2002 Discharge: European Environment Agency

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PURPOSE : to present the report from the Court of Auditors on the financial statements of the European Environment Agency for the financial year 2002. CONTENT : this report concerns the results of the audit performed by the Court on the financial statement of the European Environmental Agency for the financial year ended 31/12/2002. This examination has enabled the Court to obtain reasonable assurance that the annual accounts are reliable and that the underlying transactions, taken as a whole, are legal and regular. The report states in particular that the appropriations for the financial year 2002 totalled EUR 25,2 million, of which EUR 24,6 million was committed. Payments in respect of appropriations for the financial year totalled EUR 18 million. The carryover total, although less than last year, remains high (EUR 7,2 million). Of this sum, EUR 5,8 million concerns operating appropriations, which is almost 50 % of the appropriations assigned for that purpose (12,1 million). As the Court emphasised in its Report concerning the financial year 2001, the Agency should continue its efforts to evaluate more rigorously the justification for carrying sums over. The Agency decentralised financial matters to its operating services. The aim of decentralising them was to strengthen administrative capacity at the level of the operating services, to reduce delays and to minimise the dispersion of supporting documents. Measures should have been adopted to enable the financial departments to follow up the Agency's activities and programmes, since responsibility for their implementation is often shared between various departments. Concerning the legality and regularity of the of the underlying transactions, the Court highlights that following a decision taken by the Director on 4 March 2002, an imprest account for the sum of DKK 200 000 was opened to cover expenditure resulting from missions and meetings organised by the Agency. The rules for the management of this imprest account ought to be clearly defined and, in accordance with the Financial Regulation, separate accounts should be kept for it. Measures ought also to be adopted to reduce the costs and risks associated with this imprest account (transport of substantial amounts in cash). In its Annual Reports for 1999, 2000 and 2001, the Court drew attention to deficiencies in the documents supplied in support of requests for payment. An analysis of the payments files was carried out in 2002 and showed that this situation had not changed. The Court criticises a number of contracts signed with the UN and the Royal Awards Foundation. The purpose of the latter is to promote action in favour of the environment and was set up by the Agency and three other bodies. In fact, neither the regulation that set up the Agency, nor its financial regulation, permits the Agency to set up such Foundations or to grant them any form of subsidy. On the issue of sound financial management, the Court states that the daily expenses paid to consultants are very high. The regulation setting up the Agency states that its purpose is to provide the Commission and the Member States with information on the environment in certain priority areas. To do this, the Agency must carry out various tasks. Performance of these tasks is based on a work programme. This programme, and the generalstructure of the budget, must be more clearly linked to the Agency's objectives and tasks, so as to make its actions more transparent and to improve its ability to monitor and evaluate its management efficiency. The Agency replies to the criticisms made by the Court. It states in particular that the amounts of carry-forward credits, both in absolute and in relative terms, have declined as compared to 2001. The budgetary cycle of these projects is governed by the terms of the grant agreement, and is in most cases multiannual. The Agency is tightening its requirements in the decentralised archiving system. Given the enlargement of the Agency since 2002 and a number of projects including experts from non-EU countries, there is a need to pay meeting participants from non-EU countries in advance. Measures have been taken by the Agency to reduce the risks of advance cash payments, and will be explored further. Since 1 January 2003, accounting in relation to the imprest account has been modified to match the Court's observations. The proportion of advance payments will be limited in the future. Grant agreements with international bodies are being phased out in the context of the new Financial Regulation. Since 2003, the Agency has invoiced all costs relating to this activity. The Agency makes clear that consultants are contracted by the Agency after open tendering and in relation to market prices. It also states that a new work programme and related budget structure will be brought in place from 1 January 2004 onwards.