

**REPORT****on the annual accounts of the European GNSS Supervisory Authority for the financial year 2009,  
together with the Authority's replies**

(2010/C 338/20)

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## INTRODUCTION

1. The European GNSS (Global Navigation Satellite System) Supervisory Authority (hereinafter 'the Authority'), located in Brussels, was set up by Council Regulation (EC) No 1321/2004 of 12 July 2004<sup>(1)</sup> to manage the public interests relating to the European GNSS programmes and to act as the regulatory authority for the programme during the deployment and operational phases of the Galileo Programme. Regulation (EC) No 683/2008 of the European Parliament and the Council of 9 July 2008<sup>(2)</sup> reduced the responsibilities of the Authority to the control of the security of Galileo systems and to the preparation of their commercialisation. The Commission may possibly entrust specific tasks to the Authority<sup>(3)</sup>.

2. The Authority's 2009 adopted budget amounted to 44,4 million euro, compared with 125 million euro the previous year. The number of staff employed by the Authority at the end of the year was 35, as compared with 52 the previous year.

### STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287(1), second subparagraph, of the Treaty on the Functioning of the European Union, the Court has audited the annual accounts<sup>(4)</sup> of the Authority, which comprise the 'financial statements'<sup>(5)</sup> and the 'reports on implementation of the budget'<sup>(6)</sup> for the financial year ended 31 December 2009 and the legality and regularity of the transactions underlying those accounts.

4. 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<sup>(7)</sup>.

### The Director's responsibility

5. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with

the financial rules of the Authority under his own responsibility and within the limits of authorised appropriations<sup>(8)</sup>. The Director is responsible for putting in place<sup>(9)</sup> the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts that are free from material misstatement, whether due to fraud or error, and for ensuring that the transactions underlying those accounts are legal and regular.

### The Court's responsibility

6. The Court's responsibility is to provide, on the basis of its audit, a statement of assurance as to the reliability of the annual accounts of the Authority and the legality and regularity of the transactions underlying them.

7. The Court conducted its audit in accordance with the IFAC and ISSAI<sup>(10)</sup> International Auditing Standards and Codes of Ethics. Those standards require that the Court complies with ethical requirements and plans and performs the audit to obtain reasonable assurance about whether the accounts are free from material misstatement and whether the underlying transactions are legal and regular.

8. The Court's audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and about the legality and regularity of the transactions underlying them. The procedures selected depend on its audit judgement including the assessment of the risks of material misstatement of the accounts or of illegal or irregular transactions, whether due to fraud or error. In making those risk assessments internal control relevant to the entity's preparation and presentation of accounts is considered in order to design audit procedures that are appropriate in the circumstances. The Court's audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the accounts.

9. The Court believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the opinions set out below.

<sup>(1)</sup> OJ L 246, 20.7.2004, p. 1.

<sup>(2)</sup> OJ L 196, 24.7.2008, p. 1.

<sup>(3)</sup> The Table summarises the Authority's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These accounts are accompanied by a report on the budgetary and financial management during the year which gives, inter alia, an account of the rate of implementation of the appropriations with summary information on the transfers of appropriations among the various budget items.

<sup>(5)</sup> The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in capital and the annex to the financial statements which includes the description of the significant accounting policies and other explanatory information.

<sup>(6)</sup> The budget implementation reports comprise the budget outturn account and its annex.

<sup>(7)</sup> OJ L 248, 16.9.2002, p. 1.

<sup>(8)</sup> Article 33 of Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 (OJ L 357, 31.12.2002, p. 72).

<sup>(9)</sup> Article 38 of Regulation (EC, Euratom) No 2343/2002.

<sup>(10)</sup> International Federation of Accountants (IFAC) and International Standards of Supreme Audit Institutions (ISSAI).

**Opinion on the reliability of the accounts**

10. In the Court's opinion, the Authority's Annual Accounts<sup>(11)</sup> present fairly, in all material respects, its financial position as of 31 December 2009 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

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

11. In the Court's opinion, the transactions underlying the annual accounts of the Authority for the financial year ended 31 December 2009 are, in all material respects, legal and regular.

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

**OTHER MATTERS**

13. With regard to the four staff selection procedures audited, no evidence exists that the weightings of the selection criteria and the thresholds that candidates had to meet in order to be invited to the written tests and interviews were established before the evaluation process begins. Additionally, no evidence exists that the questions for the written tests and interviews were defined prior to drawing up the shortlist of candidates. These practices put at risk the transparency of the recruitment procedures.

14. In one recruitment procedure audited, the vacancy notice stated that the candidates should have had at least 12 years of professional experience. One candidate was considered eligible even though it had been clearly established from the beginning of the procedure that he did not meet this criterion. This candidate was appointed by the Director, who acknowledged in his decision that he did not have sufficient professional experience. An ex-post decision was issued by the Director, granting internal candidates a 10 % reduction of the professional experience required for a GSA post. This decision infringes the principle of equal treatment in the application of the eligibility criteria in recruitment procedures open to both internal and external candidates.

15. For the 'Framework Programme 7/Galileo/Call 1' grants procedure (17,5 million euro) the exclusion criteria were not published and checked. As regards the eligibility criteria, the Authority did not systematically evidence its verification of the small and medium enterprises criteria for the potential beneficiaries participating in one of the topics<sup>(12)</sup>.

16. The final budget published by the Authority on 31 March 2010<sup>(13)</sup> did not reflect the final budget for 2009 approved by the Administrative Board and did not include its revenue.

17. Following the entry into force of Regulation (EC) No 683/2008 of the European Parliament and of the Council, most of the activities and assets related to the EGNOS and Galileo programmes were transferred to the Commission in December 2009. The remaining part of the activities and assets will be transferred in 2010.

This Report was adopted by Chamber IV, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 14 and 16 September 2010.

*For the Court of Auditors*  
Vitor Manuel da SILVA CALDEIRA  
*President*

<sup>(11)</sup> The Final Annual Accounts were drawn up on 15 June 2010 and received by the Court on 2 July 2010. The Final Annual Accounts, consolidated with those of the Commission are published in the *Official Journal of the European Union* by 15 November of the following year. These can be found on the following website <http://eca.europa.eu> or [www.gsa.europa.eu](http://www.gsa.europa.eu)

<sup>(12)</sup> Topic 'Mass Market GNSS Applications'.

<sup>(13)</sup> OJ C 86, 31.3.2010, p. 157.

Table

## European GNSS Supervisory Authority (Brussels)

Areas of Union competence deriving from the Treaty	Competences of the Authority as defined in Council Regulation (EC) No 1321/2004 and as amended by European Parliament and Council Regulation (EC) No 683/2008		Governance	Resources made available to the Authority in 2009 (Data for 2008)	Products and services in 2009
Competitive-ness for growth and employment.	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>— To manage the public interests relating to the European GNSS programmes.</li> <li>— To be the regulatory authority for the European GNSS programmes.</li> </ul>	<p><b>Tasks</b></p> <p>The Authority shall:</p> <ul style="list-style-type: none"> <li>(a) ensure security accreditation and the operation of the Galileo security centre;</li> <li>(b) contribute to the preparation of the commercialisation of the systems, including the necessary market analysis;</li> <li>(c) accomplish other tasks that may be entrusted to it by the Commission.</li> </ul>	<p><b>1 — Administrative Board</b></p> <p><i>Composition</i></p> <ul style="list-style-type: none"> <li>— one representative per Member State,</li> <li>— one representative from the Commission.</li> </ul> <p><i>Tasks</i></p> <ul style="list-style-type: none"> <li>— appoints the Director,</li> <li>— adopts the annual work programme,</li> <li>— adopts the budget,</li> <li>— adopts the annual report on the activities and prospects of the Authority.</li> </ul> <p><b>2 — Executive Director</b></p> <p>Appointed by the Administrative Board.</p> <p><b>3 — System Safety and Security Committee</b></p> <p>Composed of one representative per Member State and one representative from the Commission.</p> <p><b>4 — External audit</b></p> <p>Court of Auditors.</p> <p><b>5 — Discharge authority</b></p> <p>Parliament, acting on a recommendation from the Council.</p>	<p><b>Budget</b></p> <p>44,4 million euro (125,0 million euro), of which 7,4 million euro (10,6 million euro) was the operating subsidy from the Commission and 37,0 million euro (114,4 million euro) was operational funds from the Commission</p> <p><b>Staff at 31 December 2009</b></p> <p>23 (50) establishment plan posts, of which filled: 23 (49) + 12 (3) other staff (contract staff and seconded national staff)</p> <p>Number of staff:</p> <p>35 (52), of which assigned to:</p> <ul style="list-style-type: none"> <li>— operational tasks: 14 (31),</li> <li>— administrative tasks: 12 (13),</li> <li>— mixed tasks: 9 (8).</li> </ul> <p>28 temporary staff were transferred to the European Commission (DG TREN) in January 2009, which left the GSA with 22 temporary staff.</p>	<p><b>Programmes</b></p> <ul style="list-style-type: none"> <li>— Support to the European Commission in the implementation of the EGNOS and Galileo programmes.</li> </ul> <p><b>Systems Security</b></p> <ul style="list-style-type: none"> <li>— Galileo and EGNOS Systems Security (Galileo Security Accreditation, System Safety and Security Committee — 3SC, GNSS Security Requirements, EGNOS Security),</li> <li>— Public Regulated Service — PRS (Preparation of the PRS User Segment),</li> <li>— Galileo Security Monitoring Centre — GSMC,</li> <li>— GNSS Technology Control Regime.</li> </ul> <p><b>Market development</b></p> <ul style="list-style-type: none"> <li>— EGNOS Market Entry (Aviation, Agriculture, Road, EDAS, Market Monitoring),</li> <li>— International activities (Latin America, Israel, China, Africa),</li> <li>— Information and Outreach (EGNOS Information Portal, 'Growing Galileo 2009' event).</li> </ul> <p><b>Research and development</b></p> <ul style="list-style-type: none"> <li>— Management of projects under the 6th Framework Programme and 7th Framework Programme (1st and 2nd calls) for research,</li> <li>— Implementation/update of a web-based knowledge management and dissemination tool.</li> </ul>

Source: Information supplied by the Authority.

### THE AUTHORITY'S REPLIES

13. The Authority is of the opinion that the transparency of the recruitment procedures was ensured, even if the thresholds the candidates had to meet for being invited to the written tests and interviews were established after the beginning of the evaluation process. The principle of sound financial management requires that the Authority invites for interview only a reasonable number of candidates. The number of candidates to be invited is a result of the ranking established and documented by the selection panel.

14. The winner of this recruitment competition was an internal candidate who at the time of the recruitment was performing the majority of the tasks of the job, due to the departure of the former job holder. Notwithstanding the demonstration of his competences on the job, the candidate had to compete with external candidates in an open and fair competition.

The appointment decision grants a reduction in experience of 4 months and is reasoned with the fact that the candidate is experienced in GSA financial practices and that he has been already performing many of the tasks of the job. The Director issued in 2010 a general decision on a reduction of 10 % professional experience, which since its issue is published with the vacancy notice.

15. The Authority has followed the rules defined by the Commission.

In particular:

- (a) all criteria were published either in the Guide for Applicants or in the detailed topic description (including the SME requirement, benchmarks for evaluation and the funding levels);
- (b) the evaluation and ranking process was fully conforming to Commission's FP7 guidelines and, accordingly, all the information was available to participants.

16. The 3rd Amending Budget (*Official Journal of the European Union* of 31 March 2010) reflected an amendment adopted by the Administrative Board in December 2009; it entailed reduction of the staff expenditure by 450 000 euro and the increase of the budget for studies by the same amount in payment appropriations only. This amendment did not affect the revenue side. Accordingly, the template of the Publications Office that was used had no revenues because these were unchanged compared to the previous published version of Budget 2009.

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