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THE EUROPEAN UNION**

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From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	20 December 2013
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the Galileo Joint Undertaking in liquidation for the financial year ended 31 December 2012

Delegations will find attached the European Court of Auditors' report on the annual accounts of the Galileo Joint Undertaking in liquidation for the financial year ended 31 December 2012.

Encl.: Report on the annual accounts of the Galileo Joint Undertaking in liquidation for the financial year ended 31 December 2012.¹

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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EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
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Report on the annual accounts
of the Galileo Joint Undertaking in liquidation
for the financial year ended 31 December 2012

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INTRODUCTION

1. This report concerns the 2012 accounts of the Galileo Joint Undertaking (GJU) in liquidation and is addressed to the Liquidator, who replaced the Director on 1 January 2007, and to the members of the Galileo Joint Undertaking, in accordance with Article 15 of the Statutes² and Article 10 of the Financial Regulation³ of the GJU.
2. The Joint Undertaking was initially set up, in Brussels, for a period of four years ending on 28 May 2006, to implement the development phase and to prepare for the deployment and operational phases of the European Global Navigation Satellite System (GNSS – the Galileo programme)⁴.
3. The founding members of the GJU were the European Union (represented by the European Commission) and the European Space Agency (ESA). The National Remote Sensing Centre of China (NRSCC) and the Israeli Industry Centre for Research and Development (MATIMOP) became members of the Joint Undertaking in October 2004 and September 2005 respectively.
4. The life of the GJU was later extended to 31 December 2006⁵, when its activities were taken over by the European GNSS Supervisory Authority⁶. The winding-up of the GJU began on 1 January 2007 under the responsibility of the Liquidator.

² Annex to Council Regulation (EC) No 876/2002 (OJ L 138, 28.5.2002, p. 1).

³ GJU-ADB-2003-03 rev2 (July 2005).

⁴ Regulation (EC) No 876/2002.

⁵ Council Regulation (EC) No 1943/2006 (OJ L 367, 22.12.2006, p. 21).

⁶ Council Regulations (EC) No 1321/2004 (OJ L 246, 20.7.2004, p. 1) and (EC) No 1942/2006 (OJ L 367, 22.12.2006, p. 18).

5. **Table 1** shows the balance sheet of the GJU in liquidation as at 31 December 2012. **Table 2** shows the income and expenditure account for the financial year ending 31 December 2012.

6. The GJU accounts at 31 December 2012 were drawn up by the Liquidator, in accordance with Article 14 of the GJU Statutes and Articles 10 and 11 of the GJU Financial Regulation. Pursuant to Article 15 of the Statutes, the accounts were submitted to the Court, which is required to provide a statement on their reliability and on the legality and regularity of the underlying transactions.

7. In accordance with Article 11 of the GJU Financial Regulation, the annual accounts consist of:

- the balance sheet and income and expenditure account;
- a statement of rights and obligations;
- a report on the budgetary and financial management of operations;
- a table showing financial movements (cash-flow statement).

8. As the GJU is in liquidation, the report on the budgetary and financial management of operations is not material to a fair presentation of the 2012 annual accounts.

STATEMENT OF ASSURANCE

9. 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 Galileo Joint Undertaking, which comprise the financial statements⁷ for the financial year ended 31 December 2012, and

⁷ These include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in net assets, 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

10. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002⁸, the management is responsible for the preparation and fair presentation of the annual accounts of the Joint Undertaking and the legality and regularity of the underlying transactions:

- (a) The management's responsibilities in respect of the GJU'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 officer⁹, and making accounting estimates that are reasonable in the circumstances. The Liquidator approves the annual accounts of the Joint Undertaking prepared on the basis of all available information and establishes 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 Joint Undertaking 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

⁸ OJ L 357, 31.12.2002, p. 72.

⁹ 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.

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

11. The Court's responsibility is to provide, on the basis of its audit, 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 Joint Undertaking are free from material misstatement and the underlying transactions are legal and regular.

12. 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.

13. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

Opinion on the reliability of the accounts

14. In the Court's opinion, the Joint Undertaking'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

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

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

BUDGETARY AND FINANCIAL MANAGEMENT***General***

17. The 2012 Accounts of the GJU were sent to the Court of Auditors on 28 May 2013.

18. The Court notes that, contrary to Articles 8.2, 8.3 and 15 of the GJU Statutes, the annual accounts of the GJU for 2010, 2011 and 2012 have not yet been approved by the GJU Administrative Board at the time of the finalisation of the audit (10 July 2013).

Presentation of the accounts**Financial Statements**

19. An amount of 350,59 euro appears under other financial fixed assets. This amount consists of interest generated on an open insurance contract that

should have been cancelled during the liquidation. This observation was raised by the Court of Auditors in its previous audits.

Profit and loss account

20. The bulk of expenditure incurred in 2012 (29 481,75 euro) concerns two legal actions (a claim for unpaid salary by a former employee of the GJU and a claim for damages by a private company regarding the use of the Galileo trademark) and administrative and accounting services.

Notes to the financial statements

21. The GJU in liquidation is the defendant in an ongoing legal action in the Belgian courts involving the trademark designation "Galileo Joint Undertaking". In April 2011 the Administrative Board of the GJU decided to transfer the trademark to the European Commission, thus releasing the GJU from the related legal action. Subsequently, an agreement was signed on 19 November 2011 between the European Commission (Joint Research Centre) and the GJU. This agreement required that the European Commission formally notify the Belgian courts and the other party that the GJU had been replaced in the legal suit by the European Commission. According to the GJU Liquidator, the European Commission had not yet done this at the time of the audit. This fact is not included, under contingent liabilities, in the notes to the financial statements.

WINDING UP THE GJU

22. The Court has noted delays in the winding-up of the GJU in its previous reports. Pending the outcome of the remaining legal actions in which the GJU remains involved, the winding-up procedure, which began on 1 January 2007, is not yet complete.

23. According to the decision of the GJU Administrative Board of 18 December 2007, all archives should have been handed over to the

European GNSS Agency (GSA) on 31 December 2012. At the time of the audit (10 July 2013), the transfer of archives had not taken place.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 22 October 2013.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

TABLE 1 - GALILEO JOINT UNDERTAKING**BALANCE SHEET**

	Financial year		Financial year 2011
	2012	2011	
ASSETS			
NON CURRENT ASSETS	350,59	339,53	
I Setting up costs			
II Intangible assets			
III Property, plant and equipment			
A. Land - Constructions			
B. Installations - Machines - Tooling			
C. Furnitures - Rolling stock			
D. Leasing - Financing - Similar Rights			
E. Other tangible fixed assets			
F. Outstanding fixed assets - Instalments paid			
IV Investments	350,59	339,53	
A. Associated companies			
B. Other companies with participations			
C. Other financial fixed assets	350,59	339,53	
1. Shares - Parts			
2. Debts - Cash Sureties	350,59	339,53	
CURRENT ASSETS	99.661,94	122.902,91	
V Long-term receivables			
VI Inventories			
A. Stocks			
1. Supplies			
B. Orders in Progress			
VII Short-term receivables	3.003,16	3.263,50	
A. Operating debtors			
B. Other debtors			
LIABILITIES			
NET ASSETS	63.491,73	99.011,08	
I Capital	627.598.023,30	627.598.023,30	
A. Subscribed Capital	627.598.023,30	627.598.023,30	
Subscribed capital	710.000.000,00	710.000.000,00	
Capital reduction	-82.401.976,70	-82.401.976,70	
B. Capital not called up			
Capital not called up EC			
Capital not called up ESA			
Capital not called up NRSCC			
Capital not called up MATIMOP			
II Issue premiums			
III Re-evaluation capital gains			
IV Reserves			
V Profit / Loss carried forward (+/-)	-627.534.531,57	-627.499.012,22	
Profit / Loss carried forward (+/-)	-627.534.531,57	-627.499.012,22	
VI Capital subsidies			
Capital subsidies received			
Capital subsidies executed			
PROVISIONS FOR RISKS AND CHARGES	15.000,00	10.000,00	
VII A. Provisions Risks Charges	15.000,00	10.000,00	
Provisions - Matimop			
Provisions - Liquidation charges including carried forward budget 2006			
Provisions - other	15.000,00	10.000,00	
CURRENT LIABILITIES	21.520,80	14.231,36	

1. Capital				
2. Other debtors		3.003,16		3.263,50
VIII Short-term investments				
A. Own shares				
B. Other investments				
IX Cash and cash equivalents		96.658,78	119.516,09	
<i>Banks - current account</i>		96.658,78	119.516,09	
<i>Cash in hand - currencies - EUR</i>				
X Equalization accounts				123,32
<i>Deferred charges</i>				
<i>Accrual income</i>				123,32
TOTAL ASSETS		100.012,53		123.242,44

VII Amounts due after more than one year				
IX Amounts due within one year		21.508,45		14.222,06
A. Amounts falling due in the year				
B. Financial liabilities				14.222,06
C. Operating liabilities		21.508,45		14.222,06
1. Suppliers				1.765,50
<i>Suppliers</i>				1.765,50
<i>Receivable invoices</i>				12.456,56
D. Instalments received		21.508,45		
E. Fiscal, Payroll, Social Security liabilities				
1. Taxes				
2. Remunerations - Social Security charges				
F. Other liabilities				
1. Interests to be reimbursed to EC				
2. 2nd Prefinancing-Egnos to be reimbursed to EC				
EC				
X Equalization accounts		12,35		9,30
<i>Accrual charges</i>		12,35		9,30
TOTAL LIABILITIES		100.012,53		123.242,44

Source: Data provided by the GJU.