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REPORT

on discharge in respect of the implementation of the budget of the European Union Agencies for the financial year 2010: performance, financial management and control of European Union Agencies
2011/2232(DEC)

Committee on Budgetary Control

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PROPOSAL FOR A EUROPEAN PARLIAMENT RESOLUTION

on discharge in respect of the implementation of the budget of the European Union Agencies for the financial year 2010: performance, financial management and control of European Union Agencies (2011/2232(DEC))

The European Parliament,

- having regard to the report of 14 November 2011 from the Commission to the European Parliament and the Council on the follow-up to the discharge for the 2009 financial year (COM(2011)0736) and the accompanying Commission Staff Working Documents (SEC(2011)1350 and SEC(2011)1351),
- having regard to the Commission communication of 11 March 2008 entitled 'European Agencies – the way forward' (COM(2008)0135),
- having regard to its resolution of ... May 2012 on the 2010 discharge: performance, financial management and control of EU Agencies¹,
- 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,
- 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 Communities³, and in particular Article 96 thereof,
- having regard to Special Report No 5/2008 of the Court of Auditors entitled 'The European Union's Agencies: getting results',
- having regard to the specific annual reports⁴ of the Court of Auditors on the annual accounts of the decentralised Agencies for the financial year 2010,
- having regard to its study entitled "Opportunity and feasibility of establishing common support services for EU Agencies" issued on 7 April 2009,
- having regard to its resolution of 15 September 2011 on the EU's efforts to combat corruption⁵, its Written Declaration 2/2010 on the Union's efforts in combating corruption⁶, and to the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on Fighting corruption in the EU (COM(2011)0308);
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,

¹ OJ L 000, 00.0.2012, p. 000.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 357, 31.12.2002, p. 72.

⁴ OJ C 368, 16.12.2011.

⁵ Texts adopted, P7_TA-(2011)0388.

⁶ P7_DCL(2010)0002

- having regard to the report of the Committee on Budgetary Control and the opinions of the Committee on Employment and Social Affairs and the Committee on Civil Liberties, Justice and Home Affairs (A7-0103/2012),
- A. whereas this resolution contains, for each body within the meaning of Article 185 of Regulation (EC, Euratom) No 1605/2002, the horizontal observations accompanying the discharge decisions in accordance with Article 96 of Regulation (EC, Euratom) No 2343/2002 and Article 3 of Annex VI to Parliament's Rules of Procedure,
- B. whereas there has been a substantial increase in the number of Agencies over the last decade, from 3 in 2000 to 24 in 2010,
- C. whereas the decisions on the establishment and allocation of Agencies taken by the Council during recent years, are responsible for high expenditures and ineffectiveness of the functioning of the Agencies concerned, as they are not based on efficiency considerations, inter alia leading to remote and high cost locations,
- D. whereas the budget of the decentralised Agencies increased substantially between 2007 and 2010 from EUR 1 055 000 000 (for 21 Agencies) to EUR 1 658 000 000 (for 24 Agencies),
- E. whereas the Union contributions to the decentralised Agencies for the financial year 2010 amounted to over EUR 620 000 000,
- F. whereas, following the adoption of the above-mentioned Commission communication of 11 March 2008, Parliament, the Council and the Commission relaunched the project of defining a common framework for the Agencies and, in 2009, set up an Interinstitutional Working Group on Agencies,
- G. whereas this Interinstitutional Working Group met for the seventh time at political level on 13 December 2011 and whereas the following points were discussed: the criteria for setting up new Agencies, the choice of the Agencies' seat and seat agreement, the composition of management boards, the appointment procedure for directors, the evaluation and performance, the multiannual programme, and the administrative support,
- H. whereas the Court of Auditors' Special Report on cost benchmarking of the European Union Agencies which was planned to be issued before the end of 2011 is still awaited, whereas a letter received from the Court of Auditors on 15 February 2012 provided a synthesis document with data extracts covering 2008 to 2010 on the Agencies' governance costs, financial management and operational efficiency,

I. COMMON CHALLENGES ON FINANCIAL MANAGEMENT

Management of budgetary resources (including carryovers and cancellations)

1. Calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Agency made from the general budget of the Union; underlines that the document shall include the following information:
 - the initial contribution of the Union entered in the budget for the Agency;
 - the amount of funds coming from the recovery of surplus;
 - the overall contribution of the Union for the Agency;
 - the amount of the European Free Trade Association (EFTA)'s contribution;

Calls on the Commission to provide the discharge authority annually with consolidated information on, if applicable, the level of income generated by the Agencies, and the level of contributions made by Member States and third parties;

2. Calls on the Commission to provide the information listed in paragraph 1 for the financial year 2010, in a comparable and transparent manner, as well as for the previous financial years to enable Parliament and the public to compare the Union's contribution to each Agency over time; this will also ensure clarity, transparency and public control over the spending of the Union's money;
3. Urges the Commission to stop the increases in the Agencies' budgets, to even consider reducing the Union contribution to their budgets, in particular to the Agencies which mainly perform research; also urges the Agencies to reduce their running costs and overheads, inter alia by merging Agencies with similar or overlapping tasks or multiple sites of location, and establishing mechanisms to show the clear use and accountability of each EUR and to make substantial savings of Union funds;
4. Demands that all Agencies justify, systematically, amending budgets, transfers and carryovers in their report on the final annual accounts and annual report on budgetary and financial management;
5. Notes that some Agencies have difficulties in spending their budgets in a timely manner and that funds are committed against projects unrelated to the financial year; is irritated by the fact that significant amounts of budget are allocated in the end of the financial year; considers this as a possible sign that Union funds are, in some cases, used unnecessarily; calls on the Court of Auditors and especially the Agencies themselves to provide additional information and justification in the cases of CEDEFOP, CPVO, EFSA, EMSA, ENISA, ERA, EUROJUST and FRA that have spent more than 25 % of their budgets in the final two months of 2010, as well as on the cases of CEPOL, CPVO, FRONTEX and again EMSA that exhibit continuously high percentages of carry-forwards which have to be cancelled;
6. Is irritated by the fact that in the cases of ECHA, ENISA, ERA, EUROFOUND, FRA, CEPOL, EU-OSHA, EFSA, EUROJUST, ECDC, FRONTEX, OHIM the ratio of accruals versus carry-forwards in 2010 was lower than 50 %; calls on additional information and justification of the Agencies mentioned above since this indicates that over half of their carry-forwards is related to activities undertaken in the next year and this would, if unjustified, breach the principle of annuality;

7. Notes a large volume of carryovers and cancellations of operational appropriations by several Agencies in the financial year 2010 which the Court of Auditors did not consider to be significant or unjustified in its reports on annual accounts for the financial year 2010; would therefore welcome information from the ECA on the criteria used for judging what constitute significant or unjustified carryovers;
8. Points out that the high level of carryovers and cancellations is generally indicative of the inability of an Agency to manage a large increase in its budget; demands that the absorptive capacity and the time needed to carry out additional tasks should play a larger role in budgetary decisions; urges that the annual budget for the Agency concerned be reduced if no structural action is taken to address this issue;
9. Urges the Agencies to improve their management of commitments as well as their internal planning and general revenue forecasting in order to optimise their carry over and cancellation rates as well as their spending; reminds the Agencies that they need to refine their programming and monitoring system and initiate contracting earlier in the calendar year to reduce the need to carry over appropriations; calls in addition on the Commission to provide guidance and keep strict level of supervision in this respect;
10. Acknowledges, however, that due to their financial set-ups, some Agencies, such as EMA, generally end up with a high level of carryovers at the end of each financial year; calls on these Agencies to establish a genuine mechanism enabling them to establish, in due time, their estimated level of carryovers; is of the opinion that such a mechanism is essential to evaluate whether the level of carryovers at year-end is justified and to evaluate the Agencies' ability to manage their budget properly;
11. Acknowledges the fact that some Agencies in the Area of Freedom, Security and Justice are operational ones and that the implementation of their budget may depend on external factors;
12. Welcomes CEDEFOP's intention to further reduce its carryovers by monitoring through standardised templates of budget execution (commitments, payments) and procurement progress; considers this measure to be a practice to be followed by the other Agencies;
13. Points out that before any outsourcing or mergers, a thorough cost-benefit analysis is necessary in order to assess whether administrative costs can be reduced in, for example, the fields of budget planning and personnel management; refers in this respect to the study 'Opportunity and Feasibility of Establishing Common Support Services for EU Agencies' which was carried out by Parliament as early as 2009;
14. Recalls that the budget of the Agencies must be balanced; underlines that some Agencies generate profits through their activities, which sometimes lead to a surplus; is of the opinion that, for the Agencies fully financed from the budget of the European Union, the surplus generated in year n should be clearly deducted from the Union subsidy for year n+1;
15. Asks the Agencies to examine their internal administrative processes with a view to reducing administrative burden; points in particular to procurement and recruitment processes where there might be scope for a significant shortening;

16. Presses on Agencies to consider their own administrative costs compared to those of their peers when preparing future resource plans and to have regard to the table of comparative administrative staff gradings when making future appointments to such posts;
17. Considers, in addition, that for partly self-financed Agencies, clients should pay the full cost of the services provided to them by those Agencies, including the employer's prorated contribution to the pension scheme; concerning the issue of how to deal with a possible shortfall against forecast of fee revenue from the clients and the need to ensure the availability of necessary funding to Agencies, calls on the Commission to investigate the necessity and possible modalities of creating a limited ring-fenced reserve fund to be operated in a transparent way;
18. Calls on all relevant budgetary actors to respect their duties, within the budgetary procedure, to provide adequate justification for their requests concerning the Agencies' budgets (i.e. initial budget request, increases, decreases) and in the future, to take greater care in deciding on increases in an Agency's budget in the light of the time needed to carry out the new activities; is of the opinion that the Agencies' budgets should be based on their actual real needs; calls therefore on the Commission and all relevant parties involved in the budgetary procedure to implement as soon as possible the Court of Auditors' recommendation for a zero-based budgeting approach for Agencies when drawing up Agencies' budgets, meaning that the budget of each Agency is drawn up without reference to historical amounts and is determined by the stand-alone needs of each Agency;
19. Urges the Agencies to minimise the number of late payments by implementing corrective measures; is mainly concerned that payment delays increase the risk of having to pay interest and charges for late payments for which no appropriations are envisaged in the budget;
20. Calls also on the Agencies to accurately and completely report on exceptions in line with the Internal Control Standard N. 16;

Weaknesses in procurement procedures

21. Notes the weaknesses in procurement procedures; calls on the Agencies to increase the efficiency of their internal control system to avoid or detect persistent errors threatening the legality and regularity of the Agencies' transactions;
22. Urges the Agencies, accordingly, to strengthen their procurement procedures and, in particular, their procurement authorisation at the financing decision and work-programme level; notes, for example, that EMSA's lack of underlying data to support the financing decision on planned operational procurement may put at risk the validity of the Agency's decision;
23. Calls also on the Agencies to include in their Annual Work Programmes (AWP) clear information on the global budgetary envelope reserved for procurements and the indicative number and types of contracts envisaged; is concerned that often the

Agencies' AWP do not explicitly disclose all information referred to in the Financial Regulation and its implementing rules; notes that this weakness is mainly found in EMSA and ERA;

24. Calls on the Agencies to ensure accurate and timely reporting to disclose the exceptions in their Annual Activity Reports (AAR) in a comprehensive manner, detailed checklists and routings slips would allow the Agencies to clearly spell out each staff role's duties and ensure adequate follow up of potential irregularities;
25. Urges, in addition, the Agencies to ensure that negotiated procedure, which should be used under strictly defined conditions, is duly reported in a timely manner to the Administrative Board in order that it is fully informed about the extent of these procedures;
26. Calls on the Agencies, in addition, to develop and report on ex-post controls to ensure an adequate follow-up of the potential irregularities; supports in this respect the initiatives which develop a central and coordinated capacity at internal directorate level of each Agency in order to reduce the risk of inefficient use of resources and uncoordinated monitoring of contracts;
27. Welcomes EFSA's initiative to draft a practical procurement manual detailing roles and responsibilities for each step of the process which is to be regularly up-dated; considers this initiative to be a practice to be followed by the other Agencies;
28. Welcomes the fact that the Court of Auditors has been able to obtain reasonable assurances that the annual accounts of all Agencies in the Area of Freedom, Security and Justice for the financial year 2010 are in all material respects reliable and that the underlying transactions are legal and regular; notes that discharge in respect of the implementation of the budget of those Agencies should continue to be based on their performance throughout the year;

II. COMMON CHALLENGES ON PERFORMANCE

Multiannual Programme (MP)

29. Urges the Agencies to draw up multiannual strategic programmes and guidelines, tailored to the specificities of their activities; considers it important that such multiannual activity planning (objectives and means to reach them) is linked with multiannual resource planning (budget and staff in particular) and that it is clearly translated into the AWP; calls also on the Agencies to consult the Parliament in this respect;
30. Encourages the Agencies to establish a multiannual IT strategy plan to support their operational activities;

Annual Work Programme (AWP)

31. Considers that the Agencies' internal process supporting the establishment of their AWP has a high impact on the reliability of information that the Agency provides to its stakeholders and to the discharge authority; urges the Agencies, therefore, to provide consistency in their planning, adequate procedures and guidelines, and sufficient documentation supporting the AWP in order to provide information on all activities to be carried out and on the resources planned per activity;
32. Regards it as absolutely essential that the committees responsible for the Agencies should scrutinise the Agencies' AWP as closely as possible and ensure that they reflect current circumstances and political priorities;
33. Expects, in that respect, the Agencies to work more closely with the Commission when drafting their AWP;
34. Calls for close cooperation between the Agencies as a means of ensuring an efficient coordination of their AWP;
35. Urges in particular that the Agencies take action in order to ensure that their AWP is appropriately complete and contains all the information required (i.e. information on all activities carried out by the Agency and on the resources planned per activities) and additionally include detailed information and estimates for the appropriations carried over to the next year;
36. Encourages, in this respect, the Agencies to base their AWP on a template in order to ease comparison; calls, in this regard, on the Commission to draw up a guideline for this template;
37. Is concerned that the assignment of responsibility for the preparation and adoption of the AWP is not stated in the founding Decision of certain Agencies (e.g. in EUROJUST); considers that this may lead to confusion and lack of ownership for the preparation and adoption of the AWP; awaits the Commission's proposal for a change of legal basis;

Annual Activity Report (AAR)

38. Urges the Agencies to standardise the structure of their AARs in accordance with the format used by the Commission's Directorates-General (DGs) and, accordingly, to provide detailed and complete information on: the implementation of their AWP, budget and staff policy plan, indicators for the budgetary management such as year-end spending (i.e. the budget commitments made by the Agency in the final three months of the year), management and internal control systems, internal/external audit findings, the follow-up to the audit recommendations, the discharge recommendation, and the statement of assurance of the Executive Director; calls also on the Agencies to provide in their AARs information resulting from the Financial Statements and from the report on budgetary and financial management foreseen in the context of the discharge procedure, provided the time constraints of the preparation of the Union annual consolidated accounts are respected;

39. Requires that the structure of the AAR of each Agency includes a number of common elements based on best practice across the Agencies, with a view to easing comparison; in this respect, urges the Commission to develop an indicative template in cooperation with the Agencies;
40. Calls also on the Directors of the Agencies to transmit their AARs of the year n and the assessment of the Management Boards to the Court of Auditors, Parliament, Council and the Commission by 1 July of the year n+1;
41. Welcomes that in its AAR for 2010, EU-OSHA detailed data comparing one year to another so as to enable the discharge authority to assess more effectively the Agency's performance; considers this a practice to be followed by the other Agencies;
42. Calls also on the Agencies to make further efforts in order to ensure that their AAR effectively mirrors their AWP; stresses that this is a crucial element to evaluate properly the Agencies' activities and outcomes against the contribution of the Union, and therefore to determine their performance; commends in this respect the AARs and AWP in particular of ECHA, EMSA and EUROPOL; notes, however, that some Agencies (e.g. EMCCDA and GSA) showed a deficiency in this respect and their planning resources for activities (ABB) were not aligned with the organisational structure of their Agency to enable the monitoring of the budget execution;
43. Welcomes the initiative of CEDEFOP to make Gantt charts available for key operational activities in its AAR for 2010; reminds the Agencies that these charts outline, in a concise way, the amount of time spent by each staff member on a project and encourage an approach geared towards achieving results; encourages the Agencies to make a Gantt diagram part of the programming for each of their operational activities;

Evaluation of the Agencies

44. Calls on the Agencies to make and present a bi-annual overall evaluation of their activities, performance and effectiveness, to be commissioned by the Commission, Parliament and/or the Court of Auditors, and to make the report available on their website; the Agencies must then be called to prepare a roadmap with a follow-up action plan based upon the conclusions of those evaluations, and report on progress annually;

Report on Article 96

45. Recalls that in accordance to Article 96 paragraph 2 of the framework Financial Regulation, the Agencies are requested to provide the discharge authority with a report on the measures taken based upon the observations and recommendations made by the discharge authority in its previous discharge reports;
46. Regrets that the information provided by the Agencies in the reports on Article 96 come from the Agencies themselves and that, as a consequence, the accuracy of their statements cannot be fully certified and taken as granted; calls therefore on the Interinstitutional Working Group on Agencies to consider including a provision on the

creation and implementation of a verification mechanism regarding the information provided by the Agencies in the report on Article 96, in order to enable the discharge authority to be confident of the validity of the information received and to allow for a thorough follow-up of the observation and recommendations made by Parliament in its previous discharge resolutions;

Table annexed to the Court of Auditors' annual reports

47. Welcomes the fact that the Agencies set out, in a table annexed to the Court of Auditors' 2010 specific annual reports, a comparison of the operations that were carried out during 2009 and 2010, enabling the discharge authority to assess more effectively their performance from one year to the next; notes that this has been required by the discharge authority since the 2008 Agencies' discharge procedure;

Role of coordinator of the network of Agencies

48. Commends the ECHA on its effective work as coordinator of the network of Agencies during the 2010 discharge procedure; considers this be a practice that should also be followed by the growing Joint Undertakings;

III. COMMON CHALLENGES ON TRANSPARENCY

Agencies' website

49. Urges the Agencies to provide, via their websites, information necessary to ensure transparency, especially financial transparency; urges in particular the Agencies to make available on their website the list of all contracts awarded over the last three years and the list of the Members of their Management Boards with their Declaration of Interests and a list of all enterprises which are involved in PPP contracts or which are in other commercial connections with Agencies; calls on the Commission to continue its efforts to make this information fully accessible and integrate it into its financial transparency system;

Relations with stakeholders

50. Calls on the Agencies to ensure that they exercise their functions in coordination with the different stakeholders;
51. Urges the Agencies to strengthen the involvement of the European institutions, in particular Parliament, in their annual planning;

Conflict of interests

52. Calls on the Agencies to adopt effective processes that duly address allegations of conflict of interests within the Agencies and/or the Management Board, in particular in EASA, EEA and EFSA;
53. Welcomes the initiative of some Agencies, as for instance the Community Fisheries Control Agency whose Internal Audit Capability developed an internal training course and has provided the necessary training related to Ethics and Integrity at the Agency; it particularly welcomes that the training is obligatory to all staff to ensure awareness of ethical and organisational values, in particular ethical conduct, avoidance of conflicts of interest, fraud prevention and reporting of irregularities;
54. Calls on the Agencies to carefully file and assess their control systems in order to prevent conflict of interests between their staff and experts working in their Agency; calls, in addition, on the Management Board of the Agencies to adopt and apply the strictest rules and verification mechanisms towards their Members to ensure their full independence from private interests; recalls once more that an Agency's reputation will be damaged in cases where it is challenged on the ground of conflict of interests, with negative impact to the Union's reputation;
55. Recalls that the European Ombudsman criticised EFSA for the way it assesses potential conflicts of interest and 'revolving door' cases; calls on other Agencies to employ efficient procedures to detect and prevent any conflict of interest situations; takes the view that the 'cooling-off' period of anyone who has served as director of an agency or has discharged major responsibilities within an agency needs to be clarified;
56. Invites the Agencies, therefore, to provide their responsible committees and the Budgetary Control Committee in Parliament with a detailed overview of the procedures, criteria and verification mechanisms applied to avoid 'revolving door' cases and any situations of conflicts of interest; where this role is ensured together with the national counterparts, urges the Agencies to clarify this sharing role to avoid responsibility-related loopholes in cases of conflicts of interest;
57. Reiterates, moreover, its call to the Commission to provide information on the existence and application of regulations and rules on the cooling-off periods and among comparable cases in all the Agencies before the end of 2012;
58. Is pleased by the intention of the Court of Auditors to make a comprehensive analysis of the Agencies' policies approach and concrete practice for the management of the situations of the conflicts of interest, in order to prevent conflicts of interest taking into account the OECD definition of conflict of interest and its related rules;
59. Recalls that in its abovementioned resolution of 15 September 2011 on the EU's efforts to combat corruption, the Parliament called, inter alia, upon the Commission and the Union's Agencies to ensure more transparency by drawing up codes of conduct or improving those existing codes, with as a minimum clear rules on conflicts of interest;
60. Recalls that conflicts of interest are a cause of corruption, fraud, mismanagement of funds and human resources, favouritism and have a negative impact on the impartiality

of the decisions and quality of work and undermines Union citizens' trust in the Union institutions, including the Agencies;

Recruitment of Agencies' Directors

61. Calls on the Interinstitutional Working Group (IWG) to address the modalities for appointing Agencies' Directors in order to have an open, transparent and trusty recruitment procedure; in this respect calls on the IWG to ensure that its Joint Statement mentions that the candidates selected for the post of Agencies' Directors undergo a public interview by Parliament's committees;
62. Notes that, for the European Securities and Markets Agency, the European Banking Agency and the European Insurance and Occupational Pensions Authority (Agencies which were established in 2010 and began operating in 2011), the Executive Director is appointed by the Board of Supervisors but only after confirmation by the Parliament as discharge authority; stresses that this procedure should be the rule for the appointment of all Agencies' Executive Directors;

Fraud prevention

63. Calls on the Agencies to be more active in the area of fraud identification and prevention, and properly and regularly to communicate on these activities; stresses that the role of the European Anti-Fraud Office (OLAF) vis-à-vis Agencies should be formalised, enhanced and made more visible;

Alert system

64. Considers that where the Commission has serious reasons for concern that an Agency is about to take decisions or engage in activities which may not comply with the mandate of the Agency, may violate Union law or be in manifest contradiction to the Union policy objective, it has the duty to immediately inform Parliament and Council to enable them to take appropriate action;

IV. COMMON CHALLENGES ON HUMAN RESOURCES

Recruitment procedures

65. Urges the Agencies to take the necessary measures to increase the legality, transparency and objectivity of their recruitment processes; notes in fact that once more in several Agencies there are deficiencies in staff selection procedures which put at risk the transparency of these procedures and/or infringe the principle of equal treatment in the application of the eligibility criteria; acknowledges, in particular, that the Court of Auditors repeatedly reports the following deficiencies:

- no evidence exists whether the selection criteria and the thresholds that candidates have to meet to be invited to written tests/interviews are established before the evaluation process begins,
- insufficient documentation of recruitment procedures,
- unequal treatment in the recruitment procedure for internal/external candidates,
- limited competition;

Considers that these deficiencies reduce the ability of the Agencies to: respond to possible allegations of arbitrary decisions on staff recruitment; and take the appropriate redressing decisions;

66. Welcomes CEDEFOP's initiative of an online tool for recruitment RECON - Recruitment Online in 2010 which will help the Centre to increase the speed, efficiency and transparency of its recruitment process; calls on all Agencies to follow this procedure;
67. Believes that every year there are employees, including directors, who rotate between the Agencies; calls on the Commission to provide Parliament with a table of all staff members, in particular directors and persons in management positions who changed working places from one Agency to another Agency or to another Union institution, at least since 2008;
68. Calls on the Commission to provide Parliament with a detailed table of the criteria applied in order to ensure the independence, impartiality, and proper qualification of the staff recruited, including those criteria aimed at stopping or preventing conflicts of interest, and to apply dissuasive sanctions for any irregularity found;
69. Regrets that some Agencies still had a high vacancy rate in 2010; calls on those Agencies to take all necessary steps to avoid this situation from occurring again;

Sensitive tasks assigned to interim staff

70. Calls once more on the Agencies to ensure that sensitive tasks are not assigned to interim staff; deplores the fact that in some cases Agencies hired such staff to perform sensitive tasks or have access to sensitive information; stresses the risks of potential security breaches linked to interim staff's access to sensitive information, and unawareness by them of the procedure to follow or indeed conflicts of interest;

Flexible working hours – leave

71. Calls on all Agencies to inform the relevant discharge authority of the number of days of leave authorised to each grade under the flexitime and compensatory leave schemes in 2010;

V. CHALLENGES ON INTERNAL CONTROL SYSTEM

72. Encourages the Agencies to further improve their internal control systems to underpin their Director's annual declaration of assurance; stresses, in addition, the importance for an Agency to effectively establish a risk management function for registering risks and creating plans for mitigating actions;

Internal Audit Service (IAS)

73. Notes that under the legislation in force the Agencies are not obliged to make the IAS reports available to the Budgetary Control Committee per se; considers it a flaw in the legislation; takes the view that the Internal Auditor's reports should be made available to members of the Committee on Budgetary Control, possibly on a restricted-access basis; urges the co-legislators to amend the Financial Regulations during the current negotiations to require the Internal Auditor to forward his reports to the discharge authority via the secretariat of the Committee on Budgetary Control;
74. Considers that the role of the IAS as internal auditor of the decentralised Agencies is crucial; stresses, in particular, that the IAS issues independent opinions on the quality of management and control systems and delivers recommendations for improving the conditions of implementation of operations and for promoting sound financial management of the Agencies;
75. Calls, accordingly, on the Agencies' Management Boards to duly take into account the recommendations made by the IAS, with a view to rapidly remedying the identified failings and to justify to the discharge authority rejections and delays in the implementation of the IAS recommendations;

VI. CHALLENGES ON EXTERNAL CONTROL SYSTEM

The Court of Auditors' audits on the Agencies

76. Notes that both the IAS and the Court of Auditors give recommendations to the Agencies to address their shortcomings; welcomes the effort of both audit institutions to supply Agencies with useful advice so that they can correct their shortcomings; firmly reminds the Agencies to take the recommendations seriously and undertake the necessary measures to correct their shortcomings; demands that the IAS inform the budgetary authority about shortcomings in the reports compiled by Agencies' directors corresponding to Article 72(5) of Regulation (EC, Euratom) No 2343/2002 and to openly publish the recommendations given to the Agencies in order to guarantee the public interest and thus the effectiveness of their auditing tasks;
77. Notes that the Court of Auditors has issued 32 public documents on the Agencies in 2010 that were all published in the *Official Journal of the European Union* and are available on the websites of both the Court of Auditors and the Budgetary Control Committee; encourages the Court of Auditors, therefore, to continue exercising its

auditing functions on the Agencies in a thorough and impartial manner and reflect all its findings and recommendations through its public annual or special reports to enable the budgetary authority to fulfil its discharging function fully and ensure that Union citizens are kept informed;

78. Notes that the Court of Auditors covers procurement procedures as part of its annual audits of the Agencies; supports the Court of Auditors in its role as external auditor, with a view to ensuring that it does its utmost to obtain the fullest possible information on procurement procedures to establish that the Agencies' calls for preparation, publication, evaluation and contract management phases respect in full the principle of maximum and open competition and the principle of value-for-money and that the Court of Auditors can verify the real turnover of the companies contracted by each Agency in order to ensure that the turnover is not related to changes occurring in the contractors' official name;
79. Asks the Court of Auditors, as the relevant data accrue in the process of auditing, to provide a public database including inter alia the following in an easily accessible format (e.g. Excel files and/or CSV files):

- budget commitments made in the last three months of the year,
- appropriations carried-over in relation to the Agencies' budget,
- discrepancy between the Agencies' estimated (ex-ante) and actual (ex-post) appropriations carried over,
- average cash-holding per month,
- cancelled appropriations in relation to average cash holdings over the year,
- interest earnings relative to Agencies' average cash holdings,
- average cash holdings in relation to average expenses per day,
- unique users on Agencies' website and publications/press releases made by the Agencies in relation to resources allocated to public relations;

Urges, therefore, the Agencies to provide the Court of Auditors with the necessary data and estimates in a timely manner;

80. Asks the Court of Auditors to compose an openly accessible and transparent ranking procedure for Agencies by using important indicators in the fields of good financial and budgetary management, low governance costs as well as efficient operational effectiveness and provide the underlying data in an easily accessible format (e.g. Excel-files and/or CSV files);

Reports on the Annual Account by the Court of Auditors

81. Recalls that in the previous discharges of the Agencies, the discharge authority called on the Court of Auditors to provide further information on:
- the efficiency of the internal control systems of each Agency,
 - the potential conflicts of interest in the Agencies,
 - an evaluation of the AAR of each Agency,
 - the Agencies' performance;
82. Welcomes that the Court of Auditors provided in its evaluation of Agencies' AARs a specific annexed table containing a comparison of 2009 versus 2010 operations thus providing information to the public in relation to these activities;
83. Recalls that the Court of Auditors acts as an external independent controlling authority to satisfy the European citizens' right to know how their money is spent and how the Agencies are managed; recalls, in this context, that the Agencies serve the public interest and should be accountable to the citizens whose interest must be served; calls on the Court of Auditors to provide the discharge authority with the fullest possible details of the action taken on earlier audits and of the irregularities that the Court does not consider sufficiently major to warrant a mention, in order to assist the discharge authority in its task of exercising oversight over the Agencies;

Two Special Reports of the Court of Auditors: one planned, but not performed, the second to come during 2012

84. Is concerned that, despite the Court of Auditors' information provided in its 2011 AWP and the persistent requests from Parliament, the Special Report on cost-benchmarking of the Agencies has not been delivered yet; acknowledges the Court of Auditors' efforts to provide Parliament with information dealing with cost-benchmarking of the Agencies; is however surprised that on 15 February 2012 the President of the Court of Auditors sent a letter with an annex to the President of Parliament stating basically that the annex (i) is not the Special Report on cost benchmarking of the Agencies, (ii) is of a non-public nature and (iii) that it could be used for the 2011 discharge, although the data in the annex cover 2008-2010; urges the Court of Auditors to enhance its efforts to deliver the Special Report on the cost-benchmarking of the Agencies to Parliament and the public in line with professional standards on auditing;
85. Notes that the Court of Auditors will publish a Special Report on conflicts of interest management in the Agencies by the end of June 2012; being concerned that several Agencies are repeatedly challenged over cases involving conflicts of interest, welcomes this decision and urges the Court of Auditors to enhance its efforts to issue this Special Report within the planned timeframe);

Externalisation of the Court of Auditors' audits on the Agencies

86. Considers that, if private sector auditors have to be involved in the external audit of Agencies' accounts, the selection and appointment of the private auditors should be

done in conformity with the applicable rules, including those on transparent public procurement, and appropriate control mechanisms should be put in place, in order to ensure that work on the legality and regularity of revenue and expenditure and the reliability of Agencies' accounts is carried out in accordance with the required standards; considers also that aspects of such outsourced external audits, including the reported audit findings, have to remain the full responsibility of the Court of Auditors, which will have to manage all administrative and procurement procedures required and finance these from its own budget without asking for a supplementary budget, as this task is under the Court of Auditors competence; moreover, the current crisis does not allow for additional budgets to perform tasks which are under one Union institution, in this case the Court of Auditors;

87. Urges the Court of Auditors to prevent any conflicts of interest when contracting an independent audit for the Agencies;
88. Considers also that if such outsourcing is to be used, the report of the independent auditors must be made public immediately by both the independent auditors and the Court of Auditors; to this end, the Parliament requires the Court of Auditors to abstain from imposing confidential clauses on the contract with the eventual independent contractor with regard to the publication of the reports in the form they are done by the independent contractor; at the same time, the Court of Auditors must take the responsibility of this independent audit and act accordingly;

VII. AGENCIES' GOVERNANCE

Management Board

89. Notes that the large size of certain Agencies' governing boards and the nature and high turnover of their members can lead to an ineffective decision-making body; calls, accordingly, on the IWG on Agencies to address this issue together with a re-evaluation of the nature of their members status, scope of competences and conflict of interest related matters; suggests in addition that consideration be given to the possibility of merging governing boards for Agencies working in related fields to reduce meeting costs;
90. Notes the responsibility that the Management Boards have for the management and supervision of the Agencies; takes the view that some Management Board's decisions, such as to reject one or more of the Internal Auditor's recommendations without good reason, can have an adverse effect on the way in which an Agency is run; calls for the Commission's position within the Agencies' Management Boards to be reviewed so that it may be given a right to vote and to constitute a 'blocking minority' on decisions relating to budgetary, financial and administrative management; calls, furthermore, on the Commission to notify the discharge authority of any decisions taken by Management Boards that are at odds with the principle of sound budgetary and financial management of Agencies or with the Financial Regulation;
91. Welcomes the fact that steps have been taken to respond to the suggestions made by the

Court of Auditors concerning the introduction of closer monitoring and control of transfers of appropriations, and expects, in addition, that in the future the Agencies' budgets will continue to be subject to close scrutiny; takes the view that problems related to activity-based budgeting occur due to practical difficulties to separate staff, administrative and operating expenditure where the activity areas cover information, consultancy services and confidence-building measures;

92. Calls on the Agencies to indicate staff numbers, including contract staff, in a more transparent manner in their activity reports; awaits the agreement of the IWG on Agencies as this will give considerable input into the Agencies' budgeting and operating;
93. Notes with concern that for eight Agencies, i.e. CEPOL, ECHA, EFSA, EMCDDA, EMSA, ETF, FRA and FRONTEX, in 2010 the Management Board cost on average per meeting and per member between EUR 1 017 and EUR 6 175; is of the opinion that these costs are excessive and need to be reduced drastically;

Administrative support

94. Calls, in addition, on the Agencies to envisage the following options when considering the possibility of administrative support to operate in the most efficient manner:
 - merging smaller and research focused Agencies in order to achieve savings and stop and/or avoid overlapping objectives, and prevent further spending of the Union budget,
 - sharing services between Agencies, either by proximity of locations or by policy area; praises in this respect the EMSA-CFCA initiative of sharing the Internal Audit function; however, considers this as a start to be continued by restructuring and merging which will include the Agencies;
95. Calls on the Commission and/or the Court of Auditors to carry out an evaluation on all the Agencies to detect and analyse:
 - the potential synergies and occurrences of unnecessary or overlapping activities of Agencies,
 - unnecessary high levels of overhead due to seat location,and to prepare a comprehensive costs and benefits and impact assessment analysing the merger or closure of some of the Agencies if the added-value or effectiveness of the single agency is not sufficient, and to inform Parliament about this issue in due time for the 2011 discharge;
96. Calls on the Commission, in the framework of the revision of Decision 2009/371/JHA, to consider merging the European Police College with the European Police Office, with a view to improving the allocation of resources and to reducing administrative costs;

97. Urges the Commission and the Council to take into account the real necessity of each Agency and the need to save Union tax-payers' money in this time of financial and economic crisis, and not take into account some Member States' interests to have an Agency in their particular country for reasons other than the public interest of the Union;

Disciplinary procedure

98. Recalls once more that Parliament, since its 2006 discharge resolution, called on the Agencies to consider setting up an inter-Agency disciplinary board to apply, in an impartial manner, disciplinary sanctions up to exclusion; notes that this project remains difficult to take forward; calls on the Agency responsible for coordinating the network of Agencies to establish a network of staff at the grade required to be impartial members of the disciplinary board;

VIII. REFLECTION ON AGENCIES: A COMMON APPROACH

99. Welcomes the on-going work of the IWG on Agencies which has the objective of reviewing the role and position of decentralised Agencies in the Union's institutional landscape, as well as the creation, structure and operation of those Agencies, together with funding, budgetary, supervision and management issues; requests the IWG to come up with a draft proposal on Common Understanding between Parliament, Council and Commission on Agencies;
100. Calls on the Commission to elaborate options on how professional management for cash held by the Agencies could be organised and implemented;
101. Asks the IWG to identify areas of duplication and overlap amongst existing Agencies and to consider whether some Agencies could be merged;
102. Believes that Agencies would benefit from shared administrative services in a similar way to the cooperation between the Committee of the Regions and the European Economic and Social Committee; urges the IWG to consider the question of the geographic dispersal of the Agencies which adds significantly to their costs and makes cooperation difficult; believes that if the Agencies were grouped together in a small number of locations, they could share overheads and management costs, particularly regarding IT, personnel, and financial administration;
103. Concludes by stating that in particular in this time of crisis the real added-value of the Agencies should be seriously and rapidly analysed in order to avoid any non-mandatory and absolutely necessary spending, in order to properly answer to the strict needs of the Union and to its citizens' needs, concerns and claims for trust in our institutions; stresses that the Union and its Member States cannot ask Union citizens to save money without doing it themselves; calls for fairness in respect of major savings by the Union bodies -

Agencies included - along with requiring such savings to its citizens who are the tax-payers contributing to the Union budget;

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104. Instructs its President to forward this resolution to the Agencies subject to this discharge procedure, the Council, the Commission and the Court of Auditors.

15.2.2012

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Budgetary Control

on discharge in respect of the implementation of the budget of the European Union Agencies for the financial year 2010: performance, financial management and control of European Union Agencies
(2011/2232(DEC))

Rapporteur: Csaba Öry

SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Regards it as absolutely essential that the committees responsible for the Agencies should scrutinise the Agencies' Annual Work Programmes as closely as possible and ensure that they reflect current circumstances and political priorities;
2. Expects, in that respect, the Agencies to work more closely with the Commission when drafting their Annual Work Programmes;
3. Calls for close cooperation between the Agencies as a means of ensuring an efficient coordination of their Annual Work Programmes;
4. Welcomes the fact that steps have been taken to respond to the suggestions made by the Court of Auditors concerning the introduction of closer monitoring and control of transfers of appropriations, and expects, in addition, that in the future the Agencies' budgets will continue to be subject to close scrutiny; takes the view that problems related to activity-based budgeting occur due to practical difficulties to separate staff, administrative and operating expenditure where the activity areas cover information, consultancy services and confidence-building measures;
5. Calls on the Agencies to indicate staff numbers, including contract staff, in a more transparent manner in their activity reports; awaits the agreement of the Interinstitutional Working Group on Agencies as this will give considerable input into the Agencies budgeting and operating;

6. Points out that before any outsourcing or mergers, a thorough cost-benefit analysis is necessary in order to assess whether administrative costs can be reduced in, for example, the fields of budget planning and personnel management; refers in this respect to the study 'Opportunity and Feasibility of Establishing Common Support Services for EU Agencies' which was carried out by Parliament as early as 2009.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	13.2.2012
Result of final vote	+: 36 -: 1 0: 4
Members present for the final vote	Regina Bastos, Pervenche Berès, Vilija Blinkevičiūtė, Philippe Boulland, Alejandro Cercas, Derek Roland Clark, Marije Cornelissen, Frédéric Daerden, Karima Delli, Thomas Händel, Marian Harkin, Roger Helmer, Nadja Hirsch, Martin Kastler, Ádám Kósa, Jean Lambert, Veronica Lope Fontagné, Olle Ludvigsson, Thomas Mann, Elisabeth Morin-Chartier, Csaba Őry, Siiri Oviir, Rovana Plumb, Konstantinos Poupakis, Sylvana Rapti, Licia Ronzulli, Elisabeth Schroedter, Joanna Katarzyna Skrzydlewska, Jutta Steinruck, Traian Ungureanu, Andrea Zandoni, Inês Cristina Zuber
Substitute(s) present for the final vote	Georges Bach, Tamás Deutsch, Sergio Gutiérrez Prieto, Anthea McIntyre, Antigoni Papadopoulou, Evelyn Regner
Substitute(s) under Rule 187(2) present for the final vote	Phil Bennion, Zuzana Brzobohatá, Anna Záborská

10.2.2012

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS

for the Committee on Budgetary Control

on discharge in respect of the implementation of the European Union budget for the financial year 2010 – performance, financial management and control of the EU Agencies (2011/2232(DEC))

Rapporteur: Wim van de Camp

SUGGESTIONS

The Committee on Civil Liberties, Justice and Home Affairs calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Agencies in the Area of Freedom, Security and Justice

1. Welcomes the fact that the Court of Auditors has been able to obtain reasonable assurances that the annual accounts of all Agencies in the Area of Freedom, Security and Justice for the financial year 2010 are in all material respects reliable and that the underlying transactions are legal and regular;
2. Regrets that a majority of those Agencies have high levels of carryovers; calls on those Agencies to make efforts to improve the monitoring of their budget implementation and to improve the planning of their activities; acknowledges the fact that some Agencies in the Area of Freedom, Security and Justice are operational ones and that the implementation of their budget may depend on external factors;
3. Regrets that some Agencies still had a high vacancy rate in 2010; calls on those Agencies to take all necessary steps to avoid this situation from occurring again;
4. Calls on the Commission, in the framework of the revision of Decision 2009/371/JHA, to consider merging the European Police College with the European Police Office, with a view to improving the allocation of resources and to reducing administrative costs;
5. Notes that discharge in respect of the implementation of the budget of those Agencies should continue to be based on their performance throughout the year.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	9.2.2012
Result of final vote	+: 48 -: 1 0: 2
Members present for the final vote	Jan Philipp Albrecht, Sonia Alfano, Emine Bozkurt, Arkadiusz Tomasz Bratkowski, Simon Busuttil, Carlos Coelho, Rosario Crocetta, Ioan Enciu, Frank Engel, Cornelia Ernst, Monika Flašíková Beňová, Hélène Flautre, Kinga Gál, Kinga Göncz, Nathalie Griesbeck, Sylvie Guillaume, Anna Hedh, Salvatore Iacolino, Sophia in 't Veld, Lívia Járóka, Teresa Jiménez-Becerril Barrio, Timothy Kirkhope, Monica Luisa Macovei, Svetoslav Hristov Malinov, Véronique Mathieu, Anthea McIntyre, Nuno Melo, Louis Michel, Antigoni Papadopoulou, Georgios Papanikolaou, Jacek Protasiewicz, Carmen Romero López, Csaba Sógor, Axel Voss, Renate Weber, Josef Weidenholzer, Cecilia Wikström, Tatjana Ždanoka, Auke Zijlstra
Substitute(s) present for the final vote	Alexander Alvaro, Edit Bauer, Anna Maria Corazza Bildt, Cornelis de Jong, Ana Gomes, Petru Constantin Luhan, Ulrike Lunacek, Hubert Pirker, Raül Romeva i Rueda, Kārlis Šadurskis
Substitute(s) under Rule 187(2) present for the final vote	Elisabeth Morin-Chartier, Antonyia Parvanova

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	27.3.2012
Result of final vote	+: 15 -: 12 0: 0
Members present for the final vote	Jean-Pierre Audy, Ryszard Czarnecki, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Cătălin Sorin Ivan, Iliana Ivanova, Bogusław Liberadzki, Monica Luisa Macovei, Jan Mulder, Eva Ortiz Vilella, Aldo Patriciello, Crescenzo Rivellini, Petri Sarvamaa, Theodoros Skylakakis, Bogusław Sonik, Bart Staes, Georgios Stavrakakis, Søren Bo Søndergaard, Michael Theurer
Substitute(s) present for the final vote	Amelia Andersdotter, Zuzana Brzobohatá, Edit Herczog, Véronique Mathieu, Derek Vaughan
Substitute(s) under Rule 187(2) present for the final vote	Salvador Garriga Polledo, Petru Constantin Luhan