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From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	22 October 2013
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the Trans-European Transport Network Executive Agency for the financial year 2012 together with the Agency's replies

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Delegations will find attached the European Court of Auditors' report on the annual accounts of the Trans-European Transport Network Executive Agency for the financial year 2012.

This report is accompanied by the Agency's replies 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 Trans-European Transport Network Executive Agency for the financial year 2012 together with the Agency's replies.<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/>.

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА  
TRIBUNAL DE CUENTAS EUROPEO  
EVROPSKÝ ÚČETNÍ DVŮR  
DEN EUROPÆISKE REVISIONSRET  
EUROPÄISCHER RECHNUNGSHOF  
EUROOPA KONTROLLIKODA  
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ  
EUROPEAN COURT OF AUDITORS  
COUR DES COMPTES EUROPÉENNE  
CÚIRT INIÚCHÓIRÍ NA HEORPA



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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts  
of the Trans-European Transport Network Executive Agency  
for the financial year 2012

together with the Agency's replies

## **INTRODUCTION**

1. The Executive Agency for the Trans-European Transport Network (“the Agency”, aka “TEN-TEA”), located in Brussels, was set up by Commission Decision 2007/60/EC<sup>1</sup>, amended by Decision 2008/593/EC<sup>2</sup>. The Agency was established for a period beginning on 1 November 2006 and ending on 31 December 2015 for the management of EU actions in the field of the trans-European transport network<sup>3</sup>.

## **INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

2. 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.

## **STATEMENT OF ASSURANCE**

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

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<sup>1</sup> OJ L 32, 6.2.2007, p. 88.

<sup>2</sup> OJ L 190, 18.7.2008, p. 35.

<sup>3</sup> ***Annex II*** summarises the Agency’s competences and activities. It is presented for information purposes.

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>4</sup> and the reports on the implementation of the budget<sup>5</sup> for the financial year ended 31 December 2012, and
- (b) the legality and regularity of the transactions underlying those accounts.

*The management's responsibility*

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002<sup>6</sup>, 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:

- (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>7</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the

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<sup>4</sup> These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>5</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>6</sup> OJ L 357, 31.12.2002, p. 72.

<sup>7</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.

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.

- (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*

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council<sup>8</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.

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the

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<sup>8</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

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.

7. 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***

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 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***

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects.

10. The comment which follows does not call the Court's opinions into question.

**COMMENT ON BUDGETARY MANAGEMENT**

11. Budget implementation was satisfactory for title I while the rate of committed appropriations carried over was high for titles II and III at 38 % (805 755 euro) and 50 % (363 613 euro) respectively. Out of the total amount carried over (1,37 million euro), 74 % is linked to services delivered in 2012 or early 2013. The remaining 26 % relates to goods and services ordered at the end of 2012 that were originally planned on the 2013 budget, but which were advanced to 2012.

**FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

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

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 9 July 2013.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA  
*President*

ANNEX I*Follow-up of previous year's comments*

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
<b>2011</b>	<p>For title III - Technical and administrative support expenditure, only 41 % of the initial budget of 0,6 million euro was used during the year, mainly due to lower than expected evaluation costs as a result of the postponement to 2012 of the call for proposals for the 2011 work programme of the Agency. The unused appropriations were transferred to title II - Infrastructure and operating expenditure, so that the total final budget of 9,9 million euro remained unchanged. Nonetheless, the underconsumption in title III represents a divergence from the approved annual work programme of the Agency.</p>	<b>Completed</b>



**Trans-European Transport Network Executive Agency (Brussels)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Articles 26, 170, 171, 172, 174 of the Treaty on the Functioning of the European Union)</i></p>	<p>The Union shall adopt measures with the aim of establishing or ensuring the functioning of the internal market. The internal market shall comprise an area in which the free movement of goods, persons, services and capital is ensured.</p> <p>In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion.</p> <p>To help achieve these objectives, and to enable citizens in the Union, economic operators and regional and local communities to derive full benefit from the setting up of an area without internal frontiers, the Union shall contribute to the establishment and development of trans-European networks in the areas of transport, telecommunications and energy infrastructures. Action by the Union shall aim at promoting the interconnection and interoperability of national networks as well as access to them.</p> <p>In order to achieve these objectives, the Union shall establish a series of guidelines covering the objectives, priorities and broad lines of measures envisaged in the sphere of trans-European networks (TENs).</p>
<p><b>Competences of the Agency</b></p> <p><i>(Decision No 661/2010/EU of the European Parliament and of the Council)</i></p> <p><i>(Regulation (EC) No 67/2010 of the European Parliament and of the Council)</i></p> <p><i>(Regulation (EC) No 680/2007 of the European Parliament and of the Council)</i></p> <p><i>(Council Regulation (EC) No 58/2003)</i></p> <p><i>(Commission Decision 2007/60/EC, last amended by 2008/593/EC)</i></p>	<p><b>Objectives</b></p> <p>The Decision on Union Guidelines for the development of the Trans-European Transport Network (TEN-T) establishes the guidelines covering the objectives, priorities and broad lines envisaged in the area of TEN-T. General rules were laid down for the Union financing of TENs, in order to permit the implementation of these guidelines.</p> <p>Council Regulation (EC) No 58/2003 empowers the Commission to establish executive agencies to carry out tasks related to Union programmes. TEN-TEA was therefore set up to manage Union action in the field of the TENs on the basis of the TEN-T Guidelines and Financial Regulation and add value in the management of the TEN-T Programme. It remains under the supervision of its parent DG MOVE, which retains responsibility for policy issues.</p> <p>TEN-TEA is responsible for managing the technical and financial implementation of the TEN-T Programme by following the entire project lifecycle. In its day to day work it aims to improve the effectiveness and flexibility of TEN-T implementation at a lower cost whilst at the same time mobilising a high level of expertise by recruiting more specialised staff. It also strengthens the links between the TEN-T and key stakeholders, ensures a better coordination of funds with other EU instruments, raises the profile and benefits of EU funding and provides support/feedback to the Commission.</p>
<p><b>Governance</b></p>	<p><b>Steering Committee</b></p> <p>The Agency's activities are supervised by a Steering Committee which is composed of five members from the EU Directorates-General Mobility and Transport, Regional and Urban Policy, Environment and Human Resources and an observer from the European Investment Bank. The Committee meets four times a year and approves the Agency's Administrative Budget, Work Programme, Annual Activity Report, Accounts of all revenue and expenditure and the external evaluation report, and adopts other specific implementing rules.</p> <p><b>Director</b></p> <p>Appointed by the European Commission.</p> <p><b>Internal audit</b></p> <p>European Commission's Internal Audit Service (IAS) and the Agency's Internal Audit Capability.</p> <p><b>External audit</b></p>

	<p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament acting on a recommendation from the Council.</p>
<b>Resources available to the Agency in 2012</b>	<p><b>Budget</b></p> <p>A. 7,9 billion euro (100 % general budget of the European Union) for the TEN-T budget linked to the 2007-2013 Financial Perspective.</p> <p>B. 9,8 million euro (administrative budget) in the form of a 100 % EU subsidy, which the Agency manages autonomously.</p> <p><b>Staff at 31 December 2012</b></p> <p>Temporary Agent posts: 33 posts listed in establishment plan, of which 100 % occupied.</p> <p>Contract staff: 67 posts planned, of which 66 (99 %) were occupied.</p> <p>Total staff: 100 (99 occupied).</p> <p>Allocated to:</p> <p>(a) Operational activities: 65 (64 occupied).</p> <p>(b) Administrative activities: 35 (35 occupied).</p>
<b>Products and services 2012</b>	<p><b>Selections</b></p> <ul style="list-style-type: none"> <li>– 2011 Annual Work Programme (AP) call for proposals with five priority areas for a total of 200 million euro. 138 proposals requesting 426,3 million euro were evaluated by 34 external experts and 74 proposals for 198,7 million euro were recommended for funding.</li> <li>– Preparation of the 2012 multi-annual and annual calls for 1 057 million euro and 250 million euro respectively, published in 2012.</li> </ul> <p><b>Project Management</b></p> <ul style="list-style-type: none"> <li>– Preparation of 96 new financing Decisions (2011 calls) – 325 open at the end of 2012.</li> <li>– Treatment of 102 requests for amendments from the beneficiaries – 63 new in 2012.</li> <li>– Analysis of 171 Action Status Reports (ASRs - the main tool for monitoring project progress) and 21 Strategic Action Plans (SAPs).</li> <li>– 207 project meetings held either on-site or at the Agency's premises.</li> <li>– Full use of the available payment appropriations, with an average net time to pay of only 12 days.</li> </ul> <p><b>Simplification measures</b></p> <ul style="list-style-type: none"> <li>– Improving internal procedures and communication with beneficiaries, e.g. regarding reporting, procurement assessment, modifications of decisions, etc.</li> <li>– Development of an electronic submission tool for ASRs.</li> <li>– Revamping of the Good Practice Working Group (Agency and beneficiaries) created to discuss proposals to improve efficiency in the administrative implementation of the programme.</li> <li>– Development of inventories regarding interpretations of Commission Decision provisions and of procurement cases.</li> <li>– Improving and streamlining internal procedures through the administrative and the operational expenditure template working groups.</li> </ul> <p><b>Communication</b></p> <ul style="list-style-type: none"> <li>– Website added new Twitter feed (@tentea_eu) and enlarged project successes section – 166 000 visits in 2012. Motorways of the Sea Helpdesk website had 2 500 visitors.</li> <li>– Campaign '10 (MORE) out of TEN' on additional TEN-T project achievements with website updates, tweets, brochure and posters.</li> <li>– Changeover and implementation of the Commission's visual identity for all dissemination</li> </ul>

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materials, website, Intranet, templates and signage.

- Publication of 11 e-Newsletters/updates for beneficiaries, 37 press releases in 20 languages on calls, achievements and new projects selected, 53 press releases prepared for distribution, and an updated corporate flyer/folder resulting from visual identity changes (see above), new ERTMS brochure, brochures for the FAC on selected Annual and Multi-Annual Call projects.
- Events included the joint TEN-T Day/Info Day and Exhibition with DG MOVE, Annual Call Info Day; participation in DG MOVE/Danish Presidency ERTMS conference, Institutional Open Day, and other TEN-T related events organised by DG REGIO/CoR.

**Cooperation with parent DG**

- Development of specialised data analysis for reporting on the Annual Work Programme and for financial planning and follow-up to ensure effective and efficient overall Programme implementation.
- Assistance in underpinning the positions DG MOVE had developed during the Co-Decision process on the Connecting Europe Facility (CEF) and the new TEN-T Guidelines.
- Production of statistics, reporting and maps related to the Programme e.g. 'the Report on TEN-T Programme Implementation'.
- Joint Management meeting once per month with participation of Directors, Heads of Units, Head of Communication and Agency/DG Liaison Officers.

**Audits**

- Adoption of a multi-annual audit strategy for the period 2013-2015.
- 14 audits were carried out, representing 21 % of the interim/final payments (monetary value) of 2011.

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Source: Information supplied by the Agency.

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