Basic information

2007/2062(DEC) DEC - Discharge procedure	Procedure completed
2006 discharge: European Railway Agency **Subject** 8.70.03.07 Previous discharges	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	MARTIN Hans-Peter (NI)	27/03/2007

Committee for opinion	Rapporteur for opinion	Appointed
TRAN Transport and Tourism	ROMAGNOLI Luca (NI)	20/11/2007

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2847	2008-02-12

European Commission

Commission DG	Commissioner
Budget	KALLAS Siim

Key events

Date	Event	Reference	Summary
30/03/2007	Non-legislative basic document published	SEC(2007)1055	Summary
25/10/2007	Committee referral announced in Parliament		
26/03/2008	Vote in committee		Summary
03/04/2008	Committee report tabled for plenary	A6-0123/2008	
22/04/2008	Decision by Parliament	T6-0156/2008	Summary
22/04/2008	Results of vote in Parliament		
22/04/2008	Debate in Parliament		

22/04/2008	End of procedure in Parliament		
31/03/2009	Final act published in Official Journal		

Technical information

Procedure reference	2007/2062(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 102
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/53887

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE396.705	13/02/2008	
Committee opinion	TRAN	PE398.628	27/02/2008	
Amendments tabled in committee		PE402.785	06/03/2008	
Committee report tabled for plenary, single reading		A6-0123/2008	03/04/2008	
Text adopted by Parliament, single reading		T6-0156/2008	22/04/2008	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05843/2008	29/01/2008	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	SEC(2007)1055	30/03/2007	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N6-0004/2008 OJ C 309 19.12.2007, p. 0001	15/11/2007	Summary

Additional information

Source	Document	Date

European Commission	EUR-Lex	

Final act
Budget 2009/0225 OJ L 088 31.03.2009, p. 0209 Summary

2006 discharge: European Railway Agency

2007/2062(DEC) - 29/01/2008

Based on the observations contained in the revenue and expenditure account and the balance sheet of the European Railway Agency for the financial year 2006, as well as on the Court of Auditor's report and the Agency's replies to the Court's observations, the Council recommends that the Parliament grant the Director of the Agency discharge in respect of the implementation of the budget for the financial year 2006.

In doing so, the Council confirms that EUR 1.7 million (53%) of the appropriations carried over from 2005 to 2006 (EUR 3.3 million) was used, that the appropriations carried over from 2006 to 2007 amount to EUR 2.7 million and that a total of EUR 4 million was cancelled.

Recalling that the Court of Auditors was able to obtain reasonable assurance that the Agency's annual accounts were, in all material aspects, reliable at the close of the financial year on 31 December 2006, the Council regrets, however, that in terms of reasonable assurance of the legality and regularity of the underlying transactions, as a whole, the Court excluded transactions relating to the organisation and conclusion of markets.

While recognising the efforts made by the Agency in 2007 to improve its management, the Council would like to draw attention to the following points:

- **Procurement:** the Council regrets that, through the use of expired contracts and irregular extension of existing contracts, the Agency did not respect the procurement procedures. It emphasises that this practice is damaging to healthy management and to budgetary discipline. However, the Council recognises the measures taken by the Agency in June 2007 to rectify the shortcomings noted by the Court and calls on the Agency to instantly step up its efforts to ensure strict application of procurement procedures;
- **Carry-overs:** the Council also calls on the Agency to improve the planning of its expenses, in order to comply with the principle of annuality and to minimise the carryover rate;
- **Internal management:** the Council also notes the efforts made by the Agency to find a way to compensate for the costs resulting from its obligation to be located in 2 areas (Valenciennes and Lille);
- **Recruitment procedure:** finally, the Council calls on the Agency to take adequate measures to rectify the insufficiencies noted by the Court in the recruitment process.

2006 discharge: European Railway Agency

2007/2062(DEC) - 30/03/2007 - Non-legislative basic document

PURPOSE: presentation of the final accounts of the European Railway Agency for the financial year 2006.

CONTENT: this document sets out a detailed account of the implementation of the 2006 budget, including the revenue and expenditure and the balance sheet for the year concerned.

The European Railway Agency was created by Regulation (EC) No 881/2004 of the European Parliament and of the Council of 29 April 2004. It became autonomous on 1 January 2006. The Agency's aim is to enhance the level of interoperability of railway systems and to develop a common approach to safety in order to contribute to creating a more competitive European railway sector with a high level of safety.

During 2006 the programmed activities were not fully implemented as the Agency was still in its start-up phase. In 2007, the Agency shall proceed to an in-depth analysis of the programming of its activities, the resources required and the budget to be allocated together with a plan for calls for tenders.

According to this document, the final budget for 2006 amounted to **EUR 14.4 million.**

As regards the staffing policy, the Agency (which is located in two cities: its administrative seat is in Valenciennes whereas its meetings have to be held in Lille) officially set out 95 posts in its establishment plan. 80 posts are currently occupied + 5 other posts totalling 85 posts assigned to operational and administrative duties. Staff expenditure amounted to EUR 6.668 million in 2006.

The activities carried out in 2006 are as follows:

Safety:

- recommendation to the Commission on harmonised formats for safety certificates and harmonised application forms to be used by railway undertakings and national safety authorities;
-

recommendation to the Commission on notification of national safety rules following a request from the Commission related to other measures in the field of safety;
- annual progress reports to the Commission for: Interoperability: recommendation on registration of rolling stock and report on specifications on the National Vehicle Register;
- ERTMS (European Rail Traffic Management System): recommendation to the Commission to update Annex A of the technical specifications for interoperability, Control Command and Signalling for high speed and conventional rail systems.

Economic Evaluation:

- methodology guidelines for impact assessment, applicable to all Agency recommendations, have been supplied to the Commission. Applied guidelines have been derived for various draft recommendations. Impact assessments are being prepared in parallel with recommendations. At the request of the Commission, an impact assessment for improved cross-acceptance of rolling stock (locomotives) has been provided.

The complete version of the final accounts may be found at the following address: www.era.europa.eu

2006 discharge: European Railway Agency

2007/2062(DEC) - 22/04/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 622 votes in favour, 37 against and 17 abstentions, a Decision to grant the Executive Director of the European Railway Agency discharge in respect of the implementation of its budget for the financial year 2006. The decision to grant discharge also constitutes closure of the accounts of this EU agency.

At the same time, the Parliament adopted by 628 votes in favour, 36 against and 19 abstentions, a Resolution containing the comments which form part of the decision giving discharge. The report had been tabled for plenary by Hans-Peter **MARTIN** (NI, AT) on behalf of the Committee on Budgetary Control.

As is the case for all EU agencies, Parliament's Resolution is divided into two parts: part one contains general comments on EU agencies, while part two focuses on the specific case of the Agency.

1) General comments on the majority of EU agencies: the Parliament notes that the budgets of the 24 agencies and other satellite bodies audited by the Court of Auditors totalled **more than EUR 1 billion** and that the number of agencies is constantly increasing. The number of agencies subject to the discharge procedure evolved from 8 in 2000 to 20 in 2006. It concludes therefore that the auditing/discharge process has become cumbersome and disproportionate compared to the relative size of the agencies and that, in the future, this type of procedure should be simplified and rationalised for decentralised agencies.

On the basis of the financial analysis, the Parliament is of the following opinion:

- **Fundamental considerations**: given the constantly increasing number of agencies, the Parliament requests that, before the creation of a new agency, the Commission provide clear explanations regarding agency type, objectives of the agency, internal governance structure, products, services, clients and stakeholders of the agency, formal relationship with external actors, budget responsibility, financial planning, and personnel and staffing policy. It also requests that each agency be governed by a yearly performance agreement which should contain the main objectives for the coming year and that the performance of the agencies be regularly audited by the Court of Auditors (and extend the financial analysis of expenditure to also cover administrative efficiency and effectiveness). More generally, the Parliament takes the view that, in the case of agencies, which are continually overestimating their respective budget needs, technical abatement should be made on the basis of vacant posts in order to reduce the assigned revenue for the agencies and therefore also lower administrative costs of the EU. It recalls that it is a serious problem that a number of agencies is criticised for not following rules on public procurement, the Financial Regulation, the Staff Regulations etc., and considers that the principal reason for this is that most regulations and the Financial Regulation are designed for bigger institutions rather than for small agencies. Therefore, it is necessary to seek a rapid solution in order to enhance the effectiveness of the legislation by grouping the administrative functions of various agencies together or by establishing implementing rules which are better adapted to the agencies. The Parliament also insists that the Commission, when drafting the Preliminary Draft Budget, take into consideration the results of budget implementation by the individual agencies in former years and revise the budget requested by the particular agency accordingly. If the Commission does not undertake this revision, the Parliament invites **the competent committee to revise, itself, the budget in question to a realistic level**. At the same time, the Parliament recalls that it expects the Commission to present every five years a study on the added value of every existing agency and to not hesitate to close an agency if it is deemed useless by the analysis. Such an assessment is expected as soon as possible given that this type of assessment has yet to be presented. Furthermore, the Parliament insists that recommendations of the Court of Auditors should be promptly implemented and the level of subsidies paid to the agencies should be aligned with their real cash requirements.
- **Presentation of reporting data**: noting that there is no standard approach among the agencies with regard to the presentation of information, the Parliament recalls that it already invited the directors of the agencies to accompany their annual activity report with a declaration of assurance concerning the legality and regularity of operations, similar to the declarations signed by the Directors General of the Commission. It therefore asks the Commission to amend its standing instructions to the agencies and to produce a harmonised model for presenting information, including: i) an annual report intended for a general readership on the body's operations, work and achievements; ii) financial statements and a report on implementation of the agency's budget; iii) an activity report of the Directors of the agency (as requested by the Parliament since 2005); iv) a declaration of assurance signed by the body's director.

- **General findings by the Court of Auditors**: the Parliament refers to certain recurring findings by the Court, including the disbursement of subsidies paid by the Commission (not sufficiently justified estimates of the agencies' cash requirements), the non implementation of the ABAC accounting system by some agencies or the accrued charges for untaken leave which are accounted for by some agencies. It calls for

rapid measures in these areas as well as improvements to the internal audit procedures of the agencies. The Parliament also calls on the agencies to consider an inter-agency disciplinary board, as some individual agencies have difficulty in setting up their own disciplinary boards due to their size.

- **Draft inter-institutional agreement**: the Parliament recalls the Commission's draft Interinstitutional agreement on the operating framework for the European regulatory agencies (see ACI/2005/2035), which was intended to create a framework for the creation, structure, operation, evaluation and control of the European regulatory agencies, and awaits its adoption as soon as possible. It particularly welcomes the Commission's commitment to bring forward a Communication on the future of the regulatory agencies during the course of 2008.

2) Specific points concerning the European Railway Agency: the Parliament notes that the European Railway Agency's accounts were found to be reliable in all material respects, however, it regrets the fact that the use of expired contracts and irregular extensions to existing contracts means that it cannot be stated that all underlying transactions are legal and regular. It notes that during its first year of financial autonomy, the Agency implemented 72% of its commitment appropriations with a very high level of carryover (85% for operating expenditure).

On the whole, the Parliament rejects the Agency's internal control system and expects that it will undertake, for the 2007 discharge procedure, an in-depth analysis of the programming of its activities, the resources required and the budget to be allocated, together with a clearer plan of its calls for tenders.

In this context, the Parliament welcomes the fact that the Agency decided to implement the 24 internal control standards determined by the Commission for 2008, as well as its decision to recruit a procurement officer and an internal auditor.

Lastly, the Parliament takes note of the Agency's difficulties in recruiting technical staff with the required level of expertise, recognising that, in general, low recruitment was the main factor in the reduced implementation of the Agency's budget.

2006 discharge: European Railway Agency

2007/2062(DEC) - 22/04/2008 - Final act

PURPOSE: to grant discharge to the European Railway Agency for the financial year 2006.

LEGISLATIVE ACT: Decision 2009/225/EC of the European Parliament on the discharge for the implementation of the budget of the European Railway Agency for the financial year 2006.

CONTENT: with the present decision, the European Parliament grants discharge to the Executive Director of the European Railway Agency for the implementation of the Authority's budget for the financial year 2006.

This decision is in line with the European Parliament's resolution adopted on 22 April 2008 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 22/04/2008).

2006 discharge: European Railway Agency

2007/2062(DEC) - 15/11/2007

PURPOSE: presentation of the report by the Court of Auditors on the 2006 annual accounts of the European Railway Agency.

CONTENT: the report indicates that the appropriations entered in the Agency's budget for the financial year in question are **EUR 14.398 million**, EUR 10.422 million was committed and EUR 7.742 million paid. Of this overall amount, EUR 2.68 million was carried over to 2007 and EUR 3.976 million was cancelled.

The Court notes that the annual accounts are reliable in all material respects and that the underlying transactions of the accounts, taken as a whole, are legal and regular. However, the Court expresses **concern regarding the tendering procedure** used by the Agency.

Analysis of the accounts by the Court: the Court notes that in its first year of financial autonomy, the Agency implemented 72% of its commitment appropriations. The levels of carryover for administrative expenditure (Title II) and operating expenditure (Title III) were 37.5% and 85% respectively. Thus, the budgetary principle of **annuality** was not strictly observed.

The Court recalls that the Agency is located in two towns: its administrative headquarters is in Valenciennes, yet its meetings must be held in Lille. The Agency has not yet found a way of offsetting the costs resulting from its obligation to be located in two different towns. The internal control system showed some weaknesses in this area.

The Court also pointed out that the examination of the **tendering procedures** showed various **anomalies**:

- Use of expired contracts (for a total of EUR 49 000),
- Irregular extensions of existing contracts (for a total of EUR 630 000).

Thus, the Agency must launch procurement procedures for those areas currently covered by contracts, which have not been the subject of regular procedures.

The Agency's replies: the Agency replies to all of the criticisms one by one and indicates that the programmed activities for 2006 were not fully implemented as the Agency was still in its start-up phase. In 2007, the Agency indicates that it shall proceed to an in-depth analysis of the programming of its activities, the resources required and the budget to be allocated, together with a plan for calls for tenders.

The Agency points out, moreover, that it is currently negotiating with the host state authorities, the possibility of entering into a Seat Agreement. In this context, the host state (FR) has agreed to make a substantial contribution to the rent of the future new building in Valenciennes, which will partly offset the annual costs (estimated at EUR 450 000) that result from the Agency's double location.

Lastly, the Agency points out that in order to prevent such situations in terms of calls for tenders, as described by the Court, arising in future, a procurement function was created in June 2007. Its task is to coordinate and supervise the procurement procedures.