

ISSN 1684-0739

EUROPEAN COURT OF AUDITORS



ANNUAL ACTIVITY
REPORT

2009

EN



European Court
of Auditors

ANNUAL ACTIVITY REPORT

2009

***Europe Direct is a service to help you find answers
to your questions about the European Union***

**Freephone number (*):
00 800 6 7 8 9 10 11**

(*) Certain mobile telephone operators do not allow access to 00 800 numbers or these calls may be billed.

More information on the European Union is available on the Internet (<http://europa.eu>).

Cataloguing data can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2010

ISBN 978-92-9207-638-2

doi:10.2865/27832

© European Union, 2010

Reproduction is authorised provided the source is acknowledged.

Printed in Belgium

PRINTED ON WHITE CHLORINE-FREE PAPER

CONTENTS

4-5	PRESIDENT'S FOREWORD
6-7	MISSION, VISION, VALUES AND STRATEGIC OBJECTIVES
8-13	THE COURT'S ROLE AND WORK
14-17	ROLES AND RESPONSIBILITIES
18-28	OVERVIEW OF AUDIT REPORTS AND OPINIONS
29-30	FOLLOW-UP AND IMPACT
31-32	THE COURT'S VIEW
33-35	THE COURT'S PLANNED WORK IN 2010
36-38	PERFORMANCE — MEASURING AND IMPROVING
39	INTERNATIONAL COOPERATION
40-47	HUMAN RESOURCES AND SUPPORT SERVICES
48-51	FINANCIAL INFORMATION
52	DECLARATION BY THE AUTHORISING OFFICER BY DELEGATION



PRESIDENT'S FOREWORD



I would like to welcome you to the Annual Activity Report 2009 of the European Court of Auditors. It aims to provide an overview of the key results and achievements of the Court during the year as well as the main developments in its audit environment and internal organisation.

2009 was an important year of renewal for the EU marked by the election of a new European Parliament, the entry into force of the Treaty of Lisbon and the start of the process for selecting a new European Commission. The new Treaty reaffirms the Court's role and mandate as well as its status as an EU institution and introduces changes to the way in which EU funds are to be managed and scrutinised, strengthening the role of the European Parliament and emphasising Member States' responsibility for implementing the budget.

The Court anticipates that these developments will bring important opportunities for improving EU financial management. The section 'The Court's view' summarises our opinion on the risks and challenges that the new Commission will face. It identifies improving the quality of EU spending as a high priority.

The Court made significant progress during the year in implementing its Audit Strategy 2009–12 and towards the goals of improving the impact of our work and making better use of our resources. A major step was the Court's decision to ask the Council of the European Union to approve new Rules of Procedure to help streamline our procedures for adopting reports and opinions.

In addition, the number of reports produced by the Court rose from 42 in 2008 to 57 in 2009. I am also pleased to be able to report that our main product, the annual report on the implementation of the EU budget, was once again well received by our principal institutional stakeholders who endorsed many of its recommendations.

During 2009 the Court continued to cooperate actively with the Supreme Audit Institutions (SAIs) of the Member States to develop common approaches for the audit of EU funds and in considering how SAIs can assist governments in responding to the financial-economic crisis.

The Court's achievements depend on the quality and motivation of its 880 staff. Their satisfaction is a key indicator of the institution's ability to succeed, and one which is included in this report for the first time. I would like to thank them for their enthusiasm and commitment in helping the Court fulfil its mission.



Vítor Manuel da Silva Caldeira
President

MISSION, VISION, VALUES AND STRATEGIC OBJECTIVES

MISSION

The European Court of Auditors is the EU institution established by Treaty to carry out the audit of EU finances. As the EU's external auditor, it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the Union.

VISION

An independent and dynamic Court of Auditors, recognised for its integrity and impartiality, respected for its professionalism and for the quality and impact of its work, and providing crucial support to its stakeholders to improve the management of EU finances.

VALUES

INDEPENDENCE, INTEGRITY & IMPARTIALITY	PROFESSIONALISM	ADDING VALUE	EXCELLENCE & EFFICIENCY
Independence, integrity and impartiality for the institution, its Members and staff	Keeping high and exemplary standards in all professional aspects	Producing relevant, timely, high-quality reports, based on sound findings and evidence, which address the concerns of stakeholders and give a strong and authoritative message	Valuing individuals, developing talents and rewarding performance
Providing adequate output to stakeholders without seeking instructions or succumbing to pressure from any outside source	Being involved in EU and worldwide public audit development	Contributing to effective improvement of EU management and to enhanced accountability in the management of EU funds	Ensuring effective communication to promote a team spirit
			Maximising efficiency in all aspects of work

STRATEGIC OBJECTIVES

PROFESSIONALISM	OUTPUT	STAKEHOLDERS	LEARNING & GROWTH
Robust methodology, appropriate audit strategy, development of public audit practice, common auditing standards and audit criteria on EU funds, collaboration with EU SAs, effective 'Community control framework'	Selection of appropriate audit topics, timeliness, clarity and readability of reports, quality of performance audits, increasing impact of reports	Increasing relations with auditees to foster the understanding of the audit process and to achieve a wider acceptance of the audit results	Learning from the peer-review exercise in order to strengthen and develop the organisation, the methods, the processes and the output and to maximise efficiency
		Development of contacts with the European Parliament and the Council as budget and discharge authorities	Implementation of an effective and dynamic human resources policy
		Effective communication with EU citizens	High-quality professional training, upgrading infrastructure
			Implementation of IT policies



AUDIT STRATEGY 2009–12 GOALS

- ◆ Maximising the overall impact of our audits
- ◆ Increasing efficiency by making best use of resources

THE COURT'S ROLE AND WORK

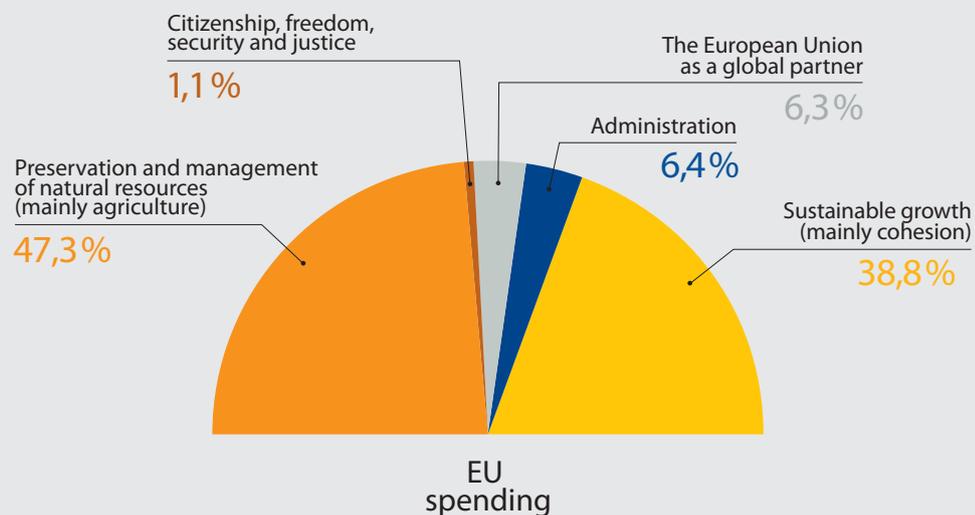
THE EU BUDGET IS THE STARTING POINT FOR THE COURT'S AUDIT WORK

The European Union has a budget (2010) of approximately 123 billion euro, around 1 % of the gross national income (GNI) of its 27 Member States. Compared to national budgets this is a small share. However, for some Member States funds from the EU play an important role in financing public activities and the total amount is substantial compared to the GNI of several Member States. The revenue of the European Union mainly consists of contributions from Member States based on their GNI (76 %) and customs and agricultural duties (so-called traditional own resources — 12 %) and of a contribution based on value added tax collected by the Member States (VAT — 11 %). The composition of the budget has evolved over time, agriculture and cohesion policies being its major components (see Box 1).

BOX 1 — WHAT DOES THE EU SPEND ITS MONEY ON?

The EU budget is financed through financial contributions from Member States (based mostly on national GNI), customs and agricultural duties as well as VAT. The EU budget is to a large extent directed to other objectives than national budgets, partly due to differences in responsibilities. The Union is for example not responsible for social security systems, usually a large part of national spending.

The largest single element of European Union spending is agriculture and rural development — principally in the form of payments to farmers — accounting for almost half of the budget. Another significant proportion is spending on cohesion — regional and social development — co-financing a wide range of projects, from road construction in Latvia to courses for the unemployed in the Netherlands. This constitutes about a third of the budget.



Source: General Budget of the European Union for the financial year 2010.

The budget is decided annually — within the context of seven-year financial frameworks — by the Council, i.e. representatives of the Member States, and the directly elected European Parliament. The European Commission proposes the budget and is also responsible for implementing it. A very significant proportion — notably agricultural and cohesion spending — is implemented in cooperation with the Member States. Depending on the spending schemes, national administrations may be responsible for setting spending strategies, selecting beneficiaries and projects and making payments. A specific feature of Community expenditure is the high percentage of payments based on claims submitted by the beneficiaries themselves, be they farmers or project managers throughout the Union.



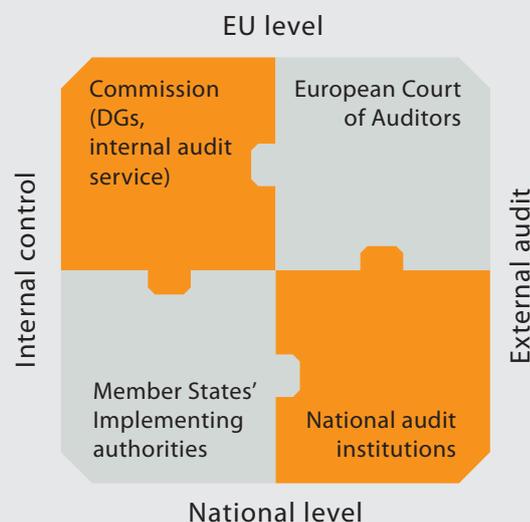
WHAT IS THE ROLE OF THE COURT?

In democratic societies there is a need for accurate publicly available information as a basis for debate and decision-making, both to improve financial management and to ensure accountability. The EU, like its Member States, has an external auditor as an independent guardian of the financial interests of the citizens. As the external auditor of the EU, the European Court of Auditors checks that EU funds are correctly accounted for and spent in compliance with the relevant regulations, with due consideration for achieving best value for money, irrespective of where the funds are spent.

The results of the Court's work are used by the Commission, the Parliament and the Council, as well as by Member States, to improve the financial management of the EU budget. The Court's work provides an important basis for the annual discharge procedure whereby the Parliament, basing its decision on recommendations from the Council, decides whether the Commission has met its responsibility for the execution of the previous year's budget. Despite its name, the Court has no judicial powers.

In the areas of the budget where management is shared, Member States cooperate with the Commission in setting up supervisory and control systems — internal control — to ensure that funds are spent properly and in accordance with the rules. Internal control thus has an EU as well as a national dimension. In addition to the work done by the Court, many national audit institutions audit European funds that are managed and spent by national administrations.

OVERVIEW OF INTERNAL CONTROL AND EXTERNAL AUDIT OF THE EU BUDGET



WHAT DOES THE COURT AUDIT?

The Court carries out three different types of audits¹: financial, compliance and performance audits. These address the three following questions:

1. Do the accounts present fairly, in all material respects, the financial position, results and cash flow for the year, in accordance with the applicable financial reporting framework? (**FINANCIAL AUDIT**)
2. Are transactions in all material respects in compliance with the legal and regulatory frameworks which govern them? (**COMPLIANCE AUDIT**)
3. Is the financial management sound, i.e. are the funds used kept to a minimum (economy), are the results achieved with the least possible resources (efficiency) and have objectives been met (effectiveness)? (**PERFORMANCE AUDIT**)

HOW DOES THE COURT REPORT ITS RESULTS?

The Court publishes the results of its audit work in the following types of report:

Annual reports — presenting the results of financial audits in the form of statements of assurance on the general budget² and the European Development Funds³. These two reports are published together in November.

Specific annual reports — presenting the results of financial audits on the agencies of the European Union and decentralised bodies.

Special reports — presenting the results of selected performance and compliance audits. Special reports can be published at any time during the year.

In addition, the Court is called upon to provide its **opinion** on new or updated legislation with a financial impact.

¹ For more information about the Court's methodology please consult the manuals on the Court's website (www.eca.europa.eu).

² The TFEU Treaty requires the Court to give a statement — or opinion — on the reliability of the accounts and the legality and regularity of underlying transactions. In this context, underlying transactions are typically payments from the EU budget to final beneficiaries. The annual Statement of Assurance is generally known by its French acronym DAS ('Déclaration d'Assurance'). Contrary to practice in Member States, the Court gives such a statement on the entirety of the EU budget.

HOW DOES THE COURT AUDIT?

The Court's audit of the EU accounts is carried out in line with international audit standards, which are applied by the public and the private sector. Existing international standards on audit do not however cover the kind of compliance audit undertaken by the Court. The Court takes an active part in the development of international standards, by standard-setting bodies (Intosai, IFAC)⁴ alongside national audit institutions.

In order to provide assurance as to whether the payments comply with legal and regulatory frameworks, the Court draws on the results both of its examination of supervisory and control systems, intended to prevent or detect and correct errors of legality and regularity, and of a sample of the transactions (payments) themselves (see [Box 2](#)). When systems are tested and found to be reliable, then fewer transactions need to be audited by the Court in order to come to a valid conclusion on their legality and regularity. Other sources, such as management representations in the form of annual activity reports of the Directors General of the Commission and the work of other auditors, are also used to support the Court's conclusions.

In performance audit, the Court uses a variety of audit methodologies to assess management and monitoring systems and information on performance against criteria derived from legislation and the principles of sound financial management.

When selecting which performance audits to carry out, the Court aims to identify audit subjects which are likely to yield high impact in terms of identifying potential improvements in the economy, efficiency and effectiveness of EU spending.

³ The European Development Funds (EDFs) are the result of both international conventions and agreements between the Community and its Member States, and certain African, Caribbean and Pacific (ACP) States, and Council decisions on association of overseas countries and territories (OCT). The Commission manages most of the expenditure in association with ACP countries, partly through EuropeAid (see the policy area group 'External relations, development and enlargement') and partly through delegations in the recipient countries. The investment facility part of the EDFs is managed by the European Investment Bank (EIB) and is not included in the Court's audit mandate.

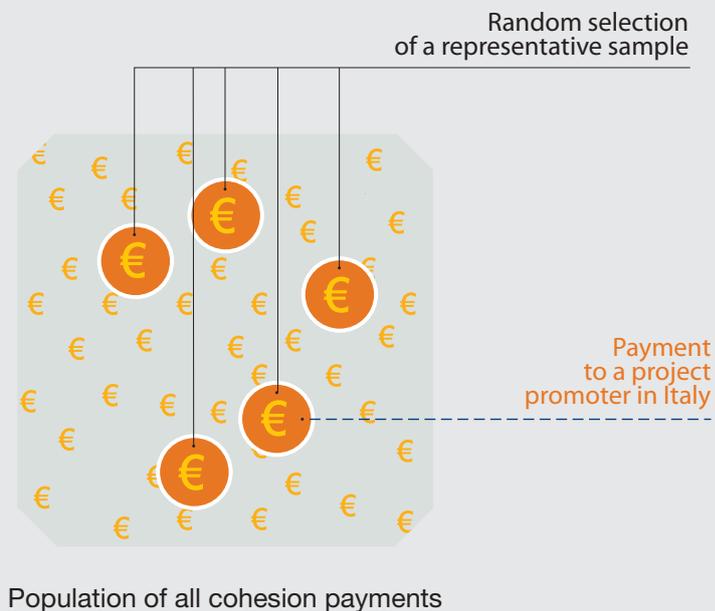
⁴ Intosai (International Organisation of Supreme Audit Institutions); IFAC (International Federation of Accountants).

BOX 2 — THE COURT’S TESTING OF A SAMPLE OF PAYMENTS FROM THE EU BUDGET

The Court does not have the resources to audit all the transactions of the EU budget in detail. It therefore uses statistical sampling techniques to provide a result which is representative of the population as a whole. This involves randomly selecting a representative sample of underlying transactions from, for example, cohesion for detailed testing. The Court traces these transactions down to the final beneficiaries of the aid, for example a project promoter in Italy. The Court then performs checks to verify the compliance of the claim with reality, in many cases on the spot.

The representative nature of the Court’s sample means the results can be extrapolated over the total population, i.e. a specific revenue or expenditure area, and, together with information arising from the evaluation of management and control systems and other sources, be used as a basis for an overall audit opinion.

SAMPLING OF TRANSACTIONS



ROLES AND RESPONSIBILITIES⁵

GOVERNANCE AND ORGANISATION

The Court of Auditors operates as a collegiate body of 27 Members, one from each Member State and appointed by the Council, after consultation with the European Parliament, for a renewable term of six years. The Members elect one of their number as president for a renewable term of three years.

Five audit groups, to which Members of the Court are assigned, prepare reports and opinions for adoption by the Court. As the organisation chart shows, there are four sectoral groups covering different parts of the budget and one group responsible for 'horizontal' matters. In addition an Administrative Committee of Members prepares the Court's administrative decisions.

At the end of 2009, the Court sent to the Council a proposal for a revision of its Rules of Procedure to allow certain categories of the Court's opinions and reports to be adopted by Chambers, rather than the entire Court. These changes will streamline the Court's decision-making, making it more efficient partly by decreasing the amount of time needed to adopt decisions.

Each Chamber has two areas of responsibility — firstly, to adopt special reports, specific annual reports and opinions; secondly, to prepare draft observations for the annual reports on the general budget of the EU and the European Development Funds, and draft opinions for adoption by the Court as a whole. As for the Court, decisions are taken by a majority of the Members of the Chamber. Members may

participate in the meetings of any Chamber, but may vote only in the one to which they have been assigned by the Court.

Naturally, the full Court will continue to convene to discuss and adopt the documents for which it is solely responsible, such as the annual reports on the general budget of the EU and the European Development Funds.

The role of the Administrative Committee will be enhanced. It is chaired by the President of the Court and the Deans of the Chambers are its Members. Administrative matters requiring a Court decision and decisions on matters of policy, principle or strategic importance will be prepared by the Committee for approval by the Court.

Apart from being part of the college, taking the final decisions on audits and opinions as well as on broader strategic and administrative issues, each Member is responsible for his or her own tasks, primarily within auditing. The audit work itself is in general carried out by the auditors in the audit units coordinated by the Member responsible, with the assistance of a private office. He or she then presents the report at group and Court level and, once adopted, to the European Parliament, Council and other relevant stakeholders.

⁵ For further details, please see the Court's website (www.eca.europa.eu).

THE COURT'S STAFF

The European Court of Auditors had in the 2009 budget a total of 880 allocated posts (on 31 December 2009). The Court's audit staff have a broad range of professional backgrounds and experience from both the public and private sectors, including accountancy, financial management, internal and external audit, law and economics. Like all other EU institutions the Court employs nationals from all Member States and they are subject to the EU's Staff Regulations.

The Court's audit staff plan and perform audits and prepare the draft reports to which this work leads. They work in teams, varying from four or five for some specialised audits to 20 or more for some of the larger audits which the Court undertakes (e.g. the financial/compliance audits of agricultural and cohesion expenditure for the annual Statement of Assurance). Typically an audit will require them to seek audit evidence in a variety of ways: by desk work in Luxembourg, by visits to the European Commission and by examining what happens 'on the ground' in Member States, where revenue for the EU budget is generated and where the activities which are financed from the EU budget take place.

The Court's reports and opinions must be accessible to readers throughout the Union and, in its audit work, the Court must maintain contact with public authorities and others throughout the Union. None of this could happen without the Court's translators, who translate the Court's reports and opinions (almost always prepared in English or French) into 22 of the Union's official languages and as necessary translate correspondence passing to and from the Court. Court translators also sometimes assist auditors in carrying out audit visits to Member States.

The Court's administrative staff are responsible for the wide variety of support functions which are necessary in a multinational organisation operating within the framework of the EU: finance, accounting, the budget, buildings, IT, transport, security and so on. The Secretary-General is the most senior member of staff in the institution and is responsible for the management of the Court's staff and administration.

EUROPEAN COURT OF AUDITORS 2009

President



Vítor Manuel
da SILVA CALDEIRA (PT)



Hubert
WEBER (AT)



Maarten B.
ENGWIRDA (NL)



Máire
GEOGHEGAN-QUINN (IE)



David
BOSTOCK (UK)



Morten Louis
LEVYSOHN (DK)



Ioannis
SARMAS (EL)



Július
MOLNÁR (SK)



Vojko Anton
ANTONČIČ (SI)



Gejza
HALÁSZ (HU)



Jacek
UCZKIEWICZ (PL)



Josef
BONNICI (MT)



Irena
PETRUŠKEVIČIENĖ (LT)



Igors
LUDBORŽS (LV)



Jan
KINŠT (CZ)



Kersti
KALJULAID (ET)



Kikis
KAZAMIAS (CY)



Massimo
VARI (IT)



Juan
RAMALLO MASSANET (ES)



Olavi
ALA-NISSILÄ (FI)



Lars
HEIKENSTEN (SE)



Karel
PINXTEN (BE)



Ovidiu
ISPIR (RO)



Nadejda
SANDOLOVA (BG)



Michel
CRETIN (FR)



Harald
NOACK (DE)



Henri
GRETHEN (LU)

This organisation chart reflects the situation on 1 February 2010.
For an updated organisation chart, please visit the Court's website
(www.eca.europa.eu).

PRESIDENCY

Vítor Manuel da SILVA CALDEIRA
President

Supervision of the performance
of the Court's work

Relations with the institutions of the
European Union

Relations with SAs and
international audit organisations

Legal matters

Internal audit

ORGANISATION CHART

For further details and an updated organisation chart, please visit the Court's website (www.eca.europa.eu).

AUDIT GROUP I

PRESERVATION AND MANAGEMENT
OF NATURAL RESOURCES

Gejza HALÁSZ, Dean
Hubert WEBER
Július MOLNÁR
Kikis KAZAMIAS
Olavi ALA-NISSILÄ
Michel CRETIN

EAGF — Financial audit

EAFRD — Financial audit

Performance unit A

Performance unit B

Performance unit C

Fisheries, Environment, Health

AUDIT GROUP II

STRUCTURAL POLICIES, TRANSPORT,
RESEARCH AND ENERGY

David BOSTOCK, Dean
Kersti KALJULAIID
Massimo VARI
Ovidiu ISPIR
Harald NOACK
Henri GRETHEN

Structural policies — Financial audit

Transport, research and energy — Financial
audit

Transport and energy — Performance audit

Environment, society and welfare, tourism and
culture — Performance audit

Human capital, technology and innovation,
enterprises, ICT and information society,
technical assistance — Performance audit

AUDIT GROUP III

EXTERNAL ACTIONS

Jan KINŠT, Dean
Maarten B. ENGWIRDA
Máire GEOGHEGAN-QUINN
Jacek UCZKIEWICZ
Karel PINXTEN

Cooperation with developing countries
(general budget of the EU)

Pre-accession and neighbourhood policies

European Development Funds (African,
Caribbean and Pacific States)

AUDIT GROUP IV

REVENUE, BANKING ACTIVITIES,
ADMINISTRATIVE EXPENDITURE,
INSTITUTIONS AND BODIES OF THE EU
AND INTERNAL POLICIES

Irena PETRUŠKEVIČIENĖ, Dean
Morten Louis LEVYSOHN
Ioannis SARMAIS
Igorš LUDBORŽS
Juan RAMALLO MASSANET
Nadejda SANDOLOVA

Revenue of the European Union

Administrative expenditure of the institutions
of the European Union

Internal policies of the European
Union

Borrowing, lending and banking activities

Agencies of the European Union

CEAD GROUP

COORDINATION, COMMUNICATION,
EVALUATION, ASSURANCE
AND DEVELOPMENT

Josef BONNICI
Member responsible for the DAS, Dean
Vojko Anton ANTONČIČ
Member responsible for ADAR
Lars HEIKENSTEN
Member responsible for Communication
Olavi ALA-NISSILÄ (AG I)
Kersti KALJULAIID (AG II)
Jacek UCZKIEWICZ (AG III)
Morten Louis LEVYSOHN (AG IV)

Audit methodology and support

Quality control

Communication and reports

Audit supervision and support for financial
and compliance audit

Reliability of the accounts and of
management representations

SECRETARIAT- GENERAL

Eduardo RUIZ GARCÍA
Secretary-General

Human resources

Finance and Support

Information Technology

Translation

OVERVIEW OF AUDIT REPORTS AND OPINIONS⁶

In 2009 the number of special reports has increased compared to previous years while the number of opinions has decreased. The annual reports on the general budget and the European Development Fund were adopted as planned.

FINAL OUTPUTS	2005	2006	2007	2008	2009
Number of special reports	6	11	9	12	18
Annual reports (EDF included)	1	1	1	1	1
Specific annual reports	20	23	29	29	37
Opinions	11	8	9	5	1

ANNUAL REPORTS ON THE 2008 FINANCIAL YEAR

Every year the Court audits the EU's accounts and EU income and expenditure. The results of this audit are presented to the political authorities of the EU, the Parliament and the Council, in the Court's annual reports.

⁶ The intention of this section is to introduce, rather than to provide a summary of, the Court's reports and opinions. Readers are requested to refer to the full texts as adopted by the Court — available on the Court's website (www.eca.europa.eu) — for further details.

Unqualified opinion on the reliability of the accounts

The Court concluded that the 2008 annual accounts of the European Communities present fairly, in all material respects, the financial position of the European Communities and the results of their operations and cash flows.

Unqualified opinions

For 2008 the Court gave unqualified opinions for 'Revenue', commitments for all policy groups and payments in the policy groups 'Education and citizenship' and 'Administrative and other expenditure'.

Qualified opinions

Payments for the policy group 'Agriculture and natural resources', except for 'Rural development' were in all material respects legal and regular. Payments for the policy group 'Economic and financial affairs', except for expenditure in this policy group concerning the Sixth Framework Programme for research and technological development (FP6), were in all material respects legal and regular.

Adverse opinions

The Court gave adverse opinions for the policy groups 'Cohesion', 'Research, energy and transport', as well as 'External aid, development and enlargement'. Payments in these policy groups were materially affected by errors, although at different levels.

Improvements needed in supervision and control systems

The supervisory and control systems for the policy groups 'Research, energy and transport', 'External aid, development and enlargement' and 'Education and citizenship' were partially effective in providing assurance as to the prevention or detection and correction of the reimbursement of overstated or ineligible costs.

For the policy group 'Agriculture and natural resources', the Court also concluded that the supervisory and control systems were partially effective. However, it noted that the Integrated Administrative and Control System (IACS) generally continued to be an effective control system. Issues need to be addressed in certain areas, in particular for 'Rural development', where there were weaknesses.

For the policy group 'Economic and financial affairs' the supervisory and control systems were found to be effective in two of the three areas assessed. In the third one, 'Enterprise', the systems were judged as only partially effective, mostly due to weaknesses concerning FP6.

For the policy group 'Cohesion', the Court found that the systems in Member States for correcting errors found by national controls were in most cases at least partially effective.

The Commission, the Member States and other beneficiary states need to make further efforts to implement the necessary improvements concerning these policy groups, so as to ensure an adequate management of the risk of irregular expenditure.

BOX 3 — INTERPRETING AUDIT OPINIONS

Auditors can give the following kinds of opinions:

- an **unqualified opinion** (also called ‘clean’) when there is evidence that the accounts are reliable or the underlying transactions, i.e. payments, are legal and regular in all material aspects;
- an **adverse opinion** when the level of error in the underlying transactions is material and pervasive, or the accounts are not reliable;
- a **disclaimer of opinion** if auditors are unable to obtain sufficient appropriate audit evidence on which to base an opinion, and the possible effects are both material and pervasive;
- a **qualified opinion** when an unqualified opinion cannot be expressed but the effect of any disagreement or limitation on scope is not so material or pervasive as to require an adverse opinion or a disclaimer of opinion.



BOX 4 — SUMMARY OF THE LEGALITY AND REGULARITY OF UNDERLYING TRANSACTIONS BY AREA OF EXPENDITURE

The table below summarises the overall assessment of supervisory and control systems, as outlined in the relevant chapters of the 2008 Annual Report, and gives the broad results of the Court's testing of representative samples of transactions. The table highlights the key

elements but cannot present all of the relevant detail (in particular concerning weaknesses of supervisory and control systems and types of error), for which it is necessary to refer to the main report.

	ASSESSMENTS OF SYSTEMS	ERROR RATE RANGE
Revenue	◆	◆
Agriculture and natural resources: 55 billion euro	◆	◆
Cohesion: 36,6 billion euro	◆	◆
Research, energy and transport: 7,5 billion euro	◆	◆
External aid, development and enlargement: 6,2 billion euro	◆	◆
Education and citizenship: 1,7 billion euro	◆	◆
Economic and financial affairs: 0,6 billion euro	◆	◆
Administrative and other expenditure: 8,5 billion euro	◆	◆
Assessment of supervisory and control systems	◆ Not effective ◆ Partially effective ◆ Effective	
Range in which the estimate error rate (ER) is situated	◆ ER > 5 % ◆ 2 % ≤ ER ≤ 5 % ◆ ER < 2 % (below materiality)	

THE 2008 AUDIT OPINION — THE EDFs

The Court concluded that the 2008 accounts of the EDFs present fairly, in all material respects, the financial position of the EDFs. As regards the legality and regularity of the transactions the Court gave an unqualified opinion for the revenue and commitments of the EDFs. The Court also concluded that payments of the EDFs were affected by material error. The Court's assessment of the supervisory and control systems for the EDFs was that they were partially effective.

SPECIFIC ANNUAL REPORTS

A further 37 specific annual reports, pertaining to the European agencies and other decentralised bodies on the 2008 financial year, were adopted in 2009.

The Union's agencies cover a wide variety of tasks in different locations throughout the Union. Each agency has a specific mandate and manages its own budget. Audits of the European Union's agencies and other decentralised bodies are the subject of specific annual reports which are published separately. The Court issued unqualified opinions on the reliability of the accounts and the legality and regularity of the underlying transactions for all agencies except for the European Police College.

SPECIAL REPORTS⁷

The Court selects and designs its performance and compliance audit tasks based on criteria including the risks to performance or compliance for a particular area of income or expenditure, the level of spending involved, the time elapsed since any previous audit, forthcoming developments in the regulatory or operational frameworks as well as political and public interest.

The complex and detailed nature of performance and compliance audits means they generally require, from the time of a preliminary study to the final reporting, more than one year to complete.

The Court adopted a total of 18 special reports in 2009. Special reports are directly available from the Court's website (www.eca.europa.eu) and their publication is notified in the *Official Journal of the European Union*. As in previous years the reports examined financial management issues in a wide range of areas — from, for example, the EU food aid for deprived persons (SR 6/2009) to the Commission's treasury management (SR 5/2009).

The Court's work identifies many different types of problems, with diverse consequences, and formulates recommendations aiming at improving financial management, efficiency and effectiveness.

Besides the 18 special reports, the Court also in 2009 analysed the use of EU funds in making the Chernobyl site environmentally safe. Recommendations, helping to improve the management of the EU funds channelled through the EBRD, have been transferred to the President of the Commission in the form of a management letter (not published).



The special reports adopted by the Court in 2009 are presented below under financial framework headings. To illustrate the kind of issues dealt with and conclusions drawn, a brief presentation is given of one report under each heading.

⁷ Special reports are available from the Court's website or by filling in an electronic order form on 'EU Bookshop'.

SUSTAINABLE GROWTH

- SR 3/2009 The effectiveness of Structural Measures spending on waste water treatment for the 1994–99 and 2000–06 programme periods
- SR 7/2009 Management of the Galileo programme’s development and validation phase
- SR 8/2009 ‘Networks of excellence’ and ‘Integrated projects’ in Community Research policy: did they achieve their objectives?
- SR 13/2009 Delegating implementing tasks to executive agencies: a successful option?
- SR 17/2009 Vocational training actions for women co-financed by the European Social Fund

The management of the Galileo programme’s development and validation phase

The Court audited the development and validation phase of the Galileo programme, aiming at establishing a European Global Navigation Satellite System. In doing this it looked at which factors accounted for the failures.

The Court concluded that management of the development and validation phase was inadequate. If the mid-2007 redirection of the

EGNOS (European Geostationary Navigation Overlay Service) and Galileo programmes is to succeed, the Commission must considerably strengthen its management of the programmes. This report includes a number of recommendations aimed at supporting the Commission in this task. Finally, should the EU resolve to engage in other large infrastructure programmes, the Commission must use the appropriate management tools.

PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES

- SR 6/2009 European Union food aid for deprived persons: an assessment of the objectives, the means and the methods employed
- SR 10/2009 Information provision and promotion measures for agricultural products
- SR 11/2009 The sustainability and the Commission’s management of the LIFE-Nature projects
- SR 14/2009 Have the management instruments applied to the market in milk and milk products achieved their main objectives?

Have the management instruments applied to the market in milk and milk products achieved their main objectives?

The Court reviewed the operation of the market in milk and milk products since the introduction of milk quotas in 1984, and analysed how the Commission was managing the progressive deregulation of the milk sector initiated in 2003.

Based on the situation at the end of 2008, the Court makes recommendations to the Commission: it should avoid a return to overproduction,

monitor price formation within the food chain and intensify reflection on the prospects for producers in less favoured regions and on the environmental consequences of a geographical concentration of production. Also it should reorient milk production towards the needs of the European domestic market and towards high added value products, which can be exported without budgetary assistance.

CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE

- SR 2/2009 The European Union's Public Health Programme (2003 to 2007): an effective way to improve European citizens' health?

The European Union's Public Health Programme (2003 to 2007): an effective way to improve European citizens' health?

The Court analysed the European Union's Public Health Programme (PHP) for 2003–07. In doing this it asked whether the right conditions were set for projects financed from the EU budget to complement the measures taken by Member States to protect and improve public health.

The report details conclusions and recommendations in programme design, implementation and management. In view of its findings, the Court calls into question the utility of certain components of European public health programmes such as the PHP. The Commission and the Member States are invited to reconsider the EU's funding approach in the field of public health.

EU AS A GLOBAL PLAYER

- SR 1/2009 Banking measures in the Mediterranean area in the context of the MEDA programme and the previous protocols
- SR 4/2009 The Commission's management of Non-State Actors' involvement in EC Development Cooperation
- SR 12/2009 The effectiveness of the Commission's projects in the area of Justice and Home Affairs for the western Balkans
- SR 15/2009 EU assistance implemented through United Nations organisations: decision-making and monitoring
- SR 16/2009 The European Commission's management of pre-accession assistance to Turkey
- SR 18/2009 Effectiveness of EDF support for Regional Economic Integration in East Africa and West Africa

The European Commission's management of pre-accession assistance to Turkey

The Court analysed the Commission's management of pre-accession financial assistance to Turkey.

Particularly the first pre-accession assistance period 2002–06 suffered from many weaknesses common to pre-accession programmes. The Commission had not set sufficiently specific objectives for its funding to allow assessment of the project outcomes and did not have sufficient information to demonstrate the effectiveness of its pre-accession assistance. However, the

projects visited did deliver their intended outputs and the results of the projects are likely to be sustainable. While the Commission has already made some significant improvements, the Court makes several recommendations for further corrective measures. The most critical areas for improvement are the setting of strategic objectives for the financial assistance, the development of more realistic timescales for the objectives and the monitoring of actual project performance and results based on clear objectives and appropriate indicators.

ADMINISTRATION

- SR 5/2009 The Commission's Treasury Management
- SR 9/2009 The efficiency and effectiveness of the personnel selection activities carried out by the European Personnel Selection Office

The efficiency and effectiveness of the personnel selection activities carried out by the European Personnel Selection Office

The Court focused on how EPSO (European Personnel Selection Office) coped with the large increase in the number of competitions due to enlargement. It also looked at whether EPSO provided lists of laureates in a timely manner, ensuring the required numbers and geographical balance.

The Court concluded that EPSO had successfully managed the increase in the number of

competitions needed for the enlargement of the European Union. However staffing needs of the institutions were not communicated to EPSO in a timely manner; the duration of the personnel selection process was too long; competitions only produced, on average, two thirds of the targeted number of laureates (successful candidates). Finally, management information was not consistently reliable or comprehensive.

OPINIONS

Another contribution by the Court to improving the financial management of EU funds is provided via opinions on proposals on financial management issues. These opinions are required as part of the process of adopting financial legislation⁸, or can be delivered at the request of any of the EU institutions⁹. The Court of Auditors may also produce opinions on its own initiative.

In 2009 the Court adopted one opinion on a proposal for an amended regulation of the budget committee of the Office for Harmonization in the Internal Market laying down the financial provisions applicable to the Office ('Financial Regulation').

⁸ Article 322 of the TFEU Treaty.

⁹ Article 287(4) of the TFEU Treaty.

FOLLOW-UP AND IMPACT

The Court's audits provide information directly to decision-makers in the institutions concerned — in the European context, primarily the Commission, the Parliament, the Council and the Member States. They can take action on this information, with or without reference to the Court's audit conclusions.

While the main impact of the Court's audit is through its published reports and opinions, there is also impact during the audit process. In particular, all audits involve the presentation of detailed findings, sent to the auditee to confirm the veracity of the Court's observations. The final report text is also subject to a 'contradictory procedure'. The replies of the auditee — mainly the Commission — are published together with the reports. In many of these replies the auditee recognises the problems identified by the Court and sets out steps that it intends to take to address them.

Once the auditing work is finished and a report has been published it is analysed and used by the Parliament and Council, in exercising their political oversight over the use of the budget. The Court's reports provide a basis for the Council's recommendation and Parliament's decision on the annual discharge of the budget.

A few examples of the impact of the Court's work can be found in actions taken by the Commission as a result of the discharge resolution on the 2007 budget (mainly impact in 2009):

In the area of Agricultural expenditure

The management and control system for expenditure under the newly created Rural Development Fund (EAFRD) has been aligned with the EAGF guarantee system, and will thus benefit from the widely recognised advantages of the latter. (See Court's AR (Annual Report) 2004, paragraph 5.54 and AR 2007, paragraph 5.57).

In the area of Cohesion

The Commission is continuing to revise the 2007–13 rules in order to simplify the system for reporting irregularities; it is committed to reporting in early 2010 on actions carried out in 2009 and on the first impact of all actions taken within its action plan to strengthen the Commission's supervisory role for structural actions. (See AR 2007, paragraph 1.53 and paragraph 6.36(a)).

In the area of External Actions

In order to reinforce the controls at the level of implementing organisations, the Commission plans to develop specific guidance to help implementing organisations manage EU funds better and comply with EC rules. (See AR 2007, paragraph 8.33(a)).

In the area of Internal Policies including Research

The Commission has devised a multiannual control strategy for Framework Programme 6, based on the detection and correction of any errors which could not be identified by desk checks before a payment was made. In order to simplify the procedures under Framework Programme 7, the Commission introduced a participants' guarantee fund, considerably reducing the number of *ex ante* financial checks and the use of protective measures. (See AR 2007, paragraph 7.43(b), paragraph 10.34 and paragraph 2.42(a)).

Source: Report from the Commission to the European Parliament on the follow-up of the discharge 2007 decisions.

Special reports are also taken into consideration during the discharge procedure. Due to the fact that they are published throughout the year they have normally been presented and discussed at an earlier stage at Parliament and Council meetings.

The impact of audit reports can be increased if they are taken up by the relevant media, stimulating wider attention and debate. The Court's annual report will usually get significant media coverage. This was the case in 2009 when the interest of media primarily focused on the improvements in agriculture expenditure. Several of the special reports have also been followed with interest by the press.

For instance, the report on the milk market (SR 14/2009), which assessed to what extent the management instruments of the milk market achieved their main objectives, was intensively discussed in the Council and Parliament, and widely taken up by media and professionals concerned, at a time when the sector is facing a wide range of difficulties.

The Court is further developing its analysis of the impact of its work. In 2009 the Court began developing a systematic follow-up procedure for the Court's special reports aiming at identifying and documenting progress made by the auditee in addressing weaknesses identified and recommendations made. This will provide additional feedback to the Court on the impact of its work, as well as to Parliament and other stakeholders.

THE COURT'S VIEW

OPINION 1/2010 — IMPROVING THE FINANCIAL MANAGEMENT OF THE EUROPEAN UNION BUDGET: RISKS AND CHALLENGES

In February 2010 the Court produced, for the first time, an opinion on what could be done to reduce the level of irregular payments and improve the quality of spending (economy, efficiency and effectiveness) in the EU budget.

The Court concluded that building on recent progress in reducing the level of irregular payments will depend on simplifying the legislative frameworks in the high-risk areas as well as introducing more cost-effective control systems. Such reforms should be undertaken in the broader context of the current review of the arrangements for EU spending. In the Court's view, improving the quality of spending is a high priority that can be achieved by applying the concept of European added value when setting the priorities for expenditure and by addressing the specific problems the Court identifies in the selection, design and operation of expenditure programmes and schemes.

TARGET THE AREAS WITH THE HIGHEST LEVELS OF IRREGULAR PAYMENTS

Although the overall level of irregular payments from the EU budget has fallen, it remains high in Cohesion and External aid, Development and Enlargement, as well as for the Framework Programme for Research and Technological Development and for Rural Development Expenditure. The most common irregularities are ineligible claims by beneficiaries, over-declaration of costs and non-compliance with conditions for payments, e.g. procurement rules. They result largely from the complexity of rules and payment conditions as well as deficiencies of systems to control the risks at the final beneficiary level.

SIMPLIFY THE RELEVANT LEGAL FRAMEWORKS AND IMPROVE SUPERVISION AND CONTROL

The Commission should address the specific systems weaknesses the Court has found in the high-risk areas and improve its supervision. However, as controls increase and error rates fall, the control costs begin to outweigh the benefits. Thus, simplification should remain a priority. Rules and regulations that are clear to interpret and simple to apply not only decrease the risk of error but can also reduce control costs.

IMPROVE THE DESIGN OF EXPENDITURE PROGRAMMES

In addition to simplification, when revising existing interventions and designing new ones, the Commission should ensure that clear objectives are set. There is often a need for more realism as well as increased transparency and accountability. To achieve this, the Commission's existing processes for developing policies — in particular its practice of *ex ante* evaluation and impact assessments — could be further strengthened.

FOCUS ON EUROPEAN ADDED VALUE WHEN CHOOSING EXPENDITURE PRIORITIES

The Court suggests that the concept of European added value should be articulated in a suitable political declaration or in the EU legislation. This should provide guidance to the EU's political authorities to be used when choosing expenditure priorities.

SEIZE THE OPPORTUNITY OF BUDGET REFORM TO IMPROVE THE QUALITY OF SPENDING

In the Court's view, the Commission should complete the budget review as soon as possible. The relevant results should be taken into account when preparing the financial framework starting in 2014. Improving the quality of spending should be a high priority for the European Union's institutions. It should, therefore, be a key objective for the new Commission.

THE COURT'S PLANNED WORK IN 2010¹⁰

Every year the Court outlines its future audit work in a work programme which is presented to the Budgetary Control Committee of the European Parliament and available to the public on the Court's website. The work programme informs stakeholders about new and ongoing audits as well as upcoming reports.

The Court developed an audit strategy for the period 2009 to 2012 which is designed around two priority goals: maximising the overall impact from its audits; and increasing efficiency by making best use of resources. These goals guide the Court's work programme for 2010 and its efforts to continuously improve.

The Court intends to **maximise the overall impact** of its audits over the period by:

- selecting and designing audits which focus on topics related to areas of risk and which are of greatest interest to stakeholders;
- continuing to produce robust audit conclusions and useful recommendations for improvement, and following them up;
- carrying out a broader range of audits and producing new audit products to complement the current annual and special reports;
- increasing the number and improving the timeliness and user-friendliness of its special reports;
- further developing its relations with key stakeholders, including the relevant Parliamentary Committees, media and public at large.

The Court intends to **increase efficiency** by making best use of resources during the period by:

- improving governance;
- implementing effective and dynamic human resources policies;
- rationalising audit tasks;
- enhancing IT tools;
- developing professional skills;
- developing relations with auditees.

¹⁰ For a more complete and detailed account of the Court's future work please refer to the Court's 2010 work programme and audit strategy available on our website (www.eca.europa.eu).

CEREMONY TO MARK THE LAYING OF THE FIRST STONE OF A NEW BUILDING

On 1 July 2009, the first stone of a new building, the European Court of Auditors' second extension, was laid in Luxembourg.

Mr Vítor Caldeira, the President of the European Court of Auditors, Mr Claude Wiseler, Luxembourg's Minister for Public Works, Mr Patrick Gillen, President of the 'Fonds d'urbanisation et d'aménagement du Kirchberg' and Mr Eduardo Ruiz García, the Court's Secretary-General, did the first symbolic spadework to mark the start of the project.

With this extension, the Court of Auditors' complex, which already comprises two buildings, will be able to accommodate staff recruited following successive enlargements of the European Union.



The Court has identified specific priority topics for the 2010 work programme, which include:

- the multiannual nature of much of the expenditure, including flat rate corrections and recoveries;
- innovation and the internal market;
- human capital;
- sustainable energy;
- the Commission's strategy to simplify the regulatory framework for business and citizens.

The Court aims to widen the range of its audit-based products during the period 2009 to 2012. This will be achieved in consultation with key external stakeholders to ensure that there is a clear understanding of their diverse needs and how the Court can best meet their expectations while fulfilling its Treaty mandate.

A significant proportion of the Court's available resources is devoted to financial audit resulting in the Statement of Assurance. This involves examining and testing the accounts and transactions of the EU general budget for each financial year. Separate Statements of Assurance are prepared for the European Development Funds and for each of 40 European agencies and bodies. The audit work takes place between June of year n through to June of year n+1, to allow the annual reports to be published in November year n+1 in line with the Financial Regulation. During 2010, the Court will thus work on the completion and publication of the Statement of Assurance for the 2009 financial year, and start working on the 2010 financial year¹¹.

In performing its work the Court aims to provide clear conclusions on the state of accounting and financial management for the different areas of the budget, as well as to make practical, cost-effective recommendations where improvements can be made.

The Court's Annual Report on the general budget for 2009 will continue to build on the new structure first introduced for the 2007 report, which reflects the change in the way the budget is organised¹². The findings are presented in chapters covering logical groups of policy areas which are closely, but not completely, aligned with the new financial framework headings. The Court will continue to pay particular attention to improving the clarity and consistency of the presentation of its results and conclusions, so as to aid comprehension and readability as well as to facilitate comparison with and between policy groups, and between years.

¹¹ Further information on the DAS approach can be obtained on the Court's website (www.eca.europa.eu).

¹² The Court has set up a DAS think-tank to reflect various aspects of DAS audit design, including the issue of redefinition of domains of specific assessments.

PERFORMANCE — MEASURING AND IMPROVING

KEY PERFORMANCE INDICATORS

In 2008 the Court decided to set up a system of Key Performance Indicators (KPIs) for its audit and non-audit activities to measure performance on the achievement of the strategic objectives of the Court and the objectives set in the annual work programmes. KPIs aim to enhance internal and external accountability and to increase efficiency and quality of the work.

WHY KEY PERFORMANCE INDICATORS?

- To inform management on how the Court, as an organisation, is doing relative to what it had set out to do.
- To support the decision-making process, focusing the attention of the organisation on efficiency issues and fostering improvement.
- To provide information to stakeholders on relevant Court performance issues.

KPIs focus on the achievement of the Court's strategic objectives by covering audit quality, output, impact and the sound management of the Court's resources. KPIs report on the Court's 'corporate' performance and they are an integral part of the Court's management system.

THE COURT'S KEY PERFORMANCE INDICATORS

KPI 1	Appraisal by the principal users of the Court's reports of the quality and impact of the Court's audit
KPI 2	Appraisal by the auditee of the quality and impact of the Court's audits
KPI 3	Score granted by a panel of external experts on the content and presentation of the Court's reports
KPI 4	Percentage of audit recommendations: (a) accepted by the auditee (b) implemented by the auditee within a certain number of years
KPI 5	Number of reports adopted compared to planned adoptions
KPI 6	Number of reports adopted on time
KPI 7	Percentage of Statements of Preliminary Findings issued on time
KPI 8	External appraisal of the Court's financial management: (a) opinion of the external auditor (b) decision of the discharge authority
KPI 9	Degree of satisfaction of the Court's staff
KPI 10	Average professional training days per person

Quantity and quality of audit work can also be improved when looking at the impact that the Court's reports and opinions have on financial management. Four key performance indicators (1 to 4) are targeted at measuring the impact of the Court's work. They are included in the Court's 2010 annual work programme.

Number of reports adopted compared to planned

In 2009, the Court adopted 91 % of the planned number of reports. The annual report and all specific annual reports were adopted according to plan. As for the special reports, 18 were adopted compared with the planned 24. The six remaining ones were in the final reporting phase at 31 December 2009.

Number of reports adopted on time

In 2009, the Court adopted 67 % of its reports within the set time frame. The annual report and all specific annual reports were adopted in time. Due to delays with special reports, the Court did not meet the target set for KPI 6. Further efforts are needed to improve the timeliness of the adoption of special reports.

Measuring the percentage of key preliminary findings issued on time

The Court notifies the auditee about its initial audit results in a Statement of Preliminary Findings (SPF). The Court intends to speed up the delivery of SPFs by 10 % every year with a long-term target of 80 % of SPFs to be issued within the set time frame (two months after the final audit visit). In 2009 the amount of SPFs issued on time increased by 16 % compared to 2008.

External appraisal of the Court's financial management: (a) opinion of the external auditor and (b) decision of the discharge authority

The Court's external auditor gave a clean/unqualified opinion on the financial statements and on the use of resources, and the European Parliament granted discharge after a positive recommendation from the Council.

Degree of satisfaction of the Court's staff

Following an internal survey in 2009 on staff satisfaction, 86 % of the Court's staff were generally satisfied with their job (target of 80 %) while the overall degree of staff satisfaction reached a score of 2,8 on a scale of 4 (target of 2,5).

Average professional training days per auditors (non-language)

Following guidelines published by IFAC (International Federation of Accountants), the Court tries to provide 40 hours (five days) of average professional training per auditor. In 2009 the average was four days. Efforts will be stepped up to ensure the target is met in 2010.

INTERNATIONAL COOPERATION

The Court continued to play a full and active part in international cooperation in:

- the Contact Committee, which brings together the heads of supreme audit institutions in the EU Member States and the Court's President;
- the network of supreme audit institutions of countries which are candidates for EU membership;
- the European Organisation of Supreme Audit Institutions (Eurosai); and
- the International Organisation of Supreme Audit Institutions (Intosai).

As well as contributing to these organisations' annual meetings and to the improvement of international auditing standards and practices, the Court actively participated in committees and working parties established by them. In particular the Court:

- chaired the Contact Committee's working groups on common auditing standards and on VAT;
- participated in the Contact Committee's working groups on national supreme audit institution reports and the Structural Funds;
- was represented in Eurosai's working groups on the environment and IT, in the Eurosai group which is preparing a good practice guide to achieving quality and in the Eurosai training committee and in the Eurosai task force on the audit of funds allocated to disasters and catastrophes;
- chaired Intosai's working group on accountability for and audit of disaster-related aid;
- participated in Intosai's subcommittees on financial, compliance and performance audit and in its task force on the global financial crisis.

HUMAN RESOURCES AND SUPPORT SERVICES

The Court's main asset is its staff. On 31 December 2009, the Court had a staff complement of 880 (officials and temporary staff, but excluding Members, contract staff, seconded national experts and trainees). The staff complement comprises 525 employed working with audit-related tasks (including 115 in private offices of the Members), 163 in translation, 171 in administrative support and 21 in the Presidency. They have a broad range of academic and professional backgrounds and the quality of their work and their commitment is reflected in the institution's output.

BREAKDOWN OF COURT POSTS AT 31 DECEMBER (filled and vacant posts)

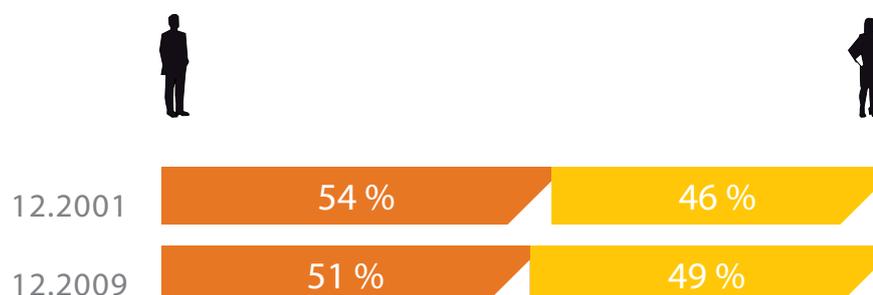
	2008	2009
Audit-related task	501	525
Translation	163	163
Administrative support	173	171
Presidency	20	21
Total	857	880

The Court is committed to the achievement of its strategic goal of increasing efficiency by making best use of resources. Hence, all activities in 2009 continued to seek and introduce potential efficiency gains through the simplification of procedures and streamlining of services. In particular support resources made available following the efficiency gains were redeployed whenever possible to audit. This is an ongoing process whose effects will become more apparent in 2010.

For human resources the Court has set a key performance indicator (KPI 9) to assess the degree of satisfaction of the Court's staff (see page 37). A staff satisfaction survey was launched to provide information on this topic and to support the decision-making process in this area. The Court is currently implementing actions to take full advantage of opportunities identified to achieve higher results in the coming years.

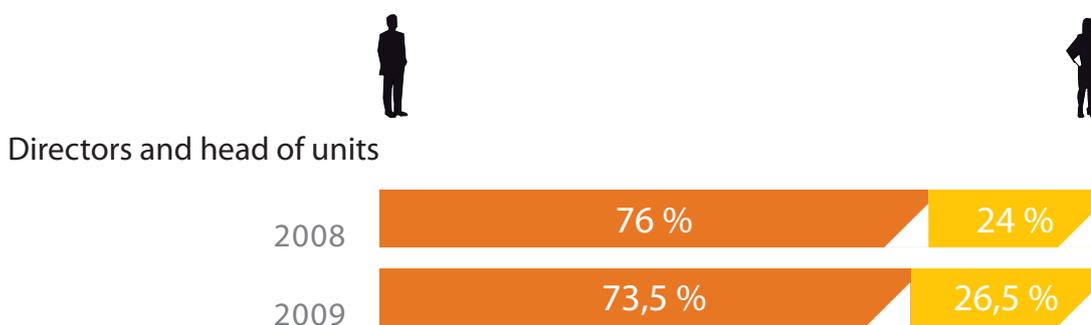
PROPORTION OF MEN AND WOMEN

The staff was made up of men and women in almost equal proportions.



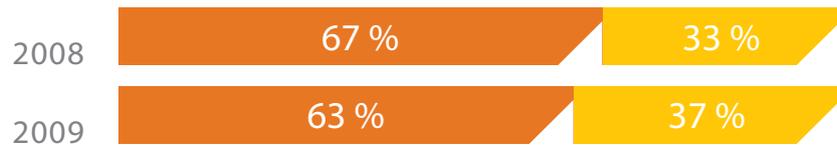
The charts below shows the proportion of men and women by level of responsibility at 31 December 2009. Like the other European institutions, the Court applies a policy of equal opportunities in its human resources management and recruitment. The Court recognises the need to be more active in promoting equal treatment when recruiting to higher management levels. 17 of the 64 Directors and Heads of Division/Unit (26,5 %) are women, which is a slight increase since 2008 (24 %). Most of them are, however, employed in the Translation Directorate and in the administrative departments.

The increase in the number of women at AD level reflects the latest recruitment campaign. 43 % of the staff are female at AD5 to AD 8 levels.





Auditors — administrators (AD level)

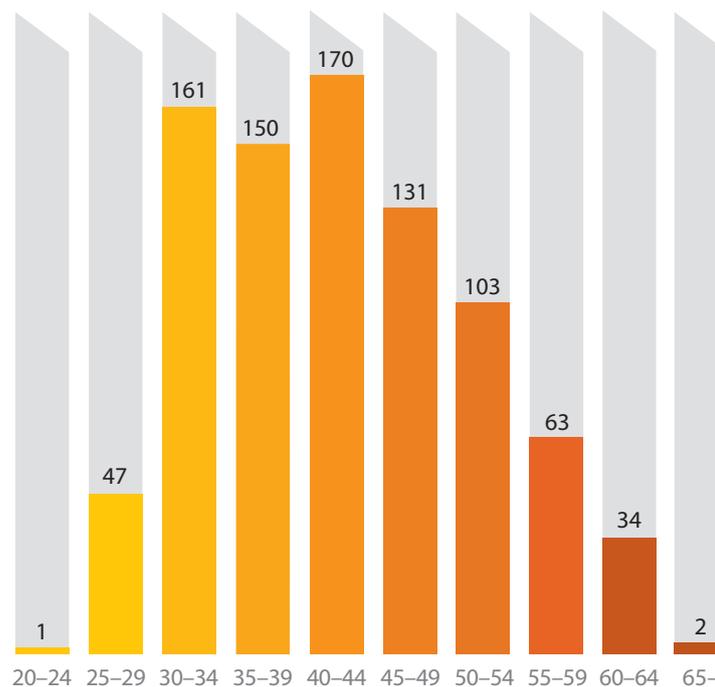


Assistants — secretaries (AST level)



AGE PROFILE

The age profile graph below of the 862 staff in active service at the Court at 31 December 2009 shows the Court as a 'young' institution, with 61 % of staff members aged 44 years or less. The 99 Court employees who are 55 or older include 24 out of 64 Directors and Heads of Division/Unit, which means extensive renewal of senior management in the next five to ten years.



RECRUITMENT

The Court's recruitment policy follows the general principles and employment conditions of the EU institutions, and its workforce comprises both permanent civil servants and staff on temporary contracts. Open competitions for posts at the Court are organised by the European Personnel Selection Office (EPSO). The Court also provides traineeships to a limited number of university graduates for periods of three to five months.

In 2009, the Court recruited 112 employees: 69 officials, 14 temporary staff and 29 contract staff. Recruitment depends on the availability and sufficiency of reserve lists from EPSO competitions.

The Court was successful in recruiting a suitable number of new staff in 2009. The 73 vacant posts at 31 December 2009 were significantly reduced by 33 % to 49 by 26 January 2010 and will continue to fall sharply in the coming months as a result of audit staff entering into service pursuant to a recent recruitment campaign. There were 68 vacant posts at 31 December 2008.

The Court was also successful in shortening its average recruitment time period in 2009. For staff recruited from the EPSO AD/126/08 competition, the reserve list was published in August and the first successful candidates joined the Court at the beginning of November, just three months after.

PROFESSIONAL TRAINING

The audit profession requires continuous training. Furthermore, the specificities of the Court's audit environment create a need for auditors with good linguistic skills.

In 2009, the Court's staff each received an average of nine days of professional training. Language courses represented 64 % of the total number of days devoted to training in 2009, compared to 48 % in 2008. Without taking into account the language courses, auditors devoted four days to professional training in 2009 (see KPI 10 on page 38). This figure is expected to increase in 2010, following the compulsory training to be delivered to new arrivals. Efforts are also being made to introduce refresher training courses in key audit areas.

Based on the long-term strategic objective 'Learning and growth' and the directional plan for training for 2008–11 as well as on the 2009 adopted training paths, the training unit has improved the content of training and developed new courses following the priorities decided by the Court. In addition, the cooperation with the other institutions and interinstitutional bodies such as the European Administrative School has been successfully continued.

Box 5 presents the staff of one audit group unit within the Court, providing an insight into the work carried out and the people concerned.

BOX 5 — WESTERN BALKANS JUSTICE AND HOME AFFAIRS TEAM

The western Balkan countries have been affected by violence in the past. The European Union's interest in the region is to promote security and long-term stability. The rule of law, secure borders and fighting corruption are prerequisites for EU accession and a major challenge in the western Balkans. The European Commission is financially the most significant donor in the region. The Court's 2009 report on the effectiveness of the Commission's projects in the area of justice and home affairs for the western Balkans (Special Report No 12/2009) provided an insight into this particularly important area.

The auditors analysed both investment and institution-building projects in four areas: asylum, integrated border management, judiciary and police. Thirty-three finalised projects were

audited on the spot including an asylum centre and a prison in Albania and a human rights and war crimes court in Bosnia and Herzegovina. Also several EU-financed border crossing points in the former Yugoslav Republic of Macedonia, Montenegro and Serbia were visited to assess whether EU intervention made a difference.

The team behind the audit worked in close co-operation with the reporting Member, Mr Maarten B. Engwirda. The heads of unit responsible for the supervision of the audit were Mrs Raija Peltonen and Mr Ossi Louko, the team leader was Mr Jussi Bright. The auditors involved were Mr Enrico Grassi and Mr Miroslav Matej with Mr Horst Fischer and Mr Jan Pieter Lingen from Mr Maarten B. Engwirda's private office also playing a significant role.



From left to right, Raija PELTONEN, Head of Unit, Jan Pieter LINGEN, Head of Private Office, Horst FISCHER, Private Office attaché, Jussi BRIGHT, Team leader auditor, Maarten B. ENGWIRDA, Member of the Court, Ossi LOUKO, Head of Unit, Enrico GRASSI, Auditor, Miroslav MATEJ, Auditor.

TRANSLATION

Translation is an important audit support activity which enables the Court to fulfil its mission and to meet its communication objectives. In 2009, the total volume of translated work increased by 5,2 %, as compared to 2008. The percentage of translation services performed on time was above 95 %.

Linguistic assistance to auditors for conducting audit visits and for drafting the reports has increased. Support was also provided to Intosai working groups and for other specific needs related to the Court's audit activities. In January 2010 a new computer application (Artemis) was introduced to manage more efficiently the translation work.

INFORMATION TECHNOLOGY

Information technology provides key tools and services to the auditors. In 2009, the following main developments were achieved:

- Process simplification and continuation of migration to a paperless office environment through the implementation of automatic approval (visa) and electronic forms solutions, introduction of electronic signature and initiation of work on implementing a records management system.
- The security of the Court's IT infrastructure was strengthened with the establishment of a disaster recovery centre and upgrading of the Lotus Notes platform, which constitutes the backbone of the Court's critical messaging and audit documentation/archiving systems.
- A long-term IT plan 2010–12 was adopted to enable the alignment of IT with the Court's core audit strategic objectives and the continuation of the pursuit of excellence in the delivery of services.

ADMINISTRATION AND FACILITIES

The Finance and Support Directorate provides administrative services and facilities. This includes internal controls and accounting mechanisms, administrative and logistic services.

In 2009, the directorate focused on a reorganisation of its services so as to improve efficiency and effectiveness and to release resources for redeployment to audit. This reorganisation led to a reduction of the number of units in the directorate (from five to three) and the redeployment of a number of posts to the audit services.

A major activity of the directorate has involved the construction of a new building for the Court (the K3 building). In 2009, following a call for tenders, a project manager was appointed. Construction work will commence in March 2010 and is expected to be concluded in 2013. The project remains on time and within budget.



AUDIT VISITS

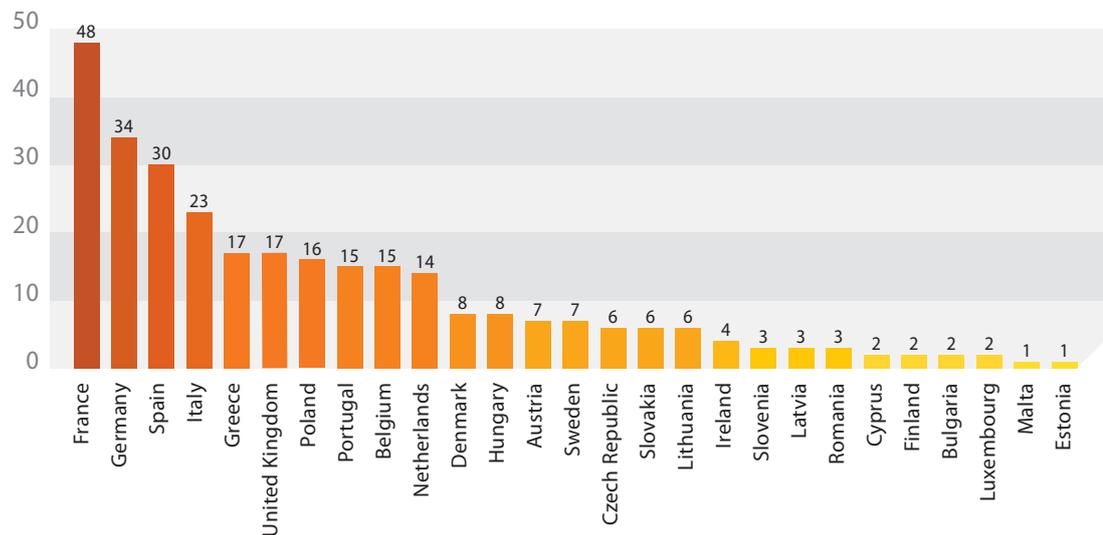
The Court's audit work requires auditors to make visits to Member States and other recipient countries of EU funds to obtain appropriate audit evidence.

These visits are normally to central and local administrations involved in the processing, management and payment of EU funds and to the final beneficiaries that receive them. Audit teams generally comprise two or three auditors and the length of an audit mission is usually up to two weeks, depending on the type of audit and travelling distance.

Within the EU, the audit visits are often made in liaison with the supreme audit institutions of the Member States visited, which provide useful logistical and practical support.

The following graph provides a summary of the number of audit visits undertaken by the Court within EU Member States (300) in 2009. There were also 36 audit visits outside the Union in 2009.

AUDIT VISITS — MEMBER STATES (TOTAL: 300)



FINANCIAL INFORMATION

IMPLEMENTATION OF THE 2009 BUDGET

The use of the budgetary appropriations allocated to the Court for the financial year 2009 is summarised in the table below.

In 2009 the rate of implementation of the overall budget was higher than 92 %. In Title 1 (People working with the institution) this rate is 88 %, with the lowest percentage (82 %) in Chapter 14 (Other staff and external services); this is mainly due to vacant and under-occupied posts and savings made. In Title 2 (Buildings, movable property, equipment and miscellaneous operating expenditure), the average implementation rate is close to 100 %.

The amount of payments for Chapter 20 (Immovable property, 'buildings') is affected by the construction of the second extension of the Court, the K3 building. The first tranche of financing of 55 million euro for this project was included in the 2009 budget; this amount has been committed and a part of it paid in 2009. The balance of appropriations for the K3 building is carried forward to 2010 to cover contracts signed by the project manager on the Court's behalf with construction companies. The appropriations will be utilised in accordance with the submission made by the Court to the European Parliament and the Council towards the end of 2008.

2009 FINANCIAL YEAR	Final appropriations	Commitments	Payments	% use (commit. approp.)
	<i>(in 1 000 euro)</i>			
10 — Members of the institution	11 718	11 318	11 205	96,59
12 — Official and temporary staff	91 986	79 903	79 744	86,86
14 — Other staff and external services	4 597	3 800	3 763	82,66
162 — Missions	3 290	2 851	2 148	86,66
161, 163, 165 — Other expenditure relating to persons working for the institution	2 692	2 314	1 678	85,96
Subtotal Title 1	114 283	100 186	98 538	87,66
20 — Immovable property	62 443	62 425	7 313	99,97
210 — IT & T	6 269	6 259	3 604	99,84
212, 214, 216 — Movable property and associated costs	901	848	718	94,12
23 — Current administrative expenditure	424	389	275	91,75
25 — Meetings, conferences	878	870	655	99,09
27 — Information and publishing	2 446	2 378	1 055	97,22
Subtotal Title 2	73 361	73 169	13 620	99,74
Total Court of Auditors	187 644	173 355	112 158	92,39

BUDGET FOR 2010

The Court's 2010 budget represents approximately 0,1 % of the total EU budget, or around 1,87 % of the EU administrative and institutional budget. The table below shows how the appropriations are distributed between different budget lines. Staff appropriations amount to approximately 76 % of the total in 2010.

The 2010 budget has decreased by 21 % compared to 2009, mainly due to the lower appropriations for the Court's new building (K3).

The total cost of the construction of the K3 building is estimated at 79 million euro to be financed in four successive years: 55 million euro in 2009; 11 million euro in 2010; 7 million euro in 2011 and 6 million euro in 2012.

BUDGET	2010	2009	2008
	<i>(in 1 000 euro)</i>		
10 — Members of the institution	13 364	11 718	12 061
12 — Official and temporary staff	94 246	92 086	88 712
14 — Other staff and external services	4 590	4 497	4 248
162 — Missions	3 450	3 290	3 212
161, 163, 165 — Other expenditure relating to persons working for the institution	2 861	2 684	2 286
Subtotal Title 1	118 511	114 275	110 519
20 — Immovable property	18 518	62 891	12 110
210 — IT & T	6 365	6 269	5 879
212, 214, 216 — Movable property and associated costs	877	981	1 147
23 — Current administrative expenditure	404	439	425
25 — Meetings, conferences	868	868	876
27 — Information and publishing	2 389	1 921	1 813
Subtotal Title 2	29 421	73 369	22 250
Total Court of Auditors	147 932	187 644	132 769

INTERNAL AUDIT SERVICE

The purpose of the Court's Internal Audit Service is to assist the Court in achieving its objectives by a systematic and methodological evaluation of risk management, internal control and management procedures. The Internal Audit Service also makes proposals designed to improve the efficiency of the Court. This requires a constant evaluation of the internal control systems within the Court in order to assess their effectiveness.

In 2009 the work of the Court's Internal Audit Service focused notably on financial audit (verification of the accounts), a review of *ex ante* verification, an audit of the payroll, an audit of the suspense budgetary accounts, a follow-up on contracts and public procurement procedures, as well as an analysis of the staff promotion exercise. Most audit recommendations made in 2009 by the Internal Auditor were accepted by the auditees and integrated into corrective action plans.

The Court's Audit Committee monitors the activity of the Internal Auditor and ensures his/her independence. It also discusses and takes note of the Internal Auditor's work programme and reports and requests (if necessary) the Internal Auditor to carry out special audits.

In 2009 the Internal Audit Service was independently and positively certified by an external independent professional reviewer, Deloitte S.A. The work performed by Deloitte led to the following result:

'Overall, the Internal Audit Service of the European Court of Auditors generally conforms with the Institute of Internal Auditors' definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing'.

As a result, internal audit activity may use the conformance phrase 'conforms with the International Standards for the Professional Practice of Internal Auditing' in future reports until a new external assessment is performed within the next five years.

EXTERNAL AUDIT OF THE COURT

The report by the independent external auditor on the Court of Auditors' accounts for the financial year 2008 was published in the *Official Journal of the European Union* on 23 October 2009 (OJ C 254, 23.10.2009).

In its audit opinion the independent auditor of the Court (PricewaterhouseCoopers SARL) formulated the following conclusions:

Regarding the financial statements:

'In our opinion, these financial statements give a true and fair view of the financial position of the European Court of Auditors as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the said Council Regulation and the European Court of Auditors' Accounting Rules.'

Regarding the use of resources and the control procedures:

'Based on our work described in this report, nothing has come to our attention that causes us to believe that in all material respects and based on the criteria described above: (a) the resources assigned to the Court have not been used for their intended purposes, (b) the control procedures in place do not provide the necessary guarantees to ensure the compliance of financial operations with the applicable rules and regulations.'

DECLARATION BY THE AUTHORISING OFFICER BY DELEGATION

I the undersigned, Secretary-General of the European Court of Auditors, in my capacity as authorising officer by delegation, hereby:

- declare that the information submitted to the Court so as to enable it to draw up this report is true and accurate¹³; and
- state that I have reasonable assurance that:
 - the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and
 - that the control procedures put in place provide the necessary guarantees concerning the legality and regularity of the underlying transactions¹⁴.

This reasonable assurance is based on my own judgment and on the information at my disposal, such as the results of the *ex post* checks, the reports of the internal auditor and the reports of the external auditor for previous financial years.

I confirm that I am not aware of anything not reported here which could be detrimental to the interests of the institution.

Done at Luxembourg, 12 February 2010.



Eduardo Ruiz García
Secretary-General

¹³ In this context, 'true and accurate' means a reliable, complete and correct view of the state of affairs in the service.

¹⁴ In this context, 'underlying transactions' means the transactions for which I am the authorising officer by delegation.

European Court of Auditors

Annual Activity Report 2009

Luxembourg: Publications Office of the European Union

2010 — 52 pp. — 21 × 29,7 cm

ISBN 978-92-9207-638-2

doi:10.2865/27832

How to obtain EU publications

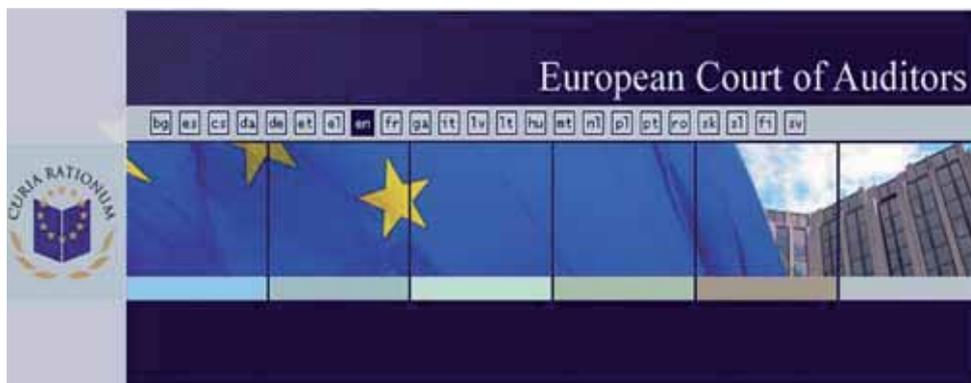
Publications for sale:

- via EU Bookshop (<http://bookshop.europa.eu>);
- from your bookseller by quoting the title, publisher and/or ISBN number;
- by contacting one of our sales agents directly. You can obtain their contact details on the Internet (<http://bookshop.europa.eu>) or by sending a fax to +352 2929-42758.

Free publications:

- via EU Bookshop (<http://bookshop.europa.eu>);
- at the European Commission's representations or delegations. You can obtain their contact details on the Internet (<http://ec.europa.eu>) or by sending a fax to +352 2929-42758.

www.eca.europa.eu





European Court of Auditors
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

www.eca.europa.eu



Publications Office

ISBN 978-92-9207-638-2



9 789292 076382