

2004 discharge: European Environment Agency

2005/2111(DEC) - 05/10/2005 - Court of Auditors: opinion, report

This report from the Court of Auditors concerns the results of the audit carried out by the Court on the annual accounts of the European Environment Agency for the financial year ended 31 December 2004. The Court states that its audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular. The Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable. The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular. The observations which follow do not call the Court's opinion into question.

The report shows that the appropriations entered in the final budget amount to EUR 33 612 000 with EUR 31 178 000 committed and EUR 25 448 000 paid. EUR 8 159 000 was carried over to 2005, and EUR 6000 cancelled. The outstanding commitments carried over from the previous financial year were EUR 7 718 000.

The Court makes the following observations:

- at the end of 2004, all the available appropriations in the budget, i.e. EUR 427 189, were transferred to two budget headings under Title III of the budget (operating expenditure) and on the date of the transfer were committed for two operations to be carried out in 2005. Such a practice is not in accordance with the principle of annuality. Furthermore, with regard to the transfers made from Title I (staff expenditure), they contravene the provisions which prohibit the carrying over of appropriations relating to staff expenditure;

- the Agency does not conduct a full annual check on the assets to be entered in its inventory. The audit of fixed assets brought to light omissions from the inventory, which make it impossible to establish where some assets are located;

- the analysis of amendments to various contracts (total value: 107 000 euro) highlighted several shortcomings: amendments which were not justified for one of the reasons stipulated in the financial regulation, the use of a framework contract no longer in force, and the value provided for by an amendment was excessive compared with the value stipulated in the initial contract;

- the Agency is exempt from all national, regional and municipal taxes. In November 2004, the Agency was obliged to pay approximately EUR 906 000 in taxes for the period from 2000 to 2004. Applying the accounting principle of prudence, the Agency has not recorded this sum in its balance sheet as recoverable; an explanatory note concerning this payment appears in the revenue and expenditure account. In this instance, the Court recommends that the Agency should obtain reimbursement of all unwarranted payments.

The Agency responds point by point to the Court's observations:

- indeed two commitments were made towards the end of the year and after a final 2004 budget transfer. The resources were allocated to projects that had been defined initially in the 2004 management plan, but start of the projects was delayed due to uncertainties on budget requirements for ongoing recruitments. The Agency will improve budget management and execution and hence to better conform with the principle of annuality;

- the Agency lacked resources in a period of considerable rebuilding and refurbishing of the EEA facilities. Annual control will get due attention from 2005 onwards;

- the Agency will ensure that, for future contracts, any amendments are strictly limited to less than 50 % of the initial contract amount (rather than indicative tender amount) and that framework contracts are less than four years old before using them;
- the Agency is strenuously pursuing reimbursement of taxes inappropriately charged by the City of Copenhagen for 2000 to 2004.