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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European Environment Agency for the financial year 2010
(C7-0278/2011 – 2011/2217(DEC))

Committee on Budgetary Control

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CONTENTS

	Page
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	7
Annex	13

1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European Environment Agency for the financial year 2010 (C7-0278/2011 – 2011/2217(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Environment Agency for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the European Environment Agency for the financial year 2010, together with the Agency's replies¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - having regard to Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
 - having regard to Council Regulation (EEC) No 1210/90 of 7 May 1990 on the establishment of the European Environment Agency and the European Environment Information and Observation Network³, and in particular Article 13 thereof,
 - having regard to Regulation (EC) No 401/2009 of the European Parliament and of the Council of 23 April 2009 on the European Environment Agency and the European Environment Information and Observation Network⁴, and in particular Article 13 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁵, and in particular Article 94 thereof,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Food Safety (A7-0000/2012),
1. the Executive Director of the European Environment Agency discharge in respect of the implementation of the Agency's budget for the financial year 2010;
 2. Sets out its observations in the resolution below;

¹ OJ C 366, 15.12.2011, p. 57.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 120, 11.5.1990, p. 1.

⁴ OJ L 126, 21.5.2009, p. 13.

⁵ OJ L 357, 31.12.2002, p. 72.

3. Instructs its President to forward this Decision and the resolution that forms an integral part of it to the Executive Director of the European Environment Agency, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the European Environment Agency for the financial year 2010

(C7-0278/2011 – 2011/2217(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Environment Agency for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the European Environment Agency for the financial year 2010, together with the Agency's replies¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - having regard to Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
 - having regard to Council Regulation (EEC) No 1210/90 of 7 May 1990 on the establishment of the European Environment Agency and the European Environment Information and Observation Network³, and in particular Article 13 thereof,
 - having regard to Regulation (EC) No 401/2009 of the European Parliament and of the Council of 23 April 2009 on the European Environment Agency and the European Environment Information and Observation Network⁴, and in particular Article 13 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁵, and in particular Article 94 thereof,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Food Safety (A7-0000/2012),
1. ... the closure of the accounts of the European Environment Agency for the financial year 2010;
 2. Instructs its President to forward this Decision to the Executive Director of the European

¹ OJ C 366, 15.12.2011, p. 57.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 120, 11.5.1990, p. 1.

⁴ OJ L 126, 21.5.2009, p. 13.

⁵ OJ L 357, 31.12.2002, p. 72.

Environment Agency, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the European Environment Agency for the financial year 2010

(C7-0278/2011 – 2011/2217(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Environment Agency for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the European Environment Agency for the financial year 2010, together with the Agency's replies¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - having regard to Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
 - having regard to Council Regulation (EEC) No 1210/90 of 7 May 1990 on the establishment of the European Environment Agency and the European Environment Information and Observation Network³, and in particular Article 13 thereof,
 - having regard to Regulation (EC) No 401/2009 of the European Parliament and of the Council of 23 April 2009 on the European Environment Agency and the European Environment Information and Observation Network⁴, and in particular Article 13 thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁵, and in particular Article 94 thereof,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on the Environment, Public Health and Food Safety (A7-0000/2012),
- A. whereas the Court of Auditors state that it has obtained reasonable assurances that the annual accounts for the financial year 2010 are reliable and that the underlying transactions are legal and regular,

¹ OJ C 366, 15.12.2011, p. 57.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 120, 11.5.1990, p. 1.

⁴ OJ L 126, 21.5.2009, p. 13.

⁵ OJ L 357, 31.12.2002, p. 72.

- B. whereas on 10 May 2011 Parliament granted the Executive Director of the European Environment Agency discharge for implementation of the Agency's budget for the financial year 2009¹, and in its resolution accompanying the discharge, inter alia:
- encouraged the Agency to continue its efforts to further develop its communication methods in order to attract more media coverage for its findings, as such measures may lead to more transparent working method and greater public interest in the Agency's work,
 - was concerned about the Agency's practice of making transfers to increase a budget line in order to pay rent for the Agency's premises for the first quarter of 2010 and charge it to the 2009 budget, as this practice is at odds with the principle of annuality,
 - called on the Agency to address deficiencies in the recruitment procedures which put at risk the transparency of these procedures,
- C. whereas the budget of the Agency for the year 2010 was EUR 50 600 000, which is 26 % more than in 2009; whereas the contribution of the Union to the budget of the Agency for 2010 was EUR 35 258 000, compared to EUR 34 560 000 in 2009², which represents an increase of 2 %,

Budget and Financial Management

1. Believes that agencies' level of budget execution in terms of committed appropriations and of payment appropriations provide important information to enable the discharge authority to assess their overall performance; notes, however, that in 2010 the Agency failed to provide this information in the documents presented; therefore, urges the Agency to inform the discharge authority of the exact level of its budget execution in terms of committed appropriations and of payment appropriations;
2. Ascertains from the Agency's Final Accounts that, for the financial year 2010, the total payments of the Agency represented EUR 38 898 533,88;

Carryover appropriations

3. Acknowledges from the Agency's Final Accounts that EUR 12 809 551,05 of the 2010 appropriations have been carried forward to 2011; reminds the Agency that this situation is at odds with the budgetary principle of annuality and can be reduced by correct and proper programming and monitoring of the implementation of its budget to minimise the carryover of appropriations; calls, therefore, on the Agency to take effective action in this respect;
4. Notes from the Agency's Final Accounts that cancellation of unused payment appropriations carried over from the previous year amounted to EUR 585 282,87; understands from the Agency that this amount is lower to the amount cancelled in 2009, i.e. EUR 693 127,02; urges the Agency, nonetheless, to take concrete measures against cancellations of the amounts carried over;

¹ OJ L 250, 27.9.2011, p. 155.

² OJ L 64, 12.03.2010, p. 677.

5. Regrets that the Court of Auditors does not mention the Agency's appropriations carried forward and cancelled in its report on the annual accounts of the Agency for the financial year 2010;

Procurement Procedures

6. Raises doubts that, concerning canteen services, cleaning services, security services and furniture, the Agency failed to ensure the maximum competition and value-for-money during the procurement procedures but favoured 'historical' contractors even though these contractors changed their official name over time;
7. Is, moreover, concerned over alleged cases of 'fictitious employment' of people who work in the private service of some of the Agency's staff members but are paid by the Agency;
8. Calls on the Internal Audit Service (IAS) to investigate immediately the Agency's contracts in the area of canteen services, cleaning services, security services and furniture to establish whether the call preparation, publication, evaluation and contract management phases respect the two following principles: maximum competition and value-for-money and on the allegations of 'fictitious employment' and to inform the discharge authority in due course on the Court of Auditors findings;

Human Resources

9. Notes that the Agency has revised its recruitment process in line with the remarks made by the discharge authority and Court of Auditors in order to address the weaknesses on vacancy notices, the documentation of the decision of the selection boards, the thresholds for being invited to interview and the minutes of the interviews;
10. Acknowledges also from its Annual Management Plan that the Agency implemented the 'EEA Personnel Policy' which provides the basis for staff development;
11. Is nevertheless concerned that most recruitment has been made in-house; notes that this could be a source or a situation of favouritism or conflict of interests;

Agency's strategy for 2009-2013

12. Welcomes that the Agency staff and management activities, quality control processes, products and services, administrative and building services are brought together under the strategic area in the 'EEA Strategy 2009-2013';
13. Calls on the Agency to make a more explicit link between measures, resources and results;

Conflict of interest

14. Notes that, until very recently, the Executive Director of the Agency was a Board Member of Earthwatch and a Member of the European Advisory Board of Worldwatch Europe, two environmental NGOs, alongside to her activities in the Agency;

15. Is seriously concerned that in 2010, while the Executive Director was still directly involved in the Management of Earthwatch, some staff members of the Agency, including the Executive Director, went for 5 - 10 days of research in different biodiversity projects in the Caribbean or Mediterranean managed by Earthwatch and that the Agency paid to the NGO about EUR 2 000 per participant; understands that this unacceptable situation was repeated in 2011;
16. Calls on the Agency and its Executive Director to give the Budgetary Control Committee concrete information on these trips and to provide the total amount paid by the EEA to Earthwatch and Worldwatch in the financial years 2009 and 2010;
17. Finds it unacceptable that after the Court of Auditors questioned the trips, instead of a thorough investigation on the alleged misuse of funds and conflict of interest with regard to the Agency's Executive Director, the participants – staff of the EEA - were asked to write notes on the usefulness of the research trips; reminds the Court of Auditors that its responsibility is to control the Agency;

Performance

18. Notes the Agency's initiative to provide, on a regular basis, an independent external evaluation on the basis of its founding Regulation (EEC) No 1210/90 and the work programmes adopted by the Management Board; notes in particular that the next evaluation will be undertaken in 2012 and will focus on the efficiency and effectiveness in delivering its corporate strategy;
19. Notes the Agency's initiative to measure its performance through the environmental management and audit scheme (EMAS) and internal management systems using four inter-related perspectives - financial, client, business and learning and growth;
20. Acknowledges from comments in the Agency's Annual Management Plan, the Agency's efforts with various international and Union bodies, Eionet and the Scientific Committee to establish a networking structure in order to be able to maintain links to the research and scientific community, disseminate and utilise the results, particularly information and data, from research activities, European and national levels, in a more systematic way;
21. Notes, in addition, that following the request of the discharge authority for the discharge 2009, in 2011, the Agency has increased its efforts to reach the wider public and has initiated pilot projects by using social media as a means of communication directed to the public;
22. Is nevertheless concerned by the very large number of reports and papers or other related outputs prepared by the Agency; believes that this can be interpreted as a lack of substantial and innovative work from the Agency and that, as a consequence, the financial contribution of the Union to the Agency would be ill-used; calls therefore on the Agency to immediately inform in detail the budget authority, in particular the Budget Control Authority, of:
 - the sources used by the Agency to construct its reports, papers and other related outputs;

- the evidence of the eventual added value brought by the Agency's reports compared with other bodies' reports on environmental matters;
- the process – if any – of verification of the data sent by the Member States, the periodicity of this verification, the way the data sent by Member States is used by the Agency;
- the total number of guest scientists working at the Agency premises and their respective qualifications for the last five years;
- the costs related to the hosting of those guest scientists;

Internal audit

23. Acknowledges that in 2010 the IAS concluded an audit on the “management plan system (MPS)/monitoring of activities” whose objective was to assess and provide assurance on the adequacy of the planning and monitoring of the Agency's activities; notes, in particular, that the IAS raised eight recommendations, six of which were rated “important” and two “desirable”;
24. Calls in this respect on the Agency to:
- promote guidelines for objectives and measurable indicators in project planning and monitoring of progress,
 - allocate costs on projects,
 - promote more effective project management and procedures for checking and verifying new data entered into the MPS;
25. Calls, in addition, on the Agency to adopt without further delay measures to address the weaknesses found by the IAS in its previous audits on quality management and on grant management in order to:
- develop and use QA/QC checklist for GHG Inventory Report,
 - plan, describe and document relevant quality checks,
 - assure supervision of quality controls,
 - anticipate business continuity issues,
 - realise on-the-spot controls and verification of grants,
 - monitor and follow-up grant implementation;

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26. Draws attention to its recommendations from previous discharge reports, as set out in the Annex to this resolution;
27. Refers, in respect of the other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of ...2012 on the performance, financial management and control of the agencies.

Annex
European Parliament recommendations over past years

European Environment Agency	2006	2007	2008	2009
Performance	n.a.	n.a.	<p>- Calls on the Agency to set out a diachronic analysis of operations carried out in this and the previous years</p> <p>-Calls on the Agency to continue providing every five years an independent external evaluation on the basis of its founding regulation and the work programmes adopted by the Management Board</p> <p>-Positive trends: the Agency has built up a well-developed activity-based management system, a multiannual work programme, a balanced scorecard with indicators, and a integrated management control system</p>	<p>-Calls on the Agency to set out a comparison of the operations that were carried out during the year for which the discharge is to be granted and during the previous financial year</p> <p>-Calls on the Agency to deal with 4 key areas as a matter of priority and to do more to advance their development</p> <p>-Encourages the Agency to continue its efforts to further develop its communication methods in order to attract more media coverage for its findings, such measures may lead to more transparent working method and greater public interest in the Agency's work</p> <p>-Requests the Court of Auditors to undertake performance audits on the Agency</p>
Budgetary and Financial Management	<p>- The budgetary principle of annuality was not strictly applied: more than 30% of the commitments and 50% for the operational expenditure had to be carried forward-</p>	<p>-Weaknesses in the tendering procedures: direct award of services without respecting the requirements of the Financial Regulation, award of a specific contract for services not in line with the framework contract terms</p> <p>-Weaknesses in the management of grant agreements (European Topic Centre)</p>	n.a.	<p>-Encourages the Agency to strengthen the link between the budget and the work programme</p> <p>-Is concerned about the Agency's practice of making transfers to increase a budget line in order to pay the rent for the Agency's premises for the first quarter of 2010 and charge it to the 2009 budget, this practice is at odds with the principle of annuality</p> <p>-Calls in the Agency to improve the accuracy of the information provided by the operational departments on the estimation of accrued operational expenditure</p>
Human Resources	n.a.	<p>-Weaknesses in the recruitment procedures: candidates not fulfilling selection criteria were considered for further evaluation and criteria for identifying the best candidates to be invited for interview were not documented</p>	n.a.	<p>-Calls on the Agency to redress deficiencies in the recruitment procedures which put at risk the transparency of these procedures</p> <p>-Court of Auditors noted the following weaknesses- vacancy notices did not specify the maximum number of candidates to be put on the reserve lists, questions used during written tests & interviews were not decided on before the examination of the applications, the decisions of the selection boards were insufficiently documented, minutes were not completed & thresholds for being invited to interview or put on the reserve list were not set in advance</p>

Annex
European Parliament recommendations over past years

European Environment Agency	2006	2007	2008	2009
Internal Audit	-In breach of the principle of segregation of duties, the same authorising officer by sub-delegation not only performed ex ante checks but also managed access rights to the IT system for budgetary accounting	n.a.	-Calls on the Agency to fulfil 17 recommendations out of 27 made by the Internal Audit Service: i.e. establishing financial circuits, promoting on-the-spot controls/verifications of grants, and monitoring and following up grant implementation and the implementation of the internal control standards	-Acknowledges that 3 recommendations from the IAS follow up of past audit recommendations still need to be implemented, these mainly concern sensitive posts, on the spot controls/verifications or grants & financial circuits & are considered very important