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(Information)

COURT OF AUDITORS

REPORT BY THE COURT OF AUDITORS

on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2001, together with the European Central Bank's replies

(2002/C 259/01)

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INTRODUCTION

1. The Court is mandated to examine 'the operational efficiency of the management of the European Central Bank (ECB)' ⁽¹⁾. The Court has published three reports for the financial years 1998, 1999 and 2000 ⁽²⁾. In these reports the Court has reviewed budgetary management and monitoring, the internal audit systems, the project management and monitoring systems and human resources management; the Court also focused on management issues of particular interest, namely the renting of premises for the ECB and two special projects ⁽³⁾.

2. In 2001, the Court reviewed budgetary management and internal audit.

3. The ECB has been accorded legal personality under international public law. Within the ECB:

(a) the Governing Council is the supreme decision-making body of the ECB; its main responsibility is to formulate the monetary policy of the euro area; it is also the budgetary authority of the ECB;

(b) the Executive Board of the ECB is the executive body of the ECB; its main responsibilities are to implement monetary policy in the euro area and to manage the ECB. Current practice is for the Executive Board to meet at least once a week.

THE EFFICIENCY OF THE MANAGEMENT IN 2001

Budgetary reviews

4. In November 2000, the Governing Council approved an initial budget of 336 million euro for 2001 (see *Table 1*) ⁽⁴⁾. The final budget amounted to 511 million euro (plus 52 %, 175 million euro above the initial budget). The final expenditure amounted to 431 million euro or 84 % of the revised budget. The largest expenses were 118 million euro on the banknote contingency reserve, 106 million for staff and staff related expenditure and 78 million for consultancy and external costs (mainly related to the Euro 2002 information campaign).

Table 1

The ECB's budget in 2000 and 2001

(Mio EUR)

Purpose	2000					2001				
	Initial budget	Revised budget September	Actual	% of revised budget	% of initial budget	Initial budget	Revised budget September	Actual at 31 December	% of revised budget	% of initial budget
Business units	190	168	163	97	86	244	229	210	92	86
Projects	77	54	37	69	48	92	119	104	87	113
Contingency reserve	—	5	—	—	0	—	—	—	—	—
Banknote contingency reserve	—	—	—	—	—	—	163	117	72	—
Total	267	227	200	88	75	336	511	431	84	128

Source: European Central Bank.

⁽¹⁾ Article 27(2) of Protocol on the Statute of the European System of Central Banks and of the European Central Bank annexed to the EC Treaty.

⁽²⁾ Reports by the Court of Auditors on the audit of the operational efficiency of the management of the European Central Bank for the financial years 1998 (OJ C 133, 12.5.2000), 1999 (OJ C 47, 13.2.2001) and 2000 (OJ C 341, 4.12.2001).

⁽³⁾ The 'Disaster Standby Site' and the 'Euro 2002 Information Campaign' see Report by the Court of Auditors on the audit of the operational efficiency of the management of the European Central Bank for the financial year 2000, paragraphs 8 to 10 and 13 to 21 (OJ C 341, 4.12.2001).

⁽⁴⁾ The budget is financed through income earned by the ECB.

5. During 2001, six supplementary budgets were approved. One budget transfer and a mid-year review were also adopted. At the same time a new budget-reporting scheme reducing the number of yearly budget monitoring reports from four to two was introduced. Forty-five million euro were carried over to the ECB's 2002 budget (8 million euro are related to projects and 37 million euro to the Banknote Contingency Reserve). There is no written rule covering such carry-overs. The accounts show an overall underspending of 16 %. The ECB Business Units underspending amounted to 8 %, ECB projects underspending to 13 % and the ECB Banknote Contingency Reserve to 28 %.

6. The year 2001 was a crucial year for the ECB as it assumed the responsibility for the launch of the fiduciary euro. Budget revisions and underspending are thus understandable if related to this unique historical event. The Court recommends that the ECB adopt rules on carryovers.

Internal audit

7. The role and the obligations of Internal Audit are summarised in the ECB Audit Charter approved by the ECB Executive Board

in 1999 and stating that 'all parts of the institution may be subject to internal auditing (...). The Directorate Internal Audit has been established as an independent appraisal function with the role of examining and evaluating the activities of the ECB'.

8. The ECB Audit Charter was established in accordance with international standards. At the end of 2001, the Directorate was made up of 19 permanent employees in two distinct divisions: 13 in the ECB division and 6 in the ESCB division. The ESCB division is responsible for the coordination of audits made by the National Central Banks within the framework of the European System of Central Banks. The ECB division is responsible for audits concerning the ECB services.

9. During its audit, the Court evaluated audits regarding the Bank's operational efficiency carried out by the Directorate Internal Audit. The Court has obtained reasonable assurance that the Directorate is properly independent and that its performance is in accordance with professional standards.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 12 September 2002.

For the Court of Auditors

Juan Manuel FABRA VALLÉS

President

THE EUROPEAN CENTRAL BANK'S REPLIES

The European Central Bank (ECB) welcomes the report of the European Court of Auditors and takes note of the various points raised by the Court.

Paragraph 6:

The ECB conducted a first and very limited budget carry-forward exercise from the financial year 2001 to the financial year 2002. The guiding principles for the first implementation of this exercise were approved by the Executive Board in early 2002. At the same time, the Executive Board concluded that, for future years, a formalisation of the carry-forward practice should be considered, on the basis of experience gained and after further consideration of the tools required to support a carry-forward routine, e.g. a centralised system for the registration of financial commitments. The ECB notes the European Court of Auditors' support for this initiative.
