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COVER NOTE

from: Mr Vítor CALDEIRA, President of the Court of Auditors
date of receipt: 12 November 2012
to: Mrs Erato KOZAKOU-MARCOULLIS, President of the Council of the
European Union

Subject: Report on the annual accounts of the European Food Safety Authority for the
financial year 2011 together with the Authority's replies

Sir,

I enclose in all the official languages of the European Union a copy of the Court of Auditors' report on the annual accounts of the European Food Safety Authority for the financial year 2011.

This report is accompanied by the Authority's replies and will shortly be published in the Official Journal of the European Union.

(Complimentary close).

(s.) Vítor CALDEIRA

Encl.: Report on the annual accounts of the European Food Safety Authority for the financial year 2011 together with the Authority's replies.

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА
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DEN EUROPÆISKE REVISIONSRET
EUROPÄISCHER RECHNUNGSHOF
EUROOPA KONTROLLIKODA
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Food Safety Authority
for the financial year 2011

together with the Authority's replies

INTRODUCTION

1. The European Food Safety Authority (hereinafter "the Authority" or "EFSA"), which is located in Parma, was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council¹. The Authority's main tasks are to supply the scientific information needed for Union legislation to be drawn up, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks².

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 Authority'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, the Court has audited the annual accounts³ of the Authority, which comprise the "financial statements"⁴ and the "reports on the

¹ OJ L 31, 1.2.2002, p. 1.

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

³ These accounts are accompanied by a report on the budgetary and financial management during the year which gives further information on budget implementation and management.

⁴ The financial statements 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.

implementation of the budget”⁵ for the financial year ended 31 December 2011, and the legality and regularity of the transactions underlying those accounts.

The Management’s responsibility

4. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with the financial rules of the Authority, under his own responsibility and within the limits of the authorised appropriations⁶. The Director is responsible for putting in place⁷ the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts⁸ that are free from material misstatement, whether due to fraud or error, and for ensuring that the transactions underlying those accounts are legal and regular.

The Auditor’s responsibility

5. The Court’s responsibility is to provide, on the basis of its audit, the European Parliament and the Council⁹ with a statement of assurance as to the reliability of the annual accounts of the Authority and the legality and regularity of the transactions underlying them.

6. The Court conducted its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International

⁵ The budget implementation reports comprise the budget outturn account and its annex.

⁶ Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 (OJ L 357, 31.12.2002, p. 72).

⁷ Article 38 of Regulation (EC, Euratom) No 2343/2002.

⁸ The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in Chapters 1 and 2 of Title VII of Regulation (EC, Euratom) No 2343/2002 as last amended by Regulation (EC, Euratom) No 652/2008 (OJ L 181, 10.7.2008, p. 23) and are integrated as such in the Financial Regulation of the Authority.

⁹ Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002.

Standards of Supreme Audit Institutions. These standards require that the Court plans and performs the audit to obtain reasonable assurance as to whether the annual accounts of the Authority are free of material misstatement and the transactions underlying them are legal and regular.

7. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the transactions underlying them. The procedures are selected based on the auditor's judgment, including an assessment of the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirement of the legal framework of the European Union, whether due to fraud or error. In assessing those risks, the auditor considers internal controls relevant to the preparation and fair presentation of the accounts and supervisory and control systems implemented to ensure legality and regularity of underlying transactions, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made, as well as evaluating the overall presentation of the accounts.

8. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

Opinion on the reliability of the accounts

9. In the Court's opinion, the Authority's Annual Accounts¹⁰ present fairly, in all material respects, its financial position as of 31 December 2011 and the results of its operations and its cash flows for the year then ended, in accordance with

¹⁰ The Final Annual Accounts were drawn up on 14 June 2012 and received by the Court on 28 June 2012. The Final Annual Accounts, consolidated with those of the Commission, are published in the Official Journal of the European Union by 15 November of the following year. These can be found on the following website <http://eca.europa.eu> or <http://www.efsa.europa.eu/>.

the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer¹¹.

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

10. In the Court's opinion, the transactions underlying the annual accounts of the Authority for the financial year ended 31 December 2011 are legal and regular in all material respects.

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

COMMENTS ON BUDGETARY AND FINANCIAL MANAGEMENT

12. In 2011, 13 budgetary transfers were made, considerably increasing appropriations for IT expenditure¹². In total, 2,5 million euro was transferred from Title I (staff expenditure) to Title II (administrative expenditure), representing 21 % of the initial Title II appropriations. For Title III (operational expenditure), an amount of 1,8 million euro of differentiated payment appropriations was cancelled representing 25 % of the initial differentiated appropriations. This situation indicates weaknesses in budget planning and implementation and is at odds with the principle of specification.

13. The Authority purchased a new headquarters building in December 2011 for 36,8 million euro which will be paid by quarterly instalments over 25 years, resulting in interest payments of 18,5 million euro. The Court questions whether

¹¹ The accounting rules adopted by the Commission's accounting officer are derived from International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, in their absence, International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

¹² The 13 transfers involved a high number of budget lines. For example, the transfer from May 2011 involved 63 budget lines and the three transfers from December 2011 involved 87 budget lines. Certain budget lines decreased and increased within a short time span. Appropriations for IT data collection and networking increased by 116 % to 5,2 million euro and 90 % of them were carried forward..

a more economic alternative could have been sought from the budgetary authorities in accordance with the principle of sound financial management and ensuring full respect of the Financial Regulation.

OTHER COMMENTS

14. There is room for improving the transparency of recruitment procedure. Questions for written tests and interviews were set after the examination of the applications by the selection board and declarations on confidentiality and absence of conflict of interest were signed by the selection board members only during, not before the evaluation of candidates' applications.

15. The Court carried out an audit aimed at evaluating the policies and procedures for the management of conflict of interest situations for four European Agencies, including EFSA. The results of the audit are presented in a separate document (Special Report 15/2012).

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 18 September 2012.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

European Food Safety Authority (Parma)**Competences and activities**

Areas of Union competence deriving from the Treaty	Collection of information <ul style="list-style-type: none"> – Common Agricultural Policy (Article 38 of the Treaty) – Functioning of the Internal Market (Article 114 of the Treaty) – Public Health (Article 168 of the Treaty) – Common Trade Policy (Article 206 of the Treaty)
Competences of the Authority <i>(Regulation (EC) No 178/2002 of the European Parliament and of the Council)</i>	Objectives <ul style="list-style-type: none"> – To provide scientific opinions and scientific and technical support for the legislation and policies which have a direct or indirect impact on food and feed safety. – To provide independent information on risks relating to food safety. – To contribute to the achievement of a high level of protection of human life and health. – To collect and analyse data needed to allow characterisation and monitoring of risks. Tasks <ul style="list-style-type: none"> – To issue scientific opinions and studies. – To promote uniform risk-assessment methodologies. – To assist the Commission. – To search analyse and summarise the requisite scientific and technical data. – To identify and characterise emerging risks. – To establish a network of organisations operating in similar fields. – To provide scientific and technical assistance in crisis management. – To improve international cooperation. – To provide the public and interested parties with reliable, objective and easily comprehensible information. – To take part in the Commission's rapid alert system.
Governance	Management Board <i>Composition</i> 14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and 1 representative of the Commission. <i>Task</i> To adopt the work programme and the budget and ensure that they are implemented. Executive Director Appointed by the Management Board on the basis of a list of candidates proposed by the Commission, following a hearing before the European Parliament. Advisory Forum <i>Composition</i> One representative per Member State. <i>Task</i> To advise the Executive Director. Scientific Committee and scientific panels To draw up the Authority's scientific opinions. External audit Court of Auditors. Internal audit Internal Audit unit of EFSA. Internal Audit Service of the European Commission.

	<p>Discharge authority Parliament, acting on recommendation by the Council.</p>
<p>Resources made available to the Authority in 2011 (2010)</p>	<p>Budget 78,8 (74,7) million euro of which 100 % (100 %) is a European Union subvention.</p> <p>Staff as at 31 December 2011 posts foreseen in the establishment plan: 355 (355), of which occupied:</p> <p>staff (temporary agent and officials): 334 (330) other staff (contractual, seconded national experts): 109 (103)</p> <p>total staff*: 443 (433), of which for:</p> <p>Operational duties: 326 (323) Administrative duties: 117 (110)</p> <p>*Including 7 offer letters sent as per 31.12.2011</p>
<p>Products and services 2011 (2010)</p>	<p>Scientific Outputs and Supporting Publications 2011 (2010)</p> <p><i>Activity 1: Provision of scientific opinions and advice & risk assessment approaches</i></p> <ul style="list-style-type: none"> - Guidance of the Scientific Committee/Scientific Panel 9 (2) - Opinion of the Scientific Committee/Scientific Panel 38 (48) - Scientific Report of EFSA 3 (5) - Statement of EFSA 3 (4) - Statement of the Scientific Committee/Scientific Panel 4 (7) <p><i>Total scientific outputs activity 1 = 57 (66)</i></p> <p><i>Activity 2: Evaluation of products, substances and claims subject to authorisation</i></p> <ul style="list-style-type: none"> - Conclusion on Pesticides Peer Review 54 (73) - Guidance of EFSA 2 (1) - Guidance of the Scientific Committee/Scientific Panel 17 (6) - Opinion of the Scientific Committee/Scientific Panel 298 (244) - Scientific Report of EFSA 1 (2) - Statement of the Scientific Committee/Scientific Panel 9 (5) - Statement of EFSA 3 (0) <p><i>Total scientific outputs activity 2 = 384 (331)</i></p> <p><i>Activity 3: Data Collection, scientific cooperation and networking</i></p> <ul style="list-style-type: none"> - Guidance of EFSA 3 (3) - Statement of EFSA 0 (2) - Reasoned Opinion 88 (68) - Scientific Report of EFSA 16 (38) <p><i>Total scientific outputs activity 3 = 107 (111)</i></p> <p><i>Supporting Publications</i></p> <ul style="list-style-type: none"> - Event report 8 (7) - External Scientific Report 37 (33) - Technical report 65 (17) <p><i>Total Supporting Publications = 110 (57)</i></p> <p><i>Total outputs = 658 (565)</i></p> <ul style="list-style-type: none"> - Scientific outputs supported by communication activities: 35 % (34 %). - Public consultations: 78 (78) - Web visits: 3,5 million (3,0) - Highlights subscribers: 27 933 (26 934). - Media coverage: 9 397 (8 330) - Media queries: 1 086 (857) - Press releases: 15 (16) - Web News stories: 63 (59) - Interviews: 126 (116)

Source: Information supplied by the Authority.

THE AUTHORITY'S REPLY

12. A change of organisational model and the purchase and move to new premises required adaptation (of IT systems in particular) while some recruitments were voluntarily postponed by a few month and created a less predictable environment leading to an increased need to execute budget transfers (6% in 2011 compared to 4 % in 2010).

EFSA will consider adapting its budget structure within the overall budgetary framework to reduce fragmentation and needs for transfers in the future.

The under-consumption of differentiated payment appropriations results from difficulties to forecast precise payment pattern of pluri-annual scientific cooperation projects introduced in 2009.

13. EFSA acquired its headquarters following modalities cleared by the Budgetary Authority foreseeing payment spread over 25 years. EFSA has asked recently the European Commission to consider requesting additional resources to the Budgetary authority to shorten the purchase calendar. Such anticipated purchase is possible at no costs for EFSA.

14. EFSA recruitment procedures are fully compliant with regulatory requirements.

To increase the attention to the specific transparency dimension, EFSA adapted in January 2012 its relevant processes to ensure that:

Competences assessment instruments are designed before the assessment of applications.

Selection board Members' declaration of confidentiality and declaration of eventual interests are signed and assessed systematically earlier in the process.

15. [The replies of EFSA are presented in the separate document (Special Report 15/2012)]