

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА
TRIBUNAL DE CUENTAS EUROPEO
EVROPSKÝ ÚČETNÍ DVŮR
DEN EUROPÆISKE REVISIONSRET
EUROPÄISCHER RECHNUNGSHOF
EUROOPA KONTROLLIKODA
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
CÚIRT INIÚCHÓIRÍ NA HEORPA



EUROPSKI REVIZORSKI SUD
CORTE DEI CONTI EUROPEA
EIROPAS REVĪZIJAS PALĀTA
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK
IL-QORTI EWROPEA TAL-AWDITURI
EUROPESE REKENKAMER
EUROPEJSKI TRYBUNAŁ OBRACHUNKOWY
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CURTEA DE CONTURI EUROPEANĂ
EURÓPSKY DVOR AUDÍTOROV
EVROPSKO RAČUNSKO SODIŠČE
EUROOPAN TILINTARKASTUSTUOMIOISTUIN
EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts of
the European Environment Agency
for the financial year 2013

together with the Agency's replies

INTRODUCTION

1. The European Environment Agency (hereinafter “the Agency”, aka “EEA”), which is located in Copenhagen, was established by Council Regulation (EEC) No 1210/90¹. It is responsible for setting up an observation network to provide the Commission, the Parliament, the Member States and, more generally, the public with reliable information on the state of the environment. This information should, in particular, enable the European Union and the Member States to take action to safeguard the environment and assess the effectiveness of such action².

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Agency's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

(a) the annual accounts of the Agency, which comprise the financial statements³ and the reports on the implementation of the budget⁴ for the financial year ended 31 December 2013, and

¹ OJ L 120, 11.5.1990, p. 1.

² ***Annex II*** summarises the Agency's competences and activities. It is presented for information purposes.

³ These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions⁵:

- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer⁶; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound

⁴ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁵ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁶ The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council⁷ with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the

⁷ Article 107 of Regulation (EU) No 1271/2013.

reasonableness of accounting estimates and the overall presentation of the accounts.

7. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

Opinion on the reliability of the accounts

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects.

10. The comments which follow do not call the Court's opinions into question.

COMMENTS ON INTERNAL CONTROLS

11. In 2013 the Agency awarded grants under five grant programmes⁸ to consortia consisting of environmental institutions and bodies in Europe, UN organisations and national environment organisations. Total grant expenditure in 2013 was 13,9 million euro, representing 31 % of total operating expenditure. The Agency's ex ante verifications consist of a desk analysis of cost claims.

⁸ European Topic Centres (ETCs), European Neighbourhood Partnership Instrument (ENPI) Global Monitoring for Environment and Security Initial Operations (GIO and GIO2), GMES in-situ coordination (GISC) and Instrument for Pre-Accession Assistance (IPA2).

12. Following the Court's comment of last year (see **Annex I**), the EEA intensified its checks on the eligibility and accuracy of staff costs claimed under the grant programmes, as these represent the major part of costs. In particular, for a sample of beneficiaries, time sheets were obtained to check the salary costs claimed, but payslips have not been obtained. On-the-spot verifications of costs at beneficiary level are rare.

13. Existing controls therefore provide only limited assurance on the eligibility and accuracy of the costs claimed by beneficiaries. For the transactions audited by the Court supporting documentation was obtained which provided reasonable assurance as to their legality and regularity.

FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS

14. An overview of the corrective actions taken in response to the Court's comments from the previous year is provided in **Annex I**.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

Follow-up of previous year's comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	<p>In 2012 the Agency awarded grants under three major grant programmes¹ to consortia consisting of environmental institutions and bodies in Europe, UN organisations and national environment organisations. Total grant expenditure in 2012 was 11,9 million euro, representing 27 % of the total operating expenditure. The Agency's ex ante verifications before reimbursement of costs claimed by beneficiaries consist of a desk analysis of cost claims. It does not usually obtain from beneficiaries any document to substantiate the eligibility and accuracy of the staff costs claimed, which represent the main part of costs². Ex ante on-the-spot verifications of costs at beneficiary level are rare³.</p>	Ongoing

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	Existing controls therefore provide only limited assurance to the Agency's management as to the eligibility and accuracy of the costs claimed by beneficiaries. For the transactions audited by the Court supporting documentation was obtained by the Agency on the Court's behalf which provided reasonable assurance as to their legality and regularity. A random verification of supporting documents for staff expenses and a higher coverage of beneficiaries by on-the-spot verifications could considerably increase assurance.	Ongoing

¹ European Topic Centers (ETC), European Neighbourhood Partnership Instrument (ENPI) and Global Monitoring for Environment and Security Initial Operations (GIO).

² For other types of costs (i.e. sub-contracting, acquisition of equipment), supporting documents are requested and analysed.

³ In 2012 and in 2011 one ex ante verification was carried out to check one beneficiary's control systems. In 2010 one ex ante verification had been carried out to check the eligibility of expenditure declared by one beneficiary.

European Environment Agency (Copenhagen)**Competences and activities**

<p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 191 of the Treaty on the Functioning of the European Union)</i></p>	<p>Environment policy</p> <p>Union policy on the environment shall contribute to pursuit of [...] the objectives of preserving, protecting and improving the quality of the environment, protecting human health, prudent and rational utilisation of natural resources, promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.</p> <p>Union policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Union. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay. [...] In preparing its policy [...], the Union shall take account of available scientific and technical data, environmental conditions in the various regions of the Union, the potential benefits and costs of action or lack of action, the economic and social development of the Union as a whole and the balanced development of its regions [...].</p>
<p>Competences of the Agency</p> <p><i>(Regulation (EEC) No 1210/90)</i></p>	<p>Objectives</p> <p>To set up a European environment information and observation network to provide the Union and the Member States with:</p> <ol style="list-style-type: none"> 1. Objective, reliable and comparable information at European level enabling them to: <ol style="list-style-type: none"> (a) take the requisite measures to protect the environment, (b) assess the results of such measures, (c) ensure that the public is properly informed about the state of the environment. 2. The necessary technical and scientific support. <p>Tasks</p> <ul style="list-style-type: none"> - To establish, in cooperation with the Member States, and coordinate the European Environment Information and Observation Network; - to provide the Union and the Member States with the objective information necessary for framing and implementing sound and effective environmental policies; - to assist the monitoring of environmental measures through appropriate support for reporting requirements; - to advise individual Member States on the development, establishment and expansion of their systems for the monitoring of environmental measures; - to record, collate and assess data on the state of the environment, to report on the quality of and pressures on the environment within the territory of the Union, to provide uniform assessment criteria for environmental data to be applied in all Member States and to develop further and maintain a reference centre of information on the environment; - to help ensure that environmental data at European level are comparable and, if necessary, to encourage by appropriate means improved harmonisation of methods of measurement; - to promote the incorporation of European environmental data into international environment monitoring programmes; - to publish a report on the state of, trends in and prospects for the environment every five years, supplemented by indicator reports focusing upon specific issues; - to stimulate the development of environmental forecasting techniques, exchanges of information on technologies for preventing or reducing damage to the environment, methods of assessing the costs of damage to the environment and the

	<p>costs of environmental preventive, protection and restoration policies;</p> <ul style="list-style-type: none"> - to ensure the broad dissemination of reliable and comparable environmental information, in particular on the state of the environment, to the general public and, to this end, to promote use of new telematics technology for this purpose; - to cooperate actively with other Union bodies and programmes and other international bodies and in areas of common interest with those institutions in countries which are not members of the Union, taking account of the need to avoid duplication of effort; - to support the Commission in the process of exchange of information on the development of environmental assessment methodologies and best practice and in the diffusion of information on the results of relevant environmental research and in a form which can best assist policy development. 														
Governance	<p>Management Board</p> <p><i>Composition</i></p> <p>One representative of each Member State, one of each EEA member country, two representatives of the Commission, and two scientists appointed by the European Parliament.</p> <p><i>Tasks</i></p> <p>To adopt the multiannual and annual work programmes and to ensure their implementation and to adopt the annual report on the Agency's activities.</p> <p>Executive Director</p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p>Scientific Committee</p> <p>Consisting of qualified persons in the field of the environment, designated by the Management Board.</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Discharge authority</p> <p>European Parliament, acting on a recommendation from the Council.</p>														
Resources made available to the Agency in 2013 (2012)	<p>Final Budget</p> <p>41,7 (41,7) million euro</p> <p>Union subsidy: 100 % (100 %)</p> <p>Staff as of 31 December 2013</p> <p>Number of posts in the establishment plan: 138 (136)</p> <p>Posts occupied: 132 (131) plus 78 (86) other posts (contract staff and seconded national experts)</p> <p>Total staff numbers: 210 (217)</p> <p>Establishment plan posts assigned to the following tasks:</p> <ul style="list-style-type: none"> - operational 98 (96) - administrative 40 (40) 														
Products and services in 2013 (2012)	<table> <tr> <td>Articles</td> <td>48 (19)</td> </tr> <tr> <td>Highlights</td> <td>53 (50)</td> </tr> <tr> <td>Press releases</td> <td>11 (12)</td> </tr> <tr> <td>Data sets</td> <td>29 (36)</td> </tr> <tr> <td>Indicators</td> <td>46 (66)</td> </tr> <tr> <td>Maps, graphs</td> <td>217 (466)</td> </tr> <tr> <td>Brochures, flyers etc.</td> <td>5</td> </tr> </table>	Articles	48 (19)	Highlights	53 (50)	Press releases	11 (12)	Data sets	29 (36)	Indicators	46 (66)	Maps, graphs	217 (466)	Brochures, flyers etc.	5
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Corporate docs	5 (3)
Reports	13 (11)
Technical reports	21 (18)
EEA Signals	1 (1)
Pan-European assessments	0 (1)
SOER 2010	0 (2)

Source: Annex supplied by the Agency.

THE AGENCY'S REPLY

11. – 13.: We have taken note of the contents, and would like to highlight that our efforts as regards intensified verification measures goes well beyond what is reflected in the preliminary observations. A new verification policy has been adopted which ensure a common risk approach towards all ETCs, has an increased focus on staff costs, and is supervised and coordinated by the internal audit capability.

As regards the onthe-spot verifications, two verification missions have been performed regarding the 2013 final cost claims, covering approx. 18 % of the ETCs' total staff costs at the level of the beneficiary. At least two more verification missions are planned for the autumn 2014.

Additionally, we are issuing written guidelines to the beneficiaries to ensure a greater understanding as regards eligibility of costs and supporting documentation needs.