



Plenary sitting

A8-0124/2016

11.4.2016

REPORT

on discharge in respect of the implementation of the budget of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014 (2015/2195(DEC))

Committee on Budgetary Control

Rapporteur: Derek Vaughan

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on discharge in respect of the implementation of the budget of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014
(2015/2195(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014, together with the Agency's replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2016 on discharge to be given to the Agency in respect of the implementation of the budget for the financial year 2014 (05584/2016 – C8-0093/2016),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1077/2011 of the European Parliament and of the Council of 25 October 2011 establishing a European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice⁴, in particular Article 33 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 Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁵,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September

¹ OJ C 409, 9.12.2015, p. 275.

² OJ C 409, 9.12.2015, p. 275.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 286, 1.11.2011.

⁵ OJ L 357, 31.12.2002, p. 72.

2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council¹, and in particular Article 108 thereof,

- having regard to Rule 94 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Civil Liberties, Justice and Home Affairs (A8-0124/2016),
1. Grants the Executive Director of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice discharge in respect of the implementation of the Agency's budget for the financial year 2014;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Executive Director of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice, 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).

¹ OJ L 328, 7.12.2013, p. 42.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014
(2015/2195(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014, together with the Agency's replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2016 on discharge to be given to the Agency in respect of the implementation of the budget for the financial year 2014 (05584/2016 – C8-0093/2016),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 208 thereof,
- having regard to Regulation (EU) No 1077/2011 of the European Parliament and of the Council of 25 October 2011 establishing a European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice⁴, in particular Article 33 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 Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁵,

¹ OJ C 409, 9.12.2015, p. 275.

² OJ C 409, 9.12.2015, p. 275.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 286, 1.11.2011.

⁵ OJ L 357, 31.12.2002, p. 72.

- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council¹, and in particular Article 108 thereof,
 - having regard to Rule 94 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Civil Liberties, Justice and Home Affairs (A8-0124/2016),
1. Notes that the final annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice are as annexed to the Court of Auditors' report;
 2. Approves the closure of the accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014;
 3. Instructs its President to forward this decision to the Executive Director of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

¹ OJ L 328, 7.12.2013, p. 42.

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014
(2015/2195(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2014,
 - having regard to Rule 94 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Civil Liberties, Justice and Home Affairs (A8-0124/2016),
- A. whereas, according to its financial statements, the final budget of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (“the Agency”) for the financial year 2014 was EUR 59 380 000, representing a decrease of 3,2 % compared to the year 2013; whereas the entire budget of the Agency derives from the Union budget,
- B. whereas the Court of Auditors, in its report on the annual accounts of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom for the financial year 2014 (“the Court’s report”), has stated that it has obtained reasonable assurances that the annual accounts of the Agency are reliable and that the underlying transactions are legal and regular,

Emphasis of matter

1. Notes that the Court's report emphasises the issues related to the valuation of the SIS II, VIS and EURODAC systems in the Agency’s accounts; notes that the systems were transferred from the Commission to the Agency in May 2013 by way of a non-exchange transaction; takes note that in the absence of reliable and complete information in respect of the total development cost of those systems, the value of the systems was recorded in the Agency’s accounts at their net book values as per the Commission’s books and updated at year-end; acknowledges the Agency's comment that as long as the book value of the assets transferred by the Commission to the Agency was established in line with the Commission’s internal accounting rules, there was no action that the Agency had to or could have performed in this respect; also acknowledges that the value of transferred assets is expected to become immaterial in the year 2015 due to the yearly application of depreciation of asset value and that as such, for future discharges, this comment will no longer be relevant;

Budget and financial management

2. Notes that according to Regulation (EU) No 1077/2011, the Commission was responsible for the Agency's establishment and initial operation until it was granted financial autonomy on 22 May 2013; notes also that the year 2014 was the second year in which the Court proceeded to conduct an audit on the Agency's financial statements;
3. Notes that budget-monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 99,32 % and that the payment appropriations execution rate was high at 99,14 %;

Commitments and carry-overs

4. Notes from the Court's report that out of EUR 6 600 000 of committed appropriations carried forward to 2014 for Title I (staff expenditure) and Title II (administrative expenditure), EUR 1 700 000 (26 %) were cancelled, showing that the budgetary needs were overestimated at the end of 2013; acknowledges however, the Agency's observation that upon becoming financially independent in 2013, a number of commitments for administrative expenditure were migrated from the Commission to the Agency; acknowledges furthermore that, by the time the Agency made the decision regarding these carry-forwards, it had still not attained its full staff complement and therefore had a limited budget management capacity in certain areas; notes with satisfaction that the Agency subsequently improved its capacity to monitor and implement the carry-overs and expects the volume and percentage of cancellations to decrease in 2015;
5. Takes note from the Court's report that the committed appropriations carried over to 2015 were high for Title II (administrative expenditure) at EUR 15 000 000 (87 %); acknowledges that these carry-overs mainly resulted from delayed procurements for the extension and refurbishment of the Agency's site in Strasbourg; notes furthermore that the carry-overs for Title III (operational expenditure) were high at EUR 24 500 000 (85 %) and mainly related to multi-annual contracts for the maintenance of the Agency's IT systems; acknowledges the Agency's observation that it has taken steps to improve its capacity for planning, monitoring and implementing available appropriations, to ensure closer coordination between its operational and administrative functions and to further design and improve effective internal controls; calls on the Agency to reduce the high level of carry-overs as it is at odds with the principle of annuality;
6. Recalls that according to Regulation (EU) No 1077/2011, countries associated with the implementation, application and development of the Schengen acquis and EURODAC-related measures must make a contribution to the Agency's budget; notes furthermore that although Schengen-associated countries were using the systems managed by the Agency, the Commission's negotiations were still ongoing; acknowledges the Agency's observation that Iceland and Lichtenstein accepted the Regulation and that the negotiations with Switzerland and Norway are still ongoing, meaning that signature of the agreement is not possible before the acceptance of all associated countries;

Prevention and management of conflicts of interests and transparency

7. Notes the Agency's observation that its establishing regulation requests all members of the management board and advisory groups to issue an annual public statement of interest in writing; acknowledges that the Agency strictly follows this requirement and keeps all annual statements duly signed in the secretariat of the management board; notes

furthermore that no national experts are sitting on the management board and advisory groups of the Agency;

8. Encourages the Agency to better raise awareness of the conflict-of-interest policy among its staff, alongside ongoing awareness-raising activities and the inclusion of integrity and transparency as an obligatory item to be discussed during recruitment procedures and performance reviews;
9. States that the annual reports of the Agency could play an important role in compliance regarding transparency, accountability and integrity; calls on the Agency to include a standard chapter on these components in its annual report;
10. Takes note that CVs of the Agency's executive director and the chairperson of its management board have been published and are kept up to date on the Agency's website; notes the Agency's observation that the individual statements of commitment for the members of its management board and advisory groups are kept by the secretariat of the management board, as there is no specific legal requirement in the Agency's establishing regulation calling for the publication of these statements;
11. Requests that the Agency implement Article 16 of the Staff Regulations by publishing, on an annual basis, information about senior officials who have left the service, as well as a list of conflicts of interest;

Internal controls

12. Notes that the Agency's 16 internal control standards (ICS), structured around six major areas, were adopted by its management board in June 2014;
13. Acknowledges the Agency's observation that it successfully concluded a procurement procedure to acquire the necessary insurance coverage for its fixed tangible assets in its seat premises in Tallinn;
14. Asks the Agency to apply strictly the measures pertaining to discretion and exclusion in respect of public procurement, with proper background checks being carried out in every instance, and to apply the exclusion criteria in order to debar companies in the event of any conflict of interest, this being essential to protect the financial interests of the Union;

Other comments

15. Is pleased that the negotiations between the Agency and France were successfully concluded and that the seat agreement was signed for the Agency's operational site in Strasbourg; acknowledges that at the end of 2015 the agreement was still expecting ratification from the French National Assembly;
16. Calls for an overall improvement in the prevention of, and the fight against, corruption through a holistic approach, commencing with better public access to documents and more stringent rules on conflicts of interest, the introduction or strengthening of transparency registers and the provision of sufficient resources for law enforcement measures, and also through improved cooperation among Member States and with relevant third countries;

17. Is pleased that the negotiations between the Agency and Estonia were successfully concluded and the seat agreement was signed at the end of 2014; acknowledges that the agreement was ratified by the Estonian Parliament in February 2015 and entered into force in March 2015;

18. Calls on the Agency to enhance its procedures and practices aimed at safeguarding the financial interests of the Union and to actively contribute to a results-oriented discharge process;

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19. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of 4 April 2016¹ on the performance, financial management and control of the agencies.

¹ Texts adopted of that date, P[8_TA(-PROV)(2016)0000].

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS

for the Committee on Budgetary Control

on the discharge in respect of the implementation of the budget of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice for the financial year 2014
(2015/2195(DEC))

Rapporteur: Monica Macovei

SUGGESTIONS

The Committee on Civil Liberties, Justice and Home Affairs calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Notes the Court of Auditors' conclusions that the annual accounts of EU-LISA present fairly its financial position at 31 December 2014 and that its transactions are legal and regular;
2. Regrets the absence of reliable and complete information about the total implementation cost of the IT systems SIS II, VIS and EURODAC; notes that the cost of SIS II was 8 times the estimated one, and its delivery was delayed 6 years, while acknowledging the limited responsibility of the Agency on this matter due to its entering into operation end of 2012; requests a full report from EU-LISA with the assistance of the Commission on total implementation costs, development of software applications;
3. Expresses its deep concern about the high cancellation ratio (26 %) of committed appropriations carried over in 2014; welcomes, therefore, the Agency's acknowledgement of the need to improve its budgetary management; emphasizes the need to reduce budgetary carry-over of commitments in the future, whilst acknowledging that in some cases, carry-overs could be due to the multi-annual nature of operations, procurement procedures or projects; calls on the Agency to continue to improve its budgetary planning and human resources management, as it did in 2015 (9%);
4. Takes note of the Court of Auditors comments regarding the improvements that need to be made in respect of the internal controls and of the budgetary management.

5. Takes note of the extensive reply provided by the Agency in response to the comments made by the Court of Auditors and of the commitments made which will contribute to an improved control of the budget implementation cycle.
6. Regrets that the Agency did not comply with Parliament's recommendation last year to put in place policies for preventing and managing conflicts of interest; urges the Agency to remedy this, to publish the CVs and declarations of interest, as called for by the Parliament last year, and according to the guidelines published by the Commission in December 2013; requires the Agency to adopt and publish these policies as well as the CVs and declarations of interest (instead of declarations of non-conflict of interest) of its Director, Chair of Management Board, Board members and national experts;
7. Recommends the Agency to publish a comprehensive organigram, with and the names and functions of its entire staff; notes the publication of a Code of Conduct with some provisions on conflict of interest as well as the adoption of a recent Action Plan and Anti-Fraud Strategy; reinforces the need for clear and binding internal rules in the prevention and management of conflict of interest, whistleblowing procedures and "revolving doors"; awaits for thorough implementation of these rules by June 2016, as stated by the Agency;

RESULT OF FINAL VOTE IN COMMITTEE ASKED FOR OPINION

Date adopted	16.2.2016
Result of final vote	+: 54 -: 1 0: 1
Members present for the final vote	Jan Philipp Albrecht, Gerard Batten, Michał Boni, Caterina Chinnici, Ignazio Corrao, Rachida Dati, Agustín Díaz de Mera García Consuegra, Frank Engel, Cornelia Ernst, Tanja Fajon, Laura Ferrara, Monika Flašíková Beňová, Lorenzo Fontana, Kinga Gál, Nathalie Griesbeck, Sylvie Guillaume, Jussi Halla-aho, Monika Hohlmeier, Brice Hortefeux, Sophia in 't Veld, Eva Joly, Sylvia-Yvonne Kaufmann, Timothy Kirkhope, Barbara Kudrycka, Kashetu Kyenge, Marju Lauristin, Monica Macovei, Roberta Metsola, Claude Moraes, József Nagy, Péter Niedermüller, Soraya Post, Judith Sargentini, Birgit Sippel, Branislav Škripek, Helga Stevens, Traian Ungureanu, Bodil Valero, Udo Voigt, Josef Weidenholzer, Cecilia Wikström, Kristina Winberg, Tomáš Zdechovský
Substitutes present for the final vote	Marina Albiol Guzmán, Carlos Coelho, Anna Maria Corazza Bildt, Pál Csáky, Daniel Dalton, Dennis de Jong, Gérard Deprez, Anna Hedh, Petr Ježek, Emil Radev, Christine Revault D'Allonnes Bonnefoy, Barbara Spinelli, Elissavet Vozemberg-Vrionidi

RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

Date adopted	4.4.2016
Result of final vote	+ : 15 - : 4 0 : 0
Members present for the final vote	Louis Aliot, Inés Ayala Sender, Dennis de Jong, Martina Dlabajová, Ingeborg Gräßle, Verónica Lope Fontagné, Monica Macovei, Dan Nica, Gilles Pargneaux, Georgi Pirinski, Petri Sarvamaa, Claudia Schmidt, Bart Staes, Marco Valli, Derek Vaughan, Anders Primdahl Vistisen, Tomáš Zdechovský
Substitutes present for the final vote	Marian-Jean Marinescu
Substitutes under Rule 200(2) present for the final vote	Bodil Valero