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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European
Chemicals Agency for the financial year 2014
(2015/2184(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 Chemicals Agency for the financial year 2014
(2015/2184(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Chemicals Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Chemicals Agency for the financial year 2014, together with the Agency'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 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of xx February 2016 on discharge to be given to the Agency in respect of the implementation of the budget for the financial year 2014 (xxxxx/2016 – C8-xxxx/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 (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC⁴, and in particular Article 97 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 2013 on the framework financial regulation for the bodies referred to in Article 208 of

¹ OJ C 409, 9.12.2015, p. 131.

² OJ C 409, 9.12.2015, p. 131.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 396, 30.12.2006, p. 1.

⁵ OJ L 357, 31.12.2002, p. 72.

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 the Environment, Public Health and Food Safety (A8-0000/2016),
1. Grants the Executive Director of the European Chemicals Agency 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 Chemicals Agency, 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 Chemicals Agency for the financial year 2014
(2015/2184(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Chemicals Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Chemicals Agency for the financial year 2014, together with the Agency'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 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of xx February 2016 on discharge to be given to the Agency in respect of the implementation of the budget for the financial year 2014 (xxxxx/2016 – C8-xxxx/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 (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC⁴, and in particular Article 97 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. 131.

² OJ C 409, 9.12.2015, p. 131.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 396, 30.12.2006, p. 1.

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 the Environment, Public Health and Food Safety (A8-0000/2016),
1. Notes that the final annual accounts of the European Chemicals Agency are as annexed to the Court of Auditors' report;
 2. Approves the closure of the accounts of the European Chemicals Agency for the financial year 2014;
 3. Instructs its President to forward this decision to the Executive Director of the European Chemicals Agency, 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 Chemicals Agency for the financial year 2014
(2015/2184(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European Chemicals Agency 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 the Environment, Public Health and Food Safety (A8-0000/2016),
- A. whereas, according to its financial statements, the final budget of the European Chemicals Agency ("the Agency") for the financial year 2014 was EUR 114 112 193 representing an increase of 6,37 % compared to 2013;
- B. whereas the Agency received Union subsidies of EUR 6 513 623 from the Commission, as well as other contributions and funding from the Commission amounting to EUR 1 244 421;
- C. whereas the Court of Auditors ("the Court") in its report on the annual accounts of the Agency for the financial year 2014 ("the Court's report"), has stated that it has obtained reasonable assurances that the Agency's annual accounts for the financial year 2014 are reliable and that the underlying transactions are legal and regular;

Follow-up of 2013 discharge

1. Acknowledges from the Agency that it published the declarations of interest of all formal bodies as well as those of its management and the Board of Appeal on its website for public scrutiny; notes that both external and interim staff are covered by the Agency's procedures on prevention and management of conflicts of interest;

Budget and financial management

2. Notes that budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 97,08 % and that the payment appropriations execution rate was 87,46 %; notes that the payment appropriations execution rate increased by 3,28 % in comparison to the previous year;
3. Notes that the expenditure for procedures associated with the new implementation of the Regulation (EU) No 528/2012 of the European Parliament and of the Council (BPR Regulation)¹ was to be covered by application fees for the registration of biocidal

¹ Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products (OJ L 167,

products; acknowledges that the fees collected in 2014 covered only 17 % of this expenditure and the remaining part was financed by contributions to the Agency's budget from the Union and the European Free Trade Association (EFTA) countries;

Commitments and carryovers

4. Notes from the Court's report that the level of committed appropriations carried over to 2015 was 35% for Titles III, IV, and V (operational expenses), representing a decrease of 11 % compared to the previous year; acknowledges that those carry-overs mainly resulted from the multi-annual nature of planned IT development projects, costs for translations ordered but not received by year-end and substance evaluations with a regulatory deadline in 2015;

Procurement and recruitment procedures

5. Establishes from the Agency that in 2014, in implementation of its budget, it signed 736 contracts, out of which 548 under framework contracts and 188 as a result of procurement; notes that 23 contracts included in the latter category were signed as a result of exceptional negotiated procedures and 11 of those 23 refer to legal services;
6. Notes with satisfaction that in 2014 the recruitment target of the Agency was achieved with 97 % of temporary posts and 94 % of contract agent positions filled at the end of that year; notes moreover that at the end of 2014 there were 479 temporary staff and 106 contract staff in place or being recruited; acknowledges that a new internal mobility policy was approved, at the beginning of 2014 in the career development area, to enhance the internal mobility possibilities and to make the process more dynamic;
7. Notes with satisfaction that following the implementation of the harassment prevention policy, four more confidential counsellors were appointed and trained during 2014;

Prevention and management of conflicts of interests and transparency

8. Acknowledges that the Agency implemented the recommendations from the Special Report of the Court No 15/2012 on the management of conflicts of interests in selected EU agencies; notes furthermore that the Agency regularly reviews and updates its conflict of interest policies;
9. Notes from the Agency that it has four scientific committees set up by its founding regulation which issue formal opinions and recommendations; takes note that those committees consist of experts, almost all of whom are public officials, nominated or appointed by the Member States, while the stakeholders are only allowed to participate as observers; acknowledges that the prevention of conflicts of interest for those committee members is strictly managed by the Agency's procedure on the prevention and management of potential conflicts of interest, including annual declarations of interests and oral declarations at the start of each meeting;
10. Acknowledges from the Agency that it decided to subject the members of its informal working groups, expert groups and discussion forums to conflict of interest management

27.6.2012, p. 1).

which includes annual declarations of interests and oral declarations at the start of each meeting;

Internal controls

11. Notes that following the entry into force and application of 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 1605/2002¹ (the ‘Financial Regulation’), the Agency’s Management Board adopted new implementing rules which have been applicable since 1 January 2015; notes furthermore that those implementing rules stipulate the rules for implementation of *ex-ante* and *ex-post* evaluation of programmes, projects and activities; observes that the Agency’s current internal control system places a strong emphasis on *ex-ante* control, while *ex-post* evaluation has been performed mainly for IT projects, in line with the applicable PRINCE2 methodology for project governance at the Agency; calls on the Agency to report to the discharge authority on the results of the implementation of those new rules;
12. Acknowledges from the Agency that its Management Board adopted an anti-fraud strategy in December 2014; notes that that strategy covers the years 2015-2016 and contains an action plan with specific actions to be implemented in that time period; takes note that the internal fraud risk assessment exercise which preceded the adoption of that strategy revealed the risk profile of the Agency as low; notes that the main aim of that strategy is to develop a widespread anti-fraud culture in the Agency, with a focus on raising awareness;

Internal audit

13. Notes from the Agency that in 2014, the Commission’s Internal Audit Service (IAS) carried out an audit on “Applications for authorisation” in order to assess and provide assurance on whether the management and internal control systems to govern the process of “Applications for authorisation” are adequate and effective enough to ensure that the applications can be processed within the stipulated timelines; notes that the audit resulted in five recommendations marked as “important” and that no “critical” or “very important” recommendations were issued;
14. Notes with satisfaction that the IAS closed all outstanding actions from the audit on “Committees Management in the Agency” performed in 2013;
15. Takes note that the Agency’s Internal Audit Capability (IAC) carried out assurance audits on the implementation of confidentiality claim verification, staff training and development as well as a consultative audit on BPR processes; notes that the action plans have been developed in response to IAS and IAC’s recommendations;

Other comments

16. Acknowledges that the ISO 9001:2008 certification audit found the procedures and working instructions for REACH and classification, labelling and packaging of substances

¹ OJ L 298, 26.10.2012, p. 1.

and mixtures (CLP) processes in its integrated management system as well described; notes from the Agency that it continues to work on increasing the efficiency and effectiveness of its operations, and also notes that the Agency will apply for the same certification for its PIC¹ and BPR activities; notes that the Agency will proceed with the integration of an environmental management system into its quality management system;

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17. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of [xx xxxx 2016]² [on the performance, financial management and control of the agencies].).

¹ Regulation (EU) No 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals (OJ L 201, 27.7.2012, p. 60).

² Texts adopted of that date, P[8_TA(-PROV)(2016)0000].