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REPORT

on discharge in respect of the implementation of the budget of the European
Chemicals Agency for the financial year 2012
(C7-0321/2013 – 2013/2233(DEC))

Committee on Budgetary Control

Rapporteur: Petri Sarvamaa

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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 2012 (C7-0321/2013 – 2013/2233(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Chemicals Agency for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Chemicals Agency for the financial year 2012, together with the Agency's replies¹,
- having regard to the Council's recommendation of 18 February 2014 (05849/2014 - C7-0054/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
- 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 establishing a European Chemicals Agency⁴, 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 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶, and in particular Article 108 thereof,
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,

¹ OJ C 365, 13.12.2013, p. 97.

² OJ L 248, 16.9.2002, p. 1.

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.

⁶ OJ L 328, 7.12.2013, p. 42.

- 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 (A7-0229/2014),
- 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 2012;
- 2. Sets out its observations in the resolution below;
- 3. Instructs its President to forward this Decision and the resolution that forms 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).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the European Chemicals Agency for the financial year 2012
(C7-0321/2013 – 2013/2233(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Chemicals Agency for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Chemicals Agency for the financial year 2012, together with the Agency's replies¹,
- having regard to the Council's recommendation of 18 February 2014 (05849/2014 - C7-0054/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
- 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 establishing a European Chemicals Agency⁴, 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 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶, and in particular Article 108 thereof,
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,

¹ OJ C 365, 13.12.2013, p. 97.

² OJ L 248, 16.9.2002, p. 1.

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.

⁶ OJ L 328, 7.12.2013, p. 42.

- 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 (A7-0229/2014),
- 1. Approves the closure of the accounts of the European Chemicals Agency for the financial year 2012;
- 2. 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).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the European Chemicals Agency for the financial year 2012

(C7-0321/2013 – 2013/2233(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Chemicals Agency for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the European Chemicals Agency for the financial year 2012, together with the Agency's replies¹,
- having regard to the Council's recommendation of 18 February 2014 (05849/2014 - C7-0054/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
- 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 establishing a European Chemicals Agency⁴, 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 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶, and in particular Article 108 thereof,

¹ OJ C 365, 13.12.2013, p. 97.

² OJ L 248, 16.9.2002, p. 1.

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.

⁶ OJ L 328, 7.12.2013, p. 42.

- having regard to its previous discharge decisions and resolutions,
 - having regard to Rule 77 of, and Annex VI 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 (A7-0229/2014),
- A. whereas, according to the Court of Auditors' report, the final budget of the European Chemicals Agency ("the Agency") for the financial year 2012 was EUR 98 900 000, representing an increase of 6,12 % compared to 2011,
- B. whereas the Agency received Union subsidies of EUR 4 184 040 from the Commission, as well as a pre-financing sum of EUR 500 000 from DG Environment as contractual compensation for undertaking preparatory activities for the Regulation on Biocide Products and IPA pre-financing amounting to EUR 185 676,
- C. whereas the Court of Auditors has stated that it has obtained reasonable assurances that the Agency's annual accounts for the financial year 2012 are reliable and that the underlying transactions are legal and regular,

Follow-up of 2011 discharge

1. Notes from the Court of Auditors' report that two corrective actions taken in response to the previous year's comments are marked as 'ongoing', whereas two other actions are marked as 'completed';
2. Acknowledges from the Agency that:
 - a formal policy on “Fixed assets management” has been established and implemented in 2013 and that the Fixed Assets Retirement Committee has been created and is functioning to give advisory opinions on the retirement of assets,
 - new selection recruitment procedures were introduced in 2013 to address shortcomings in the recruitment procedures and a project was completed with respect to the reorganisation of personal files,
 - in order to reduce the risk of possible conflicts of interest, the following measures have been taken, namely laying down general principles and guidance for the Committees and the Forum, providing guidance for the Committee and Forum Chairs on possible mitigating measures, reviewing the eligibility criteria for the Agency's bodies, developing an electronic tool for managing declarations of interest, providing compulsory training sessions for the Agency's staff and management and carrying out an external audit of the policies and procedures for managing conflicts of interest,

Budget and financial management

3. Notes that the budget implementation rates for the year 2012 were satisfactory for titles I and II; notes with concern that the rate of committed appropriations carried over was high

for title III at 50 % (EUR 11 300 000); acknowledges that this primarily relates to the multiannual nature of significant IT development projects (EUR 3 700 000), substance evaluations with an annual regulatory deadline set at February N+1 (EUR 1 800 000), translations not yet delivered by the end of the year (EUR 1 300 000) and the start of two new activities, Biocides (EUR 1 200 000) and PIC (EUR 1 300 000), in the second half of the year;

4. Notes that for the second consecutive year, the Agency did not receive any contribution from the Union budget in 2012 in compliance with the REACH and CLP Regulation; notes that budgetary revenue from fees and charges in terms of cash received amounted to EUR 26 611 825; notes that for preparatory actions with regard to the implementation of the biocides and PIC activities an amount of EUR 4 184 040 was provided by the Union budget; stresses that this amount represents 0,003 % of the general Union budget;
5. Expresses satisfaction with the Agency's operation in implementing the Union's chemicals' legislation within its legal role and responsibilities; appreciates that the reserve amounting to EUR 230 198 367 in 2012 (EUR 280 565 807 in 2011) deriving from fee income will be used up, by 2015 at the latest, as envisaged by the REACH and CLP Regulation; notes that the reserve is managed through service level agreements with two different banks (EIB and Central Bank of Finland), in accordance with standards agreed by the Agency's Management Board;

Transfers

6. Notes that according to the annual activity report as well as the Court of Auditors' audit findings, the level and nature of transfers in 2012 have remained within the limits of the financial rules; commends the Agency for its good budgetary planning;

Procurement and recruitment procedures

7. Notes that for the year 2012, neither sampled transactions nor other audit findings have led to any comments on the Agency's procurement procedures in the Court of Auditors' annual audit report;
8. Notes that the Court of Auditors in its annual audit report for 2012 made no comments as regards the Agency's recruitment procedures;
9. Points out that 447 of 470 available posts had been filled and that 65 contract agents and seconded national experts were employed by the end of 2012;

Prevention and management of conflicts of interests and transparency

10. Notes that following a recommendation of the discharge authority, the Agency will include information and statistics on the management of conflicts of interests in its 2013 annual activity report;

11. Observes that the CVs and declarations of interests of certain members of the Management Board are not publicly available; notes from the Agency that the missing CVs mainly concern members in the process of being replaced, but emphasises that no explanation has been provided for the missing declarations of interests; calls on the Agency to remedy the situation as a matter of urgency;

Internal controls

12. Regrets that physical inventory results show serious weaknesses in the safeguarding and tracking of fixed assets and that there is no tracking procedure for software and internal components (2 370 items out of the 5 878 ICT fixed assets recorded); expresses concern, moreover, that 306 items could not be found, of which 93 were laptops and 29 were computers; calls on the Agency to remedy this situation and to duly follow this up before initiating the 2013 discharge procedure;

Internal audit

13. Acknowledges from the Agency that in 2012 the Commission's Internal Audit Service (IAS) conducted a light risk assessment, which was agreed by the Agency; notes that the IAS also performed an audit on stakeholder relations and external communication, that the Agency accepted all the recommendations of the final audit report and created an action plan to implement them and that the IAS considered the plan to be adequate; notes that the IAS also reviewed its earlier recommendations and concluded which of those have been implemented and closed them; observes that follow-up audits on action plans revealed that five recommendations remain partially implemented, of which two were prioritised as very important;

Performance

14. Requests that the Agency communicate the results and impact its work has on European citizens in an accessible way, mainly through its website;

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15. Refers, in respect of the other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of ... 2014¹ on the performance, financial management and control of the agencies.

¹ Texts adopted, P7_TA-PROV(2014).

27.1.2014

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY

for the Committee on Budgetary Control

on the discharge in respect of the implementation of the budget of the European Chemicals Agency for the financial year 2012
(C7-0321/2013 - 2013/2233(DEC))

Rapporteur: Jutta Haug

SUGGESTIONS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes that for the second consecutive year the European Chemicals Agency did not receive any contribution from the general EU budget in 2012 in compliance with the REACH and CLP regulation; draws attention to the fact that budgetary revenue from fees and charges in terms of cash received amounted to EUR 26.611.825; for preparatory actions with regard to the implementation of the biocides and PIC activities an amount of EUR 4.184.040 was provided by the general EU budget; likes to stress that this amount represents 0.003% of the overall EU budget; points out that 447 of 470 available posts had been occupied and 65 contract agents and seconded national experts were employed by the end of 2012;
2. Welcomes the Court of Auditors announcement that the transactions underlying the annual accounts of the European Chemicals Agency for the financial year 2012 are legal and regular in all material respects;
3. Recognises the two comments made by the Court of Auditors which focus on the physical inventory and on the budgetary management; is at the same time also aware of the Agency's reply; points out that the carry-overs derive partly from the multi-annual nature, of IT development projects, partly from translations not delivered by year-end and the start of new biocides and PIC activities in the second half of the year; and

welcomes therefore the agency's attempts to maximise the synergies between its tasks by making the best possible use of IT tools; reminds however the Agency to respect the annuality principle of the budget as close as possible; insists that the Agency completes as soon as possible the asset inventory exercise and to enforce the asset inventory management with the new version for ABAC assets; recognises at the same time that some shortfalls are legacy driven and arise from the set-up stage of the Agency when laptops and computers were provided through Commission framework contracts and have been used by Commission staff seconded to the Agency at that time; would like to mention that according to the Agency the untraced laptops from the early days have an overall residual value of EUR 5000;

4. Is satisfied with the operation of the Agency in implementing the Union's chemicals' legislation within its legal role and responsibilities; is aware that the reserve amounting to EUR 230.198.367 in 2012 (EUR 280.565.807 in 2011) deriving from fee income will be used up in 2015 at the latest as envisaged by the REACH and CLP regulation; takes note that the reserve is managed through service level agreements with two different banks (EIB and Central Bank of Finland) in accordance with standards agreed by the Agency's Management Board;
5. Welcomes the efforts made by the Agency to follow-up on previous year's comments, encourages the Agency to conclude those exercises as soon as possible;
6. Advises to explore if the discharge decision should be based upon OECD guidelines to ensure high quality internationally recognised accounting, audit and financial disclosure standards; invites the European institutions to incorporate and commit to introducing OECD guidelines within a common framework for all European institutions and bodies if the assessment recommends so;
7. Recommends on the facts available that discharge can be granted to the Executive Director of the European Chemicals Agency in respect of the implementation of the Agency's budget for the financial year 2012.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	22.1.2014
Result of final vote	+: 54 -: 7 0: 0
Members present for the final vote	Elena Oana Antonescu, Pilar Ayuso, Paolo Bartolozzi, Sandrine Bélier, Lajos Bokros, Franco Bonanini, Biljana Borzan, Milan Cabrnoch, Martin Callanan, Yves Cochet, Spyros Danellis, Anne Delvaux, Bas Eickhout, Edite Estrela, Jill Evans, Karl-Heinz Florenz, Elisabetta Gardini, Gerben-Jan Gerbrandy, Matthias Groote, Françoise Grossetête, Satu Hassi, Jolanta Emilia Hibner, Karin Kadenbach, Martin Kastler, Christa Kläß, Claus Larsen-Jensen, Jo Leinen, Peter Liese, Kartika Tamara Liotard, Zofija Mazej Kukovič, Linda McAvan, Radvilė Morkūnaitė-Mikulėnienė, Miroslav Ouzký, Vladko Todorov Panayotov, Gilles Pargneaux, Antonyia Parvanova, Andrés Perelló Rodríguez, Pavel Poc, Anna Rosbach, Oreste Rossi, Dagmar Roth-Behrendt, Kārlis Šadurskis, Daciana Octavia Sârbu, Carl Schlyter, Horst Schnellhardt, Richard Seeber, Dubravka Šuica, Salvatore Tatarella, Thomas Ulmer, Glenis Willmott, Sabine Wils, Marina Yannakoudakis
Substitute(s) present for the final vote	Gaston Franco, Jutta Haug, Filip Kaczmarek, Marusya Lyubcheva, Miroslav Mikolášik, Vittorio Prodi, Giancarlo Scottà, Alda Sousa, Andrea Zanoni

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	17.3.2014
Result of final vote	+: 16 -: 1 0: 1
Members present for the final vote	Marta Andreasen, Jean-Pierre Audy, Zuzana Brzobohatá, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Rina Ronja Kari, Monica Luisa Macovei, Jan Mulder, Eva Ortiz Vilella, Paul Rübig, Petri Sarvamaa, Bart Staes, Georgios Stavrakakis, Derek Vaughan
Substitute(s) present for the final vote	Amelia Andersdotter, Markus Pieper
Substitute(s) under Rule 187(2) present for the final vote	Thomas Ulmer