

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



EUROPSKI REVIZORSKI SUD  
CORTE DEI CONTI EUROPEA  
EIROPAS REVĪZIJAS PALĀTA  
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK  
IL-QORTI EWROPEA TAL-AWDITURI  
EUROPESE REKENKAMER  
EUROPEJSKI TRYBUNAŁ OBRACHUNKOWY  
TRIBUNAL DE CONTAS EUROPEU  
CURTEA DE CONTURI EUROPEANĂ  
EURÓPSKY DVOR AUDÍTOROV  
EVROPSKO RAČUNSKO SODIŠČE  
EUROOPAN TILINTARKASTUSTUOMIOISTUIN  
EUROPEISKA REVISIONSRÄTTEN

**Report on the annual accounts  
of the European GNSS Agency  
for the financial year 2012**

**together with the Agency's replies**

## **INTRODUCTION**

1. The European GNSS (Global Navigation Satellite System) Agency (hereinafter “the Agency”, aka “GSA”), which was relocated from Brussels to Prague as of 1 September 2012<sup>1</sup>, was set up by Regulation (EU) No 912/2010 of the European Parliament and the Council<sup>2</sup>, repealing Council Regulation (EC) No 1321/2004<sup>3</sup> and amending Regulation (EC) 683/2008<sup>4</sup>, to manage the public interests relating to the European GNSS programmes and to act as the regulatory agency for the programme during the deployment and operational phases of the Galileo Programme. Regulation (EC) No 683/2008 of the European Parliament and the Council reduced the responsibilities of the Agency to the control of the security of Galileo systems and to the preparation of their commercialisation<sup>5</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.

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<sup>1</sup> Decision 2010/803/EU taken by common accord between the Representatives of the Governments of the Member States (OJ L 342, 28.12.2010, p. 15).

<sup>2</sup> OJ L 276, 20.10.2010, p. 11.

<sup>3</sup> OJ L 246, 20.7.2004, p. 1.

<sup>4</sup> OJ L 196, 24.7.2008, p. 1.

<sup>5</sup> **Annex II** summarises the Agency’s competences and activities. It is presented for information purposes.

### **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>6</sup> and the reports on the implementation of the budget<sup>7</sup> for the financial year ended 31 December 2012, and
- (b) the legality and regularity of the transactions underlying those accounts.

#### *The management's responsibility*

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002<sup>8</sup>, 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:

- (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>9</sup>; making accounting estimates that are reasonable in the

<sup>6</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.

<sup>7</sup> These comprise the budgetary outturn account and the annex to the budgetary outturn account.

<sup>8</sup> OJ L 357, 31.12.2002, p. 72.

<sup>9</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

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 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>10</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.

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Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

<sup>10</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

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.

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 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***

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

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

### **COMMENT ON BUDGETARY MANAGEMENT**

11. The overall level of committed appropriations was close to 100 % for all titles. However, carry-overs of committed appropriations were relatively high for title II (administrative expenditure) at 1,7 million euro (38 %). This was partly due to events beyond the Agency's control, such as the relocation of its seat to Prague in September 2012 (0,4 million euro) and the setting-up of the Galileo Security Monitoring Centre (0,4 million euro), which necessitated the provision of certain goods and services in the last quarter of the year. In addition, an amount of 0,7 million euro was transferred from title I (staff expenditure) to title II in November 2012 and several contracts relating to IT and legal services included in the 2013 work programme were signed in December 2012.

### **OTHER COMMENT**

12. The Court identified the following weaknesses in the recruitment procedures audited which affected transparency and equal treatment: no threshold scores were determined for admission to written tests and interviews or for inclusion in the list of suitable candidates; the vacancy notice made no provision for appeals by rejected candidates.

### **FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

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

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 24 September 2013.

*For the Court of Auditors*

*Vitor*

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)
2011	Ex post audits carried out for the Agency by an external audit firm in respect of grant payments made in previous years under the Sixth Framework Programme for Research and Development (FP6) <sup>1</sup> frequently called into question the declarations of cost made by the beneficiaries. At the end of 2011, the amounts in dispute were estimated at 1,7 million euro or 5 % of the audited grants.	<b>Completed</b>
2011	In 2011, the Agency made grant payments under the Seventh Framework Programme for Research and Development (FP7) amounting to 5,8 million euro. In order to verify the expenditure claimed by the beneficiaries (private and public entities performing research), the Agency, although it performs reasonableness checks, does not usually request supporting documentation that would address the risk of ineligible expenditure.	<b>Ongoing</b>
2011	In 2011, payments amounting to 4,8 million euro (22 % of the amounts paid during the year) were made after the deadlines stipulated in the Financial Regulation <sup>2</sup> .	<b>Completed</b>

<sup>1</sup> The audited grants account for 50 % of all FP6 grants under the Second and Third Calls (65,3 million euro).

<sup>2</sup> Approximately nine days' delay on average.

**European GNSS Agency (Prague)****Competences and activities**

<b>Areas of Union competence deriving from the Treaty</b>	Competitiveness for growth and employment.
<b>The Agency's powers</b> <i>(Regulation (EU) No 912/2010 of the European Parliament and of the Council)</i>	<p><b>Objectives</b>To contribute to the achievement of fully operational European satellite navigation systems established under the EGNOS and Galileo programmes.</p> <p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- To ensure the security accreditation of the programmes,</li> <li>- to ensure the operation of the Galileo security centres,</li> <li>- to guarantee the operations of the Galileo Security Monitoring Centres (GSMC),</li> <li>- to contribute to the preparation of the commercialisation of the systems, including the necessary market analysis,</li> <li>- to accomplish other tasks that may be entrusted to it by the Commission, such as promoting application and services in the satellite navigation market, ensuring that the components of the system are certified by the appropriate, duly authorised certification bodies.</li> </ul>
<b>Governance</b>	<p><b>Administrative Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>- one representative per Member State,</li> <li>- five representatives from the European Commission,</li> <li>- a non-voting representative of the European Parliament,</li> <li>- one representative of the High Representative for Foreign Affairs and Security (HR) and one representative of the European Space Agency (ESA) to be invited as observers.</li> </ul> <p><i>Tasks</i></p> <ul style="list-style-type: none"> <li>- appoints the Executive Director (ED),</li> <li>- adopts the annual work programme,</li> <li>- produces a statement of estimates of revenue and expenditure,</li> <li>- adopts the budget,</li> <li>- delivers an opinion on the final accounts of the Agency,</li> <li>- oversees the operation of the Galileo Security Monitoring Centre,</li> <li>- exercises disciplinary power over the ED,</li> <li>- adopts the special provisions necessary for implementing right of access to documents,</li> <li>- adopts the annual report on the activities and prospects of the Agency.</li> </ul> <p><b>Executive Director</b></p> <p>Appointed by the Administrative Board.</p> <p><b>Security Accreditation Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>- one representative per Member State,</li> <li>- one representative from the Commission,</li> <li>- one representative from the HR,</li> </ul>

	<p>– one representative of ESA to be invited as observer.</p> <p><b>Tasks</b></p> <p>To act as the security accreditation authority in relation to the European GNSS systems.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <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 2012 (2011)</b></p>	<p><b>Final Budget</b></p> <p>20,8 (38,7) million euro consisting of the EU subsidy of 12,9 (8,2) million euro, which is the operating subsidy from the Commission, and 7,9 (30,5) million euro in operational funds from the Commission.</p> <p>Staff as at 31 December 2012</p> <p>Authorised posts: 44 (29)</p> <p>Posts occupied: 39 (28)</p> <p>Other posts: 29 (14)</p> <p>Total staff: 68 (42), assigned to the following duties:</p> <p>Allocated to:</p> <ul style="list-style-type: none"> <li>– operational tasks: 34 (20)</li> <li>– administrative and support tasks: 23 (14)</li> <li>– mixed tasks: 11 (8)</li> </ul>
<p><b>Products and services 2012</b></p>	<p><b>Programmes</b></p> <p>Support for the European Commission in the implementation of the EGNOS and Galileo programmes.</p> <p><b>Systems Security</b></p> <p>Systems Security (Security Accreditation of the systems and sites, Galileo System-specific Security requirements, Flight Key Cell activities).</p> <p>Support for Public Regulated Service – PRS (Preparation of the PRS User Segment).</p> <p>Preparation of Galileo Security Monitoring Centre – GSMC.</p> <p><b>EGNOS/Galileo Exploitation</b></p> <p>Preparatory activities for EGNOS and Galileo exploitation.</p> <p><b>Market development</b></p> <p>Market analysis and publication of GNSS Market Reports.</p> <p>Market readiness for the launch of Galileo early services.</p> <p>Market development actions focused on receiver manufacturers to foster Galileo penetration in consumer and professional markets:</p> <p>Implementation of adoption roadmaps for EGNOS in all priority markets with special focus on aviation, maritime and rail.</p> <p>Preparation of European GNSS Service Centre helpdesk.</p> <p>Information and outreach – EGNOS information portal, GSA website, events (European Space Solutions conference in London).</p> <p><b>Research and development</b></p> <p>Management of projects under the 7th Framework Programme (1st, 2nd and 3d calls) for research.</p> <p>Maximisation of the projects' results and achievement of strategic objectives.</p> <p>Dissemination of the results of R&amp;D.</p>

Source: Information supplied by the Agency.

## THE AGENCY'S REPLY

Para 11:

The Agency shares the European Court of Auditors analysis of the carry forwards in title II. The major part of the carry-overs in title II is related to the set up of the Galileo Security Monitoring Centers in France and UK with the start of the operations foreseen for the summer 2013. As this is a complex project in terms of security, IT, logistics and legal support, the GSA has decided to advance as much as possible the project preparations in 2012. In that respect, the Administrative Board, in its meeting in November 2012, approved a significant transfer of credits to title II in order to ensure that the necessary framework contracts are in place on time. Another significant part of the carry-overs is related to the relocation of the Agency's headquarters from Brussels to Prague in September 2012. In some cases, deliveries by contractors occurred only in the beginning of 2013 or invoices for items/services delivered in 2012 arrived in 2013.

In fact, if the extraordinary circumstances of 2012 had not occurred, the percentage of carry forwards in title II would have been approximately 14% of the appropriations.

Para 12:

The GSA has revised the selection procedures. Since early 2012, the pre-selection panel determines the threshold scores at the stage of designing the Vacancy Notice. The thresholds are now published in the Vacancy Notice. GSA also includes a paragraph in each Vacancy Notice on the candidate's right to appeal.

