

2008 discharge: European Chemicals Agency (ECHA)

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PURPOSE: to present the report by the Court of Auditors on the 2008 annual accounts of the European Chemicals Agency (ECHA).

CONTENT: in the Court's opinion, the Agency's Annual Accounts fairly present, in all material respects, its financial position as of 31 December 2008 and the results of its operations and its cash flows for the year then ended. The transactions underlying the Agency's annual accounts for the financial year ended are, in all material respects, legal and regular.

The Court of Auditor's report includes a detailed section on the Agency's expenditure and an analysis of the expenditure, as well as the Agency's replies.

- **The Court's analysis of the accounts:** in its report, the Court makes a number of observations in particular as regards the financial and budgetary management. The Court states that budgetary payments amounted to EUR 36.4 million, 54% of the amount committed. The operational activities in particular were delayed due to difficulties in implementing the IT system and the lack of qualified staff. Commitment appropriations amounting to EUR 20 million were foreseen for operational activities but EUR 8.2 million of these were carried forward and EUR 7.5 million cancelled. This situation is at odds with the annuality principle and indicates weaknesses in the planning of the Agency's activities. The Court insists that for a significant number of transactions were irregular. Payment appropriations were unduly carried forward to 2009. This situation indicates a need for the Agency to improve its procedures for the following-up the use of its appropriations. Moreover, the Court notes that the Agency's Director appointed himself chairman of the selection board in 14 recruitment procedures. Given his prerogatives as Appointing Authority, the independence of the other members, of these selection boards who are temporary agents subordinated to the Director was not guaranteed. The audit of three procedures showed weaknesses in the documentation summarising the work of the selection boards: in particular, a lack of justification for the decisions taken at the various stages in the selection process.
- **The Agency's replies:** the Agency states that as for other starting Agencies ECHA's expenditure planning was difficult and the resulting budget implementation for 2008 by ECHA was suboptimal. For its **first year of financial independence**, the Management Board agreed to take over the Commission's estimate for the 2008 budget. These estimates were developed under high levels of uncertainty and were on the safe side. The fast entry into operation (1.6.2008) and the extremely high number of pre-registrations (EUR 2.7 million instead of the estimated 132 000) required a concentration of resources on one single activity, affecting expenditure elsewhere. The emphasis in 2009 is on improving the planning and the monitoring of resources. The Agency indicates that the end of the year operations of 2008 have been especially challenging due to lack of financial officers in the operational and technical units, which resulted in some cases in insufficient documenting or the inability to fully close all operations by year end. Currently, adequate staff is in place and the financial procedures as well as the internal controls have been revised and consolidated. The end of the year operations in 2009 will receive reinforced attention. On the issue of recruitment, the Agency states that, for the future, the Agency has decided that the Director will no longer participate in the work of the selection boards. Moreover, guidance is in place to assist the selection boards' work, in particular the need to motivate decisions taken.