presenting a number of reservations. Therefore, while the transactions underlying the Authority's annual accounts are, taken as a whole, legal and regular, **the same cannot be said for the reliability of the accounts**.

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

- **Analysis of the accounts by the Court**: in its report, the Court criticises the Authority in a very large number of areas. The main criticisms can be summarised as follows: the Authority's final 2007 budget was EUR 436.5 million. The budget was mainly financed from Commission subsidies, transfers from the Galileo Joint Undertaking (GJU) and third countries contributions. The appropriations actually made available to the Authority (EUR 210 million) were substantially lower than the EUR 436.5 million initially foreseen due to the delays incurred by the Galileo programme. Even with a de facto 50% budget reduction, the Court notes that the consumption level of commitment and payment appropriations for operational activities was low. Moreover, there were weaknesses in the management of the budget in addition to the inconsistent presentation of the budget's implementation. The Court also notes problems in managing assets: at the end of 2007, the process of ownership transfer of the Galileo project's assets was far from complete. Despite the signature of transfer agreements between the interested parties (GJU, ESA and the Authority), no list of the Galileo project's assets held by the ESA had been established at the end of 2007, so the

Authority was unable to disclose their existence in its accounts. Furthermore, the Court notes that there is no up-to-date accurate inventory of the EGNOS assets and no indication of their value in the Authority's accounts. At the same time, the Court notes misjudgements when taking account of certain amounts in the Authority's balance sheet: prefinancing was not included in the Authority's accounts; certain liquid assets were only partially taken into account; a manifest error in the accounts (the recording of a certain number of amounts in the Authority's balance sheet presents serious shortcomings). That is why the Court considers that, in future, the Authority should adopt clear rules for recording revenue under an accruals accounting system;

- **The Agency's replies**: the Authority offers several clarifications with regard to these criticisms. It notes that it is taking the necessary action to improve its performance in respect of its budget reporting. It attributes the majority of the accounting errors to the legal uncertainty surrounding the Galileo project and to the lack of a clear definition of its tasks and functions. The Authority considers that an inventory of the project's assets is needed to clarify the situation. The Authority also clarifies, to a certain extent, the origin of the prefinancing, but some uncertainties remain as to the role of the Authority in the Galileo and EGNOS projects and its control over the corresponding amounts.