

## Financial report on EA Accounts

-

Q3 2018

### 1. SUMMARY

As requested by the General Assembly at its meeting in May 2018, the Secretariat prepared a new budget 2018, based on the new operating grant received from the European Commission (EC) and EFTA, which amount respectively to 722.861 and 17.349 Euro. The 2018 budget version June 2018, showed in the updated activity-based budget distributed with this report, was revised taking account of the original version (Budget 2018 Option A) endorsed by the General Assembly in May 2017. It was already distributed with the Q2 report.

Because the decision by EC/EFTA to provide EA a higher grant was known only in late April 2018, we had to revise the budget taking account of the completed activities and activities planned or re-planned by end 2018.

As a reminder and in short terms (details are in the Q2 report), the revised budget 2018 version June 2018, allows to cover the following activities:

- **Labour costs:** An additional half-time position is covered with a contract that was expected to start on the 1<sup>st</sup> September 2018. This is for additional support to the MAC Secretariat. The revised budget covers also the increase of salaries as reported to the Executive Committee (EX) in May 2018.
- **PE plan:** The number of Team Leader man-days in the revised budget is 254. It reflects the changes made in the plan and includes additional days allocated for managing split activities as well as additional "P2" days already decided by the EX in May 2018 (3 more days have been given to each TL).
- **Training plan:**
  - concerning Evaluator training, in addition to the newcomer and refresher sessions planned in June and December 2018, an additional workshop was organized for team members involved in GHG verification (CORSIA scheme). The workshop targeted NAB representatives on a harmonization, train-the-trainer basis. The budget covers trainers' costs (compensation, travel and subsistence) as P1 activities. T&S costs of participants have been graded as P2 activities by decision of the EX in September 2018.
  - Concerning harmonisation training, the revised plan covers, in addition to the sessions on ISO/IEC 17025 and ISO 45001 that took place in January and March 2018, a one-day workshop on the new ISO 22000 and the presentation made in the MAC on the new ISO/IEC 17011. It also covers a workshop session on CETA as decided by the EX in September 2018. The session was eventually confirmed, based on the number of registrations received.
- **Technical activities:** The second part of the Accreditation for Notification (AfN) project has just started. For 2018 estimated costs have been revised and a budget of 16.760 Euro in total is allocated to the relevant activities (see Technical sheet in the ABB 2018) as decided by the EX in September 2018.

- **Liaisons:** the budget for liaisons with the EC has been increased to take account of the increased number of meetings between EA and the EC (DG GROW in particular). Costs for the Secretariat participation to the ILAC/IAF mid-term and annual meetings are also planned to be covered by the budget (12.300 Euro).

Based on the 2018 Q3 forecast, the revenues of the association end of 2018 are estimated at 1.491.811 Euro and the expenditures at 1.440.129 Euro with a budget result of 51.682 Euro. Considering the transfer to reserves from membership fees and transfer to reserves, the provisional result is estimated at 1.472 Euro.

There is not anymore a budgeted provision for risk of not receiving the full OG, experience having showed that the risk is very much limited since over the last years the OG has been paid in full.

All the Mandates for activities completed during the period January - September 2018 have been sent. Reimbursements have not been processed yet but will be transferred before end of November for travel and subsistence claimed and confirmed by the Secretariat.

## 2. EXPENDITURES/REVENUES CHART

Expenditures	Forecast Q3 2018 [Euro]	Revenues	Forecast Q3 2018 [Euro]
EA Secretariat	890.271	Membership fees	734.685
Labour costs	678.914	regular Membership fees	699.475
Office premises	146.941	additional Membership fees <sup>1)</sup>	35.210
Equipment	4.430	Operating grant	740.210
Secretariat travel costs	57.994	European Commission	722.861
Other Secretariats costs	1.993	EFTA	17.349
IT and communication	133.423	Other financial incomes	16.916
Legal and insurance costs	41.885		
Finance	29.975		
Peer evaluation system	143.911		
Technical / committee activities	177.517		
Liaison activities	23.146		
<b>Total</b>	<b>1.440.129</b>	<b>Total</b>	<b>1.491.811</b>
<b>Result</b>	<b>+51.682</b>		
Membership fee to reserves	35.210		
Transfer to reserves	15.000		
<b>Profit (+) / loss (-)</b>	<b>1.472</b>		

The revised Annex II is in line with the original Annex II submitted to the EC/EFTA with the Work Programme 2018. It means that, based on the information available today and on the forecast established at end June 2018, there is no need to ask for a revision of the budget 2018 to EC/EFTA. EA is in line and in a position to receive the full, revised OG (see Annex II of the ABB 2018 Rev June 2018).

## 2.1 Expenditures

Expenditures	Plan 2018 <sup>1)</sup> [Euro]	Budget 2018 Option A <sup>2)</sup> [Euro]	Forecast Q2 2018 [Euro]	Forecast Q3 2018 [Euro]
EA Secretariat	872.291	901.965	874.750	890.271
Labour costs	679.561	696.599	665.038	678.914
Office premises	146.000	148.400	147.800	146.941
Equipment	10.000	3.946	5.000	4.430
Secr travel costs	34.730	48.870	53.712	57.994
Other Secr costs	2.000	4.150	3.200	1.993
IT and communication	132.250	132.522	132.522	133.423
Legal & insurance costs	50.000	47.500	48.500	41.885
Finance	43.066	29.975	32.000	29.975
Peer evaluation system	124.500*	161.963	174.392	143.911
Technical / committee activities	178.985*	144.585	154.729	177.517
Liaison activities	20.984	21.966	20.306	23.146
<b>Total</b>	<b>1.422.076</b>	<b>1.440.476</b>	<b>1.437.199</b>	<b>1.440.129</b>

<sup>1)</sup> Activity-based budget 2018 endorsed May 2017

<sup>2)</sup> Activity-based budget 2018 revised June 2018

<sup>\*)</sup> In the Q2 report, Plan 2018 endorsed May 2017 for PE and Technical activities amounted respectively to 154.800 and 148.685 Euros. The budget for Technical activities (30.300 Euro) was improperly allocated to PE. This has been corrected in the present version of the table above.

### a) Review of expenditures comparing, revised budget 2018 version June 2018 and Forecast Q3

Expenditures	Difference - Update Q3
Labour costs	<p>The forecast at end September 2018 is at 679 kEuro. It is in line with the forecast at end of June, at 667 kEuro and takes account of an additional budget for Labour costs for 12 kEuro (P2) which is proposed to be used subject to the final result on EA finances and completion of the Work Programme at the end of the year.</p> <p>In accordance with the previous decisions, an additional half-time position is planned to be fulfilled, to start on the 1<sup>st</sup> of December 2018.</p>

Office premises	<p>As reported in Q2, the increase is limited and covers the agreed costs for the new MAC Secretary (IT, mobile phone).</p> <p>No extension of office space.</p>
Equipment	<p>The budget has been re-evaluated based on effective depreciation and expected expenditures notably concerning the new MAC Secretary. Q3 forecast is in line with Q2 forecast.</p>
Secretariat travel costs	<p>In addition to the increase of costs due to a greater number of meetings with EC, as agreed by the EX in September 2018, the forecast reflects also the costs incurred by the new MAC Secretary for her travels to the Secretariat, which are expected to be 30% below the amount estimated in September.</p> <p>It also reflects the cancellation of the EA Communications Manager's participation to ILAC MCC and IAF CMC meetings in Singapore.</p>
Finances	<p>Q3 forecast is in line with Q2 forecast.</p>
Other Secretariat costs	<p>The June 2018 budget is 4.150 Euro. It is meant to cover payment by EA of meeting fees for observers to EA meetings from CEN/CENELEC, EAAB, EC and EFTA. Based on actuals and information received, the forecast is at 1.993 Euros (see Secr sheet of the ABB).</p>
Legal and Insurance	<p>Compared to the June 2018 budget and forecast Q2, it is planned to have reduced activities. Actually, costs for the revision of ILAC Articles had not been budgeted. The project related to GDPR is confirmed and will be completed as planned before end 2018. The review of EA insurance policies will get started but will not be completed.</p>
Peer evaluations activities	<p>The PE plan is revised at 252 man-days.</p> <p>It is reported that there will not be any extraordinary PE by end of the year.</p> <p>MAC training: The forecast covers trainers' costs for Newcomer and Refresher trainings.</p> <p>It also covers agreed P2 activities:</p> <ul style="list-style-type: none"> <li>- Trainer's costs for the ICAO CORSIA workshop,</li> <li>- Trainees costs in part for travels only for Refresher trainings.</li> </ul> <p>The June budget for MAC training amounts to 43.923 Euro. The forecast is at 39.262 Euro, P2 activities included.</p> <p>The 2<sup>nd</sup> Refresher session for TL/DTL that was cancelled was replaced by a second Newcomer training. To balance the overall budget, only travels costs are proposed to be reimbursed to MAC refresher training participants.</p>
Liaison activities	<p>Q3 forecast is in line with June 2018 budget.</p>

Technical / Committees activities	<p>Apart from the regular costs for Committees, the Technical budget is forecasted to cover the following activities, in compliance with the EX decision made in September 2018 about P2 activities:</p> <ul style="list-style-type: none"> <li>- AfN Part 2/2018 for 16.760 Euro (man-days, TFG meeting in December 2018);</li> <li>- EX TFG ENISA: Beginning of November 2018, it is report that there will not be any activity in 2018. Therefore, the initial budget (7.785 Euro) approved by the EX in September 2018 is transferred temporarily to other Technical activities, to be allocated according to additional P2 activities.</li> <li>- Trainers costs for CETA (training could be confirmed based on the number of registrations received);</li> <li>- Convenor man-days for the management of EU-ETS network.</li> <li>- In addition 10.150 Euro are transferred to other Technical activities.</li> </ul>
-----------------------------------	---

#### a) Information on mandates issued and RfPs received

At end September 2018, 88 mandates for the following activities have been issued:

- TC Chairs costs for the first and second meetings of 2018,
- Team Leaders for the peer evaluations completed at end September 2018,
- Trainers for training activities completed by end September 2018,
- Liaison activities completed by end September 2018 except ILAC/IAF liaisons,
- Management days for the 1<sup>st</sup> semester and third quarter of the year.

## 2.2 Revenues

Revenues	Plan 2018 <sup>1)</sup> [Euro]	Budget 2018 Option A <sup>2)</sup> [Euro]	Forecast Q2 2018 [Euro]	Forecast Q3 2018 [Euro]
Membership fees	730.350	730.350	730.147	734.685
regular Membership fees	695.350	695.350	695.154	699.475
additional Membership fees	35.000	35.000	34.993	35.210
Operating Grant	740.210	740.210	740.210	740.210
European Commission	722.861	722.861	722.861	722.861
EFTA	17.349	17.349	17.349	17.349
Other financial incomes	1.516	16.916	16.916	16.916
<b>Total</b>	<b>1.472.076</b>	<b>1.487.476</b>	<b>1.487.273</b>	<b>1.491.811</b>

<sup>1)</sup> Activity-based budget 2018 endorsed May 2017

<sup>2)</sup> Activity-based budget 2018 revised June 2018

#### a) Membership fees

At the end of Q2 2018, the forecasted fee income was slightly different from budget, 730.147 Euro instead of 730.350 Euro. This was due to overcharging one NAB by mistake. This NAB terminated their signatory status for one MLA in 2017 and this was not reflected in the fee budget. Since then, one Associate member signed the MLA through a BLA and a supplementary invoice was charged for 4.538 Euro in total.

## **b) Operating Grant 2018**

The pre-payment for the OG 2018 with EC has been paid to EA already. The pre-payment for EFTA has been invoiced to EFTA and remains to be received.

## **c) Main differences compared to the previous Q-report - Budget 2018**

The differences concern the fees charged to one Full and one Associate member (see above).

## **3. DECISIONS NEEDED FROM THE EX**

The EX is invited to note the forecast with a provisional surplus of 1.472 Euro, which allows a total of 12.000 Euro to be distributed to the Labour costs 2018 (showed as a P2 activity in the activity-based budget). This will be confirmed based on the final budget result.

Note: The P2 activities will be reviewed and the total Technical budget (34.695 Euro) adjusted more activities being able to be compensated at the end of the 3<sup>rd</sup> quarter of the year according to the forecast.

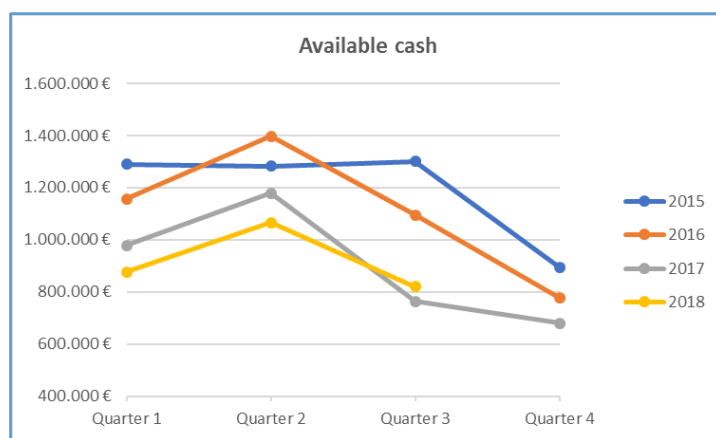
## **4. PROPOSED RESOLUTIONS FOR THE GENERAL ASSEMBLY**

The General Assembly is asked, acting upon the recommendation of the Executive Committee, to endorse the revised budget for 2018 and to note the revised forecast of the accounts 2018.

## **5. AVAILABLE CASH**

The cash balance at the end of Q3 2018 is stable and in the continuity of Q2. The difference compared to Q3 2017 stems from the fact that reimbursements of costs have not been transferred yet. This is due to the unusual situation in 2018 where it is only late that we could confirm the total income of EA for the year. The balance of the OG 2017 EC/EFTA has been received and remaining compensation given to the NABs. The pre-payment for the OG 2018 EC has been received also.

<b>Cash [Euro]</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Quarter 1	1.289.875	1.155.983	978.400	875.668
Quarter 2	1.283.103	1.397.763	1.178.069	1.065.395
Quarter 3	1.301.439	1.094.053	763.812	820.369
Quarter 4	891.997	775.880	680.264	-



## 6. RESERVES

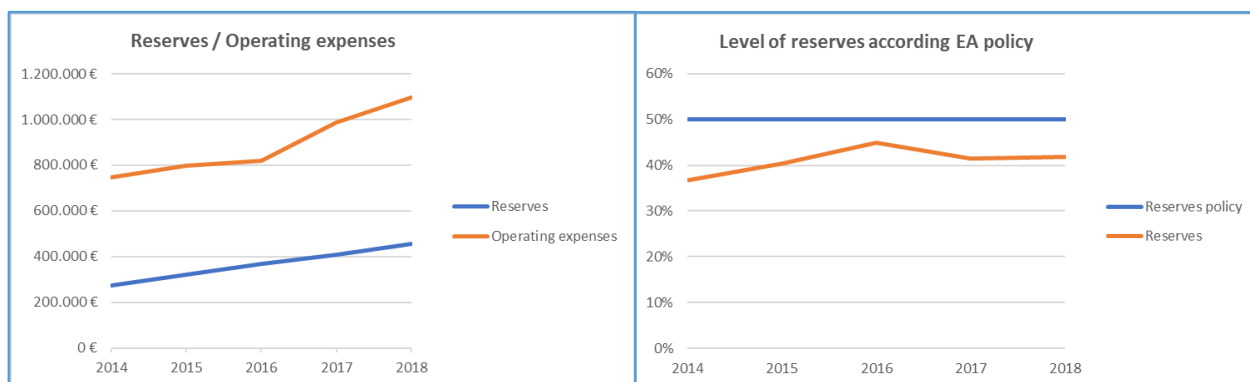
The total reserves of EA at the end of 2017 were 409.828 Euro. That corresponds to approximately 41% of the net operating costs (987.389 Euro).

To date, execution of the budget, including 100% payment of membership fees and forecasted activities allow to maintain the budgeted amount of money to be transferred to EA reserves at the end of the year.

By allocating the budgeted result of 51.682 Euro to the reserves, the total reserves at the end of the year 2018 will rise to 461.510 Euro, that are approximately 42% of the net operating costs. That's means that the reserves end of 2018 will be approximately 8 points less the EA reserves policy threshold of 50%.

	2014	2015	2016	2017	2018 <sup>1)</sup>
<b>Reserves previous year [Euro]</b>	236.514	274.808	321.981	369.297	409.828
<b>Transfer to the reserves [Euro]</b>	38.924	47.173	47.316	40.531	51.682
<b>Reserves at end of the year [Euro]</b>	274.808	321.981	369.297	409.828	461.510
<b>Net operating expenses [Euro]</b>	748.262	798.978	819.928	987.389	1.095.555
<b>Reserves/Net operating expenses [%]</b>	36,7	40,3	45,0	41,5	42,1

1) Estimated numbers (Euro) are blue-grey marked.



## 7. ANY OTHER IMPORTANT INFORMATION ABOUT EA'S FINANCES

### ■ Provision for risks

In 2018, it is decided to change the policy regarding the provision for risk of not receiving the full operating grant. For good governance and good accounting practice reasons, we will not budget a provision for risk.

The reason is that every year, we have to write off the provision of the previous year in the accounts. This leads to have a financial "product" in the accounts of the following year. Besides, if we want to maintain the cost (provision) in the budget, it means that we have to book a greater amount/cost, meant to write off the previous provision and charge the budgeted cost. Every year, the provision and the cost cannot be more and more important. This is not safe. Hence the decision to write off the current provision and to NOT charge any new provision. This is also based on experience over the past years where it appeared that EA received the full OG.

*End of report – Next report will be available with the closing of accounts report 2018.*