2009 discharge: performance, financial management and control of the agencies

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The Committee on Budgetary Control adopted the report by Georgios STAVRAKAKIS (S&D, EL) on the 2009 discharge: performance, financial management and control of EU agencies.

Members review all the common challenges faced by the agencies. Their main recommendations may be summarised as follows:

I. Common challenges on financial management: under this heading, Members identify the following recommendations:

- **Carryover and cancellation of operational appropriations:** given the large volume of carryovers and cancellations of operational appropriations, Members call on the agencies concerned to step up their efforts to improve financial and budgetary planning and programming. They call, in particular, for greater predictability of expenditure and a solution that respects the annuality principle. They point out that the high level of carryovers and cancellations is often indicative of the inability of an agency to manage a large increase in its budget. They inquire whether it would not be more responsible for budgetary authorities, in 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. Members also urge the agencies to enhance their annual forecast of cash needs.
- **Weaknesses in procurement procedures:** once again, Members note that several agencies had deficiencies in procurement procedures. They invite the agencies to apply a series of technical measures to improve contracts and procurement procedures. All of the agencies are called upon to publish on their websites **a list of all the contracts awarded over the last three years at least**.
- **Grant management**: Members consider it important that the agencies improve their grant management by: carrying out on-the-spot controls on the grant beneficiaries, promoting standard unit costs per categories instead of grants based on reimbursements of eligible costs.

II. Common challenges on human resources: a large number of weaknesses were observed in recruitment procedures. As these weaknesses risk limiting the agencies' capacity to counter possible allegations of arbitrary decisions on staff recruitment, Members call for the procedures to be improved as follows:

- **Recruitment procedures:** Members call for: i) the establishment of a system to cross-check between the agencies for instances of misconduct or mismanagement by an individual at an earlier agency-employer; ii) as in the case of FRONTEX, the adoption of implementing rules and internal guidelines for the members of its selection committees.
- **Execution of recruitment plans**: Members call on the agencies to devote greater effort to the implementation and monitoring of their recruitment planning. They also encourage them to provide, in their work programme and Annual Activity Reports, additional information on the allocation and use of their human resources, including their actual staffing needs. They note that, each year, employees, including directors, rotate between the agencies and call on the Commission to provide Parliament with an overview of all staff members who changed working places from one agency to another since 2008.

- **Interim staff:** the agencies are called upon to ensure that sensitive tasks are not assigned to interim staff knowing that interim staff is recruited subject to the limits of the establishment plan. In some cases, agencies hired these staff to perform sensitive tasks or have access to sensitive information which presents a risk.
- **Conflicts of interest:** Members remind the agencies of the importance of fully guaranteeing the independence of their staff and experts. They point out that an agency's reputation could be affected in cases where it is challenged on the ground of conflicts of interest and invite the Commission to provide Parliament with a detailed overview of the criteria applied in order to ensure the independence of recruited staff, in particular with respect to possible conflicts of interest. A comprehensive analysis of the agencies' approach to the management of situations where there are potential conflicts of interest is also called for.

III. Common challenges on the internal control system: Members encourage the agencies to further improve their internal control system to underpin their Director's annual statement of assurance. They put forward the following recommendations:

- **Summaries of the internal audit reports**: Members urge the Directors of each agency to fully fulfil their obligation to include in their reports to the discharge authority details of the general content of the reports of the Internal Audit Service (IAS) Reports. They also call for the introduction of a harmonised structure for addressing these summaries to the discharge authority by all agencies, following FRONTEX's example.
- **Role of the IAS:** Members consider the role of the IAS as internal auditor of the decentralised agencies as crucial. They call on all the agencies to duly take into account the recommendations made by the IAS, with a view to rapidly remedying the identified failings. They also stress the IAS's important role in carrying out audits on the agencies' performance. They also urge agencies to set up an Internal Audit function to provide support and advice to agencies' Directors on the management of the internal control.

IV. Statement of Assurance and Annual Activity Report: in this regard, Members make the following recommendations:

- the publication of their Director's statement of assurance on their respective websites;
- the standardisation of the structure of their Annual Activity Reports in accordance with the format used by the Commission's Directorates-General (DGs) by including the activities accomplished, the management challenges, the internal audit findings and the human resources improvements concerning the financial year in question.

They also encourage the Court of Auditors to include a global evaluation of each Annual Activity Report in its specific Annual Reports on the agencies.

V. Agencies' governance: as regards governance, Members suggest the following:

- **The agencies' management boards**: given the large size of certain agencies' Governing Boards and the high turnover of their members, Members call on the Interinstitutional Working Group on Agencies to address this issue and ask that consideration be given to the possibility of merging Governing Boards for agencies working in related fields;
- **Commission's role**: Members consider that the role of the Commission could be strengthened in certain agencies at administrative level. About 30 % of the agencies' resources are used for administration. In this context, the Commission could increase its efforts to provide all necessary administrative assistance to the relatively small agencies, in particular those most recently established;
- **Disciplinary procedures**: once again, Members call on the agencies to consider setting up an inter-agency disciplinary board.

VI. Performance: Members consider Eurojust's initiative to include Key Performance Indicators (KPIs) in its 2010 plans as a best practice for the other agencies. They call on the agencies to effectively linkKPIs to their objectives, budget and annual work programme. Further recommendations are made in the following areas:

Annual and multiannual work programme: the establishment of a multiannual work programme enabling the better organisation of agencies' activities and providing a better assessment of risks, as well as the adoption of an annual work programme to improve the link between agencies' work and their budget;

Feedback procedures: Members invite the agencies to enhance their customer focus and feedback procedures and to make full use of the results of their evaluations in this regard. They consider it very important that agencies further develop their performance monitoring system and ensure that the results of their performance are monitored using KPIs.

Table annexed to the Court of Auditors' report: they ask that all the agencies set out in a table a comparison of operations carried out during 2008 and 2009 so as to enable the discharge authority to assess more effectively their performance from one year to the next.

VII. Reflection on the agencies: a common approach: Members ask the interinstitutional working group on the agencies to come up with an analysis and general advice regarding the effectiveness of the current agencies, and to propose plans for comprehensive efficiency improvements with regard to the type and the number of agencies. They recall that the Interinstitutional Working Group on Agencies' Common Statement, issued in March 2009, launched a **dialogue on Regulatory Agencies** with a view to assessing the existing situation, specifically the coherence, effectiveness, accountability and transparency of these Agencies. Parliament had raised the issue last year of whether some agencies should work closely together or even be merged and pointed out that the small agencies are faced with serious efficiency problems. In any event, Members call for **a moratorium on the creation of any further agencies**, at least until these questions are satisfactorily resolved. They reiterate the importance of considering a merger of some agencies so that they are able to share overhead and other costs and ask that consideration be given to **grouping together some of the smaller agencies**, which may not be suitable for outright merger, in the same city and indeed possibly the same building. The Commission is asked to carry out an evaluation of all the Union agencies aimed at detecting occurrences of overlapping activities and to provide Parliament with a report on the issue by the 31 December 2011.

VIII. General considerations on the increased establishment of joint undertakings (JUs): lastly, Members draw attention to a record increase of JUs over the recent years. In view of the size of their budget and complexity of their tasks, the JUs should set up an audit committee, reporting directly to their Administrative Board.