

**RESOLUTION OF THE EUROPEAN PARLIAMENT****of 17 April 2013****with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the European Railway Agency for the financial year 2011**

THE EUROPEAN PARLIAMENT,

- having regard to the final annual accounts of the European Railway Agency for the financial year 2011,
  - having regard to the Court of Auditors' report on the annual accounts of the European Railway Agency for the financial year 2011, together with the Agency's replies <sup>(1)</sup>,
  - having regard to the Council's recommendation of 12 February 2013 (05753/2013 – C7-0041/2013),
  - 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 Communities <sup>(2)</sup>, and in particular Article 185 thereof,
  - having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 <sup>(3)</sup>, and in particular Article 208 thereof,
  - having regard to Regulation (EC) No 881/2004 of the European Parliament and of the Council of 29 April 2004 establishing a European railway agency (Agency Regulation) <sup>(4)</sup>, and in particular Article 39 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 Communities <sup>(5)</sup>, 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 Transport and Tourism (A7-0103/2013),
- A. whereas the Court of Auditors stated that it has obtained reasonable assurances that the annual accounts of the European Railway Agency ('the Agency') for the financial year 2011 are reliable and that the underlying transactions are legal and regular,
- B. whereas on 10 May 2012, Parliament granted the Executive Director of the Agency discharge for the implementation of the Agency's budget for the financial year 2010 <sup>(6)</sup>, and in its resolution accompanying the discharge, *inter alia*:
- regretted the fact that errors in budgetary forecasts resulted in the cancellation or delay of certain investments; urged the Agency to inform the discharge authority immediately of the measures implemented in order to allow for better expenditure forecasts,

<sup>(1)</sup> OJ C 388, 15.12.2012, p. 145.<sup>(2)</sup> OJ L 248, 16.9.2002, p. 1.<sup>(3)</sup> OJ L 298, 26.10.2012, p. 1.<sup>(4)</sup> OJ L 164, 30.4.2004, p. 1.<sup>(5)</sup> OJ L 357, 31.12.2002, p. 72.<sup>(6)</sup> OJ L 286, 17.10.2012, p. 229.

- recalled that the Agency already carried over a substantial amount of appropriations in the financial years 2008 and 2009 to the financial year 2010; considered that those serious breaches of the budgetary principle of annuality can no longer be accepted in the future and that discharge should be refused on the next occasion, in the event that there is a further breach of that budgetary principle; called on the Agency to take the measures required to remedy the situation without delay,
  - considered that the Agency did not adequately address the problem of appropriations being carried forward from one year to the next; recalled the importance of the budgetary principle of annuality; called on the Agency to inform the discharge authority about actions taken to improve the annual budget implementation and to decrease the carryovers of budget appropriations,
  - urged the Agency to create a multiannual plan translating long-term objectives into multiannual tasks and associated key performance indicators; emphasised that this would provide stakeholders with better information on the Agency's objectives, activities, strategic priorities and resource allocation,
  - called on the Agency to implement the Internal Audit Service (IAS) recommendations related to the audit on human resources management undertaken by the IAS in 2009,
- C. whereas, according to the Agency's 2011 Annual Accounts Report <sup>(1)</sup>, the budget for the Agency for the year 2011 was EUR 25 988 665, compared to EUR 24 147 240 in 2010, which accounts for an increase of 7,62 % compared to the previous year,

#### **Budgetary and financial management**

1. Notes from the Agency's Annual Activity Report (AAR) that 95 % of appropriations were committed and 81 % have been used for payments; notes in particular that:
  - under Title I 'Staff Expenditure', the total committed appropriations amounted to EUR 15 930 664 (100 %), of which 99 % has been used for payment execution (EUR 15 710 948) while 1 % of the appropriations were carried forward to 2012 (EUR 219 716);
  - under Title II 'Administrative Expenditure', the total committed appropriations amounted to EUR 2 212 548 (nearly 100 %), of which 75 % has been used for payment execution (EUR 1 649 635) while 25 % of the appropriations were carried forward to 2012 (EUR 562 913);
  - under Title III 'Operational Expenditure', the total committed appropriations amounted to EUR 6 495 020 (83 %), of which 47 % has been used for payment execution (EUR 3 659 761) while 36 % of the appropriations were carried forward to 2012 (EUR 2 835 259);
2. Acknowledges that the level of payments against budget appropriations improved for all titles, but remained low for Title III with 47 % (39 % in 2010); demands that the Agency take further actions to address this deficiency as the situation is at odds with the budgetary principle of annuality and report back to the budgetary authority forthwith;

#### **Staff**

3. Observes from the Court of Auditors' report that the Agency will have to replace half of its operational staff in the period 2013–15; calls on the Agency to inform the discharge authority on the actions taken to manage this difficult situation which may cause major disruptions in the Agency's operational activities;

#### **Two locations**

4. Takes note that the Agency recognises that the use of two locations leads to inefficiencies and additional costs; notes, moreover, that all efforts are made by the Agency to minimise the negative impact of the decision on the Agency's seat;

<sup>(1)</sup> Annual Accounts Report for 2011, p. 6.

5. Acknowledges from the AAR that the preparatory phase of the project to increase the capacity of headquarters in Valenciennes was completed; notes moreover that the improvement of the Lille premises was postponed due to the lack of resources;

#### **Accounting system**

6. Observes from the AAR that the Agency updated its Manual for Financial Procedures according to the use of the modules of accrual-based accounting (ABAC) workflow and ABAC assets; notes, moreover, that the ABAC assets module was implemented in 2011;
7. Welcomes the Agency's implementation, as of 1 September 2010, of a centralised system for the registration of incoming invoices; stresses that this measure is necessary to ensure the timely recording of all invoices and contributes to avoiding delays in processing payments;

#### **Carryovers**

8. Acknowledges from the Court of Auditors' report that the appropriations carried forward to 2012 amounted to EUR 3 617 887; calls on the Agency to take further action to address this deficiency as the situation is at odds with the budgetary principle of annuality;

#### **Recruitment procedures**

9. Acknowledges from the Court of Auditors' report that the Agency could improve its recruitment procedures in order to fully ensure transparency and equal treatment of candidates; calls on the Agency to inform the discharge authority of the actions taken to improve the recruitment procedures; considers that some of the provisions of the Staff Regulations may present a considerable administrative burden; encourages, therefore, the Commission to allow for a certain degree of simplification under Article 110 of the Staff Regulations in regard to the agencies;
10. Takes note from the AAR that staff had been recruited as planned with a vacancy rate of 2,78 % at the end of the year; notes, moreover, that the total number of staff at the end of 2011 was 140 temporary agents and 14 other staff (contractual agents and seconded national experts);

#### **Conflicts of interest**

11. Calls on the Agency to scrutinise and prohibit possible conflicts of interest when hiring experts and staff from the sector it supervises;

#### **Internal audit**

12. Acknowledges from the Agency that the IAS carried out an audit 'Expert Management in Interoperability' in 2011 in order to provide reasonable assurance on the adequacy and effectiveness of the internal control system regarding expert management in interoperability in the Agency; notes that based on the results the IAS raised six recommendations, out of which two as 'very important', three as 'important' and one as 'desirable'; calls on the Agency to implement the IAS recommendations and to inform the discharge authority of the actions taken;
13. Welcomes the Agency's initiative of setting up an Internal Audit Capability (IAC) at the end of 2007 that is dedicated to providing support and advice to its Executive Director and management on internal control, risk assessment and internal audit; notes, moreover, that the IAC activity during 2011 was aimed at providing management support as regards the annual assessment of the 16 Internal Control Standards, the revision of the risk management framework, the coordination of the 2011 risk assessment exercise, and the development of a specific policy on the management of conflicts of interest within the Agency;
14. Refers, in respect of the other observations accompanying its Decision on discharge, which are of a horizontal nature, to its resolution of 17 April 2013 <sup>(1)</sup> on the performance, financial management and control of the agencies.

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<sup>(1)</sup> Texts adopted, P7\_TA(2013)0134 (see page 374 of this Official Journal).