

2003 discharge: European Agency for the Evaluation of Medicinal products

2004/2056(DEC) - 30/12/2004

This report from the Court of Auditors concerns the results of the audit carried out by the Court on the annual accounts of the the European Agency for the Evaluation of Medicinal Products for the financial year ended 31 December 2003.

The report indicates that the appropriations entered in the final budget for the financial year concerned amount to EUR 84.2 million with EUR 81.7 million committed, EUR 65.6 million paid and EUR 16.1 million carried over to 2004. Only EUR 2.5 million was cancelled.

The Court has obtained reasonable assurance that the annual accounts for the financial year ended 31 December 2003 were reliable and that the underlying transactions, taken as a whole, were legal and regular. The Court nevertheless draws attention to certain management aspects of the Agency, in particular its interpretation its financial regulation which is not always in accordance with the Union's Financial Regulation.

The Court states that on 5 June 2003, the Management Board of the Agency, subject to approval by the Commission, adopted a new financial regulation and corresponding implementing rules, which came into effect as of the second half of the financial year 2003. In its opinion 6/2003 of 17 July 2003, the Court had drawn attention to differences between the Agency's own financial regulation and the framework Financial Regulation applicable to the agencies in general. The Court emphasised in particular that the Agency's implementing rules on the award of contracts must be in line with the provisions of the general Financial Regulation and the general implementing rules.

The Court also states that it is difficult to reconcile the Agency's physical data and the accounting data. Furthermore, some assets appear in neither the inventory nor the fixed asset accounts. The Agency should set up a system for managing the fixed assets that ensures that the inventory data are both exhaustive and consistent with the accounting data. In the application of internal control measures, continuity is not ensured. For example, certain case-files do not contain all the supporting documents required to create a commitment or a payment order.

In the application of internal control measures, continuity is not ensured. For example, certain case-files do not contain all the supporting documents required to create a commitment or a payment order.

The report also states that an examination of the recruitment files has brought to light a significant number of shortcomings in the formalization and the documentation: reasons are not given to support the choice of candidates invited for interview or check-lists, which are drawn up for the purpose of verifying the admissibility of the candidates, do not include all the selection criteria set out in the

vacancy notices.

The Agency's 'quality assurance' unit serves as the internal auditor. Two of its audits, carried out in 2002 on the organization of an electronic documentation system, brought to light a significant increase in costs and time taken caused by insufficient monitoring of the project. A subsequent audit carried out by an external consultant in 2003 confirmed the weaknesses found by the internal auditor. The project

undertaken at the end of 2000 ought to have started production at the beginning of 2002 at an estimated cost of 1, 2 million euro. The system was still not operational in 2003 and the costs already incurred amounted to 1, 7 million euro.

The Agency responds point by point to the observations made by the Court. Firstly, it mentions that it has contacted the Commission to finalise the Financial Regulation. The changes made have been in the direction to satisfy the Commission's comments as well as those of the Court of Auditors. In particular the thresholds for contracts and procurement have been aligned in the implementing rules.

In accordance with International Public Sector Accounting Standard (IPSA) number 3, the resulting adjustments are reported as an adjustment to the opening capital. Comparative information for the year 2002 has not been restated, as it would not have provided meaningful additional information. As the

European institutions and agencies have to present accounts compliant with IPSAS for 2005, the Agency, following the calendar established by the Accounting Officer of the European Commission,

will have systems in place which will assure compliance by January 1, 2005 including the presentation of comparative figures for 2004.

The observation of the Court is relevant in a sense, however it was not a priority for the EMEA knowing that the current systems, including both procedures and software, existed since 1998 and have provided the necessary and accurate data for the establishment of the financial statements. These systems have not been modified since the application of the new financial regulations.

The systems defined by the authorising officer will be formally validated by the accountant in the course of 2004.

In 2003, the Agency capitalised intangible assets (mainly software licenses and certain software development costs) in accordance with the standards issued by the Accounting Standards Committee. In order to establish the inventory of intangible assets and fitting out costs in prior years a detailed analysis of software and fitting out costs for 2000 to 2003 was prepared. During 2004, all assets, tangible and intangible, are being entered in the new asset management system and the accounting

is based on the classification by type as set out in the harmonized accounting plan defined by the Commission's Accounting Officer.

The Agency has noted the Court's comments on the criteria of choice of contractors. The Agency follows selection procedures with care. The admissibility of candidates to the selection procedure follows a checklist in each individual case, which covers all the elements stated in the announcement. This is documented on each individual file. In addition to the existing justification for the choice

of each candidate for interview, the Agency will implement measures to improve the procedure and avoid the problems mentioned by the Court.

In recognition of the serious difficulties being encountered in the implementation of the project, the Agency's management took action, beginning with the commissioning of the external audit in early 2003. The specification has been refined and implementation of the electronic document management system has since been undertaken in the light of that analysis.