2016 discharge: European GNSS Agency (GSA)

2017/2165(DEC) - 19/09/2017 - 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 2016, together with the Agency's replies.

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 focused on the annual accounts of the European GNSS Agency (**GSA**). The GSA officially took over all tasks previously assigned to the GALILEO Joint Undertaking. The Commission entrusted the exploitation of the European Geostationary Navigation Overlay Service (EGNOS) to the Agency through a delegation agreement.

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 2016, 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 2016 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. A comment was made by the Court as regards the last validation of the accounting systems which was performed in 2012. The new accountant plans to perform **the next validation in 2020**.

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 2016 are legal and regular in all material respects.

The report made 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: without calling into question its opinion, the Court draws attention to the fact that the United Kingdom (UK) notified the European Council on 29 March 2017 of its decision to withdraw from the European Union. An agreement setting out the arrangements for its withdrawal will be negotiated. The Agency operates both Galileo Security Monitoring Centre and Galileo ground stations that are located in UK territory. The status of the UK within these frameworks remains to be determined;

- **budgetary management**: the Court noted that the level of carry-overs for committed appropriations was high for administrative expenditure at EUR 2.8 million. These carry-overs mainly relate to IT services provided in 2016 for which invoices were not received;
- **internal controls**: it was noted that no Agency-wide annual risk assessment exercise was conducted in 2016 and the Agency's significant risks are not included in its planning documents or activity reports..

The Agency's replies:

- **budgetary management**: the Agency stated that the level of cancellations of carry-overs is very low (0.7 % over all budget lines in 2016) and the GSA considers this a far better indication of budget management than the level of carry-overs itself which is unavoidably high given the operational nature of the Agency and the invoicing periods for a large number of high-value administrative contracts, thereby representing a large number of planned carry-overs — as opposed to unplanned;
- **internal controls**: **planning**: the Agency has finalised a corporate risk management policy and procedure. The Agency undertakes quarterly corporate risk management boards, through which the corporate risk register is reviewed and updated.

Lastly, the Court of Auditors' report also contained a summary of the **Agency's key figures in 2016**:

- **Budget**: EUR 626.4 million (payment appropriations).
- **Staff**: 160 including officials, temporary and contract staff and seconded national experts.