

ΕΒΡΟΠΕΪΣΚΑ ΣΜΕΤΗΑ ΠΑΛΑΤΑ
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EUROOPA KONTROLLIKODA
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 2009

together with Agency's replies

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INTRODUCTION

1. The European Aviation Safety Agency (hereinafter "the Agency"), located in Cologne, 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 2009 budget amounted to 122 million euro, compared with 102 million euro the previous year. The number of staff employed by the Agency at the end of the year was 509, as compared with 440 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 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 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 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.

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.

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.

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.

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

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

¹¹ The Final Annual Accounts were drawn up on 13 July 2010 and received by the Court on 15 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 www.easa.europa.eu.

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 planning and cost estimates in the Agency's 2009 work programme were based on eight main activities. The structure of the Agency's operational budget (Title III), however, remained input-related. Budget amendments were made without updating the work programme, even when they had a significant impact on the allocation of human and financial resources. The introduction of an activity-based structure for the operational budget would establish a clear link between the work programme and the financial forecasts and would improve performance monitoring and reporting.

14. Commitments of 8,9 million euro (65 %) from Title III – Operational activities (total budget, 13,6 million euro) - were carried forward to 2010. This situation is at odds with principle of annuality and shows that budget planning and monitoring must still be improved.

15. The Agency manages certification tasks which are outsourced to National Aviation Authorities. The related accrued expenditure at the year end was estimated by assuming an overall percentage of completion not justified by historical experience. For the establishment of the 2010 financial statements, the Agency should implement the "stage of completion" method for estimating such accrued expenses.

OTHER MATTERS

16. With regard to staff selection procedures, the decisions by the selection boards were insufficiently justified and documented since thresholds for being invited to interview or put on the reserve list were not defined in advance and minutes were missing. These practices put at risk the transparency of the recruitment procedures.

This Report was adopted by Chamber IV, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 12 October 2010.

For the Court of Auditors

Vitor

Vitor Manuel da SILVA CALDEIRA

President



Table - European Aviation Safety Agency (Cologne)

Areas of Union competence deriving from the Treaty	Competences of the Agency (Regulation (EC) No 216/2008 of the Parliament and of the Council (the "Basic Regulation"))	Governance	Resources made available to the Agency in 2009 (Data for 2008)	Products and services in 2009
<p>The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may lay down appropriate provisions for sea and air transport. They shall act after consulting the Economic and Social Committee and the Committee of the Regions.</p> <p>(Article 100 of TFEU)</p>	<p>Objectives</p> <ul style="list-style-type: none"> - 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>Measures to be adopted by the Agency</p> <ul style="list-style-type: none"> - To issue opinions and recommendations to the Commission. - 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. - To take decisions regarding airworthiness and environmental certification, pilot certification, air operation certification, third country operators, inspections of Member States and investigation of undertakings. - To conduct standardisation inspections of the competent authorities in the Member States. 	<p>1 - 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 - Executive Director</p> <p>manages the Agency and is appointed by the Management Board on a proposal from the Commission.</p> <p>3 - 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>Court of Auditors.</p> <p>5 - Discharge authority</p> <p>Parliament, acting on a recommendation from the Council.</p>	<p>Budget</p> <p>Total budget: 122 (102) million euro, including. Revenue collected: Revenue from fees and charges: 54.9 (67.2) million euro (60 %)</p> <p>Union subsidy: 33.9 (30.5) million euro (37 %)</p> <p>Other revenue and subventions: 3.9 (3.2) million euro (3 %).</p> <p>Reserve of assigned revenue for fees and charges expenditure: 29.5 (14.8) million euro.</p> <p>Staff at 31 December 2009</p> <p>506 (452) temporary staff in the establishment plan. posts occupied: 460 (403)</p> <p>other staff: 56 (39), contract staff 49 (37), seconded national expert 6 (1), special advisor 1 (1)</p> <p>Total temporary staff: 460 (403)</p> <p>- subsidy-financed: 185</p> <p>- fee-financed: 275</p>	<p>Opinions</p> <p>5 Opinions for amendments to Regulations (EC) No 2042/2003 and (EC) 1702/2003</p> <p>Rulemaking Decisions</p> <p>20 Decisions related to Certification specifications (13), Acceptable Means of Compliance and Guidance Material (5), Rulemaking programme (2)</p> <p>Additional deliverables in 2009 (which leads to Rules in the forthcoming years)</p> <p>24 ToRs, 12 NPAs, 15 CRDs</p> <p>International Cooperation</p> <p>21 Working Arrangements with: CAAC-China (5), CAA Vietnam (1), CAA Taipei (1), CAAs of non-EU Member States in the framework of the transition of the Joint Aviation Authorities (14)</p> <p>13 amendment letters of Working Arrangements on SAFA exchange with Civil Aviation Authorities of ECAC-non-EU Member States signed as per new regulatory framework and including Declaration on Conflict of Interest</p> <p>1 Modification to the Working Arrangement between JCAB/ Japan and EASA</p> <p>Participation in BASA with Brazil negotiation round</p> <p>22 recommendations provided to ICAO State Letters</p> <p>Preparation of 2 CMR meetings with FAA and TCCA</p> <p>Certification decisions at 31 December 2009</p> <p>Type Certificates/Restricted Type Certificates (TCs/RTCs): 10</p> <p>Supplemental type certificates (STCs): 594</p> <p>Airworthiness directives (ADs): 244</p> <p>Alternative Method of Compliance (AMOC): 82</p> <p>European Technical Standard Order Authorisation (ETSOA): 180</p> <p>Major changes/Major repairs/TC New Derivatives: 933</p> <p>Minor changes/Minor repairs: 1708</p> <p>Aircraft flight manual (AFM): 407</p> <p>Approval of flight conditions (PTF): 400</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 2009</p> <p>In the field of Maintenance (CAW): 29</p> <p>In the field of Production (LAW): 13</p>

Source: Information supplied by the Agency.

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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 2009.

THE AGENCY'S REPLIES

13. The Agency's Operating Budget (specifically Title III) is composed of both budget lines specifically linked to activities and those which are input related. For the latter, the Agency is able to calculate the cost per activity through its analytical cost accounting system. The Agency is further evolving to adopt a full output related structure of the budget (activity based budget).

14. During the year the budget of Title III – Operational activities was increased by 6,7 million euro via transfers and amending budgets approved by the management board. For these increased activities, procurement procedures had to be launched which takes time and resulted in carry forwards. About 3,5 million euro of the commitments carried forward are related to IT expenses which are paid once projects have been satisfactorily achieved.

15. It is correct to state that the process of outsourcing to National Aviation Authorities (in some cases) tends to result in difficulties in receiving costing information when the services are rendered. Negotiations with National Aviation Authorities are on-going with regard to the introduction of "flat rate agreements" for certain services (minor changes, minor repairs, standard STCs, organisations oversight ...). This will provide for the availability of reliable project costs at the time a service is outsourced.

16. The Agency addressed and corrected the indicated weakness by introducing a fixed minimum threshold in conjunction with a minimum number of candidates being invited for interviews and a minimum threshold for placing candidates on the reserve list. The two thresholds are applied to all selection procedures since May 2010.