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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 Centre for Disease Prevention and Control for the financial year 2015 together with the Centre's reply

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2015.

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

Encl.: Report on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2015 together with the Centre'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 Centre for Disease Prevention and Control
for the financial year 2015
together with the Centre's reply

INTRODUCTION

1. The European Centre for Disease Prevention and Control (ECDC – hereinafter “the Centre”), which is located in Stockholm, was established by Regulation (EC) No 851/2004 of the European Parliament and of the Council². 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 field.

2. **Table 1** presents key figures for the Centre³.

TABLE 1: KEY FIGURES FOR THE CENTRE

	2014	2015
Budget (million euro)	60,5	58,5
Total staff as at 31 December ⁴	277	260

Source: data provided by the Centre.

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 Centre’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 142, 30.4.2004, p. 1.

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

⁴ 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 Centre, which comprise the financial statements⁵ and the reports on the implementation of the budget⁶ 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 Centre and the legality and regularity of the underlying transactions⁷:

- (a) The management's responsibilities in respect of the Centre'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 officer⁸; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Centre 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 Centre in all material respects.

⁵ 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.

⁶ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁷ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁸ 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 Council⁹ 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 Centre 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 Centre's accounts as stipulated in Article 208(4) of the EU Financial Regulation¹⁰.

⁹ Article 107 of Regulation (EU) No 1271/2013.

¹⁰ 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 Centre'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 THE LEGALITY AND REGULARITY OF TRANSACTIONS

12. The Court found various weaknesses affecting the transparency of the audited procurement procedures, such as lack of a clear link with the Centre's annual work programme, insufficient substantiation of the estimated contract value or absence of a financial benchmark (threshold) to assess the tenderer's financial capacity.

COMMENTS ON BUDGETARY MANAGEMENT

13. The overall budget execution rate was at 94 % (99 % in 2014). The decrease is related to the lower weighting factor applied to remunerations in Sweden as of 1 June 2014 and to delays in recruitments which resulted in lower than anticipated staff costs.

14. Carry-overs of committed appropriations were high for Title II (administrative expenditure) at 1,6 million euro, i.e. 23 % (2014: 1,5 million euro, i.e. 25 %). These carry-overs mainly relate to the procurement of IT hard- and software (0,8 million euro), as well as, for real estate consultancy services for new premises (0,3 million euro) for which payments are only due in 2016.

15. Carry-overs of committed appropriations were high for Title III (operational expenditure) at 7,5 million euro, i.e. 42 % (2014: 8,1 million euro, i.e. 49 %). The carry-overs mainly relate to multi-annual projects (5 million euro) and IT support for operational activities (1,7 million euro) which were provided and paid as planned.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

16. An overview of the corrective actions taken in response to the Court's comments from 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)
<p>2012</p>	<p>In 2012, the Centre awarded grants to research institutions and individuals. Total grant expenditure amounted to 752 000 euro, representing 1,4 % of 2012 operating expenditure. The Centre's ex ante verifications before reimbursement of costs claimed by beneficiaries consist of a desk analysis of cost claims and, partly, of audit certificates issued by independent audit firms contracted by the beneficiaries. The Centre does not usually obtain any documents from beneficiaries to substantiate the eligibility and accuracy of the costs claimed. In order to strengthen controls, the Centre has adopted an ex post verification strategy and planned for its implementation in 2012. However, it experienced a 10-month delay in gaining access to an interinstitutional audit contract and, at the time of the audit, no ex post verifications of 2012 grant expenditure had yet taken place. Supporting documentation obtained by the Centre on the Court's behalf provided reasonable assurance as to the legality and regularity of the transactions audited by the Court.</p>	<p>Completed</p>
<p>2014</p>	<p>The overall budget execution rate was high at 99 % (92 % in 2013). However, carry-overs of committed appropriations were also relatively high, at 1,6 million euro, i.e. 25 % for title II - administrative expenditure (2013: 1,7 million euro, i.e. 26 %) and 8,1 million euro i.e. 49 % for title III - operational expenditure (2013: 7,9 million euro, i.e. 44 %). Carry-overs for title II mainly related to the planned procurement of IT hardware and software (1 million euro) in the second half of 2014, for which payment is not due until 2015. For title III, carry-overs concerned multiannual projects (4,7 million euro), ICT to support operational activities (1,6 million euro) for which activities were implemented and payments were made according to operational needs, and expert consultation (1,2 million euro) for the organisation of meetings held in 2014 and not yet invoiced at year-end and meetings taking place in the first quarter of 2015.</p>	<p>N/A</p>

THE CENTRE'S REPLY

13. ECDC has now made clearer the link between the procurement procedures and the annual work programme through the full implementation of a new version of ECDC procurement monitoring application in 2016. The substantiation of estimated contract values is now requested prior to the launch of any procurement procedure above 25,000 EUR. The financial threshold to assess financial capacity, was introduced in 2016.

14. /15. /16. The Centre acknowledges the comments of the Court of Auditors.