

## REPORT

on the financial statements of the Translation Centre for the Bodies of the European Union (TCBU-Luxembourg) (Financial years 1995 and 1996), together with the Centre's replies

(97/C 393/08)

1.1. This report is addressed to the Management Board of the Translation Centre for the Bodies of the European Union in accordance with Article 14 (3) of Council Regulation (EC) No 2965/94 of 28 November 1994 <sup>(1)</sup>.

1.2. The Court has examined the financial statements of the Translation Centre for the Bodies of the European Union for the financial years 1995 and 1996. In accordance with Article 14 (1) of Regulation (EC) No 2965/94 <sup>(1)</sup>, the budget was implemented under the responsibility of the Centre's Director. This included drawing up and presenting the accounts <sup>(2)</sup> in accordance with the Centre's own financial provisions, as laid down in Article 14 (3) of Regulation (EC) No 2965/94. Article 188c of the Treaty establishing the European Community requires the Court of Auditors to audit these accounts and this report constitutes the first such audit of the Centre.

1.3. The Court carried out its audit in accordance with generally accepted auditing standards in so far as these apply in the Community context. It carried out tests on the account books and records and such other audit procedures as were deemed necessary in this connection. The main observations resulting from the Court's audit are set out in the second part of this report.

1.4. The financial statements for the financial years 1995 and 1996 were reliable and, on the whole, the legality and regularity of the underlying transactions were guaranteed.

MAIN OBSERVATIONS ON THE IMPLEMENTATION OF THE BUDGET OF THE TRANSLATION CENTRE FOR THE BODIES OF THE EUROPEAN UNION FOR THE FINANCIAL YEARS 1995 AND 1996

*Budgetary accounts*

1.5. The Centre's accounts department does not have a suitable computer tool for keeping the budgetary accounts. The software used for monitoring budgetary implementation is not a genuine accounting system (it is possible to make untraceable changes to records, there are no links with the general accounts, etc.).

*Analytical accounts*

1.6. The Centre has no system of analytical accounts, without which it is not possible to establish the real cost of the services provided.

*Carry-overs*

1.7. Carry-overs from 1995 to 1996 amounted to ECU 0,79 million. This amount represented 61 % of the appropriations for the financial year 1995 (ECU 1,3 million). Of these carry-overs, 16,5 % were cancelled in 1996 (ECU 0,13 million out of ECU 0,79 million). With regard to the financial year 1996, ECU 1,54 million was carried over to 1997, i. e. 45,3 % of the 1996 budget (ECU 3,4 million). These carry-overs were very high in relation to the budgets for the financial years 1995 and 1996.

1.8. Most of the carry-overs concerned budget headings relating to payments for translation work.

1.9. In 1996, several payments under the financial year in question that should have been charged to current appropriations were charged to carry-overs. This practice is not consistent with Article 6 (2) of the Centre's Financial Regulation.

*The building*

1.10. When it opened, the Centre occupied offices that the Luxembourg Government had placed at its disposal free of charge. As of April 1997, new premises were made available to the Centre in the 'New hemicycle' building. Initially, these were also made available free of charge. However, as of 1 January 1988, the Luxembourg Government wishes the Centre to pay rent for its offices. A written agreement specifying the conditions for the use of this building still remained to be drawn up.

*Revenue*

1.11. The Centre obtains its revenue from the contributions paid to it by the Community bodies that use its services. During the Centre's start-up period (which, in accordance with Articles 10 (2) (c) and 19 of its Founding Regulation, may not exceed three budgetary

years), these contributions are to be flat-rate and are to be calculated on the basis of each body's forecast of its translation needs. Afterwards, revenue is to be calculated on the basis of work actually carried out. To date, there has been no formal decision with regard to the start-up period.

1.12. The budgetary implementation of revenue did not comply with the provisions of the Centre's Financial

Regulation. The revenue forecasts appearing in the budget were not substantiated by a claims estimate issued by the authorizing officer and approved by the Financial Controller (Article 23 (1) of the Centre's Financial Regulation). With regard to the establishment of revenue and the issuing of recovery orders (Article 23 (2) of the Centre's Financial Regulation), these should have taken place at the beginning of each quarter, the date when the contributions from the various bodies using the Centre's services fell due (Article 26 of the Centre's Financial Regulation).

This report was adopted by the Court of Auditors in Luxembourg at the Court meeting of 15 and 16 October 1997.

*For the Court of Auditors*

Bernhard FRIEDMANN

*President*

<sup>(1)</sup> OJ L 314, 7. 12. 1994, p. 3.

<sup>(2)</sup> As laid down in Article 14 (3) of Council Regulation (EC) No 2965/94, the accounts of all the revenue and expenditure of the Centre for the financial years 1995 and 1996 were established on 25 March 1996 and 6 June 1997 respectively, the date when the accounts were signed by the Director of the Centre and sent to the Commission, the Management Board and the Court of Auditors. These accounts were received by the Court on 27 March 1996 and 6 June 1997 respectively. An abridged version of these financial statements is given in the tables attached to the report.

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## ANNEX

TABLE 1

## BALANCE SHEET FOR THE FINANCIAL YEAR 1996

*(in ECU 1 000)*

Assets	1996	1995	Liabilities	1996	1995
<b>Fixed assets</b>			<b>Fixed capital</b>		
Equipment and furniture	9		Own capital <sup>(1)</sup>	17	
Intangible fixed assets	8		Net results	464	334
Subtotal	17		Subtotal	481	334
<b>Current assets</b>					
Contributions from clients	259	198			
Sundry accounts receivable	7				
Subtotal	266	198	<b>Short-term liabilities</b>		
			Appropriations carried over by the Budgetary Authority		320
<b>Cash accounts</b>			Automatic carry-overs	1 543	468
Banks — current accounts	1 894	924	Sundry accounts payable	3	
Imprest account	109		Net contributions from clients <sup>(2)</sup>	259	
Subtotal	2 003	924	Subtotal	1 805	788
<b>Total assets</b>	<b>2 286</b>	<b>1 122</b>	<b>Total liabilities</b>	<b>2 286</b>	<b>1 122</b>

<sup>(1)</sup> This amount corresponds to that of the fixed assets.

<sup>(2)</sup> In the 1995 financial statements the part of the contributions from the Centre's various clients which had not been paid at the end of the financial year was indicated under revenue. With effect from the 1996 financial year, in accordance with the regulations, this sum is indicated under the liabilities.

Source: Prepared by the Court on the basis of the Centre's data.

TABLE 2

## BALANCE FOR THE FINANCIAL YEARS 1995 AND 1996

	(in ECU 1 000)	
	1996	1995
<b>Revenue</b>		
Various revenue	90	12
Own revenue	2 703	1 095
Recoverable revenue <sup>(1)</sup>		198
<b>Total revenue</b>	<b>2 793</b>	<b>1 305</b>
<b>Expenditure</b>		
Staff — Title I		
Payments	1 155	181
Appropriations carried over	905	393
Buildings, equipment, etc. — Title II		
Payments	88	2
Appropriations carried over	638	395
<b>Total expenditure</b>	<b>2 786</b>	<b>971</b>
<b>Outturn for the financial year</b>	<b>7</b>	<b>334</b>
Outturn from previous financial year	334	
Appropriations carried over and cancelled	133	
Exchange differences	(10)	
<b>Outturn to be carried over</b>	<b>464</b>	<b>334</b>

<sup>(1)</sup> In the 1995 financial statements the part of the contributions from the Centre's various clients which had not been paid at the end of the financial year was indicated under revenue. With effect from the 1996 financial year, in accordance with the regulations, this sum is indicated under the liabilities.

Source: Prepared by the Court on the basis of the Centre's data.

REPLIES OF THE TRANSLATION CENTRE FOR THE BODIES OF THE EUROPEAN UNION

*Budgetary accounts*

1.5. The Translation Centre has always considered the software it uses for its budgetary accounts to be unsuitable for its needs. It is therefore waiting for the Commission to fulfil its undertaking to develop the Sincom 2 system and adapt it to the needs of each of the agencies. When it is ready the Centre will have it installed immediately.

*Analytical accounts*

1.6. The Centre is fully aware of the overriding importance of having an effective cost-accounting system. The general accounting system which it is currently testing, together with other agencies, appears to be a powerful management accounting module in this respect.

*Carry-overs of appropriations*

1.7 and 1.8. The Translation Centre became operational on 1 October 1995, and not on 1 January 1995 as initially planned. The impact of this delayed start on the 1995 and 1996 budgets was as follows:

- (a) the fact that there was virtually no implementation of the 1995 budget constitutes exceptional grounds on which the Management Board decided to carry over ECU 0,32 million, pursuant to Article 6 (1) (c) of the Financial Regulation. The balance (ECU 0,47 million) is covered by automatic carry-overs;
- (b) as regards the 1996 budget, the sum of ECU 1,54 million corresponds to automatic carry-overs related to commitments entered into before the end of the year.

1.9. According to the Centre's interpretation of the exceptional situations referred to in Article 6 (2), certain

payments were charged against non-automatic carry-overs from 1995 by reason of the Centre's delayed start. Once the start-up period is over, the movement of the Centre's accounts will become less exceptional in nature.

*Building*

1.10. The conditions concerning the payment for and use of the premises in the 'New Hemicycle' are still under negotiation between the Centre and the Luxembourg Government.

*Revenue*

1.11. The decision relating to the end of the start-up period will be taken by the Management Board which will have to take account, firstly, of the Centre's effective start-up date and secondly, of the fact that the start-up period must necessarily span three full budgetary years.

1.12. As provided in Article 10 (2) (c) of its Founding Regulation, the Centre considers that, for the start-up phase, the agencies' contributions, adopted by the Management Board on the adoption of the budget, are payable immediately. That is why a recovery order signed by the authorizing officer and countersigned by the Financial Controller had been issued for these contributions. The quarterly request for payment takes the form of a charge note. This procedure has been accepted by the Financial Controller.

The Centre sees no objection to amending this procedure on the expiry of the start-up period.