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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European
Centre for Disease Prevention and Control for the financial year 2010
(C7-0287/2011 – 2011/2227(DEC))

Committee on Budgetary Control

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on discharge in respect of the implementation of the budget of the European Centre for Disease Prevention and Control for the financial year 2010
(C7-0287/2011 – 2011/2227(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Centre for Disease Prevention and Control for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2010, together with the Centre's replies¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - 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 (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004 establishing a European Centre for Disease Prevention and Control³, and in particular Article 23 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 Communities⁴, and in particular Article 94 thereof,
 - 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 (A7-0000/2012),
1. ... the Director of the European Centre for Disease Prevention and Control discharge in respect of the implementation of the Centre's budget for the financial year 2010;
 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 Director of the European Centre for Disease Prevention and Control, the

¹ OJ C 366, 15.12.2011, p. 122.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 142, 30.4.2004, p. 1.

⁴ OJ L 357, 31.12.2002, p. 72.

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 Centre for Disease Prevention and Control for the financial year 2010
(C7-0287/2011 – 2011/2227(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Centre for Disease Prevention and Control for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2010, together with the Centre's replies¹,
 - having regard to the Council's recommendation of... (0000/2012 – C7-0000/2012),
 - 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 (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004 establishing a European Centre for Disease Prevention and Control³, and in particular Article 23 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 Communities⁴, and in particular Article 94 thereof,
 - 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 (A7-0000/2012),
1. ... the closure of the accounts of the European Centre for Disease Prevention and Control for the financial year 2010;
 2. Instructs its President to forward this Decision to the Director of the European Centre for Disease Prevention and Control, 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 C 366, 15.12.2011, p. 122.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 142, 30.4.2004, p. 1.

⁴ OJ L 357, 31.12.2002, p. 72.

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 for the European Centre for Disease Prevention and Control for the financial year 2010
(C7-0287/2011 – 2011/2227(DEC))**

The European Parliament,

- having regard to the final annual accounts of the European Centre for Disease Prevention and Control for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the European Centre for Disease Prevention and Control for the financial year 2010, together with the Centre's replies¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - 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 (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004 establishing a European Centre for Disease Prevention and Control³, and in particular Article 23 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 Communities⁴, and in particular Article 94 thereof,
 - 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 (A7-0000/2012),
- A. whereas the Court of Auditors stated that it has obtained reasonable assurances that the annual accounts for the financial year 2010 are reliable and that the underlying transactions are legal and regular,
- B. whereas on 10 May 2011 Parliament granted the Director of the European Centre for Disease Prevention and Control discharge for implementation of the Centre's budget for

¹ OJ C 366, 15.12.2011, p. 122.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 142, 30.4.2004, p. 1.

⁴ OJ L 357, 31.12.2002, p. 72.

the financial year 2009¹, and in its resolution accompanying the discharge, inter alia:

- called on the Centre to make, in a table to be annexed to the Court of Auditors' report, a comparison of the operations that were carried out during the year for which discharge is to be granted and those carried out during the previous financial year,
- called on the Centre to address the high level of carryover which has a negative impact on the implementation of the budget and is at odds with the principle of annuality,
- called on the Centre to fulfil its obligation to send to the discharge authority a report drawn up by its Director summarising the content of the Internal Audit Service (IAS) recommendations,

C. whereas the overall budget of the Centre for the year 2010 was EUR 57 800 000 compared to EUR 49 200 000 in 2009, an increase of 17,5%; whereas the total contribution of the European Union to the budget of the Centre for 2010 was EUR 53 223 000²,

Budget and Financial Management

1. Recalls that the initial European Union contribution to the Agency for 2010 amounted to EUR 53 078 000; notes however that EUR 145 000, coming from the recovery of surplus, was added to it which, as a result, makes a total European Union contribution of EUR 53 223 000 for 2010;
2. Underlines, however, that according to the definitive adoption of the European Union's general budget for the financial year 2010 the total subsidy to the Centre was made of:
 - a subsidy of EUR 33 360 000 under Title I and II, and
 - a subsidy of EUR 22 895 000 for Title III, of which EUR 10 000 000 were paid³.

Notes that the two subsidies amount to EUR 56 225 000; observes that this amount differs from the amount presented as the total European Union's contribution to the Centre for 2010; urges, therefore, the European Commission to inform the discharge authority of the exact subsidy allocated to the Centre for the financial year 2010 and to explain the different figures presented in the definitive adoption of the European Union's general budget for the financial year 2010 regarding the Centre;

3. Takes note from the Centre that a second grant agreement was reached with DG Enlargement for an initial duration of two years and that a subsequent budget increase of EUR 400 000 for the period 2009–2010 was implemented in 2010; notes that in 2011 the Centre was due to present in a request to extend the duration of the grant;
4. Acknowledges from the Centre's Final Annual Accounts that the budget execution at year end 2010 reached 95% in terms of commitment appropriations; is however concerned that the budget execution in terms of payments only reached 68 % of the total

¹ OJ L 250, 27.9.2011, p. 145.

² OJ L 64, 12.3.2010, p. 988.

³ OJ L 64, 12.3.2010, p. 986.

budget; finds nevertheless that this is already an improvement compared to 59 % in 2009 but considers that further efforts need to be made by the Centre in this respect;

5. Notes from the Centre's 2010 Annual Report that the Director, as Authorising Officer, delegated financial responsibility to the five Heads of Unit, and for a period of time, to the Coordinator of the Director's Office; notes, however, that all contracts over EUR 250 000 need to be signed by the Director;

Carryover appropriations

6. Acknowledges from the Court of Auditors that in 2010, an amount of EUR 15 600 000, equivalent to 27 % of the total budget including 50 % of Title III – Operational expenditure, was carried forward to 2011; urges once more the Centre to promptly redress the deficiencies found by the Court of Auditors on carryovers; underlines that a high level of carryovers has a negative impact on the implementation of the budget;
7. Is concerned that this high level of carry forward matched by a low level of accrued expenditure is excessive and is at odds with the principle of annuality;

Accounting system

8. Notes from the Centre's Report on Budget and Financial Management that 2010 was the first full year that the Centre implemented its budget for the entire year through ABAC WF (the EC integrated budgetary and accounting system);
9. Acknowledges from the 2010 Annual Report that the Centre performed a review of the internal procedures for payments and commitments;

Procurement

10. Observes from the Centre's Annual Report of the Director that in 2010, the procurement office dealt with 50 open procedures and 18 negotiated procedures as well as 8 calls for proposals; calls on the Centre to provide the discharge authority with the results of each of the procurement procedures;
11. Notes that after five years of negotiations, a Seat Agreement has been signed between the Centre and the Ministry for Elderly Care and Public Health of Sweden;

Human Resources

12. Acknowledges that the former Director left the Centre in February 2010 to take up another position at the World Health Organization Regional Office for Europe;
13. Urges the Centre to put in place sufficient measures to guarantee the transparency of its recruitment procedures; is in particular concerned about the Court of Auditors' findings: neither the thresholds that candidates had to meet in order to be invited to the interview, nor those necessary to be put on the reserve list were fixed in advance; notes that this could cover or show a situation of nepotism or conflict of interests;

14. Notes from the Centre's Report on Budget and Financial Management that the total number of temporary agents working at the Centre as of 31 December 2010 was 175, out of 200 posts provided for in the Establishment Table 2010;
15. Ascertains also from the Report that the turnover rate for temporary agents and contract agents was 7% in 2010;

Performance

16. Acknowledges that the Centre is now working with its partners to implement changes on the basis of lessons learned from 2009 H1N1 pandemic, in order to further improve the performance of the Centre for the future; points nevertheless to the important contributions made by the Centre to the measures on fighting the H2N1 pandemic, by issuing preliminary guidelines on the "Use of specific pandemic influenza vaccines" in 2009;

Internal audit

17. Observes from the Centre's Report on Budget and Financial Management that a review of the implementation of the Internal Control System was carried out; is concerned in particular that two of the standards have still not been implemented, notably business continuity and evaluation of activities, and four others have only been partly implemented; urges therefore the Centre to promptly take action in this respect and inform the discharge authority of the stage of implementation of these standards;
18. Ascertains from the Report on Budget and Financial Management of the Centre that the planned audit of the Internal Audit service (IAS) on 'Processes supporting the establishment of the Annual Work Programme, focusing on the Management Information System' was postponed to 2011; calls therefore on the Centre to inform the discharge authority on the IAS finding at the beginning of 2012;
19. Acknowledges also from the Centre that at the end of 2010 the IAS audit reported no critical findings; however six important findings were still open; is informed by the Centre that four of these recommendations concern health communication, the performance indicators, the checklist used by the financial actors and the estimation of costs of the Centre's meetings; urges the centre to inform the discharge authority about the other two recommendations that still need to be implemented by the Centre;

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20. Draws attention to its recommendations from previous discharge reports, as set out in the Annex to this resolution;
21. Refers, in respect of the other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of2012 on the performance, financial management and control of the agencies.

Annex
European Parliament recommendations over past years

European Centre for Disease Prevention and Control	2006	2007	2008	2009
Performance/ Procurement	-The rules on procurement are not strictly enforced: lack of clear selection criteria; incorrect choice of procedure; non respect of the procedure described in the tender notice; insufficient documentation of the procedure	n.a.	-Calls on the Centre to set out a comparison of operations carried out during the year for which discharge is to be granted and in the previous financial year, so as to enable the discharge authority to assess its performance more effectively from one year to the next one -No seat agreement between the centre and the Swedish Government as there were still many outstanding issues that needed further negotiation	-Calls on the Centre to make a comparison of the operations that were carried out during the year for which discharge is to be granted and during the previous financial year
Carry-Over of appropriations	-The annuality principle is not strictly observed: Nearly 45% of the commitments entered into during the year were carried over. Moreover, during the second half of the 2006, numerous transfers were made→ imprecise estimates of staffing needs	-The annuality principle is not strictly observed: weaknesses in the programming, monitoring and subsequent implementation of the Centre's budget -When budget amendments were decided, no evaluation was made of their impact on the work programme and the achievements of the objectives	-The annuality principle is not strictly observed: weaknesses in the programming and subsequent implementation of the Centre's budget -Calls on the Commission to examine ways of ensuring that the principle of needs-based cash management is implemented →The Centre maintains enormously high cash reserves over long period (31 Dec. 2008: EUR 16 705 091)	-Calls on the Centre to inform the discharge authority of the measures taken to redress the deficiency. High level of carryover's which has a negative impact on the implementation of the budget & is at odds with the principle of annuality
Human resources	n.a.	n.a.	-Weaknesses in the planning of recruitment procedures	n.a.
Internal Audit	-Legal commitments were entered into the absence of prior budgetary commitments , in breach of the financial regulation	-The Agency did not comply with the Financial Regulation and the principle of economy: in 2007 the Centre paid 0.5 million euro for renovating its main building, as consequence of an agreement signed by the Centre and the building owner. Such an agreement did not specify the nature of the works to be done as well as deadlines and payment conditions	-The Centre has not comprehensively fulfilled its obligation to send to the authority responsible for discharge a report drawn up by its Director summarising the number of internal audits conducted by the internal auditor	-The Centre has not comprehensively fulfilled its obligation to send to the discharge authority a report drawn up by its Director summarising the content of the IAS recommendation