

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  
TRIBUNAL DE CONTAS EUROPEU  
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 2012

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 1210/90<sup>1</sup>. 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 action<sup>2</sup>.

## **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 statements<sup>3</sup> and the reports on the implementation of the budget<sup>4</sup> for the financial year ended 31 December 2012, and

<sup>1</sup> OJ L 120, 11.5.1990, p. 1.

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

<sup>3</sup> 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. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002<sup>5</sup>, 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 transactions:

- (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 officer<sup>6</sup>; 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 financial management consist of designing, implementing and maintaining

<sup>4</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account..

<sup>5</sup> OJ L 357, 31.12.2002, p. 72.

<sup>6</sup> 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.

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 Council<sup>7</sup> 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

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<sup>7</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

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 2012 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 2012 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 2012 the Agency awarded grants under three major grant programmes<sup>8</sup> 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

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<sup>8</sup> European Topic Centers (ETC), European Neighbourhood Partnership Instrument (ENPI) and Global Monitoring for Environment and Security Initial Operations (GIO).

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 costs<sup>9</sup>. Ex ante on-the-spot verifications of costs at beneficiary level are rare<sup>10</sup>.

12. 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.

#### **FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

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

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<sup>9</sup> For other types of costs (i.e. sub-contracting, acquisition of equipment), supporting documents are requested and analysed.

<sup>10</sup> 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.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 17 September 2013.

*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)
<b>2011</b>	A payment was made to an international environmental organisation amounting to 6 061 euro which was related to the participation of Agency staff in expeditions organised by this organisation which took place in February and May 2011. No procurement procedure had taken place and no contract was drawn up for these expeditions. Related additional travel costs borne by the Agency were 11 625 euro. The Executive Director was a member of the organisation's board of trustees until April 2011. This constitutes an apparent conflict of interest.	<b>Completed</b>
<b>2011</b>	The Agency improved the transparency of recruitment procedures considerably over the years. However, the audit still found confusion between eligibility and selection criteria as regards the relevant years of professional experience. There was also no evidence that the content of, and thresholds for, written tests were determined before applications were examined.	<b>Completed</b>

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

<b>Areas of Union competence deriving from the Treaty</b>  <i>(Article 191 of the Treaty on the Functioning of the European Union)</i>	<b>Environment policy</b>  <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>
<b>Competences of the Agency</b>  <i>(Council Regulation (EEC) No 1210/1990)</i>	<b>Objectives</b>  <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"> <li>1. Objective, reliable and comparable information at European level enabling them to: <ol style="list-style-type: none"> <li>(a) take the requisite measures to protect the environment,</li> <li>(b) assess the results of such measures,</li> <li>(c) ensure that the public is properly informed about the state of the environment.</li> </ol> </li> <li>2. The necessary technical and scientific support.</li> </ol> <b>Tasks</b> <ul style="list-style-type: none"> <li>- to establish, in cooperation with the Member States, and coordinate the European Environment Information and Observation Network;</li> <li>- to provide the Union and the Member States with the objective information necessary for framing and implementing sound and effective environmental policies;</li> <li>- to assist the monitoring of environmental measures through appropriate support for reporting requirements;</li> <li>- to advise individual Member States on the development, establishment and expansion of their systems for the monitoring of environmental measures;</li> <li>- 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;</li> <li>- 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;</li> <li>- to promote the incorporation of European environmental data into international environment monitoring programmes;</li> <li>- to publish a report on the state of, trends in and prospects for the environment every five years, supplemented by indicator reports focussing upon specific issues;</li> <li>- 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 costs of environmental preventive, protection and restoration policies;</li> <li>- 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;</li> <li>- 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;</li> <li>- to support the Commission in the process of exchange of information on the development of</li> </ul>

	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.																										
<b>Governance</b>	<p><b>Management Board</b></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><b>Executive Director</b></p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p><b>Scientific Committee</b></p> <p>Consisting of qualified persons in the field of the environment, designated by the Management Board.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>																										
<b>Resources made available to the Agency in 2012 (2011)</b>	<p><b>Final Budget</b></p> <p>41,7 (62,2) million euro</p> <p>Union subsidy: 100 % (66 %)</p> <p><b>Staff as of 31 December 2012</b></p> <p>Number of posts in the establishment plan: 136 (134)</p> <p>Posts occupied: 131 (132) plus 86 (82) other posts (contract staff and seconded national experts)</p> <p>Total staff numbers: 217 (214)</p> <p>Establishment plan posts assigned to the following tasks:</p> <ul style="list-style-type: none"> <li>- operational 96 (90)</li> <li>- administrative 40 (43)</li> </ul>																										
<b>Products and services in 2012 (2011)</b>	<table> <tr><td>Articles</td><td>19</td></tr> <tr><td>Highlights</td><td>50</td></tr> <tr><td>Press releases</td><td>12</td></tr> <tr><td>Data sets</td><td>36</td></tr> <tr><td>Indicators</td><td>66</td></tr> <tr><td>Maps, graphs</td><td>466</td></tr> <tr><td>Promotional matr.</td><td>1</td></tr> <tr><td>Corporate docs</td><td>3</td></tr> <tr><td>Reports</td><td>11</td></tr> <tr><td>Technical reports</td><td>18</td></tr> <tr><td>EEA Signals</td><td>1</td></tr> <tr><td>Pan-European assessments</td><td>1</td></tr> <tr><td>SOER 2010</td><td>2</td></tr> </table>	Articles	19	Highlights	50	Press releases	12	Data sets	36	Indicators	66	Maps, graphs	466	Promotional matr.	1	Corporate docs	3	Reports	11	Technical reports	18	EEA Signals	1	Pan-European assessments	1	SOER 2010	2
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Source: Information supplied by the Agency.

## **THE AGENCY'S REPLY**

11: Over the past decades, the EEA has accumulated a vast experience in dealing with grant agreements and the cost structure of especially the European Topic Centres. Hence, there is a solid basis upon which cost statements (including staff costs) are evaluated. However, we acknowledge the European Court of Auditors' observation and, based upon a further risk analysis, an action plan has been drawn up to ensure reasonable assurance.

The call for proposals launched in 2013 includes a revised framework partnership agreement in which contractual provisions have been updated.

12: The EEA has decided to increase the number of on-the-spot verifications in line with the Court of Auditors' recommendation. A sampling rate of approximately 20 % will be pursued for staff and travel costs, in addition to the full coverage done as desk analysis. All other cost types are sampled up to 100 % should the documentation not be included in the original cost statements.