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DRAFT REPORT

on discharge in respect of the implementation of the European Union general budget for the financial year 2011, Section X – European External Action Service
(COM(2012)0436 – C7-0235/2012 – 2012/2176(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 European Union general budget for the financial year 2011, Section X – European External Action Service (COM(2012)0436 – C7-0235/2012 – 2012/2176(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2011¹,
 - having regard to the consolidated annual accounts of the European Union for the financial year 2011 (COM(2012)0436 – C7-0235/2012)²,
 - having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2011, together with the institutions' replies³,
 - having regard to the statement of assurance⁴ 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 2011 pursuant to Article 287 of the Treaty on the Functioning of the European Union,
 - having regard to Article 314(10) and Articles 317, 318 and 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 Communities⁵, and in particular Articles 50, 86, 145, 146 and 147 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 1605/2002⁶, and in particular Articles 164, 165, 166 and 167 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 (A7-0000/2013),
1. Grants the High Representative of the Union for Foreign Affairs and Security Policy discharge in respect of the implementation of the European External Action Service's budget for the financial year 2011; Postpones its decision on granting the High Representative of the Union for Foreign Affairs and Security Policy discharge in respect of the implementation of the European External Action Service's budget for the financial year 2011;

¹ OJ L 68, 15.3.2011.

² OJ C 348, 14.11.2012, p. 1.

³ OJ C 344, 12.11.2012, p. 1.

⁴ OJ C 348, 14.11.2012, p. 130.

⁵ OJ L 248, 16.9.2002, p. 1.

⁶ OJ L 298, 26.10.2012, p. 1.

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 Council, the Commission, the Court of Justice of the European Union, the Court of Auditors, the European Ombudsman and the European Data Protection Supervisor, and to arrange for their publication in the *Official Journal of the European Union* (L series).

2. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of the Decision on the discharge for implementation of the European Union general budget for the financial year 2011, Section II – European External Action Service (COM(2012)0436 – C7-0235/2012 – 2012/2176(DEC))

The European Parliament,

- having regard to the European Union general budget for the financial year 2011¹,
 - having regard to the consolidated annual accounts of the European Union for the financial year 2011 (COM(2012)0436 – C7-0235/2012)²,
 - having regard to the Annual Report of the Court of Auditors on implementation of the budget for the financial year 2011, together with the institutions' replies³,
 - having regard to the statement of assurance⁴ 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 2011 pursuant to Article 287 of the Treaty on the Functioning of the European Union,
 - having regard to Article 314(10) and Articles 317, 318 and 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 Communities⁵, and in particular Articles 50, 86, 145, 146 and 147 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 1605/2002⁶, and in particular Articles 164, 165, 166 and 167 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 (A7-0000/2013),
- A. whereas the European External Action Services (EEAS) was set up by Article 27(3) of the Treaty on European Union and became operational on 1 January 2011;
- B. whereas according to Recital 1 of Council Decision 2010/427/EU of 26 July 2010,

¹ OJ L 68, 15.3.2011.

² OJ C 348, 14.11.2012, p. 1.

³ OJ C 344, 12.11.2012, p. 1.

⁴ OJ C 348, 14.11.2012, p. 130.

⁵ OJ L 248, 16.9.2002, p. 1.

⁶ OJ L 298, 26.10.2012, p. 1.

establishing the organisation and functioning of the European External Action Service¹, the EEAS is a "functionally autonomous body of the Union under the authority of the High Representative [of the Union for Foreign Affairs and Security Policy]" ('the High Representative');

- C. whereas the Commission has legal primacy over the management of operational expenditure; whereas a division of responsibilities between the EEAS and the Service for Foreign Policy Instruments attached to the Commission has been established;
 - D. whereas the EEAS is responsible for the financial management of the administrative expenditure of its headquarters and Union delegations;
 - E. whereas the EEAS budget for 2011 consisted of pro-rata budget transfers from the Commission and the General Secretariat of the Council;
1. Notes that on the basis of its audit work, the Court of Auditors concluded that the payments as a whole for the year ended on 31 December 2011 for administrative and other expenditure of the institutions and bodies were free from material error;
 2. Points out that in the 2011 annual report, the Court of Auditors included observations on the EEAS concerning the payment of social allowances and benefits to staff members, the conclusion of contracts with temporary agents, the management of a contract for the provision of security services and procurement procedures;
 3. Is concerned that non-compliance with the rules has led to incorrect payments to staff members, legal uncertainty for temporary staff and for the EEAS, failure to respect the Financial Regulation and unrecovered VAT and a breach of the procurement rules which all Union institutions are bound to comply with;
 4. Takes note of the replies given to the Court of Auditors' observations and agrees with its recommendations that steps need to be taken to ensure that staff deliver at appropriate intervals documents confirming their personal situation; notes that EEAS needs to implement a system for the timely monitoring of those documents and that authorising officers should improve the design, coordination and performance of procurement procedures through appropriate checks and better guidance;
 5. Regrets that according to the Court of Auditors' observations, the risk of making incorrect or undue payments if the circumstances of staff members have changed still remains in 2012, although the EEAS has taken measures to prevent this from happening;
 6. Notes that at the end of 2011, the final budget for EEAS headquarters was EUR 188 000 000, with a utilisation rate of 91% and was EUR 276 100 000 for the delegations, with a lower execution rate of around 89%; takes note that the budget of the delegations had to be supplemented by the Commission to a total of EUR 252 400 000, having an execution rate of 85%;
 7. Is concerned that after an amending budget and some transfers from the Commission and

¹ OJ L 201, 3.8.2010, p. 30.

within services in 2011, underspending and carrying over of appropriations continues to be quite high; suggests the development of key performance indicators to monitor the most critical areas in order to improve the budget execution over the coming years;

8. Recalls that the EEAS is a recently created institution resulting from the consolidation of several different services and that 2011 was its first operational year with numerous technical challenges to be overcome, particularly in procurement and recruitment; notes, furthermore, that the excessive administrative burden resulting from setting up arrangements are not likely to be repeated in subsequent years;
9. Highly appreciates the detailed response given to a wide range of written and oral questions made by the members of Parliament's Committee on Budgetary Control that went far beyond the EEAS's administrative expenditure;
10. Notes the importance of the current discharge in setting the framework for future discharge exercises and believes that it will reinforce the expectations of future developments and improvements in the effectiveness of the EEAS and its operations;
11. Believes that the discharge procedure cannot be used to make detailed comparisons of the prevailing conditions in which the EEAS has to operate across 140 locations, which range from those which are peaceful and ordered to others which are effectively war zones; finds that those locations display a wide variety of living environments;
12. Notes the intense period of recruitment in the EEAS's first year of operations to ensure a minimum of delay for it to be at full capacity in staffing terms; notes, furthermore, that there are some particular delegations where posts are harder to fill because of the level of risk in their locations;
13. Regrets that the proportion of staff coming from the newer Member States is very low when compared to staff from the EU-15; urges the EEAS to take the necessary measures to have a better and more balanced representation;
14. Notes that there are directorates with 22, 27 and 29 staff members and managing directorates with 44 staff members; criticises the high number of management positions compared to other institutions; urges that the High Representative reduce this top-heavy administration;
15. Urges more transparency as to the competences of the EEAS's administrative structure and the reduction of dual competences; requests the publication of the schedule of responsibilities;
16. Notes with satisfaction the performance and management of 8 800 candidates, 1 300 interviews and 118 vacancies to be filled; regrets, however, that there is no overview on how often a candidate was invited to interview; invites the EEAS to get a better overview on the costs of the interviews;
17. Recognises the high number of posts at high grades, which is very cost-intensive; is surprised that an EEAS official was promoted by five grades within one year;

18. Urges that the newly appointed EEAS staff give a declaration on their honour that they have not worked for intelligence services in the past;
19. Considers the responsibilities of the Union Special Representatives to be very unclear; asks to receive a discriminated note on how the budget they receive to implement their mandate is used;
20. Notes that 39,5% of Union ambassadors come from the Member States; recalls the agreement that one-third of posts should be filled by staff from Member States; urges that the High Representative implement the agreement, which means middle and senior posts are to be included in that quota;
21. Points out that there is an imbalance in delegations between staff members of the EEAS and the Commission; urges that more EEAS staff be transferred from headquarters to delegations;
22. Notes with concern that 57 % of the Heads of Delegation assess the skills of the operational staff, finance staff, and the monitoring and auditing staff as inadequate to carry out their tasks; demands that the EEAS and the Commission provide Parliament with the results of their discussion;
23. Draws attention to the cost-intensive procedure of the annual salary adjustment method for local staff in Union delegations; believes that that methodology can be more efficient and cost-effective; asks the EEAS to use an alternative calculation method by means of an independent and objective selection of reference organisations, which would be simpler and cheaper, instead of a selection made by the employee him or herself; suggests that the United Nations be added as a fixed component and a senior ministry official be included; urges that a mechanism be established to relieve the Union ambassador of his responsibility for tariff negotiations with local staff and for the reference organisations to be chosen for a period of five years;
24. Urges that the EEAS reduce the high absence rate in delegations and provide Parliament with figures of absenteeism on an annual basis; urges in that context that the delegation staff combine their periods of professional training in Brussels with the rest of their leave;
25. Notes with satisfaction that synergies with the Commission's Directorate-General for Development and Cooperation – EuropeAid and the national diplomacies are well functioning and invites the EEAS to attach that information to the 2012 annual activity report; accepts that there is still work to be done in relation to the consulate services; asks that Parliament's Committee on Foreign Affairs be engaged in that exercise;
26. Believes that the forthcoming review of the EEAS is the forum where a detailed analysis can be made of the compatibility between the resources available and the functions to be carried out by the EEAS and any changes required to ensure the highest level of efficiency in its operations; believes that an evaluation of property in use by the EEAS should involve comparisons with other diplomatic missions in the same location rather than between EEAS facilities in very different countries;
27. Strongly supports the EEAS's 'smart savings initiative'; asks the EEAS to provide an

implementing report which shows the financial results and how this saved money was reused; requests the Commission to also adopt that initiative;

28. Notes a high volume of travel activities of Union delegation staff to headquarters with various purposes; regrets that it is not possible to have an independent inspection authority to evaluate the necessity of those official journeys; asks for this proposal to be taken into consideration by the High Representative and to report to Parliament's Committee on Budgetary Control on that matter;
29. Strongly urges the EEAS, in regard to the travel arrangements of its delegations to its headquarters, to adopt practices similar to those applied by Member States in comparable circumstances;
30. Welcomes the establishment of a working group that examined ways to improve the working methods at its headquarters and the fact that conclusions have already been implemented; asks to be informed of those conclusions and of the performance improvements achieved;
31. Takes the view that some of the indicators analysed in the self-assessment of internal control standards would need to be revised or updated;
32. Considers that the statistics in the annual activity report, especially in relation to data on delegations, are not sufficiently accurate; calls on the EEAS to improve its performance by establishing key performance indicators that will give some continuity to the evaluation of the performance of the delegations;
33. Is of the opinion that improvements need to be made on the quality of the financial and administrative management of the Union delegations and in certain headquarters' divisions that were not identified in the annual activity report; expects that next year's report will identify those divisions and report on progresses made;
34. Considers that budget support systems for third country governments are not properly audited and calls for a better scrutiny of the financial operations at an earlier stage.