

# 2008 discharge: European Medicines Agency

## EMA

2009/2118(DEC) - 08/10/2009

**PURPOSE:** to present the report by the Court of Auditors on the 2008 annual accounts of the European Medicines Agency (EMA).

**CONTENT:** in the Court's opinion, the Agency's Annual Accounts present fairly, in all material respects, its financial position as of 31 December 2008 and the results of its operations and its cash flows for the year then ended. The transactions underlying the annual accounts of the Agency for the financial year ended are, in all material respects, legal and regular.

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.

- **The Court's analysis of the accounts:** in its report, the Court makes a number of observations, particularly with regard to the budgetary and financial management. It states that of the budget appropriations, EUR 36 million were carried over and EUR 9.7 million were cancelled. As in previous years, the high level of carry-overs for administrative expenditure – EUR 21.4 million - was mainly due for IT expenditure for a programme for the regulation of medical products. This situation has existed for a number of years and is at odds with the annuality principle. The Agency should take the appropriate steps to address this shortcoming. The Agency has had a long standing policy to enter into forward foreign exchange contract for the next financial year in order to hedge part (50 %) of its administrative budget against unfavourable fluctuations of the exchange rate for the sterling. As the 2008 closing sterling rate used for drawing up the financial statements was significantly higher than foreseen when the contract was made (in August 2008), the Agency accounted for a negative fair value movement of EUR 8.7 million in its capital account. The Agency should consider reassessing its policy in the light of the risks incurred. Lastly, the Court states that, as was the case last year, the audit of the tendering procedures showed weaknesses: inadequate evaluation methods for the price criteria, insufficient justification of chosen procedures and other procedural weaknesses. The Agency should aim to improve the quality of its public procurement procedures.
- **The Agency's replies:** the Agency takes note of the Court's observations in terms of difficulties in complying fully with the annuality principle and it will make every effort to respect more closely the this principle. The Agency believes that over the long term it is prudent to manage the currency exposure risk. It has taken into account the Court's observation and an internal management group will look at the hedging strategy to follow for 2010 in conjunction with the Agency's bank. The Agency takes note of the observed weaknesses and has taken action to improve the implementation and accompanying controls of procurement and tender procedures.