2005 discharge: European Aviation Safety Agency

2006/2165(DEC) - 19/12/2006

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 Aviation Safety Agency for the financial year ended 31 December 2005.

The Court has obtained reasonable assurance that the Agency's accounts for the financial year ended 31 December 2004 are, in all material respects, reliable.

The report states that the appropriations entered in the final budget amount to **EUR 31 581 000** with no appropriations being committed. However, EUR 21 056 000 was paid. EUR 6 607 000 was carried over to 2006, and EUR 3 918 000 cancelled.

The Court makes the following observations:

- the utilisation rate for commitment and payment appropriations was less than 80 %. This situation is due to the low rate of implementation of commitment and payment appropriations (69 % and 32 % respectively) for operating expenditure. The cancellation rate for appropriations for the financial year is also high (ranging from 7 % to more than 30 % depending on the title of the expenditure and the nature of the appropriations). Cancellation rates for appropriations carried over from the previous year are also high. This situation should prompt the Agency to improve and step up the monitoring of its planning so as to ensure that resources are not mobilised unnecessarily;
- the appropriations under one budget heading were amended by EUR 1.2 million but the Agency submitted no documents to justify this reduction;
- the failure to introduce activity-based management even though the Agency's Financial Regulation provides for its introduction, along the lines applied to the general budget, so as to allow better monitoring of performance;
- the Management Board did not adopt minimal internal control standards. Management and internal-control systems and procedures were not always described;
- the principle of open competition was not observed in certain cases: the Agency used the negotiated procedure for one EUR 250 000 contract with an employment agency. For security services, the Agency renewed the contract it had signed in 2004 (value: EUR 85 557) by direct agreement and without justification.

The Agency responds point by point to the Court's observations and makes clear that the utilisation of commitment appropriations was less than forecast due to recruitment difficulties. The low rate of implementation of payment appropriations for operational activities is due essentially to the fact that the national authorities did not invoice the Agency during the first year of the implementation of Commission Regulation 488/2005/EC.

The sum of EUR 1.2 million had been erroneously entered under normal appropriations and had to be transferred under assigned revenue appropriations. The Agency will ensure that the Management Board is informed of any future changes made to the budget.

In 2006, the Agency introduced an integrated management project for certification activities, including a detailed monitoring of the Agency's activities as well as the adaptation of the financial system to allow the drawing up of analytical accounts. This project is expected to be operational as of 2008. In the meantime, the Agency is endeavouring to establish a closer link between its budget and its operational objectives and, in this connection, the 2007 budget will be presented by activities.

The anomaly raised by the Court concerning the separation of functions has been corrected. The implementation in 2006 of computer links between the operational and financial systems should improve the quality assurance of the financial information submitted by the authorising officers to the accounting officer.

Lastly, the Agency states that over the first months following its transfer to Cologne in November 2004, the Agency was unable to apply the normal purchasing procedures for goods and services due to the time limits and a human resources deficit. Since it has been in a position to set up a specialised purchasing unit, the regulatory processes have been applied.