

REPORT**on the annual accounts of the European Monitoring Centre for Drugs
and Drug Addiction for the financial year 2005 together
with the Centre's replies**

(2006/C 312/15)

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INTRODUCTION

1. The European Monitoring Centre for Drugs and Drug Addiction (hereinafter the Centre) was established by Council Regulation (EEC) No 302/93 of 8 February 1993 ⁽¹⁾. Its main task is to collect data on drugs and drug addiction in order to prepare and publish information that is objective, reliable and comparable at European level. The information is intended to provide a basis for analysing the demand for drugs and ways of reducing both it and, in general, phenomena associated with the drug market.

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 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 ⁽²⁾. 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 2005 ⁽³⁾ were drawn up by its Director, pursuant to Article 11 of Regulation (EEC) No 302/93, and sent to the Court, which is required to give its opinion 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 below.

⁽¹⁾ OJ L 36, 12.2.1993 This Regulation was amended by Regulations (EC) No 3294/94 of 22 December 1994 (OJ L 341, 30.12.1994, p. 7.) and (EC) No 1651/2003 of 18 June 2003 (OJ L 245, 29.9.2003, p. 30).

⁽²⁾ OJ L 248, 16.9.2002, p. 1.

⁽³⁾ These accounts were drawn up on 15 June 2006 and received by the Court on 13 July 2006.

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 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 utilisation rate of commitment appropriations is greater than 90 %, whereas the corresponding rate for payment appropriations is only 85 %. Expenditure on administration shows a high carry-over rate of almost 40 %. This situation is the result of concentrating purchases in the latter part of the year, which has concomitant risks for the quality of acquisition procedures. The Centre should manage its procurement policy better, in order to avoid carrying over appropriations, which makes management more cumbersome.

8. For the purposes of management, the Centre has prepared an activity-based budget. This initiative must be taken further with a view to improved performance monitoring and evaluation of its effectiveness by introducing analytical accounts so that the cost of the Centre's various activities can be ascertained.

9. In its previous report, the Court noted that only the accounting officer's signature was needed for the bank accounts, and the Centre undertook to implement a countersigning system. As at February 2006, no such system had yet been introduced.

10. The fixed asset inventory systems are not included in the general accounts. Without a reliable labelling system, the traceability of the assets entered in the inventory cannot be assured.

11. There are deficiencies in the staff recruitment procedures. In one selection procedure, the selection board was not composed in accordance with the parity principle established in the Staff Regulations ⁽⁴⁾. In another case, the successful candidate had not obtained the best assessment in the selection procedure.

⁽⁴⁾ Article 12 of the Rules applicable to other servants.

12. At the end of 2004, a member of staff was sent on a long-term (two-year) mission to Brussels. It has not been possible to ascertain the purpose of this mission, which had cost around 70 000 euro (in pay and allowances) by the end of 2005, and the person concerned did not have a heavy workload. When the mission was terminated, he was seconded to the Commission, yet the Centre continued to pay his salary.

13. A number of anomalies were revealed in the course of checks on procurement and contracting procedures. In two cases, the earliest date for the receipt of bids after the date of the invitation to tender was not adhered to. In one supplementary contract procedure, the value of the works exceeded the ceilings laid down in the regulations. In two cases audited, there was no formal decision concerning the appointment of the members of the committee responsible for opening the bids or the members of the evaluation committee. Lastly, in one case the contract value was clearly under-estimated, which infringed the principle of the equal treatment of tenderers.

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 Monitoring Centre for Drugs and Drug Addiction (Lisbon)

Areas of Community competence deriving from the Treaty	Competences of the Centre as defined in Council Regulation (EEC) No 302/93		Governance	Resources available to the Centre in 2005 (2004)	Products and services supplied in 2005
<p>The Community complements the Member States' action in reducing drugs-related health damage, including information and prevention.</p> <p>(Article 152(1) of the Treaty)</p>	<p>Objectives:</p> <p>to provide the Union and its Member States with reliable information at European level concerning drugs and drug addiction and their consequences.</p> <p>The Monitoring Centre should give priority to analysing:</p> <ol style="list-style-type: none"> 1. The demand and reduction of the demand for drugs; 2. National and Community strategies and policies; 3. International cooperation and the geopolitics of supply; 4. Control of the trade in narcotics, psychotropic substances and drug precursors; 5. The implications of drug use for producer, consumer and transit countries, including money laundering. 	<p>Tasks:</p> <ul style="list-style-type: none"> — to collect and analyse data, — to make enquiries and carry out preparatory actions, — to ensure that European-level data are more reliable, — to publish reliable information, — to improve coordination between national and Community actions, — to promote the incorporation of drug-related data into international programmes. 	<p>1. The Management Board</p> <p>Comprises one representative from each Member State, two representatives of the Commission and two qualified scientists appointed by the European Parliament.</p> <p>It approves the work programme and general annual report and adopts the budget.</p> <p>2. Director</p> <p>Appointed by the Management Board at the Commission's proposal.</p> <p>3. Scientific Committee</p> <p>Delivers opinions. It is made up of one representative from each Member State. The Management Board may also appoint a maximum of six other members on the basis of their specific qualifications.</p> <p>4. External control</p> <p>Court of Auditors</p> <p>5. Discharge authority</p> <p>European Parliament on the Council's recommendation.</p>	<p>Final budget</p> <p>12,8 million euro (12,2 million euro). Community contribution: 96 % (96 %).</p> <p>Staff numbers as at 31 December 2005:</p> <p>Number of posts in establishment plan: 77 (77)</p> <p>Posts occupied: 58 (61)</p> <p>+ 25 (22) other staff (auxiliary contracts, contract staff and temporary replacements)</p> <p>Total staff: 83 (83)</p> <p>Assigned to the following duties:</p> <p>operational: 50,5 (54,5)</p> <p>administrative and IT support: 25 (20)</p> <p>mixed: 7,5 (8,5)</p>	<p>Network</p> <p>The Centre runs a computerised network for the collection and exchange of information called the 'European Information Network on Drugs and Drug Addiction' (Reitox); this network connects national drug information networks, specialist centres in the Member States and the information systems of international organisations working with the Centre.</p> <p>Publications:</p> <ul style="list-style-type: none"> — Annual report on the state of the drug problem in Europe (22 language versions, publication and interactive website) — Annual report on selected issues (EN, publication and interactive website) — Statistical bulletin and interactive website containing over 200 tables, 100 graphs and PDF files — General activity report (annual, EN) — <i>Drugnet Europe</i> newsletter (4 issues, two of them in five languages and two in EN, 12 products) — Technical and scientific studies and articles (28) <p>Other websites:</p> <p>Set-up/updating/content development:</p> <ul style="list-style-type: none"> — Country situation summaries — Country data profiles — Drug treatment overviews — European legal database on drugs — Evaluation instruments bank — Exchange on drug demand reduction action <p>Promotional brochures (3 products)</p> <p>Media products (110 miscellaneous products)</p> <p>Participation in international conferences/meetings (75)</p> <p>Organisation of technical and scientific meetings (24)</p>

Source: Information supplied by the Centre.

EUROPEAN MONITORING CENTRE FOR DRUGS AND DRUG ADDICTION

Table 2

Implementation of the budget for the financial year 2005

(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 for the financial year					Appropriations carried over from the previous financial year			Available appropriations (appropriations for the financial year plus appropriations for the previous financial year)				
				entered	com-mitted	paid	carried over	can-celled	avail-able	paid	can-celled	avail-able	com-mitted	paid	carried over	cancelled
Community subsidies	12 000	12 000	Title I Staff (NDA)	6 194	5 932	5 762	154	279	122	101	21	6 316	6 054	5 863	154	300
Own revenue	516	516	Title II Administration (NDA)	1 791	1 720	1 070	650	71	356	332	24	2 147	2 076	1 402	650	95
Other revenue		8	Title III Operating activities (DA)													
			— CA	4 531	4 298			233				4 531	4 298			233
			— PA	4 531		4 085		446	1 260	66	1 194	5 791		4 151		1 640
Allocated revenue (Phare)	300	190	Allocated revenue (Phare)	300	49	16	284					300	49	16	284	
			Total CA	12 816	11 999		1 088	583	478		45	13 294	12 477		1 088	628
Total	12 816	12 714	Total PA	12 816		10 933	1 088	796	1 738	499	1 239	14 554		11 432	1 088	2 035

NDA: non-differentiated appropriations (commitment appropriations equal payment appropriations).

DA: differentiated appropriations (commitment appropriations and payment appropriations may differ).

CA: commitment appropriations in a system of differentiated appropriations.

PA: payment appropriations in a system of differentiated appropriations.

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Table 3

Revenue and expenditure account for the financial year 2005 ⁽¹⁾

		(1 000 euro)
		2005
Operating revenue		
Community subsidies		10 592
Other subsidies/revenue		312
	Total (a)	10 904
Operating expenditure		
Staff		5 843
Administration		2 269
Operating activities		4 181
	Total (b)	12 293
	Operating result (c = a – b)	– 1 389
Other income (d)		0
Other charges (e)		35
	Economic result (f = c + d – e)	– 1 424

⁽¹⁾ Data for the financial year 2004 are not shown as they are not comparable with data for 2005 because of the change in the accounting methods applied.

Table 4

Balance sheet at 31 December 2005 and 31 December 2004 ⁽¹⁾

			(1 000 euro)
			2005
			2004
Assets			
Fixed assets			2 989
Stocks			3 058
Receivables and long-term assets			224
Liquid assets			619
			3 005
		Total	6 218
			7 321
Liabilities			
Cumulative results of previous years			4 296
Result for the year			– 1 424
Long-term liabilities			0
Current liabilities			3 346
			3 025
		Total	6 218
			7 321

⁽¹⁾ Data for the financial year 2004 have been restated to make them comparable with the 2005 data.

Source: Centre data — These tables summarise the data provided by the Centre in its annual accounts.

THE CENTRE'S REPLIES

7. The Monitoring Centre has taken note of the Court's observation and has taken steps to improve the planning of its calls for tenders, spreading them more evenly over the year. The Monitoring Centre will continue its efforts which, in 2005, allowed it to increase the rate of utilisation of payment appropriations compared with 2004 levels (from 77 % to 85 %), especially with regard to administrative expenditure (Title II).

8. The Monitoring Centre has taken note of the Court's observation and will continue to develop its activity-based management system. In place since 2001, this system calculates the cost of the Monitoring Centre's projects and programmes, though strictly speaking it is not an analytical accounting system.

9. On 22 March 2006, the Monitoring Centre implemented a double signature system for the management of its bank accounts.

10. From 2006, the Monitoring Centre has established an automatic link between budgetary and general accounting. Reconciliation between the accounts and the inventory is scheduled for the month of January following the end of the relevant financial year. In addition, in July 2006 the Monitoring Centre completed a physical check of its inventory items. The results of this check were entered in a dedicated computer system.

11. Pending a final agreement with the Commission on the rules for implementing the Staff Regulations, the Monitoring Centre will continue to apply the principles governing Community recruitment procedures to all its selection procedures. As its staff complement is relatively small, the Monitoring Centre ensures at all times that a representative of the Staff Committee participates in the selection committees as a full member. In future, the Monitoring Centre will state explicit reasons why it selected the successful candidate if the selection deviates from the ranking drawn up by the selection committee.

12. The Monitoring Centre terminated the mission with effect from 31 May 2005. At the end of 2005, the Monitoring Centre decided, in accordance with Article 38 of the Staff Regulations, to second the staff member in question to the Commission for a duration of nine months, without the possibility of extension. As agreed with the Commission, the salary of this staff member would be paid by the Monitoring Centre.

13. The Monitoring Centre has taken note of the Court's remarks and has taken the following steps in particular:

- to improve the planning of its calls for tenders, above all to keep emergency cases to a minimum,
- to provide a more structured use of framework contracts,
- to formalise the appointment of members of the tender opening and evaluation committees,
- to provide greater support to authorising officers by delegation and to managers in the awarding of contracts and the granting of subsidies.

The Monitoring Centre believes that the supplementary contract referred to by the Court actually involved recurring services which could be the subject of an additional contract without the ceilings laid down for supplementary contracts. The above measures should reduce — or even eliminate — this type of contract.