

REPORT**on the annual accounts of the European Aviation Safety Agency for the
financial year 2006 together with the Agency's replies**

(2007/C 309/09)

CONTENTS

	<i>Paragraph</i>	<i>Page</i>
INTRODUCTION	1-2	48
STATEMENT OF ASSURANCE	3-6	48
OBSERVATIONS	7-10	48
Tables 1 to 4		50
The Agency's replies		54

INTRODUCTION

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

2. Table 1 summarises the Agency's competences and activities. Key data summarised from the financial statements drawn up by the Agency for the financial year 2006 is presented in Tables 2, 3 and 4 for information purposes.

STATEMENT OF ASSURANCE

3. This Statement of Assurance is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 ⁽²⁾; it was drawn up following an examination of the Agency's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Agency's accounts for the financial year ended 31 December 2006 ⁽³⁾ were drawn up by its Executive Director, pursuant to Article 49 of Regulation (EC) No 1592/2002, and sent to the Court, which is required to give a statement of assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted its audit in accordance with the IFAC and INTOSAI International Auditing Standards and Codes of Ethics, insofar as these are applicable in the European Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and that the underlying transactions are legal and regular.

⁽¹⁾ OJ L 240, 7.9.2002, p. 1.

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 29 June 2007 and received by the Court on 11 July 2007.

6. The Court has thus obtained a reasonable basis for the Statement set out below.

Reliability of the accounts

The Agency's accounts for the financial year ended 31 December 2006 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observations which follow do not call the Court's Statement into question.

OBSERVATIONS

7. At the end of 2006, the appropriations carried over for title II (administrative expenditure) were about 40 % of the commitments and for title III (non-differentiated operational expenditure) were about 50 %. For the same titles, more than 15 % of the appropriations were cancelled. Contrary to its financial regulation, the Agency used its differentiated payment appropriations carried over from 2005 despite the fact that it had enough payment appropriations for 2006. Thus, the budgetary principle of annuality was not strictly observed.

8. For its 2006 certification activities, the Agency's cost analysis system showed costs of about 48 million euro versus revenue of about 35 million euro. The Agency, in cooperation with the Commission ⁽⁴⁾, must review the current fees scheme in order to ensure that the Agency's costs for the certification activities are justified and covered by its fees.

9. In the Agency's balance sheet, short-term receivables amounted to approximately 14 million euro, of which 20 % were more than three months old. The Agency has not yet implemented an effective claim management system, possibly including interest on late payment.

⁽⁴⁾ Fees and charges are fixed by an *ad hoc* Commission Regulation.

10. For a contract with an external consultant (221 000 euro) and for the renewal of an agreement for travel services signed in 2004 (annual market value of approximately 1,5 million euro),

the Agency had recourse to the negotiated procedure for reasons of urgency ⁽¹⁾ which were not justified and rather reflected insufficient programming.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 27 September 2007.

For the Court of Auditors
Hubert WEBER
President

⁽¹⁾ Article 126 (1) (c) of the implementing rules of the Financial Regulation applicable to the general budget.

Table 1

European Aviation Safety Agency (Cologne)

Areas of Community competence deriving from the Treaty	The Agency's powers as defined in Regulation (EC) No 1592/2002		Governance	Resources made available to the Agency in 2006 (2005)	Products and services
<p>Common transport policy:</p> <p>The Council may, acting by a qualified majority, decide whether, to what extent and by what procedure appropriate provisions may be laid down for sea and air transport.'</p> <p>(Article 80 of the Treaty)</p>	<p>Objectives:</p> <p>To maintain a high uniform level of civil aviation safety in Europe and to ensure the proper functioning and development of civil aviation safety.</p>	<p>Measures to be adopted by the Agency:</p> <p>(1) To issue opinions to the Commission;</p> <p>(2) To issue certification specifications, including airworthiness codes and acceptable means of compliance, and any guidance material for the application of Community policy;</p> <p>(3) To take decisions regarding airworthiness and environmental certification;</p> <p>(4) To conduct standardisation inspections at the competent authorities of the Member States;</p> <p>(5) To conduct the necessary investigations on company premises.</p>	<p>(1) The Management Board, consisting of one representative of each Member State and one representative of the Commission, sets up an advisory body of interested parties.</p> <p>(2) The Executive Director manages the Agency and is appointed by the Management Board on a proposal from the Commission.</p> <p>(3) The Board of Appeal rules on the Agency's decisions concerning certification, fees, charges and checks at undertakings.</p> <p>(4) Financial control Court of Auditors.</p> <p>(5) Discharge given by the Parliament on a recommendation from the Council.</p>	<p>Final budget:</p> <p>Total budget: 66,8 (31,5) million euro, including:</p> <p>Revenue from fees and charges: 33,2 (8,6) million euro (50 %)</p> <p>Community subsidy: 31,4 (18,9) million euro (47 %),</p> <p>Contribution from the Federal Republic of Germany (Ministry of Transport): 1,2 million euro (2 %)</p> <p>Staff at 31.12.2006;</p> <p>328 (200) temporary staff in the establishment plan</p> <p>posts occupied: 276 (132)</p> <p>Other staff: 33 (21) contract and auxiliary staff</p> <p>Total staff:</p> <p>309 (153) assigned to the following tasks:</p> <ul style="list-style-type: none"> — operational: 227 (86) — administrative: 57 (38) — mixed: 25 (29) 	<p>Opinions:</p> <ul style="list-style-type: none"> — 5 opinions concerning amendments to Regulations (EC) Nos 1592/2002, 1702/2003 and 2042/2003. <p>Rulemaking decisions:</p> <ul style="list-style-type: none"> — 3 amendments of CS 25, CS-P and CS-ETSO certification specifications; — 6 amendments of Acceptable Means of Compliance and Guidance Material for Regulations (EC) Nos 1702/2003 and 2042/2003; — 1 decision on the organisation of approval numbers. <p>International cooperation:</p> <ul style="list-style-type: none"> — 1 agreement protocol concluded with China on the final production line of the Airbus A320 in China and 1 cooperation agreement signed with China on Airbus products in general; — 1 cooperation agreement concluded with Japan for the export of European products; — 13 cooperation agreements concluded with every non-EU ECAC country within the context of the continuation of the SAFA programme; — Extension of the cooperation agreement with the Aeronautical Committee of the Commonwealth of Independent States on Beriev products. <p>Certification decisions:</p> <p>Type certificates: 70</p> <p>Supplementary type certificates: 803</p> <p>Airworthiness directives: 382</p> <p>European Technical Specifications: 178</p>

Areas of Community competence deriving from the Treaty	The Agency's powers as defined in Regulation (EC) No 1592/2002		Governance	Resources made available to the Agency in 2006 (2005)	Products and services
					<p>Acceptable means of compliance: 97</p> <p>Major changes: 1 125</p> <p>Minor changes: 1 830</p> <p>Major repairs: 1 009</p> <p>Minor repairs: 372</p> <p>AFM/RFM (= Flight Manual Revisions): 430</p> <p>Approval of design organisations ⁽¹⁾: 377</p> <p>Approval of maintenance organisations (bilateral) ⁽¹⁾: 1 293</p> <p>Approval of maintenance organisations (foreign) ⁽¹⁾: 201</p> <p>Approval of maintenance training organisations ⁽¹⁾: 16</p> <p>Approval of manufacturing organisations ⁽¹⁾: 6</p> <p>Standardisation inspections (number of countries by type):</p> <p>Approval of manufacturing organisations: 12 countries</p> <p>Approval of maintenance organisations: 26 countries</p>

⁽¹⁾ Total initial and surveillance approvals at 31.12.2006.

Source: Information supplied by the Agency.

Table 2
European Aviation Safety Agency (Cologne) — Implementation of the budget for the financial year 2006

(1 000 euro)

Revenue			Expenditure								
Source of revenue	Revenue entered in the final budget for the financial year	Revenue collected	Allocation of expenditure	Appropriations for the financial year					Appropriations carried over from the previous financial year		
				entered	committed	paid	carried over	cancelled	available	paid	cancelled
Own revenue	30 700	33 236	Title I Staff (NDA)	25 211	23 881	23 595	286	1 330	214	160	54
Community subsidy	32 899	31 454	Title II Administration (NDA)	6 812	6 222	3 637	2 585	590	782	690	92
Other subsidies	635	453	Title III Operating activities (NDA)	7 380	5 625	2 763	2 862	1 756	1 276	1 130	146
			Title III Operating activities (DA)								
Other revenue	156	308	— CA	25 680	23 219			2 461			
			— PA	24 880		11 362	13 518	0	4 334	4 334	0
Assigned revenue	1 273	1 380	Assigned revenue	1 380	1 365	1 357	0	22	0	0	0
Total	65 663	66 831	Total CA	66 463	60 312		5 733	6 159	2 272		292
			Total PA	65 663		42 714	19 251	3 698	6 606	6 314	292

NDA: non-differentiated appropriations (commitment appropriations are equal to payment appropriations).

DA: differentiated appropriations (commitment appropriations may differ from payment appropriations).

CA: commitment appropriations in the context of differentiated appropriations.

PA: payment appropriations in the context of differentiated appropriations.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts. Revenue collected and payments are estimated on a cash basis.

Table 3

European Aviation Safety Agency (Cologne) — Economic outturn account for the financial years 2006 and 2005

(1 000 euro)

	Note	2006	2005
Operating revenue			
Fees and charges	(¹)	35 173	10 888
Community subsidies		26 401	17 417
Other subsidies		2 021	2 138
Other revenue		340	26
Total (a)		63 935	30 469
Operating expenditure			
Staff expenditure	(²)	23 778	13 636
Fixed asset related expenditure		573	341
Other administrative expenditure	(³)	6 436	3 675
Operational expenditure		27 798	11 660
Total (b)		58 586	29 312
Surplus/(deficit) from operating activities (c = a – b)		5 349	1 157
Financial operations revenue (e)		263	41
Financial operations expenditure (f)		19	14
Surplus/(deficit) from non-operating activities (g = e – f)		243	27
Economic result for the year (h = c + g)		5 593	1 184

(¹) The strong increase in revenue reflects the first full year of implementation of Commission Regulation (EC) No 488/2005 on fees and charges levied for certification activities.

(²) 126 people were recruited in 2006.

(³) Building cost of the new space needed.

Table 4

European Aviation Safety Agency (Cologne) — Balance sheet at 31 December 2006 and 2005

(1 000 euro)

	Note	2006	2005
Non-current assets			
Intangible assets		268	182
Tangible fixed assets		1 719	1 348
Current assets			
Short-term receivables	(¹)	13 881	8 816
Cash and cash equivalents	(²)	24 056	11 746
Total assets		39 924	22 094
Current liabilities			
Provisions for risks and charges	(³)	639	—
Accounts payable	(⁴)	30 663	19 065
Total liabilities		31 302	19 065
Net assets			
Accumulated surplus/deficit		3 029	1 845
Economic result of the year		5 593	1 184
Total net assets		8 622	3 029
Total liabilities and net assets		39 924	22 094

(¹) Short-term receivables reflect the growth in fees and charges revenue.

(²) The increase in cash reflects both improved collection of revenue and a high unpaid amount of accrued charges as a result of late invoicing by main suppliers.

(³) 2006 provisions for risks and charges represent staff expenditure related to annual leave accrual. The corresponding expenses in 2005, an amount of 237 180 euro, were reported under accounts payable.

(⁴) The increase in accounts payable is related to the certification suppliers accrual, reflecting both higher activity and late invoicing from external providers.

Source: Data supplied by the Agency. This table summarises the data provided by the Agency in its annual accounts: these accounts are drawn up on an accrual basis.

THE AGENCY'S REPLIES

7. The carried over differentiated payment appropriations were related to activities to be paid by the fee income.

The Agency had to use differentiated payment appropriations carried over from 2005 because the 2006 fee income was insufficient to cover the cost of its certification activities and to offset the impact of the change from differentiated to non-differentiated appropriations from 1 January 2007 (The Financial Regulation does not provide a procedure for making such a change).

8. The new fees and charges regulation (EC) No 593/2007 which has entered into force on 1 June 2007 should generate revenue sufficient to cover the cost of the certification activities. The Agency has decided to implement during 2007 and 2008 an integrated management system that will further increase the level of detail in monitoring the cost of its activities.

9. During 2006, the follow up of receivables has been impacted by the burden of old 2005 recoverable amounts for which sufficient information was not always available. The Agency continues its efforts to make this information more reliable and to reduce the delays in the collection of receivables. Moreover, since December 2006, the Agency has been sending out systematically reminders and is charging interest in case of late payment.

10. The Agency takes note of the Court's observation. In the first case, a prior study has been ordered in urgency, as it appeared during the last quarter of 2005 that a fast review of the Fees and charges Regulation was crucial to guarantee sufficient revenue to the Agency. In the second case, the contract has been prolonged, looking forward to the results of an external analysis ordered to enable the decision upon internalisation or externalisation of travel related services. The Agency is currently drafting the Terms of Reference in view of launching a comprehensive call for tenders.
