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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European
Aviation Safety Agency for the financial year 2014
(2015/2175(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 Aviation Safety Agency for the financial year 2014 (2015/2175(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Aviation Safety Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Aviation Safety 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 (EC) No 216/2008 of the European Parliament and of the Council on common rules in the field of civil aviation and establishing a European Aviation Safety Agency, and repealing Council Directive 91/670/EEC, Regulation (EC) No 1592/2002 and Directive 2004/36/EC⁴, and in particular Article 60 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 409, 9.12.2015, p. 81.

² OJ C 409, 9.12.2015, p.81.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 79, 19.3.2008, p. 1.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ 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 Transport and Tourism (A8-0000/2016),
1. Grants the Executive Director of the European Aviation Safety 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 Aviation Safety 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 Aviation Safety Agency for the financial year 2014 (2015/2175(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Aviation Safety Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Aviation Safety 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 (EC) No 216/2008 of the European Parliament and of the Council on common rules in the field of civil aviation and establishing a European Aviation Safety Agency, and repealing Council Directive 91/670/EEC, Regulation (EC) No 1592/2002 and Directive 2004/36/EC⁴, and in particular Article 60 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 409, 9.12.2015, p. 81.

² OJ C 409, 9.12.2015, p. 81.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 79, 19.3.2008, p. 1.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ 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 Transport and Tourism (A8-0000/2016),
1. Notes that the final annual accounts of the European Aviation Safety Agency are as annexed to the Court of Auditors' report;
 2. Approves the closure of the accounts of the European Aviation Safety Agency for the financial year 2014;
 3. Instructs its President to forward this decision to the Executive Director of the European Aviation Safety 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 Aviation Safety Agency for the financial year 2014

(2015/2175(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European Aviation Safety 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 Transport and Tourism (A8-0000/2016),
- A. whereas, according to its financial statements, the final budget of the European Aviation Safety Agency ("the Agency") for the financial year 2014 was EUR 181 179 098, representing an increase of 8,47 % compared to 2013; whereas 21,1 % of the budget of the Agency derives from the Union budget;
- B. whereas the Court of Auditors ("the Court"), in its report on the annual accounts of the European Aviation Safety Agency for the financial year 2014 ("the Court's report"), has stated that it has obtained reasonable assurances that the Agency's annual accounts are reliable and that the underlying transactions are legal and regular;

Follow-up of 2013 discharge

1. Acknowledges from the Agency that:
 - it has taken corrective action to formalise and document the criteria used to outsource part of its certification services to national aviation authorities and qualified entities; notes that the Agency updated the supporting document templates in order to improve the transparency of the outsourcing process;
 - it reviewed and verified a high number of declarations of interest in order to ensure that it is compliant with its policy on prevention and management of conflicts of interest; notes, furthermore, that no revolving door cases were registered;

Budget and financial management

2. Notes that the budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 97,1 %, representing a decrease of 0,9 % compared to 2013; notes, furthermore, that the payments appropriations execution rate was at 91,1 %, representing a decrease of 6,17 % compared to 2013;

Commitments and carry-overs

3. Notes with satisfaction that the Agency further reduced the overall level of committed appropriations carried over from EUR 10 100 000 (11 %) in 2012 and EUR 7 200 000

(7,7 %) in 2013 to EUR 5 900 000 (6,2 %) in 2014; notes that the carryovers were at EUR 3 600 000 (22 %) for Title II (administrative expenditure) and at EUR 2 000 000 (38,1 %) for Title III (operational expenditure); acknowledges from the Court's report that these carry-overs were related to the multi-annual nature of the Agency's operations; notes furthermore that the carry-overs included in the Court's sample were duly justified;

Procurement and recruitment procedures

4. Notes with concern from the Court's report that the Agency's procurement planning should be improved, particularly in respect of framework contracts; points out that in 2014 three procedures were launched too late to replace existing framework contracts by the time they expired; notes, furthermore, that two existing framework contracts were extended until the new ones were in place and in another case a negotiated procurement procedure was launched to bridge the gap in order to ensure business continuity; observes that the Agency was not compliant with the Agency's Financial Regulation¹ due to the change of the initial contract duration and the use of a negotiated procedure, which affects fair competition; understands from the agency that it has introduced a revised procurement plan to address these issues; calls on the agency to report back to the discharge authority on how this is progressing;
5. Notes that the Agency reviewed its 2014 establishment plan approved by the budgetary authorities at the beginning of the year and concluded that the AST/AD repartition and the repartition of the grades needed to be adapted in order to better reflect the Agency's needs; notes that the Agency's Management Board, pursuant to Article 38 of the Agency's Financial Regulation, adopted the modified establishment plan which affected the AD/AST balance and the grading of 64 posts but not the total number of the posts or the volume of staff appropriations foreseen in the 2014 budget;

Prevention and management of conflicts of interest and transparency

6. Notes that the Agency's anti-fraud strategy establishes the responsibilities, objectives and actions of the Agency in terms of prevention, detection, investigation and correction of fraud; takes note that an anti-fraud officer was appointed in 2014, and that an action plan has been put in place in the context of the anti-fraud strategy with measures to be implemented for the years 2015 and 2016; notes that no instances of fraud were identified under the anti-fraud strategy during 2014;
7. Notes that in 2014 the Agency adopted a Confidential Safety Reporting Procedure which addresses whistle-blower information related to alleged malpractices and irregularities in the field of aviation safety reported by external individuals; observes that there were 66 cases related to this procedure in 2014; takes note that the Agency has a whistle-blower procedure in place and that one case was registered in 2014 with no appeals received;
8. Notes that the CVs and declarations of interest of all of the Agency's Directors and Heads of Department are published on its website; notes furthermore that the CVs and declarations of interest of the members of the Agency's Board of Appeal as well as of the members of its Management Board have also been published on the Agency's website;

¹ https://easa.europa.eu/system/files/dfu/EASA%20MB%20Decision%2014-2013%20amending%20the%20FR_Final_signed_Annex.pdf

9. Notes that the Agency already established and implemented a comprehensive policy on the prevention and mitigation of conflicts of interest as well as on “Gifts and Hospitality” in its “Code of Conduct for the staff of EASA” (CC); notes that this policy includes inter alia the establishment of an Ethical Committee to assess the completed declarations of interest and to deal with any subject related to the CC, as well as the establishment of mandatory training on the CC for all of the Agency’s staff members; acknowledges that a code of conduct which includes a policy on prevention and mitigation of conflict of interest has also been adopted for the members of the Agency’s Board of Appeal and the members of its Management Board; notes that the Agency is set to review and update its policies on management of conflicts of interest and calls on the Agency to report to the discharge authority on the status of the policy update;

Internal audit

10. Takes note that the Commission's Internal Audit Service (IAS) performed a review in 2014 and issued seven recommendations; observes that no findings classified as “Critical” were raised by the IAS during their audits and that four findings classified as “very important” were raised during three audits performed between 2009 and 2013; notes that the Agency took corrective actions related to the recommendations resulting from the IAS’ audits and marked them as “ready for review” in the preparation of the IAS follow-up audit; notes that in 2014 the IAS did not perform a formal assessment on the progress made by the Agency in the implementation of those recommendations;

Internal controls

11. Notes that in 2014, the Agency’s Internal Audit Capability performed eight assurance engagements, issued 56 recommendations and detected three inherent risks with a likelihood of occurrence marked as “high” and a potential impact marked as “significant”; notes, furthermore, that out of the six actions prepared by the Agency to mitigate the risk level, two were closed and the remaining four were scheduled to be implemented by September 2016; calls on the Agency to inform the discharge authority of the status of implementation of the remaining actions;

Other comments

12. Welcomes the initiative of the Agency to share and provide services for other agencies in order to create synergies; notes in particular that the Agency licenses free of charge the development of human resources tools and that it hosts the permanent secretariat of the Union Agencies’ Network; notes that the Agency uses Commission’s framework contracts, IT and related services and that it relies on a certain number of other services from the Commission; encourages the Agency to use joint procurements with other Union agencies wherever possible in order to generate cost savings;
13. Acknowledges the measures taken by the Agency to make efficiency gains and achieve savings; notes in particular the Agency’s reorganisation project which was managed by its internal staff for a period of seven months, whereas an equivalent project run by an external company would have generated much higher expenses;
14. Notes with concern that since 2004, when the Agency became operational, it has been working merely on the basis of correspondence and exchanges with the host Member

State; notes furthermore that a comprehensive headquarters agreement has not yet been signed with the host Member State; notes, however, that such an agreement would promote transparency and security in respect of the operational conditions of the Agency and its staff; acknowledges that the government of the host Member State recently initiated informal discussions with the Agency on this matter; calls on the Agency and the host Member State to address this issue as a matter of the utmost urgency and to inform the discharge authority of the progress of the negotiations;

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15. 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].