2011 discharge: European GNSS Agency (GSA)

2012/2201(DEC) - 16/10/2012 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European GNSS Agency (GSA) for the financial year 2011, 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, the **Agency's Annual Accounts fairly present, in all material respects, its financial position as of 31 December 2011** and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

The Court also considers that the **transactions underlying the annual accounts** of the Agency for the financial year ended 31 December 2011 are, in all material respects, **legal and regular**.

The report confirms that the Agency's 2011 budget amounted to EUR 38.7 million and that the number of staff employed by the Agency 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:

Court's comments:

- budgetary and financial management: the Court notes that ex-post audits carried-out for the Agency by an external audit firm in respect of grant payments made in previous years under the Sixth Framework Programme for Research and Development (FP6) frequently called into question the declarations of cost made by the beneficiaries. At the end of 2011, the amounts in dispute were estimated at EUR 1.7 million or **5% of the audited grants**. In 2011, the Agency made grant payments under the Seventh Framework Programme for Research and Development (FP7) amounting to EUR 5.8 million. In order to verify the expenditure claimed by the beneficiaries (private and public entities performing research), the Agency, although it performs reasonableness checks, does not usually request supporting documentation that would address the risk of ineligible expenditure.
- assets: the Court had qualified its opinion on the reliability of the Agency's 2010 accounts on the grounds of **incorrect accounting treatment of tangible fixed assets related to the Galileo satellite programme**. These assets were incorporated in two satellites that were launched in October 2011. On 27th September 2012 the Court received confirmation from DG ENTR that these assets are now under the control of the Commission and are not to be capitalised in the Agency's accounts according to International accounting standards. The Court considers that there is no longer the basis for a qualification on such grounds for 2011.
- recruitment: as noted in the previous year's report, the staff selection procedures audited showed that the 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.

Agency's replies:

- 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. The final findings of the auditors show that the costs for the sample audited were overstated by EUR 455 836.66 or 1.4% of the audited grants. The GSA plans to recover most of the amounts found to be incorrect by our external auditors, pending agreement with the European Commission;
- as regards the assets, in 2011, the Agency carried out 1 195 payment requests, out of which 140 (11.72%) with some delay. The result of the audit findings is highly influenced by some very particular but in large amounts transactions e.g. transfers of unused funds to the EC and highly complex grant agreement payments. In addition, due to the small size of the Agency, payments during holiday periods can easily be delayed due to the lack of back-ups in some key operational and administrative positions. Improved financial circuits have been implemented from April 2012, which should help reduce to the minimum payment delays;
- on recruitment, the GSA has revised the selection procedure. Since 2012, the pre-selection panel determines the threshold scores at the stage of designing Vacancy Notice.

Lastly the Court of Auditors' report contains a summary of the **Agency's activities in 2011**. 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);
- research and development in the framework of the European research programmes and implementation/update of a web-based knowledge management and dissemination tool.