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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016
(2017/2148(DEC))

Committee on Budgetary Control

Rapporteur: Bart Staes

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016 (2017/2148(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016,
- having regard to the Court of Auditors' report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016, together with the Foundation's reply¹,
- 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 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2018 on discharge to be given to the Foundation in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- 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 (EEC) No 1365/75 of the Council of 26 May 1975 on the creation of a European Foundation for the improvement of living and working conditions⁴, and in particular Article 16 thereof,
- 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 Council⁵, and in particular Article 108 thereof,
- having regard to Rule 94 of and Annex IV to its Rules of Procedure,
- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A8-0000/2018),

¹ OJ C 417, 6.12.2017, p. 212.

² OJ C 417, 6.12.2017, p. 212.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 139, 30.5.1975, p. 1.

⁵ OJ L 328, 7.12.2013, p. 42.

1. Grants the Director of the European Foundation for the Improvement of Living and Working Conditions discharge in respect of the implementation of the Foundation's budget for the financial year 2016 / Postpones its decision on granting the Director of the European Foundation for the Improvement of Living and Working Conditions discharge in respect of the implementation of the Foundation's budget for the financial year 2016;
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 Director of the European Foundation for the Improvement of Living and Working Conditions, 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 Foundation for the Improvement of Living and Working Conditions for the financial year 2016 (2017/2148(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016,
- having regard to the Court of Auditors' report on the annual accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016, together with the Foundation's reply¹,
- 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 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2018 on discharge to be given to the Foundation in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
- 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 (EEC) No 1365/75 of the Council of 26 May 1975 on the creation of a European Foundation for the improvement of living and working conditions⁴, and in particular Article 16 thereof,
- 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 Council⁵, and in particular Article 108 thereof,
- having regard to Rule 94 of and Annex IV to its Rules of Procedure,
- having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A8-0000/2018),

¹ OJ C 417, 6.12.2017, p. 212.

² OJ C 417, 6.12.2017, p. 212.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 139, 30.5.1975, p. 1.

⁵ OJ L 328, 7.12.2013, p. 42.

1. Approves the closure of the accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016 / Postpones the closure of the accounts of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016;
2. Instructs its President to forward this decision to the Director of the European Foundation for the Improvement of Living and Working Conditions, 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 Foundation for the Improvement of Living and Working Conditions for the financial year 2016 (2017/2148(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European Foundation for the Improvement of Living and Working Conditions for the financial year 2016,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Employment and Social Affairs (A8-0000/2018),
- A. whereas in the context of the discharge procedure, the discharge authority wishes to stress the particular importance of further strengthening the democratic legitimacy of the Union institutions by improving transparency and accountability, and implementing the concept of performance-based budgeting and good governance of human resources;
- B. whereas, according to its statement of revenue and expenditure¹, the final budget of the European Foundation for the Improvement of Living and Working Conditions (the “Foundation”) for the financial year 2016 was EUR 20 789 500, representing a decrease of 1,72 % compared to 2015; whereas the Foundation’s budget derives mainly from the Union budget;
- C. whereas the Court of Auditors (the “Court”), in its report on the Foundation’s annual accounts for the financial year 2016 (the “Court’s report”), has stated that it has obtained reasonable assurances that the Foundation’s annual accounts are reliable and that the underlying transactions are legal and regular;

Comments on the legality and regularity of transactions

1. Notes from the Court’s report that in the Court’s 2014 report, it reported underpayments to staff for the period 2005 to 2014 in relation to the transition to the new Union Staff Regulations in 2005; notes that, although the reasons for the underpayments (2014: non-respect of minimum guaranteed salaries; 2015: wrong multiplication factor on salaries) are different, the Court has again found underpayments (EUR 43 350) and some overpayments (EUR 168 930), affecting 30 active and previous staff members; notes that the Foundation corrected all underpayments, but will not recover the overpayments (in line with Article 85 of the current Staff Regulations); calls on the Foundation to analyse again any possible mistakes in relation to the transition to the 2005 Staff Regulations, carry out a full evaluation of its payroll function and report its findings to the discharge authority; acknowledges from the Foundation that a comprehensive internal audit of the payroll function took place in April 2017; notes that the Foundation

¹ O.J. C 84, 17.13.2017, p.11

is awaiting the final report and due regard will be given to any recommendations made; calls on the Foundation to report to the discharge authority on the corrective measures that will be taken;

Budget and financial management

2. Notes with satisfaction that the budget monitoring efforts during the financial year 2016 resulted in a budget implementation rate of 99,99 % and that the payment appropriations execution rate was 84,80 %, representing a decrease of 2,55 % compared to 2015;

Commitments and carryovers

3. Notes from the Court's report that the level of committed appropriations carried forward to 2017 was at EUR 2 800 000 (43 %) for Title III (operational expenditure), compared to EUR 2 100 000 (31 %) in 2015, mainly in relation to projects (studies and pilot schemes) going beyond the year end; takes note that the Foundation may consider introducing differentiated budget appropriations in order to better reflect the multiannual nature of operations and unavoidable delays between the signature of contracts, deliveries and payments;
4. Acknowledges that the Foundation, with the agreement of the Court, distinguishes between planned and unplanned carry-overs; notes that in 2016 the Foundation had planned carry-overs of EUR 3 000 000 while the actual carry-overs amounted to only EUR 2 800 000; notes, moreover, that the Foundation is carefully considering introducing differentiated budget appropriations;
5. Notes that carry-overs may often be partly or fully justified by the multiannual nature of the agencies' operational programmes, do not necessarily indicate weaknesses in budget planning and implementation and are not always at odds with the budgetary principle of annuality, in particular if they are planned in advance by the Foundation and communicated to the Court;

Procurement

6. Notes that the Foundation's advisory committee on procurement and contracts (ACPC), which gives an opinion on contract proposals with a value of at least EUR 250 000, did not meet during 2016 as there were no dossiers meeting the criteria; notes in addition that the ACPC carried out an annual *ex-post* verification of three out of eleven contracts awarded in 2016; notes that the ACPC was satisfied overall that the Foundation adhered to the procurement procedures;

Staff policy

7. Notes that a job screening exercise was carried out in December 2016, which shows a relatively high level of stability over the three years in which the screening exercise took place;
8. Observes that the establishment plan and staff breakdown provides for 107 posts (officials, temporary agents and contract agents) from December 2016, compared to 108

in 2015; notes with satisfaction that by reference to the number of posts occupied on 31 December 2016, gender balance has almost been met since the ratio is 55,14 % female to 44,86 % male staff;

9. Stresses that work-life balance should be part of the Foundation's staff policy; stresses that the budget spent per staff on well-being activities amounts to EUR 80,21; observes that the average number of sick leave per staff is 6,5 days and that no member of staff was on full-year sick leave;
10. Appreciates the fact that there was no formal or informal harassment case reported in 2016; supports the training and information sessions organised to increase the awareness of the staff;
11. Notes with satisfaction the fact that the Foundation did not receive any complaints, law-suits or reported cases linked to hiring or dismissal of staff in 2016;
12. Welcomes the Foundation's remedial actions undertaken in relation to salary corrections following the Court's reports; notes that an audit of the salaries function was undertaken in Q2 2017 in order to provide additional assurance that the appropriate processes and controls are in place and operating well;
13. Recalls that staffing cuts have been implemented with great difficulty and reiterates its opposition to further cuts which would limit the agencies' ability to carry out their mandate;

Prevention and management of conflicts of interests and transparency and democracy

14. Notes with satisfaction that workshops on ethics, integrity and antifraud were delivered in November and December 2016; notes, moreover, that attendance at those workshops was mandatory for all staff and that those who were unable to attend were required to follow an online programme covering the same topics;
15. Notes with satisfaction that the Foundation has in place rules on whistleblowing and that no cases were recorded in 2016;
16. Appreciates the fact that the Foundation had no conflicts of interests case in 2016;

Performance-Based Budgeting (PBB)

17. Welcomes the three main achievements identified by the Foundation in 2016, namely that:
 - it completed the sixth European Working Conditions Survey and presented its findings to Parliament on 17 November 2016;
 - it implemented the last year of its four-year programme cycle with 100 % budget implementation and 98 % programme delivery and highest level of user satisfaction feedback registered during the four-year period;
 - the European Pillar of Social Rights package makes reference to recent Eurofound findings: on pay, social benefits, inadequate housing in Europe, new forms of

employments and the latest working conditions survey;

18. Welcomes the successful implementation of the Foundation's four-year work programme with a high level of organisational effectiveness, as evidenced by an overall improvement of the Foundation's key performance indicators;
19. Notes with satisfaction that the delivery of work programme outputs planned for 2016 was 97 %, largely exceeding the target of 80 %, which is a significant turn-around from the underachievement in the two previous years, and ensures that at the close of the four-year programming period, nearly all scheduled outputs for the final programme year were delivered on time;

Internal controls

20. Notes with satisfaction that the Foundation's internal control coordinator, in line with the prioritisation presented to the bureau of governing board in January 2016, focused on five internal control standards related to its mission and vision, ethics and organisational values, Staff allocation and mobility, risk management process and assessment of internal control standards;

Internal audit

21. Notes from the Court's report that, in its audit report dated December 2016, the internal audit service (IAS) highlighted a need to improve the Foundation's management of projects, mainly in relation to governance arrangements, monitoring and reporting; notes, moreover, that the Foundation and the IAS agreed on a plan to take corrective action;
22. Notes that the IAS carried out an audit in project management (PM) with the objective 'to assess the adequacy of the design and the effectiveness of the management and control systems put in place by the Foundation for its PM activities'; notes, in addition, that the IAS report contains four recommendations on the following topics: project management governance, project monitoring and reporting, project planning, project management information system; notes that the IAS accepted the Foundation's action plan for completion by the end of 2017; calls on the Foundation to report to the discharge authority on the progress made;
23. Notes with satisfaction that all recommendations addressed by the IAS from earlier audits prior to the reporting year are closed;

Other comments

24. Strongly regrets the fact that Regulation (EEC) No 1365/75 does not explicitly require external evaluations of the Foundation's activities; notes that the Commission's proposal for a new founding Regulation includes the obligation of performing an evaluation every five years; welcomes the fact that each of the four-year work programmes is, however, subject to an external evaluation;

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25. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of ...2018¹ on the performance, financial management and control of the agencies.

¹ Texts adopted of that date, P8_TA-PROV(2018)0000.