

REPORT**on the annual accounts of the European Food Safety Authority for the
financial year 2005 together with the Authority's replies**

(2006/C 312/08)

CONTENTS

	<i>Paragraph</i>	<i>Page</i>
INTRODUCTION	1-2	43
STATEMENT OF ASSURANCE	3-6	43
OBSERVATIONS	7-13	43
Tables 1 to 4		45
The Authority's replies		47

INTRODUCTION

1. The European Food Safety Authority (hereinafter the Authority) was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 ⁽¹⁾. Its main tasks are to supply the scientific information needed for Community legislation to be drawn up, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks.

2. Table 1 summarises the Authority's competences and activities. Key information from the financial statements drawn up by the Authority for the financial year 2005 is presented in Tables 2, 3 and 4.

STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Authority's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Authority's accounts for the financial year ended 31 December 2005 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 44 of Regulation (EC) No 178/2002, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the statement expressed below.

⁽¹⁾ OJ L 31, 1.2.2002, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 20 June 2006 and received by the Court on 29 June 2006.

Reliability of the accounts

The Authority's accounts for the financial year ended 31 December 2005 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

Except for the situation described in paragraph 12, the transactions underlying the Authority's annual accounts, taken as a whole, are legal and regular.

OBSERVATIONS

7. The financial year 2005 was marked by a significant under-implementation of the budget: only 80 % of commitment and payment appropriations were used. This shows that the Authority should make a serious effort to improve the use it makes of the appropriations with which it is entrusted to achieve its objectives.

8. The Budgetary Authority had amended the establishment plan attached to the Authority's draft 2005 budget, as adopted by its Management Board, in particular by significantly amending the distribution of available posts between each grade. These amendments should have resulted in a reduction of the appropriations earmarked for expenditure on salaries and even for operating expenditure. This reduction was not made and enabled the Authority to restore the grades initially provided for in the draft budget in respect of 19 posts without informing the Budgetary Authority, by the expedient of drawing up a supplementary and amending budget.

9. The Court noted the failure to introduce activity-based management although this is laid down by the Authority's financial regulation, along the lines of what was applied to the general budget with a view to improving performance monitoring. In this respect the achievement of the Authority's objectives should be assessed in terms of its contribution to the goals set out in its basic regulation. The Authority's work programme should, in principle, express this contribution in operational and measurable terms.

10. The Authority did not carry out a risk analysis or formally lay down the internal control systems and procedures it follows. In several cases the Court also noted shortcomings in expenditure control (supporting documents missing, unjustified requests for additional services) ⁽⁴⁾.

⁽⁴⁾ For example, the provisions governing mission expenses are not systematically observed, which results in unjustified payments.

11. With regard to recruitment, the Authority rejected candidates on the basis of criteria other than those provided for in the vacancy notices and, in addition, did not observe the regulatory provisions concerning the grades of selection board members in relation to the posts to be filled. Candidate selection requires strict application of the relevant criteria and an effective check on whether the documents submitted by candidates in support of their applications offer genuine proof.

12. A considerable number of anomalies were revealed during the audits carried out on the award and conclusion of contracts. In a great many of the cases examined, the Court was unable to check that the statutory minimum number of tenderers had been invited to take part in the contracts procedure. The Court noted that the application of the selection criteria was not

systematically documented. In several cases, rules for the appointment of evaluation committees had not been applied. In the case of one framework contract, the clauses had not been observed. The frequency of these anomalies is such that the Authority needs to tighten up its internal control system in this area.

13. The buildings intended to house the Authority permanently are still not available. The Authority was thus obliged to rent and fit out temporary premises (cost in 2005: approximately 3,5 million euro). When the Authority takes possession of its new premises, it will again have to bear installation costs. The Authority, together with the Commission, should clarify this situation with the national authorities, in particular with a view to any financial compensation. Pending a solution, this should be taken into account when drawing up the budgetary estimates.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 28 September 2006.

For the Court of Auditors
Hubert WEBER
President

Table 1
European Food Safety Authority (Parma)

Areas of Community competence deriving from the Treaty	Competences of the Authority (Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002)		Governance	Resources made available to the Authority in 2005 (2004)	Products and services supplied
<p>Free movement of goods (<i>Article 37 of the Treaty</i>)</p> <p>Contribution to a high level of protection of health, safety and protection of the environment and of consumers, taking account of any new development based on scientific facts (<i>Article 95 of the Treaty</i>)</p> <p>Common trade policy (<i>Article 133 of the Treaty</i>)</p> <p>Public health (<i>Article 152(4)(b) of the Treaty</i>)</p>	<p>Objectives:</p> <ul style="list-style-type: none"> — to provide scientific opinions and scientific and technical support for the Community's 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. 	<p>Tasks:</p> <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. 	<p>1. Management Board</p> <p><i>Composition</i></p> <p>14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and one representative of the Commission.</p> <p><i>Duties</i></p> <p>To adopt the work programme and the budget and ensure that they are implemented</p> <p>2. Executive Director</p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission, following a hearing before the European Parliament;</p> <p>3. Advisory Forum</p> <p><i>Composition</i></p> <p>One representative per Member State,</p> <p><i>Duties</i></p> <p>To advise the Executive Director;</p> <p>4. Scientific Committee and scientific panels:</p> <p>To draw up the Authority's scientific opinions</p> <p>5. External audit</p> <p>Court of Auditors</p> <p>6. Discharge authority Parliament, on the Council's recommendation.</p>	<p>Final budget:</p> <p>36,9 million euro (29,1 million euro); Community contribution: 100 % (100 %)</p> <p>Staff numbers as at 31 December:</p> <p>Number of posts in establishment plan: 194 (138)</p> <p>Posts occupied: 124 (102)</p> <p>+ 36 (37) other posts (auxiliary contracts, seconded national experts, local staff)</p> <p><i>Total staff:</i> 160 (139)</p> <p>Assigned to the following duties:</p> <ul style="list-style-type: none"> — operational: 104 (83) — administrative: 56 (56) 	<p>Of the 301 requests for scientific opinions made to the EFSA in 2005 (which represents an increase of 65 % compared with 2004), 163 opinions were adopted and published. They covered many areas including aromatic plants, genetically modified organisms (with the WHO), bovine spongiform encephalopathy (BSE) or transmissible spongiform encephalopathy (TSE). In addition the Authority published its first annual report on animal diseases and other important publications on the determination of risk in the food sector.</p> <p>The communication of risks and, in general, the activities of the communication department saw a 40 % increase in the number of communications to the public in 2005. Consultations of the EFSA's website also doubled in 2005. The coordination of the communication of risks was stepped up through the advisory forum and workshops organised.</p> <p>The networking of the EFSA with interested parties, national authorities and institutional counterparts intensified through the setting-up of a forum for interested parties. The Advisory Forum met five times with a view to working as a network with the national authorities on specific topics such as coordination in the event of a crisis scenario or increasing the use of the extranet linking the national authorities, the Commission and the EFSA.</p> <p>As regards the assessment of the EFSA in 2005, the final consultants' report was published on the EFSA's website by the Management Board which submitted its recommendations at the end of June 2006.</p>

Source: Information supplied by the Authority.

EUROPEAN FOOD SAFETY AUTHORITY

Table 2

Implementation of the budget for the financial year 2005

(1 000 euro)

Revenue			Expenditure													
Source of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure	Final budget appropriations					Appropriations carried over from the previous financial year ⁽¹⁾			Appropriations for the financial year and carried over from the previous financial year				
				entered	com-mitted	paid	carried over	cancelled	available	paid	cancelled	available	com-mitted	paid	carried over	cancelled
Community subsidies	36 857	31 537	Title I Staff	16 354	14 571	14 024	546	1 784	389	312	77	16 743	14 960	14 336	546	1 861
Own revenue			Title II Administration	6 446	5 591	3 306	2 285	855	1 477	1 307	170	7 923	7 068	4 613	2 285	1 025
Other revenue			Title III Operating activities	14 057	9 300	5 824	3 477	4 756	3 818	2 003	1 815	17 875	13 118	7 827	3 477	6 571
Total	36 857	31 537	Total	36 857	29 462	23 154	6 308	7 395	5 684	3 622	2 062	42 541	35 146	26 776	6 308	9 457

⁽¹⁾ In the table showing the overall implementation of the budget which it publishes in its own annual report the Authority does not include implementation of non-automatic carry-overs of appropriations.

Table 3

Revenue and expenditure account for the financial years 2005 and 2004

(1 000 euro)

	2005	2004
Operating revenue		
Community subsidies	27 405	20 591
Other subsidies/revenue	0	0
Total (a)	27 405	20 591
Operating expenditure		
Staff	13 012	7 564
Administration	6 436	5 788
Operating activities	8 718	6 431
Total (b)	28 166	19 783
Operating result (c = a – b)	– 761	808
Other income (d)	0	0
Other charges (e)	– 7	– 33
Economic result (f = c + d + e)	– 768	775

Table 4

Balance sheet at 31 December 2005 and 2004

(1 000 euro)

	2005	2004
Assets		
Fixed assets	1 588	1 071
Short-term receivables	299	5 025
Cash accounts	10 879	3 201
Total	12 766	9 297
Liabilities		
Results accumulated from previous financial years	4 452	3 677
Economic result of the year	– 768	775
Short-term debts	9 082	4 845
Total	12 766	9 297

Source: Authority data — These tables summarise the data supplied by the Authority in its annual accounts.

THE AUTHORITY'S REPLIES

7. In 2006, EFSA has reinforced its budget monitoring by organising regular reviews, a mid-year budget execution analysis and forecasts and will continue to strengthen the planning of its activities aiming at reaching a full budget execution.

8. Considering that by amending EFSA 2005 Establishment Plan, the Budgetary Authority reduced a certain number of posts which were already occupied in 2004, the Authority had to meet its legal obligation towards those agents and maintain their posts in conformity with its Financial Regulation and modify this Plan.

9. Activity Based Management will be progressively implemented by EFSA as it is an essential tool to perform its activities efficiently. In its 2007 work program, the Authority will clearly define its priorities within the framework of its founding Regulation and other applicable EU legislation and will describe the key initiatives to meet them. Further improvements on performance indicators and other management tools will also be undertaken in order to measure the results of its activities.

10. EFSA has adopted internal control standards in July 2005 and continues its efforts in order to fully implement them. In addition, the Authority plans to perform a risk analysis for 2007.

11. As a priority in 2006, the Authority has taken measures in order to strengthen the controls around recruitment procedures and reinforce their transparency and will continue its efforts to guarantee observance of the rules in force.

12. The Authority will ensure that internal control systems of the procurement procedures are strengthened in order to fully comply with the rules in force. In 2006, specific trainings on tendering procedures will be organised and better systems implemented to reinforce the controls on such procedures have been set-up.

13. The Authority has brought to the attention of the Budgetary Authorities and the Commission the cost of EFSA premises and will keep them informed on the progress of its final seat project.