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# **DRAFT REPORT**

on discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2014: performance, financial management and control  
(2015/2205(DEC))

Committee on Budgetary Control

Rapporteur: Derek Vaughan

## CONTENTS

	<b>Page</b>
1. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION .....	3

## 1. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **on discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2014: performance, financial management and control (20152/2205(DEC))**

*The European Parliament,*

- having regard to its decisions on discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2014,
  - having regard to the Commission’s report on the follow-up to the discharge for the 2013 financial year (COM(2015)0505), and to the accompanying Commission staff working documents (SWD(2015)0194, SWD(2015)0195),
  - having regard to the Court of Auditors’ specific annual reports<sup>1</sup> on the annual accounts of the decentralised agencies for the financial year 2014,
  - 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 1605/2002<sup>2</sup>, and in particular Article 208 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 Communities<sup>3</sup>,
  - 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 Council<sup>4</sup>, and in particular Article 110 thereof,
  - 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 opinions of the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Employment and Social Affairs (A8-0000/2016),
- A. whereas this resolution contains, for each body within the meaning of Article 208 of Regulation (EU, Euratom) No 966/2012, cross-cutting observations accompanying the discharge decisions in accordance with Article 110 of Commission Delegated Regulation (EU) No 1271/2013 and Article 3 of Annex V to Parliament’s Rules of Procedure,
1. Reiterates the importance of the tasks performed by agencies and their direct impact on the daily lives of Union citizens; reiterates also the importance of the autonomy of the

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<sup>1</sup> OJ C 409, 9.12.2015, p. 1.

<sup>2</sup> OJ L 298, 26.10.2012, p. 1.

<sup>3</sup> OJ L 357, 31.12.2002, p. 72.

<sup>4</sup> OJ L 328, 7.12.2013, p. 42.

agencies, in particular of the regulatory agencies and those with the function of independent information collection; recalls that the main reason for establishing agencies was for the purpose of making independent technical or scientific assessments;

2. Notes from the Court of Auditors' summary of results from the Court's 2014 annual audits of the Union agencies and other bodies ("the Court's summary") that the agencies' 2014 budget amounted to some EUR 1,9 billion, representing a decrease of about 5 % compared to 2013 and about 1,4 % of the Union's general budget; points out that approximately 63 % (EUR 1,2 billion) comes from Union funding, whereas the rest is income from fees or other sources;
3. Takes note that the agencies employ 6 578 permanent and temporary officials representing an increase of 0,64 % compared with the previous year and 14 % of the total number of Union officials authorised under the general Union budget; notes furthermore that around 3 200 contract or seconded staff are working for the agencies; points out that the increase in staff is primarily concentrated in those agencies assigned with additional tasks, those with supervisory responsibility for the financial industry and the executive agencies with additional responsibilities under Horizon 2020 and other programmes;

#### ***Common approach and Commission's roadmap***

4. Recalls that in July 2012, Parliament, the Council and the Commission adopted a Common Approach on decentralised agencies ("the Common Approach"), a political agreement concerning the future management and reform of the agencies; takes note that the Commission is responsible for the follow-up to this agreement;
5. Acknowledges the Commission's progress report on the implementation of the Common Approach as well as the efforts made jointly by the Commission and the decentralised agencies, which resulted in demonstrable progress; acknowledges furthermore from the Union agencies network ("the Network") that the agencies have advanced well in terms of implementation of the actions foreseen in the Common Approach, reaching a 99% rate of completion of the agency-specific roadmap actions;

#### ***Budget and financial management***

6. Recalls that the principle of annuality is one of the three basic accounting principles, together with unity and balance, which are indispensable to ensuring the efficient implementation of the Union budget; takes note from the Court's summary that an elevated level of carry-overs of committed appropriations remains the most frequent issue of the budgetary and financial management affecting 28 agencies; points out, however, that carry-overs are often unavoidable due to the multiannual nature of the agencies' operational programmes and do not necessarily indicate weaknesses in budget planning and implementation, nor are they always at odds with the budgetary principle of annuality; welcomes the fact that the carry-overs resulting from these operational programmes are largely planned in advance by the agencies and communicated to the Court of Auditors, which facilitates the explicit distinction between planned and unplanned carry-overs;
7. Takes note that a high level of cancellations of carry-overs from previous years was noted by the Court of Auditors only in eight cases; observes that such carry-overs indicate that the appropriations carried over were made on the basis of over-estimated needs or were

otherwise not justified; urges these agencies to take action to avoid this issue in future; acknowledges from the Network that the level of cancellation is indicative of the extent to which the agencies have correctly anticipated their financial needs and is a better indicator of good budgetary planning than the level of carryovers; acknowledges from the Network that the agencies concerned have implemented various measures to improve their budgetary monitoring systems and address this issue;

8. Reminds the agencies that the framework financial regulation<sup>1</sup> provides for a consolidated annual activity report (CAAR) which combines information from the annual activity reports, internal and external audit reports and financial reports to be sent by 1 July each year to the Commission, the Court of Auditors and the discharge authority; calls on the agencies which have not already done so to include detailed information on internal and external audits in their CAAR;
9. Notes from the Network that the practical implementation of the framework financial regulation by agencies poses in many cases challenges to efficient and simplified budget spending, in particular in the areas of procurement, multiannual programming, indirect grant management and complicated documentation for the consolidation package of the accounts; calls on the Commission and the Network to further explore the possibilities of simplifying the rules, taking into account the differing needs of the agencies;
10. Notes with satisfaction that the final accounts of all decentralised agencies present fairly, in all material respects, their financial position as at 31 December 2014 and the results of their operations and their cash flows for the year then ended, in accordance with the provisions of the applicable financial regulations and the accounting rules adopted by the Commission's accounting officer;
11. Notes with satisfaction that for all decentralised agencies, the transactions underlying the annual accounts for the year ended 31 December 2014 were legal and regular in all material respects;

#### ***Cooperation among agencies - shared services and synergies***

12. Acknowledges from the Network that 93 % of the agencies stated that they share services with other agencies and institutions; notes that 75 % of the agencies have cooperation agreements, working arrangements and memorandums of understanding for cooperation with other agencies, institutions and Member States; takes note that general agreements are being implemented on an annual basis and with more concrete individual actions in the areas of administrative services and specific operational services; encourages agencies to pursue further shared services where this results in cost savings and increased efficiency; stresses that where services are shared, costs should be divided equally between participating agencies or institutions in order to prevent one party being burdened by the entire service cost;

#### ***Human resources management***

13. Recalls that paragraph 27 of the interinstitutional agreement<sup>2</sup> calls for a progressive

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<sup>1</sup> Commission Delegated Regulation (EU) No 1271/2013.

<sup>2</sup> Interinstitutional agreement of 2 December 2013 between the European Parliament, the Council and the

reduction of staff by 5 % in all institutions, bodies and agencies to be effected between 2013 and 2017; welcomes the fact that most agencies have already met or exceeded the 5 % reduction based on their respective 2012 establishment plans; recalls that the Commission started to implement the 5 % reduction in its 2013 establishment plan, basing the calculation on the level of posts in 2012; deeply regrets that the Commission applied an additional levy of 5 % of staff to the agencies in order to create a redeployment pool from which it would allocate the posts to the agencies with new tasks entrusted to them or in a start-up phase; acknowledges from the Network that with the additional levy, fulfilment of the agencies' mandates and annual work programmes is proving increasingly difficult; calls on the Commission to look into other options to make these posts available, in order not to hinder the agencies' ability to fulfil their mandate;

14. Reiterates the Parliament's position on the budgetary procedure that staff financed by fees paid by industry, and consequently not financed by the Union budget, should not be affected by the 1 % yearly cut applied by the Union; urges the Commission to treat the agencies financed primarily by the Union budget as a separate case and to put forward a specific framework for agencies financed mainly by industry, which should be in proportion to the services provided by the agency concerned;
15. Encourages all agencies to pursue gender balance in senior management positions; notes that in certain agencies the figures are particularly unsatisfactory; calls on the Network to provide the discharge authority with a detailed report on steps being taken to ensure gender balance in senior management across all decentralised agencies; in addition, urges Member States to pursue gender balance when appointing board members;

#### ***Conflicts of interest and transparency***

16. Acknowledges from the Network that over 80 % of all decentralised agencies have an anti-fraud strategy in place; notes that of the four remaining agencies, three were set to develop and adopt an anti-fraud strategy during 2016 while the fourth, the European Police Office, applies the principles and standards defined in the Commission's Anti-Fraud Strategy, together with a strong financial model entailing continuous *ex-ante* and *ex-post* verification activities; takes note that all adopted strategies take into account the European Anti-Fraud Office's methodology and guidance for anti-fraud strategies;
17. Acknowledges the agencies' view that the trust of Union citizens in the European institutions, agencies and bodies is of the highest importance; notes that the agencies have introduced a number of concrete measures and tools to address adequately the risks of actual and perceived conflicts of interest; notes that all agencies have already adopted policies for the prevention and management of conflicts of interest, and that those policies are aligned with the Commission's Guidelines on the prevention and management of conflicts of interest in EU decentralised agencies; notes that those policies include, *inter alia*, measures for detecting potential risks at an early stage, identification of best practice in other entities such as the Commission, other agencies and the European Anti-Fraud Office as well as conflicts of interest policies for staff and collaborators not covered by the Staff Regulations; invites the agencies to consider the advantages and disadvantages of having common regulations regarding conflicts of interest;

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Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (OJ C 373, 20.12.2013, p. 1).

18. Takes note from the Network that 16 agencies (52 %) use expert groups, scientific panels and committees and almost all of them take into account concerns raised by the European Ombudsman's own-initiative inquiry (OI/6/2014/NF) opened on 12 May 2014 into their staffing policies for these groups; urges those that do not already take into account these factors to do so, without delay; calls on the agencies to apply the new rules which should be adopted by the Commission on expert groups;
19. Ascertains that 29 agencies (over 90 %) have policies in place on the publication of the CVs and declarations of interest of their management board members, management staff and external and in-house experts; notes furthermore that 23 agencies (74 %) publish their CVs and declarations of interest on their websites; notes with concern that some of the agencies have issues publishing the CVs or declarations of interest of their management board members, as there is no mechanism which would oblige the management board members to provide these documents; urges the agencies' management board members who have not yet provided documents confirming the absence of conflicts of interest to submit these documents for publication on the respective agencies' websites without delay in order to increase transparency;
20. Notes with concern that some agencies are yet to adopt whistle-blowing guidelines; urges those agencies that have not to do so without further delay;

### ***Performance***

21. Notes that the principle of "value for money" and "EU added value" also holds for agencies while ensuring that citizens are well informed of the results of the agencies' activities; notes that achieving results is important; reiterates that it is important for the Network to become a member of the new Inter-institutional Working Group on Performance in order to reach a common understanding of performance-based and results-oriented budgeting principles, as well as to identify possible improvements to the performance models currently applied in the agencies; requests that the Court of Auditors provide an evaluation of the agencies' performance and results in time for the review of the 2016 Multiannual Financial Framework;

### ***Communication and visibility***

22. Takes note from the Network that nearly all agencies have included on their websites the statement that they are agencies of the Union, with the exception of the European Insurance and Occupational Pensions Authority, which states that it is an independent advisory body to the Parliament, the Council and the Commission; notes furthermore that 50 % of the agencies have published information on their website in all the Union languages, four agencies have offered information in 23 languages of the Union, 22 % offer information in at least two languages and 9 % of the agencies have websites available only in English, with some having plans to expand the availability to German; acknowledges furthermore that a full multilingual approach for all agencies is not currently feasible due to the need for additional resources; invites the agencies to consider using tools such as surveys and focus groups to measure public awareness and assess ways to improve their communications strategy in future;
23. Acknowledges the Network's statement that the agencies are strongly committed to increasing their presence on social media; takes note that only a few agencies are not yet

present on social media but that they are committed to engaging in such communication in the near future; observes that promotional activities through social media include reports, events, job opportunities and procurements; notes, moreover, that social media activities are integrated with other communication tools of the agencies;

***Other comments***

24. Notes that on the basis of the agencies' contributions, the Commission has elaborated guidelines with standard provisions for headquarter agreements between decentralised agencies and host Member States; notes that as of January 2016, four agencies are still in the negotiation process with their host Member State, compared with 10 agencies in the previous year; reiterates the importance of these agreements for agency operations and security; urges agencies and Member states which have not entered into a headquarters agreement to do so without further delay;
25. Reminds the Court of Auditors that the Parliament, the Council and the Commission agreed in paragraph 54 of the Common Approach that all aspects of outsourced external audits "remain under the full responsibility of the Court, which manages all administrative and procurement procedures required and finances these, as well as any other costs associated with outsourced external audits, from its own budget"; deeply regrets that the new audit approach involving private sector auditors resulted in an 85% increase in administrative burden on the agencies, equating to more than 13 000 additional hours or an average of 3,5 full time equivalents (FTEs) compared with the previous audit managed by the Court of Auditors; regrets that the time spent on the procurement and administration of audit contracts created more than 1 400 man hours of additional work for the decentralised agencies, and that the total additional expenditure on external private sector audits in 2014 amounted to EUR 550 000; reiterates its call to the Court of Auditors to follow the agreed Common Approach and contract and pay for agencies' external auditors and to provide better guidance to private auditors so as significantly to reduce the augmented administrative burden;

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26. Instructs its President to forward this resolution to the agencies subject to this discharge procedure, 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).