2002 Discharge: European Centre on Racism and Xenophobia

2003/2243(DEC) - 15/10/2003 - Non-legislative basic document

PURPOSE : to present the report from the Court of Auditors on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year 2002. CONTENT : this report consists of the audit performed by the Court on the financial statements of the European Monitoring Centre on Racism and Xenophobia for the financial year ended 31 December 2002. This examination has enabled the Court to obtain reasonable assurance that the annual accounts for the financial year ended 31 December 2002 are reliable and that the underlying transactions, taken as a whole, are legal and regular. The report states in particular that the 2002 appropriations committed totalled EUR 6 million. Payments made against these commitments amounted to EUR 4,5 million. The balance of the appropriations was either carried over (EUR 1,5 million) or cancelled (EUR 0,2 million). With regard to the appropriations for operating activities (EUR 3,0 million), the amount carried over, 1,2 million, i.e. 40 % of the appropriations allocated, remains high. The Centre should continue its efforts to reduce still further the proportion of appropriations carried over, the volume of which hardly changes from one year to the next. Numerous provisional commitments were carried over automatically, contrary to the provisions of Article 6 of the Centre's Financial Regulation. Recovery orders are often drawn up a posteriori, once the funds have been received, which is not in accordance with the procedure. In the revenue and expenditure account, the most striking development concerns the balance for the financial year, which has changed from an almost break-even situation to a deficit of EUR 1,6 million. Concerning the legality and regularity of the underlying transactions, the report states that a member of staff who had no authorisation signed a contract which was not covered by a commitment approved in due form by the Financial Controller. Problems of the same type have been brought to the Centre's attention by the Court in previous years, in particular in the Court's report concerning the financial year 2001. It is a question of a persistent internal control problem, which the Centre has endeavoured to rectify, but as yet to no avail. On the issue of the management of contracts, the contracts with the RAXEN national focus points were renewed for the year 2002 in April. The renewals were carried out without any evaluation of the results of the contracts for the preceding year and, in one case, even before these results had been provided. In addition, no evaluation procedure has been set up for validating the interim payment requests. With regard to the other types of contract, the way they are managed differs from one unit to another, and this management would benefit from being rationalised so as to make it more efficient and economical. For instance, no fewer than four contracts were concluded with various undertakings, travel agencies and specialist companies in connection with the organisation of meetings and seminars. The Centre uses two different printing companies to print its publications. In some cases no contract was signed with the service provider, which is contrary to the Financial Regulation. The Centre has replied to the criticisms made by the Court. Itstates in particular that a large part of the Centre's operational activities are seasonally biased towards the end of the financial year. The final invoices relating to the RAXEN network, which represents around 50 % of the operational appropriations carried forward (which themselves represent over 80 % of the total appropriations carried forward) are usually received in November and December each year. Before these invoices can be paid, the RAXEN data that is supplied in parallel has to be approved, which can result in these invoices being paid at the beginning of the following year. The execution of the budget and the implementation of the work programme in 2002 were affected adversely by the slow payment of the subsidy and the low level of payment appropriations available to the Centre during the year. The Centre has already taken measures to avoid similar problems in the future by implementing the new formal procedure that was imposed by the Commission in 2003 for receiving payment of the annual subsidy. With the implementation of the new financial regulation in 2003, the internal control system was adapted to meet the new requirements and to address already known weaknesses and shortcomings. An external evaluation of all the deliverables took place in January and February 2003 and a meeting with the evaluators was held in Vienna. The results were communicated to the NFPs to improve the quality of the

reports. To improve further the situation in 2003 the evaluation is being done on a continuous basis. In 2003 the Centre joined the Commission's framework contracts for IT supplies and for publications. The Centre is also party to the new framework contract regarding accommodation/travel arrangements that is currently being drawn up by the Commission.