

12 October 2016

ECHA's report on the follow-up to the 2014 budgetary discharge

Article 110 of the European Chemicals Agency's (ECHA's) Financial Regulation foresees that (1) *the Executive Director shall take all appropriate steps to act on the observations accompanying the European Parliament's discharge decision and on the comments accompanying the recommendation for discharge adopted by the Council*; and that (2) *at the request of the European Parliament or the Council, the Executive Director shall report on the measures taken in the light of those observations and comments. The Executive Director shall send a copy thereof to the Commission and the Court of Auditors.*

For the discharge 2015, the Secretariat of the European Parliament Committee on Budgetary Control asked all EU Decentralised Agencies for a follow-up report to the 2014 budgetary discharge to be submitted by 17 October 2016.

The report presented in the Annex provides an overview of the relevant observations and recommendations from the European Parliament Resolution of 28 April 2016 on discharge in respect of the implementation of the budget of ECHA for the financial year 2014¹, together with the measures ECHA has taken in light of these. For completeness, ECHA's reply to the comment accompanying the Council's Recommendation² of 12 February 2016 on the discharge of the European Chemicals Agency for the financial year 2014 is included in this overview.

On 28 April 2016 the European Parliament adopted also the resolution: "Report on 2014 Discharge: performance, financial management and control of the EU agencies - Discharge in respect of the implementation of the budget of the European Union agencies for the financial year 2014: performance, financial management and control (2015/2205(DEC))". This resolution is a horizontal report containing recommendations and observations that accompanied the individual 2014 Discharge reports for each of the EU Decentralised Agencies and Joint Undertakings. The follow-up actions to these recommendations where a collective response was identified by the Agencies Network will be presented in a separate paper being prepared by the Agency holding the Chairmanship of the EU Agencies' Network. ECHA has duly contributed to this report.

¹ P8_TA(2016)0169 <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0169+0+DOC+XML+V0//EN>

² ST-5584-2016-ADD-1 <http://data.consilium.europa.eu/doc/document/ST-5584-2016-ADD-1/en/pdf>

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Annex

	Observation of the Discharge Authority	Response and measures taken by the Agency	Status/Reference
1.	<p>[The European Parliament] 18. States that the annual reports of the Agency could play an important role in compliance regarding transparency, accountability and integrity; calls on the Agency to include a standard chapter on these components in its annual report;</p>	<p>ECHA's Consolidated Annual Activity Report already contains dedicated chapters on Prevention of Conflicts of Interest (3.1.1) and Fraud Prevention (3.1.4). Until now, efforts to enhance the transparency of the Agency's operations have been systemically reported under the relevant activity to which the measure related.</p> <p>However, in line with the Parliament's recommendation, ECHA will include in its next Consolidated Annual Activity Report (for the year 2016, published in early 2017) a dedicated chapter on transparency, accountability and integrity.</p>	On-going
2.	<p>[The European Parliament] 19. Notes that following the entry into force and application of the Financial Regulation, the Agency's Management Board adopted new implementing rules which have been applicable since 1 January 2015; notes furthermore that those implementing rules stipulate the rules for implementation of ex-ante and ex-post evaluation of programmes, projects and activities; observes that the Agency's current internal control system places a strong emphasis on ex-ante control, while ex-post evaluation has been performed mainly for IT projects, in line with the applicable PRINCE2 methodology for project governance at the Agency; calls on the Agency to report to the discharge authority on the results of the implementation of those new rules;</p>	<p>ECHA's framework and approach to evaluations was presented to the 40th Management Board meeting on 16-17 December 2015. The approach covers the following elements:</p> <ol style="list-style-type: none"> 1. Set up the evaluation framework and governance. 2. Establish an Evaluation Coordination Function (ECF) to ensure the methodological consistency, meeting the evaluation standards, coordinate the performance of the evaluations and collect feedback on how evaluations results are taken into account. 3. Strengthen the existing project/programme governance framework for ex-post and ex-ante evaluations: a) Analyse the current coverage of evaluation criteria in the project/programme governance; b) Modify the existing project templates to cover the evaluation criteria. 	Done

		<p>4. Draft the first multi-annual rolling evaluation plan to improve decision-making and enhance organisational learning.</p> <p>5. Create evaluation checklists, including criteria and methodology.</p> <p>6. Perform the ex-ante and ex-post evaluations as specified in the rolling plan.</p> <p>The work on some of the elements above started in 2015, with a pilot evaluation of the Enterprise content management (ECM) programme based on the outcome of the Benefits realisation management exercise (outsourced evaluation covering the ECM programme retrospectively and the future ECM strategy). The gap analysis performed by ECHA helped to assess the coverage of the evaluation criteria as stipulated in the Commissions' Better regulation guidelines and to collect lessons learnt for the purposes of future evaluations.</p> <p>In addition, the contract management audit performed in 2015 covered some sampling of the existing project documents (vision and project closure documents in particular) in order to identify the gaps compared to the evaluation criteria as per the Financial Regulation and Commission's guidelines, in view of strengthening the existing project and programme governance framework. Its recommendations have been taken into account in the development of the evaluation approach as stipulated above.</p> <p>Furthermore, an ex-post evaluation of the CSA (Chemical Safety assessment) programme commenced in 2016. The evaluation is being conducted by the ECF who have reviewed the programme from inception to implementation and also assessed the internal resources expended over the life of the programme to date. In conjunction to the work of the ECF, two external consultants were appointed to assess the CSA programme from the industry and member state point of view. The results of this evaluation are expected at the end of October 2016.</p>	
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3.	<p>The Council, while acknowledging the multiannual nature of certain IT-related operations, reiterates its call on the Agency to continue improving its financial management in order to limit carry-overs of committed appropriations to the following financial year to the strict minimum, in line with the budgetary principle of annuality. It invites the Agency to exercise budgetary prudence when forecasting expected revenues from fees.</p>	<p>With the exception of year 2014 for the BPR (start-up) regulation, the Agency has been very prudent in forecasting the expected fee revenue under both REACH/CLP and BPR regulations. This prudence approach has resulted in revising the fee estimates upwards during the budget year and reducing the EU subsidy needs in 2015-2016. In general, the high dependency on fee income also contributes to the problem of carry-overs if the fee income is cashed late in the budget year and the commitments are undertaken only after having full certainty on the realised income.</p> <p>In 2015, the Agency has continued its efforts to limit the carry-overs to the minimum and to those fully justified. Out of the carry-overs stemming from 2015, more than half concern IT-related operations. When adding the Member State rapporteur contracts that are based on legal deadlines and pending invoicing of ordered translations from the EU agency for translation (CdT), these three areas together account for almost 70% of the total carry-over.</p>	On-going
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