



EUROPEAN
COURT
OF AUDITORS

Report on the annual accounts
of the Translation Centre for the Bodies of the European Union
for the financial year 2015

together with the Centre's reply

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 2965/94¹. 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. **Table 1** presents key figures for the Centre².

TABLE 1: KEY FIGURES FOR THE CENTRE

	2014	2015
Budget (million euro)	56,3	49,6
Total staff as at 31 December ³	216	218

Source: data provided by the Centre.

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

3. 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 and an analysis of management representations.

STATEMENT OF ASSURANCE

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

¹ OJ L 314, 7.12.1994, p. 1.

² More information on the Centre's competences and activities is available on its website: www.cdt.europa.eu.

³ Staff includes officials, temporary and contract staff and seconded national experts.

- (a) the annual accounts of the Centre, which comprise the financial statements⁴ and the reports on the implementation of the budget⁵ for the financial year ended 31 December 2015, and
- (b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

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 transactions⁶:
- (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 officer⁷; 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

⁴ These include the balance sheet and the statement of financial performance, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

⁵ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁶ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

⁷ 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.

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

6. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council⁸ 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.

7. 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. In preparing this report and Statement of Assurance, the Court considered the audit work of the independent external auditor performed on the Centre's accounts as stipulated in Article 208(4) of the EU Financial Regulation⁹.

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

⁸ Article 107 of Regulation (EU) No 1271/2013.

⁹ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 298, 26.10.2012, p. 1).

Opinion on the reliability of the accounts

9. In the Court's opinion, the Centre's annual accounts present fairly, in all material respects, its financial position as at 31 December 2015 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

10. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2015 are legal and regular in all material respects.

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

COMMENTS ON INTERNAL CONTROLS

12. The Centre does not yet have a Business Continuity Plan in place. It is thus not complying with Internal Control Standard 10¹⁰.

COMMENTS ON BUDGETARY MANAGEMENT

13. At the end of 2015 cash and short term deposits held by the Centre amounted to 38,3 million euro (44 million euro at the end of 2014) and its reserves amounted to 34 million euro (40,4 million euro at the end of 2014). This reflects the reduction of prices in 2015.

14. The level of committed appropriations carried over was high for Title II (administrative expenditure) at 2 million euro, i.e. 29 % (2014: 1,5 million euro, i.e. 24 %). These carry-overs mainly concern the refurbishment of additional premises rented in 2015 as well as IT services not yet provided by the end of 2015.

15. The Centre cancelled 5,9 million euro (12 %) of appropriations available at the end of 2015. These cancellations are related to the overestimation of the cost of external translators.

¹⁰ The Centre's Internal Control Standards are based on the equivalent standards laid down by the Commission.

FOLLOW-UP OF PREVIOUS YEARS' COMMENTS

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

This Report was adopted by Chamber IV, headed by Mr Baudilio TOMÉ MUGURUZA, Member of the Court of Auditors, in Luxembourg at its meeting of 13 September 2016.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

Follow-up of previous years' comments

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
Since 2012 (merged)	Since 2012, the Centre's cash and short term deposits and its budgetary surplus and reserves have been excessive. This indicates scope to reduce prices.	Completed
2012	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.	Outstanding

THE CENTRE'S REPLY

12. Following the completion of the Business Impact Analysis, the Business Continuity Strategy and the operational Business Continuity Plans were approved in Q2 of 2016 by the Centre's management along with the review of the Business Continuity documents.

13. The Centre has taken various steps to reduce its budgetary surpluses. Firstly, the Centre reduced the 2015 price of the translation of documents by 6,8 %, and the fixed part of the price for the translation of trademarks by 1 million euro.

Secondly, in order to avoid excessive budget surpluses in the future, the Centre has introduced an automatic reimbursement of the budget outturn of the previous year to clients, if this amount exceeds 1 million euro. Based on this new mechanism, the budget surplus of 2014, amounting to 2,6 million euro, was paid back to clients in 2015.

Thirdly, the draft programming document 2017-2019 has been prepared with deficits in mind and subsequently a further reduction of the reserve for stability pricing is envisaged as follows: -3,9 million euro in 2017, -3,0 million euro in 2018 and -3,2 million euro in 2019 respectively.

14. The Centre has taken due note of the Court's observation and will continue to implement measures to improve its budgetary planning and monitoring systems. The carry-overs are mainly due to the multiannual nature of IT projects and the refurbishment of additional premises.

15. The Centre has implemented a closer monitoring of the evolution of the external translation costs. Therefore, the budget forecasts for 2016 and onwards are based on the up to date figures, and the costs are monitored closely during the year, as an input for both amending budgets and budgets in future years.