

REPORT

on the annual accounts of the Translation Centre for the Bodies of the European Union for the financial year 2012, together with the Centre's replies

(2013/C 365/03)

INTRODUCTION

1. The Translation Centre for the Bodies of the European Union (hereinafter 'the Centre' aka 'CDT'), which is located in Luxembourg, was created by Council Regulation (EC) No 2965/94 ⁽¹⁾. The Centre's task is to provide any European Union institutions and bodies which call upon its services with the translation services necessary for their activities ⁽²⁾.

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Centre's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- (a) the annual accounts of the Centre, which comprise the financial statements ⁽³⁾ and the reports on the implementation of the budget ⁽⁴⁾ for the financial year ended 31 December 2012, and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002 ⁽⁵⁾, the management is responsible for the preparation and fair presentation of the annual accounts of the Centre and the legality and regularity of the underlying transactions:

(a) The management's responsibilities in respect of the Centre's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer ⁽⁶⁾; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Centre after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Centre in all material respects.

(b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council ⁽⁷⁾ with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Centre are free from material misstatement and the transactions underlying them are legal and regular.

⁽¹⁾ OJ L 314, 7.12.1994, p. 1.

⁽²⁾ *Annex II* summarises the Centre's competences and activities. It is presented for information purposes.

⁽³⁾ These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

⁽⁴⁾ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁽⁵⁾ OJ L 357, 31.12.2002, p. 72.

⁽⁶⁾ The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

⁽⁷⁾ Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts.

7. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

Opinion on the reliability of the accounts

8. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects.

10. The comments which follow do not call the Court's opinions into question.

OTHER COMMENTS

11. At the end of 2012, the Centre held cash and short term deposits amounting to 35 million euro (budgetary surplus and reserves amounting to 30,9 million euro). The Centre cannot adjust prices during the year in order to balance income and expenditure although it has occasionally refunded its clients in order to reduce the surplus.

12. The Founding Regulation of 20 regulatory agencies audited by the Court in 2012 requires them to use the Centre for all their translation needs (the Centre's Founding Regulation stipulates the same for four other agencies). Other agencies are not obliged to use the Centre. For non-technical documents agencies could reduce their costs by using local services. In the Court's opinion the legislator should consider allowing all agencies to do so.

FOLLOW-UP OF PREVIOUS YEAR'S OBSERVATIONS

13. An overview of the corrective actions taken in response to the Court's previous year's comments is provided in *Annex I*.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 10 September 2013.

For the Court of Auditors

Vitor Manuel da SILVA CALDEIRA

President

ANNEX I

Follow-up of previous year's comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2011	The Centre's 2011 budget amounted to 51,3 million euro ⁽¹⁾ compared with 55,9 million euro the previous year. The 2011 budget outturn decreased to 1,2 million euro in 2011 as compared with 8,3 million euro in 2010. This mainly results from a 15 % decrease in revenues, reflecting the Centre's new pricing policy which aims to align prices of products with their costs.	N/A
2011	Continuing the trend from last year, the accumulated budget surplus decreased from 9,2 million euro in 2010 to 3,0 million euro in 2011. This reduction is the net effect of the 2011 budget surplus and allocations to reserves for pricing stability and for exceptional investments.	N/A

⁽¹⁾ Amended budget (OJ C 375, 22.12.2011, pp. 5-7); including budget transfers.

ANNEX II

Translation Centre for the Bodies of the European Union (Luxembourg)
Competences and Activities

Areas of Union competence deriving from the Treaty	The representatives of the Member States' governments adopted by mutual agreement a declaration concerning the creation, under the aegis of the Commission's translation departments in Luxembourg, of a Translation Centre for the bodies of the Union, which would provide the necessary translation services for the operation of the bodies and services whose seats were established by the Decision of 29 October 1993.
Competences of the Centre <i>(Council Regulation (EC) No 2965/94, as last amended by Regulation (EC) No 1645/2003</i>	Objectives To provide the necessary translation services for the operation of the following bodies: <ul style="list-style-type: none"> — European Environment Agency; — European Training Foundation; — European Monitoring Centre for Drugs and Drug Addiction; — European Medicines Agency; — European Agency for Safety and Health at Work; — Office for Harmonisation in the Internal Market (Trademarks and Designs); — European Police Office (Europol) and Europol Drugs Unit. <p>Bodies set up by the Council other than the above may use the Centre's services. The institutions and bodies of the European Union which already have their own Translation Services may, if need be, call upon the Centre's services on a voluntary basis.</p> <p>The Centre plays a full part in the work of the Interinstitutional Translation Committee.</p> Tasks <ul style="list-style-type: none"> — to make arrangements for cooperation with the bodies and institutions; — to participate in the work of the Interinstitutional Translation Committee.
Governance	Management Board <i>Composition</i> <ul style="list-style-type: none"> — one representative per Member State; — two representatives from the Commission; — one representative from each body or institution calling upon the Centre's services. <i>Tasks</i> <p>To adopt the Centre's annual budget and work programme, establishment plan and annual reports.</p> Director <p>Appointed by the Management Board on a proposal from the Commission.</p> External audit <p>European Court of Auditors.</p>

	<p>Internal audit</p> <p>European Commission's Internal Audit Service (IAS).</p> <p>Discharge authority</p> <p>European Parliament, acting on a recommendation from the Council.</p>
Resources made available to the Centre in 2012 (2011)	<p>Final Budget:</p> <p>48,293 (51,299) million euro</p> <p>Staff:</p> <p>225 (225) provided in the establishment plan, of which 199 (205) were occupied.</p> <p>+ 17 (14) contract staff</p> <p>Total staff: 216 (219), undertaking the following tasks:</p> <p>operational: 114 (107)</p> <p>administrative: 102 (112)</p>
Products and services 2012 (2011)	<p>Number of pages translated:</p> <p>735 007 (712 813)</p> <p>Number of pages by languages:</p> <p>— official languages: 722 505 (704 613)</p> <p>— other languages: 12 502 (8 200)</p> <p>Number of pages per client:</p> <p>— bodies: 707 888 (676 925)</p> <p>— institutions: 27 119 (3 888)</p> <p>Number of pages translated by freelancers:</p> <p>480 695 (436 445)</p>

Source: Information supplied by the Centre.

THE CENTRE'S REPLIES

11. The cumulative budget surplus that may be reimbursed to clients amounts to 3,9 million euro, with the remaining part of the budget surplus being blocked by the statutory reserve and other reserves created by the Centre for specific purposes. In the long term, based on the Centre's pricing policy, the Centre should balance its costs with its revenues. The prices of the Centre's products are fixed by the Management Board for one year and, therefore, the surplus of 3,9 million euro will be reflected in the price modification for 2014 in order to assure long-term equilibrium.

12. The Translation Centre takes due note of the Court's observation. The Centre stresses, however, that the opinion of the Court deviates from the framework established by the legislator in the Founding Regulation of the agencies.
