



**2015/2171(DEC)**

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# DRAFT REPORT

on discharge in respect of the implementation of the budget of the European  
Medicines Agency for the financial year 2014  
(2015/2171(DEC))

Committee on Budgetary Control

Rapporteur: Derek Vaughan

## CONTENTS

	<b>Page</b>
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION .....	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION .....	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION .....	7

## 1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on discharge in respect of the implementation of the budget of the European Medicines Agency for the financial year 2014 (2015/2171(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Medicines Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Medicines Agency for the financial year 2014 together with the Agency's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> 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 1605/2002<sup>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EC) No 726/2004 of the European Parliament and of the Council of 31 March 2004 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency<sup>4</sup>, and in particular Article 68 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 Communities<sup>5</sup>,
- 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 Council<sup>6</sup>, and in particular Article 108 thereof,

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<sup>1</sup> OJ C 409, 9.11.2015, p. 197.

<sup>2</sup> OJ C 409, 9.11.2015, p. 197.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> OJ L 136, 30.4.2004, p. 1.

<sup>5</sup> OJ L 357, 31.12.2002, p. 72.

<sup>6</sup> OJ L 328, 7.12.2013, p. 42.

- 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 Medicines 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 Medicines 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).

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the European Medicines Agency for the financial year 2014  
(2015/2171(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the European Medicines Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Medicines Agency for the financial year 2014 together with the Agency's replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> 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 1605/2002<sup>3</sup>, and in particular Article 208 thereof,
- having regard to Regulation (EC) No 726/2004 of the European Parliament and of the Council of 31 March 2004 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency<sup>4</sup>, and in particular Article 68 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 Communities<sup>5</sup>,
- 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 Council<sup>6</sup>, and in particular Article 108 thereof,

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<sup>1</sup> OJ C 409, 9.11.2015, p. 197.

<sup>2</sup> OJ C 409, 9.11.2015, p. 197.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> OJ L 136, 30.4.2004, p. 1.

<sup>5</sup> OJ L 357, 31.12.2002, p. 72.

<sup>6</sup> OJ L 328, 7.12.2013, p. 42.

- 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 Medicines Agency are as annexed to the Court of Auditors' report;
  2. Approves the closure of the accounts of the European Medicines Agency for the financial year 2014;
  3. Instructs its President to forward this decision to the Executive Director of the European Medicines 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).

### **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 Medicines Agency for the financial year 2014**

**(2015/2171(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the European Medicines 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 Medicines Agency (“the Agency”) for the financial year 2014 was EUR 282 474 000, representing an increase of 12,29 % compared to 2013; whereas 12,53 % of the Agency's budget derives from the Union budget;
- B. whereas the Court of Auditors (“the Court”), in its report on the annual accounts of the European Medicines 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. Notes from the Court's report that regarding one comment made in the Court's 2012 report and marked as "Ongoing" in the Court’s 2013 report, corrective actions were taken and that comment is now marked in the Court’s report as “Completed”;

#### ***Comments on the legality and regularity of transactions***

2. Notes from the Court’s report that the Agency’s Fee Regulation<sup>1</sup> provides due dates for the collection of fees from applicants and the Agency’s related payments to national competent authorities; notes that these due dates were not respected for most of the transactions audited by the Court; ascertains from the Agency that it has redesigned and streamlined its main operational processes including financial authorisations and fee collections; takes note that the further automation of these processes was planned to be implemented by the Agency by the end of 2015; calls on the Agency to report to the discharge authority on measures implemented to remedy this issue;

#### ***Budget and financial management***

3. Notes that budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 94,32 %, representing a decrease of 2,44 % compared with the

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<sup>1</sup>Article 10(1) and 11(1) of Regulation (EC) No 297/95 on fees payable to the European Agency for the Evaluation of Medicinal Products.

previous year; notes furthermore that the payment appropriations execution rate was at 82,30 %, representing a decrease of 3,98 %;

4. Notes that the cancelled appropriations in 2014 were EUR 16 054 189 (5,68 % of final appropriations); notes furthermore that the Agency is reliant on fee income and that the level of cancelled appropriations does not indicate delays in the implementation of the Agency's work programme; points out that these cancellations correlate with uncollected revenue appropriations of EUR 10 688 070 at year-end creating a positive overall outturn balance of 1,90 % of final appropriations;

#### ***Commitments and carry-overs***

5. Notes with satisfaction the rates of committed appropriations carried over realised by the Agency; notes in particular that the automatic carry-overs to financial year 2015 were at 17,7 % of committed appropriations as well as the absence of non-automatic carry-overs; acknowledges furthermore that the Court's annual audit found no notable issues with regard to the level of carry-overs in 2014 and commends the Agency for its compliance with the principle of annuality and the timely execution of its budget;

#### ***Transfers***

6. Notes that according to the annual activity report, as well as the Court of Auditors' findings, the level and nature of transfers in 2014 remained within the limits of the financial rules; ascertains from the Agency that during 2014 it made nine transfers totalling EUR 29 811 800 or 11,85 % of final appropriations; notes in particular that the transferred appropriations were primarily used for expenditure on business IT development, rapporteur payments and other adjustments to administrative budget items;

#### ***Procurement and recruitment procedures***

7. Takes note from the Agency that, in order to increase the level of human resources allocated to operational tasks, it is further improving its recruitment and resource planning procedures; ascertains from the Court's Report that in 2014 the Agency concluded an EUR 15 000 000 framework contract for high-level management consultancy services covering the 2014-2017 period; notes that the objectives and activities to be carried out were not sufficiently specific to justify the procurement decision or the volume of the contract; notes furthermore that the Court found no evidence that the Agency's Management Board had been consulted on the procurement decision; acknowledges from the Agency that consulting its Management Board in this case was not required by the financial rules;
8. Ascertains that the Agency increased transparency in relation to its recruitment procedures by publishing the status of ongoing external procedures and the status of reserve lists on the Agency's external website, and that it also improved the documentation related to the recruitment procedures;
9. Notes that the Advisory Committee on Procurements and Contracts (ACPC), set up in 2012 in order to examine procurement contracts prior to signature on behalf of the Agency, reviewed 73 dossiers during the year 2014; takes note that during 2014, 28 new procurement contracts exceeding EUR 25 000 in value were concluded by the Agency following procurement procedures, compared to 30 in 2013 and 43 in 2012;



10. Ascertains that the Agency uses the Early Warning System of the Commission and has access to a database which enables the Agency to check the financial status of potential contractors; notes that any risks identified are alerted to the ACPC and the relevant authorising officer; welcomes the creation of the Central Sourcing Office in December 2014, which is aimed at improving the efficiency and effectiveness of the Agency's procurement and contract management, whilst ensuring compliance with the relevant Regulation;

### ***Prevention and management of conflicts of interests and transparency***

11. Notes from the Agency the publication of its revised policy on handling of declarations of interests of scientific committee members and experts in November 2014 which entered into force in January 2015; acknowledges that the Agency has defined what are direct and indirect interests and ordered all experts to declare all direct and indirect interests in their annual declaration of interests; notes moreover that restrictions are applied to experts declaring direct or indirect interests which depend on the activity in which they are involved, maintaining the policy distinction between those interests in line with the relevant legislation;
12. Notes that in December 2014, the Agency's Management Board adopted an anti-fraud strategy, developed within the framework of the Common Approach on decentralised agencies, adopted in July 2012 by the Parliament, the Council and the Commission; notes furthermore that the scope of the anti-fraud strategy does not encompass "regulatory fraud", which is dealt with through other mechanisms such as inspections; ascertains from the Agency that a possible widening of the strategy's scope so as to include this type of fraud will be reconsidered;

### ***Internal controls***

13. Takes note that in 2014, the Agency carried out an administrative procedure against its Information, Communication and Technology (ICT) manager; notes that significant weaknesses in management control were reported, implying considerable operational and financial risks to the Agency; notes from the Agency that no considerable financial risks were reported in the administrative enquiry to the Agency's Executive Director; observes that an action plan to address the issue was established and implemented; calls on the Agency to report to the discharge authority on the effectiveness of the measures taken after they have been evaluated;
14. Observes that the Agency assessed the effectiveness of its key internal control systems during the year 2014; notes that the findings of the review demonstrated the Agency's internal controls performed well during the year, with no control failure exposing the Agency to the identified risks;

### ***Internal audit***

15. Acknowledges that in 2013, the Commission's Internal Audit Service (IAS) carried out an audit on stakeholder management and communication at the Agency, which showed these areas as being managed effectively; notes furthermore that the IAS submitted its report on consultancy engagement related to IT project management carried out at the end of 2013; observes that this report showed several weaknesses which the Agency set out to resolve

by implementing changes in its structure and internal accountability; notes with satisfaction that no critical recommendations were open at year-end, and that the actions on very important recommendations were within the agreed timeline as specified in the Agency's action plans;

16. Takes note that in 2014, the Agency's Internal Audit Capability carried out audits in several areas, with no critical recommendations open at year-end;

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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]<sup>1</sup> [on the performance, financial management and control of the agencies].).

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<sup>1</sup> Texts adopted of that date, P[8\_TA(-PROV)(2016)0000].