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#### COVER NOTE

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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 Aviation Safety Agency for the financial year 2015 together with the Agency's reply

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Aviation Safety 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*.

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Encl.: Report on the annual accounts of the European Aviation Safety Agency for the financial year 2015 together with the Agency's reply.<sup>1</sup>

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<sup>1</sup> 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 Aviation Safety Agency  
for the financial year 2015  
  
together with the Agency's reply

## **INTRODUCTION**

1. The European Aviation Safety Agency (hereinafter “the Agency”, aka “EASA”), which is located in Cologne, was established by Regulation (EC) No 1592/2002 of the European Parliament and of the Council<sup>2</sup> which was repealed by Regulation (EC) No 216/2008<sup>3</sup>. The Agency has been given specific regulatory and executive tasks in the field of aviation safety.
2. **Table 1** presents key figures for the Agency<sup>4</sup>.

**TABLE 1: KEY FIGURES FOR THE AGENCY**

	<b>2014</b>	<b>2015</b>
Budget (million euro)	162,3	185,4
Total staff as at 31 December <sup>5</sup>	740	779

*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.

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<sup>2</sup> OJ L 240, 7.9.2002, p. 1.

<sup>3</sup> OJ L 79, 19.3.2008, p. 1.

<sup>4</sup> More information on the Agency’s competences and activities is available on its website: [www.easa.europa.eu](http://www.easa.europa.eu).

<sup>5</sup> 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 statements<sup>6</sup> and the reports on the implementation of the budget<sup>7</sup> 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 transactions<sup>8</sup>:

- (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 officer<sup>9</sup>; making accounting estimates that are reasonable in the circumstances. The Executive 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.

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<sup>6</sup> 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.

<sup>7</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

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

<sup>9</sup> 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 Council<sup>10</sup> 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 Regulation<sup>11</sup>.

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

<sup>11</sup> 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 BUDGETARY MANAGEMENT**

12. Carry-overs of committed appropriations were high for Title II (administrative expenditure) at 4,4 million euro, i.e. 20,2 % (2014: 3,6 million euro, i.e. 22 %) and for Title III (operational expenditure) at 2 million euro, i.e. 32,0 % (2014: 2 million euro, i.e. 38,1 %). These carry-overs mainly relate to IT developments that were ordered near the end of the year, as well as, rule making activities and research projects which go beyond 2015.

**FOLLOW-UP OF PREVIOUS YEARS' COMMENTS**

13. 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)
<b>2013</b>	<p>In 2012 EASA selected 14 National Aviation Authorities (NAAs) and 10 "Qualified Entities" (QEs) through procurement procedures to outsource part of its certification activities. Expenditure for such outsourced certification activities amounted to some 22 million euro in 2013. The process of allocating specific certification tasks to NAAs and QEs and the criteria to be used are described in specific guidelines established by the Agency. However, the transparency of outsourcing could be improved through better documentation of the allocation processes, including the assessments made on the basis of the criteria set in the guidelines. This is also the case for the allocation of the many other low-value contracts to bidders.</p>	<b>Completed</b>
<b>2013</b>	<p>The Agency became operational in 2004 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However, a comprehensive headquarters agreement between the Agency and the Member State has not been signed. Such an agreement would promote transparency in respect of the conditions under which the Agency and its staff operate.</p>	<b>Ongoing</b>
<b>2014</b>	<p>The overall level of appropriations committed was high at 97,1 %. Although the Agency reduced further the overall level of carry-overs of committed appropriations from 7,2 million euro (7,7 %) in 2013 to 5,9 million euro (6,2 %) in 2014, carry-overs of committed appropriations were high at 3,6 million euro (22,0 %) for title II (administrative expenditure) and at 2,0 million euro (38,1 %) for title III (operational expenditure). Although this is partly justified by the multiannual nature of the Agency's operations and the carry-overs included in the Court's sample were duly justified, such a high level is at odds with the budgetary principle of annuality.</p>	<b>N/A</b>



Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2014</b>	<p>There is room to improve the Agency's procurement planning, particularly in respect of framework contracts. In 2014, three procedures were launched too late to replace existing framework contracts by the time they expired. To ensure business continuity, two existing framework contracts were extended until the new ones were in place and in another case a negotiated procurement procedure was launched to bridge the gap. The change of the initial contract duration affects fair competition and the use of a negotiated procedure was not in compliance with the Financial Regulation.</p>	<b>N/A</b>

### THE AGENCY'S REPLY

13. Since 2012, the Agency has significantly reduced carryover levels from 24% to 20.2% for title II and from 46.3% to 32% for title III. Amounts carried over are, as acknowledged by the auditors, justified by the nature of the Agency's activities and now very close indeed to acceptable levels (+0.2% and +2% respectively). Nevertheless, the Agency remains committed to reducing carry over levels still further.