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Report on the annual accounts
of the European Centre for Disease Prevention and Control
for the financial year 2005

together with the Centre's replies

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INTRODUCTION

1. The European Centre for Disease Prevention and Control (hereinafter "the Centre") was created by Regulation (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004¹. Its main tasks are to collect and disseminate data on the prevention and control of human disease and to provide scientific opinions on this subject. It is also required to coordinate the European networking of bodies operating in this field. The Centre became autonomous as of the second half of 2005².

2. **Table 1** summarises the Centre's competences and activities. Key information from the financial statements drawn up by the Centre for the financial year 2005 is presented in **Tables 2, 3 and 4**.

STATEMENT OF ASSURANCE

3. This Statement is addressed to the European Parliament and the Council in accordance with Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002³; it was drawn up following an examination of the Centre's accounts, as required by Article 248 of the Treaty establishing the European Community.

4. The Centre's accounts for the financial year ended 31 December 2005⁴ were drawn up by its Director, pursuant to Article 23 of Regulation (EC) No 851/2004, and sent to the Court, which is required to give a statement of

¹ OJ L 142, 30.4.2004, p. 1.

² The task of paying the salaries continued to be carried out by the Commission on the basis of a delegation of powers issued by the Director.

³ OJ L 248, 16.9.2002, p. 1.

⁴ These accounts were drawn up on 29 June 2006 and received by the Court on 4 July 2006.

assurance on their reliability and on the legality and regularity of the underlying transactions.

5. The Court conducted an audit in accordance with its policies and standards, which are based on international auditing standards that have been adapted to the Community context. The audit was planned and performed to obtain reasonable assurance that the accounts are reliable and the underlying transactions are legal and regular.

6. The Court has thus obtained a reasonable basis for the statement expressed below.

Reliability of the accounts

The Centre's accounts for the financial year ended 31 December 2005 are, in all material respects, reliable.

Legality and regularity of the underlying transactions

The transactions underlying the Centre'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. The implementation of the budget for the financial year 2005 was marked by a low rate of commitment (84 %) and a substantial rate of carry-over (35 % overall and almost 90 % for operating expenditure). This situation was in part due to problems inherent in the Centre's start-up period. In future, the Centre should be vigilant concerning the risk of mobilising resources unnecessarily, in particular by ensuring strict programming of its activities.

8. The Court noted that no activity-based management had been brought in, despite the Centre's financial regulation making provision for its introduction, on

the lines of that applied to the general budget, with a view to improving the monitoring of performance. In this context, achieving the Centre's aims should not mean merely carrying out a series of tasks. It should rather be seen as contributing to the goals laid down in its basic Regulation. The Centre's work programme should, in principle, express this contribution in operational and measurable terms.

9. Requests to the Commission for the payment of subsidies should be justified by a forecast of cash needs⁵. The Centre had no system for producing such forecasts.

10. The Centre's financial regulation stipulates that the authorising officer should make a budgetary commitment before entering into a legal commitment vis-à-vis third parties. However, no budgetary commitments were made for the Centre's expenditure in 2005 prior to the legal commitment. During the same period, all the Centre's payments were made by the accounting officer without the authorising officer having issued any payment orders⁶.

11. Contrary to the provisions of the regulations, the Centre's accounts were not kept by the double-entry method during 2005, thus creating risks of errors.

12. There were shortcomings in the documentation of the Centre's staff selection procedures (lack of formalisation of decisions on the appointment and composition of selection boards, lack of final report by selection boards on their work). During this period when it is recruiting its core staff, the Centre should be particularly attentive to strict application of its selection procedures.

⁵ Article 50 of the Centre's financial regulation.

⁶ Article 66 of the Centre's financial regulation.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 28 September 2006.

For the Court of Auditors

Hubert Weber
President

Table 1 - European Centre for Disease Prevention and Control

Area of Community competence deriving from the Treaty	Competences of the Centre as specified in Council Regulation (EC) No 851/2004		Governance	Resources available to the Centre	Products and services supplied in 2005
<p>A high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities. Community action, which shall complement national policies, shall be directed towards improving public health, preventing human illness and diseases, and obviating sources of danger to human health. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education.</p> <p><i>(Article 152 of the Treaty)</i></p>	<p>Objectives</p> <p>Strengthen Europe's defences against infectious diseases; specifically, to identify, assess and communicate current and emerging threats to human health from communicable diseases.</p> <p>Therefore the Centre shall operate dedicated surveillance networks, provide scientific opinions, operate the early warning and response system and provide scientific and technical assistance and training.</p>	<p>Tasks</p> <ul style="list-style-type: none"> - Operate dedicated disease surveillance networks and enhance networking activities. The Centre has a specific role in data collection, validation, analysis and dissemination. - Provide authoritative expert advice and scientific opinions and studies in communicable diseases. - Operate the Early Warning and Response System (EWRS). Develop procedures for identifying emerging health threats. - Strengthen Member States' capacity in preparedness planning and in training. - Inform the general public and interested parties of its work. 	<p>1 - Management Board</p> <p>One member designated by each Member State, two members designated by the European Parliament and three representatives of the Commission.</p> <p>The Board adopts the Centre's annual programme and budget and follows their implementation.</p> <p>2 - Director</p> <p>Appointed by the Management Board on the basis of a list of candidates proposed by the Commission.</p> <p>3 - Advisory Forum</p> <p>A representative of each Member State and three non-voting representatives of the Commission.</p> <p>The Forum is to assure the scientific excellence of the work and the independence of the activities and opinions of the Centre.</p> <p>4 - External Audit</p> <p>Court of Auditors.</p> <p>5 - Discharge authority</p> <p>Parliament on a recommendation from the Council.</p>	<p>2005 final budget</p> <p>4,85 million euro, including a Community subsidy of 98 %</p> <p>Staff numbers</p> <p>Posts in the establishment plan: 29</p> <p>posts occupied: 22</p> <p>+ 20 other posts.</p> <p>Total staff: 42</p> <p>assigned to the following duties:</p> <p>operational: 17</p> <p>administrative: 25</p>	<ul style="list-style-type: none"> - Protocols developed for evaluating networks; - Planning document prepared for future strategy for surveillance activities in Europe; - Scientific panels established for all 6 disease groups listed in Decision 2119/98/EC; - Expert opinions and guidelines prepared on avian influenza; - Responsibility for the EWRS (102 public health events reported and reviewed); - Protocols and guidelines developed for mobilising outbreak assistance teams; - 2 outbreak assistance missions; - Procedure for coordination of public health threats defined and in place (Commission, Member States, WHO); - 21 weekly epidemiological reports disseminated through the <i>Eurosurveillance</i> journal.

Source: Information supplied by the Centre.

European Centre for Disease Prevention and Control

(1 000 euro)

Revenue			Expenditure					
Source of revenue	Revenue entered in the final budget for the financial year	Revenue received	Allocation of expenditure	Final budget appropriations				
				entered	committed	paid	carried over	cancelled
Community subsidies ⁽¹⁾	4,852	3,402	Title I Staff	2,531	2,282	1,895	362	274
			Title II Administration	1,238	1,174	638	535	65
			Title III Operating activities	1,083	610	70	541	472
TOTAL	4,852	3,402	TOTAL	4,852	4,066	2,603	1,438	811

⁽¹⁾ Including the appropriations managed by the Commission.

(1 000 euro)

	2005
Operating revenue	
Community subsidies	2,646
Other subsidies/revenue	0
Total (a)	2,646
Operating expenditure	
Staff	171
Administration	1,185
Operating activities	326
Total (b)	1,682
Operating result (c = a - b)	964
Other income (d)	0
Other charges (e)	11
Economic result (f = c + d - e)	953

(1 000 euro)

	2005
Assets	
Fixed assets	245
Receivables	320
Cash and cash equivalents	2,059
Total	2,624
Liabilities	
Accumulated surplus/deficit	0
Economic result for the year	953
Current liabilities	1,671
Total	2,624

Source: Centre data - These tables summarise the data supplied by the Centre in its annual accounts.

THE CENTRE'S REPLIES

7. The main causes of the relatively low budget execution and the high percentage of the carry-over appropriations were related to the start-up phase of the Centre. ECDC is rapidly progressing and is focusing on its planning for the best possible use of the funds allocated to it during 2006.
8. The basis for an activity based planning has been established in the second half of 2005. During 2006, the Centre is gradually putting in place the necessary reporting systems and processes to assure reliable and transparent activity based reporting.
9. The Centre did not have an adequate system for monitoring cash needs during 2005 for reasons relating to its start up phase. As of February 2006, basic projections on cash needs were introduced, and as the Centre further develops its reporting systems the cash flow projections will be further refined.
10. The situation described by the Court was initially caused by an absence of relevant ICT tools at the disposal of the Centre. The setting up of a financial system was prepared for in 2005 and it became fully operational in early 2006. No automated payment orders could be produced in 2005 due to the absence of ICT budget system. Nevertheless payments were only processed after the assurance that relevant information, authorizations and signatures were in place. From 2006 onwards, payment orders are systematically processed and approved for to all payments.
11. In the start up period of 2005, ECDC did not dispose of a computerised accounting system. During 2006 the Centre installed all the necessary software and is now operating a fully computerised accounting system.
12. Following the Court's remark, the recruitment processes are now more extensively documented and consistently formalised. A strong Human Resources recruitment capacity has been prioritized as to assure that, in the build up phase of the Centre, the recruitment process is transparent and rigorous.