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#### COVER NOTE

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From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	23 October 2014
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the European Maritime Safety Agency for the financial year 2013 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 European Maritime Safety 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*.

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Encl.: Report on the annual accounts of the European Maritime Safety Agency for the financial year 2013 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 European Maritime Safety Agency  
for the financial year 2013

together with the Agency's replies

## **INTRODUCTION**

1. The European Maritime Safety Agency (hereinafter “the Agency”, aka “EMSA”), which is located in Lisbon, was set up by Regulation (EC) No 1406/2002 of the European Parliament and of the Council<sup>2</sup>. The Agency's tasks are to ensure a high level of maritime safety and to prevent pollution by ships, provide the Commission and the Member States with technical assistance, and monitor the implementation of Union legislation, as well as to evaluate its effectiveness<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:

- (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 2013, and

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<sup>2</sup> OJ L 208, 5.8.2002, p. 1.

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

<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.

- (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 transactions<sup>6</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>7</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.
- (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

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

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

<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.

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 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

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

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.

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

10. An overview of the corrective action 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 Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 July 2014.

*For the Court of Auditors*

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)
2011	<p>The Agency's 2011 budget<sup>1</sup> amounted to 56 million euro compared with 51 million euro the previous year. Budget commitments amounting to 0,9 million euro were not related to existing legal commitments and the Agency should have decommitted and paid back the amount to the Commission at the beginning of 2012. However, the Agency initiated the process too late. As a consequence, due to restrictions imposed by the IT system, the funds will be blocked for one year and will only be decommitted and paid back at the end of 2012.</p>	<p><b>Completed</b></p>
2011	<p>The Court identified the need to improve the Agency's asset management. There are unexplained differences between the recorded annual and cumulated depreciation. For internally created intangible assets, accounting procedures and information on costs are not reliable. Evidence of a physical inventory of administrative equipment within the required period is lacking.</p>	<p><b>Completed for physical inventory Ongoing for internally-created intangible assets</b></p>
2012	<p>A budget commitment amounting to 0,8 million euro was not related to an existing legal commitment and was thus irregular.</p>	<p><b>N/A</b></p>

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	Accounting procedures and information in respect of costs for internally generated intangible assets are not fully reliable.	Ongoing
2012	The Court identified shortcomings in the transparency of two recruitment procedures carried out during the first half of 2012. Questions for written tests and interviews, as well as their weightings, were not prepared before the examination of the applications. In addition, threshold scores for being included on a list of suitable candidates were not prepared before the examination of the applications. However, following the Court's comments from last year, the Agency implemented corrective measures and no such weaknesses were found for the two audited recruitment procedures carried out in the second half of 2012.	Completed

<sup>1</sup> According to third budget amendment dated 3.12.2011, not yet published in the Official Journal; current year appropriations only.



**European Maritime Safety Agency (Lisbon)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 100 of the Treaty on the Functioning of the European Union)</i></p>	<p><b>Common transport policy</b></p> <p>“The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may lay down appropriate provisions for sea and air transport”.</p>
<p><b>Competences of the Agency</b></p> <p><i>(Regulation (EC) No 1406/2002 of the European Parliament and of the Council as amended by Regulations (EC) No 1644/2003 and (EC) No 724/2004 and Regulation (EU) No 100/2013)</i></p>	<p><b>Objectives</b></p> <p>The European Maritime Safety Agency has been established for the purpose of ensuring a high, uniform and effective level of maritime safety, maritime security, and prevention of and response to pollution by ships within the Union.</p> <p>The Agency provides the Member States and the Commission with the technical and scientific assistance needed, with a high level of expertise, in order to help them:</p> <ul style="list-style-type: none"> <li>– apply EU legislation properly in the field of maritime safety and prevention of pollution by ships;</li> <li>– monitor its implementation;</li> <li>– evaluate the effectiveness of the measures in place.</li> </ul> <p>The Agency also provides operational means, upon request, as well as technical and scientific assistance, to help Member States and the Commission respond to marine pollution by ships within the EU.</p> <p><b>Tasks</b></p> <p>The last amendment has further fine-tuned the Agency’s mandate, enabling EMSA to better assist the Commission and the Member States in its core tasks and make broader use of its resources to help EU Member States respond to pollution caused by ships as well as respond to marine pollution caused by oil and gas installations. Moreover, ancillary tasks have been introduced, with the possibility for the Agency to use its expertise and tools for other EU activities related to the Union’s maritime transport policy.</p> <p>The Agency’s tasks are broadly divided into four key areas in line with its founding Regulation and relevant EU legislation. Firstly, the Agency assists the Commission in monitoring the implementation of EU legislation relating, among other things, to ship survey and certification, the certification of marine equipment, ship security, the training of seafarers and port state control.</p> <p>Secondly, the Agency develops and operates maritime information capabilities at EU level. Significant examples are SafeSeaNet, the vessel traffic monitoring system to enable EU-wide tracking of vessels and their cargoes, and accidents and incidents; the EU LRIT Cooperative Data Centre, to ensure the identification and tracking of EU flagged ships worldwide; and THETIS, the information system to support the new port state control regime.</p> <p>In parallel, a marine pollution preparedness, detection and response capability is provided by EMSA to coastal States. This includes a European Network of Stand-by Oil Spill Response Vessels as well as a European satellite oil spill and vessel detection service (CleanSeaNet), contributing to an effective system for protecting EU coasts and waters from pollution by ships.</p> <p>Finally, the Agency provides technical and scientific advice to the Commission in the field of maritime safety and prevention of pollution by ships in the continuous process of evaluating the effectiveness of the measures in place, and in the updating and development of new legislation. It also provides support to, and facilitates co-operation between, the Member States and disseminates information on best practice.</p>
<p><b>Governance</b></p>	<p><b>Administrative Board</b></p> <p><i>Composition</i></p> <p>One representative per Member State, four representatives of the Commission and four representatives without the right to vote from the professional sectors concerned.</p> <p><i>Tasks</i></p> <ul style="list-style-type: none"> <li>– To adopt the multi-annual staff policy plan, the annual budget, the work programme, the annual report and a detailed plan for the Agency’s pollution preparedness and responses activities,</li> </ul>

	<ul style="list-style-type: none"> <li>– To supervise the work undertaken by the Executive Director.</li> </ul> <p><b>Executive Director</b></p> <p>Appointed by the Administrative Board. The Commission may propose one or more candidates.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>– European Commission's Internal Audit Service (IAS).</li> <li>– Internal Audit Capability of the Agency.</li> </ul> <p><b>Discharge authority</b></p> <p>European Parliament, acting on a recommendation from the Council.</p>
<p><b>Resources made available to the Agency in 2013 (2012)</b></p>	<p><b>Final Budget</b></p> <p><i>Commitment Appropriations (C1)</i></p> <p>57,8 (55,1) million euro</p> <p><i>Payment Appropriations (C1)</i></p> <p>54,03 (57,5) million euro</p> <p>Amending budgets published in the Official Journal of the European Union cover a variety of fund sources, with C1 being almost the exclusive fund source. For the sake of clarity and transparency, only predominant and therefore relevant C1 budget appropriations are quoted.</p> <p><b>Staff as at 31 December 2013</b></p> <p><i>Statutory Staff</i></p> <p>210 (213) posts authorised in the establishment plan, of which occupied: 203 (204)</p> <p><i>Contract staff</i></p> <p>29 (29) posts planned in the budget, of which occupied: 25 (25). The Agency also recruited three additional project-financed contract staff.</p> <p><i>Seconded National Experts</i></p> <p>15 (15) posts planned in the budget, of which occupied: 14 (12)</p> <p>N.B. As regards statutory posts, EMSA has taken into consideration the target of 210 posts to be implemented on 1 January 2014 rather than the number of posts (213) authorised in the establishment plan for 2013.</p> <p>Please note that in 2013 budgetary resources were already available for 18 SNEs.</p>
<p><b>Products and services 2013 (2012)</b></p>	<ul style="list-style-type: none"> <li>– 53 (53) workshops and other events (with 1 424 (1 300) participants in workshops);</li> <li>– 35 (28) different training sessions, which resulted in 861 (734) national experts trained;</li> <li>– 74 (109) inspections and visits;</li> <li>– SSN was 99,43 % (99,33 %) available throughout the year;</li> <li>– 2 547 (2 234) satellite images ordered and analysed through CleanSeaNet;</li> <li>– EU LRIT Data Centre 99,68 % available throughout the year;</li> <li>– 16 (16) anti-pollution vessels contracted;</li> <li>– 65 (65) drills and 33 (33) exercises with the anti-pollution vessels (10 (16) operational exercises and 11 (17) notification exercises);</li> <li>– EMSA Maritime Support Services operating on a 24/7 basis;</li> <li>– THETIS 99,61 % (99,23 %) available throughout the year.</li> </ul>

Source: Annex supplied by the Agency.