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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European Environment Agency for the financial year 2014
(2015/2168(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 Environment Agency for the financial year 2014 (2015/2168(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Environment Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Environment Agency for the financial year 2014, together with the Agency's reply¹,
- 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 401/2009 of the European Parliament and of the Council of 23 April 2009 on the European Environment Agency and the European Environment Information and Observation Network⁴, and in particular Article 13 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. 143.

² OJ C 409, 9.12.2015, p. 143.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 126, 21.5.2009, p. 13.

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 the Environment, Public Health and Food Safety (A8-0000/2016),
1. Grants the Executive Director of the European Environment 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 Environment 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 Environment Agency for the financial year 2014 (2015/2168(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Environment Agency for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the European Environment Agency for the financial year 2014, together with the Agency's reply¹,
- 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 401/2009 of the European Parliament and of the Council of 23 April 2009 on the European Environment Agency and the European Environment Information and Observation Network⁴, and in particular Article 13 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. 143.

² OJ C 409, 9.12.2015, p. 143.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 126, 21.5.2009, p. 13.

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 the Environment, Public Health and Food Safety (A8-0000/2016),
1. Notes that the final annual accounts of the European Environment Agency are as annexed to the Court of Auditors' report;
 2. Approves the closure of the accounts of the European Environment Agency for the financial year 2014;
 3. Instructs its President to forward this decision to the Executive Director of the European Environment 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 Environment Agency for the financial year 2014
(2015/2168(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the European Environment 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 the Environment, Public Health and Food Safety (A8-0000/2016),
- A. whereas, according to its financial statements, the final budget of the European Environmental Agency ('the Agency') for the financial year 2014 was EUR 52 573 071, representing an increase of 6,70 % compared to 2013; whereas 76,81 % of the Agency's budget derives from the Union budget; whereas the increase is mostly related to operating expenditure for strategic actions,
- B. whereas the Court of Auditors ('the Court'), in its report on the annual accounts of the European Environmental Agency for the financial year 2014 ('the Court's report'), has stated that it has obtained reasonable assurances that the Agency's annual accounts for the financial year 2014 are reliable and that the underlying transactions are legal and regular,

Comments on the legality and regularity of transactions

1. Notes from the Court's report that in 2014 the Agency launched a call to procure IT and Geographic Information Systems (GIS) consultancy services for the implementation of Reference Data Access (RDA) component and for the purpose of supporting the Agency in other Copernicus related activities; notes that, according to the Court's report, an important aspect of the tender referred to as "known shortcomings" was not defined in technical specifications; acknowledges from the Agency that the "known shortcomings" were however described in section 6.3.2 of the tender specifications;

Budget and financial management

2. Notes that the budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 99,19 % and that the payment appropriations execution rate was 87,19 %;

Commitments and carryovers

3. Acknowledges that the Court of Auditors' annual audit has found no notable issues as regards the level of committed appropriations carried over in 2014; notes that, although the total level of carry-overs from 2014 to 2015 is higher than in the previous year, 69,36 % of that amount refers to the final payment of the 2014 contribution to the

European Topic Centres (ETCs) which, according to the agreements, was to be paid after the 4th quarterly progress report was presented in 2015;

Transfers

4. Notes that a total of 24 transfers were made in 2014; notes that those transfers were below the limit of 10 % of the appropriations for the year as shown on the budgetary line from which the transfer is made and amounted to EUR 268 128 (0,64 % of total appropriations); notes that 40 % of the number of transfers were made on differentiated appropriations and hence not included in the 10 % calculation;

Procurement and recruitment procedures

5. Notes from the Agency that it reduced the number of its staff in line with the principles laid down in the Interinstitutional Agreement on budgetary discipline¹, and that led to a reduction of three temporary posts for the year 2014; acknowledges from the Agency that adjusting its organisational structure to find the necessary redundancies without detrimental effect on its capacity to deliver the main parts of its multi-annual work programme is becoming increasingly difficult, in particular with regard to the additional anticipated staff reduction above the limit set out in the Interinstitutional Agreement; takes note that the last external evaluation of the Agency states that its administrative costs are lower than those of similar agencies;

Prevention and management of conflicts of interests and transparency

6. Notes that the Agency's anti-fraud strategy was adopted by its Management Board in November 2014, with the aim of ensuring proper handling of conflict of interest issues and of developing anti-fraud activities especially through prevention, detection, awareness-raising and closer cooperation with the European Anti-Fraud Office (OLAF); takes note that in line with OLAF's "Methodology and guidance for anti-fraud strategies for EU decentralised Agencies", the Agency conducted a fraud risk assessment of its activities based on the estimated likelihood and possible impact of fraud;
7. Notes that the Agency has published on its website the declarations of interest of its Management in addition to the CVs already published; takes note that the Agency's Management Board have made CVs available for those board members who agree to provide them;

Internal controls

8. Notes from the Court's report that the Agency started to implement a new ex-ante and ex-post control policy for grants; takes note that at the time of the Court's audit, the verification procedures were yet to be documented; acknowledges from the Agency that, when it began implementing the new control policy in May 2014, it prioritised the guidelines for beneficiaries on the preparation of cost statements; acknowledges furthermore that those guidelines were elaborated and distributed to the resource officers

¹ Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, OJ C 373, 20.12.2013, p. 1

performing the ex-ante verifications on grants and are applicable from the financial year 2016;

9. Notes from the Court's report the weaknesses identified in the Agency's ex-ante and ex-post verifications; points out that in one case, requested documents were not provided, and in another, ineligible expenditure was included, but the full amount claimed was nevertheless approved; acknowledges from the Agency that, following the observations of the Court, it initiated recovery from the beneficiary concerned in the second case; acknowledges that the Agency will rigorously document any instances of overriding of controls or deviations from established policies and procedures that may occur in the future;
10. Notes with concern from the Court's report that, although the ex-ante and ex-post verifications are incompatible tasks, the internal auditor was involved in both; acknowledges from the Agency that a formal ex-post verification strategy will be developed ensuring compatibility with the tasks of the Agency's Internal Audit Capability; acknowledges that the Agency's internal auditor is to carry out exclusively ex-post controls, including on-the-spot verifications, and verify the effectiveness of the Agency's ex-ante verification process;

Internal audit

11. Takes note that the Commission's Internal Audit Service conducted an audit on Data/Information management including the IT component starting in 2014 and finalised in 2015; looks forward to the results of the audit which will be presented in the Agency's Annual Report for 2015;
12. Notes that, due to the change in the Agency's financial regulation, a new Internal Audit Charter was defined and approved by the Agency's Management Board; takes note that the Management Board is the new recipient of the Internal Audit Capability's (IAC) reports, and that the Management Board will also approve the annual work plan and follow up the recommendations of the IAC;

Other comments

13. Notes that the Agency contracted IT backup services, including email services, with a cloud services provider using an interinstitutional contract provided by the Commission; takes note that the conditions of the contract do not adequately define the location of the Agency's data, which means that there is a risk that the privileges and immunities of the European Communities, to which the Agency is subject, are not guaranteed, and that the service provider does not fully respect the privacy guarantees granted by Article 7 of the EU Charter of Fundamental Rights; acknowledges from the Agency that further to receiving clarifications and guarantees from the service provider, it considers the identified residual risks as acceptable and adequately addressed by the agreed contractual clauses; notes that the Agency will nevertheless undertake periodic reviews of the contract implementation with a view to re-assessing the risks and adopting appropriate measures and remedial actions if deemed necessary;

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14. 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].