

ЕВРОПЕЙСКА СМЕТНА ПАЛАТА
TRIBUNAL DE CUENTAS EUROPEO
EVROPSKÝ ÚČETNÍ DVŮR
DEN EUROPÆISKE REVISIONSRET
EUROPÄISCHER RECHNUNGSHOF
EUROOPA KONTROLLIKODA
ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
CÚIRT INIÚCHÓIRÍ NA HEORPA



EUROPSKI REVIZORSKI SUD
CORTE DEI CONTI EUROPEA
EIROPAS REVĪZIJAS PALĀTA
EUROPOS AUDITO RŪMAI

EURÓPAI SZÁMVEVŐSZÉK
IL-QORTI EWROPEA TAL-AWDITURI
EUROPESE REKENKAMER
EUROPEJSKI TRYBUNAŁ OBRACHUNKOWY
TRIBUNAL DE CONTAS EUROPEU
CURTEA DE CONTURI EUROPEANĂ
EURÓPSKY DVOR AUDÍTOROV
EVROPSKO RAČUNSKO SODIŠČE
EUROOPAN TILINTARKASTUSTUOMIOISTUIN
EUROPEISKA REVISIONSRÄTTEN

Report on the annual accounts
of the Translation Centre for the Bodies of the European Union
for the financial year 2013

together with the Centre's replies

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 activities².

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 statements³ and the reports on the implementation of the budget⁴ for the financial year ended 31 December 2013, and
- (b) the legality and regularity of the transactions underlying those accounts.

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.

The management's responsibility

4. 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 transactions⁵:

- (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 officer⁶; 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

⁵ Articles 39 and 50 of Commission Delegated Regulation (EU) No 1271/2013 (OJ L 328, 7.12.2013, p. 42).

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.

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 Council⁷ 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.

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

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 2013 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 2013 are legal and regular in all material respects.

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

COMMENTS ON THE LEGALITY AND REGULARITY OF TRANSACTIONS

11. In 2008 the Centre concluded 472 framework contracts with translation services providers for a maximum period of four years. In order to obtain better conditions for the new framework contracts to be signed in 2012, the Centre wanted to participate in the Commission's ongoing procurement procedure for translation services. However, no agreement on the contract terms could be reached with the Commission. Instead, the Centre extended its existing framework contracts for one more year. Although based on a derogation duly approved by the Centre's Director, such an extension is not in compliance with the implementing rules for the Centre's financial regulation, which provide for a maximum period of four years for framework contracts.

COMMENTS ON INTERNAL CONTROLS

12. Formal delegations (sub-delegations) from authorising officers (authorising officers by delegation) are not always consistent with the authorisation rights for transactions in the ABAC accounting system.

OTHER COMMENTS

13. Cash held by the Centre further increased from 35 million euro at the end of 2012 to 40 million euro at the end of 2013 (budgetary surplus and reserves increased from 30,9 million euro to 37,5 million euro). This indicates scope to reduce prices.

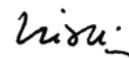
14. The Centre became operational in 1994 and has, to date, worked on the basis of correspondence and exchanges with the host Member State. However, there is no comprehensive headquarters agreement between the Centre and the Member State. Such an agreement would further promote transparency in respect of the conditions under which the Centre and its staff operate.

FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS

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

This Report was adopted by Chamber IV, headed by Mr Pietro RUSSO, Member of the Court of Auditors, in Luxembourg at its meeting of 16 September 2014.

For the Court of Auditors



Vítor 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)
2012	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.	Ongoing
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.	Ongoing

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>	<p>Objectives</p> <p>To provide the necessary translation services for the operation of the following bodies:</p> <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> <p>Tasks</p> <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	<p>Management Board</p> <p><i>Composition</i></p> <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. <p><i>Tasks</i></p> <p>To adopt the Centre's annual budget and work programme, establishment plan and annual reports.</p> <p>Director</p> <p>Appointed by the Management Board on a proposal from the Commission.</p> <p>External audit</p> <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 2013 (2012)	Final Budget: 52,194 (48,293) million euro Staff : 206 posts (225) in the establishment plan, of which 193 (199) were occupied. + 23 (17) contract staff Total staff: 216 (216), undertaking the following tasks: operational: 118 (114) administrative: 98 (102)
Products and services 2013 (2012)	Number of pages translated: 804 986 (735 007) Number of pages by languages: – official languages: 800 221 (722 505) – other languages: 4 765 (12 502) Number of pages per client: – bodies: 780 310 (707 888) – institutions: 24 676 (27 119) Number of pages translated by freelances: 512 524 (480 695)

Source: Annex supplied by the Centre.

THE AGENCY'S REPLY

Para 11:

The Centre had joined the Commission's call for tenders for this type of translation services in the past. Concerning the call for tenders referred to, the Commission began its preparatory work at a rather late stage and changed the conditions applicable to the Centre so that they differed from the call for tenders organised four years previously. Unfortunately, the Centre could not reach an agreement with the Commission as regards the conditions. Furthermore, the starting date for the new contracts did not coincide with the expiry date of the contracts in place and this resulted in practical problems for the Centre.

The Centre, therefore, decided to organise its own call for tenders for this specific type of translation services and to extend existing contracts by one year in order to prepare correctly for this extensive call for tenders. Considering the impact on the Centre in the event that no contracts had been in place on the expiry date of the existing contracts, it was considered justified to prolong the existing contracts.

Para 12:

The Centre has updated the formal delegation to bring it in line with the rights in ABAC. The internal procedure in place to keep delegations in ABAC updated has been modified slightly to avoid any discrepancies between rights in ABAC and the formal delegations.

Para 13:

The Centre is fully aware that it generated an economic surplus for the second consecutive year, but it must be noted that the 2013 surplus came about as a result of external factors beyond the Centre's control; especially as a result of a higher volume of invoiced pages than forecast, the cancelled salary increase and the pension contribution reimbursed to the Centre.

Translation Centre for the Bodies of the European Union

The Centre's 2013 budget was prepared in 2012 in the light of the economic loss of EUR 1 million in 2011 and considering that revenues from Community trademarks were particularly uncertain. It was only in December 2012, in the preliminary draft budget for 2014, when the Centre could react to the financial results by proposing the 2014 budget with a deficit of EUR 1 092 890, financed from the previously created price stability reserve. Based on the 2012 cost analysis and analysis of the first half of 2013 the Centre decreased the 2014 prices considerably in order to reflect not only changes in the cost of products, but also to use up part of the surplus. The 2014 budget was, therefore, constructed as a deficit budget from the outset; the deficit of EUR 4 106 650 is balanced by the reserve for price stability created in previous years.

The 2015 budget will, again, be prepared as a deficit budget in order to use up part of the previous years' surplus. Based on the 2014 mid-year cost analysis and simulations and forecasted volumes for 2015, further price modifications will be proposed for 2015. As an additional measure, the Centre, for the first time in its history, proposed that the Management Board further reduce 2014 prices in the middle of 2014, in order to respond more quickly and return back to its clients the positive financial results of 2013.

Para 14:

The works on the headquarters agreement have come into a final phase. The draft agreement was submitted to Luxembourg's *Conseil de Gouvernement* and was discussed and approved during its meeting at the end of April. The Centre is waiting for confirmation of a date for the signature of the agreement by the Luxembourg authorities.