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DRAFT REPORT

on the discharge for the implementation of the budget of the European
Monitoring Centre on Racism and Xenophobia for the financial year 2005
(C6-0389/2006 – 2006/2156(DEC))

Committee on Budgetary Control

Rapporteur: Edit Herczog

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the discharge for the implementation of the budget of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005
(C6-0389/2006 – 2006/2156(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005¹,
 - having regard to the Court of Auditors' report on the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005, together with the Centre's replies²,
 - having regard to the Council's recommendation of .. March 2007 (0000/2007 - C6-xxxx/2007),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - 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 Regulation (EC) No 1035/97 of 2 June 1997 establishing a European Monitoring Centre on Racism and Xenophobia⁴, and in particular Article 12a 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 1605/2002⁵, and in particular Article 94 thereof,
 - having regard to Rule 71 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 (A6-xxxx/2007),
1. Grants the director of the European Monitoring Centre on Racism and Xenophobia discharge for the implementation of the Centre's budget for the financial year 2005;
 2. Sets out its comments in the resolution below;

¹ OJ C 266, 31.10.2006, p. 46.

² OJ C 312, 19.12.2006, p. 93.

³ OJ L 248, 16.9.2002, p. 1. Regulation as amended by regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

⁴ OJ L 151, 10.6.1997, p.1. Regulation as amended by Regulation (EC) No 1652/2003 (OJ L 245, 29.9.2003, p. 33).

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 Monitoring Centre on Racism and Xenophobia, 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 closing the accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005
(C6-0389/2006 – 2006/2156(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005¹,
- having regard to the Court of Auditors' report on the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005, together with the Centre's replies²,
- having regard to the Council's recommendation of .. March 2007 (0000/2007 - C6-xxxx/2007),
- having regard to the EC Treaty, and in particular Article 276 thereof,
- 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 Regulation (EC) No 1035/97 of 2 June 1997 establishing a European Monitoring Centre on Racism and Xenophobia⁴, and in particular Article 12a 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 1605/2002⁵, and in particular Article 94 thereof,
- having regard to Rule 71 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 (A6-xxxx/2007),

1. Notes that the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial years 2004 and 2005 are as follows:

¹ OJ C 266, 31.10.2006, p. 46.

² OJ C 312, 19.12.2006, p. 93.

³ OJ L 248, 16.9.2002, p. 1. Regulation as amended by regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

⁴ OJ L 151, 10.6.1997, p.1. Regulation as amended by Regulation (EC) No 1652/2003 (OJ L 245, 29.9.2003, p. 33).

⁵ OJ L 357, 31.12.2002, p. 72.

Revenue and expenditure account for the financial years 2004 and 2005 (in EUR 1000)

	2005	2004
Revenue		
Community subsidies	8 189	5 675
Other revenue	151	455
Financial revenue		21
PHARE subsidy	90	82
Total revenue (a)	8 430	6 233
Expenditure		
<i>Staff - Title I of the budget</i>		
Payments	3 008	2 645
Appropriations carried over	70	85
<i>Administration - Title II of the budget</i>		
Payments	550	447
Appropriations carried over	582	37
<i>Operating activities - Title III of the budget</i>		
Payments	2 731	2 352
Appropriations carried over	667	745
<i>Assigned revenue (Phare and other)</i>		
Payments	0	7
Appropriations carried over	90	0
Total expenditure (b)	7 698	6 318
Outturn for the financial year (a-b)	732	-85
Balance carried over from the previous financial year	231	98
Appropriations carried over, cancelled	210	241
Appropriations for re-use from the previous financial year, not used		0
Amounts due written off		-23
Exchange-rate differences	-2	0
Balance for the financial year	1 171	231

Source: Data compiled by the Centre. This table summarises the data supplied by the Centre in its own annual accounts.

2. Approves closing the accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005;
3. Instructs its President to forward this decision to the director of the European Monitoring Centre on Racism and Xenophobia, 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).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on the discharge for the implementation of the budget of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005
(C6-0389/2006 – 2006/2156(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005¹,
 - having regard to the Court of Auditors' report on the final annual accounts of the European Monitoring Centre on Racism and Xenophobia for the financial year 2005, together with the Centre's replies²,
 - having regard to the Council's recommendation of .. March 2007 (0000/2007 - C6-xxxx/2007),
 - having regard to the EC Treaty, and in particular Article 276 thereof,
 - 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 Regulation (EC) No 1035/97 of 2 June 1997 establishing a European Monitoring Centre on Racism and Xenophobia⁴, and in particular Article 12a 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 1605/2002⁵, and in particular, Article 94 thereof,
 - having regard to Rule 71 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 (A6-xxxx/2007),
- A. whereas the Court of Auditors stated that it obtained reasonable assurance that the annual accounts for the financial year ended 31 December 2005 were reliable, and that, the underlying transactions, taken as a whole, were legal and regular,

¹ OJ C 266, 31.10.2006, p. 46.

² OJ C 312, 19.12.2006, p. 93.

³ OJ L 248, 16.9.2002, p. 1. Regulation as amended by regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

⁴ OJ L 151, 10.6.1997, p.1. Regulation as amended by Regulation (EC) No 1652/2003 (OJ L 245, 29.9.2003, p. 33).

⁵ OJ L 357, 31.12.2002, p. 72.

- B. whereas on 27 April 2006 Parliament gave discharge to the director in respect of the Centre's budget for the 2004 financial year¹ and in the resolution accompanying the discharge decision Parliament, inter alia
- expresses its concern about the high level of cancelled carry-overs in particular in title I (staff expenditure);
 - is concerned by the irregularities noted by the Court of Auditors in contract tendering and awards;

General points concerning the majority of EU Agencies requiring individual discharge

1. Considers that the ever growing number of Agencies does not always reflect the real needs of the Union and its citizens;
2. Invites the Commission therefore to present a cost-benefit study before the setting up of any new Agency;
3. Calls on the Court of Auditors to give its opinion on the cost-benefit study before Parliament takes its decision;
4. Invites the Commission to present every five years a study on the added value of every existing Agency; invites all relevant institutions in the case of a negative evaluation of the added value of an Agency to take the necessary steps by reformulating the mandate of that Agency or by closing it;
5. Invites the Court of Auditors to create an additional chapter in its Annual Report, devoted to all Agencies to be discharged under the Commission's accounts in order to have a much clearer picture of the use of EU funds by Agencies;
6. Notes that the number of Agencies is constantly increasing and there is an even higher need for the Directorates-General of the Commission charged with the setting-up and monitoring of Agencies to develop a common approach to Agencies; a structure similar to the one created by the Agencies for coordination among the DGs concerned would be a pragmatic way forward towards a common approach by the Commission on all matters relating to the Agencies;
7. Invites the Commission to improve administrative and technical support to Agencies, taking into account the growing complexity of the Community's administrative rules and technical problems;
8. Welcomes the considerable improvements in the coordination among EU Agencies, which allows them to tackle recurring problems and makes cooperation with the Commission and Parliament more efficient;
9. Calls upon the Agencies to improve their cooperation and benchmarking with actors in the field;

¹ OJ L 340, 6.12.2006, p. 80.

10. Calls upon the Commission to come up with a proposal to harmonise the format of the annual reporting by the Agencies to develop performance indicators which would allow a comparison of their efficiency;
11. Invites the Agencies to present at the beginning of every year performance indicators against which they could be measured;
12. Invites all Agencies to increasingly use SMART objectives which should lead to more realistic planning and implementation of goals;
13. Considers that the Agencies' work programmes should express their contributions in operational and measurable terms and that due consideration should be given to the Commission's Internal Control Standards;

Specific Points

14. Notes that although the Centre's rate of commitment for the appropriations for the financial year 2005 was over 90 %, it was found that more than 50 % of the commitments for administrative expenditure were carried over and that in general there was a high rate of cancellation of the appropriations carried over (between 15 % and 25 %, depending on the title); Invites the Centre to improve its expenditure planning and the way it monitors the implementation of this expenditure; Underlines that transfers between budget headings need to be justified and documented in accordance with the provisions in force;
15. Notes that no activity-based management had been brought in despite the Centre's financial regulation making provision for its introduction on the lines of that applied to the general budget with a view to improving the monitoring of performance; Invites the Centre to present a work programme which expresses its contributions in operational and measurable terms;
16. Notes that the Centre had no system for planning and managing its equipment acquisitions and that it did not make any cyclical checks on its inventory, although this would have improved the inventory's reliability; invites the Centre to remedy this situation;
17. Notes that the Centre's internal control system suffered from various shortcomings as for instance the financial circuits set up by the authorising officer had not been described, the systems whereby the authorising officer and his delegates supplied information to the accounting officer had in particular not been validated by the latter, the principle of the segregation of duties was not applied strictly, especially between the duties of initiation and verification; invites the Centre to include for commitments the lists of *ex ante* verifications sound financial management criteria;
18. Invites the Centre to fully apply the rule whereby members of the selection boards must always be of a grade equivalent to or higher than that of the post to be filled;
19. Notes that the invitations to tender issued by the Centre do not offer much by way of explanation as regards the minimum quality of bids and the weighting of price factors; Invites the Centre to apply the rules for tenders strictly.

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