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COVER NOTE

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 Food Safety Authority for the financial year 2013 together with the Authority's replies

Delegations will find attached the European Court of Auditors' report on the annual accounts of the European Food Safety Authority for the financial year 2013.

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

Encl.: Report on the annual accounts of the European Food Safety Authority for the financial year 2013 together with the Authority'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/>.

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ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the European Food Safety Authority
for the financial year 2013

together with the Authority's replies

INTRODUCTION

1. The European Food Safety Authority (hereinafter “the Authority”, aka “EFSA”), which is located in Parma, was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council². The Authority’s main tasks are to supply the scientific information needed for Union legislation to be drawn up concerning food and food safety, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks³.

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 Authority’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 Authority, which comprise the financial statements⁴ and the reports on the implementation of the budget⁵ for the financial year ended 31 December 2013, and

² OJ L 31, 1.2.2002, p. 1.

³ ***Annex II*** summarises the Authority’s competences and activities. It is presented for information purposes.

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.

- (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 Authority and the legality and regularity of the underlying transactions⁶:

- (a) The management's responsibilities in respect of the Authority'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 Executive Director approves the annual accounts of the Authority 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 Authority 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

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

⁶ Articles 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.

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 Authority 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 reasonableness of accounting estimates and the overall presentation of the accounts.

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

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 Authority'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 INTERNAL CONTROLS

11. According to the Authority's self-assessment of its internal control system which was carried out in 2012 and 2013, the majority of internal control standards (ICS) are met. This is not yet the case for ICS 4 (Staff appraisal and development) and ICS 11 (Document management), for which corrective action was still ongoing at the time of the audit.

12. The Authority's Annual Work Programmes do not contain sufficient details on planned procurements and grants to support financing decisions in the sense of Article 64 of the Implementing Rules to its Financial Regulation.

[Including such details in the Annual Work Programme would allow a more effective monitoring of procurements and grants.](#)

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 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 years' comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2011	This high number of budget transfers indicates weaknesses in budget planning and implementation and is at odds with the principle of specification.	Completed
2011	The Authority purchased a new headquarters building in December 2011 for 36,8 million euro which will be paid by quarterly instalments over 25 years, resulting in interest payments of 18,5 million euro. The Court questions whether a more economic alternative could have been sought from the budgetary authorities in accordance with the principle of sound financial management and ensuring full respect of the Financial Regulation.	N/A (The Commission did not agree to provide additional funds to repay the loan in full).
2011	There is room for improving the transparency of recruitment procedure. Questions for written tests and interviews were set after the examination of the applications by the selection board and declarations on confidentiality and absence of conflict of interest were signed by the selection board members only during, not before the evaluation of candidates' applications.	Completed

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	<p>The validation of the accounting systems by the Authority's accounting officer covers the central ABAC and SAP systems, but not the local systems and the reliability of data exchanges between central and local systems. This represents a risk as to the reliability of accounting data.</p>	Completed
2012	<p>Following high level risk assessments carried out by an external consultation 2012 and by the Commission's Internal Audit Service in February 2013 a number of potential critical risks were identified in the operation of the Authority's internal controls, particularly in the areas of data management, business continuity and IT security. The Authority started a comprehensive self-assessment of its internal control system in 2012. The process is on-going and implementation of corrective actions is planned for 2013.</p>	Ongoing

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2012	<p>The overall level of appropriations committed was 99 %. The level of committed appropriations carried over was however high for title II (administrative expenditure) at 2,3 million euro (22 % of title II appropriations) and title III (operational expenditure) at 5,6 million euro (30 % of title III appropriations). For title II, carry-overs amounting to 1,1 million euro were made in conformity with EFSA's management plan or were related to payments suspended for reasons beyond the Authority's control. In case of title III, carry-overs of 2,1 million were made in conformity with EFSA's management plan and an amount of 0,83 million euro was carried-over for reasons beyond the Authority's control.</p>	N/A

European Food Safety Authority (Parma)**Competences and activities**

Areas of Union competence deriving from the Treaty	Collection of information <ul style="list-style-type: none"> – Common agricultural policy (Article 38 TFEU). – Functioning of the Internal Market (Article 114 TFEU). – Public health (Article 168 TFEU). – Common trade policy (Article 206 TFEU).
Competences of the Authority <i>(Regulation (EC) No 178/2002 of the European Parliament and of the Council)</i>	Objectives <ul style="list-style-type: none"> – To provide scientific opinions and scientific and technical support for the legislation and policies which have a direct or indirect impact on food and feed safety; – to provide independent information on risks relating to food safety; – to contribute to the achievement of a high level of protection of human life and health; – to collect and analyse data needed to allow characterisation and monitoring of risks. Tasks <ul style="list-style-type: none"> – To issue scientific opinions and studies; – to promote uniform risk-assessment methodologies; – to assist the Commission; – to search for, analyse and summarise the requisite scientific and technical data; – to identify and characterise emerging risks; – to establish a network of organisations operating in similar fields; – to provide scientific and technical assistance in crisis management; – to improve international cooperation; – to provide the public and interested parties with reliable, objective and easily comprehensible information; – to take part in the Commission's rapid alert system.
Governance	Management Board <i>Composition</i> 14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and one representative of the Commission. <i>Task</i> To adopt the work programme and the budget and ensure that they are implemented. Executive Director Appointed by the Management Board on the basis of a list of candidates proposed by the Commission, following a hearing before the European Parliament. Advisory Forum <i>Composition</i> One representative per Member State. <i>Task</i>

	<p>To advise the Executive Director.</p> <p>Scientific Committee and scientific panels</p> <p>To draw up the Authority's scientific opinions.</p> <p>External audit</p> <p>European Court of Auditors</p> <p>Internal audit</p> <p>EFSA's Internal Audit unit.</p> <p>European Commission's Internal Audit Service (IAS).</p> <p>Discharge authority</p> <p>European Parliament acting on recommendation by the Council.</p>
<p>Resources made available to the Authority in 2013 (2012)</p>	<p>Budget</p> <p>78,1 (78,3) million euro of which 100 % (100 %) is a European Union subsidy.</p> <p>Staff as at 31 December 2013</p> <p>Posts in the establishment plan: 351 (355), of which occupied:</p> <ul style="list-style-type: none"> – staff (temporary staff and officials): 328 (342) – other staff (contractual, seconded national experts): 120 (124). <p>Total staff (including three offer letters pending acceptance on 31.12.2013): 448 (466), of which for:</p> <ul style="list-style-type: none"> – operational duties: 332 (345)¹ – administrative duties: 116 (121)
<p>Products and services provided in 2013 (2012)</p>	<p>Scientific outputs and supporting publications 2013</p> <p><i>Activity 1: Provision of scientific opinions and advice and risk assessment approaches</i></p> <ul style="list-style-type: none"> – Guidance of the Scientific Committee/Scientific Panel: 2 (4) – Opinion of the Scientific Committee/Scientific Panel: 44 (46) – Scientific Report of EFSA: 12 (9) – Statement of EFSA: 2 (2) – Statement of the Scientific Committee/Scientific Panel: 2 (4) <p><u>Total scientific outputs activity 1 = 62 (65)</u></p> <p><i>Activity 2: Evaluation of products, substances and claims subject to authorisation</i></p> <ul style="list-style-type: none"> – Conclusion on Pesticides Peer Review: 45 (60) – Guidance of EFSA: 2 (0) – Guidance of the Scientific Committee/Scientific Panel: 3 (7) – Opinion of the Scientific Committee/Scientific Panel: 203 (241) – Scientific Report of EFSA: 0 (1) – Statement of the Scientific Committee/Scientific Panel: 8 (7) – Statement of EFSA: 6 (4) <p><u>Total scientific outputs activity 2 = 267 (320)</u></p> <p><i>Activity 3: Data Collection, scientific cooperation and networking</i></p> <ul style="list-style-type: none"> – Guidance of EFSA: 2 (1) – Statement of EFSA: 0 (4) – Reasoned Opinion: 113 (114)

<ul style="list-style-type: none">- Scientific Report of EFSA: 7 (12) <p><u>Total scientific outputs activity 3 = 122 (131)</u></p> <p><i>Supporting Publications</i></p> <ul style="list-style-type: none">- Event report: 11 (11)- External Scientific Report: 74 (74)- Technical report: 70 (77) <p><u>Total Supporting Publications = 155 (162)</u></p> <p><u>Total outputs = 606 (678)</u></p> <ul style="list-style-type: none">- Scientific outputs supported by communication activities: 7 % (9,5 %)- Public consultations: 56 (39)- Website visits: 4,7 (4,4) million- Highlights subscribers: 31 912 (30 309)- Media coverage: 11 820 (9 194)- Media queries: 625 (893)- Press releases: 16 (25)- Web news stories: 54 (60)- Interviews: 95 (111)
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¹2013 FTE allocation computed according to EC methodology; for comparison purposes the data of 2012 were recalculated

Source: Annex supplied by the Authority.
