2010 discharge: European GNSS Agency (GSA)

2011/2233(DEC) - 25/10/2011 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European GNSS Agency (GSA), together with the Agency's reply.

CONTENT: in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit concerned, amongst others, the annual accounts of the European GNSS Agency.

In the Court's opinion, although the Agency's Annual Accounts fairly present, in all material respects, its financial position as of 31 December 2010 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation, **it gave a qualified opinion in the reliability of the accounts**. During 2010 the Agency purchased tangible fixed assets related to the Galileo programme in the amount of EUR 4.4 million which, in the Court's view, represents an understatement of the economic outturn account by the same amount.

Nevertheless, the Court considers that **the transactions underlying the annual accounts** of the Agency for the financial year ended 31 December 2010 are, in all material respects, **legal and regular.**

The report confirms that FRONTEX's 2010 budget amounted to EUR 15.9 million, and that the number of staff it employed at the end of the year was 42.

The report also makes a series of observations on the budgetary and financial management of the Agency, accompanied by the latter's response. The main observations may be summarised as follows:

The Court's observations:

- budgetary and financial management: as regards the Seventh Framework Programme/Galileo/ Second Call grant procedures, the evaluation process did not clearly distinguish between selection and award criteria;
- evaluation of grant agreements: as regards the Sixth Framework Programme (FP6)/ Third Call, in two grant agreements audited, the cost claims submitted by the beneficiaries were based on standard rates, instead of actual costs. This was not in compliance with the non-profit principle for EU financial contributions. Five audited grants, related mainly to the Sixth Framework Programme, showed delays of between one and three years for their implementation;
- assets: following the entry into force of Regulation (EC) No 683/2008, most of the activities and assets related to the EGNOS and Galileo programmes were transferred to the Commission in December 2009. At 31 December 2010, the status of 2 million euro held by the Agency in respect of technical support from the European Space Agency had still to be determined.
- recruitment: in the staff selection procedures audited, threshold scores were not determined for admission to written tests and interviews or for inclusion in the list of suitable candidates. These practices jeopardised the transparency of the recruitment procedures.

The Agency's responses:

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assets: the GSA did not record this equipment as assets in its accounts for the following reasons: (i) the objective of the IOV/FOC phase is to assess the technical feasibility of the system, which was not validated in 2010; (ii) according to the Matimop Arrangement the equipment was never intended to be acquired by the GSA and was never and shall never be in GSA's control; (iii) from an accounting perspective it was found not prudent to recognise an asset without any economic benefit/value for the GSA; (iv) based on the above and in line with a Commission's consistent accounting practice in such a situation, the costs for the equipment were booked as research expenditure in 2010;

- **evaluation of calls for proposals**: GSA follows standard FP7 evaluation processes, which stipulate a set of eligibility criteria and another set of evaluation criteria. However, the GSA is currently revising the latest FP7 Commission guidelines and rules to ensure absolute compliance ahead of the signature of the third call FP7 grant agreements. Although standardised financial capacity checks were performed, they were not documented appropriately. The GSA is upgrading the internal procedures to ensure that every any financial capacity check is filed accordingly. The grant agreements managed by the GSA for FP6 had been inherited from the predecessor of the GSA, the Galileo Joint Undertaking (GJU). The GJU and the European Space Agency (ESA) had established their FP6 rules, slightly different from the European Commission rules.
- **recruitment**: the GSA has revised the selection procedure. Since 2011, the pre-selection panel determines the threshold scores before the written tests are completed and before the interviews have taken place.

Lastly the Court of Auditors' report contains a **summary of the Agency's activities** in 2010. These may be described as follows:

- support to the European Commission in the implementation of the EGNOS and Galileo programmes;
- strengthening of the Galileo and EGNOS systems security;
- market development (EGNOS market entry; development of international activities in Latin America, Israel, China and Africa);
- information and outreach (EGNOS Information Portal and 'Growing Galileo 2009' event);
- research and development.