Discharge for 2018 budget - EU decentralised agencies and joint undertakings

At its May plenary session, in the context of the discharge procedure for the financial year 2018, the European Parliament is due to vote on the discharge for 32 EU decentralised agencies and eight joint undertakings for their implementation of the 2018 budget. The Committee on Budgetary Control proposes to grant discharge to all of these entities, yet highlights a number of areas that require further improvement.

Background

Decentralised agencies

EU decentralised agencies are set up for an indefinite period by means of a regulation of the Council, or of the Parliament (EP) and the Council, and are each controlled by a board representing the Member States and the Commission, and in some cases also other parties. They address specific policy needs and help implement EU policies in technical, scientific, operational and/or regulatory areas, by pooling EU and national expertise. There are 34 such agencies; the newest – the European Public Prosecutor’s Office and the European Labour Authority – will be subject to an audit as of the financial year 2019. The European Court of Auditors (ECA) examines the revenue and expenditure accounts of all EU bodies, offices and agencies (except for three defence agencies), and provides the EP and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. As most agencies are almost fully financed by the EU general budget, under the Financial Regulation (Article 70), the EP gives discharge for the implementation of their budgets on the Council’s recommendation. Three fully self-financing agencies are exempt from this procedure and report to their internal boards.

Joint undertakings (JUs)

JUs may be set up as per Article 187 of the Treaty on the Functioning of the European Union (TFEU). They are public-private partnerships between the EU and industry, research groups and Member States, which implement specific projects and policies in the area of research and innovation. Each has a distinct legal personality and adopts its own financial rules in line with the Financial Regulation. There are eight JUs, subject to the same discharge procedure as decentralised agencies. Seven of them implement specific actions under Horizon 2020; the eighth – ‘Fusion for Energy’ (F4E) – was established to take part in the International Thermonuclear Experimental Reactor (ITER) project.

Discharge of the EU decentralised agencies for 2018

European Court of Auditors’ opinion on decentralised agencies

In September 2019, the ECA adopted its annual report on the EU agencies for the financial year 2018. It signed off the 2018 accounts of all EU agencies as reliable, and confirmed the positive results reported in previous years. The ECA gave all agencies a ‘clean bill of health’ as regards the legality and regularity of their revenue and payment operations, with one exception, the European Asylum Support Office (EASO). The latter received a qualified (previously adverse) opinion due to continuing issues affecting its payments linked to the effects of financial years 2016 and 2017. In both years, the ECA had found irregularities in contracts for the provision of interim workers, travel services and rent for the Office’s premises, and had reported that the governance and internal control arrangements were unsatisfactory in general. For 2018, the ECA found payments underlying the accounts to be legal and regular in all material aspects.

Apart from EASO, the ECA observed overarching issues that were common to many agencies. It stressed the need for improved financial management, with a special focus on public procurement, a major error-prone area. The ECA called on the agencies to comply fully with the rules and the requirements for transparency.
and best value for money. It saw the higher dependency on external staff, used to compensate own-staff shortages, as posing a risk to cost-efficiency and the accompanying legal requirements. The auditors also warned of a possible drop in revenue for a number of agencies, linked to the UK’s withdrawal from the EU.

**CONT reports on discharge for the EU decentralised agencies for the financial year 2018**

Following the Council’s recommendations to the EP on the discharge for both agencies and JUs, in February 2020 the Committee on Budgetary Control (CONT) adopted one horizontal report on the budget implementation of EU agencies in 2018 and 32 individual agency reports, shared among three rapporteurs. The reports emphasise the agencies’ visibility and influence in policy and programme implementation, and the importance of their autonomy.

The horizontal report notes that the 2018 budgets of the 32 agencies amounted to around €2.59 billion in commitment appropriations and €2.36 billion in payment appropriations, up roughly 10.22 % and 5.13 % from 2017, respectively. Some €1.70 billion of the €2.36 billion was financed from the EU’s general budget, and the rest from fees, charges and direct contributions. The agencies employed 7 626 officials, temporary and contract agents, and seconded national experts in 2018, a 3.74 % increase from 2017.

The report welcomes the ECA’s assessment that the overall risk to the reliability of accounts is low for all agencies, while noting its qualified opinion on EASO. Based on the ECA's findings, it also notes that the overall risk to the legality and regularity of transactions underlying the agencies’ accounts is assessed as medium, varying from low to high for specific budget titles: generally low for staff expenditure; medium for administrative; and low to high for operational expenditure, depending on the nature of the latter and the individual agency. The report reiterates that public procurement and grant payments are the main source of risk, and that related shortcomings stem from the use of inadequate award criteria, lack of justification for concluding contracts with abnormally low tenderers, and dependence on contractors and external consultants. It notes that attempts at joint procurement procedures, though promising in term of efficiency gains and economies of scale, were not always successful. Some issues highlighted, where further action is encouraged, include the need for clear guidelines on agencies’ budget reporting; applying the principle of performance-based budgeting; aiming for more efficient resources management; and better gender balance. The report also stresses the need for reporting on sustainability, better managing conflicts of interest and ensuring transparency. It calls on all agencies to adopt and implement the Commission’s revised Internal Control Framework, noting that 29 agencies had adopted it, and 15 had also reported having implemented it. Last but not least, it welcomes the creation of the European Labour Authority.

**Discharge of the joint undertakings (JUs) for 2018**

The ECA notes that in 2018, the EU contributed €2.2 billion to the JUs’ 2018 budgets, approximately 1.5 % of the total EU budget. In its annual report on the JUs for 2018, the ECA issued ‘clean’ audit opinions on the accounts of all JUs, confirming the positive results from previous years. The Court found the risks to reliability of their accounts to be low overall; however, due to a change in accounting policy in 2018, the risk for F4E was reassessed as medium. The ECA pointed out some weaknesses in the JUs’ procurement, grant and recruitment procedures that had put their operational effectiveness at risk. It noted that synergies among JUs for research activities had been limited, unlike as regards support services.

**CONT reports on Joint Undertakings for the financial year 2018**

CONT adopted eight reports recommending granting discharge to all JUs. The reports acknowledge the ECA’s opinion on the legality and regularity of the transactions underlying the JUs’ 2018 annual accounts. They endorse the ECA’s recommendations as regards some observed shortcomings related, among other things, to the management of the procurement procedures for administrative services (ECSEL JU); staffing difficulties (high turnover, long-term sick leave (IMI 2 JU); and internal control issues, more specifically a breach of the recruitment procedure (ITER Fusion for energy JU). The report on SESAR, for example, notes that it has taken steps to address the EP’s concerns for 2017, in particular in regards appointing a new head of the Budget and Finance Team, and a new finance officer and finance assistant.

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Discharge 2018: Decentralised agencies (32) and Joint Undertakings (8); Committee responsible: CONT; Rapporteurs: Ryszard Czarnecki (ECR, Poland); Ryszard Antoni Legutko (ECR, Poland); Joachim Stanislaw Brudziński (ECR, Poland).