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SECOND REPORT

on discharge in respect of the implementation of the budget of the European
Police College for the financial year 2008
(C7-0198/2009 – 2009/2127(DEC))

Committee on Budgetary Control

Rapporteur: Véronique Mathieu

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European Police College for the financial year 2008 (C7-0198/2009 – 2009/2127(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Police College for the financial year 2008,
 - having regard to the Court of Auditors' report on the annual accounts of the European Police College for the financial year 2008, together with the College's replies¹,
 - having regard to the Council's recommendation of 16 February 2010 (5827/2010 – C7-0061/2010),
 - having regard to its decision of 5 May 2010² postponing the discharge decision for the financial year 2008, and the replies by the Director of the European Police College,
 - having regard to Article 276 of the EC Treaty and Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, and in particular Article 185 thereof,
 - having regard to Council Decision 2005/681/JHA of 20 September 2005 establishing the European Police College (CEPOL)⁴, and in particular Article 16 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Regulation (EC, Euratom) No 1605/2002⁵, and in particular Article 94 thereof,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the second report of the Committee on Budgetary Control (A7-0253/2010),
1. Refuses to grant the Director of the European Police College discharge in respect of the implementation of the College's budget for the financial year 2008;
 2. Sets out its observations in the resolution below;

¹ OJ C 304, 15.12.2009, p.124.

² OJ L 252, 25.9.2010, p. 232.

³ OJ L 248, 16.9.2002, p. 1.

⁴ OJ L 256, 1.10.2005, p. 63.

⁵ OJ L 357, 31.12.2002, p. 72.

3. Instructs its President to forward this Decision and the resolution that forms an integral part of it to the Director of the European Police College, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the Official Journal of the European Union (L series).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the European Police College for the financial year 2008 (C7-0198/2009 – 2009/2127(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Police College for the financial year 2008,
 - having regard to the Court of Auditors' report on the annual accounts of the European Police College for the financial year 2008, together with the College's replies¹,
 - having regard to the Council's recommendation of 16 February 2010 (5827/2010 – C7-0061/2010),
 - having regard to its decision of 5 May 2010² postponing the discharge decision for the financial year 2008, and the replies by the Director of the European Police College,
 - having regard to Article 276 of the EC Treaty and Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, and in particular Article 185 thereof,
 - having regard to Council Decision 2005/681/JHA of 20 September 2005 establishing the European Police College (CEPOL)⁴, and in particular Article 16 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Regulation (EC, Euratom) No 1605/2002⁵, and in particular Article 94 thereof,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the second report of the Committee on Budgetary Control (A7-0000/2010),
1. Decides that a proposal to close the accounts of the European Police College for the financial year 2008 shall be submitted at a subsequent part-session;
 2. Instructs its President to forward this Decision to the Director of the European Police College, the Council, the Commission and the Court of Auditors, and to arrange for its

¹ OJ C 304, 15.12.2009, p.124.

² OJ L 252, 25.9.2010, p. 232.

³ OJ L 248, 16.9.2002, p. 1.

⁴ OJ L 256, 1.10.2005, p. 63.

⁵ OJ L 357, 31.12.2002, p. 72.

publication in the Official Journal of the European Union (L series).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the European Police College for the financial year 2008 (C7-0198/2009 – 2009/2127(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Police College for the financial year 2008,
 - having regard to the Court of Auditors' report on the annual accounts of the European Police College for the financial year 2008, together with the College's replies¹,
 - having regard to the Council's recommendation of 16 February 2010 (5827/2010 – C7-0061/2010),
 - having regard to its decision of 5 May 2010² postponing the discharge decision for the financial year 2008, and the replies by the Director of the European Police College,
 - having regard to Article 276 of the EC Treaty and Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, and in particular Article 185 thereof,
 - having regard to Council Decision 2005/681/JHA of 20 September 2005 establishing the European Police College (CEPOL)⁴, and in particular Article 16 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Regulation (EC, Euratom) No 1605/2002⁵, and in particular Article 94 thereof,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the second report of the Committee on Budgetary Control (A7-0000/2010),
- A. whereas the College was set up in 2001 and, with effect from 1 January 2006, was transformed into a Community body within the meaning of Article 185 of the Financial

¹ OJ C 304, 15.12.2009, p.124.

² OJ L 252, 25.9.2010, p. 232.

³ OJ L 248, 16.9.2002, p. 1.

⁴ OJ L 256, 1.10.2005, p. 63.

⁵ OJ L 357, 31.12.2002, p. 72.

Regulation, thus coming under the provisions of the framework Financial Regulation for agencies,

- B. whereas the Court of Auditors in its report on the annual accounts of the College for the financial year 2006, qualified its opinion with regard to the legality and regularity of the underlying transactions on the grounds that the procurement procedures did not comply with the provisions of the Financial Regulation,
- C. whereas the Court of Auditors, in its report on the annual accounts of the College for the financial year 2007, qualified its opinion on the reliability of the accounts and the legality and regularity of the underlying transactions,
- D. whereas the Court of Auditors, in its report on the annual accounts of the College for the financial year 2008, added an emphasis of matter to its opinion on the reliability of the accounts, without expressly qualifying it, and qualified its opinion on the legality and regularity of the underlying transactions,
- E. whereas in its decision of 5 May 2010 the Parliament decided to postpone the grant of the discharge for the financial year 2008;

GENERAL CONSIDERATIONS

Recurrence of the College's major deficits

1. Considers it unacceptable that since the College was established as an agency (2006), it struggled to meet the standards of good administration expected from a regulatory agency; stresses that since 2006 repeated audits have highlighted issues in the College's adherence to the Financial and Staff regulations, to the accounting system as well as the failings in budget management, human resources, procurement procedures and rules governing expenditure on courses; is aware that the College's improvements are expected to be visible only from 2014 when the College's Multi-Annual Plan is supposed to be fully implemented; is, therefore, not ready to accept that the College needs at least nine years (2006-2014) to reach an acceptable standard of good administration expected from a regulatory agency;

The College's Management in the years 2006-2009

2. Considers unacceptable the lack of responsibility and professionalism of the former Director responsible to Parliament for the implementation of the 2008 budget; stresses the following findings reported by the Czech Presidency on 18 May 2009:
 - College's mismanagement: in connection with the Internal Audit Service findings, the Commission offered help to the College, but the Director never approached either DG JLS or DG BUDG;
 - Communication within the secretariat: the lack of communication and trust between the Director and the staff led to prolonged disputes;

- Lack of transparency : instead of identifying the problems and asking for advice from the Governing Board or from the Commission, the Director did not share the information which was then discovered on a random basis;
 - Director accountable to the College's Governing Board: the Director did not respect the decisions of the Governing Board;
3. Deplores the fact that the College's Governing Board did not make a proper response to the former Director's managerial failings, out of concern not to harm the agency's image;
 4. Considers it unacceptable that the Governing Board decided not to take disciplinary action mainly because of the possibility of legal action by the former Director;

Structural deficits

5. Calls, furthermore, into question the capability of the College to fully overcome its structural problems with respect to:
 - the small size of the College which calls into question its capacity to handle effectively the complexities of the EU's financial and staff regulations;
 - the location of the College's secretariat, in Bramshill, some 70 Kilometres from London, which is a disadvantage, inter alia, as regards recruitment and public transport links;
 - the College's governance costs which are not insignificant, given that while employing only 24 staff, the College has a 27-member Governing Board (figures as at the start of the 2008 financial year);
6. Suggests, therefore, examining the possibility of attaching the College to Europol as a concrete solution to the College's structural and chronic problems; suggests, also, that the Court of Auditors carry out a comprehensive review of regulatory agencies to examine, inter alia, the proportion of operating, governance and operational costs and assess ways of addressing structural or other problems, with a view to complementing the Commission's own evaluation of regulatory agencies;

Court of Auditors' position

7. Notes that the Court of Auditors is not ready to rapidly deliver an opinion in letter form evaluating the establishment of the College's action plan as requested by the Parliament in paragraph 23 of its resolution¹ which forms an integral part of its Decision of 5 May 2010 on discharge for the financial year 2008; takes, nevertheless, into due account the Court of Auditors' declaration that it has already extensively reported in its specific annual reports of the years from 2006 to 2008 on the problems it has found in the College;

¹ OJ L 252, 25.9.2010, p. 233.

The College's Action Plan for 2010-2014

8. Notes that the new Director of the College has delivered on time the Action Plan as requested in paragraph 22 of the Parliament's abovementioned resolution of 5 May 2010; regrets, nevertheless, the lack of accuracy in the description of the specific actions to be taken by the College; regrets also that most of the indicators proposed by the College are vague and do not always clearly help to assess the implementation of the objectives;
9. Notes that, at the request of the Parliament to adopt an Action Plan, the Director of the College and its Governing Board have estimated a realistic four-year period (i.e. from 2010 to 2014) in which to meet the objectives set out in the Annex to the Parliament's abovementioned resolution of 5 May 2010; is, therefore, not ready to accept that the College needs four more years to reach an acceptable standard of good administration as expected from a regulatory agency;
10. Requests that the Director of the College inform the discharge authority on the progress of the implementation of the Action Plan every six months;

SPECIFIC REMARKS

Validation of the financial procedures and new accounting system (Article 43 of the framework Financial Regulation)

11. Voices concern at the difficulties experienced in 2008 in migrating the old accounting system to ABAC and the late implementation of a proper accounting system which still put at risk the quality of the financial information concerning the carry-overs from the previous year, the use of assigned revenue and the link with certain figures in the balance sheet for 2007; expresses its deep concern about the fact the College's actions are now delayed until 2011 due to the resignation of two key actors in the financial circuit: the Accounting Officer and the Finance and Budget Officer;
12. Stresses that the Court of Auditors' audit of a sample of commitments (see the Court of Auditor's report on the annual accounts of the College, paragraph 15) showed that, in three cases, there was no audit trail to retrace the financial execution such that it was not possible to match their closing balances in the accounts at 31 December 2008;
13. Stresses that, in its special annual report for 2006, the Court of Auditors had already mentioned that the College had not established the necessary systems and procedures to enable it to prepare a financial report in compliance with the requirements of the framework Financial Regulation applicable to the Agencies;

Budgetary programming and monitoring

14. Voices concern at the College's weaknesses in programming and monitoring the budget implementation; notes, in particular, that 31 % of the College's total budget had to be

carried over in 2008; considers inadequate and vague the measures proposed by the College in this regard;

15. Notes that already for the budget year 2007 more than 20% (EUR 0,5 million) of the College's appropriations carried over from the preceding year were cancelled;

Financial management of the College's work

16. Voices concern at the College's financial management of its work; notes, in particular, that for the year 2008 the Court flagged up the absence of :
 - a legal commitment in three cases covering a total of EUR 39 500;
 - a budgetary commitment preceding the legal commitment in nine cases covering a total of EUR 244 200;and considers inadequate and vague the measures proposed by the College in this regard;

Procurement control environment

17. Voices concern at the College's constant lack of compliance with the Financial Regulation with regard to public procurement rules; notes, in particular, the irregularities in the procedure used for a public supply contract worth the equivalent of some 2% of operational expenditure in 2008;
18. Stresses that, in its special annual reports for the year 2006 and 2007, the Court of Auditors had already criticised the College for not having the documentation available to justify the need to purchase particular items and to explain the resources to a particular supplier;

Expenditure verification environment

19. Stresses the fact that the Court of Auditors identified in 2008 a large number of cases in which the administrative and financial rules governing expenditure on the organisation of courses and seminars, which accounts for a major proportion (64%) of the College's operational expenditure, were not followed; notes that the main irregularities concerned: failure to submit supporting documents in respect of the costs incurred, failure to provide confirmation of attendance and to supply original invoices and documents necessary for the reimbursement of accommodation expenses, and failure to query travel costs for experts; calls on the College to adopt measures to ensure an adequate ex-ante and ex-post verification capacity;
20. Voices concern at the fact that, in its special annual reports for the years 2006 and 2007, the Court of Auditors had already remarked that the budget appropriations were not used

in accordance with the principle of sound financial management (Article 25 of the College's Financial Regulation);

Appropriations used to finance private expenditure

21. Regrets that the external audit on using appropriations to finance private expenditure announced by the College and to be carried out by an external company, has not been launched yet; is, therefore, concerned about this delay which certainly will not facilitate the work of the external company;
22. Notes that in its response following the hearing of 25 January 2010, the Director at that time announced to the members of the Committee on Budgetary Control that funds had been recovered; remarks, however, that GBP 2 320.77 on transport costs and taxis for 2007 seems not to have been recovered yet;
23. Notes also that the amount of expenditure for the use of mobile phones and cars by staff is still not clear;
24. Stresses the fact that, in its specific annual report for the year 2007, the Court of Auditors had already signalled that it was not feasible for the auditors to review all payments made during the year 2007 as it was not possible to quantify either the amount that was irregularly spent on private use or all the different types of private expenditure incurred;

Human resource management: reliance on interim staff for sensitive posts

25. Is concerned that, until now, interim staff have been employed for financial work; notes that it was not until 2009 that the College issued a vacancy notice for the recruitment of an Internal Control Standards Coordinator and that the interviews for that post were then scheduled for early 2010; voices concern at the fact that two key actors in the financial circuit staff (the Accounting Officer and the Finance and Budget Officer) have recently resigned;

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26. Refers, for other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of 5 May 2010¹ on the performance, financial management and control of the agencies.

¹ OJ L 252, 25.9.2010, p. 241.,

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	27.9.2010
Result of final vote	+: 26 -: 0 0: 0
Members present for the final vote	Marta Andreasen, Jean-Pierre Audy, Inés Ayala Sender, Zigmantas Balčytis, Andrea Češková, Jorgo Chatzimarkakis, Andrea Cozzolino, Ryszard Czarnecki, Luigi de Magistris, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Ingeborg Gräßle, Ville Itälä, Cătălin Sorin Ivan, Iliana Ivanova, Jan Olbrycht, Crescenzo Rivellini, Christel Schaldemose, Theodoros Skylakakis, Bart Staes, Georgios Stavrakakis, Søren Bo Søndergaard
Substitute(s) present for the final vote	Christofer Fjellner, Edit Herczog, Monika Hohlmeier, Véronique Mathieu