Basic information

2016/2193(DEC) DEC - Discharge procedure	Procedure completed
2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) **Subject** 8.70.03.05 2015 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	AYALA SENDER Inés (S&D)	05/08/2016
	Shadow rapporteur ZDECHOVSKÝ Tomáš (PPE) FITTO Raffaele (ECR) ALI Nedzhmi (ALDE) DE JONG Dennis (GUE/NGL) JÁVOR Benedek (Verts/ALE) VALLI Marco (EFDD) KAPPEL Barbara (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
LIBE Civil Liberties, Justice and Home Affairs	JEŽEK Petr (ALDE)	12/10/2016

European Commission

Commission DG	Commissioner
Budget	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
		COM(2016)0475	Summary

11/07/2016	Non-legislative basic document published		
04/10/2016	Committee referral announced in Parliament		
22/03/2017	Vote in committee		
29/03/2017	Committee report tabled for plenary	A8-0105/2017	Summary
26/04/2017	Debate in Parliament		
27/04/2017	Decision by Parliament	T8-0179/2017	Summary
27/04/2017	Results of vote in Parliament		
27/04/2017	End of procedure in Parliament		
29/09/2017	Final act published in Official Journal		

Technical information

Procedure reference	2016/2193(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/07517

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE593.860	06/02/2017	
Committee opinion	LIBE	PE595.385	15/02/2017	
Amendments tabled in committee		PE600.890	07/03/2017	
Committee report tabled for plenary, single reading		A8-0105/2017	29/03/2017	Summary
Text adopted by Parliament, single reading		T8-0179/2017	27/04/2017	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05873/2017	07/02/2017	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2016)0475	11/07/2016	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0131/2016 OJ C 449 01.12.2016, p. 0173	13/09/2016	Summary

Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Budget 2017/1702 OJ L 252 29.09.2017, p. 0289	Summary

2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

2016/2193(DEC) - 13/09/2016 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA) for the year 2015, together with the Agency's reply.

CONTENT: in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit focused on the annual accounts of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA). As a reminder, the core mission of this Agency is to fulfil the operational management tasks for the Second Generation Schengen Information System (SIS II), the Visa Information System (VIS) and Eurodac.

Statement of Assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the Foundation, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2015;
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2015 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.

Opinion on the legality and regularity of the transactions underlying the accounts: the Court considers that the transactions underlying the annual accounts for the year ended 31 December 2015 are legal and regular in all material respects. However, the Court noted that the Agency signed a EUR 2 million framework contract for the procurement services by a contractor (procurement services), for training, coaching and learning services from third party providers (training services). The contractor identified suitable training services for any specific request, and provides a quote for the training services plus a fee for its own procurement service (uplift). However, the framework contract failed to specify that the procurement services should be in compliance with the procurement provisions in the Agency's financial rules. Therefore the current process of submitting quotes for approval by the Agency **does not ensure that the services are procured in compliance with all requirements of the financial rules**. The call for expression of interest and pre-selection of candidates for participation in a negotiated procedure with an estimated value of EUR 20 million took place without a delegation by the authorising officer.

The report also made 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:

- **budgetary management**: the Court noted that the committed appropriations carried over under administrative expenditure amount to EUR 9 million or 50 % of total committed appropriations. These carry overs mainly concern a large contract for the extension of the Strasbourg building (EUR 4.6 million) as well as services provided under multi-annual contracts. The Court stated that arrangements with Schengen Associated Countries (Switzerland, Liechtenstein, Iceland and Norway) defining detailed rules for their participation in the work of the Agency, including provisions on voting rights and their contribution to the Agency's budget, have still not been concluded. In their absence, Schengen Associated Countries contribute to operational expenditure of the Agency's budget following a provision in the association agreements signed with the EU. However they do not yet contribute to activities under titles I and II (salaries and other administrative expenditure) of the Agency's budget.

The Agency's replies:

- **budgetary management**: the Agency stated that it deployed a considerable effort in planning and coordination to verify that all business cases for the carry-forward of non-differentiated appropriations were indeed justified, as evidenced by the sharp decrease of cancellations over the years. It acknowledged the comment and pointed out that all legally possible actions have been taken in order to acquire financial contributions of Associated Countries to the Agency's budget, whereas negotiations with Associated Countries are led by the European Commission rather than the Agency. Agreements are subject of ratification by the national parliaments of these countries;
- **legality of the underlying accounts**: the Agency stressed that the framework contract in question was awarded through an open procedure under the rules of the Agency's Financial Regulation. While there was no explicit provision that the contractor would be bound to EU procurement rules, the specifications include a mandatory requirement that the lowest price on the market would be provided. The Agency has the right to impose a price review if a lower price can be found. The Agency is not aware of a legal obligation to impose a specific set of procurement rules on contractors. The Agency also stated that no pre-selection, under the meaning of the Financial Regulation and its Rules of Application (i.e. formal application of pre-set selection criteria), took place before the launch of the negotiated procedure. The call for expressions of interest was used as part of the market prospection and not as a tender procedure.

Lastly, the Court of Auditors' report contained a summary of the **Agency's key figures in 2015**:

- **Budget**: EUR 71.7 million in payment appropriations.
- **Staff**: 134 including officials, temporary and contract staff and seconded national experts.

2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

2016/2193(DEC) - 29/03/2017 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Inés AYALA SENDER (S&D, ES) on discharge in respect of the implementation of the budget of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA) for the financial year 2015.

The committee called on the European Parliament to grant the Agency's Executive Director discharge in respect of the implementation of the Agency's budget for the financial year 2015.

Noting that the Court of Auditors stated that it had obtained reasonable assurance that the annual accounts of the Agency for the financial year 2015 were reliable and that the underlying transactions were legal and regular, Members called on Parliament to approve the closure of the Agency's accounts. They made, however, a number of recommendations that needed to be taken into account when the discharge is granted, in addition to the general recommendations that appear in the draft resolution on performance, financial management and control of EU agencies:

- **Agency's financial statements**: Members noted that the final budget of the Agency for the financial year 2015 was EUR 67 559 100, representing an increase of 13.77 % compared to the year 2014, entirely derived from the Union budget.
- **Comments on the legality and regularity of transactions**: Members stated that the Court's report highlighted problems regarding procurement, in particular the use of a negotiated procedure with an estimated value of EUR 20 million without a delegation by the authorising officer. Overall, Members noted that the Agency entered into contractual agreements or engaged in negotiations with a single contractor without precisely defining the services requested. They expressed deep concern as regards the cost-effectiveness of such procurements.
- **Budget and financial management**: Members noted that budget monitoring efforts during the financial year 2015 resulted in a budget implementation rate of 99.68 % and that the payment appropriations execution rate was high at 99.4 %. They also noted that the Agency had not resolved the issue of financial contributions from Schengen Associated Countries to the Agency's budget.
- **Commitments and carry-overs**: Members noted that the committed appropriations for administrative expenditure carried over amounted to EUR 9 million (50 % of committed appropriations), compared to EUR 15 million (87 %) in 2014. These were mainly due to a large contract for the extension of the Agency's Strasbourg building and services provided under multi-annual contracts. They acknowledged that the Agency deployed a considerable effort in planning and coordination of activities.

Members also made a series of observations regarding internal controls and audits and the prevention and management of conflicts of interests.

Lastly, welcomed that, at the end of 2014, the Agency concluded the negotiations and signed the headquarters agreement with Estonia for its seat in Tallinn and with France for its operational site in Strasbourg.

2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

2016/2193(DEC) - 07/02/2017 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2015 and the balance sheet as at 31 December 2015 of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA), as well as the Court of Auditors' report on the annual accounts of the Agency for the financial year 2015, accompanied by the Agency's replies to the Court's observations, the Council recommended the European Parliament to give a discharge to the Executive Director of the Agency in respect of the implementation of the budget for the financial year 2015.

The Council welcomed the Court's opinion that, in all material respects, the Agency's annual accounts present fairly its financial position as at 31 December 2015 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of the Agency's Financial Regulation, and that the underlying transactions for 2015 are legal and regular in all material respects.

Nevertheless, some observations were made by the Council:

- **procurement**: the Council called on the Agency to ensure the strict compliance with the financial rules in all procurement and contractual agreements, in order to secure a fair competition;
- **carry-overs**: the Council noted the high level of commitment appropriations carried over to 2016. It encouraged the Agency to continue improving its financial programming and monitoring of the budget implementation, in order to reduce the level of commitments carried over to the following financial year to the minimum strictly necessary;
- **participation rules for associate countries**: the Council invited the Agency to pursue its efforts to conclude arrangements with the Schengen associated countries defining detailed rules for their participation in the work of the Agency, including provisions on voting rights and their financial contributions to all parts of the Agency's budget;
- **IT systems**: the Council recalled that the Agency's valuation of the different IT systems transferred from the Commission should also include the software development costs.

2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

2016/2193(DEC) - 27/04/2017 - Final act

PURPOSE: to grant discharge to the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA) for the financial year 2015.

NON-LEGISLATIVE ACT: Decision (EU) 2017/1702 of the European Parliament on discharge in respect of the implementation of the budget of the European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice for the financial year 2015.

CONTENT: with the present decision, the European Parliament grants discharge to the Executive Director of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice for the implementation of the latters budget for the financial year 2015.

This decision is in line with the European Parliament's resolution adopted on 27 April 2017 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 27 April 2017).

Amongst Parliaments main observations in the resolution accompanying the discharge decision, the latter acknowledged that the Agency introduced a budget ownership model in 2016 as planned. Parliament also took note of the fact that the budget ownership model formalised and distributed budgetary responsibility for planning, implementation and monitoring among managers in the Agency, at the level of Head of Unit and above.

On **procurement**, Parliament expressed deep concern as regards the agreements signed in 2015 stating that they ran a high risk of being contrary to the principle of economy and damaging the cost-effectiveness of such procurements and are much more exposed to the risk of corruption. Parliament trusts that the Agency has improved procurement procedures in 2016.

The Agency is urged to adopt guidelines for a coherent policy on the prevention and management of conflicts of interest and to correct the gender imbalance in the composition of the Agencys management.

Parliament noted that the Estonian parliament ratified the Agency's headquarters agreement (seat in Tallinn) on 18 February 2015.

2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

2016/2193(DEC) - 11/07/2016 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2015, as part of the 2015 discharge procedure.

Analysis of the accounts of the **European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA)**.

CONTENT: the organisational governance of the EU consists of institutions, agencies and other EU bodies whose expenditure is included in the general budget of the Union.

The EU's operational expenditure of these institutions takes different forms, depending on how the money is paid out and managed.

From 2014 onwards, the Commission classifies its expenditure as follows:

- **Direct management**: the budget is implemented directly by the Commission services.
- **Indirect management**: the Commission confers tasks of implementation of the budget to bodies of EU law or national law, **such as the EU agencies**.
- **Shared management**: under this method of budget implementation tasks are delegated to Member States. About 80 % of the expenditure falls under this management mode covering such areas as agricultural spending and structural actions.

This Commission document concerns the EU's consolidated accounts for the year 2015 and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cash flows of the EU institutions and bodies, including the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (EU-LISA), with a view to granting discharge.

Discharge procedure: the final step of a budget lifecycle is the discharge of the budget for a given financial year. It represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The European Parliament is the discharge authority within the EU.

The discharge procedure may produce three outcomes: (i) the granting; (ii) postponement or; (iii) the refusal of the discharge.

The final discharge report including specific recommendations to the Commission for action is adopted in plenary by the European Parliament and are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

Each agency is subject to its own discharge procedure, including the eu-LISA.

The European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA): the Agency, based in Tallinn (EE) was set up under Regulation (EU) No 1077/2011 of the European Parliament and of the Council. Its main aim is to ensure the operational management of the second generation Schengen Information System (SIS II), Eurodac and Visa Information Systems (VIS).

As regards the eu-LISA's accounts, these are presented in detail in the document on the consolidated annual accounts of the European Union for 2015:

Commitment appropriations:

- **committed**: EUR 82 million;
- **paid**: EUR 81 million;
- **carried-over**: EUR 1 million.

Payment appropriations:

- **committed**: EUR 87 million;
- **paid**: EUR 64 million;
- **carried-over**: EUR 22 million.

For further details on expenditure, please refer to the final accounts of the eu-LISA Agency.

2015 discharge: European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

2016/2193(DEC) - 27/04/2017 - Text adopted by Parliament, single reading

The European Parliament decided to grant the Executive Director of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice (eu-LISA) discharge in respect of the implementation of the Agency's budget for the financial year 2015.

The vote on the decision on discharge covers the closure of the accounts (in accordance with Annex IV, Article 5 (1) (a) to Parliament's Rules of Procedure).

Noting that the Court of Auditors has stated that it has obtained reasonable assurances that the Agency's annual accounts for the financial year 2015 are reliable and that the underlying transactions are legal and regular, Parliament adopted by 504 votes to 111 with 10 abstentions, a resolution containing a series of recommendations, which form an integral part of the decision on discharge and which add to the general recommendations set out in the resolution on performance, financial management and control of EU agencies.

- **Agency's financial statements**: Parliament noted that the final budget of the Agency for the financial year 2015 was EUR 67 559 100, representing an increase of 13.77 % compared to the year 2014, entirely derived from the Union budget.
- **Comments on the legality and regularity of transactions**: Parliament stated that the Court's report highlighted problems regarding procurement, in particular the use of a negotiated procedure with an estimated value of EUR 20 million without a delegation by the authorising officer. Overall, it noted that the Agency entered into contractual agreements or engaged in negotiations with a single contractor without precisely defining the services requested. It expressed deep concern as regards the cost-effectiveness of such procurements.
- **Budget and financial management**: Parliament noted that budget monitoring efforts during the financial year 2015 resulted in a budget implementation rate of 99.68 % and that the payment appropriations execution rate was high at 99.4 %. It also noted that the Agency had not resolved the issue of financial contributions from Schengen Associated Countries to the Agency's budget.
- **Commitments and carry-overs**: Parliament noted that the committed appropriations for administrative expenditure carried over amounted to EUR 9 million (50 % of committed appropriations), compared to EUR 15 million (87%) in 2014. These were mainly due to a large contract for the extension of the Agency's Strasbourg building and services provided under multi-annual contracts. It acknowledged that the Agency deployed a considerable effort in planning and coordination of activities.

Parliament also made a series of observations regarding internal controls and audits and the prevention and management of conflicts of interests.

It also took note of the fact that, **in light of the reform of the Dublin system** and as provided in the European Agenda on Migration, the Agency performed an initial **assessment** of the possible impact of the reform on the management of the Eurodac system. It acknowledged the growing importance of the Agency for the functioning of the Schengen area and called on the Agency to closely monitor its financial and human resources and, if needed, to submit timely and justified requests for adjustments.

Lastly, Parliament welcomed that, at the end of 2014, the Agency concluded the negotiations and signed the headquarters agreement with Estonia for its seat in Tallinn and with France for its operational site in Strasbourg.