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REPORT

on discharge in respect of the implementation of the budget of the European
GNSS Supervisory Authority for the financial year 2006
(C6-0049/2008 – 2008/2000(DEC))

Committee on Budgetary Control

Rapporteur: Hans-Peter Martin

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on discharge in respect of the implementation of the budget of the European GNSS Supervisory Authority for the financial year 2006
(C6-0049/2008 – 2008/2000(DEC))**

The European Parliament,

- having regard to the final annual accounts of European GNSS Supervisory Authority for the financial year 2006¹,
 - having regard to the Court of Auditors' report on the final annual accounts of European GNSS Supervisory Authority for the financial year 2006, together with Authority's replies²,
 - having regard to the Council's recommendation of 12 February 2008 (5843/2008 – C6-0084/2008),
 - 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 1321/2004 of 12 July 2004 on the establishment of structures for the management of the European satellite radio-navigation programmes⁴, and in particular Article 12 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 (A6-0127/2007),
1. Grants the executive Director of the European GNSS Supervisory Authority discharge in respect of the implementation of the Authority's budget for the financial year 2006;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision and the resolution that forms an integral

¹ OJ C 261, 31.10.2007, p. 38.

² OJ C 309, 19.12.2007, p. 72.

³ OJ L 248, 16.9.2002, p. 1. Regulation as last amended by Regulation (EC) No 1525/2007 (OJ L 343, 27.12.2007, p. 9).

⁴ OJ L 246, 20.7.2004, p. 1. Regulation as last amended by Regulation (EC) No 1942/2006 (OJ L 367, 22.12.2006, p. 18).

⁵ OJ L 357, 31.12.2002, p. 72.

part of it to the executive director of the European GNSS Supervisory Authority, 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 GNSS Supervisory Authority for the financial year 2006
(C6-0049/2008 – 2008/2000(DEC))**

The European Parliament,

- having regard to the final annual accounts of European GNSS Supervisory Authority for the financial year 2006¹,
 - having regard to the Court of Auditors' report on the final annual accounts of European GNSS Supervisory Authority for the financial year 2006, together with Authority's replies²,
 - having regard to the Council's recommendation of 12 February 2008 (5843/2008 – C6-0084/2008),
 - 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 1321/2004 of 12 July 2004 on the establishment of structures for the management of the European satellite radio-navigation programmes⁴, and in particular Article 12 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 (A6-0127/2008),
1. Notes that the final annual accounts of the European GNSS Supervisory Authority are as annexed to the Court of Auditors report;
 2. Approves the closure of the accounts of the European GNSS Supervisory Authority for the financial year 2006;

¹ OJ C 261, 31.10.2007, p. 38.

² OJ C 309, 19.12.2007, p. 72.

³ OJ L 248, 16.9.2002, p. 1. Regulation as last amended by Regulation (EC) No 1525/2007 (OJ L 343, 27.12.2007, p. 9).

⁴ OJ L 246, 20.7.2004, p. 1. Regulation as last amended by Regulation (EC) No 1942/2006 (OJ L 367, 22.12.2006, p. 18).

⁵ OJ L 357, 31.12.2002, p. 72.

3. Instructs its President to forward this decision to the executive director of the European GNSS Supervisory Authority, 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).

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 GNSS Supervisory Authority for the financial year 2006
(C6-0049/2008 – 2008/2000(DEC))**

The European Parliament,

- having regard to the final annual accounts of European GNSS Supervisory Authority for the financial year 2006¹,
 - having regard to the Court of Auditors' report on the final annual accounts of European GNSS Supervisory Authority for the financial year 2006, together with Authority's replies²,
 - having regard to the Council's recommendation of 12 February 2008 (5843/2008 – C6-0084/2008),
 - 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 1321/2004 of 12 July 2004 on the establishment of structures for the management of the European satellite radio-navigation programmes⁴, and in particular Article 12 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 (A6-0127/2008),
- A. whereas the Court of Auditors stated that it has obtained reasonable assurance that the annual accounts for the financial year 2006 are reliable, and the underlying transactions are legal and regular,
- B. whereas the Authority began operations in 2006, and, following installation of the

¹ OJ C 261, 31.10.2007, p. 38.

² OJ C 309, 19.12.2007, p. 72.

³ OJ L 248, 16.9.2002, p. 1. Regulation as last amended by Regulation (EC) No 1525/2007 (OJ L 343, 27.12.2007, p. 9).

⁴ OJ L 246, 20.7.2004, p. 1. Regulation as last amended by Regulation (EC) No 1942/2006 (OJ L 367, 22.12.2006, p. 18).

⁵ OJ L 357, 31.12.2002, p. 72.

necessary financial systems, took over responsibility for its financial operations from the Commission in September 2006,

General points which relate to horizontal issues affecting the EU agencies and which therefore also have a bearing on the discharge procedure for each individual agency

1. Notes that the budgets of the 24 agencies and other satellite bodies audited by the Court of Auditors totalled EUR 1 080,5 million in 2006 (the biggest being that of the European Agency for Reconstruction at EUR 271 million and the smallest being that of the European Police College (CEPOL) at EUR 5 million);
2. Points out that the range of external EU bodies subject to audit and discharge now includes not only traditional regulatory agencies but also executive agencies set up to implement specific programmes, and will in the near future also extend to joint undertakings set up as public-private partnerships (joint technology initiatives);
3. Observes as regards the Parliament that the number of agencies subject to the discharge procedure has evolved as follows: financial year 2000: 8; 2001: 10; 2002: 11; 2003: 14; 2004: 14; 2005: 16; 2006: 20 regulatory agencies and 2 executive agencies (not including 2 agencies which are audited by the Court of Auditors but subject to an internal discharge process);
4. Concludes therefore that the auditing / discharge process has become cumbersome and disproportionate compared to the relative size of the agencies' / satellite bodies' budgets; instructs its competent committee to undertake a wide-ranging review of the discharge process as regards agencies and satellite bodies with a view to devising a simpler and more rational approach, bearing in mind the ever-growing number of bodies each requiring a separate discharge report in future years;

Fundamental considerations

5. Requests that the Commission provide clear explanations regarding the following elements before the creation of a new agency or reform of an existing agency: agency type, objectives of the agency, internal governance structure, products, services, key procedures, target group, clients and stakeholders of the agency, formal relationship with external actors, budget responsibility, financial planning, and personnel and staffing policy;
6. Requests that each agency be governed by a yearly performance agreement which is formulated by the agency and the responsible DG and which should contain the main objectives for the coming year, a financial framework and clear indicators to measure performance;
7. Requests that the performance of the agencies be regularly (and on an ad hoc basis) audited by the Court of Auditors or another independent auditor; considers that this should not be limited to traditional elements of financial management and the proper use of public money, but should also cover administrative efficiency and effectiveness and should include a rating of the financial management of each agency;

8. Takes the view that in the case of agencies which are continually overestimating their respective budget needs, technical abatement should be made on the basis of vacant posts; is of the opinion that this will lead in the long run to less assigned revenue for the agencies and therefore also to lower administrative costs;
9. Notes that it is a serious problem that a number of agencies is criticised for not following rules on public procurement, the Financial Regulation, the Staff Regulations, etc.; considers that the principal reason for this is that most regulations and the Financial Regulation are designed for bigger institutions and that most of the small agencies do not have the critical mass to be able to cope with these regulatory requirements; therefore asks the Commission to look for a rapid solution in order to enhance the effectiveness by grouping the administrative functions of various agencies together, in order to achieve this critical mass (taking into consideration the necessary changes in the basic regulations governing the agencies and their budgetary independence), or urgently to draft specific rules for the agencies (in particular implementing rules for the agencies) which allow them to be in full compliance;
10. Insists that the Commission, when drafting the Preliminary Draft Budget, take into consideration the results of budget implementation by the individual agencies in former years, in particular in year *n-1*, and revise the budget requested by the particular agency accordingly; invites its competent committee to respect this revision and, if not undertaken by the Commission, to revise itself the budget in question to a realistic level matching the absorption and implementation capacity of the agency in question;
11. Recalls its decision on discharge in respect of the financial year 2005, in which it invited 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; notes that there has not been one single evaluation undertaken by the Commission in 2007; insists that the Commission should present at least 5 such evaluations before the decision on discharge in respect of the financial year 2007, starting with the oldest agencies;
12. Is of opinion that recommendations of the Court of Auditors should be promptly implemented and the level of subsidies paid to the agencies should be aligned with their real cash requirements; considers further that the amendments to the general Financial Regulation should be incorporated into the agencies' framework financial regulation and into their various specific financial regulations;

Presentation of reporting data

13. Notes that there is no standard approach among the agencies with regard to the presentation of their activities during the financial year in question and of their accounts and reports on budgetary and financial management, nor to the question as to whether a declaration of assurance should be drawn up by the agency's director; observes that not all agencies clearly distinguish between (a) presenting the agency's work to the public and (b) technical reporting on budgetary and financial management;
14. Notes that while the Commission's standing instructions for the preparation of activity

reports do not expressly require the agency to draw up a declaration of assurance, many directors have nonetheless done so for 2006, in one case including an important reservation;

15. Recalls paragraph 41 of its resolution of 12 April 2005¹, inviting the directors of the agencies from now on to accompany their annual activity report, which is presented together with financial and management information, with a declaration of assurance concerning the legality and regularity of operations, similar to the declarations signed by the Directors General of the Commission;
16. Asks the Commission to amend its standing instructions to the agencies accordingly;
17. Suggests in addition that the Commission should work with the agencies towards producing a harmonised model applicable to all agencies and satellite bodies clearly distinguishing between
 - an annual report intended for a general readership on the body's operations, work and achievements;
 - financial statements and a report on implementation of the budget;
 - an activity report along the lines of the activity reports of the Directors General of the Commission;
 - a declaration of assurance signed by the body's director, together with any reservations or observations which he considers it appropriate to draw to the attention of the discharge authority;

General findings by the Court of Auditors

18. Notes the Court's finding (Annual Report, paragraph 10.29²) that the disbursement of subsidies paid by the Commission from the Community budget is not based on sufficiently justified estimates of the agencies' cash requirements and that this, combined with the size of carry-overs, leads them to hold sizeable cash balances; notes further the Court's recommendation that the level of subsidies paid to the agencies should be in line with their real cash requirements;
19. Notes that at the end of 2006 14 agencies had still to implement the ABAC accounting system (Annual Report, footnote to paragraph 10.31);
20. Notes the Court's remark (Annual Report, paragraph 1.25) concerning accrued charges for untaken leave which are accounted for by some agencies; points out that the Court of Auditors has qualified its statement of assurance in the case of three agencies (European Centre for the Development of Vocational Training (CEDEFOP), CEPOL and the European Railway Agency) for the financial year 2006 (2005: CEDEFOP, European Food Safety Authority, European Agency for Reconstruction);

¹ All resolutions regarding the Agencies were published in OJ L 196, 27.7.2005.

² OJ C 273, 15.11.2007, p. 1.

Internal audit

21. Recalls that in accordance with Article 185(3) of the Financial Regulation the Internal Auditor of the Commission is also the internal auditor of the regulatory agencies receiving grants charged to the EU budget; points out that the Internal Auditor reports to each agency's management board and director;
22. Draws attention to the reservation entered in the Internal Auditor's Annual Activity Report for 2006 as follows:

"The Internal Auditor of the Commission is not in a position to properly fulfil his obligation assigned by Article 185 of the Financial Regulation as internal auditor of the Community bodies due to a lack of staff resources.";
23. Notes, however, the Internal Auditor's remark in his activity report for 2006 that as from 2007, with the additional staff resources granted by the Commission to the Internal Audit Service (IAS), all regulatory agencies in operation will be subject to internal audit work on an annual basis;
24. Notes the ever-growing number of regulatory and executive agencies and joint undertakings required to be audited by the IAS under Article 185 Financial Regulation; asks the Commission to inform its competent committee as to whether the staff resources at the IAS's disposal will be sufficient to conduct an annual audit of all such bodies in the coming years;
25. Observes that Article 72(5) of Regulation No 2343/2002 requires each agency to send each year to the discharge authority and the Commission a report drawn up by its director summarising the number and type of internal audits conducted by the internal auditor, the recommendations made and the action taken on these recommendations; asks the agencies to indicate whether this is done and, if so, how;
26. Takes note, as regards internal audit capability, especially in relation to the smaller agencies, of a proposal made by the Internal Auditor before Parliament's competent committee on 14 September 2006 that smaller agencies should be authorised to buy in internal audit services from the private sector;

Evaluation of agencies

27. Recalls the joint statement by the Parliament, the Council and the Commission¹ negotiated at the conciliation before the ECOFIN budget Council of 13 July 2007 calling for (i) a list of agencies which the Commission intends to assess, and (ii) a list of the agencies already assessed, together with a summary of the major findings;

Disciplinary procedures

28. Notes that, because of their size, individual agencies have difficulty in setting up ad hoc disciplinary boards composed of staff at the appropriate career grade and that the

¹ Council document DS 605/1/07 Rev1.

Commission's IDOC (Investigation and Disciplinary Office) is not competent for agencies; calls on the agencies to consider an inter-agency disciplinary board;

Draft inter-institutional agreement

29. Recalls the Commission's draft Interinstitutional agreement on the operating framework for the European regulatory agencies (COM(2005)0059), which intended to create a horizontal framework for the creation, structure, operation, evaluation and control of the European regulatory agencies; notes that the draft represents a useful initiative in the effort to rationalise the creation and running of agencies; notes the statement in the Commission's 2006 synthesis report (paragraph 3.1, COM(2007)0274) that although progress in negotiations stalled after the proposal's publication, discussions on the substance were relaunched in the Council at the end of 2006; regrets that it has not been possible to make further progress towards adoption;
30. Welcomes therefore the Commission's commitment to bring forward a Communication on the future of the regulatory agencies during the course of 2008;

Self-financed agencies

31. Recalls that for the two self-financing agencies, discharge is given to the director by the administrative board; notes that both have significant accumulated surpluses from fee income carried over from previous years figures:

Office for Harmonisation of the Internal Market cash and cash equivalents: EUR 281 million;

Community Plant Variety Office cash and cash equivalents: EUR 18 million¹;

Specific points

32. Notes the Court of Auditors' observation in its 2006 report that its testing of a representative sample of 80 transactions identified weaknesses in the operation of the management and control systems involving the initiation of transactions without the necessary authority and entering into a legal commitment without a prior budgetary commitment, contrary to the requirements of the Financial Regulation;
33. Takes note that, from 1 January 2007, the Authority has been the owner of all tangible and intangible assets created or developed during the development phase of the Galileo Programme;
34. Recalls that the handover of activities from the Galileo Joint Undertaking to the Authority started in December 2006 with the transfer of EUR 70 million and the rights and obligations related to FP6, MEDA, EGNOS and other contracts; therefore, although the Community subsidy and other revenue for the Authority in 2006 were just over EUR 7 million, the total assets of the Authority amounted to EUR 76,6 million at the end of 2006;
35. Points out that, in addition, according to the Authority's replies, during 2007 97 % of a

¹ Source: ECA special report.

further amount of EUR 65 million was received by the Authority following an agreement between the GNSS and the three members of the Joint Undertaking (the European Space Agency, the National Remote Sensing Centre of China and the MATIMOP-Israeli Industry Centre for Research and Development); notes the Court's observation that this amount does not include the balance of funds resulting from the winding-up of the Galileo Joint Undertaking, which will only be transferred to the Authority at the end of the winding-up procedure;

36. Understands from the Council conclusions adopted following its meeting of 3 December 2007 that the estimated cost for the GNSS programmes for the period 2007-2013 amounts to EUR 3,4 billion and that the project will be financed by public funds;
37. Concludes therefore that, although an EU agency, the Authority as the owner of all the Galileo assets will carry out a role quite unlike that of any other regulatory agency, and that by virtue of the substantial amounts in its balance sheet will in future require particularly close scrutiny by those bodies whose task it is to monitor EU spending;
38. Notes that the winding-up of the Galileo Joint Undertaking will be the subject of a specific report by the Court during 2008.

RESULT OF FINAL VOTE IN COMMITTEE

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| Date adopted | 26.3.2008 |
| Result of final vote | +: 25 -: 4 0: 2 |
| Members present for the final vote | Jean-Pierre Audy, Herbert Bösch, Costas Botopoulos, Mogens Camre, Paulo Casaca, Jorgo Chatzimarkakis, Antonio De Blasio, Esther De Lange, Petr Duchoň, James Elles, Szabolcs Fazakas, Christofer Fjellner, Ingeborg Gräßle, Dan Jørgensen, Bogusław Liberadzki, Nils Lundgren, Marusya Ivanova Lyubcheva, Hans-Peter Martin, Ashley Mote, Jan Mulder, Bill Newton Dunn, Borut Pahor, Bart Staes, Jeffrey Titford, Kyösti Virrankoski |
| Substitute(s) present for the final vote | Salvador Garriga Polledo, Edit Herczog, Cătălin-Ioan Nechifor, Dumitru Oprea, Pierre Pribetich, Margarita Starkevičiūtė |