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COUR DES COMPTES EUROPÉENNE
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Report on
the annual accounts of the
European Food Safety Authority for the financial year 2008

together with the Authority replies

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INTRODUCTION

1. The European Food Safety Authority (hereinafter referred to as "the Authority"), located in Parma, was established by Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002¹. Its main tasks are to supply the scientific information needed for Community legislation to be drawn up, to collect and analyse data that allow risks to be identified and monitored and to provide independent information on these risks².
2. The Authority's 2008 budget amounted to 66,4 million euro compared with 52,2 million euro the previous year. The number of staff employed by the Authority at the end of the year was 395 as compared with 310 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 Authority, which comprise the "financial statements"⁴ and the "reports on implementation of the budget"⁵ for the financial year ended 31 December 2008 and the legality and regularity of the transactions underlying those accounts.

¹ OJ L 31, 1.2.2002, p. 1.

² The **Table** summarises the Authority'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.

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 Authority 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.

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 Authority 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 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 Authority.

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 judgment 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 Authority's Annual Accounts¹¹ present fairly, in all material respects, its financial position as of 31 December 2008 and the

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

¹¹ The Final Annual Accounts were drawn up on 18 June 2009 and received by the Court on 29 June 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 http://www.efsa.europa.eu/EFSA/AboutEfsa/HowWeWork/Funding/efsa_locale-1178620753812_Accounts.htm.

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 Authority 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. More than 15,5 million euro of 2008 commitments (23% of 2008 budget) were carried forward to 2009, compared with the 8,5 million euro in the previous year (16 % of 2007 budget). The high level of commitments carried forward was mainly due to delays in either the implementation or commencement of actions in the following areas: software development, scientific cooperation with external experts, grants for studies and data collection and exposure projects. This situation is at odds with the annuity principle.

14. At the year end about 2,1 million euro (37 %) of commitments for operational activities carried over from 2007 had to be cancelled. The high cancellation rate was mainly caused by significant delays regarding the implementation of 2007 grant agreements during 2008. This situation indicates a need to better control the contractual deadlines of grant agreements. The Authority should set and monitor appropriate performance indicators for its grant agreements.

15. For the provision of a very complex software, the Authority launched an open procedure in July 2008¹² with rather tight deadline for submission of offers (67 days). The Authority received only one offer from the company which had previously been contracted for the provision of the same services.

OTHER MATTERS

16. For each main activity planned, the Authority's 2008 work programme lists actions, priority objectives and performance indicators. However, no clear link between objectives and indicators is established. Objectives and indicators are neither result-oriented nor measurable which makes it difficult to identify shortfalls and to assess achievements. Genuinely activity-based management would allow a continuous improvement of resource allocation and performance monitoring. In doing so, the Authority should define precise and measurable objectives together with relevant performance indicators and promote the achieving of results.

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

¹² Estimated value: 4,4 million euro.

Table - European Food Safety Authority (Parma)

Areas of Community competence deriving from the Treaty	Competences of the Authority (Regulation (EC) No 178/2002 of the European Parliament and of the Council)		Governance	Resources made available to the Authority in 2008 (Data for 2007)	Products and services in 2008 (Data for 2007)
<p>Free movement of goods <i>(Article 37 of the Treaty)</i></p> <p>Contribution to a high level of protection of health, safety and protection of the environment and of consumers, taking account of any new development based on scientific facts. <i>(Article 95 of the Treaty)</i></p> <p>Common trade policy <i>(Article 133 of the Treaty)</i></p>	<p>Objectives</p> <ul style="list-style-type: none"> - To provide scientific opinions and scientific and technical support for the legislation and policies which have a direct or indirect impact on food and feed safety. - To provide independent information on risks relating to food safety. - To contribute to the achievement of a high level of protection of human life and health. - To collect and analyse data needed to allow characterisation and monitoring of risks. 	<p>Tasks</p> <ul style="list-style-type: none"> - To issue scientific opinions and studies. - To promote uniform risk-assessment methodologies. - To assist the Commission. - To search analyse and summarise the requisite scientific and technical data. - To identify and characterise emerging risks. - To establish a network of organisations operating in similar fields. - To provide scientific and technical assistance in crisis management. - To improve international cooperation. - To provide the public and interested parties with reliable, objective and easily comprehensible information. - To take part in the Commission's rapid alert system. 	<p>1 - Management Board <i>Composition</i></p> <p>14 members appointed by the Council (in cooperation with the European Parliament and the Commission) and one representative of the Commission.</p> <p>2 - Executive Director <i>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission, following a hearing before the European Parliament.</i></p> <p>3 - Advisory Forum <i>Composition</i></p> <p>One representative per Member State.</p> <p>4 - Scientific Committee and scientific panels <i>To draw up the Authority's scientific opinions.</i></p> <p>5 - External audit <i>Court of Auditors.</i></p> <p>6 - Discharge authority <i>Parliament acting on recommendation by the Council.</i></p>	<p>Budget 66,4 (52,2) million euro of which Community subvention 100 % (100 %)</p> <p>Staff at 31 December 2008 335 (300) posts foreseen in the establishment plan of which occupied: 318 (273) + 77 (37) other staff (auxiliary, contractuals, SNE)</p> <p>Total staff: 395 (310) of which for:</p> <ul style="list-style-type: none"> - Operational duties: 298 (218) - Administrative duties: 97 (92) 	<p>Risk assessment and scientific advice</p> <ul style="list-style-type: none"> - Opinions: 311 - Statements: 12 - Other technical and scientific reports: 37 <p>Total scientific opinions and statements: 360 (229)</p> <p>Enhance risk assessment methodologies and coordinate scientific networks</p> <ul style="list-style-type: none"> - Guidance documents: 29 (1) - Data collection reports: 21 (1) - Other technical and scientific reports: 79 (55) <p>Communicate scientific advice and facilitate dialogue with interested parties</p> <ul style="list-style-type: none"> - Scientific opinions supported by communication activities: 20 % - Public consultations: 38 (63) - Web visits: 2,1 million (1,5) - Highlights subscribers: 21.140 (17.500) - Media coverage in articles and audiovisual news pieces: 11.652 (7.194) - Media queries: 676 (425) - Press releases: 30 (24) - Web News stories: 39 (39) - Interviews: 123 (44)

Source: Information supplied by the Authority.

THE AUTHORITY'S REPLIES

13. Although the Authority respected the legality and regularity aspect of the annuality principle, it is committed to further improve its budget management in particular by reducing the carry over of commitments and by implementing differentiated appropriations for grants in its 2009 budget.
14. Since January 2009, the Authority integrated specific progress indicators for grants into its monthly reporting in order to improve the monitoring of their implementation. In addition, the introduction of differentiated appropriations into the 2009 budget for grants will better reflect the multiannuality of grant agreements and avoid cancellations.
15. Although the Authority strictly followed the relevant provisions of its financial implementing rules, it will, for future procedures, give more importance to the complexity of the service when defining the period for tender preparation.
16. The activity based management was first introduced in the management plan in 2008. Since January 2009, the introduction of the Risk Assessment Workflow (RAW) reinforces and allows close monitoring of the Authority's science and administrative activities.