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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 Consumers, Health and Food Executive 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 Consumers, Health and Food Executive 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 Consumers, Health and Food Executive 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 Consumers, Health and Food Executive Agency  
for the financial year 2015  
  
together with the Agency's reply

## **INTRODUCTION**

1. The Consumers, Health and Food Executive Agency (hereinafter “the Agency”) was set up on 1 January 2005 (Public Health Executive Agency – PHEA – from 2005 to 2008, Executive Agency for Health and Consumers – EAHC – from 2008 to 2013 and Consumers, Health and Food Executive Agency – CHAFEA – as from 1 January 2014)<sup>2</sup>. The Agency, which is located in Luxembourg, was established for a period ending 31 December 2024. It implements the EU Health Programme, the Consumer Programme and the Better Training for Safer Food initiative.

2. **Table 1** presents key figures for the Agency<sup>3</sup>

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

	<b>2014</b>	<b>2015</b>
Budget (million euro)	7,2	7,4
Total staff as at 31 December <sup>4</sup>	49	49

*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 (where relevant) and an analysis of management representations.

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<sup>2</sup> Commission Decision 2013/770/EU (OJ L 341, 18.12.2013, p. 69).

<sup>3</sup> More information on the Agency’s competences and activities is available on its website: <http://ec.europa.eu/chafea/>.

<sup>4</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>5</sup> and the reports on the implementation of the budget<sup>6</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>7</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>8</sup>; 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.

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<sup>5</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>6</sup> These comprise the budgetary outturn account, the budget implementation reports and notes on budget implementation.

<sup>7</sup> Articles 38 to 42 of the Financial Regulation of the Agency.

<sup>8</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>9</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.

8. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

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<sup>9</sup> Articles 87 to 92 of the Financial Regulation of the Agency.

**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. The Agency carried over 0,5 million euro, i.e. 36,4 % (2014: 0,1 million euro, i.e. 13 %) of committed appropriations for Title II (administrative expenditure). These carry-overs are mainly related to the extension of the Agency's office space and the required fitting out of offices (0,3 million euro).

13. The Agency carried over 0,9 million euro, i.e. 52 % (2014: 0,9 million euro, i.e. 50 %) of committed appropriations for Title III (expenditure linked to the Agency's operations). These carry-overs are mainly explained by the Commission's late issuing of the Agency's work plan in June 2015.

14. The Agency cancelled 0,2 million euro, i.e. 18 % of its carry-overs to 2015 (2014: 0,1 million euro, i.e. 14 %), indicating weaknesses in their planning.

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

15. 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

<b>Year</b>	<b>Court's comment</b>	<b>Status of corrective action (Completed / Ongoing / Outstanding / N/A)</b>
<b>2014</b>	Carry-overs for title III (Expenditure linked to the Agency's operations) are high at 0,9 million euro (2013: 1,0 million euro), i.e. 50 % (2013: 43 %) of committed appropriations. Although such a high level of carry-over is at odds with the budgetary principle of annuality, it is related to services received in 2014 (0,6 million euro) and annual contracts covering part of 2015 (0,3 million euro).	N/A



**THE AGENCY'S REPLY**

12. The Agency has no additional observations to the Court's comments

13. The Agency has no additional observations to the Court's comments

14. The Agency accepts the Court's comments. The Agency shall continue its efforts to further reduce the level of carry-over and C8 cancellation rate.