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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European
GNSS Agency for the financial year 2014
(2015/2182(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 GNSS Agency for the financial year 2014
(2015/2182(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European GNSS Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European GNSS Agency for the financial year 2014, together with the Agency's replies¹,
- 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 (xxxxxx/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 (EU) No 912/2010 of the European Parliament and of the Council of 22 September 2010 setting up the European GNSS Agency, repealing Council Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio navigation programmes and amending Regulation (EC) No 683/2008 of the European Parliament and of the Council⁴, and in particular Article 14 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. 353.

² OJ C 409, 9.12.2015, p. 353.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 276, 20.10.2010, p. 11.

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 (A8-0000/2016),
1. Grants the Executive Director of the European GNSS 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 GNSS 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 GNSS Agency for the financial year 2014 (2015/2182(DEC))

The European Parliament,

- having regard to the final annual accounts of the European GNSS Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European GNSS Agency for the financial year 2014, together with the Agency's replies¹,
- 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 (EU) No 912/2010 of the European Parliament and of the Council of 22 September 2010 setting up the European GNSS Agency, repealing Council Regulation (EC) No 1321/2004 on the establishment of structures for the management of the European satellite radio navigation programmes and amending Regulation (EC) No 683/2008 of the European Parliament and of the Council⁴, and in particular Article 14 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. 353.

² OJ C 409, 9.12.2015, p. 353.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 276, 20.10.2010, p. 11.

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 (A8-0000/2016),
1. Notes that the final annual accounts of the European GNSS Agency are as annexed to the Court of Auditors' report;
 2. Approves the closure of the accounts of the European GNSS Agency for the financial year 2014;
 3. Instructs its President to forward this decision to the Executive Director of the European GNSS 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 GNSS Agency for the financial year 2014 (2015/2182(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European GNSS 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 (A8-0000/2016),
- A. whereas, according to its financial statements, the Union subsidy to the budget of the European GNSS Agency (“the Agency”) for the financial year 2014 was EUR 25 369 058, representing an increase of 81,55 % compared to 2013,
- B. whereas the Court of Auditors, in its report on the annual accounts of the European GNSS Agency for the financial year 2014 ("the Court's report"), stated that it had obtained reasonable assurances that the Agency’s annual accounts were reliable and that the underlying transactions were legal and regular,

Budget and financial management

1. Notes that the budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 99,84 %, same as 2013; notes furthermore that the payment appropriations execution rate was 63,16 %, representing a decrease of 17,37 % compared with the previous year;

Commitments and carry-overs

2. Notes that the level of carry-overs for committed appropriations for Title II (administrative expenditure) was at EUR 3 400 000 (54 %); observes that those carry-overs mainly concerned services provided to the Agency in 2014 for which invoices were not received until 2015, and a number of high-value IT contracts signed at the end of 2014 for which the IT projects were originally planned for 2015 but started in 2014 to utilise funds released from savings on other budget lines;
3. Acknowledges the efforts made by the Agency to reduce the level of carry-overs by committing the budget earlier in the year when possible and therefore enabling earlier payments; notes, furthermore, that the Agency is developing a new budget management tool designed to aid implementation, monitoring and reporting on core and delegated budget with the aim of improving the management of both commitments and payment appropriations; calls on the Agency to inform the discharge authority of the improvements made by introducing that tool;

Procurement and recruitment procedures

4. Notes from the Court's report that, with regard to the exploitation of the European Geostationary Navigation Overlay Service (EGNOS), the Agency awarded an eight-year EGNOS service provision contract (ESP contract) with an initial contract value of EUR 436 000 000; takes note that in 2014, following a direct negotiated procedure, the Agency amended the service contract for an amount of EUR 6 300 000 for the purchase and maintenance of 14 satellite signal receivers, 14 signal generators and other equipment relating to EGNOS; observes that an arrangement between the contractor and its two subcontractors was set up, as under the initial contract, which led to an accumulation of overheads and profits;
5. Notes from the Agency that the ESP contract was awarded by means of a competitive tender and that it was chosen in order to secure service continuity requirement for “safety-of-life” (SoL) service based on a qualified and certified system; observes that the amendment of that contract must be considered to be an intrinsic and non-separable part of the ESP contract because it is necessary to secure the maintenance of the system as qualified and the delivery of the SoL service complying with the mandatory certification;

Prevention and management of conflicts of interest and transparency

6. Acknowledges that the Agency’s Administrative Board adopted a policy on the prevention and management of conflicts of interests in September 2015; notes furthermore that the Agency published on its website the CVs and declarations of interests of its executive director and senior management; encourages the members of the Agency’s administrative board to submit their declarations of interest for further publication on the Agency’s website;

Internal audit

7. Ascertains that the Agency reached an agreement with the Commission’s Internal Audit Service on an action plan to enhance the procedure for handling of *ex ante* and *ex post* audits on grant management; observes that certain documentation aspects and the corresponding grant management manual need to be improved; calls on the Agency to report to the discharge authority on progress made in that regard;

Internal controls

8. Acknowledges that the Agency’s overall compliance with the Internal Control Standards (ICS) during the financial year 2014 was satisfactory; observes that efforts have been made in areas such as the antifraud strategy, conflicts of interest, risk management and Internal Audit Capability in order to remedy non-compliance; notes, furthermore, that the Agency is making progress in areas where it remains partially compliant, in particular with regard to business continuity and document management; invites the Agency to share with the discharge authority progress made in that regard;

Other comments

9. Notes from the Court's report that the Agency has no insurance coverage for fixed tangible assets with a net book value of EUR 1 000 000; acknowledges that the Agency is currently analysing risks, value and criticality of each asset owned in order to assess the type of insurance which would suit its requirements; asks the Agency to update the

discharge authority on the progress made;

10. Notes that the Agency shares its Internal Audit Capability with the European Chemicals Agency in order to create synergies and achieve cost-effectiveness;
11. Takes note that in 2014, in order to promote its work and to improve its visibility in the host Member State, the Agency organised an open day event at its headquarters in Prague, conferences, public exhibitions and regular public events in collaboration with the Commission;

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12. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of [xx xxxx 2016]¹ [on the performance, financial management and control of the agencies].).

¹ Texts adopted of that date, P[8_TA(-PROV)(2016)0000].