

EN



EUROPEAN
COURT
OF AUDITORS

2022

Audit of EU agencies in brief

Introducing the European Court of Auditors'
2022 annual report on EU agencies

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1
Enquiries: eca.europa.eu/en/Pages/ContactForm.aspx
Website: eca.europa.eu
Twitter: @EUAuditors

More information on the European Union is available on the internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2023

PDF	ISBN 978-92-849-1162-2	doi:10.2865/436803	ISSN 2600-0032	QJ-AH-23-001-EN-N
HTML	ISBN 978-92-849-1181-3	doi:10.2865/24005	ISSN 2600-0032	QJ-AH-23-001-EN-Q

Printed in Luxembourg

Contents

	Paragraph
List of acronyms used for the EU agencies and other bodies	
Executive summary	I-V
What we audited	01-18
Decentralised agencies address specific policy needs	05
Commission executive agencies implement EU programmes	06
Other bodies have specific mandates	07
Agencies are financed from various sources and under different MFF headings	08-13
Budgetary and discharge arrangements are similar for all agencies except for EUIPO, CPVO and SRB	14-15
The EU Agencies Network facilitates inter-agency cooperation and communication with stakeholders	16-18
Our audit	19-21
Our mandate	19-20
We report suspected fraud to the relevant EU bodies OLAF and EPPO	21
Our opinions	22-42
Results from the annual agency audits for the financial year 2022 are less positive overall	22
‘Clean’ opinions on the reliability of all agencies’ accounts	23-32
‘Emphasis of matter’ paragraphs are important for understanding the accounts of CINEA, the EMA, EPPO, ERA, ESMA, the EUAA, Eurojust, EUSPA, eu-LISA, Frontex and the SRB	24-32
‘Clean’ opinions on the legality and regularity of the revenue underlying all agencies’ accounts	33-35
‘Emphasis of matter’ paragraph aids understanding of the SRB’s revenue	34

'Other matter' paragraph addresses an issue of specific importance for the SRB's revenue	35
'Clean' opinions on the legality and regularity of the payments underlying the accounts of 39 agencies	36-42
'Emphasis of matter' paragraph aids understanding of ESMA's payments	42
Our observations address areas for improvement	43-52
Public procurement weaknesses are increasing and remain the largest source of irregular payments	45-46
Management and control systems are affected by weaknesses	47-48
Weaknesses regarding HR issues affected mostly allowances to seconded national experts	49
Weaknesses in budgetary management typically result in high carry-overs or late payments	50-51
Agencies are following up on previous years' audit observations	52
The agencies' response to the climate and energy crises and their reporting on climate and energy performance	53-60
Nearly two in three EU agencies have made plans to improve energy efficiency and climate neutrality of their operations	55-57
Several agencies have some form of reporting on their climate and energy performance	58-60
Other agency-related products issued by the ECA	61

List of acronyms used for the EU agencies and other bodies

Acronym	Full name
ACER	European Union Agency for the Cooperation of Energy Regulators
BEREC Office	Agency for Support for Body of European Regulators for Electronic Communications
CdT	Translation Centre for the Bodies of the European Union
Cedefop	European Centre for the Development of Vocational Training
CEPOL	European Union Agency for Law Enforcement Training
CINEA	European Climate Infrastructure and Environment Executive Agency
CPVO	Community Plant Variety Office
EACEA	European Education and Culture Executive Agency
EASA	European Union Aviation Safety Agency
EBA	European Banking Authority
ECDC	European Centre for Disease Prevention and Control
ECHA	European Chemicals Agency
EEA	European Environment Agency
EFCA	European Fisheries Control Agency
EFSA	European Food Safety Authority
EIGE	European Institute for Gender Equality
EIOPA	European Insurance and Occupational Pensions Authority
EISMEA	European Innovation Council and SMEs Executive Agency
EIT	European Institute of Innovation and Technology
ELA	European Labour Authority
EMA	European Medicines Agency
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction

Acronym	Full name
EMSA	European Maritime Safety Agency
ENISA	European Union Agency for Cybersecurity
EPPO	European Public Prosecutor's Office
ERA	European Union Agency for Railways
ERCEA	European Research Council Executive Agency
ESA	Euratom Supply Agency
ESMA	European Securities and Markets Authority
ETF	European Training Foundation
EUAA	European Union Agency for Asylum
EUIPO	European Union Intellectual Property Office
eu-LISA	European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice
EU-OSHA	European Agency for Safety and Health at Work
Eurofound	European Foundation for the Improvement of Living and Working Conditions
Eurojust	European Union Agency for Criminal Justice Cooperation
Europol	European Union Agency for Law Enforcement Cooperation
EUSPA	European Union Agency for the Space Programme
FRA	European Union Agency for Fundamental Rights
Frontex	European Border and Coast Guard Agency
HaDEA	European Health and Digital Executive Agency
REA	European Research Executive Agency
SRB	Single Resolution Board

Executive summary

I The European Court of Auditors (ECA) is the external auditor of the EU's finances¹. In this capacity, we act as the independent guardian of the financial interests of EU citizens, helping to improve the EU's financial management².

II This document presents the results of our annual audit of the EU agencies and other EU bodies (collectively referred to as 'the agencies') for the 2022 financial year, as well as the result of additional work we carried out on a horizontal topic related to the agencies' response to the climate and energy crises and their reporting on climate and energy performance.

III Overall, our audit of the agencies for the financial year ended 31 December 2022 produced less positive results, compared with those reported in previous years. Through the *statements of assurance* issued for each agency, we provided:

- o unqualified (clean) audit opinions on the reliability of all agencies' accounts;
- o unqualified (clean) audit opinions on the legality and regularity of the revenue underlying all agencies' accounts;
- o unqualified (clean) audit opinions on the legality and regularity of the payments underlying 39 agencies' accounts, except for the CdT, CEPOL, ECDC and eu-LISA for which we issued qualified opinions.

IV For most agencies, we draw attention to areas for improvement in our *emphasis of matter* and *other matter* paragraphs, and in our *observations not calling the audit opinions into question*. In total, we made 98 observations concerning 36 agencies to address areas requiring further improvements such as public procurement, budgetary management, recruitment and management and control systems.

V We also proposed the following *actions to be taken* to address these areas for improvement:

¹ Articles 285 to 287 (OJ C 326, 26.10.2012, pp. 169-171).

² More information on our work can be found in our activity reports, our annual reports on the implementation of the EU budget, our special reports, our landscape reviews and our opinions on new or updated EU laws or other decisions with financial management implications (www.eca.europa.eu).

- The agencies concerned by public procurement errors should further improve their public procurement procedures, ensuring full compliance with the applicable rules, so that they achieve the best possible value for money and respect the general EU principals of transparency and equal treatment.
- When managing grants, agencies should ensure compliance with the applicable rules, in particular regarding the reimbursement of VAT to beneficiaries which are public authorities.
- The EUAA and Frontex should work with the Commission to clarify the legal basis for calculating Schengen associated countries' contributions to EUAA's and Frontex budgets, if necessary by re-negotiating agreements with these countries, so that their contributions correctly reflect the size of these countries' economies compared to the size of the EU economy.
- To resolve excessive levels of carry-overs, the agencies concerned should further improve their budget planning and its implementation cycles.
- All EU agencies should prepare up-to-date corporate plans to improve their climate neutrality and energy efficiency. In order to increase transparency and accountability, such plans should have clearly defined, quantified baselines and targets, for example for reducing carbon footprint and energy consumption.
- All EU agencies should report on their climate, energy and environmental performance, for example by issuing sustainability reports or environmental statements. In addition, they should implement the EU Eco-Management and Audit Scheme (EMAS), a management instrument developed by the European Commission for organisations to evaluate, report, and improve environmental performance. The European Union Agencies Network should promote the implementation of EMAS and sustainability or environmental reporting, by issuing guidance and facilitating the sharing of experience and good practices.

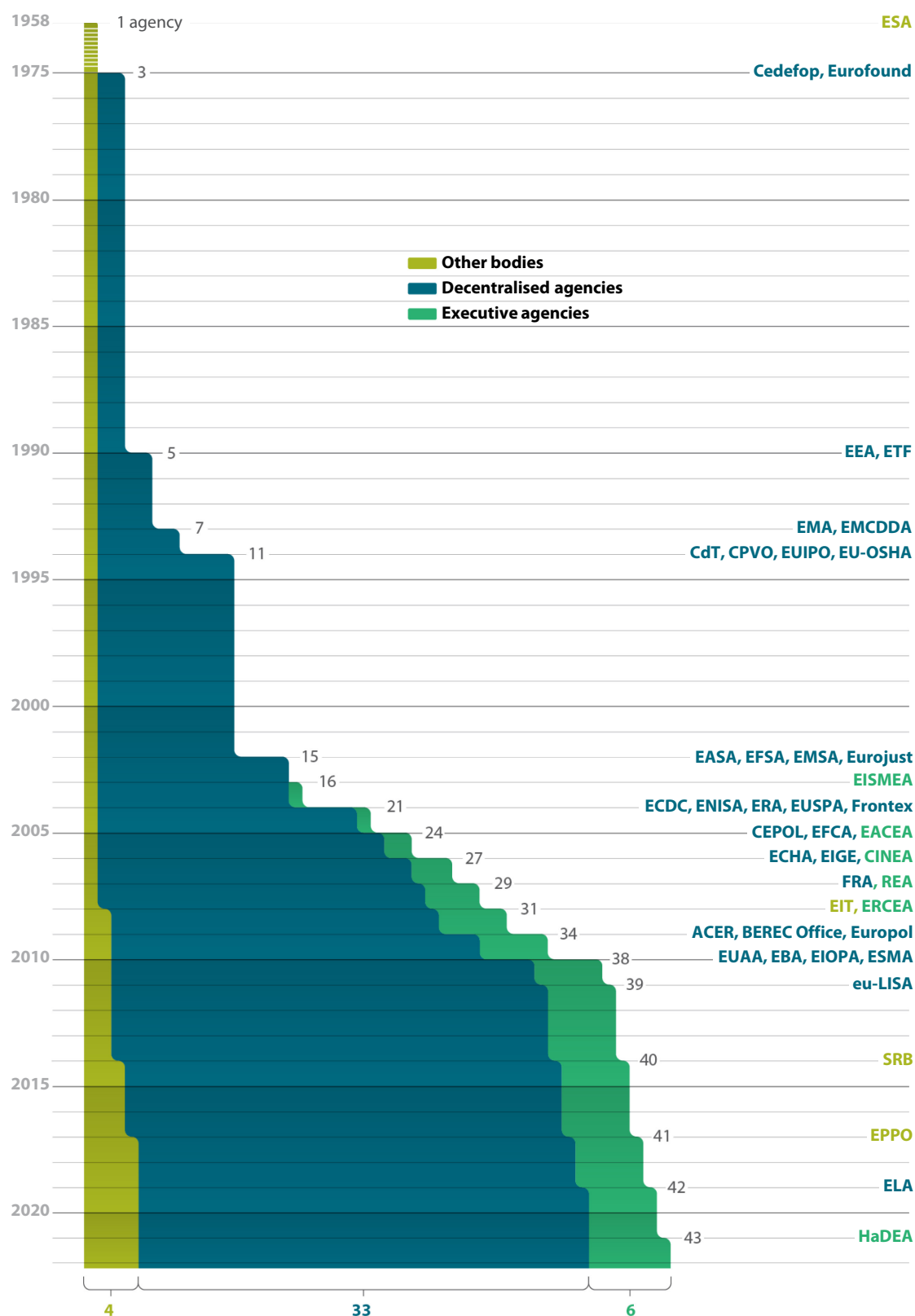
What we audited

01 The EU agencies are distinct legal entities set up by acts of secondary legislation to carry out specific technical, scientific or managerial tasks that help the EU institutions to design and implement policies. They are located in different member states and have significant influence in areas of vital importance to European citizens' daily lives, such as health, safety, security, freedom and justice.

02 There are three types of EU agencies: decentralised agencies, the Commission executive agencies and other bodies. The differences between them are described below.

03 The number of agencies has evolved over the years. Our report for 2022 covers 43 agencies, as shown in [Figure 1](#), one less than our report for 2021 due to the winding down of the Consumers, Health, Agriculture and Food Executive Agency (Chafea).

Figure 1 – Timeline of the agencies

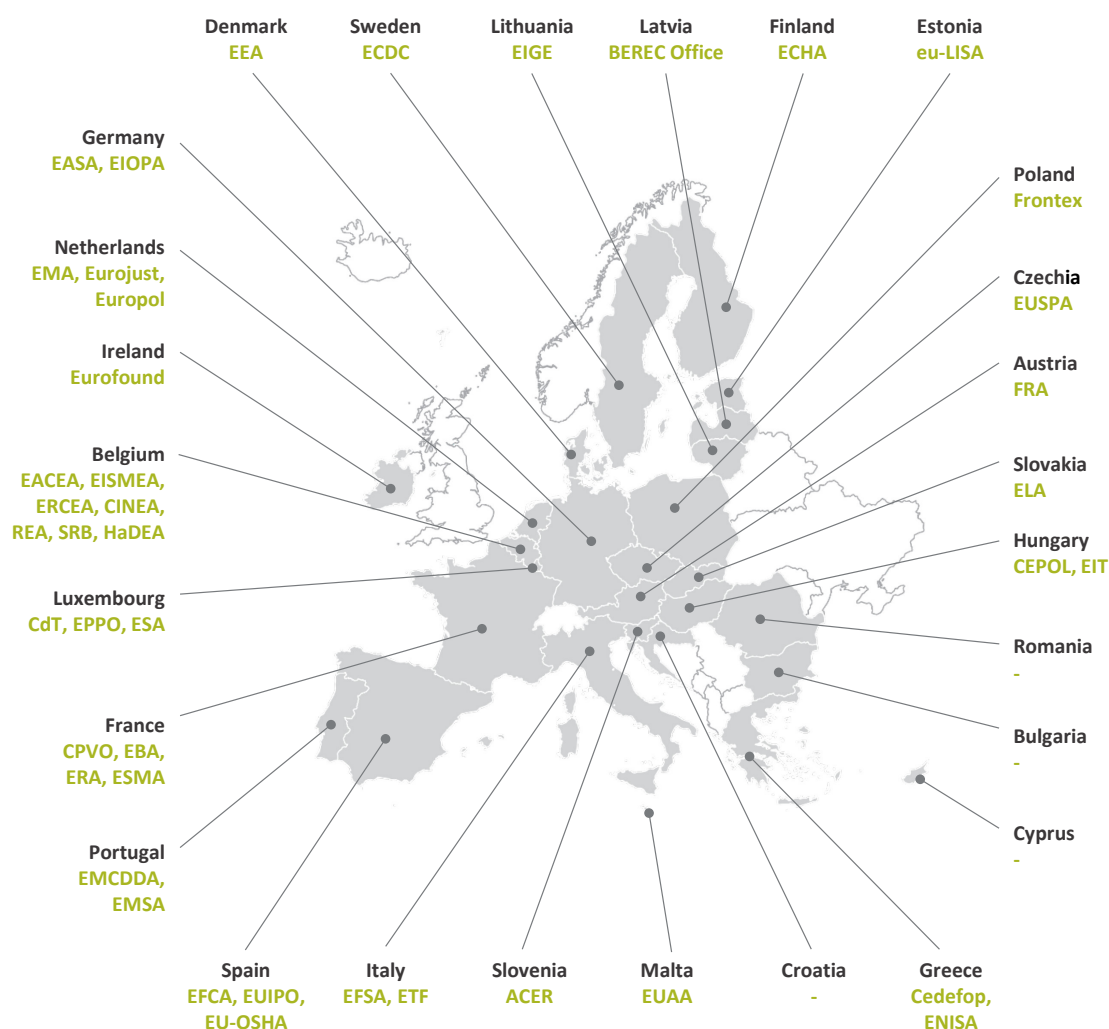


Note: The year mentioned in the figure refers to the year that the founding act of the agency (or its predecessor) came into force.

Source: ECA.

04 All executive agencies are located in Brussels. Decentralised agencies and other bodies are located across the EU in different member states, as shown in [Figure 2](#). Their locations are decided by the Council or jointly by the Council and the European Parliament.

Figure 2 – Agencies’ location across the member states



Source: ECA.

Decentralised agencies address specific policy needs

05 The 33 decentralised agencies play an important role in preparing and implementing EU policies, especially for technical, scientific, operational and regulatory tasks. Their role is to address specific policy needs and to reinforce European cooperation by pooling specialist expertise from the EU and national governments. They are set up to operate for an indefinite period by a regulation of the Council or of the European Parliament and the Council.

Commission executive agencies implement EU programmes

06 The six Commission executive agencies carry out executive and operational tasks relating to EU programmes, such as supporting stakeholders in delivering the European Green Deal (CINEA) and managing certain Horizon Europe projects (REA). They are set up to operate for a fixed period of time (currently until 31 December 2028).

Other bodies have specific mandates

07 The four other bodies are the EIT, the EPPO, the ESA and the SRB. The EIT is an independent decentralised EU body which pools scientific, business and education resources to boost the EU's innovation capacity by providing grant funding. The EPPO is an independent EU body which investigates and prosecutes crimes against the EU budget. The ESA is tasked with guaranteeing the regular and equitable supply of nuclear fuels to EU users in line with the Euratom Treaty. The SRB is the key authority *of the Single Resolution Mechanism in the European Banking Union. Its mission is to ensure the orderly resolution of banks which are failing or likely to fail, with as little impact as possible on the real economy and public finances of EU member states. In addition to this report, we also report on the SRB's contingent liabilities.

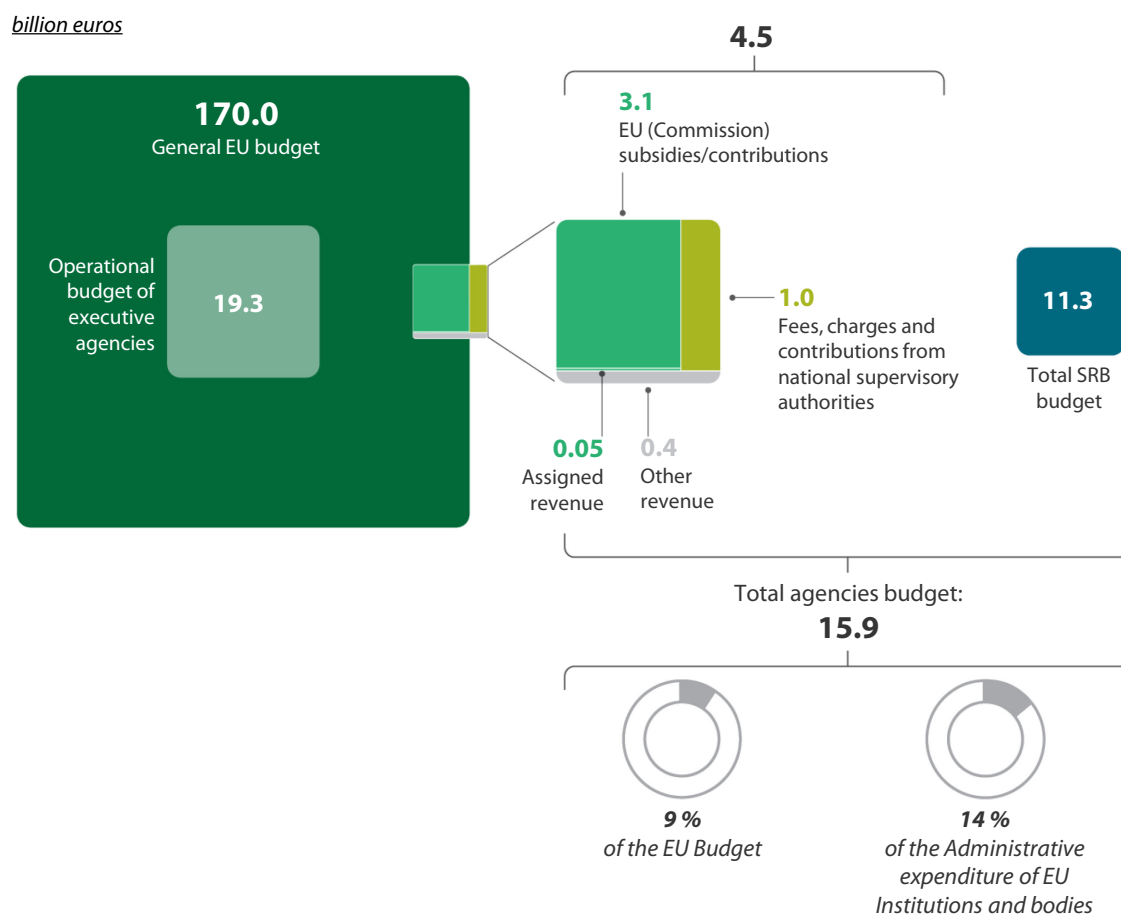
Agencies are financed from various sources and under different MFF headings

08 In 2022, the total budget of all agencies (excluding the SRB) was €4.5 billion (2021: €4.1 billion). This is equivalent to 3 % of the EU's general budget for 2022 (2021: 2.5 %), as shown in [Figure 3](#).

09 The 2022 budget of the SRB was €11.3 billion (2021: €9.7 billion). This consists of contributions from banks to set up the Single Resolution Fund (€11.2 billion) and to finance the SRB's administrative expenditure (€122 million).

10 The budgets of the decentralised agencies and the other bodies cover their staff, administrative and operational expenditure. The executive agencies implement programmes financed from the Commission's budget. Their own budgets, which in 2022 amounted to €345 million (2021: €326 million), only cover their own staff and administrative expenditure. The amount of the general EU budget managed by the executive agencies in 2022 to implement programmes on behalf of the Commission was €19.3 billion (2021: €13.1 billion). This increase is linked to the progress in rolling out EU programmes under the 2021-2027 Multiannual Financial Framework.

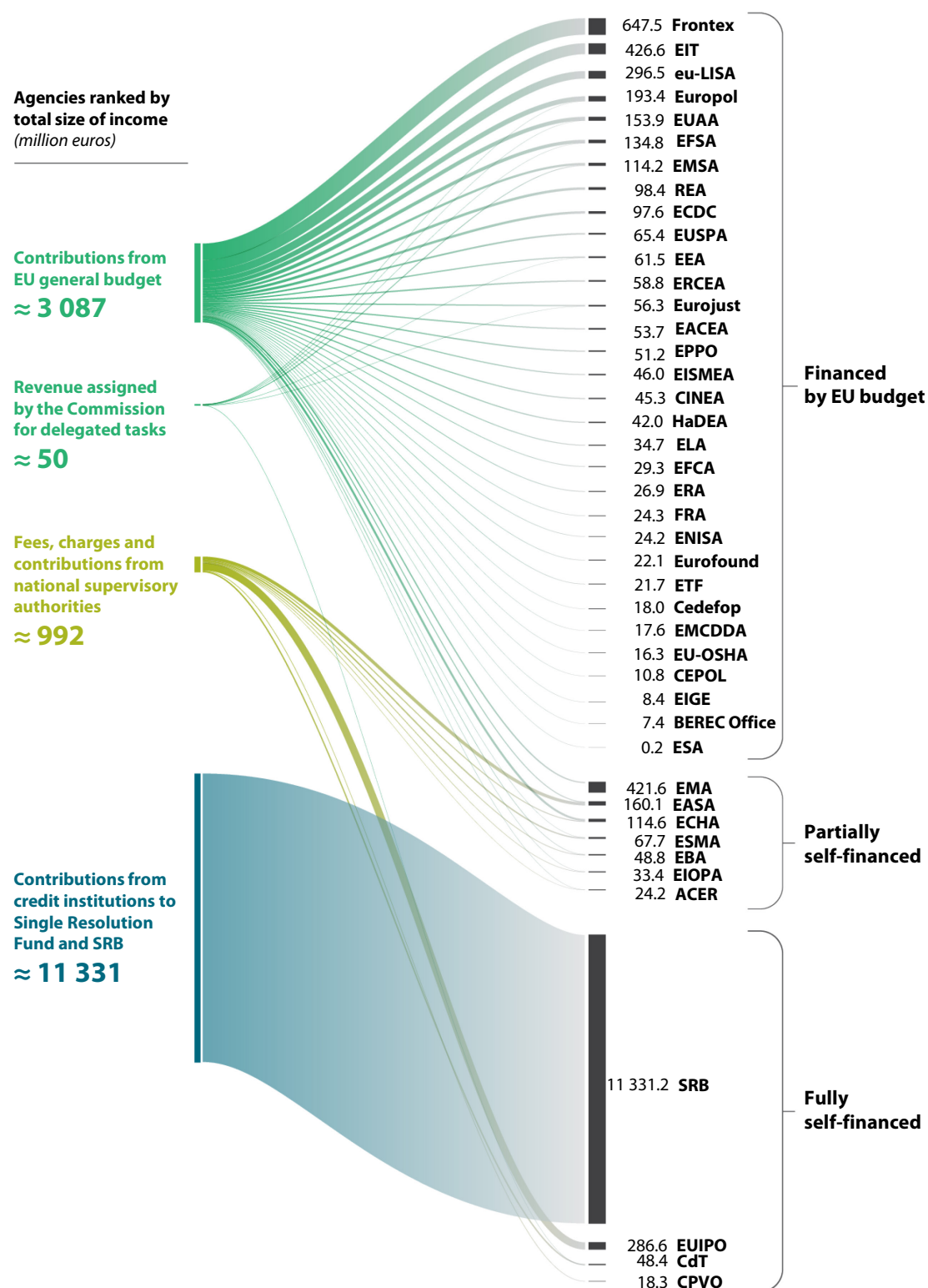
Figure 3 – Agencies' financing sources for 2022



Source: Draft general budget of the European Union for the 2022 financial year; Final annual accounts of the European Union 2022 and Annual Activity Reports of the executive agencies for 2022, compiled by the ECA.

11 Most agencies, including all executive agencies, are financed almost entirely by the EU general budget. The others are fully or partially financed by fees and charges from industries and by direct contributions from countries participating in their activities. [Figure 4](#) shows a breakdown of the agencies' budgets by source of revenue.

Figure 4 – Agencies' 2022 budgets by source of revenue



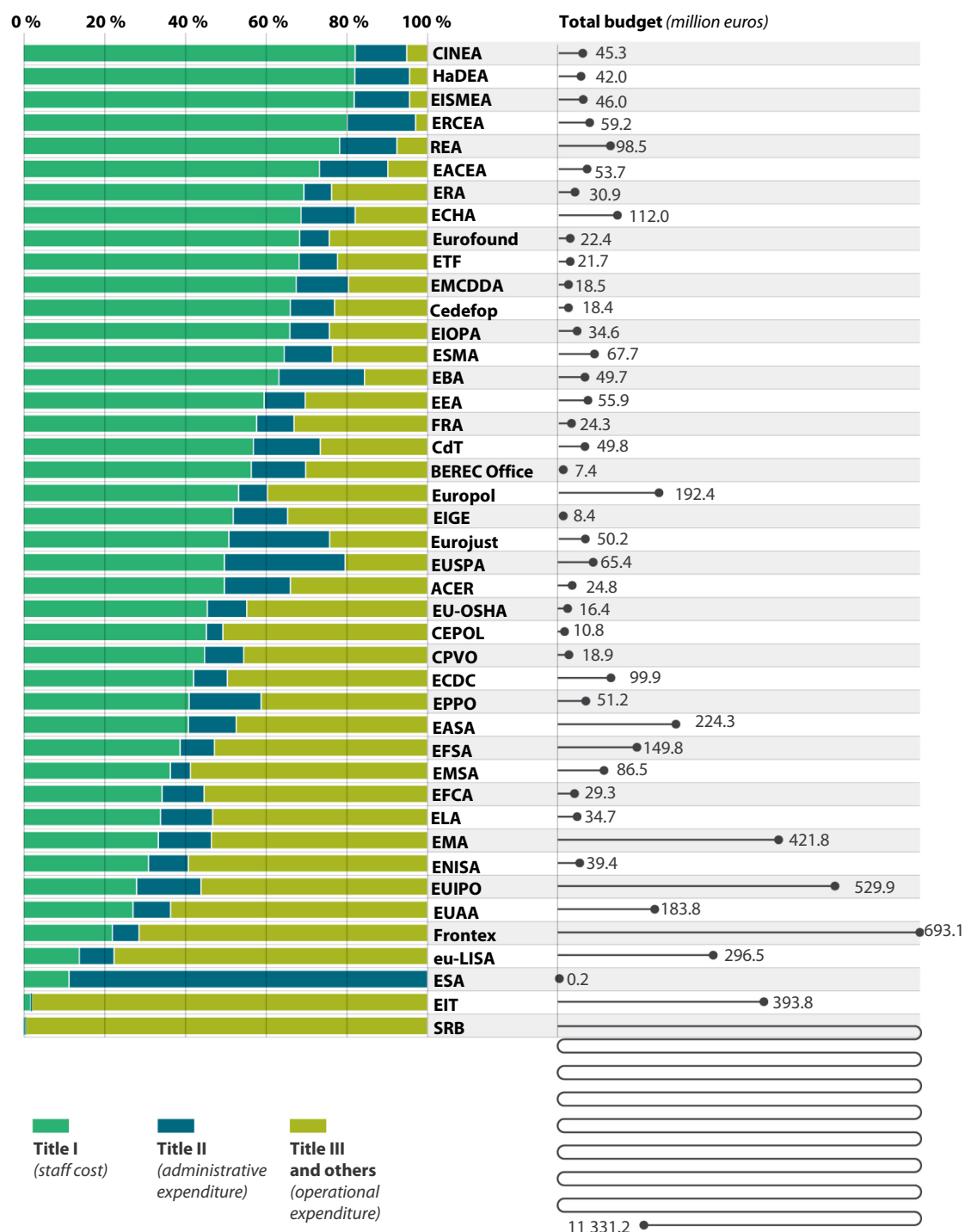
* The accounts of EUSPA for 2022 present a final budget of €65 million, while actual revenue amounted to €1.2 billion. This difference is explained by operational activities that are financed through assigned revenue; these are included in the approved budget as a token entry.

Note: Other miscellaneous revenue or budgetary reserves are not included.

Source: Agencies' final annual accounts 2022, compiled by the ECA.

12 *Figure 5* presents the agencies' 2022 budgets. They are broken down by type of expenditure (Title I – staff costs, Title II – administrative expenditure, and Title III – operational expenditure, together with any other titles used). Most agencies do not implement big operational spending programmes; instead, they deal with technical, scientific or regulatory tasks. As a result, most agencies' budgets consist mainly of staff and administrative expenditure. Overall, agencies' staff and administrative budgets represent around 14 % of total payment appropriations available for Multiannual Financial Framework (MFF) heading 7 – European public administration. This compares with 48 % for the Commission, 17 % for the Parliament, 8 % for the EEAS and 5 % for the Council and 8 % for the other EU institutions and bodies.

Figure 5 – Agencies' 2022 expenditure for each budget title



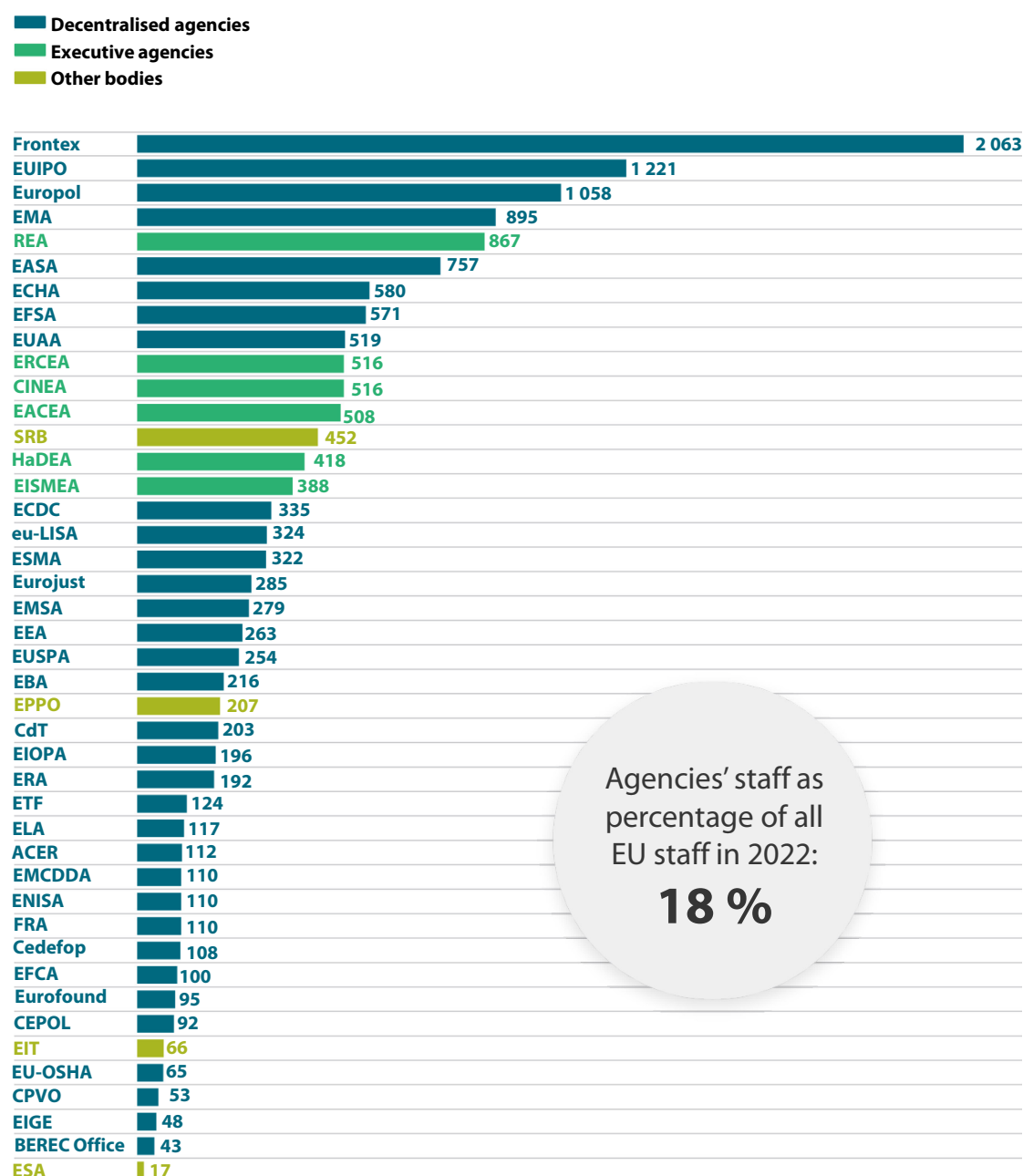
* The accounts of EUSPA for 2022 show a final budget of €65 million, while actual revenue amounted to €1.2 billion. This difference is explained by operational activities that are financed through assigned revenue that is included in the approved budget as a token entry.

** The figure for SRB comprises two parts: Part I with €122 million for the administration of the Board and Part II with €11.2 billion for the Fund. It does not include the Reserve.

Source: Agencies' final annual accounts 2022, compiled by the ECA.

13 *Figure 6* shows how many staff members the agencies employed on 31 December 2022. In total, the agencies employed 15 775 members of staff (2021: 14 431). This figure corresponds to the actual number of posts occupied by permanent officials, temporary and contract staff members and seconded national experts on that date. Most of the increase in the number of staff members employed since 2021 is attributable to the continuing build-up of the three agencies set up recently (HaDEA, ELA, EPPO) and to the growth of agencies which were assigned new tasks (EFCA, the EUAA and Frontex). Taking the establishment plans approved in the EU General Budget as a basis, about 18 % of all EU staff work for agencies. This compares with 49 % working for the Commission, 14 % for the Parliament, 6 % for the Council, 4 % for the Court of Justice, 4 % for the EEAS, 2 % for the ECA and 3 % for the other EU institutions.

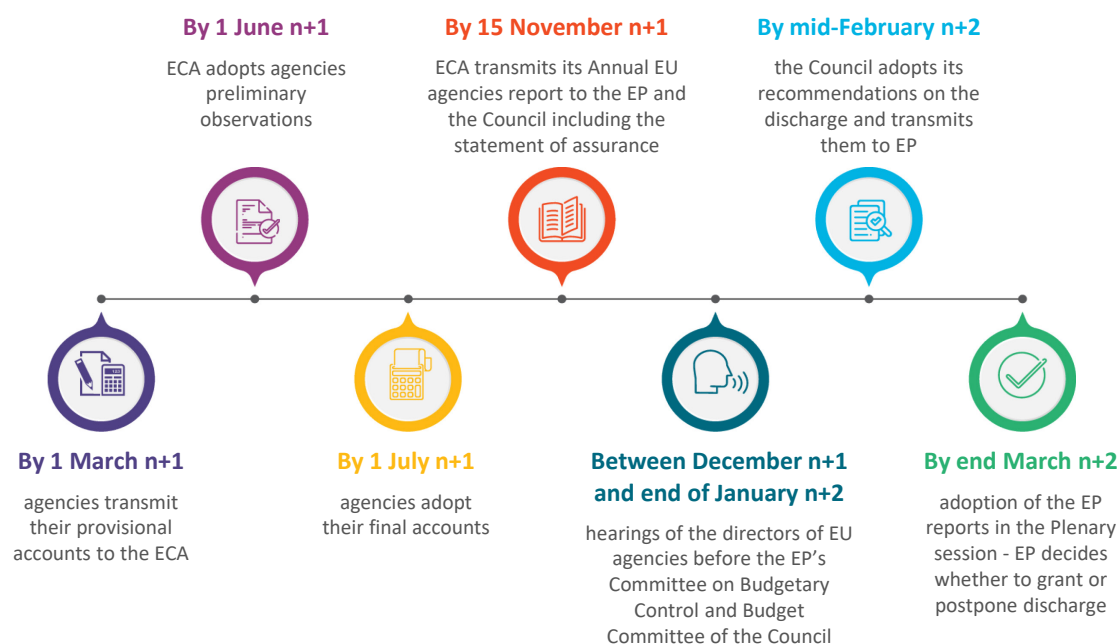
Figure 6 – Number of staff at each agency at the end of 2022



Source: Compiled by the ECA.

Budgetary and discharge arrangements are similar for all agencies except for EUIPO, CPVO and SRB

14 For most decentralised agencies and other bodies and for all the Commission executive agencies, the European Parliament and the Council are responsible for the annual budgetary and discharge procedures. The timeline of the discharge procedure is shown in [Figure 7](#).

Figure 7 – Discharge procedure for most agencies

Source: ECA.

15 However, two fully self-financed decentralised agencies (CPVO and EUIPO) are subject to budgetary and discharge procedures administered respectively by their Administrative Council or Budget committee, but not by the European Parliament or the Council³. Similarly, the SRB's annual budgetary and discharge procedure is the sole responsibility of its Board.

The EU Agencies Network facilitates inter-agency cooperation and communication with stakeholders

16 An EU Agencies Network was set up by the agencies as an inter-agency cooperation platform to enhance the agencies' visibility, to identify and promote possible efficiency gains, as well as actions with clear EU added value. It enables the agencies to communicate in a more coordinated way with their stakeholders and the general public on issues of shared concern, and provides a central point for gathering and disseminating information among all agencies. It also helps the agencies to share services, knowledge, and expertise. In 2020, EUAN endorsed its second multiannual

³ Review 01/2014: "Gaps, overlaps and challenges: a landscape review of EU accountability and public audit arrangements", paragraph 84.

strategy (2021-2027)⁴ incorporating the political and strategic direction of the Commission around two strategic pillars:

- o EU Agencies Network as a role model for administrative excellence;
- o EU Agencies Network as a well-established institutional partner.

17 EU Agencies Network is chaired by a different agency every year on a rotational basis, with plenary meetings coordinated by the Shared Support Office taking place twice per year. There are ten thematic sub-networks within EUAN. The ECA actively participates in some of these plenary and sub-network meetings by sharing good practices and providing information on audit processes and results.

18 At the centre of EUAN's work and the core of both multi-annual strategies is the aspect of sharing services, knowledge, and expertise. Some examples of cooperation include the sharing of services in the areas of disaster recovery, accounting, joint procurements, COVID-19-related matters and data protection.

⁴ [2021-2027 Strategy for the EU Agencies Network](#), Brussels, 9 November 2020.

Our audit

Our mandate

19 As required by Article 287 of the Treaty on the Functioning of the European Union, we have audited:

- o the accounts of all 43 agencies, which comprise the financial statements (i.e. the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets and a summary of significant accounting policies and other explanatory notes) and the reports on the implementation of the budget (which aggregate all budgetary operations and explanatory notes) for the financial year ended 31 December 2022, and
- o the legality and regularity of the transactions underlying those accounts.

20 On the basis of the results of our audit, we provide the European Parliament and the Council, or the other discharge authorities, with one statement of assurance as to the reliability of each agency's accounts and the legality and regularity of the underlying transactions. We complement the statements of assurance with significant audit observations, where appropriate.

We report suspected fraud to the relevant EU bodies OLAF and EPPO

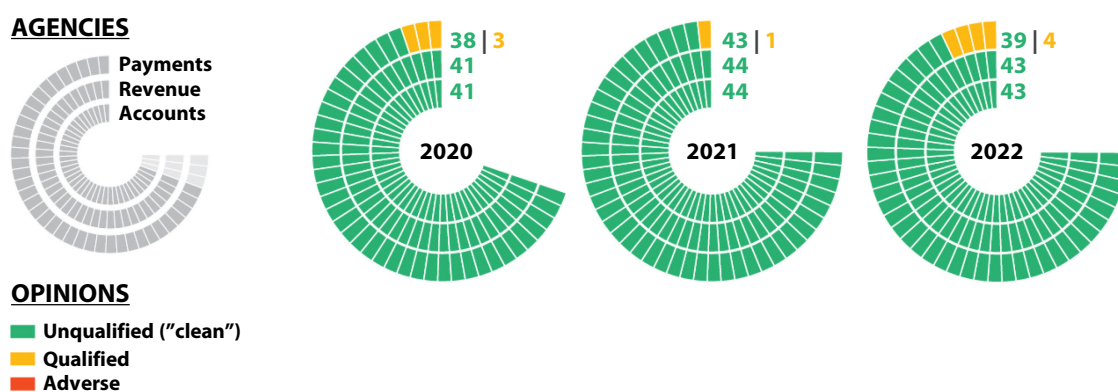
21 We cooperate with the European Anti-Fraud Office (OLAF) in matters related to suspected fraud and other illegal activity affecting the EU's financial interests, and with the EPPO in matters related to suspected crimes against the EU's financial interests. We notify OLAF or the EPPO about any suspicion that arises in the course of our audit work, even though our audits are not designed specifically to identify fraud.

Our opinions

Results from the annual agency audits for the financial year 2022 are less positive overall

22 Overall, our audit of the annual accounts of the agencies for the financial year ending on 31 December 2022 had less positive results than the previous year (see [Figure 8](#)). We have raised observations on irregularities and weaknesses affecting the reliability of the accounts and the payments underlying the accounts, in particular in relation to procurements.

Figure 8 – 2020-2022 annual audit opinions on agencies’ accounts, revenue and payments



Source: ECA.

‘Clean’ opinions on the reliability of all agencies’ accounts

23 For the 2022 financial year, the ECA issues unqualified (“clean”) audit opinions on the accounts of all 43 agencies (see [Figure 8](#)).

‘Emphasis of matter’ paragraphs are important for understanding the accounts of CINEA, the EMA, EPPO, ERA, ESMA, the EUAA, Eurojust, EUSPA, eu-LISA, Frontex and the SRB

What are ‘Emphasis of matter’ paragraphs?

‘Emphasis of matter’ paragraphs draw readers’ attention to a matter, presented or disclosed in the accounts, which is of such importance that it is fundamental to their understanding of the accounts or the underlying revenue or payments.

24 In the 2022 financial year, we have used ‘emphasis of matter’ paragraphs in our reports on eleven agencies: CINEA, the EMA, EPPO, ERA, ESMA, the EUAA, Eurojust, EUSPA, eu-LISA, Frontex and the SRB.

25 In the case of CINEA, ERA and Eurojust, we draw the attention to the implementation of a new budgetary, accounting and financial system, SUMMA, as a pilot for the European Commission.

26 The EMA provides significant disclosures in connection with property-related obligations and with the uncertainties surrounding the financial performance of the subtenant’s parent company because of the deterioration of its credit rating and the recent debt restructuring. The EMA could be held liable for the entire amount remaining payable under the contractual obligations of the head lease if the subtenant fails to meet its obligations. On 31 December 2022, the total estimated outstanding rent, associated services charges and landlord insurance to be paid by the EMA up to the end of the lease term was €366 million.

27 The EPPO’s accounts include two disclosures, one regarding the comparative data for 2021 because of EPPO’s autonomy from June 2021 and another regarding the transfer of intangible assets to EPPO from the Commission, free of charge.

28 The ESMA’s accounts include a disclosure regarding the uncertainty related to the outcome of a lawsuit - UniSystems Luxembourg and Unisystems sistimata pliroforikis v ESMA - Case T-750/22.

29 The accounts of two agencies (the EUAA and EUSPA) include disclosures regarding the impact of the Russian war of aggression against Ukraine on their activities.

30 In the case of eu-LISA, the accounts include a disclosure describing the delays in the implementation of the Entry/Exit System and the related impact on eu-LISA operations.

31 Frontex's accounts include a disclosure regarding the fact that its accounting system was not validated for the second year in a row and another disclosure regarding the incorrect calculation of the contributions from Schengen associated countries.

32 The SRB's disclosure on appeals and legal cases describes administrative appeals and judicial proceedings related to the ex-ante contributions between some credit institutions and national resolution authorities and the SRB as well as other legal proceedings brought against the SRB before the General Court and the Court of Justice mainly related to resolution and non-resolution decisions.

'Clean' opinions on the legality and regularity of the revenue underlying all agencies' accounts

33 For the 2022 financial year, the ECA issues unqualified ("clean") audit opinions on the legality and regularity of the revenue underlying all agencies' accounts (see [Figure 8](#)).

'Emphasis of matter' paragraph aids understanding of the SRB's revenue

34 We also used an 'emphasis of matter' paragraph in our report on the SRB, because a part of the SRB's revenue in relation to the ex-ante contributions to the SRF is under legal dispute. This is relevant for our opinion on the SRB's revenue because, depending on the outcome of the litigation, the SRB might have to recalculate the amounts of contributions from certain banks.

‘Other matter’ paragraph addresses an issue of specific importance for the SRB’s revenue

What are ‘Other matter’ paragraphs?

Other matter’ paragraphs present significant issues, other than those presented or disclosed in the accounts, which are nevertheless relevant for the understanding of the accounts or the underlying revenue or payments.

35 The SRM Regulation does not establish a comprehensive and consistent control framework to ensure the reliability of the information provided by the banks to the SRB for the calculation of the ex-ante contributions to the SRF. However, the SRB performs consistency and analytical checks of the information, as well as some ex-post checks at the level of the banks. Furthermore, the SRB cannot release details on the risk-adjusted contribution calculations for each bank as they are interlinked, and include confidential information about other banks. This may affect the transparency of these calculations. We noted that for the calculation of the 2022 contributions, the SRB has organised a consultation phase for the institutions in question. In this consultation, the SRB communicated data that allowed banks to simulate the calculation of the 2022 ex-ante contributions and covered the impact of adjustments in the data initially submitted by the credit institutions.

‘Clean’ opinions on the legality and regularity of the payments underlying the accounts of 39 agencies

36 For the 2022 financial year, we issued unqualified (“clean”) audit opinions on the legality and regularity of the payments underlying the annual accounts for 39 of the 43 agencies (see [Figure 8](#)).

37 In the case of four agencies (the CdT, CEPOL, the ECDC and eu-LISA) we issued qualified opinions. For each of these agencies, the amount of affected expenditure exceeded the materiality threshold set for this audit.

38 In the case of CdT we found instances of contracts awarded that we considered as irregular as well as implementation of existing contracts in excess of their global ceiling. The total amount of non-compliant expenditure is €1.3 million. This represents 2.4 % of the total payment appropriations available in 2022.

39 For CEPOL, the implementation of two framework contracts was done by CEPOL staff members who did not have the delegated authority to enter into legal

commitments on behalf of CEPOL, or by interim employees who – because of their interim status – could not legally have such delegated authority. The implementation of another framework contract lacked essential audit evidence supporting the amounts paid. The total amount of non-compliant expenditure is €4.26 million. This represents 13.5 % of the total payment appropriations available in 2022.

40 In the case of ECDC, the management of Health Emergency Preparedness and Response Authority (HERA) incubator grants to 24 national health authorities in the EU/European Economic Area countries was affected by beneficiaries declaring ineligible VAT. The beneficiaries were public health authorities, governed by public law and engaged in activities as public authorities. Consequently, VAT is not an eligible cost.

41 For eu-LISA, of the 26 payments we audited, six were considered irregular. They related to the implementation of framework contracts. We also identified other 2022 payments linked to three specific contracts which we found irregular in our 2021 report. The total amount of affected expenditure is €17.8 million. This represents 4.8 % of the total payment appropriations available in 2022. Because of similar observations, we qualified our opinion on the legality and regularity of eu-LISA's payments in 2020 and 2021.

‘Emphasis of matter’ paragraph aids understanding of ESMA’s payments

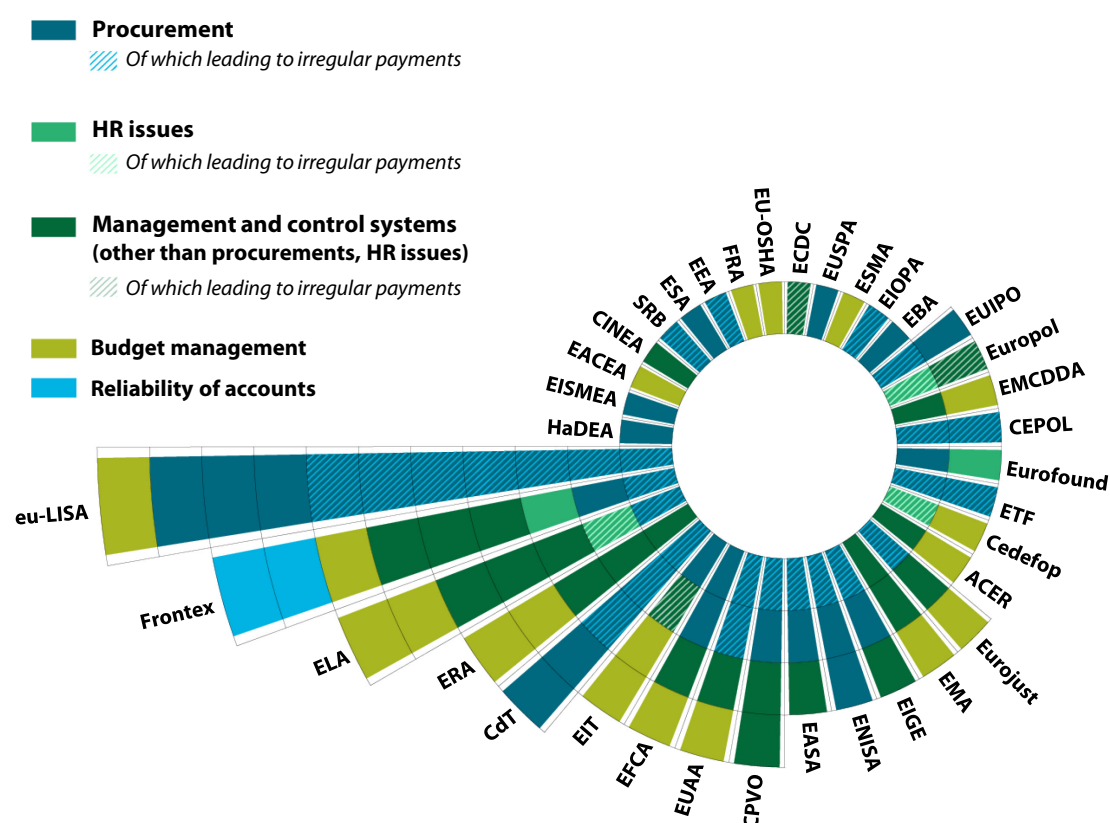
42 The emphasis of matter on the reliability of the ESMA's accounts described in paragraph 28 regarding a lawsuit, applies in full for the legality and regularity of ESMA's payments.

Our observations address areas for improvement

43 In total, we made 98 observations concerning 36 agencies pointing out areas where further improvements are needed. These numbers include the observations which served as the basis for qualified opinions, as well as the observation covered by the ‘other matter’ paragraphs. Most of the observations concern shortcomings in public procurement procedures, management and control systems, budgetary management, reliability of accounts and human resources (HR) issues. Weaknesses in public procurement procedures remain the main source of irregular payments.

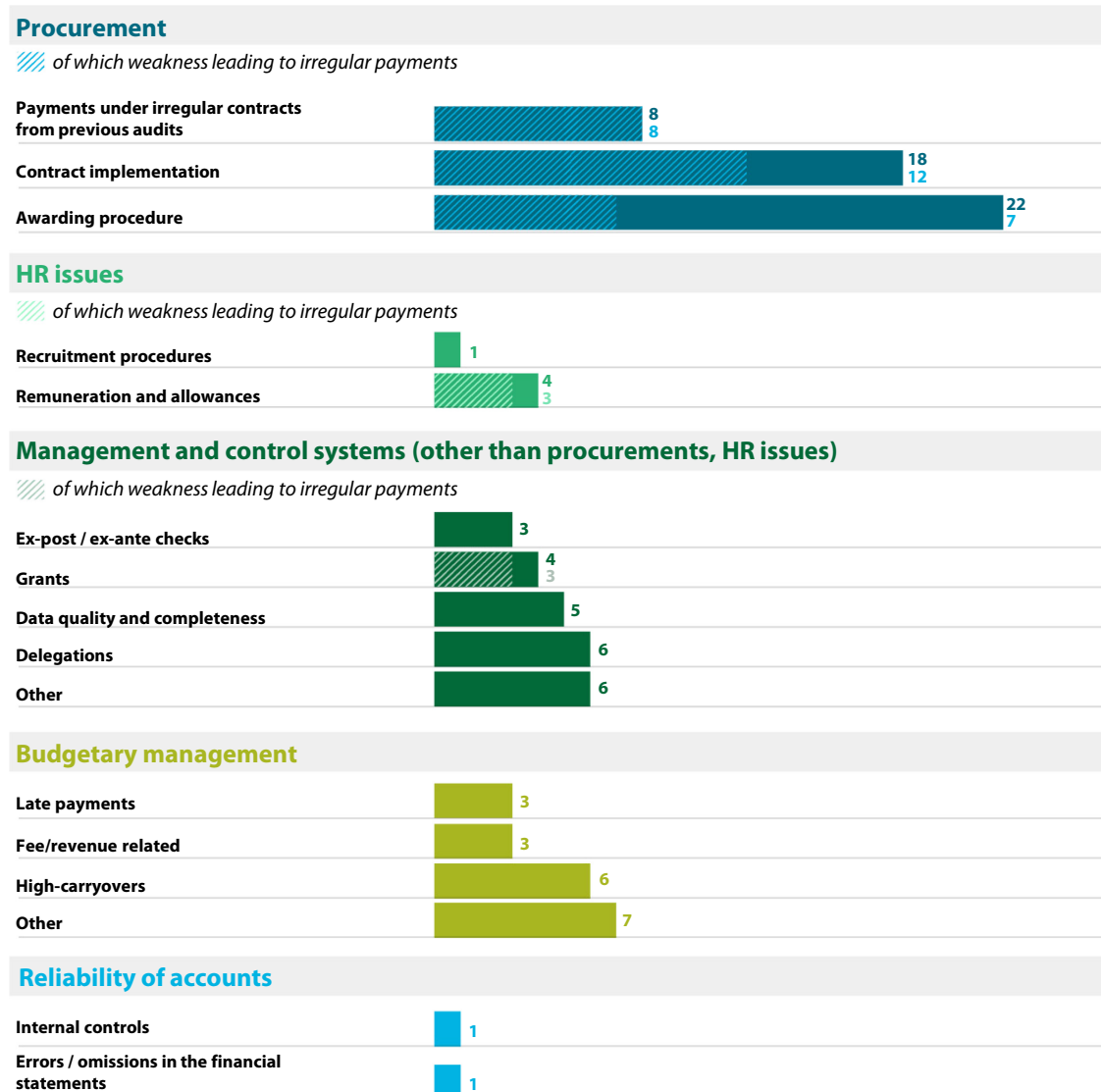
44 [Figure 9](#) and [Figure 10](#) show the number of different types of observations raised across 36 agencies throughout our report.

Figure 9 – Number of observations concerning each agency



Source: ECA.

Figure 10 – Number of observations by type of frequent weaknesses



Source: ECA.

Public procurement weaknesses are increasing and remain the largest source of irregular payments

45 The objective of public procurement rules is to enable procuring entities to obtain the goods and services they need at best price, while ensuring fair competition between tenderers and compliance with the principles of transparency, proportionality, equal treatment and non-discrimination. We audited procurement in all the 43 agencies. For 24 agencies (the CdT, CEPOL, CPVO, EASA, the EBA, the EEA, EFCA, EIGE, EIOPA, EISMEA, the EIT, ELA, ENISA, ESA, the ETF, the EUAA, EUIPO, eu-LISA, Eurofound, Eurojust, EUSPA, Frontex, HADEA and the SRB), we reported contracts affected by various public procurement shortcomings. **Box 1** presents examples of typical irregularities in the implementation of procurement contracts.

Box 1

Examples of irregular implementation of contracts

EUIPO awarded a contract of €5 million for travel agency services after a negotiated procedure without prior publication of a contract notice for reasons of extreme urgency brought about by unforeseeable events. The contract became necessary after the previous contractors informed EUIPO of their decision not to renew the existing contract. We consider that the use of such procedure was not justified under point 11.1(c) of Annex I to the Financial Regulation because the contractor's decision not to renew a contract in line with the contract provisions defined by EUIPO cannot be considered as an unforeseeable event not attributable to the contractor authority. We also consider that the length of time between the date EUIPO received the information of the intention not to renew the contract and the award of the new contract was sufficient to conduct an accelerated open procedure. EUIPO did not make any payments under this contract in 2022.

Frontex signed a service contract for psychological screening for new European Border and Coast Guard officers, with an initial value of €79 000. This contract was intended to be a “bridging solution” between the framework contract for psychological services that had ended in 2021 and a new one, for which an open tender procedure was being prepared. Due to delays in the new procedure, Frontex amended the contract four times, increasing its value to €502 900, an increase by 536 % more than the initial value. This exceeded the 50 % margin for increasing contract value, which Article 172(3)(a)(iii) of the Financial Regulation allows in such a situation.

46 We note an increase in the number of procurement observations we raised over the last three financial years (from 18 in 2020 and 34 in 2021 to 48 in 2022), as well as in the number of agencies concerned (from 14 in 2020 and 22 in 2021 to 24 in 2022). As shown in [Figure 11](#), since the 2020 financial year, we have raised new procurement-related observations every year for four agencies (CEPOL, EBA, EIOPA, and eu-LISA).

Figure 11 – Our observations on public procurement weaknesses and irregularities have become more frequent over the last three years

	2020	2021	2022	Total number of procurement-related observations	
CdT		△ € €	△ € € → €	5	△ €
CEPOL	€	△ € €	△ €	5	Observation of the year affecting payments
eu-LISA	△ €	△ €	△ € € → €	5	
EBA	△ € €	€	€	4	€
EIGE	→ €	€	△ € €	4	Observation of the year not affecting payments
EUAA	→ €	→ €	△ € → €	4	→ €
CPVO		△ €	€ → €	3	Observations from previous years affecting payments
EIOPA	△ €	△ €	△ €	3	
EMA	△ € €	€		3	
ENISA		€	△ € €	3	
EU IPO	→ €	→ €	€ → €	3	
Eurofound	→ €	→ €	€	3	
Eurojust	△ €	→ €	→ €	3	
Frontex		€	△ € €	3	
ESMA	€	€		2	
ACER	→ €	→ €		2	
EEA		€	→ €	2	
EISMEA		€	€	2	
ELA		€	△ €	2	
EASA			△ € €	2	
ETF			△ €	1	
BEREC Office		€		1	
Cedefop	€			1	
EFCA			€	1	
EIT			€	1	
EMSA		€		1	
ERCEA	△ €			1	
ESA			€	1	
EU-OSHA		€		1	
EUSPA			€	1	
HaDEA			€	1	
SRB			△ €	1	
TOTAL number of agencies for which we raised a procurement-related observation in a given year	14	22	24		

Source: ECA.

Action to be taken 1

The agencies concerned by public procurement errors should further improve their public procurement procedures, ensuring full compliance with the applicable rules, so that they achieve the best possible value for money.

In particular, when implementing framework contracts, agencies should only use specific contracts to procure goods or services covered by the associated framework contract. Agencies should also ensure that they comply with the conditions for modifying existing contracts set out in the Financial Regulation.

Management and control systems are affected by weaknesses

47 For 16 agencies (ACER, CINEA, the CPVO, EASA, the ECDC, EFCA, EIGE, the EIT, ELA, the EMA, the EMCDDA, ERA, the EUAA, Eurojust, Europol and Frontex) we report weaknesses in management and control systems other than those concerning procurements and HR issues. For these 16 agencies, our observations concern deficiencies in data quality and completeness, expenditure implemented without the proper delegation of power of an authorising officer, absence of adequate ex-post/ex-ante checks, and weaknesses in the management of grants and commitments.

48 *Figure 10* shows the most common types of internal control weaknesses we identified. *Box 2* provides examples of such weaknesses in relation to grants.

Box 2

Examples of weaknesses in management and control systems regarding grants leading to irregular payments

The ECDC provided grants to public health authorities in member states in order to improve national capacities and laboratory infrastructure required for identifying and monitoring new variants of the SARS-CoV-2 virus.

Europol provided grants to a national police force in a member state for various police training activities, including the acquisition of five boats for police training and patrol operations.

In both cases, the agencies included in their payments to the grant beneficiaries a reimbursement of the VAT associated with the claimed costs. This contravenes Article 186(4) of the Financial Regulation, because the beneficiaries were public authorities engaged in activities of a public authority and therefore they were not entitled to VAT reimbursement.

Action to be taken 2

When managing grants, agencies should ensure compliance with the applicable rules, in particular regarding the reimbursement of VAT to beneficiaries which are public authorities.

Weaknesses regarding HR issues affected mostly allowances to seconded national experts

49 For five agencies (Cedefop, ELA, Eurofound, Europol and Frontex) we report weaknesses related to allowances to seconded national experts, traineeship grants and recruitment procedures. [Figure 10](#) shows the most common types of weaknesses concerning HR issues.

Weaknesses in budgetary management typically result in high carry-overs or late payments

50 For 16 agencies (ACER, Cedefop, EFCA, the EIT, ELA, the EMA, the EMCDDA, ERA, ESMA, EU-OSHA, Eurojust, the EUAA, eu-LISA, FRA, Frontex and EACEA), we report weaknesses related to various aspects of budgetary management, for example

excessive carry-overs of appropriations, late payments or fee/revenue related issues.

Figure 10 shows the most common types of weaknesses concerning budgetary management. **Box 3** provides examples of such weaknesses in relation to revenue.

Box 1

Examples of budgetary management observations related to non-EU country contributions

The EUAA and Frontex both collect part of their revenue from Schengen associated countries (Iceland and Lichtenstein, Norway and Switzerland). The amount of these contributions should reflect the relative size of the economies of these countries, as compared to the EU economies. Due to unclear legal basis and established practice, the way these contributions are calculated causes them to be around 7 % lower than they should be.

Action to be taken 3

The EUAA and Frontex should work with the Commission to clarify the legal basis, if necessary by re-negotiating agreements with Schengen associated countries, so that their contributions to EUAA's and Frontex's budgets correctly reflect the size of these countries' economies compared to the size of the EU economy.

51 Under articles 12 and 13 of the Framework Financial Regulation, budget appropriations granted for a given financial year can be carried over to the next financial year under certain conditions. The Financial Regulation does not set ceilings for such carry-overs and the multi-annual nature of operations can explain a number of them. Excessive levels of carry-overs can, however, indicate delays in the implementation of work programmes or procurement plans. Alternatively, they could indicate a structural issue, weak budgetary planning, or possibly a contravention of the budgetary principle of annuality. We consider carry-over levels to be potentially excessive, if they exceed 10 % for staff costs (Title I), 20 % for administrative expenditure (Title II) and 30 % for operational costs (Title III and others), in particular if such carry-overs become recurrent and structural. We report such weaknesses concerning six agencies (ACER, EACEA, EFCA, ELA, eu-LISA, and FRA)

Action to be taken 4

To resolve excessive levels of carry-overs, the agencies concerned should further improve their budget planning and its implementation cycles.

Agencies are following up on previous years' audit observations

52 We provide information on the status of follow-up actions taken by the agencies in response to observations from previous years. For the 121 observations that had not been addressed at the end of 2021, corrective action had been completed in 64 cases. For 23 agencies (ACER, CdT, Cedefop, CEPOL, CPVO, EACEA, EASA, EISMEA, EIOPA, EIT, ELA, ENISA, EPPO, ERA, ESMA, ETF, EUAA, EUIPO, eu-LISA, Eurojust, FRA, Frontex and the SRB) we report a total of 57 observations from previous years that remain open at the end of 2022.

The agencies' response to the climate and energy crises and their reporting on climate and energy performance

53 We complemented our recurrent audit work on the reliability of the agencies' accounts and the legality and regularity of their revenue and payments with an analysis of how agencies responded to the climate and energy crises and how they reported on their climate and energy performance. Energy and climate are two closely related topics, because climate change is caused by greenhouse gas emissions, which are largely due to the human consumption of fossil fuels. Climate change cannot be minimised without a radical increase in energy efficiency and replacement of fossil fuels with renewable sources of energy.

54 In our review of the EU agencies, we checked whether they undertook or planned measures to improve their energy efficiency and to reduce their carbon footprint. We also checked whether they implemented sustainability reporting or issued environmental statements, and whether they introduced the EU Eco-Management and Audit Scheme.

Nearly two in three EU agencies have made plans to improve energy efficiency and climate neutrality of their operations

55 As shown in Table 1, 27 of the 43 EU agencies (63 %) have established corporate plans to respond to the climate or energy crises by improving energy efficiency and climate neutrality of their operations. This is important because EU agencies play significant roles in various policy areas and, in a certain way, represent the EU in their host member states. Therefore, they can lead by example and become role models for national administrations and businesses in their sector.

Table 1 – EU agencies having corporate plans to improve energy efficiency and climate neutrality of their operations

Agencies with a plan to respond to the climate or energy crises				
Decentralised agencies and other bodies, grouped by size				Executive agencies
small (less than 200 staff)		medium (between 201 and 400 staff)	large (more than 400 staff)	
ACER ✓	ELA	CdT ✓	EASA	CINEA ✓
BEREC Office	EMCDDA ✓	EBA ✓	ECHA ✓	EACEA ✓
Cedefop ✓	ENISA	ECDC	EFSA ✓	EISMEA ✓
CEPOL	ERA ✓	EEA ✓	EMA ✓	ERCEA ✓
CPVO ✓	ESA	EMSA ✓	EUAA	HADEA ✓
EFCA	ETF ✓	EPPO	EUIPO ✓	REA ✓
EIGE	EU-OSHA ✓	ESMA ✓	Europol ✓	
EIOPA ✓	Eurofound ✓	eu-LISA ✓	Frontex	
EIT ✓	FRA	Eurojust	SRB	
		EUSPA		
10 of 18		6 of 10	5 of 9	6 of 6

Source: ECA, based on the information and the evidence obtained from the agencies.

56 For 22 of the 27 agencies with such plans, these plans included quantified targets for reducing the agencies' carbon footprint, including targets for corporate greenhouse gas emissions, the consumption of electricity, gas and/or heating.

57 Conversely, this means that 21 out of 43 agencies (almost half of them) did not have a corporate plan to improve energy efficiency and climate neutrality or did not define quantified targets for reducing the agencies' carbon footprint.

Action to be taken 5

All EU agencies should prepare up-to-date corporate plans to improve their climate neutrality and energy efficiency. In order to increase transparency and accountability, such plans should have clearly defined, quantified baselines and targets, for example for reducing carbon footprint and energy consumption.

Several agencies have some form of reporting on their climate and energy performance

58 Although EU institutions and bodies are under no obligation to issue sustainability reports, they can do so on a voluntary basis. When we examined the sustainability reporting of EU agencies in a 2019 review, we found that the only agency to issue a

sustainability report was EUIPO, which followed the GRI standards. In 2022, we found that this had not changed: EUIPO was still alone among EU agencies in publishing a sustainability report. However, its report, which used to be a separate document, is now part of its consolidated annual activity report (see page 50). We also found that three other agencies (Cedefop, EIT and Eurofound) planned to start issuing a sustainability report by 2024. In addition, the EU Agencies Network set up a working group to promote the introduction of sustainability reporting and the sharing of good practices in this area.

59 Even if the implementation of full sustainability reporting remains very limited among EU agencies, many of them have some form of environmental reporting, such as carbon footprint reporting or environmental reporting integrated in the agencies' annual activity reports (see Table 2).

Table 2 – Nearly half of the EU agencies issue an environmental statement

Agencies with an environmental statement				
Decentralised agencies and other bodies, grouped by size				Executive agencies
small (less than 200 staff)		medium (between 201 and 400 staff)	large (more than 400 staff)	
ACER	ELA	CdT	EASA	CINEA ✓
BEREC Office	EMCDDA ✓	EBA ✓	ECHA ✓	EACEA ✓
Cedefop	ENISA	ECDC	EFSA ✓	EISMEA ✓
CEPOL	ERA	EEA ✓	EMA	ERCEA ✓
CPVO	ESA	EMSA ✓	EUAA	HADEA ✓
EFCA	ETF ✓	EPPO	EUIPO ✓	REA ✓
EIGE	EU-OSHA	ESMA ✓	Europol ✓	
EIOPA ✓	Eurofound ✓	eu-LISA ✓	Frontex	
EIT	FRA	Eurojust	SRB	
		EUSPA		
4 of 18		5 of 10	4 of 9	6 of 6

Source: ECA, based on the information and evidence obtained from the agencies.

60 Producing environmental statements is closely correlated with the adoption of the EU Eco-Management and Audit Scheme (EMAS), a management instrument developed by the European Commission for organisations to evaluate, report, and improve their environmental performance. This is because publication of key environmental data, for example in the form of an environmental statement, is one of the basic requirements of EMAS. Overall, 17 of the 43 EU agencies (40 %) have already implemented EMAS (see Table 3).

Table 3 – Two in five EU agencies have implemented EMAS

Agencies that have implemented EMAS				
Decentralised agencies and other bodies, grouped by size				Executive agencies
small (less than 200 staff)		medium (between 201 and 400 staff)	large (more than 400 staff)	
ACER	ELA	CdT	EASA	CINEA ✓
BEREC Office	EMCDDA	EBA ✓	ECHA ✓	EACEA ✓
Cedefop	ENISA	ECDC	EFSA ✓	EISMEA ✓
CEPOL	ERA	EEA ✓	EMA	ERCEA ✓
CPVO	ESA	EMSA ✓	EUAA	HADEA ✓
EFCA	ETF ✓	EPPO	EUIPO ✓	REA ✓
EIGE	EU-OSHA	ESMA ✓	Europol ✓	
EIOPA ✓	Eurofound ✓	eu-LISA	Frontex	
EIT	FRA	Eurojust	SRB	
		EUSPA		
3 of 18		4 of 10	4 of 9	6 of 6

Source: ECA, based on the information and the evidence obtained from the agencies.

Action to be taken 6

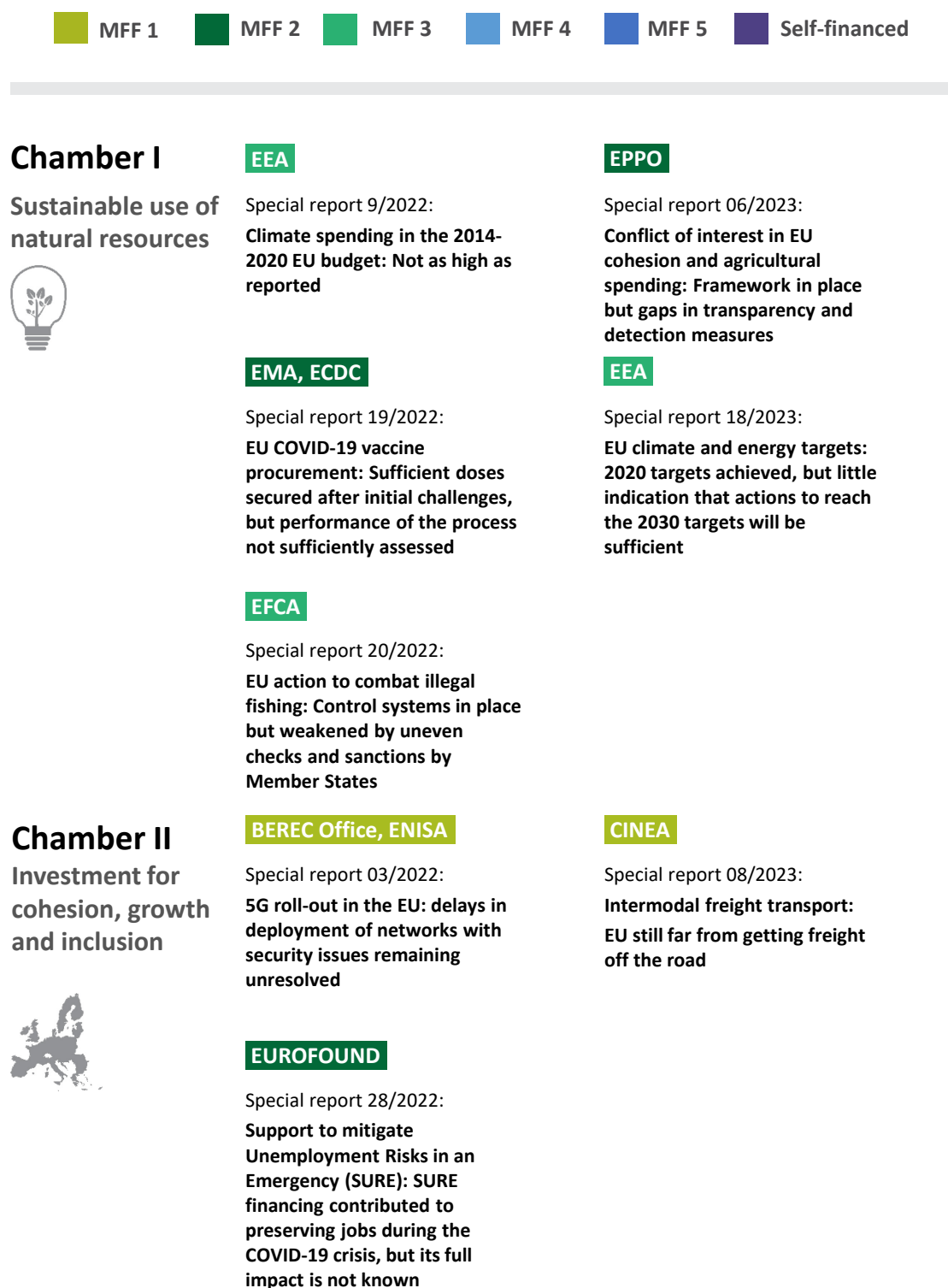
All EU agencies should report on their climate, energy and environmental performance, for example by issuing sustainability reports or environmental statements.

In addition, they should implement EMAS.

The European Union Agencies Network should play an important role in promoting the implementation of EMAS and sustainability or environmental reporting, by issuing guidance and facilitating the sharing of experience and good practices.

Other agency-related products issued by the ECA

61 Apart from audit reports specifically covering the agencies, in the course of 2022 and the first half of 2023, the ECA also issued a number of special reports on EU policy implementation which referred to a number of agencies, a full list is included in *Figure 12*.



Chamber III

External action, security and justice



ENISA

Special report 05/2022:
Cybersecurity of EU institutions, bodies and agencies: Level of preparedness overall not commensurate with the threats

ECDC EUSPA

Special report 13/2022:
Free movement in the EU during the COVID-19 pandemic: Limited scrutiny of internal border controls, and uncoordinated actions by Member States

ECDC, EMA EASA

Special report 01/2023:
Tools facilitating travel within the EU during the COVID-19 pandemic: Relevant initiatives with impact ranging from success to limited use

Chamber IV

Regulation of markets and competitive economy



ESMA, EIOPA, EBA

Special report 04/2022:
Investment funds EU actions have not yet created a true single market benefiting investors

EUIPO

Special report 06/2022:
EU intellectual property rights: Protection not fully waterproof

EISMEA

Special report 07/2022:
SME internationalisation instruments: A large number of support actions but not fully coherent or coordinated

REA

Special report 15/2022:
Measures to widen participation in Horizon 2020 were well designed but sustainable change will mostly depend on efforts by national authorities

ECDC

Special report 26/2022:
European statistics – Potential to further improve quality

ACER

Special report 03/2023:
Internal electricity market integration: Complex legal architecture, delays, weaknesses in governance and incomplete market surveillance hamper full achievement of the ambitious objective

EBA

Special report 12/2023:
EU supervision of banks' credit risk: The ECB stepped up its efforts but more is needed to increase assurance that credit risk is properly managed and covered

MFF 1
 MFF 2
 MFF 3
 MFF 4
 MFF 5
 Self-financed

Chamber V

Financing and administering the Union



REA

Special report 11/2022:

**Protecting the EU budget:
Better use of blacklisting
needed**

EISMEA

Special report 17/2022:

**External consultants at the
European Commission: Scope
for reform**

Source: ECA.

COPYRIGHT

© European Union, 2023

The reuse policy of the European Court of Auditors (ECA) is set out in [ECA Decision No 6-2019](#) on the open data policy and the reuse of documents.

Unless otherwise indicated (e.g. in individual copyright notices), ECA content owned by the EU is licensed under the [Creative Commons Attribution 4.0 International \(CC BY 4.0\) licence](#). As a general rule, therefore, reuse is authorised provided appropriate credit is given and any changes are indicated. Those reusing ECA content must not distort the original meaning or message. The ECA shall not be liable for any consequences of reuse.

Additional permission must be obtained if specific content depicts identifiable private individuals, e.g. in pictures of ECA staff, or includes third-party works.

Where such permission is obtained, it shall cancel and replace the above-mentioned general permission and shall clearly state any restrictions on use.

To use or reproduce content that is not owned by the EU, it may be necessary to seek permission directly from the copyright holders.

Software or documents covered by industrial property rights, such as patents, trademarks, registered designs, logos and names, are excluded from the ECA's reuse policy.

The European Union's family of institutional websites, within the europa.eu domain, provides links to third-party sites. Since the ECA has no control over these, you are encouraged to review their privacy and copyright policies.

Use of the ECA logo

The ECA logo must not be used without the ECA's prior consent.



EUROPEAN
COURT
OF AUDITORS



Publications Office
of the European Union