2017 discharge: European Chemicals Agency (ECHA)

2018/2198(DEC) - 18/09/2018

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Chemicals Agency (ECHA) for the financial year 2017, together with the Agency's reply.

CONTENT: the Court of Auditors carried out the audit on the annual accounts of the European Chemicals Agency (ECHA).

In brief, its main tasks are to ensure a high level of protection of human health and the environment as well as the free movement of substances on the internal market while enhancing competitiveness and innovation. It also seeks to promote the development of alternative methods for the assessment of hazards relating to substances.

Statement of assurance and reliability of the accounts

The Court considered that:

- the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2017 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer;

- the transactions underlying the annual accounts for the year ended 31 December 2017 are legal and regular in all material respects.

The report also makes a series of observations on the budgetary and financial management of the Agency, accompanied by the latter's response. The main observations may be summarised as follows:

The Court's observations

Internal controls

The Court highlighted that the Agency's ex post verifications have demonstrated that more than half of the companies who registered chemicals and claimed to be of a micro, small or medium size incorrectly declared their size. This can be partly explained by the Commission's complex rules to define the company size and partly by the financial incentive to understate it as registration fees are much higher for bigger companies. As the initial registration fees are charged on the basis of the declared company size, this can have a significantly negative impact on the Agency's revenue if it goes undetected. While the Agency checks the claimed size for smaller companies through ex post verifications, there is a significant backlog of verifications which are only finalised up to 2012. There is an urgent need to speed up and finalise the ex post verification process for later years.

Whenever errors are found, the Agency invoices the difference between the fee originally paid and the fee ultimately due, as well as an administrative charge. As of 31 December 2017, the amount to be recovered stood at EUR 4.7 million, of which EUR 3.2 million was related to overdue administrative charges. However, the Agency seems to encounter difficulties in recovering the administrative fees.

The verification of volumes declared by the companies is under the responsibility of Member States' national enforcement authorities and the Agency has no enforcement powers.

The Agency's reply

Internal controls

The Agency stressed that the relevant legislation (REACH Fee Regulation (EC) No 340/2008) does not specify that the Agency should perform an ex post verification of each SME registrant's size. The Agency' s Management Board endorsed an approach whereby SME registrants with the highest financial impact (that is, the largest quantity of registrations within the highest tonnage band) are prioritised. The Agency is presently verifying the SME size of those registrants who submitted their dossiers up to 2015 and, in 2017, the Agency also approached SME registrants from the United Kingdom to verify their company size prior to the United Kingdom withdrawal from the European Union. In future, the Agency will increasingly perform SME size verifications based on the cost-benefit principle.

The relevant Regulation does not provide the Agency with the necessary tools to enforce the collection of overdue administrative charges. The Agency proactively reminds debtors of their obligation to pay and, in the event that the reminder process is unsuccessful, engages local law firms to pursue the outstanding fees and charges directly in the Member States. The law firms have, to date, contacted 74 % of companies with overdue administrative charges and the outcome of this initiative will be subject to a cost-benefit analysis to determine next steps.

Lastly, the Court of Auditors' report also contained a summary of the Agency's key figures in 2017:

Budget

EUR 112 million (payment appropriations).

Staff

563 including officials, temporary and contract staff and seconded national experts.