

REPORT

**on the annual accounts of the European Aviation Safety Agency for the financial year 2010,
together with the Agency's replies**

(2011/C 366/05)

INTRODUCTION

1. The European Aviation Safety Agency (hereinafter 'the Agency'), which is located in Cologne, was established by Regulation (EC) No 1592/2002 of the European Parliament and of the Council of 15 July 2002 ⁽¹⁾. 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 products ⁽²⁾.

2. The Agency's 2010 budget amounted to 137 million euro, compared with 122 million euro the previous year. The number of (temporary and contractual) staff employed by the Agency at the end of the year was 578, compared with 509 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 accounts ⁽³⁾ of the Agency, which comprise the 'financial statements' ⁽⁴⁾ and the 'reports on the implementation of the budget' ⁽⁵⁾ for the financial year ended 31 December 2010, 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 1605/2002 ⁽⁶⁾.

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 the authorised appropriations ⁽⁷⁾. The Director is responsible for putting in place ⁽⁸⁾ the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts ⁽⁹⁾ 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.

7. The Court conducted its audit in accordance with the IFAC and ISSAI ⁽¹⁰⁾ International Auditing Standards and Codes of Ethics. Those standards require the Court to comply with ethical requirements and to plan and perform the audit so as to obtain reasonable assurance as to whether the accounts are free of material misstatement and whether the underlying transactions are legal and regular.

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

⁽¹⁾ OJ L 240, 7.9.2002, p. 1.

⁽²⁾ The *Annex* 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 a description of the main accounting policies and other explanatory information.

⁽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 (OJ L 357, 31.12.2002, p. 72).

⁽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 (OJ L 181, 10.7.2008, p. 23) and are integrated as such in the Financial Regulation of the Agency.

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

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 Accounts ⁽¹¹⁾ fairly present, in all material respects, its financial position as of 31 December 2010 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 2010 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 Agency manages certification tasks which are partly outsourced to national aviation authorities. The related accrued expenditure at year end was estimated by assuming an overall percentage of completion per certification type category using insufficient historical experience. To comply with the accruals accounting principle, the percentage of completion or elapsed-time method is more appropriate.

OTHER MATTERS

14. For two large procurement procedures, the evaluation method did not allow tenders offering the best financial bid to achieve the highest price score. This situation put at risk the transparency of the procurement process as well as the principle of sound financial management.

15. With regard to staff selection procedures, there was no evidence that thresholds for being invited to interview or put on the reserve list had been defined before the examination of the applications started. 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 6 September 2011.

For the Court of Auditors

Vitor Manuel da SILVA CALDEIRA
President

⁽¹¹⁾ The Final Annual Accounts were drawn up on 30 June 2011 and received by the Court on 6 July 2011. The Final Annual Accounts can be found on the following website <http://eca.europa.eu> or www.easa.europa.eu

ANNEX

European Aviation Safety Agency (Cologne)**Competences and activities**

<p>Areas of Union competence deriving from the Treaty</p> <p><i>(Article 100 of the Treaty on the Functioning of the European Union)</i></p>	<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>Competences of the Agency</p> <p><i>(Regulation (EC) No 216/2008 of the European Parliament and of the Council (the 'Basic Regulation'))</i></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>Governance</p>	<p>1 — Management Board</p> <p>consists 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>Resources made available to the Agency in 2010 (2009)</p>	<p>Budget</p> <p><i>Total budget: 137,2 (122,2) million euro, including:</i></p> <p><i>Revenue from fees and charges: 72,9 (54,9) million euro (53,1 %)</i></p> <p><i>Union subsidy: 34.2 (33,9) million euro (24,9 %)</i></p>

	<p><i>Other revenue and subventions including Third Countries Contribution from EFTA: 2,9 (3,9) million euro</i></p> <p>Assigned revenue (fees and charges expenditure): 27,1 (29,5) million euro</p> <p>Staff at 31.12.2010</p> <p>570 (506) temporary staff in the establishment plan.</p> <p>posts occupied: 524 (1) (460)</p> <p><i>Other staff: 63 (56), contract staff 54 (49), seconded national expert 8 (6), special advisor 1 (1)</i></p> <p>Total temporary staff: 524 (460)</p> <p>— subsidy-financed: 206 (185)</p> <p>— fee-financed: 318 (275)</p>
<p>Products and services</p>	<p>Opinions</p> <p>Opinions (7) for amendments to Regulations (EC) No 2042/2003 and (EC) 1702/2003</p> <p>Rulemaking Decisions</p> <p>Decisions related to Certification specifications (7), Acceptable Means of Compliance and Guidance Material (7), Rulemaking programme (1)</p> <p>Additional deliverables in 2010 (leading to Rules in the forthcoming years)</p> <p>26 ToRs, 14 NPAs, 9 CRDs</p> <p>International Cooperation</p> <p>8 Working Arrangements with CAAC (China)</p> <p>1 Implementation Procedure to the Working Arrangement with IAC-AR (Russian Federation)</p> <p>2 Modifications to the Working Arrangement between EASA-JCAB (Japan) (modification of appendix C)</p> <p>27 recommendations provided to ICAO State Letters</p> <p>Preparation of 1 CMR meeting with FAA and TCCA</p> <p>Preparation of 1 flight standards meeting with FAA</p> <p>Certification decisions at 31 December 2010</p> <p>Type Certificates/Restricted Type Certificates: 8</p> <p>Supplemental type certificates: 750</p> <p>Airworthiness directives: 284</p> <p>Alternative Methods of Compliance: 70</p> <p>European Technical Standard Order Authorisation: 150</p> <p>Major changes/Major repairs/new Derivatives: 879</p>

Minor changes/Minor repairs: 1 117
Aircraft flight manuals: 411
Approvals of flight conditions: 561
Approvals of Design organisations: 486
Approvals of Maintenance organisations (bilateral) ⁽²⁾ : 1 511
Approvals of Maintenance organisations (foreign) ⁽²⁾ : 267
Approvals of Maintenance training organisations ⁽²⁾ : 41
Approvals of Manufacturing ⁽²⁾ : 21
Standardisation inspections (number of countries by type) at 31 December 2010
In the field of Continuing Airworthiness: 28
In the field of Production: 14
In the field of Operations: 22
In the field of flight crew licensing: 28

Source: Information supplied by the Agency.

⁽¹⁾ Note: Two part-time pilots occupy only 1 post.

⁽²⁾ The organisation approval activity is subdivided into a main surveillance activity of already approved organisations (with a renewal every two-three years) and an activity linked to new approvals. The data supplied concern the total number of approvals on 31 December 2010.

THE AGENCY'S REPLIES

13. EASA recognises the need for continuous improvement and therefore intends to further develop a more appropriate methodology with the use of average project duration data coupled with more extensive historical data.

14. The objective of EASA has been to evaluate the financial offers as objectively as possible. The financial formulae were based on concrete purchase forecasts, even though the complexity of the price structures of the relevant markets made it very difficult to foresee all possible interactions among the price components. In practice no negative impact on the outcome is to be reported.

15. EASA supports the remark of the Court and has laid down in its guidelines for panel members the minimum threshold candidates have to meet in order to be invited for interviews (50 %) or put on the reserve list (65 %). EASA, however, reserves its right to decide on the reasonable number of candidates to be invited according to their rank of merit.
