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



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EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts of the
European Aviation Safety Agency for the financial year 2008

together with the Agency's replies

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INTRODUCTION

1. The European Aviation Safety Agency (hereinafter "the Agency"), located in Köln, was established by Regulation (EC) No 1592/2002 of the European Parliament and of the Council of 15 July 2002¹. The Agency's tasks are to maintain a high level of civil aviation safety, to ensure the proper development of civil aviation safety, to establish certification specifications and to provide certification of aeronautical products².

2. The Agency's 2008 budget amounted to 102 million euro compared with 72 million euro the previous year. The number of staff employed by the Agency at the end of the year was 442 as compared with 362 the previous year.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 248 of the Treaty the Court has audited the annual accounts³ of the Agency, which comprise the "financial statements"⁴ and the "reports on implementation of the budget"⁵ for the financial year ended

¹ OJ L 240, 7.9.2002, p. 1.

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.

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

31 December 2008 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 his 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 as prepared by the Agency's accounting officer 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.

⁶ OJ L 248, 16.9.2002, p. 1.

⁷ Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 (OJ L 357, 31.12.2002, p. 80).

⁸ Article 38 of Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 (OJ L 357, 31.12.2002, p. 80).

⁹ The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in Chapter 1 of Title VII of Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 2002 (OJ L 357, 31.12.2002, p. 87) as last amended by Commission 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 2008 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 2008 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. A high level of appropriations was carried forward to 2009. This is mainly operating expenditure (over 53 million euro) and was due to the following reasons: the accumulated assigned revenue (provision) for expenditure funded by fees and charges (29,5 million euro), delays in invoicing by the national aviation authorities for outsourced certification activities and other delays in the implementation of the enterprise resource planning system. This situation is at odds with the principle of annuality.

14. In its first amending budget the Agency transferred about 6,6 million euro (15 %) of staff-related expenditure to operating expenditure in order to finance

¹¹ The Final Annual Accounts were drawn up on 18 June 2009 and received by the Court on 6 July 2009. 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 www.easa.europa.eu.

additional costs for the enterprise resource planning system (4,3 million euro) and the increased cost for outsourced certification activities. The significant level of transfers of staff appropriations to operating expenditure indicates unrealistic recruitment planning as well as shortcomings in the budgeting and the monitoring of the enterprise resource planning system.

OTHER MATTERS

15. The new fees and charges regulation¹² was fully applied in 2008. According to the Agency's analytical accounts, the 2008 economic outturn for certification tasks amounted to almost 10 million euro. This indicates that the system of annual flat fees generated income which is significantly above the actual cost. The Agency should analyse this development and establish a monitoring system at the level of certification projects to make sure that, over the entire project duration, the fees levied do not deviate significantly from the actual cost.

16. The Agency's 2008 work programme lists for each main activity the planned actions, priority objectives and indicators. Actions are often neither described in such a way as to be measurable nor are they clearly linked to objectives. Objectives and indicators are mainly output oriented and often not measurable. This situation makes it difficult to identify shortfalls and to monitor progress at all levels of activity. In order to have fully activity-based management allowing a continuous improvement in resource allocation and performance monitoring, the Agency should define precise and measurable objectives together with relevant performance indicators and promote the achieving of results.

¹² Commission Regulation (EC) No 593/2007 of 31.5.2007 on the fees and charges levied by the European Aviation Safety Agency.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 8 October 2009.

For the Court of Auditors

Vítor Manuel da Silva Caldeira
President

Table - European Aviation Safety Agency (Köln)

Areas of Community competence deriving from the Treaty	The Agency's powers as defined in Regulation (EC) No 216/2008 of the Parliament and of the Council (the "Basic Regulation")		Governance	Resources made available to the Agency in 2008 (Data for 2007)	Products and services
<p>Common transport policy:</p> <p>The Council may, acting by a qualified majority, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.</p> <p>(Article 80 of the Treaty)</p>	<p>Objectives</p> <p>- To maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety.</p>	<p>Measures to be adopted by the Agency</p> <p>- To issue opinions and recommendations to the Commission;</p> <p>- To issue certification specifications, including airworthiness codes and acceptable means of compliance, and any guidance material for the application of the Basic Regulation and its implementing rules;</p> <p>- To take decisions regarding airworthiness and environmental certification, pilot certification, air operation certification, third country operators, inspections of Member States and investigation of undertakings;</p> <p>- To conduct standardisation inspections of the competent authorities in the Member States.</p>	<p>1 - The Management Board</p> <p>consisting of one representative of each Member State and one representative of the Commission, sets up an advisory body of interested parties.</p> <p>2 - The Executive Director</p> <p>manages the Agency and is appointed by the Management Board on a proposal from the Commission.</p> <p>3 - The Board of Appeal</p> <p>decides on appeals against the Agency's decisions in certain respects such as certification, fees, charges and checks at undertakings.</p> <p>4 - External audit</p> <p>The Court of Auditors.</p> <p>5 - Discharge authority</p> <p>Parliament, acting on a recommendation by the Council.</p>	<p>Budget</p> <p>Total budget: 100,9 (85,3) million euro, including:</p> <p>Revenue from fees and charges: 67,2 (55,8) million euro (67 %)</p> <p>Community subsidy: 30 (26,5) million euro (30 %)</p> <p>Third Countries Contribution (including contribution from EFTA and Switzerland): 1,4 (1,4) million euro</p> <p>Staff at 31.12.2008</p> <p>452 temporary staff in the establishment plan.</p> <p>posts occupied: 403 (333)</p> <p>other staff: 39, contract staff 37, seconded national expert 1, special advisor 1</p> <p>Total temporary staff: 403</p> <p>- subsidy-financed: 158</p> <p>- fee-financed: 245</p>	<p>Opinions</p> <p>6 Opinions for amendments to Regulations (EC) No 216/2008, (EC) No 1702/2003 and (EC) No 2042/2003</p> <p>Rulemaking Decisions</p> <p>11 Decisions related to certification: Specifications (7) and Acceptable Means of Compliance and Guidance Material (4)</p> <p>International Cooperation</p> <p>18 Working Arrangements with CAAC-China (15), GACA /Saudi Arabia (1), CAAS /Singapore (1) and CASA/Australia (1).</p> <p>1 Modification to the Working Arrangement between JCAB/ Japan and EASA.</p> <p>2 Implementing Procedures to the Working Arrangement between IAC-AR and EASA.</p> <p>1 Implementing Procedure to the Working Arrangement between GCAA/UAE and EASA.</p> <p>1 Memorandum of Understanding with CAA Pakistan.</p> <p>Certification decisions at 31 December 2008</p> <p>Type Certificates (TCs): 8</p> <p>Supplemental type certificates (STCs): 764</p> <p>Airworthiness directives (ADs): 216</p> <p>Alternative Method of Compliance (AMOC): 84</p> <p>European Technical Standard Order Authorisation (ETSOA): 281</p> <p>Major changes: 932</p> <p>Minor changes: 2 241</p> <p>Major repairs: 82</p> <p>Certification decisions at 31 December 2008 (continued)</p> <p>Minor repairs: 148</p> <p>Aircraft flight manual (AFM): 468</p> <p>Approval of flight conditions (PTF): 296</p> <p>Approval of Design organisations: 509</p> <p>Approval of Maintenance organisations (bilateral)⁽¹⁾: 1 372</p> <p>Approval of Maintenance organisations (foreign)⁽¹⁾: 233</p> <p>Approval of Maintenance training organisations⁽¹⁾: 28</p> <p>Approval of Manufacturing⁽¹⁾: 20</p> <p>Standardisation inspections (number of countries by type) at 31 December 2008</p> <p>In the field of Maintenance (CAW): 27</p> <p>In the field of Production (IAW): 12</p>

Source: Information supplied by the Agency.

⁽¹⁾ The organisation approval activity is subdivided into a main surveillance activity of already approved organisations (with a renewal every 2/3 years) and an activity linked to new approvals. The data supplied concern the total number of approvals on 31 December 2008.



Item 13

As noted by the Court, the majority of the commitments and appropriations carried forward, which are inherent to the Agency's business cycle, correspond to advance payments received from applicants and late invoicing by the National Aviation Authorities. The commitments carried forward relating to the implementation of the enterprise resource planning system (ERP) resulted from a delay in signing the contract for the service.

Item 14

The transfer was due to the higher than expected difficulty in recruiting staff with specific expertise which has slowed down the process of the internalisation of certification tasks, a number of resignations and a high number of internal applicants who succeeded in external recruitment processes (approx. 25) opened in 2008. On the other hand, there was a need for additional funds for the implementation of the enterprise resource planning system (ERP).

Item 15

This is the first full year of implementation of certification tasks under the new fees and charges regulation. The Agency is continuing to perform in-depth analysis on the objective reasons explaining such a surplus, for example a high amount of overtime for Certification work which was not considered as a cost in the accounting system. This analysis will form the basis of the eventual review of the charging system with the Commission and the Industry.

Item 16

The Agency is in the process of attaining certification against the ISO9001:2008 system and part of which is the development of objectives and key performance indicators (KPIs), the quality of which has been improved in the 2010 work programme. The assessment of these objectives and utilisation of the key performance indicators (KPIs) will be supported by the implementation of a more robust information system, i.e. the enterprise resource planning system.