2014 discharge: European GNSS Agency (GSA)

2015/2182(DEC) - 15/09/2015 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European GNSS Agency for the year 2014, 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 (GSA).

Statement of assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the Agency, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2014, and
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2014 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts: in the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects.

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 management**: the Court stated that the level of carry-overs for committed appropriations was high for administrative expenditure, reaching 54 %. These carry-overs mainly concerned services provided to the Agency in 2014 for which invoices were not received until 2015 (IT contracts);
- **public procurement**: in 2013, the Agency had awarded an 8-year service contract for the exploitation of the European Geostationary Navigation Overlay Service (EGNOS) with a value of EUR 436 million (initial contract) to a contractor. In 2014, following a direct negotiated procedure, GSA amended the initial contract for an amount of EUR 6.3 million for the purchase and maintenance of 14 satellite signal receivers and 14 signal generators and some other equipment in relation to EGNOS. An arrangement between the contractor and its two subcontractors was set up, as under the initial contract, which led to an accumulation of overheads and profits. Out of this amount, only EUR 3.2 million related to direct costs (materials, labour, transport and insurance, travel and subsistence). Overheads and other costs accounted for EUR 1.4 million and profits and remuneration of sub-contractors for EUR 1.7 million.

The Agency's reply:

- **budgetary management**: the Agency stated that carry-overs of committed appropriations were high for administrative expenditure and reached around EUR 3.4 million, i.e. 54 %;
- **public procurement**: the GSA confirmed that ESSP industrial organisation may lead to accumulation of overheads and profits. However, this is in line with the 8-year EGNOS Service Provision contract (the ESP contract), which was awarded through a competitive tender to ESSP for the services procured. The ESP contract type -direct single service contract- was chosen in order to secure service continuity requirement for Safety-of-Life (SoL) service based on qualified/certified system; yet, it functions effectively as a framework contract (FWC). Therefore the ESP amendment for EUR 6.3 million for the purchase and maintenance of 14 satellite receivers and 14 signal generators cannot be seen as a standalone procurement and ensuing contract but it must be considered as an intrinsic and non-separable part of the ESP contract necessary to secure the maintenance of the system as qualified and the delivery of the SoL service complying with the mandatory certification. It follows that the freely chosen industrial setup of main ESP contract also had to be respected.

Lastly, the Court of Auditors' report contains a summary of the **Agency's activities in 2014**. This is focused on the following:

Budget: EU subsidy of EUR 25.3 million. In addition, the GSA manages under delegation from the European Commission operational activities linked to the exploitation and commercialization of the EGNOS and Galileo systems. For this type of activity, the level of open commitments managed by the Agency by the end of 2014 was of EUR 694.3 million. Payments managed linked to delegated activity amounted to EUR 130.7 million euro in 2014.

Activities:

- **security**: security accreditation of the systems and sites, Galileo System-specific Security requirements, Crypto Distribution Authority/Flight Key Cell activities;
- **support to Public Regulated Service (PRS)**, including PRS Pilot Projects and procurement of pre-operational PRS receivers; Galileo Security Monitoring Centre; preparation of Galileo Security Monitoring Centre (GSMC); provision of the GSMC Nucleus;
- **market development**: market analysis and publication of GNSS Market Reports; market readiness for the launch of Galileo early services; market development actions focused on receiver manufacturers to foster Galileo penetration in consumer and professional markets; implementation of adoption roadmaps for EGNOS in all priority markets with special focus on aviation and road transport; management of projects under the 7th Framework Programme for Research; maximisation of the projects' results and achievement of strategic objectives; dissemination of the results of R & D;
- **EGNOS and Galileo Exploitation**: preparatory activities for Galileo exploitation; EGNOS operations and services provision; operation of GNSS Service Centre helpdesk;
- **general administration**: information and outreach including EGNOS market communications, PRS awareness-building and corporate communications activities.