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COVER NOTE

From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	4 November 2014
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Union Fundamental Rights Agency for the financial year 2013 together with the Agency's replies

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Union Fundamental Rights Agency for the financial year 2013.

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

Encl.: Report on the annual accounts of the European Union Fundamental Rights Agency for the financial year 2013 together with the Agency's replies.¹

¹ In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.

ΕΒΡΟΠΕΪΣΚΑ ΣΜΕΤΗΑ ΠΑΛΑΤΑ
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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CORTE DEI CONTI EUROPEA
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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Union Fundamental Rights Agency
for the financial year 2013

together with the Agency's replies

INTRODUCTION

1. The European Union Fundamental Rights Agency (hereinafter “the Agency”, aka “FRA”), which is located in Vienna, was established by Council Regulation (EC) No 168/2007². The objective of the Agency is to provide the relevant authorities of the Union and its Member States with assistance and expertise when implementing Union law relating to fundamental rights³.

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:

² OJ L 53, 22.2.2007, p. 1.

³ ***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 statements⁴ and the reports on the implementation of the budget⁵ for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

4. 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 transactions⁶:

- (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 officer⁷; making accounting estimates that are reasonable in the circumstances. The Director approves

⁴ 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.

⁵ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁶ Article 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁷ 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.

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.

- (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 Council⁸ 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

⁸ Article 107 of Regulation (EU) No 1271/2013.

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 2013 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 2013 are legal and regular in all material respects.

10. The comments which follow do not call the Court's opinions into question.

COMMENTS ON BUDGETARY MANAGEMENT

11. In 2013, the overall level of committed appropriations was 100 %, indicating that commitments were made in a timely manner. However the level of committed appropriations carried over to 2014 was high at 579 429 euro (27 %) for title II (administrative expenditure) and 5 625 444 euro (69 %) for title III (operating expenditure).

12. The amounts carried over under title II mainly relate to the planned purchase of IT goods and services. The carry-overs under title III mainly reflect the multi-annual nature of the Agency's operational projects, where payments are made according to planned schedules.

FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS

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

This Report was adopted by Chamber IV, headed by Mr Pietro RUSSO, Member of the Court of Auditors, in Luxembourg at its meeting of 16 September 2014.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

Follow-up of previous year's comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	<p>In 2012, the Agency procured cleaning services via cascading framework contracts to two suppliers. Due to a clerical error during the evaluation of offers, the ranking of the contractors was incorrect. One specific contract for 56 784 euro awarded in 2012 and the related payments are irregular. Following the Court's audit, the Agency has amended the ranking of the contractors accordingly.</p>	Completed
2012	<p>The Agency did not have a formal ex post verification procedure in place during 2012. A formal procedure was however implemented at the beginning of 2013, following a comprehensive risk analysis conducted by the Agency.</p>	Completed
2012	<p>While budget implementation for title III (operational expenditure) was low at 49 % of committed appropriations, this did not arise from delays in the implementation of the Agency's Annual Work Programme and reflects the multi-annual nature of activities. The Agency has adopted a budgetary planning module that is linked directly to its Annual Work Programme and payments were planned and executed according to operational needs.</p>	N/A

European Union Agency for Fundamental Rights (Vienna)**Competences and activities**

Areas of Union competence deriving from the Treaty	Collection of information <ul style="list-style-type: none"> – The Commission may, within the limits and under conditions laid down by the Council acting by a simple majority in accordance with the provisions of the Treaties, collect any information and carry out any checks required for the performance of the tasks entrusted to it. (<i>Article 337</i>).
Competences of the Agency <i>(Council Regulation (EC) No 168/2007)</i>	Objectives <ul style="list-style-type: none"> – To provide the relevant institutions, bodies, offices and agencies of the Union and its Member States when implementing Union law with assistance and expertise relating to fundamental rights in order to support them when they take measures or formulate courses of action within their respective spheres of competence to fully respect fundamental rights. Tasks <ul style="list-style-type: none"> – To collect, record, analyse and disseminate relevant, objective, reliable and comparable information and data; – to develop methods and standards to improve the comparability, objectivity and reliability of data at European level; – to carry out, cooperate with or encourage scientific research and surveys, preparatory studies and feasibility studies; – to formulate and publish conclusions and opinions on specific thematic topics, for the Union institutions and the Member States when implementing Union law; – to publish an annual report on fundamental-rights issues covered by the areas of the Agency's activity; – to publish thematic reports based on its analysis, research and surveys; – to publish an annual report on its activities; – to develop a communication strategy and promote dialogue with civil society, in order to raise public awareness of fundamental rights and actively disseminate information about its work.
Governance	Management Board <i>Composition</i> One independent person appointed by each Member State, one independent person appointed by the Council of Europe and two representatives of the Commission. <i>Duties</i> To adopt the budget, work programme and annual reports. To adopt the final budget and the establishment plan. To give an opinion on the final accounts. Executive Board <i>Composition</i> <ul style="list-style-type: none"> – Chairperson of the Management Board. – Vice-Chairperson of the Management Board. – one representative of the Commission. – Two other elected members from the Management Board.

	<p>– The person appointed by the Council of Europe in the Management Board may participate in the meetings of the Executive Board.</p> <p>Scientific Committee</p> <p><i>Composition</i></p> <p>– 11 independent persons, highly qualified in the field of fundamental rights, appointed by the Management Board following a transparent call for applications and selection procedure.</p> <p>Director</p> <p>Appointed by the Management Board on a proposal from the Commission and after opinions of the European Parliament and the Council of the European Union (who will state their preference).</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Internal audit</p> <p>European Commission's Internal Audit Service (IAS).</p> <p>Discharge authority</p> <p>European Parliament on a recommendation from the Council.</p>
<p>Resources made available to the Agency in 2013 (2012)</p>	<p>Final Budget</p> <p>21,620 (20,376) million euro of which the Union subsidy is 99 % (99 %)</p> <p>Staff as at 31 December 2013</p> <p>78 (72) posts in the establishment plan, of which occupied: 75 (70) + 38 (22) other staff (contract staff, seconded national experts)</p> <p>Total staff: 116 (94), undertaking the following tasks:</p> <ul style="list-style-type: none"> – operational: 75 (58) – administrative: 33 (29) – mixed: 8 (7)
<p>Products and services 2013 (2012)</p>	<p>FRANET</p> <p>Number of contributions by the 28 contractors (national lots): 403 (185)</p> <p>Number of contributions by the partner in charge of the EU International Analysis: 1 (1)</p> <p>Number of contributions by the partner in charge of the Comparative Analysis: 2 (1)</p> <p>Number of meetings: 3 (3) (one with 4 participants, one with 10 participants and one with 2 participants)</p> <p>Research Reports</p> <p>Number of reports: 19 (13) plus 12 (23) language versions</p> <p>Number of meetings: 1 (2)</p> <p>Annual reports: 2 (2) plus 2 (3) language versions</p> <p>Annual Report Summary: 1 (1) plus 2 (2) language versions</p> <p>FRA opinions: 2 (3)</p> <p>E-book FRA Annual Report 2012: 1 (0) plus 1 (0) language versions</p> <p>Factsheets: 4 (11) plus 71 (118) language versions</p> <p>Non-Research Materials</p> <p>Various FRA publications: 20 (5) plus various (31) language versions</p> <p>Posters: 15 (20)</p>

<p>Key Conferences and Events</p> <p>Fundamental Rights Conference: 1 (1)</p> <p>Diversity Day Event: 0 (1)</p> <p>FRA Symposium: 1 (1)</p> <p>Meeting of Fundamental Rights Platform: 1 (1)</p> <p>Joint Seminar with (Irish) EU Presidency 1 (1)</p> <p>Cooperation with institutions and bodies at EU and Member State level</p> <p>Member States: 29 (7)</p> <p>Council of the EU: 19 (9)</p> <p>European Commission: 22 (12)</p> <p>European Parliament: 15 (20)</p> <p>EU external action service: 4 (-)</p> <p>EU Agencies and other bodies: 23 (-)</p> <p>European Court of Justice: 2 (1)</p> <p>Committee of the Regions: 1 (1)</p> <p>European Economic and Social Committee: 0 (1)</p> <p>European Ombudsman: 2 (1)</p> <p>Fundamental Rights Platform: 3 (3)</p> <p>Council of Europe: 25 (24)</p> <p>OSCE: 4 (2)</p> <p>United Nations: 9 (2)</p> <p>Specialised Bodies (NHRIs and Equality Bodies): 8 (3)</p> <p>Other Meetings and Round Tables: 7 (12)</p>

Source: Annex supplied by the Agency.
