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THE EUROPEAN UNION**

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COVER NOTE

from:	Mr Vítor CALDEIRA, President of the Court of Auditors
date of receipt:	7 November 2012
to:	Mrs Erato KOZAKOU-MARCOULLIS, President of the Council of the European Union

Subject:	Report on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2011 together with the Centre's replies
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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 Centre for Disease Prevention and Control for the financial year 2011.

This report is accompanied by the Centre'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 Centre for Disease Prevention and Control for the financial year 2011 together with the Centre's replies.

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



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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Centre for Disease Prevention and Control
for the financial year 2011

together with the Centre's replies

INTRODUCTION

1. The European Centre for Disease Prevention and Control (hereinafter "the Centre"), which is located in Stockholm, was established by Regulation (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004¹. The Centre's main tasks are to collect and disseminate data on the prevention and control of human diseases and to provide scientific opinions on this subject. It is also required to coordinate the European network of bodies operating in this field².

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 Centre'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 Centre, which comprise the "financial statements"⁴ and the "reports on the

¹ OJ L 142, 30.4.2004, p. 1.

² The **Annex** summarises the Centre'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 Centre, 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 Centre 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 Centre.

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 Centre 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 the 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 Centre'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 28 June 2012 and received by the Court on 2 July 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.ecdc.europa.eu/>.

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

Basis for a qualified opinion on the legality and the regularity of the transactions underlying the accounts

10. The Centre concluded a framework contract in 2009 for a maximum amount of 9 million euro, allowing it to sign specific contracts with selected suppliers up to this amount. Under this framework contract, the Centre signed specific contracts with original values amounting to 8,4 million euro. Subsequent amendments increased these contracts' values to 14,9 million euro. By the end of 2011 payments made totalled 12,2 million euro, of which 3,2 million euro in 2011. Commitments and payments above the 9 million euro ceiling set in the framework contract are irregular¹².

Qualified opinion on the legality and the regularity of the transactions underlying the accounts

11. In the Court's opinion, with the exception of the issues mentioned in paragraph 10, the transactions underlying the annual accounts of the Centre for the financial year ended 31 December 2011 are legal and regular in all material respects.

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

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 Article 117(2) of the Implementing Rules to the Centre's Financial Regulation states that "Specific contracts based in framework contracts shall be awarded in accordance with the terms of the framework contract..."

COMMENTS ON BUDGETARY AND FINANCIAL MANAGEMENT

13. As in the previous year, a high level of carryover is reported for 2011. The Centre's budget for 2011 amounted to 56,6 million euro, of which 11 million euro (20 %) was carried over to 2012, including 38 % of Title III (operational expenditure) appropriations. This high level of carryover, coupled with a low level of accrued expenditure (5,4 million euro), is at odds with the budgetary principle of annuality.

COMMENTS ON KEY CONTROLS OF THE CENTRE'S SUPERVISORY AND CONTROL SYSTEMS

14. Irregularities in the management of one framework contract, leading to a qualified opinion on the legality and the regularity of the transactions underlying the accounts, are reported in paragraph 10. The Court found additional cases in which the Centre's controls did not prevent poor management of contracts:

- In one case, under a multiple framework contract, a specific contract was amended by the Centre in 2010 and again in 2011. The amendments were covered by the conditions of the framework contract, but did not comply with the Centre's Implementing Rules to its Financial Regulation. The amendments related to the contract's duration and increases in both the services and contract amounts. Payments in excess of the original contract value amounted to 0,2 million euro;
- For another framework contract concluded for a maximum amount of 1,7 million euro, the four specific contracts signed in 2011 implementing it made no reference to the volume or value of services to be supplied. In 2011 payments related to these specific contracts amounted to 0,06 million euro. The framework contract itself had an excessive maximum duration of 8 years¹³ and the Centre failed to create a clear link

¹³ The Implementing Rules to the Centre's Financial Regulation specify a maximum of 4 years in Article 72.

between the technical specifications, the award criteria and the pricing structure as set out in the tender documents sent to suppliers to procure the contracted services.

15. One grant agreement for an amount of 0,2 million euro was signed in 2011 more than four months after the start of the activities. Activities carried out and expenditure incurred before the signature of the grant agreement are ineligible.

OTHER COMMENTS

16. As in the previous year, the Court identified weaknesses regarding staff recruitment procedures. There was no evidence that the questions for the written tests and interviews and their weightings had been set before the examination of applications. Selection criteria had partly not been checked and eligibility requirements were changed at the assessment stage.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 11 September 2012.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

European Centre for Disease Prevention and Control (Stockholm)**Competences and activities**

Areas of Union competence deriving from the Treaty <i>(Article 168 of the Treaty on the Functioning of the European Union)</i>	<ul style="list-style-type: none"> – A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities. – Union action, which shall complement national policies, shall be directed towards improving public health, preventing physical and mental illness and diseases, and obviating sources of danger to physical and mental health. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education, and monitoring, early warning of and combating serious cross-border threats to health.
Competences of the Centre <i>(Regulation (EC) No 851/2004 of the European Parliament and of the Council)</i>	<p>Objectives</p> <ul style="list-style-type: none"> – Strengthen Europe's defenses against infectious diseases; specifically, to identify, assess and communicate current and emerging threats to human health from communicable diseases. – Therefore the Centre shall operate dedicated surveillance networks, provide scientific opinions, operate the early warning and response system (EWRS) and provide scientific and technical assistance and training. <p>Tasks</p> <ul style="list-style-type: none"> – Operate dedicated disease surveillance networks and enhance networking activities. The Centre has a specific role in data collection, validation, analysis and dissemination. – Provide authoritative expert advice and scientific opinions and studies on communicable diseases. – Operate the Early Warning and Response System. Develop procedures for identifying emerging health threats. – Strengthen Member States' capacity in preparedness planning and in training. – Inform the general public and interested parties of its work.
Governance	<p>Management Board</p> <p><i>Composition</i></p> <p>One member designated by each Member State, two members designated by the European Parliament and three representatives of the Commission.</p> <p><i>Tasks</i></p> <p>The Board adopts the Centre's annual programme and budget and monitors their implementation.</p> <p>Director</p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission.</p> <p>Advisory Forum</p> <p><i>Composition</i></p> <p>A representative of each Member State and three non-voting representatives of the Commission.</p> <p><i>Tasks</i></p> <p>The Forum is to assure the scientific excellence of the work and the independence of the activities and opinions of the Centre.</p> <p>External audit</p> <p>The Court of Auditors.</p> <p>Internal control</p> <p>The Commission's Internal Audit Service.</p> <p>Discharge Authority</p>

	Parliament, acting on recommendation from the Council.
Resources made available to the Centre in 2011 (2010)	<p>Final Budget</p> <p>56,6 (57,8) million euro</p> <p>Staff as at 31 December 2011</p> <p>Authorized: 200 (200)</p> <p>Occupied: 177 (175)</p> <p>Other posts: 88 (79)</p> <p>TOTAL: 265 (254) , assigned to the following duties:</p> <p>- operational tasks: 174 (169)</p> <p>- administrative and support tasks: 91 (85)</p>
Products and services in 2011 (2010)	<p>64* (93) health threats identified and monitored using the Threat Tracking Tool (TTT);</p> <p>52 weekly threat reports on communicable diseases sent to 331 (52) recipients;</p> <p>Provision of support to epidemic intelligence for 3 (5) large mass-gathering events;</p> <p>In addition, 5 (5) events of exceptional nature/public importance were also monitored;</p> <p>Preparation of 17 (32) original threat assessments and 11 (10) threat updates;</p> <p>2 (3) simulation exercise workshops conducted for testing and improving preparedness and response to communicable diseases;</p> <p>98 (80) fellows coached in the European Programme for Intervention Epidemiology Training (EPIET);</p> <p>8 (6) fellows coached in the European Public Health Microbiology Training (EUPHEM);</p> <p>181 (106) public health experts from 30 EU-EEA countries participated in the Centre's short training modules;</p> <p>500 000 visitors to the Centre's web portal (495 000, new statistic system in place);</p> <p>122 (35) scientific publications published;</p> <p>Fourth European Antibiotic Awareness Day organised, with the participation of 37 (36) countries;</p> <p>11,2 (9,8) million unique records in the TESSy databases; 845 (628) active users from 53; countries</p> <p>Enhanced surveillance; integration into the Centre of 15 (11) of the 17 dedicated surveillance networks at the end of 2011;</p> <p>Annual Epidemiological Report published;</p> <p>Tuberculosis, HIV/AIDS and anti-microbioresistance annual reports published;</p> <p>32 (38) weekly influenza bulletins/weekly influenza surveillance overviews for 2011;</p> <p>27 (20) scientific opinions produced, based on stakeholders requests;</p> <p>Organisation of the fifth European Scientific Conference on Applied Infectious Disease Epidemiology (ESCAIDE) on 6-8th November 2011 in Stockholm, with 500 (562) participants;</p> <p>Organisation of the third Eurovaccine conference with 1 000 (600) participants;</p> <p>Weekly publication of the Eurosurveillance scientific journal, with 13 302 (1 665) online subscribers.</p>

Source: Information supplied by the Centre.

* This decline is partly related to a change in procedures relating to monitoring of travel-associated legionellis clusters

THE CENTRE'S REPLY

10. The Centre became aware of this case in September 2011 and brought it to the attention of the Court of Auditors during their audit in October 2011. The Centre exercised full transparency on this matter with the Court of Auditors. Following the discussions at that time, the Centre had put all necessary measures in place: immediate launch of a new tender procedure to establish a new Framework Contract (FWC) and a recording of the case in the register of exceptions. In December 2011, the Centre communicated detailed information to the Court related to the contract volumes that would still be signed under the current FWC in order to insure its business continuity, a schedule with the timeline for the new FWC and the measures put in place to avoid this in the future like managing the new FWC by one Authorising Officer and its consumption by one Resource Officer. Other measures, which are currently under pursuit, are the creation of a separate ICT Unit, the implementation of a contract management tool, to provide external training to staff to become internal trainers to the Centre and the revision of the internal procedure on procurement. The Centre emphasises that no funds were lost and no parties have been disadvantaged.

13. The Centre successfully reduced the carry-over of its operational expenditure in 2011 by 10 % compared to 2010, representing a second successive year of improvement. The Centre will continue this effort in order to reduce the carry-over to an acceptable level. The level of accrued expenditure proportional to the carry-over has also improved from 35 % to 49 %, in comparison to last year.

14. The Centre is reviewing its internal procedures in relation to procurement and is currently assessing which contract management application most suits its needs in order to strengthen the Centre's management of contracts. The Centre also plans to provide external training to staff to become internal trainers to the Centre on the subject.

- The Centre will apply reopening of competitions more rigorously and in compliance with the Centre's Implementing Rules to its Financial Regulation.

- In the field of telecommunication it is common practice to use the contract templates of the supplier. The Centre had little defence against this practice as the number of providers on the market is very limited.

The duration of the contract was discussed in the CPCG meeting. The longer duration was justified by analogy and with the same arguments as the tender call of DIGIT/R2/PO/2007/033 “services for voice communication” on the basis of the complexity and high setup costs that the operator would need to recover over the duration of the contract. It was intended that this would have a positive effect on the number of bidders. Article 72 of the implementing rules of ECDC stipulated: The term of a framework contract may not exceed 4 years, save in exceptional cases duly justified in particular by subject of the framework contract. The justification provided for in the Centre’s tender was considered by the Centre as duly justified as it was copied from the tender specifications used by the European Commission (DG Digit).

15. The Centre acknowledges that the applied chronology for establishing a specific agreement on the EPIET Coordination is discordant with the process stipulated in the Framework Partnership Agreement. However, a decision to discontinue the EPIET coordination due to absence of signed specific agreements would have caused significant damage to the EPIET programme. The Centre has improved its contract management procedures, aiming to start the process of request for proposals earlier and to monitor critical milestones closely.

16. The Centre notes the Court’s comment, which largely relates to practices ECDC has already changed in the course of 2011 and with the introduction of the revised Internal Procedure on recruitment in January 2012. Since mid 2011 it is practice that the Selection Committee agrees on written tests and interview questions before receiving applications. The new Internal Procedure includes detailed rules on the pass rates and weightings of interview and tests. This is now strictly applied. Some selection criteria relating to interpersonal and language skills are not assessed directly, but indirectly during the interview and in the written test as a sum of particular abilities. Eligibility requirements were changed in only one case due to an administrative error. However, none of the candidates was assessed as ineligible as a consequence of the changed formulation of the eligibility criteria.