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COVER NOTE

From:	Mr Klaus-Heiner LEHNE, President of the European Court of Auditors
date of receipt:	4 November 2016
To:	Mr Peter KAZIMIR, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Food Safety Authority for the financial year 2015 together with the Authority's reply

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Food Safety Authority for the financial year 2015.

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

Encl.: Report on the annual accounts of the European Food Safety Authority for the financial year 2015 together with the Authority's reply.¹

¹ In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.



EUROPEAN
COURT
OF AUDITORS

Report on the annual accounts
of the European Food Safety Authority
for the financial year 2015

together with the Authority's reply

INTRODUCTION

1. The European Food Safety Authority (hereinafter “the Authority”, aka “EFSA”), which is located in Parma, was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council². The Authority’s main tasks are to supply the scientific information needed for Union legislation to be drawn up concerning food and food safety, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks.
2. **Table 1** presents key figures for the Authority³.

TABLE 1: KEY FIGURES FOR THE AUTHORITY

	2014	2015
Budget (million euro) ⁴	79,9	78,8
Total staff as at 31 December ⁵	442	434

Source: data provided by the Authority.

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

3. 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 and an analysis of management representations.

² OJ L 31, 1.2.2002, p. 1.

³ More information on the Authority’s competences and activities is available on its website: www.efsa.europa.eu.

⁴ Budget figures are based on payment appropriations.

⁵ Staff includes officials, temporary and contract staff and seconded national experts.

STATEMENT OF ASSURANCE

4. 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 Authority, which comprise the financial statements⁶ and the reports on the implementation of the budget⁷ for the financial year ended 31 December 2015, and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

5. The management is responsible for the preparation and fair presentation of the annual accounts of the Authority and the legality and regularity of the underlying transactions⁸:

- (a) The management's responsibilities in respect of the Authority'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 officer⁹; making accounting estimates that are reasonable in the circumstances. The Executive Director approves the annual accounts of the Authority 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 Authority in all material respects.

⁶ These include the balance sheet and the statement of financial performance, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

⁷ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁸ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁹ 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.

- (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 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

6. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council¹⁰ 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 Authority are free from material misstatement and the transactions underlying them are legal and regular.

7. 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 reasonableness of accounting estimates and the overall presentation of the accounts. In preparing this report and Statement of Assurance, the Court considered the audit work of the independent external auditor performed on the Authority's accounts as stipulated in Article 208(4) of the EU Financial Regulation¹¹.

¹⁰ Article 107 of Regulation (EU) No 1271/2013.

¹¹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

8. 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

9. In the Court's opinion, the Authority's annual accounts present fairly, in all material respects, its financial position as at 31 December 2015 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

10. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2015 are legal and regular in all material respects.

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

COMMENTS ON INTERNAL CONTROLS

12. The Authority has not yet put in place a clear and comprehensive financial ex-post control strategy covering all areas of operations and specifying the frequency and scope of such controls.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

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

This Report was adopted by Chamber IV, headed by Mr Baudilio TOMÉ MUGURUZA,
Member of the Court of Auditors, in Luxembourg at its meeting of 13 September 2016.

For the Court of Auditors

(s) Vítor Manuel da SILVA CALDEIRA

President

Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	<p>Following high level risk assessments carried out by an external consultation 2012 and by the Commission's Internal Audit Service in February 2013 a number of potential critical risks were identified in the operation of the Authority's internal controls, particularly in the areas of data management, business continuity and IT security. The Authority started a comprehensive self-assessment of its internal control system in 2012. The process is on-going and implementation of corrective actions is planned for 2013.</p>	<p>Completed for data management and IT security</p> <p>Ongoing for business continuity</p>
2014	<p>In 2005 new EU Staff Regulations entered into force, including provisions that future remunerations of officials recruited before 1 May 2004 should not be less than under the previous EU Staff Regulations. The Court's audit revealed that this was not complied with and, in the case of 8 of the 71 officials employed at that time, this led to a total underpayment of 87 000 euro for the period 2005 to 2014. The Authority will make the supplementary salary payments in due course.</p>	<p>Completed</p>

THE AGENCY'S REPLY

13. EFSA welcomes the unqualified opinions issued by ECA on the reliability of the accounts and on the legality and regularity of the transactions underlying the accounts. This evidences that the control system in place at EFSA adequately ensures overall compliance. Internal control system are always perfectible, hence EFSA will consider the comment of ECA and whether this optional and additional control step fits for purpose in a risk-based assessment environment.