2008 discharge: performance, financial management and control of agencies

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The Committee on Budgetary Control adopted the own-initiative report drawn up by Véronique Mathieu (PPE, FR) on the 2008 discharge: performance, financial management and control of EU. It notes that the Community contributions to the decentralised agencies - excluding the now closed European Agency for Reconstruction (EAR) - **increased between 2000 and 2010 by about 610%** from EUR 94 700 000 to EUR 578 874 000, and staff numbers increased by about 271% from 1219 to 4794. However, the number of decentralised Agencies increased from 11 in 2000 to 29 in 2010 which corresponds to 0.102% of the total EU budget for 2000 and 0,477% for 2010.

Members then discuss the performance of the agencies, their financial management and control.

I. Common challenges on financial management

Carryover and cancellation of operational appropriations: generally, Members note that the Court of Auditors flagged up a large volume of carryovers and cancellations of operational appropriations by several agencies in the financial year 2008. This situation often points to weaknesses in agencies' resource planning systems. Accordingly t the agencies concerned should introduce:

an effective system for scheduling and monitoring the contractual deadlines laid down;

a risk assessment process for their activities so that, subsequently, they can be closely monitored;

a system of differentiated appropriations in future budgets for grants so that, in subsequent financial years, cancellations are avoided;

Furthermore, some agencies have difficulties in dealing with large increases in their budgets. Members wonder, therefore, whether it would not be more responsible for the budgetary authorities, in future, to take greater care to decide on increases in some agencies' budgets in the light of the time needed to carry out the new activities. The agencies that frequently experience such difficulties are asked to provide the budgetary authority with fuller details on the feasibility of future commitments.

Cash holdings: many agencies record permanently high cash holdings. The committee calls on the Commission and the agencies to work on ways of bringing the cash holdings down to an acceptable level. It asks the Commission also to examine alternative common plans for efficient management of cash holdings, even some cash holdings are essential in each case.

Weaknesses in procurement procedures: Members deplore the fact that there were deficiencies in procurement procedures (no prior estimate of the market value was made before the procedure was launched, severe weaknesses in the monitoring of contracts). It stresses that this situation points to major failings in cooperation between the relevant departments of the agencies concerned.

Human resources: shortcomings also affected the planning and implementation of staff recruitment procedures. Members stress the need to narrow the gap between posts filled and posts on the establishment plan in the agencies, even though they acknowledge the difficulties arising from the implementation of the EU Staff Regulations, especially for decentralised agencies.

Host agreements: Members note that many of the host agreements concluded between the agencies and the host countries have shortcomings that detract from the agencies' efficiency. When the initial decision is taken by the Council on where an agency is to be located, Members want host countries to supply more detailed host agreements that will better serve the interests of the agency. They are also in favour of thought being given to moving agencies in cases where the host agreement is seriously undermining the agency's effectiveness.

Internal audit: the committee states that it will not accept agencies recruiting interim staff to perform what are deemed to be sensitive financial duties. It calls on the agencies' management boards to implement the recommendations made by the Commission's Internal Audit Service, with a view to rapidly taking the action required in order to remedy the failings that have been indentified.

II. Agencies' governance

Agencies' rationale: Members note that some of the agencies have very similar remits and they call for the interinstitutional working group on agencies to consider whether some agencies should work closely together or even be merged. They note, furthermore, that the small agencies (with fewer than 75 staff members, such as the European Police College, the European Network and Information Security Agency, the European Agency for Safety and Health at Work, the European Union Agency for Fundamental Rights and the European GNSS Supervisory Authority) are faced with serious efficiency problems. They call accordingly on the interinstitutional working group on agencies to look into the feasibility of determining the critical mass of agencies and setting up common services providing, for example, assistance with procurement procedures, human resources procedures and the budgetary process.

Disciplinary procedures: Members recall their proposal to set up an inter-agency disciplinary board. They call on the agency responsible for coordinating the network of agencies to establish a network of staff at the grade required to be a member of the disciplinary board.

Agency management boards: the committee finds that the small agencies' fixed governance costs to be not insignificant, as is the case with the European Police College. It demands that the EU agencies' management boards achieve maximum convergence between the planning of tasks and of resources (both financial and human) through the introduction of activity-based budgeting and management (ABB/ABM). Members call on the interinstitutional working group on agencies to consider whether the Commission should have a blocking minority when votes are taken by management boards, with a view to ensuring that the right technical decisions are taken for the agencies.

Agency directors' role and Commission's role: the interinstitutional working group on agencies is asked to look into the qualities and skills a director requires in order to run an agency effectively and secure access to expert advice on the Community's budget regulations from the moment the agency is set up. The Commission is requested to step up its efforts to provide all necessary administrative assistance to the relatively small agencies.

III. Performance: Members stress that the agencies must draw up multiannual work programmes. SMART objectives and RACER indicators should be laid down in the annual work programmes, for performance assessment purposes. Agencies must also consider making a Gantt diagram part of the programming for each of their operational activities, with a view to indicating in concise form the amount of time spent by each staff member on a project and encouraging an approach geared towards achieving results.

Members also consider that an integrated management control system should be based on the following :

- the financial applications that provide information on the level of use of commitment and payment appropriations;

- the career cycle management application which confirms consistency among descriptions of posts, individual performances and the deployment of corrective measures;
- the system to record working time;
- the steering system for publications, which links each product to an action in the work programme.

They stress the importance of including an assessment of agencies' performance in the discharge process. In this connection, Members call on the agencies to set out, in the tables they annex to the Court of Auditors' next reports, a comparison of operations carried out during the year for which discharge is to be granted and in the previous financial year, so as to enable the discharge authority to assess more effectively their performance from one year to the next.

IV. Interinstitutional dialogue on a common framework for agencies: Members welcome the establishment of an interinstitutional working group on agencies to look into and, possibly, lay down, common minimum standards for the decentralised agencies.