

## Basic information

2011/2232(DEC)

DEC - Discharge procedure

2010 discharge: performance, financial management and control of EU agencies

### Subject

8.40.08 Agencies and bodies of the EU

8.70.03.07 Previous discharges

Procedure completed

## Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	<span style="border: 1px solid red; padding: 2px;">CONT</span> Budgetary Control	MACOVEI Monica (PPE)	03/03/2011
	Shadow rapporteur HERCZOG Edit (S&D) GERBRANDY Gerben-Jan (ALDE) STAES Bart (Verts/ALE) CZARNECKI Ryszard (ECR) SØNDERGAARD Søren Bo (GUE/NGL) ANDREASEN Marta (EFD) EHRENHAUSER Martin (NI)		
Committee for opinion	Rapporteur for opinion	Appointed	
<span style="border: 1px solid red; padding: 2px;">AFET</span> Foreign Affairs	The committee decided not to give an opinion.		
<span style="border: 1px solid red; padding: 2px;">DEVE</span> Development	The committee decided not to give an opinion.		
<span style="border: 1px solid red; padding: 2px;">INTA</span> International Trade	The committee decided not to give an opinion.		
<span style="border: 1px solid red; padding: 2px;">BUDG</span> Budgets	The committee decided not to give an opinion.		

<b>ECON</b> Economic and Monetary Affairs	The committee decided not to give an opinion.	
<b>EMPL</b> Employment and Social Affairs	ŐRY Csaba (PPE)	15/09/2011
<b>ENVI</b> Environment, Climate and Food Safety	The committee decided not to give an opinion.	
<b>ITRE</b> Industry, Research and Energy	The committee decided not to give an opinion.	
<b>IMCO</b> Internal Market and Consumer Protection	The committee decided not to give an opinion.	
<b>TRAN</b> Transport and Tourism	The committee decided not to give an opinion.	
<b>REGI</b> Regional Development	The committee decided not to give an opinion.	
<b>AGRI</b> Agriculture and Rural Development	The committee decided not to give an opinion.	
<b>PECH</b> Fisheries	The committee decided not to give an opinion.	
<b>CULT</b> Culture and Education	The committee decided not to give an opinion.	
<b>JURI</b> Legal Affairs	The committee decided not to give an opinion.	
<b>LIBE</b> Civil Liberties, Justice and Home Affairs	VAN DE CAMP Wim (PPE)	17/10/2011
<b>AFCO</b> Constitutional Affairs	The committee decided not to give an opinion.	
<b>FEMM</b> Women's Rights and Gender Equality	The committee decided not to give an opinion.	

European  
Commission

**Commission DG**

**Commissioner**

Budget

ŠEMETA Algirdas

### Key events

Date	Event	Reference	Summary
27/03/2012	Vote in committee		
03/04/2012	Committee report tabled for plenary	<a href="#">A7-0103/2012</a>	<a href="#">Summary</a>
10/05/2012	Decision by Parliament	<a href="#">T7-0164/2012</a>	<a href="#">Summary</a>
10/05/2012	Results of vote in Parliament		
10/05/2012	Debate in Parliament		
10/05/2012	End of procedure in Parliament		
17/10/2012	Final act published in Official Journal		

### Technical information

Procedure reference	2011/2232(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/07206

### Documentation gateway

#### European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	<a href="#">LIBE</a>	<a href="#">PE478.341</a>	10/02/2012	
Committee opinion	<a href="#">EMPL</a>	<a href="#">PE478.723</a>	15/02/2012	
Committee draft report		<a href="#">PE473.984</a>	20/02/2012	
Amendments tabled in committee		<a href="#">PE483.635</a>	07/03/2012	
Committee report tabled for plenary, single reading		<a href="#">A7-0103/2012</a>	03/04/2012	<a href="#">Summary</a>
Text adopted by Parliament, single reading		<a href="#">T7-0164/2012</a>	10/05/2012	<a href="#">Summary</a>

### Additional information

Source	Document	Date
European Commission	<a href="#">EUR-Lex</a>	

# 2010 discharge: performance, financial management and control of EU agencies

2011/2232(DEC) - 03/04/2012 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Monica Luisa MACOVEI (EPP, RO) on the implementation of the European Union budget for the financial year 2010: performance, financial management and control of European Union Agencies.

Members recall that this resolution contains, for each EU body the horizontal observations accompanying the discharge decisions. They stress in particular that there has been a **substantial increase in the number of Agencies over the last decade, from 3 in 2000 to 24 in 2010**. In addition, the decisions on the establishment and allocation of Agencies, taken by the Council during recent years, are responsible for **high expenditures and ineffectiveness of the functioning of the Agencies concerned**. The budget of the decentralised Agencies increased substantially between 2007 and 2010 from EUR 1.055 billion for 21 Agencies to EUR 1.658 billion for 24 Agencies.

In this context, Parliament, the Council and the Commission relaunched the project of defining a common framework for the Agencies and, in 2009, set up an Interinstitutional Working Group on Agencies.

In regard to the management and operation of the agencies, Members make a number of general recommendations which may be summarised as follows:

## I. COMMON CHALLENGES ON FINANCIAL MANAGEMENT:

- **Management of budgetary resources (including carryovers and cancellations):** Members call on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Agency made from the general budget of the Union; underlines that the document shall include the following information:

- the initial contribution of the Union entered in the budget for the Agency;
- the amount of funds coming from the recovery of surplus;
- the overall contribution of the Union for the Agency;
- the amount of the European Free Trade Association (EFTA)'s contribution;
- the level of income generated by the Agencies, and the level of contributions made by Member States and third parties.

Members call on the Commission to stop the increases in the Agencies' budgets, to even consider reducing the Union contribution to their budgets, in particular to the Agencies which mainly perform research. They call, in particular, on the Agencies to reduce their running costs and overheads, inter alia by **merging Agencies with similar or overlapping tasks or multiple sites of location**, and establishing mechanisms to show the clear use and accountability of each euro spent. Some Agencies have difficulties in spending their budgets in a timely manner and Members are "irritated" by the fact that significant amounts of budget are allocated towards the end of the financial year, considering this as a possible sign that Union funds are, in some cases, used unnecessarily.

Members also note the large volume of carryovers and cancellations of operational appropriations by several Agencies in the financial year 2010. They point out that the high level of carryovers and cancellations is generally indicative of the **inability of an Agency to manage a large increase in its budget**. They demand that the absorptive capacity and the time needed to carry out additional tasks should play a larger role in budgetary decisions. They also urge the Agencies to improve their management of commitments as well as their internal planning and general revenue forecasting in order to optimise their carry over and cancellation rates as well as their spending.

Members also call on the Agencies to:

- consider their own administrative costs compared to those of their peers when preparing future resource plans;
- for partly self-financed Agencies, in the event of a shortfall in fee revenue, to create a limited ring-fenced reserve fund;
- provide for a **zero-based budgeting approach** when drawing up Agencies' budgets, meaning that the budget of each Agency is drawn up without reference to historical amounts and is determined by the stand-alone needs of each Agency;
- minimise the number of late payments by implementing corrective measures.

- **Weaknesses in procurement procedures:** Members call on all the Agencies to strengthen their procurement procedures and to provide accurate information on negotiated procedures which should be used under strictly defined conditions.

## II. COMMON CHALLENGES ON PERFORMANCE:

- **Multiannual Programme and Annual Work Programme:** Members urge the Agencies to draw up multiannual strategic programmes and guidelines, tailored to the specificities of their activities, to clarify their objectives and means of reaching them. As far as their Annual Work Programmes are concerned, Agencies provide consistency in their planning, adequate procedures and guidelines, and sufficient documentation supporting the AWP in order to provide information on all activities to be carried out and on the resources planned per activity. In this regard, close cooperation with the relevant EP committees is also expected.

- **Annual Activity Report (AAR):** Members call on the Agencies to standardise the structure of their AARs in accordance with the format used by the Commission's Directorates-General (DGs) and, accordingly, to provide detailed and complete information on their activities. This report should reflect the Annual Work Programme of the Agencies and include charts, outlining in a concise way, the amount of time spent by each staff member on a project (e.g. Gantt diagrams).

Members also urge the Agencies to:

- present a bi-annual overall evaluation of their activities and performance on their website;
- provide the discharge authority with a report on the measures taken based upon the observations and recommendations made by the discharge authority in its previous discharge reports;
- continue to present a comparison of the operations that were carried out from one year to the next.

### III. COMMON CHALLENGES ON TRANSPARENCY:

- **Agencies' websites:** Members urge the Agencies to provide, via their websites, information necessary to ensure transparency, especially financial transparency; urges in particular the Agencies to make available on their website the list of all contracts awarded over the last three years. The Agencies should also ensure that they exercise their functions in coordination with the different stakeholders and the European institutions, particularly Parliament.

- **Conflicts of interest:** on this issue, Members call on the Agencies to adopt effective processes that duly **address allegations of conflict of interests** within the **EASA**, the **EEA** and the **EFSA**. The Agencies should carefully file and assess their control systems in order to prevent conflict of interests between their staff and experts working in their Agency and the Management Boards of the Agencies should adopt and apply the strictest rules and verification mechanisms towards their Members to ensure their full independence from private interests. Members reject 'revolving door' cases and propose the introduction of **"cooling off" periods** in all of the Agencies before the end of 2012.

Members recall that conflicts of interest are a cause of **corruption, fraud, mismanagement of funds and human resources, favouritism** and have a negative impact on the impartiality of the decisions and quality of work and undermines Union citizens' trust in the Union institutions.

Members call on:

- the Interinstitutional Working Group (IWG) to address the modalities for appointing Agencies' Directors in order to have an open, transparent and trusty recruitment procedure;
- the Agencies to be more active in the area of fraud identification and prevention, and properly and regularly to communicate on these activities.

### IV COMMON CHALLENGES ON HUMAN RESOURCES:

- **Recruitment procedures:** Members call on the Agencies to take the necessary measures to increase the legality, transparency and objectivity of their recruitment processes. They note, in particular, that the Court of Auditors repeatedly reports various deficiencies which reduce the ability of the Agencies to respond to possible allegations of arbitrary decisions on staff recruitment and take the appropriate redressing decisions. They indicate that each year there are employees, including directors, who rotate between the Agencies. They call for greater transparency in this regard to ensure more independence and impartiality for staff recruited. They also call on the Agencies to avoid high vacancy rates.

- **Sensitive tasks assigned to interim staff:** once again, Members urge the Agencies to ensure that sensitive tasks are not assigned to interim staff because of the risks of potential security breaches or conflicts of interest.

**V. CHALLENGES ON INTERNAL CONTROL SYSTEM:** Members encourage the Agencies to further improve their internal control systems to underpin their Director's annual declaration of assurance. They also note that the Agencies are not obliged to make the Internal Audit Service (IAS) reports available to Parliament's Budgetary Control Committee per se and consider this a flaw in the legislation. They therefore call for the legislation in this regard to be amended. They also call on the Agencies' Management Boards to duly take into account the recommendations made by the IAS, with a view to rapidly remedying the identified failings.

### VI. CHALLENGES ON EXTERNAL CONTROL SYSTEM:

- Court of Auditors' audits: Members welcome the considerable work undertaken by the IAS and the Court of Auditors in auditing the Agencies in all fields. They call on the Court to provide the discharge authority of certain documents to which they have access. They also call on the Court to compose an openly accessible and transparent **ranking procedure** for Agencies by using important indicators in the fields of good financial and budgetary management, low governance costs as well as efficient operational effectiveness. They call on the Court to provide the discharge authority with as complete information as possible on the follow-up given to previous audits and to provide Parliament with a **Special Report on a comparative analysis of costs of the Agencies** which has still not been presented, as well as a **Special Report on the management of conflicts of interest in the Union's Agencies**, awaited for June 2012.

- **Externalisation of the Court of Auditors' audits on the Agencies:** Members consider that if private sector auditors have to be involved in the external audit of Agencies' accounts, the selection and appointment of the private auditors should be done in conformity with the applicable rules. In any event, they consider also that aspects of such outsourced external audits, including the reported audit findings, have to remain the full responsibility of the Court of Auditors to avoid all conflicts of interest. If such outsourcing is to be used, furthermore, the report of the independent auditors must be made public immediately by both the independent auditors and the Court of Auditors.

## VII. AGENCIES' GOVERNANCE:

- **Management Board:** Members note that the large size of certain Agencies' governing boards and the nature and high turnover of their members can lead to an ineffective decision-making body. They call on the IWG on Agencies to address this issue together with a re-evaluation of the nature of their members status, scope of competences and conflict of interest related matters. They note with concern that for eight Agencies, i.e. CEPOL, ECHA, EFSA, EMCDDA, EMSA, ETF, FRA and FRONTEX, in 2010 the Management Board cost on average per meeting and per member between EUR 1 017 and EUR 6 175 and consider that these costs are excessive and need to be reduced drastically.

- **Administrative support:** Members call on the Agencies to envisage the following options when considering the possibility of administrative support to operate in the most efficient manner: (i) merging smaller and research focused Agencies in order to achieve savings and stop and/or avoid overlapping objectives, and prevent further spending of the Union budget; (ii) sharing services between Agencies, either by proximity of locations or by policy area. The Commission and/or the Court of Auditors is called upon to carry out an evaluation on all the Agencies to detect and analyse: (i) the potential synergies and occurrences of unnecessary or overlapping activities of Agencies; (ii) unnecessary high levels of overhead due to seat location, and to prepare a comprehensive costs and benefits and impact assessment analysing the merger or closure of some of the Agencies if the added-value or effectiveness of the single agency is not sufficient, and to inform Parliament about this issue in due time for the 2011 discharge.

They also call on the Commission to **consider merging the European Police College with the European Police Office**, with a view to improving the allocation of resources and to reducing administrative costs.

Members urge the Commission and the Council to take into account the real necessity of each Agency and the need to save Union tax-payers' money in this time of financial and economic crisis, and **not take into account some Member States' interests to have an Agency in their particular country for reasons other than the public interest of the Union.**

**VIII. REFLECTION ON AGENCIES: A COMMON APPROACH:** lastly, Members ask the Interinstitutional Working Group to identify areas of duplication and overlap amongst existing Agencies and to consider whether some Agencies could be merged. They urge the IWG to consider the question of the geographic dispersal of the Agencies which adds significantly to their costs and makes cooperation difficult.

Members conclude by stating that in particular in this time of crisis the **real added-value of the Agencies should be seriously and rapidly analysed** in order to avoid any non-mandatory and absolutely necessary spending, in order to properly answer to the strict needs of the Union and to its citizens' needs.

## 2010 discharge: performance, financial management and control of EU agencies

2011/2232(DEC) - 10/05/2012 - Text adopted by Parliament, single reading

The European Parliament adopted by 432 votes to 173, with 27 abstentions, a resolution on the 2010 discharge in respect of the implementation of the European Union budget for the financial year 2010: performance, financial management and control of European Union Agencies.

Parliament recalls that this resolution involves for each EU agency a series of observations that accompany the discharge decision. In particular it underlines that there has been a **substantial increase in the number of Agencies over the last decade, from 3 in 2000 to 24 in 2010**. In addition, the decisions on the establishment and allocation of Agencies, taken by the Council during recent years, are responsible for **high expenditures and ineffectiveness of the functioning of the Agencies concerned**. The budget of the decentralised Agencies increased substantially between 2007 and 2010 from EUR 1.055 billion for 21 Agencies to EUR 1.658 billion for 24 Agencies.

In this context, Parliament, the Council and the Commission relaunched the project of defining a common framework for the Agencies and, in 2009, set up an Interinstitutional Working Group on Agencies.

In regard to the management and operation of the agencies, Parliament makes a number of general recommendations which may be summarised as follows:

- **COMMON CHALLENGES ON FINANCIAL MANAGEMENT:**

- **Management of budgetary resources (including carryovers and cancellations):** Parliament calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Agency made from the general budget of the Union; underlines that the document shall include the following information:

- the initial contribution of the Union entered in the budget for the Agency;
- the amount of funds coming from the recovery of surplus;
- the overall contribution of the Union for the Agency;
- the amount of the European Free Trade Association (EFTA)'s contribution;
- the level of income generated by the Agencies, and the level of contributions made by Member States and third parties.

These data must be published in a comparable and transparent manner, to enable Parliament and the public to compare the Union's contribution to each Agency over time.

Parliament calls on the Commission to **stop the increases in the Agencies' budgets**, to even consider reducing the Union contribution to their budgets, in particular to the Agencies which mainly perform research. It calls, in particular, on the Agencies to **reduce their running costs and overheads**, inter alia by **merging Agencies with similar or overlapping tasks or multiple sites of location**, and establishing mechanisms to show the clear use and

accountability of each euro spent. Some Agencies have difficulties in spending their budgets in a timely manner and Parliament is concerned by the fact that significant amounts of budget are allocated towards the end of the financial year, considering this as a possible sign that Union funds are, in some cases, used unnecessarily.

Parliament also notes the large volume of carryovers and cancellations of operational appropriations by several Agencies in the financial year 2010. It points out that the high level of carryovers and cancellations is generally indicative of the **inability of an Agency to manage a large increase in its budget**. It demands that the absorptive capacity and the time needed to carry out additional tasks should play a larger role in budgetary decisions. It also urges the Agencies to improve their management of commitments as well as their internal planning and general revenue forecasting in order to optimise their carry over and cancellation rates as well as their spending.

Parliament also calls on the Agencies to:

- consider their own administrative costs compared to those of their peers when preparing future resource plans;
- for partly self-financed Agencies, in the event of a shortfall in fee revenue, to create a limited ring-fenced reserve fund;
- provide for a **zero-based budgeting approach** when drawing up Agencies' budgets, meaning that the budget of each Agency is drawn up without reference to historical amounts and is determined by the stand-alone needs of each Agency;
- minimise the number of late payments by implementing corrective measures.

- **Weaknesses in procurement procedures:** Parliament calls on all the Agencies to strengthen their procurement procedures and to provide accurate information on negotiated procedures which should be used under strictly defined conditions.

## II. COMMON CHALLENGES ON PERFORMANCE:

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Parliament also urges the Agencies to:

- present a bi-annual overall evaluation of their activities and performance on their website;
- provide the discharge authority with a report on the measures taken based upon the observations and recommendations made by the discharge authority in its previous discharge reports;
- continue to present a comparison of the operations that were carried out from one year to the next.

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- **Conflicts of interest:** on this issue, Parliament calls on the Agencies to adopt effective processes that duly **address allegations of conflict of interests** within the **EASA**, the **EEA** and the **EFSA**. The Agencies should carefully file and assess their control systems in order to prevent conflict of interests between their staff and experts working in their Agency and the Management Boards of the Agencies should adopt and apply the strictest rules and verification mechanisms towards their Members to ensure their full independence from private interests. Parliament rejects 'revolving door' cases and proposes the introduction of **"cooling off" periods** in all of the Agencies before the end of 2012.

Parliament recalls that conflicts of interest are a cause of **corruption, fraud, mismanagement of funds and human resources, favouritism** and have a negative impact on the impartiality of the decisions and quality of work and undermines Union citizens' trust in the Union institutions.

Parliament calls on:

- the Interinstitutional Working Group (IWG) to address the modalities for appointing Agencies' Directors in order to have an open, transparent and trusty recruitment procedure;
- the Agencies to be more active in the area of fraud identification and prevention, and properly and regularly to communicate on these activities.

## IV COMMON CHALLENGES IN REGARD TO FINANCIAL MANAGEMENT:

- **Recruitment procedures:** Parliament calls on the Agencies to take the necessary measures to increase the legality, transparency and objectivity of their recruitment processes. It notes, in particular, that the Court of Auditors repeatedly reports various deficiencies which reduce the ability of the Agencies to respond to possible allegations of arbitrary decisions on staff recruitment and take the appropriate redressing decisions. It indicates that each year there are employees, including directors, who rotate between the Agencies. It calls for greater transparency in this regard to ensure more independence and impartiality for staff recruited. It also calls on the Agencies to avoid high vacancy rates.

- **Sensitive tasks assigned to interim staff:** once again, Parliament urges the Agencies to ensure that sensitive tasks are not assigned to interim staff because of the risks of potential security breaches or conflicts of interest.

**V. CHALLENGES ON INTERNAL CONTROL SYSTEM:** Parliament encourages the Agencies to further improve their internal control systems to underpin their Director's annual declaration of assurance. It also notes that the Agencies are not obliged to make the Internal Audit Service (IAS) reports available to Parliament's Budgetary Control Committee per se and considers this a flaw in the legislation. It therefore calls for the legislation in this regard to be amended. It also calls on the Agencies' Management Boards to duly take into account the recommendations made by the IAS, with a view to rapidly remedying the identified failings.

#### **VI. CHALLENGES ON EXTERNAL CONTROL SYSTEM:**

- Court of Auditors' audits: Members welcome the considerable work undertaken by the IAS and the Court of Auditors in auditing the Agencies in all fields. They call on the Court to provide the discharge authority of certain documents to which they have access. They also call on the Court to compose an openly accessible and transparent **ranking procedure** for Agencies by using important indicators in the fields of good financial and budgetary management, low governance costs as well as efficient operational effectiveness.

In an amendment adopted in plenary, Parliament indicates that to its great regret, **the Special Report of the Court of Auditors providing an analysis of the comparative costs of the EU agencies that should have been published before the end of 2011 shall not after all be published.**

- **Externalisation of the Court of Auditors' audits on the Agencies:** Parliament considers that if private sector auditors have to be involved in the external audit of Agencies' accounts, the selection and appointment of the private auditors should be done in conformity with the applicable rules. In any event, it considers also that aspects of such outsourced external audits, including the reported audit findings, have to remain the full responsibility of the Court of Auditors to avoid all conflicts of interest. If such outsourcing is to be used, furthermore, the report of the independent auditors must be made public immediately by both the independent auditors and the Court of Auditors.

#### **VII. AGENCIES' GOVERNANCE:**

- **Management Board:** Parliament notes that the large size of certain Agencies' governing boards and the nature and high turnover of their members can lead to an ineffective decision-making body. It calls on the IWG on Agencies to address this issue together with a re-evaluation of the nature of their members' status, scope of competences and conflict of interest related matters. It suggests, in particular, that consideration be given to the possibility of merging governing boards for Agencies working in related fields to reduce meeting costs. It urges the Agencies to limit the cost on average per meeting and per member between EUR 1 017 and EUR 6 175.

- **Administrative support:** Parliament calls on the Agencies to envisage the following options when considering the possibility of administrative support to operate in the most efficient manner:

- **merging smaller Agencies** in order to achieve savings and stop and/or avoid overlapping objectives;
- **sharing services between Agencies**, either by proximity of locations or by policy area.

Parliament urges the Commission and the Council to take into account the real necessity of each Agency and the need to save Union tax-payers' money in this time of financial and economic crisis, and **not take into account some Member States' interests to have an Agency in their particular country for reasons other than the public interest of the Union.** It should be noted that the plenary did not take up the committee's suggestion to merge CEPOL and EUROPOL.

**VIII. REFLECTION ON AGENCIES: A COMMON APPROACH:** lastly, Parliament asks the Interinstitutional Working Group to identify areas of duplication and overlap amongst existing Agencies and to consider whether some Agencies could be merged. They urge the IWG to consider the question of the geographic dispersal of the Agencies which adds significantly to their costs and makes cooperation difficult.

Parliament concludes by stating that in particular in this time of crisis the **real added-value of the Agencies should be seriously and rapidly analysed** in order to avoid any non-mandatory and absolutely necessary spending, in order to properly answer to the strict needs of the Union and to its citizens' needs.