



REPORT ON BUDGETARY AND FINANCIAL MANAGEMENT IN 2011

EUROPEAN GNSS AGENCY

PRESENTATION OF CONTENTS

The purpose of this report is to present a synthesis of the budgetary and financial management by the European GNSS Agency (GSA) in 2011.

LEGAL BASIS

Article 76 of the GSA Financial Regulation stipulates that the accounts of the Agency shall be accompanied by a "report on budgetary and financial management during the year".

THE REPORT

This document is structured in two parts and eight chapters:

PART I: Budget management

- **Chapter one** summarises the budget evolution and management by the Agency, from the voted budget made available at the beginning of the year 2011 to the final budget after transfers and amendments.
- **Chapter two** describes the execution of the budget per budget line, in terms of commitment and payment appropriations.
- **Chapter three** includes the appropriations arising from earmarked revenue (via delegation agreements between the European Commission and the GSA).
- **Chapter four** analyses the payment appropriations carried over from 2010 to 2011 and the payment appropriations carried over from 2011 to 2012.
- **Chapter five** presents an analysis of the outstanding commitments at the end of 2011.
- **Chapter six** provides information related to our staff and establishment plan during 2011.

PART II: Financial management

- **Chapter seven** describes the financial and accounting systems used by the Agency
- **Chapter eight** reports on the financial management developments in 2011

PART I

CHAPTER 1

BUDGET EVOLUTION DURING 2011

On 7 February 2011, the Administrative Board adopted by written procedure no. 17 a non automatic carry forward of payment appropriations for an amount of EUR 1,262,000, which constituted the main element of the first GSA 2011 amended budget. In addition to it, three transfers were made (based on the Article 23 of the GSA Financial Regulation, see Table 2) and a new budget line was added to identify and manage the Security Accreditation external costs (budget line 3300 – SAB costs). All these transactions taken into account constituted the first amended budget (see Table 1), which was published in the Official Journal of the EU on 30 September 2011.

Table 1: First 2011 amending budget, in EUR

Budget line	Description	Initial budget		Amendments and transfers		First amended budget as 30/09/2011	
		CA	PA	CA	PA	CA	PA
1100	Staff costs	3,990,000	3,990,000	-85,000	-85,000	3,905,000	3,905,000
1200	Recruitment	50,000	50,000			50,000	50,000
1300	Missions	280,000	280,000			280,000	280,000
1400	Training	90,000	90,000			90,000	90,000
1700	Representation	10,000	10,000			10,000	10,000
	Total Title 1	4,420,000	4,420,000	-85,000	-85,000	4,335,000	4,335,000
2000	Rent	590,000	590,000			590,000	590,000
2100	Data processing	570,000	570,000			570,000	570,000
2200	Movable property	10,000	10,000			10,000	10,000
2300	Current admin	130,000	130,000	85,000	85,000	215,000	215,000
2400	Post/telecom	20,000	20,000			20,000	20,000
2500	Meetings	190,000	190,000			190,000	190,000
	Total Title 2	1,510,000	1,510,000	85,000	85,000	1,595,000	1,595,000
3100	Operations / studies	2,220,000	2,220,000	-506,504	755,496	1,713,496	2,975,496
3200	Translation costs	50,000	50,000	-48,496	-48,496	1,504	1,504
3300	SAB costs	-	-	555,000	555,000	555,000	555,000
	Total Title 3	2,270,000	2,270,000		1,262,000	2,270,000	3,532,000
Totals		8,200,000	8,200,000	0	1,262,000	8,200,000	9,462,000

Table 2: Internal transfers made in July 2011

From budget line	To budget line	Amount in EUR	Date of validation	Justification
3200	3100	49,495.74	11/07/2011	Closing down budget line 3200 – Translation costs will be part of Title 2 costs (budget line 2300).
3100	3300	555,000	11/07/2011	Creation of a separate SAB budget line with four local lines for SAB, GSAP, FKC and CDA.
1100	2300	85,000	11/07/2011	Reinforcement of Current Admin costs due to required extension of external legal support and interim costs.

In November and December 2011, the GSA managed to reinforce operations (Title 3 costs) by identifying in advance potentially available appropriations from titles 1 and 2 (HR and administration costs). The internal transfers (see Table 4) optimised the utilisation of the budget and strengthened the core tasks of the Agency (Security Accreditation and Market Development activities). Publication of the second amended budget (as per Table 3) in the Official Journal of the EU is due in March 2012.

Table 3: Final 2011 implemented budget, in EUR

Budget line	Description	First amended budget as 30/09/2011		Internal transfers made		Second amended budget as 31/12/2011	
		CA	PA	CA	PA	CA	PA
1100	Staff costs	3,905,000	3,905,000	-395,000	-395,000	3,510,000	3,510,000
1200	Recruitment	50,000	50,000			50,000	50,000
1300	Missions	280,000	280,000			280,000	280,000
1400	Training	90,000	90,000	-25,000	-25,000	65,000	65,000
1700	Representation	10,000	10,000			10,000	10,000
	Total Title 1	4,335,000	4,335,000	-420,000	-420,000	3,915,000	3,915,000
2000	Rent	590,000	590,000			590,000	590,000
2100	Data processing	570,000	570,000	70,000	70,000	640,000	640,000
2200	Movable property	10,000	10,000			10,000	10,000
2300	Current admin	215,000	215,000	57,432	57,432	272,432	272,432
2400	Post/telecom	20,000	20,000			20,000	20,000
2500	Meetings	190,000	190,000	-107,432	-107,432	82,568	82,568
	Total Title 2	1,595,000	1,595,000	20,000	20,000	1,615,000	1,615,000
3100	Operations / studies	1,713,496	2,975,496	400,000	700,000	2,113,496	3,675,496
3200	Translation costs	1,504	1,504			1,504	1,504
3300	SAB costs	555,000	555,000		-300,000	555,000	255,000
	Total Title 3	2,270,000	3,532,000	400,000	400,000	2,670,000	3,932,000
Totals		8,200,000	9,462,000	0	0	8,200,000	9,462,000

Table 4: Internal transfers made in November and December 2011

From budget line	To budget line	Amount in EUR	Date of validation	Comments
2500	2300	50,000	30/11/2011	Final extension of external legal services required
1100	3100	325,000	12/12/2011	Reinforcement of Marketing and Security operations by transferring HR surplus
1400	3100	25,000	12/12/2011	Reinforcement of operations by transferring Training surplus
2500	3100	50,000	12/12/2011	Reinforcement of Marketing and Security operations by transferring Meetings surplus
2500	2300	7,432.33	14/12/2011	Increasing provisional commitment for general admin costs, ensuring RAL is in line with expected 2011 expenditure
3300	3100	300,000	16/12/2011	Differentiated Appropriations in Title III: Transfer of Payment Appropriations only, to cope with payment needs in 3100
1100	2100	70,000	20/12/2011	Required transfer for purchase of IT equipment in preparation of the Prague relocation

In quantitative terms, the GSA carried out the following number of transactions during 2011: 193 commitments and modification of commitments, 1,707 payments and 24 recovery orders.

CHAPTER 2

BUDGET EXECUTION IN 2011

Execution of commitment appropriations (Table 5) remained high in all titles and budget lines, reaching a global 98.4% execution. It is in line with previous years' execution rate of commitments (97% in 2010 and in 2009).

Table 5: Execution of commitment appropriations 2011, in EUR

Budget line	Heading	Commitments execution 2011		
		Budget CA	Consumed CA	%
Title 1 - Staff expenditure				
1100	Staff costs	3,510,000.00	3,438,613.00	98%
1200	Recruitment	50,000.00	50,000.00	100%
1300	Missions	280,000.00	280,000.00	100%
1400	Training	65,000.00	50,823.39	78%
1700	Representation	10,000.00	2,422.63	24%
	Total for title 1	3,915,000.00	3,821,859.02	98%
Title 2 - Administrative expenditure				
2000	Rent	590,000.00	589,780.72	100%
2100	Data processing	640,000.00	609,500.44	95%
2200	Movable property	10,000.00	8,026.47	80%
2300	Current admin costs	272,432.33	272,432.33	100%
2400	Post/telecom	20,000.00	20,000.00	100%
2500	Meetings	82,567.67	82,431.27	100%
	Total for title 2	1,615,000.00	1,582,171.23	98%
	Total for titles 1 and 2	5,530,000.00	5,404,030.25	98%
Title 3 - Operational expenditure				
3100	Operations & studies	2,113,495.74	2,111,117.60	100%
3200	Translation costs	1,504.26	1,504.26	100%
3300	SAB costs	555,000.00	554,000.00	100%
	Total for title 3	2,670,000.00	2,666,621.86	100%
	TOTAL T1+T2+T3	8,200,000.00	8,070,652.11	98.4%

In relation to 2011 payment appropriations (Table 6), execution rate was 94.1%, which represented a significant improvement from last year's performance (76%). In 2009, payment appropriations execution rate at the GSA was 91%.

Table 6: Execution of C1 payment appropriations 2011, in EUR

Budget line	Heading	Payments execution 2011			
		Budget PA	Consumed PA (payments)	Consumed PA (automatic carry)	%
Title 1 - Staff expenditure					
1100	Staff costs	3,510,000.00	3,438,612.92	0.00	98%
1200	Recruitment	50,000.00	25,242.45	24,757.55	100%
1300	Missions	280,000.00	258,890.57	21,109.43	100%
1400	Training	65,000.00	41,071.63	9,751.76	78%
1700	Representation	10,000.00	2,422.63	0.00	24%
	Total for title 1	3,915,000.00	3,766,240.20	55,618.74	98%
Title 2 - Administrative expenditure					
2000	Rent	590,000.00	589,780.72	0.00	100%
2100	Data processing	640,000.00	423,142.20	186,358.24	95%
2200	Movable property	10,000.00	3,046.47	4,980.00	80%
2300	Current admin costs	272,432.33	166,351.29	106,081.04	100%
2400	Post/telecom	20,000.00	12,799.88	7,200.12	100%
2500	Meetings	82,567.67	69,156.96	13,274.31	100%
	Total for title 2	1,615,000.00	1,264,277.52	317,893.71	98%
	Total for titles 1 and 2	5,530,000.00	5,030,517.72	373,512.45	98%
Title 3 - Operational expenditure					
3100	Operations & studies	2,413,495.74	2,223,050.50	0.00	92%
3200	Translation costs	1,504.26	1,504.26	0.00	100%
3300	SAB costs	255,000.00	90,253.46	0.00	35%
	Total for title 3	2,670,000.00	2,314,808.22	0.00	87%
	TOTAL T1+T2+T3	8,200,000.00	7,345,325.94	373,512.45	94.1%

CHAPTER 3

APPROPRIATIONS ARISING FROM EARMARKED REVENUE

The GSA continued to manage delegated appropriations by the Commission during 2011. Apart from previous on-going delegated activities, two new delegation agreements were signed in 2011. The first one, to implement a third call of FP7 funded research projects for an initial global amount of EUR 29,400,000. The second one, to support Public Regulated Service (PRS) related activities for a maximum amount of EUR 11,600,000.

FP6 remaining projects (budget lines 3904 and 3900) continued their closure process, which is due to finalise entirely in 2012. Any remaining unused appropriation will be returned to the European Commission.

FP7 1st and 2nd calls generated EUR 5,822,542 in payments during 2011. As planned, most of the remaining FP7 1st and 2nd call projects will be closed in the course of 2012.

FP7 3rd call activity has not generated payments in 2011 because all grant agreements were due to be signed in January 2012 (55% pre-financing is expected to be paid in the first quarter of 2012 to grant beneficiaries). Similarly, the PRS Delegation Agreement might only generate payments at the end of 2012 or from 2013 onwards (payment calendar with future contractors still to be formalized).

During 2011, new payment appropriations were received by the GSA from the European Commission, as stipulated in the delegation agreements. These were:

- For the PRS Delegation Agreement (budget line 3918): EUR 5,800,000 in terms of pre-financing of activities;
- For the FP7 grants, 3rd call (budget line 3917): EUR 16,717,021 in terms of pre-financing and first interim payment;
- For the rest of delegated payment appropriations (budget line 3913), the GSA received EUR 10,317,926 from the European Commission.

The last payment request was processed in December 2011 to cover the next six months implementation, which explains the relatively high amount of payment appropriations available within the GSA at the end of 2011.

Table 7: Overview of management of earmarked revenue during 2011, in EUR

Budget line	Activity	Available commitment appropriations in 2011	Available payment appropriations in 2011	Open / managed commitments in 2011	Payments made during 2011
3904	FP6 2 nd call	3,353,557	3,353,557	1,432,582	235,370
3900	FP6 3 rd call	1,144,672	1,144,672	635,562	0
3913	FP7 1&2 calls	17,115,361	12,860,035	16,815,323	5,822,542
3917	FP7 3 rd call	29,400,000	16,717,021	0	0
3918	PRS	11,600,000	5,800,000	0	0

CHAPTER 4

PAYMENT APPROPRIATIONS CARRIED OVER FROM 2010 TO 2011 AND CARRIED OVER FROM 2011 TO 2012

In accordance with Article 10, paragraphs 1 and 4 of the GSA Financial Regulation, payment appropriations in the amount of EUR 1,262,000 were carried over from 2010 to 2011. The purpose of this non-automatic carry-over was to maintain the GSA's payment capacity on existing legal obligations and on the future legal obligations to be entered into during 2011. Execution rate of this non automatic carry-over (technically registered as C2 appropriations in 2011) reached 99.95% (Table 8), demonstrating the justified need for this action.

Table 8: Execution of payment appropriations 2011, in EUR

Amount of non automatic carry-over 2010 to 2011	Payments made in 2011	Unused C2 payment appropriations	Execution rate
1,262,000.00	1,261,388.32	611.68	99.95%

In relation to payment appropriations from 2011 to 2012, the GSA did not enter any request for non automatic carry overs, due to various factors: i/ the high payment execution rate in 2011 limited the possibility of non automatic carry overs; ii/ the Court of Auditors and the Budgetary Authority recommendation to limit the use of non automatic carry overs to clearly justified cases; iii/ based on the analysis of outstanding commitments, the payment appropriations granted to the GSA for 2012 should be enough to cover our existing and planned liabilities.

CHAPTER 5

ANALYSIS ON OUTSTANDING COMMITMENTS

This chapter summarises the evolution of outstanding commitment balances during 2011 by budget line and title (Table 9). Regarding budget line 1100 (Staff costs), cancellations were related to the C1 credits becoming automatically C9 on that budget line in the following year. Regarding budget lines 1200, 1300, 1400, 1700, 2000, 2100, 2300 and 2500, cancellations were related to C8 credits becoming automatically C9 in the following year on HR and administrative expenditure budget lines.

Regarding budget lines 3100, 3200 and 3300, cancellations were related to de-commitments performed in 2011.

Table 9: Overview of outstanding balances at the end of 2011, in EUR

Budget line	Description	(a) Outstanding balances as of 01/01/2011	(b) Payments on outstanding balances in 2011	(c) New 2011 commitments	(d) Payments on new 2011 commitments	(e) Cancellations in 2011	(f)=(a)-(b)+(c)-(d)-(e) Outstanding balances as of 31/12/2011
1100	Staff costs			3,438,613.00	3,438,612.92	0.08	0.00
1200	Recruitment	6,891.57	5,251.16	50,000.00	25,242.45	1,640.41	24,757.55
1300	Missions	46,262.88	17,371.24	280,000.00	258,890.57	28,891.64	21,109.43
1400	Training	22,600.18	13,640.50	50,823.39	41,071.63	8,959.68	9,751.76
1700	Representation	1,733.54	0.00	2,422.63	2,422.63	1,733.54	0.00
	Total title 1	77,488.17	36,262.90	3,821,859.02	3,766,240.20	41,225.35	55,618.74
2000	Rent	24,852.98	0.00	589,780.72	589,780.72	24,852.98	0.00
2100	Data processing	78,289.68	75,612.37	609,500.44	423,142.20	2,677.31	186,358.24
2200	Movable property	4,714.78	4,714.78	8,026.47	3,046.47	0.00	4,980.00
2300	Current admin costs	140,304.64	113,025.86	272,432.33	166,351.29	27,278.78	106,081.04
2400	Post/telecom	0.00	0.00	20,000.00	12,799.88	0.00	7,200.12
2500	Meetings	87,769.00	20,497.87	82,431.27	69,156.96	67,271.13	13,274.31
	Total title 2	335,931.08	213,850.88	1,582,171.23	1,264,277.52	122,080.20	317,893.71
3100	Operations & studies	2,945,019.08	2,714,843.18	2,111,117.60	769,595.64	10,943.71	1,560,754.15
3200	Translation costs	14,438.65	1,504.26	0.00	0.00	12,934.39	0.00
3300	SAB costs			554,000.00	90,253.46	0.00	463,746.54
	Total title 3	2,959,457.73	2,716,347.44	2,665,117.60	859,849.10	23,878.10	2,024,500.69
	Totals	3,372,876.98	2,966,461.22	8,069,147.85	5,890,366.82	187,183.65	2,398,013.14

CHAPTER 6

STAFF AND ESTABLISHMENT PLAN FOR 2011

An overview of all staff employed by the GSA during 2011 is provided in Table 10. Moreover, the detailed implementation of the GSA's establishment plan is also provided in Table 11.

Table 10: Evolution of GSA Staff in 2011

Staff population (category, grade, function)		Staff population actually filled at 31/12/2010	Staff population envisaged in 2011	Staff population actually filled at 31/12/2011
Temporary Agents	AD	23	25	24
	AST	4	4	4
Total Temporary Agents		27	29	28
Contractual Agents GFIV		9	9	9
Contractual Agents GF III		2	2	2
Contractual Agents GF II		2	2	2
Total Contractual Agents		13	13	13
Seconded National Experts (SNEs)		2	2	1
Total GSA Staff		42	44	42

Table 11: Establishment plan in 2011

Category and grade	Establishment plan 2011	Posts actually filled at 31.12.2010	Posts filled in by external publication in 2011	Reclassification in 2011	Departures 2011	Posts actually filled at 31.12.2011
AD 14	1		1		1	1
AD 12				1		1
AD 11	2	2		-1		1
AD 10	3	1	1		1	1
AD 9	3	2	1	3		6
AD 8	6	4		-1	1	2
AD 7	7	9	2	-2	1	8
AD 6	2	3	1		2	2
AD 5	1	1	1			2
Total AD	25	23	7	0	6	24
AST 5	2	1				1
AST 4	1	1				1
AST 3	1			1		1
AST 2		2		-1		1
Total AST	4	4	0	0	0	4
Total	29	27	6	0	6	28

Four staff members announced their resignation from their posts at the end of 2010, which became effective in 2011. Contracts of employments for the Head of Finance, the Head of Human Resources, the Budget Officer and the Head of the Legal Department (also the Acting Executive Director) were terminated in early 2011. In addition, the GSA received during the course of 2011 the resignation of three other staff members: the Accounting Officer, the Security Accreditation Officer and the Local Security Officer. Moreover, a Seconded National Expert concluded her work at the GSA in March 2011.

Despite the relatively high turnover experienced during 2011, the Agency managed to have replaced all parting staff members by 31/12/2011, except for the Security Accreditation Officer.

PART II

CHAPTER 7

FINANCIAL AND ACCOUNTING SYSTEMS

The GSA uses ABAC system, hosted by the Commission, for its budget accounts and for the purposes of its budgetary management i.e. commitment and payment transactions. From this system and together with the use of Business Objects reporting tool, reports on financial management and budget execution are produced.

The general accounts are maintained by the SAP system which is managed and hosted by the Commission.

The GSA also uses ABAC Assets system to manage and account for its fixed assets.

CHAPTER 8

FINANCIAL MANAGEMENT

In the course of 2011, following up on observations and recommendations made by the European Court of Auditors, the EU Budgetary Authority and audits by the Internal Audit Service of the European Commission (IAS), the GSA Financial department initiated an extensive review of its financial procedures. The result of this review was a proposal for optimization of the existing internal processes and procedures. The areas subject of the review and the proposed improvements were as follows:

1. New validation financial circuits

2. Improvements in mission expenditure management
3. Creation of clear instructions for the use of provisional commitments versus individual commitments
4. Documentation present in the financial files
5. Definition of financial actors
6. Improvements and new guidelines in the areas of grants and procurement
7. Workflow definition for all non budgetary documents having a financial impact
8. Reporting to senior management

The core element of this initiative was the introduction of new financial validation circuits. The new circuits have been developed and proposed for adoption to the Administrative Board of the GSA. The purpose of this proposal was to maximise the efficiency of the financial processes in GSA and to fully comply with the GSA Financial Regulation, the guidelines issued in 2010 by the Commission on financial circuits and all other good common practices for EU regulatory agencies.

The main changes envisaged by the new circuits are as follows:

- Separation of financial circuits for commitments and for payments (risk factor): only commitments over 25,000 euros are to be authorized by the Executive Director
- Simplified procurement under €60,000 leading to an accelerated validation and approval process in order to handle more efficiently low value procurement
- An Authorising Officer by Sub-delegation will act as the Authorising Officer for commitments up to 25,000 euros and for all payments
- Simple and concise new checklists will be introduced for all types of transactions
- Improved regular financial reporting to Executive Director and senior management at least once a month
- Single financial archiving point: tender files, contracts, payments, etc.

The Administrative Board adopted the decision to implement the new financial validation circuits for GSA in June 2011. The circuits will be fully implemented in early 2012.

In addition, the following other actions for improving the overall financial management within the GSA have taken place in 2011:

1) The GSA has launched a full redrafting exercise of its Annual Activity Report (from the 2011 AAR) and Annual Work Programme (AWP, starting 2013 onwards). The new structure and content of these documents are based on recommendations, compliance and methodologies issued by DG BUDG for the Commission's own Annual Activity Report and Annual Work Programme.

2) All of the recommendations issued by IAS have been implemented namely:

i/ the disclosure of objectives and performance indicators in the AWP. The GSA 2012 Annual Work Programme (AWP) has already been complemented by a performance

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indicators' scoreboard for assessing actual fulfillment of the objectives. This process has been further improved for the 2013 drafting of the AWP, which is being prepared following strictly the guidelines and recommendations of the Commission in this respect.

ii/ the need to formalise the appointment of the Accounting Officer by the Administrative Board. The new Accounting Officer has been presented and formally appointed by the Administrative Board.

iii/ the establishment of adequate financing decisions. The GSA last AWP included a section where the operational projects to be contracted are outlined in relation to the work programme. The GSA has implemented the input DG BUDG has also given in relation to this format.

iv/ the reinforcement of key controls in grant management, including new internal management guidelines and a revised ex-post control strategy. Key controls and processes are in place for a successful and effective grant management.

v/ the update of financial delegations and the regular assessment of ABAC users' rights. Regular updates and assessments of ABAC users' rights are carried out. As requested by the EC – DG BUDG, our Local Profile Manager in ABAC has no involvement in the signature of financial transactions in the system.