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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 Chemicals Agency for the financial year 2015 together with the Agency's reply

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Chemicals Agency for the financial year 2015.

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

Encl.: Report on the annual accounts of the European Chemicals Agency for the financial year 2015 together with the Agency'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 Chemicals Agency
for the financial year 2015
together with the Agency's reply

INTRODUCTION

1. The European Chemicals Agency (hereinafter “the Agency”, aka “ECHA”), which is located in Helsinki, was set up by Regulation (EC) No 1907/2006 of the European Parliament and of the Council². Its main tasks are to ensure a high level of protection of human health and the environment as well as the free movement of substances on the internal market while enhancing competitiveness and innovation. The Agency also promotes the development of alternative methods for the assessment of hazards relating to substances.
2. **Table 1** presents key figures for the Agency³.

TABLE 1: KEY FIGURES FOR THE AGENCY

	2014	2015
Budget (million euro) ⁴	113,2	115,1
Total staff as at 31 December ⁵	587	572

Source: data provided by the Agency.

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 Agency’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 396, 30.12.2006, p. 1.

³ More information on the Agency’s competences and activities is available on its website: www.echa.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 Agency, 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 Agency and the legality and regularity of the underlying transactions⁸:

- (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 officer⁹; 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.

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 Agency 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 Agency'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 Agency'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 LEGALITY AND REGULARITY OF TRANSACTIONS

12. The Agency pays 50 % of the cost for after-school care of staff children in the European School in Helsinki. Its contribution is limited to 1 000 euro per child per annum and in total amounted to some 95 000 euro in 2015. This measure of a social nature was approved in 2008 by the Agency's Director but has not been communicated to the budgetary authority in the framework of the budget procedure¹².

COMMENTS ON BUDGETARY MANAGEMENT

13. Carry-overs of committed appropriations were high for Title IV (Biocides operating expenditure) at 1,5 million euro, i.e. 74 %. They mainly concern a large scale IT project (1,4 million euro). This project could only be started in the second half of 2015 when sufficient fee income for its funding had been collected.

¹² Article 1 of Regulation No 31 (EEC), 11 (EAEC), laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Economic Community and the European Atomic Energy Community (OJ 45, 14.6.1962, p. 1385).

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

14. 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)
2014	<p>Budget implementation rates for the year 2014 improved in comparison with the previous year. The level of committed appropriations carried over to 2014 for titles III, IV, and V (operational expenses) was 8,5 million euro, i.e. 35 % (2013: 10,6 million euro, i.e. 46 %). These carry-overs mainly resulted from the multiannual nature of planned IT development projects (4,5 million euro), costs for translations ordered in 2014 but not received and paid by the end of the year (0,5 million euro) and substance evaluations with a regulatory deadline in 2015 (1,9 million euro).</p> <p>The expenditure for procedures associated with one new specific activity of the Agency, the implementation of the Regulation concerning biocidal products, was to be, in principle, covered by application fees for the registration of these products. However, fees collected in 2014 covered only 17 % of this expenditure and the remaining part was in fact financed by contributions to the Agency's budget from the Union (6,3 million euro) and EFTA countries (0,2 million euro)¹.</p>	<p>N/A</p> <p>Ongoing</p>

¹ Fees collected in 2015 covered 62 % of this expenditure.

THE AGENCY'S REPLY

12. ECHA will communicate this measure of a social nature to the budgetary authority in its Programming Document 2018-2020 and in ECHA's Financial Statement 2018. In addition, ECHA will update the remarks on the relevant budget line in its first amending budget for 2016.

13. ECHA appreciates the conclusion of the European Court of Auditors and will continue to be attentive to avoid any non-justified carry-over operations.