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EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
CÚIRT INIÚCHÓIRÍ NA HEORPA



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Report on the annual accounts of
the European Environment Agency
for the financial year 2009

together with the Agency's replies

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INTRODUCTION

1. The European Environment Agency (hereinafter "the Agency"), located in Copenhagen, was established by Council Regulation (EEC) No 1210/90 of 7 May 1990¹. It is responsible for setting up an observation network to provide the Commission, the Parliament, the Member States and, more generally, the public with reliable information on the state of the environment. This information should, in particular, enable the European Union and the Member States to take action to safeguard the environment and assess the effectiveness of such action².
2. The Agency's 2009 budget was 39,9 million euro, compared with 37,1 million euro the previous year. The number of staff employed by the Agency at the end of the year was 133, as compared with 123 the previous year.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287(1), second subparagraph, of the Treaty on the Functioning of the European Union, the Court has audited the annual accounts³ of the Agency, which comprise the "financial statements"⁴

¹ OJ L 120, 11.5.1990.

² The **Table** summarises the Agency's competences and activities. It is presented for information purposes.

³ These accounts are accompanied by a report on the budgetary and financial management during the year which gives inter alia an account of the rate of implementation of the appropriations with summary information on the transfers of appropriations among the various budget items.

⁴ The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in capital and the annex to the financial statements which includes the description of the significant accounting policies and other explanatory information.

and the "reports on implementation of the budget"⁵ for the financial year ended 31 December 2009 and the legality and regularity of the transactions underlying those accounts.

4. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002⁶.

The Director's responsibility

5. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with the financial rules of the Agency under her own responsibility and within the limits of authorised appropriations⁷. The Director is responsible for putting in place⁸ the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts⁹ that are free from material misstatement, whether due to fraud or error, and for ensuring that the transactions underlying those accounts are legal and regular.

⁵ The budget implementation reports comprise the budget outturn account and its annex.

⁶ OJ L 248, 16.9.2002, p. 1.

⁷ Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 (OJ L 357, 31.12.2002, p. 80).

⁸ Article 38 of Regulation (EC, Euratom) No 2343/2002.

⁹ The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in chapter 1 of Title VII of Regulation (EC, Euratom) No 2343/2002 as last amended by Regulation (EC, Euratom) No 652/2008 of 9 July 2008 (OJ L 181, 10.7.2008, p. 23) and are integrated as such in the Financial Regulation of the Agency.

The Court's responsibility

6. 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 of the Agency and the legality and regularity of the transactions underlying them.

7. The Court conducted its audit in accordance with the IFAC and ISSAI¹⁰ International Auditing Standards and Codes of Ethics. Those standards require that the Court complies with ethical requirements and plans and performs the audit to obtain reasonable assurance about whether the accounts are free from material misstatement and whether the underlying transactions are legal and regular.

8. The Court's audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and about the legality and regularity of the transactions underlying them. The procedures selected depend on its audit judgement including the assessment of the risks of material misstatement of the accounts or of illegal or irregular transactions, whether due to fraud or error. In making those risk assessments internal control relevant to the entity's preparation and presentation of accounts is considered in order to design audit procedures that are appropriate in the circumstances. The Court's audit also includes evaluating the appropriateness of accounting policies used and, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the accounts.

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

¹⁰ International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

Opinion on the reliability of the accounts

10. In the Court's opinion, the Agency's Annual Accounts¹¹ present fairly, in all material respects, its financial position as of 31 December 2009 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

Opinion on the legality and the regularity of the transactions underlying the accounts

11. In the Court's opinion, the transactions underlying the annual accounts of the Agency for the financial year ended 31 December 2009 are, in all material respects, legal and regular.

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

COMMENTS ON THE BUDGETARY AND FINANCIAL MANAGEMENT

13. The procedures for drawing up the budget were not sufficiently rigorous and led to a considerable number of budgetary transfers affecting most of the budget lines¹². Some of these transfers led to successive increases and decreases in the same budget headings¹³. Some appropriations were not used

¹¹ The Final Annual Accounts were drawn up on 25 May 2010 and received by the Court on 5 July 2010. The Final Annual Accounts, consolidated with those of the Commission are published in the Official Journal of the European Union by 15 November of the following year. These can be found on the following website <http://eca.europa.eu> or <http://www.eea.europa.eu/about-us/documents/administrativedocuments/eea-accounts-for-the-year-2009/>.

¹² Total value 3,3 million euro (transfers within and between titles), equivalent to 8 % of the Agency's budget.

¹³ Budget line 3324 "Translations" was increased on 17 December 2009 by 73 070,42 euro and reduced on 23 December 2009 by 60 000 euro. Budget line 3401 "Environmental themes" decreased by 71,6 % (501 354 euro).

and were transferred to other lines during the year¹⁴. This shows that the link between the budget and the work programme needs to be improved.

14. On 23 December 2009, transfers increased the budget line 2100 "Rent" by 364 355,02 euro in order to pay (on 30 December 2009) the rent for the Agency's premises for the 1st quarter of 2010 and charge it to the 2009 budget. This practice is at odds with the principle of annuality and reduced the amount to be repaid to the Commission.

15. The audit showed weaknesses in the estimation of accrued operational expenditure. The sample of items tested¹⁵ was overstated by 147 000 euro. The accuracy of the information provided by the operational departments should be improved in the year-end exercise.

OTHER MATTERS

16. The recruitment procedures showed weaknesses: the vacancy notices did not specify a maximum number of candidates to be put on the reserve lists. Questions used during written tests and interviews were not decided before the examination of the applications. The decisions of the selection boards were insufficiently documented, thresholds for being invited to interview or put on the reserve list were not set in advance and minutes were not complete. These practices put at risk the transparency of the recruitment procedures.

¹⁴ Initial appropriations amounting to 250 082 euro on budget lines 3405 "EEA Governance and partnerships" and 3406 "EEA internal management and administration" were not used and were transferred to other lines during the year

¹⁵ Total value of the sample: 1 202 000 euro.

This Report was adopted by Chamber IV, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 14 and 16 September 2010.



For the Court of Auditors

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Vítor Manuel da SILVA CALDEIRA
President

Table - European Environment Agency (Copenhagen)

Areas of Union competence deriving from the Treaty	Competences of the Agency (Council Regulation (EEC) No 1210/90)	Governance	Resources made available to the Agency in 2009 (Data for 2008)	Main products and services supplied in 2009
<p>Environment policy</p> <p>Union policy on the environment shall contribute to pursuit (...) the objectives of preserving, protecting and improving the quality of the environment, protecting human health, prudent and rational utilisation of natural resources, promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.</p> <p>Union policy on the environment shall aim at a high level of protection taking into account the diversity of the situations in the various regions of the Union. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as</p>	<p>Objectives</p> <ul style="list-style-type: none"> - To set up a European information and observation network to provide the Union and the Member States with: 1. Objective, reliable and comparable information at European level enabling them to: <ul style="list-style-type: none"> (a) take the requisite measures to protect the environment; (b) assess the results of such measures; (c) ensure that the public is properly informed about the state of the environment. 2. The necessary technical and scientific support. <p>Tasks</p> <ul style="list-style-type: none"> - To establish, in cooperation with the Member States, and coordinate the European Environment Information and Observation Network. - To provide the Union and the Member States with the objective information necessary for framing and implementing sound and effective environmental policies. - To assist the monitoring of environmental measures through appropriate support for reporting requirements. - To advise individual Member States on the development, establishment and expansion of their systems for the monitoring of environmental measures. - To record, collate and assess data on the state of the environment, to report on the quality of and pressures on the environment within the territory of the Union, to provide uniform assessment criteria for environmental data to be applied in all Member States and to develop further and maintain a reference centre of information on the environment. - To help ensure that environmental data at European level are comparable and, if necessary, to encourage by appropriate means improved harmonisation of methods of measurement. - To promote the incorporation of European environmental data into international programmes. - To publish a report on the state of, trends in and prospects for the environment every five years. - To stimulate the development of environmental forecasting techniques, exchanges of information on technologies for preventing or reducing damage to the environment, methods of assessing the costs of environmental preventive, protection and restoration policies; and - To ensure the broad dissemination of reliable and comparable environmental information, in particular on the state of the environment, to the general public and, to this end, to promote the use of new telematics technology for this purpose. 	<p>1 – Management Board Composition</p> <ul style="list-style-type: none"> - One representative per member country, - two representatives of the Commission, - two scientists appointed by the European Parliament. <p>Tasks</p> <p>To adopt the multiannual and annual work programmes and ensure their implementation.</p> <p>2 - Executive Director</p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p>3 - Scientific Committee</p> <p>Consisting of qualified figures in the field of the environment, designated by the Management Board.</p> <p>4 - External audit</p> <p>Court of Auditors.</p> <p>5 - Discharge authority</p> <p>Parliament, acting on a recommendation from the Council.</p>	<p>Budget</p> <p>39,9 million euro (37,1 million euro)</p> <p>Union subsidy</p> <p>87 % (85 %)</p> <p>Staff at 31 December 2009</p> <p>Number of posts in the Establishment plan:</p> <p>133 (123)</p> <p>Posts occupied: 121 (116) plus 56 (51) other posts (contract staff and seconded national experts).</p> <p>Total staff numbers: 133 (123) posts assigned to the following tasks:</p> <p>Allocated to</p> <ul style="list-style-type: none"> - operational 89 (80) - administrative 43 (42) - mixed 1 (1). 	<ul style="list-style-type: none"> - EEA signals 2009, key environmental issues facing Europe. - Support to European Union Delegation, Members of European Parliament and others during the Climate Change Conference in Copenhagen in December. - Launch of Eye-on Earth portal in December. - A global setting for European environmental monitoring –measuring what we must manage. International conference, May 2009. - Greenhouse gas emission trends and projections 2009. - Regional climate change and adaptation – The Alps facing the challenge of changing water resources. - Annual European Union greenhouse gas inventory 1990 – 2007 and inventory report 2009. - Air pollution by ozone across Europe during summer 2008. - Launch of Noise Observation and Information System for Europe (NOISE). - Quality of bathing water – 2008 bathing season. - Ensuring quality of life in Europe's cities and towns. - Progress towards the European 2010 biodiversity target. - Looking back on looking forward – a review of evaluative scenario literature. - Transport at a cross roads: indicators tracking transport and environment in the European Union (TERM 2008). - Water resources across Europe – confronting water scarcity and drought. - Diverting waste from landfill – Effectiveness of waste management policies in the European Union. - Waste without borders in the EU? Transboundary shipments of waste. - Territorial cohesion – Analysis of environmental aspects of the EU Cohesion Policy in selected countries. - Developments on Gross Domestic Product and beyond (including a seminar in November 2009). <p>The EEA also continued to collaborate closely with DG Environment, ESTAT and the JRC in the "Group of Four" to streamline environmental reporting. The EEA takes the lead in the following five areas: climate change, air quality, water and marine environment, biodiversity and land use.</p>

Areas of Union competence deriving from the Treaty	Competences of the Agency (Council Regulation (EEC) No 1210/90)	Governance	Resources made available to the Agency in 2009 (Data for 2008)	Main products and services supplied in 2009
<p>a priority be rectified at source and that the polluter should pay. (...) In preparing its policy (...), the Union shall take account of available scientific and technical data and environmental conditions in the various regions of the Union, the potential benefits and costs of action or lack of action, the economic and social development of the Union as a whole and the balanced development of its regions (...).</p> <p>(Article 191 of the Treaty on the Functioning of the European Union)</p>				

Source: Information supplied by the Agency.

THE AGENCY'S REPLIES

13. Operational needs and developments are always at the very centre of transfer decisions made - attempting to maximise responsiveness to stakeholder needs, which develop throughout the year.

In particular 2009 was the first year in a new five-year strategic plan with a new nomenclature for the operational budget to better mirror the EEA work programme. Thus, in many areas it was not possible to base the forecasts on past experience. Nevertheless, EEA managed to keep the level of transfers between titles to 2,3 %, of the appropriations, well below the 10 % foreseen in the EEA financial regulation.

14. The Agency takes note of the observation of the Court.

15. The Agency will continue to improve the internal control with a view to improving the accuracy of the accrued expenses evaluation.

16. The Agency is currently revising the methodology followed by the Selections Boards in order to ensure more transparency in the selection procedures.

At the beginning of each selection procedure the Selection Board is reminded about its obligation to fully and properly document its decisions. The Agency will continue its efforts to improve the documentation of the selection procedures.

