

EUROPEAN COURT
OF AUDITORS

Special Report No 5

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THE EUROPEAN UNION'S AGENCIES: GETTING RESULTS



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THE AGENCIES' AND THE COMMISSION'S REPLIES

EXECUTIVE SUMMARY

I.

The so-called 'regulatory' European agencies are independent, specialised bodies with responsibility for implementing certain aspects of Community sectoral policy. They are different from the executive agencies, which are responsible for implementing Commission programmes financed out of appropriations that remain in the general budget.

II.

The regulatory agencies are subject to the principle of sound financial management. The aim is to guarantee that their results correspond to their objectives. With this in mind, the Court considered whether the regulatory agencies subject to its audit:

- (i) planned their activities adequately;
- (ii) had introduced sound tools for monitoring their activities;
- (iii) gave a proper account of their activities and evaluated their results.

EXECUTIVE SUMMARY

III.

The Court's findings relate to eight regulatory agencies (European Agency for Safety and Health at Work; European Agency for the Management of Operational Cooperation at the External Borders of the Member States; European Environment Agency; European Food Safety Authority; European Foundation for the Improvement of Living and Working Conditions; European Maritime Safety Agency; European Medicines Agency; European Network and Information Security Agency) selected on the basis of a series of criteria such as the type of powers exercised, the length of time they had been established, and the budget or staff numbers. These are the findings covered by this report.

IV.

The agencies did not make *ex ante* evaluations of their programmes, nor did they draw up multiannual programming documents intended to enable them to set medium-term result and impact objectives together with performance indicators.

V.

While the agencies all drew up annual work programmes, these provided little precise information concerning the resources to be allocated to the various actions and the results expected.

VI.

Monitoring tools were still fairly rudimentary in most of the agencies. Information on the use made of the resources allocated to their activities was often scattered. It would be of benefit to promote to all agencies the best practice monitoring systems identified in certain of them. The Commission's role could be reviewed in this respect.

VII.

The lack of sufficiently structured programming frameworks meant that most of the agencies still did not have the performance indicators required by their financial regulations. Furthermore, introducing activity-based budgeting and activity-based management would encourage the agencies to clarify the aims they intend to achieve.

VIII.

As regards the reporting obligation, all the agencies submitted the required reports to their supervisory and discharge authorities. These reports were in most cases descriptive and detailed. However, they provided little information on results apart from indicating the amount of activity.

IX.

All the agencies provided the external evaluations required by their basic regulations. Overall, these evaluations were positive. In cases where they tackled the question of the agencies' effectiveness, the external evaluators said they were hampered by the imprecise nature of the objectives pursued and the lack of tools for measuring the results.

X.

The introduction by the agencies themselves of genuine systems for fixing objectives and assessing results would serve to improve the quality of the annual activity reports and the periodic external evaluations, thus enabling the discharge authority to perform its task in full knowledge of the facts.

INTRODUCTION

- 1.** Showing that results have been achieved has become a priority of public administration. This development is a response to increasing budget tensions and greater demand by citizens for quality public services. As a result, the Member States have gradually introduced into their own public administrations the management methods used in private companies¹ so that, since the 1980s, performance measurement has been a key element of public policy. Such major legislative measures as the UK National Audit Act of 1983, the Performance and Results Act of 1993 in the United States, the Organic Law concerning the Finance Law of 2001 in France or the Public Audit Act of 2001 in New Zealand have accompanied this trend. Despite this, the concept of 'results' remains difficult to define precisely. Whereas in the commercial sector its definition largely corresponds to financial indicators, its meaning in the context of public administration is still a matter for discussion.
- 2.** When considering the product of a public service, it is clear that taxpayers, users and citizens do not always have the same interests. For the first group, what matters is the cost of the service, for the second it is the quality of the service and for the third it is the impact of the service on general well-being. It is to reconcile these various perspectives that the concept of performance has been developed. This examines public services from the point of view of 'inputs', 'outputs', 'outcomes' and 'impact'. For this reason, public administrators are required to apply indicators to measure their performance not only in terms of appropriations used or human resources deployed but also in terms of the added value for society as a whole.

¹ 'Public sector modernisation: governing for performance'
Policy Brief, OECD 2004.

3. The European Union has not ignored this trend (see Figure 1). Whilst the requirement for results applies to its institutions, it also applies to the various decentralised bodies that may be grouped under the heading of the so-called regulatory agencies set up by the European Union (see Box 1). The basic acts of these agencies assign them tasks that are usually in the form of general guidelines with the resources for implementing them, with the result that the agencies then have to draw up action strategies and set priorities that are coordinated with the corresponding Community strategies. These agencies mostly work through measures of an incentive nature, such as recommendations, support from scientific authorities, networking, pooling of good practice, checks on the application of the rules, etc. (see Annex I). It is clear that measuring the performance of legal entities exercising powers that are so difficult to identify is indeed a considerable challenge; this challenge has been imposed on them by the new Community rules, which, since the reform of 2002, have put the concept of getting results at the heart of public administration in the European Union. The framework financial regulation for the agencies thus specifically emphasises the aspects of work programming, objective setting involving the use of performance indicators to measure the implementation of the objectives and evaluation².

² Article 27(3) of Commission Regulation (EC, Euratom) No 2343/2002 of 23 December 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 (OJ L 357, 31.12.2002, p. 72).

BOX 1

CHARACTERISTICS OF THE SO-CALLED REGULATORY AGENCIES

The Commission's working documents distinguish between two types of EU agency: executive agencies and the so-called regulatory agencies. The former are created by decision of the Commission and serve to implement sectoral financial support programmes, the appropriations for which remain in the general budget. The latter are set up by Council regulations or by joint decision with the European Parliament. The so-called regulatory agencies can primarily be distinguished by their funding mechanisms. Two agencies, the Office for Harmonisation in the Internal Market (OHIM, Alicante) and the Community Plant Variety Office (CPVO, Angers) are financially independent and invoice all their services³.

The others receive a subsidy from the general budget for all or part of their activities. In the first case, discharge is given by their management board; while in the second case, discharge for their management is given by the European Parliament on a recommendation from the Council. It is this second group of agencies to which the provisions of Article 185 of the general financial regulation refer. The nature of the activities carried out by the agencies varies considerably depending on the case. Annex I shows the agencies classified according to the kind of powers they exercise and the scope of these powers in relation to European integration.

³ The self-financing of the Translation Centre for the Bodies of the European Union (CdT, Luxembourg) is currently the subject of a dispute between the Commission and the Centre.

FIGURE 1

LEGISLATIVE REFORMS INTENDED TO PROMOTE A RESULTS-DRIVEN APPROACH IN PUBLIC ADMINISTRATION IN THE UNITED STATES, FRANCE AND THE EUROPEAN INSTITUTIONS

United States

In 1993, the United States Congress adopted the Government Performance and Results Act. This act requires the federal agencies to present five-year strategic plans to Congress. They are accompanied by performance plans comprising measurable objectives, the means of achieving them, monitoring indicators, tools for evaluation and internal review as well as an annual performance report accompanied, where appropriate, by the necessary corrective measures. Priority was given to indicators with socio-economic impact rather than activity or productivity indicators. The close involvement of the various audit bodies guarantees the quality of the information systems and the reliability of the performance data. The American federal administration's concern for the objectives pursued and its performance culture are also important factors in ensuring the success of the reform. The act was supplemented by the programme assessment rating tool (PART) which appeared on the President's management agenda for 2000. Through their own assessment of the content and origin of their programmes, their strategic planning and management as well as their results and their impact, the agencies must arrive at an improvement plan. By providing a standard structure which facilitates comparisons between the agencies, PART encourages the spread of best practice.

France

Promulgated on 1 August 2001, the *loi organique relative aux lois de finances (LOLF)* (organic law concerning the finance law) represents an attempt in France to put performance at the centre of the budgetary and administrative architecture. Fully implemented since 1 January 2006, the organic law first of all establishes a new budget nomenclature. The budget is no longer presented according to the nature of the expenditure but by public policies that are henceforth referred to as 'missions'. These are divided into units of parliamentary authorisation called 'programmes'. A programme represents a global, defined amount of appropriations but each programme allows for great flexibility in allocating resources, with the exception of staff costs, which are capped. The LOLF also changed budget voting procedures by requiring a debate and a vote on each mission, which gives Parliament a real opportunity to discuss major financial issues. The LOLF also introduces a performance approach into the management of public programmes. It requires the preparation of annual performance projects (*projets annuels de performance*) (PAP), which set out the activities of the various administrations for the coming year. Each programme is associated with precise objectives that are linked to result indicators. The objectives are evaluated the following year in the annual performance reports (*rapports annuels de performance*) (RAP). The French Court of Auditors is required to take account of the results recorded.

FIGURE 1

European Union

The European Union has also placed a results-based approach at the centre of its activities. The principle of sound financial management, by which is meant compliance with the principles of economy, efficiency and effectiveness, was more strongly affirmed through the amendment of the general financial regulation in 2002 and the introduction of the framework financial regulation for the agencies. These two regulations establish a budget management structure that is geared to performance. First, annual programming requires specific, measurable, achievable, relevant and timed objectives to be set for all the sectors of activity covered by the budget. Achievement of these objectives is to be monitored by performance indicators for each activity, which results in a strong incentive to adopt an activity-based budget. To facilitate the implementation of the programme, any proposal for a programme or an activity must be subject to *ex ante* evaluation. This identifies, in particular: the need to be satisfied in the short or long term; the objectives to be achieved; the results expected and the indicators needed to evaluate them; the risks associated with the proposals and the alternatives available; any lessons drawn from previous similar experience; the volume of appropriations, the human resources and other administrative expenditure to be allocated on the basis of the cost/effectiveness principle; and the monitoring system to be set up. At each agency, the authorising officer is required to submit an annual activity report to the management board stating the results of the operations by reference to the objectives originally set, the risks associated with these operations, the use made of the resources provided and the way the internal control system functions. The activities carried out must also be evaluated *ex post*, both to assess the results achieved and to improve subsequent programming. As external auditor, the European Court of Auditors is responsible for verifying the sound financial management.

AIMS AND SCOPE OF THE AUDIT

4. The aim of the audit was to consider whether the agencies selected for this audit had introduced the procedures and tools needed to provide reasonable assurance that their activities were performed in such a way as to achieve the results expected. It therefore did not entail making an appraisal of the agencies' specific results (see Box 2). The audit addressed three questions.
- (a) Did the agencies plan their activities adequately by setting themselves specific, measurable objectives?
 - (b) Did the agencies introduce sound tools for monitoring their activities?
 - (c) Did the agencies report properly on their activities and evaluate their results?

The different aspects of the Commission's role were also examined so as to obtain a fuller picture of the area covered by the audit.

BOX 2

PERFORMANCE AUDITS

The Court's performance audit manual⁴ specifies two approaches for conducting performance audits: (i) auditing performance directly (focusing on the substance of the results); (ii) auditing control systems. This latter approach seeks to determine whether the Commission and the other audited

bodies have drawn up and implemented appropriate management and monitoring systems so as to optimise the economy, efficiency and effectiveness of their activities, taking into account the prevailing constraints. The audit is thus devoted to analysing and evaluating the key elements of these systems.

⁴ The Court's performance audit manual is available at the following address: www.eca.europa.eu

- 5.** Because of the large number of EU decentralised bodies, the Court was obliged, for this first audit of results-oriented management, to be selective and to exclude the executive agencies from its audit enquiries owing to their close dependence on the Commission. Of the so-called regulatory agencies, the Court decided to audit only those covered by Article 185 of the financial regulation, because they are supposed to constitute a homogeneous population in terms of how they are administered⁵ and they are required to set up management systems geared to achieving results. The budgets of these agencies totalled EUR 556 million for 2007 (see Annex II).

⁵ The Commission shall adopt a framework financial regulation for the bodies set up by the Communities and having legal personality which actually receive grants charged to the budget. Discharge for the implementation of the budgets of the bodies referred to in paragraph 1 shall be given by the European Parliament on the recommendation of the Council. The Commission's internal auditor shall exercise the same powers over the bodies referred to in paragraph 1 as they do in respect of Commission departments. The bodies referred to in paragraph 1 shall apply the accounting rules set out in Article 133 so that their accounts can be consolidated with the Commission's accounts (Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1)).

6. Fourteen 'regulatory' agencies⁶ replied to a detailed questionnaire (see Box 3). Eight of them were then selected for an on-the-spot audit. This was done by applying a series of criteria intended to cover the various situations prevailing at the time of the audit, such as type of powers, state of the management systems, length of time established, budget or staff numbers. The agencies that were subject to an on-the-spot audit were informed of the findings of the Court's auditors and replied to them. These are the findings that form the basis for this report. It should be pointed out that only the situation in recent years (2005–07) was examined, and also the programming for the financial year 2008. Annex III provides an overview of the audit criteria and the observations made following the on-the-spot visits.

⁶ Despite being subject to discharge by the budgetary authority for the financial year 2006 under the terms of Article 185 of the financial regulation, the following agencies were excluded from the audit: the European Fundamental Rights Agency (FRA, Vienna) because of the extent of the amendments made to its mandate at the time of the audit; the European GNSS Supervisory Authority (Brussels) and the European Police College (Cepol, Bramshill) because, having only very recently been set up, it was not possible to perform any conclusive audit; the European Agency for Reconstruction (EAR, Thessaloniki), as its mandate expires at the end of 2008; the European Judicial Cooperation Unit (Eurojust, The Hague) and the Translation Centre for the Bodies of the European Union (CdT, Luxembourg), whose activities are particularly atypical as compared with the other 'regulatory' agencies.

BOX 3
AGENCIES CONCERNED BY THE AUDIT
AGENCIES SUBJECT TO AN ON-THE-SPOT VISIT

- (1) European Agency for Safety and Health at Work (EU-OSHA, Bilbao), visited in June 2007;
- (2) European Agency for the Management of Operational Cooperation at the External Borders (Frontex, Warsaw), visited in October 2007;
- (3) European Environment Agency (EEA, Copenhagen), visited in June 2007;
- (4) European Food Safety Authority (EFSA, Parma), visited in October 2007;
- (5) European Foundation for the Improvement of Living and Working Conditions (Eurofound, Dublin), visited in June 2007;
- (6) European Maritime Safety Agency (EMSA, Lisbon), visited in October 2006;
- (7) European Medicines Agency (EMA, London), visited in September 2007;
- (8) European Network and Information Security Agency (ENISA, Heraklion), visited in April 2007;

BOX 3**AGENCIES CONCERNED BY THE AUDIT**

OTHER AGENCIES REPLYING TO THE QUESTIONNAIRE

- (1) European Aviation Safety Agency (EASA, Cologne);
- (2) European Centre for Disease Prevention and Control (ECDC, Stockholm);
- (3) European Centre for the Development of Vocational Training (Cedefop, Thessaloniki);
- (4) European Monitoring Centre for Drugs and Drug Addiction (EMCDDA, Lisbon);
- (5) European Railway Agency (ERA, Valenciennes);
- (6) European Training Foundation (ETF, Turin).

OBSERVATIONS

RESULTS-DRIVEN PLANNING OF MEASURES

⁷ EU-OSHA, Frontex, EEA, EFSA, EMEA.

7. Sound planning should be undertaken at regular intervals, identifying clear objectives, specifying the action to be taken and the resources to be devoted to it and defining the approach and the timetable to be followed. Each task that is adopted should be accompanied by results indicators. In each case, the Court examined whether the basic regulatory requirements concerning planning had been complied with, but also whether this planning fitted into a multiannual framework that was consistent with the Community's sectoral strategy and whether the objectives and the indicators had been set on completion of an *ex ante* evaluation, taking into account the results of the risk analyses.

MULTIANNUAL STRATEGY

8. The action taken by the agencies is usually part of a multiannual, sectoral Community strategy to which they are required to contribute. Among the agencies which have opted for a multiannual approach, several have considered it necessary to adopt a specific strategy that dovetails with the Community's sectoral strategy⁷ (see Box 4).

BOX 4

COORDINATION OF THE SPECIFIC STRATEGY WITH THE COMMUNITY STRATEGY – THE EUROPEAN ENVIRONMENT AGENCY (EEA)

In November 2003, the agency adopted its strategy document for 2004–08 and is currently preparing a similar document covering the period 2009–13. The agency's main activities are presented under four headings: (i) climate change; (ii) loss of biodiversity and greater understanding of natural habitats; (iii) protection of human health and the quality of life; (iv) sustainable use and management of natural

resources and waste. Specific priorities have been set for each of these topics. The agency formulated its strategy after intensive consultation with the various stakeholders. The topics that have been adopted reflect the key priorities of the Community's sixth environmental action programme (2002–12): it is thus possible to identify the contribution the agency is expected to make to Community sectoral policy.

- 9.** The audit showed that the agencies had carried out multiannual planning if this was explicitly required by their basic act⁸. Where this was the case, however, the expected results were not stated sufficiently clearly to serve as a good basis for the subsequent evaluation of the actual progress made.
- 10.** Some of the basic acts require the agencies to undertake rolling planning covering between three and five years, depending on the case⁹. The chief advantage of such an approach is that there is an ongoing and updated perspective covering several years. Each year, the year that has just passed is replaced by a new final year in the planning. Despite this regulatory requirement, none of the agencies had set up such a system, as it was regarded by the managers as too complex. The management boards had simply adopted multiannual documents according to the stated periodicity.
- 11.** It sometimes happens that an agency's multiannual planning straddles two successive Community strategies. This lack of coordination and, therefore, consistency with the political or institutional points of reference took away some of the purpose of the multiannual planning and curtailed its potential benefits, in particular as regards dialogue with the discharge authority.
- 12.** The agencies' framework financial regulation¹⁰ stipulates (Article 25, paragraph 4) that, in order to improve decision-making, the Community bodies must carry out *ex ante* evaluations of their programmes. The *ex ante* evaluation, a kind of feasibility analysis, looks in particular at the questions that need to be settled, the evaluation of needs, the setting of objectives and related indicators (outcomes and impact), comparison of possible options, the appraisal of the added value brought by the Community measures and the planning of monitoring and evaluation. One of the *ex ante* evaluation's main advantages is that it obliges the agencies to present their objectives in a structured manner¹¹ that underpins the whole planning process. However, the agencies had not made a formal *ex ante* evaluation of their multiannual planning and, in many cases, the objectives set were expressed too vaguely to allow effective follow-up.
- ⁸ EU-OHSA, EEA, EFSA, Eurofound, and, of the other agencies that replied to the questionnaire, ECDC, EMCDDA, ETF. Although their basic acts do not require it, Frontex and EMEA have also carried out such an exercise.
- ⁹ EU-OSHA, EFSA, Eurofound, and, of the other agencies that replied to the questionnaire, ECDC, ETF.
- ¹⁰ Commission Regulation (EC, Euratom) No 2343/2002.
- ¹¹ General (strategic) objectives together with impact indicators; specific objectives together with performance indicators; operating objectives together with implementation indicators.

- 13.** Furthermore, the question of human resources had not been consistently included in the multiannual planning documents even though this represents a major constraint. The Commission has nevertheless recommended that each agency draw up a multiannual plan for its staff policy¹² and a first series of plans was prepared in June 2007 as part of the budget procedure at the European Parliament's request.

¹² Known as the staff policy plan.

¹³ See also Article 40 of the agencies' framework financial regulation.

ANNUAL WORK PROGRAMME

- 14.** The basic regulation of each agency requires its director to submit a work programme to the management board¹³ for approval. In practice, all the agencies did indeed have an annual work programme that had been drawn up within the time limits. Preparing the work programme is a lengthy process, usually lasting for the first nine or 10 months of the preceding year. In most cases, the management boards had examined the draft programmes submitted by the director in two stages (spring and autumn) and at the same time as the discussion of the agency's budget (see Box 5). Certain draft measures included in the annual work programme had undergone an *ex ante* evaluation. The support bodies (scientific committee, advisory forum, group of stakeholders, etc.) had always been consulted on the draft work programmes. Where the management board had an executive bureau, there had been a particularly in-depth dialogue at this level.

BOX 5

PREPARATION OF THE ANNUAL WORK PROGRAMME – THE EUROPEAN MEDICINES AGENCY (EMA)

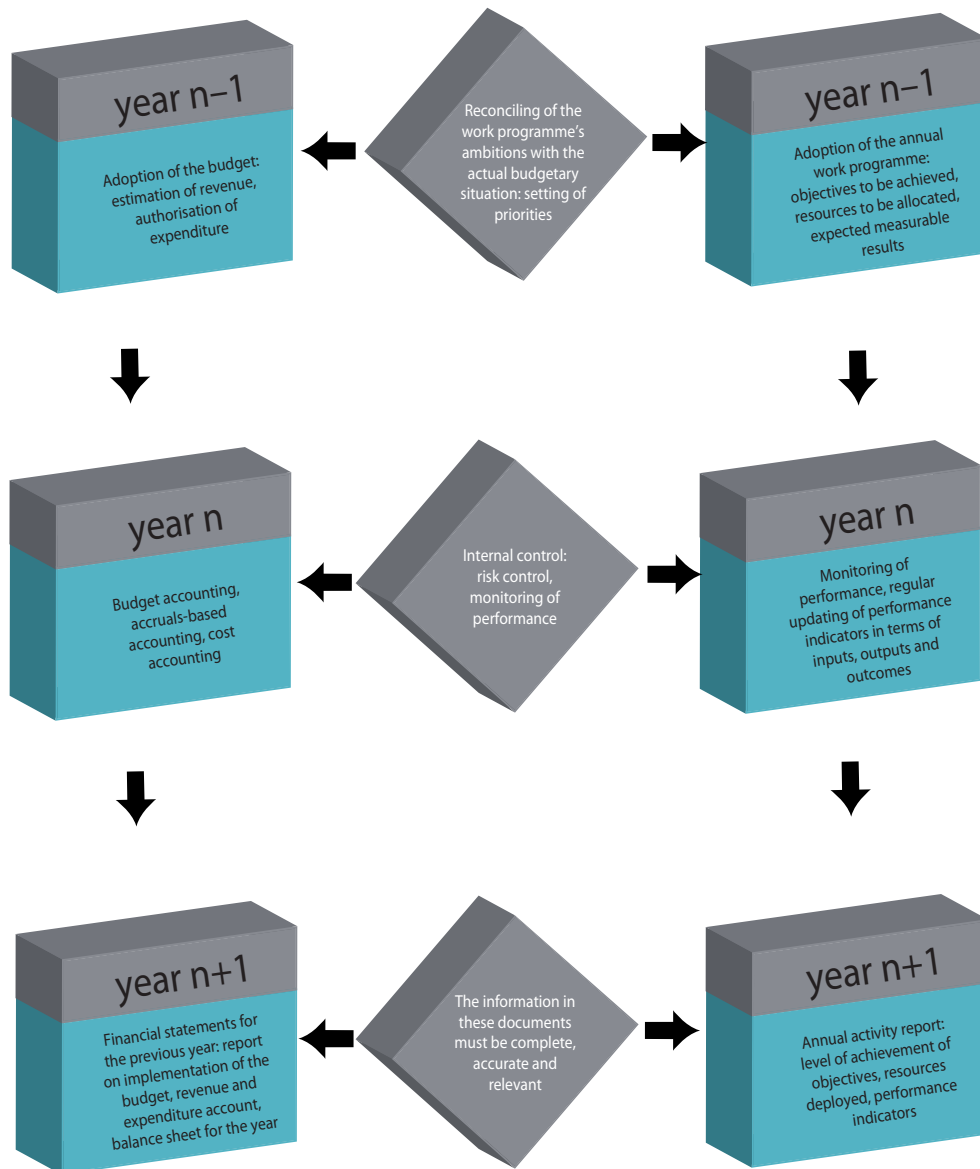
The preparation process starts during the summer of year *n-2* when each of the agency's units draws up a 'context analysis' for its area of competence. Management then prepares planning guidelines on these bases in September (*n-2*). Next, the units draw up detailed drafts of the work programme in the last quarter of the year (*n-2*). These drafts are consolidated and a draft programme is submitted to the management board at the same time as a preliminary draft budget at the beginning of year *n-1*. This draft

programme is revised by management in September (*n-1*) before being once again presented to the management board for approval in December (*n-1*) together with the draft budget. This comprehensively documented process involves all the stakeholders and aims at each aspect of the programme being studied in detail and defined precisely. It guarantees that decisions are taken in full knowledge of the facts when the draft budget is presented to the Commission.

- 15.** Where the agency had a multiannual programme, its structure was barely reflected in the agency's annual programmes. In almost all the agencies¹⁴, the structure of the successive annual work programmes had not been sufficiently stable to allow comparisons from one year to another. Stability in the structure of the programming documents is, however, one of the cornerstones of results appraisal because the measures that are taken are very often of long duration.
- 16.** The agencies' framework financial regulation requires them to make an analysis of their operating risks (Article 38, paragraph 4). Of the agencies which had made a risk analysis¹⁵, none had assessed the risks generated by the lack of relevant performance indicators despite the fact that these were required for measuring the impact of the operations that were carried out. In many cases, the risk analyses concerned individual projects rather than the programmes as a whole.
- 17.** The resources allocated to the work to be carried out in response to specific requests by the Commission had not always been identified. Even where the agencies were called upon to supply the Commission with a significant volume of particular services (scientific opinions, studies, investigations, checks on economic operators, etc.), the relative importance of these activities remained unclear¹⁶.
- 18.** Even though the agencies' framework financial regulation stipulates (Article 25, paragraph 3) that specific, measurable, achievable, relevant and timed objectives must be set for all the sectors of activity covered by the budget, not all the activities of annual work programmes were described with the same degree of precision. As a result, it was not only difficult to monitor the allocation of resources but also the points of reference allowing the identification of the outcomes to be achieved often remained vague.
- 19.** The agencies' framework financial regulation lays down (Article 30) that a budget nomenclature classified by activity¹⁷ (purpose) (as opposed to the classic nomenclature by the nature of expenditure) may be used by Community bodies in so far as it is justified by the nature of their activities. This arrangement aims to make the priority-setting more result-oriented and to better allocate human and financial resources in accordance with the priorities that are adopted¹⁸. Furthermore, the consistency thus achieved between operational planning and budgetary planning (see Figure 2) should be reflected by an accounting approach that provides a basis for evaluating results. Although, for their internal management needs, three of the agencies had indeed prepared an activity-based budget¹⁹, neither had yet submitted it to its management board for approval for the purpose of subsequent implementation.
- ¹⁴ Frontex, EEA, EFSA, Eurofound, EMSA, EMEA, ENISA.
- ¹⁵ EU-OSHA, EEA, EFSA, Eurofound, EMEA.
- ¹⁶ EU-OSHA, Frontex, EFSA.
- ¹⁷ ABB or activity-based budgeting.
- ¹⁸ ABM or activity-based management.
- ¹⁹ EU-OSHA, EFSA, EMEA.

FIGURE 2

**SYMMETRIES BETWEEN THE BUDGETARY PROCEDURE
AND THE IMPLEMENTATION OF THE ANNUAL WORK PROGRAMME**



- 20.** Lastly, it was seldom possible to establish the link between the human resources stated in the work programme and those in the establishment plan²⁰, since there is no formal requirement for this to be done. The allocation of resources can most easily be assessed, and the division of responsibilities is clearest, in cases where the structure of the work programme mirrors that of the agency's establishment plan. In several cases²¹, it was only for certain measures that the agencies stated the resources they were intending to deploy. The volume of unallocated resources was then often so large that it was not possible to determine whether the basis used for drawing up the establishment plan was valid.

²⁰ The establishment plan lists the agency's officials and temporary staff, broken down by number, category and grade (Article 27, paragraph 3). It is attached to the agency's annual budget and voted on by the budgetary authority. It does not include contract staff and seconded national experts.

²¹ Frontex, EEA, EFSA.

INTRODUCTION OF ACTIVITY-MONITORING TOOLS

- 21.** The tools for monitoring activities should give management a representative view of the state of progress of the work programme tasks and the extent to which the set objectives have been met. The Court examined the systems set up for this purpose by the agencies and the use being made of them for supporting the decisions taken by the administrative and management bodies.

ORGANISATION OF THE MONITORING

- 22.** The agencies' framework financial regulation requires (Article 25, paragraph 3) that the director report to the management board on the achievement of the objectives set for all the sectors of activity covered by the budget and that the achievement of these objectives be monitored by performance indicators. Whilst all the agencies were well aware of the need to have a targeted set of indicators for monitoring the progress of their activities, not one of them had yet set up such a monitoring mechanism at management board level.

- 23.** Most of the agencies²² had adopted a scoreboard system for monitoring the implementation of their work programme. The scoreboard systems were very often regularly monitored by a steering committee consisting of the agency's main management staff. The data shown in the scoreboard systems were usually generated by mechanisms for monitoring the implementation of the individual tasks and projects of the work programmes. Two of the agencies²³ had adopted the so-called 'balanced scorecard'²⁴ method but its implementation was still in its infancy (see Box 6).
- 24.** The monitoring mechanisms described in the previous paragraph were not all complete. In practice it was not easy to evaluate the human resources actually allocated to a particular task because there was no system for tracking the time staff devote to carrying out the tasks in the work programme. Some of these mechanisms were proving useful for dividing up the tasks and projects between the various departments. However, as they were not subsequently kept up to date within a reasonable timeframe, their usefulness for monitoring the progress of projects on a day-to-day basis remained limited. Only one agency²⁵ had set up a full, integrated system for managing its work programme; this system could prove transferable to other agencies (see Box 7).

²² EU-OSHA, Frontex, EEA, Eurofound, EMSA, EMEA, ENISA.

²³ EEA, Eurofound.

²⁴ Also known as the Kaplan Norton method, this links strategic objectives to operational management, usually from four different viewpoints, for example: financial management, user satisfaction, internal functioning and development of (human and material) resources.

²⁵ EEA.

BOX 6

'BALANCED SCORECARD': THE EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (EUROFOUND)

Eurofound has recently set up a system for monitoring its activities using the 'balanced scorecard' technique. This system aims to identify the departments' effective functioning from various perspectives and to assess the progress made by using performance indicators. The use of indicators makes it possible

to measure progress against goals and objectives and in so doing to assess the effectiveness of the agency's operating strategy. Once it is fully in use, this system should become a valuable management monitoring instrument.

25. The sporadic presence in the agencies of the internal auditor provided for by Article 185, paragraph 3, of the general financial regulation²⁶ had resulted in several of them setting up their own permanent internal audit function. These changes were still too recent to have had a significant impact on the way the agencies were organised, in particular as regards introducing structured systems for monitoring their work programmes from the point of view of results-oriented financial management.

RELEVANCE OF THE INDICATORS

26. The indicators, whether quantitative or qualitative, may relate to the resources deployed, the work carried out, the results obtained and the impact of the programmes that are undertaken. For their annual planning, the agencies used indicators for the deployment of resources (inputs) and for the volume of work (outputs). In no case had they adopted measurable outcome or impact indicators²⁷. Thus, in cases where the agencies had tried to characterise the outcomes and impact of their actions, they had been reluctant to use quantitative indicators²⁸. They had preferred qualitative indicators²⁹, as these, being based on more subjective appraisal, were flexible to use. Nevertheless, even in such cases, the quality and significance of the indicators depended to a large extent on whether the objectives being pursued were clear and well defined, and this is still an area where significant progress is possible (see paragraph 12).

²⁶ Article 185(3) of the financial regulation applicable to the general budget stipulates that the Commission's internal auditor exercises the same powers over the decentralised bodies as he/she does in respect of Commission departments. In this respect, the Commission's internal auditor has conducted in-depth audits of the application by the agencies of internal control standards.

²⁷ The Commission's guide 'Activity-based management and strategic planning and programming, October 2004' gives examples of such indicators.

²⁸ For example: proportion of opinions delivered within a set time limit; number of checks carried out during a certain period as compared with the objectives set beforehand; or rate of increase in consultation of information posted on websites.

²⁹ For example: satisfaction of stakeholders; contribution to the drawing-up of Community sectoral policies; relevance of risk analyses.

BOX 7

MANAGEMENT PLAN SYSTEM: THE EUROPEAN ENVIRONMENT AGENCY (EEA)

To manage its performance, the agency has set up an integrated management control system (the management plan system) which combines various management IT applications: (i) financial applications, which give information about the extent to which commitment and payment appropriations have been used; (ii) the 'career development cycle' application, enabling the consistency between job descriptions, individual performance and the implementation of remedial action to be confirmed; (iii) the time-tracking system for recording time worked; (iv) the system for monitoring publications, which links each product to a work programme measure. This integrated system enables management to track the progress of the agency's projects and the use of resources in real time.

- 27.** The question of indicators is closely linked to the existence of relevant basic data which do not require significant resources to be kept up to date. Work on identifying such data was still limited. Furthermore, the indicators stated in the work programmes were not systematically monitored. ³⁰ EU-OHSA, EEA, EFSA.
- 28.** Three agencies³⁰ had given consideration to introducing results-based performance indicators and are intending to achieve a pilot implementation phase in the course of the financial year 2008. However, whilst it is relatively easy to report on the resources deployed or the work accomplished within the space of a year, it is much less so to report on outcomes or impact, as one year often proves to be too short a period for a large number of measures. In this respect, the importance of the *ex ante* evaluations and the multiannual programmes (see paragraph 12) needs to be emphasised.

PERFORMANCE REPORTS AND EVALUATION

- 29.** Annual reports have to give a full, accurate overview of the activities carried out, the resources deployed and the results achieved. The Court evaluated the quality of the reports provided as instruments for measuring the progress of the work against the objectives set in the work programmes. It also analysed the scope and range of the internal and external evaluations and the recommended remedial measures. Figure 3 shows the various stages of a management process geared to achieving results, which culminates in an activity report and evaluations.

FIGURE 3

EXAMPLE OF A MANAGEMENT PROCESS GEARED TO ACHIEVING RESULTS (THE EUROPEAN ENVIRONMENT AGENCY)



ANNUAL ACTIVITY REPORT

- 30.** The agencies' framework financial regulation stipulates (Article 40) that the authorising officer must report to the management board on the performance of his duties in the form of an annual activity report, together with financial and management information. This report must indicate the results of the agency's operations by reference to the set objectives, and the use made of the resources provided. This provision thus shows that the reporting obligation must relate to performance against objectives. All the agencies, as required, submitted activity reports in support of their year-end accounts and presented them to their management boards. Some of these reports³¹ were even made available to the general public³².
- 31.** The reports dealt for the most part with the activities carried out during the year. Explanations were given mainly about the nature and scale of these activities and sometimes about the amount of resources that have been used. The extent to which objectives had been met and the impact of the agency's work were questions that were seldom covered (see Box 8).
- 32.** For the sake of transparency, the activity report needs to be structured in the same way as the work programme to which it relates. Five of the agencies that were audited organised their reports in this way³³.

³¹ EU-OHSA, EEA, EFSA, Eurofound, EMSA, ENISA.

³² The reporting obligation also relates to knowledge sharing. For this purpose, each agency uses the possibilities afforded by the Internet. However, the difficulties encountered by the agencies in making their websites multilingual, so as to facilitate consultation by citizens of all Member States, are hindering access to the data they contain.

³³ Eurofound, EEA, EMEA, EU-OHSA, EMSA.

BOX 8

IMPACT ASSESSMENT SYSTEM FOR AN AGENCY'S WORK – THE EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (EUROFOUND)

The main objective pursued by the foundation is to 'contribute' to the drawing-up of Community policies in the field of living and working conditions. This involves supplying targeted information, reliable data and relevant analyses to a number of decision-making bodies. The foundation has developed a system for monitoring the information which it supplies. This system seeks to evaluate the use made of the information it sends to the target bodies and its

impact on the decision-making process at the level of the Community institutions and its social partners. In particular it measures the extent to which the European Parliament makes direct use of the foundation's findings, as well as the foundation's participation in the preliminary stages of the decision-making process. The conclusions drawn from this impact assessment system are particularly well described in the foundation's annual report.

- 33.** The management boards appeared to be satisfied with this partial application of the regulatory provisions. They had still not asked for reporting to be done on the basis of the objectives set in the multiannual programmes in order to obtain an overview in terms of the results obtained. In general, where the agencies' management boards based themselves solely on the reports submitted to them, they were not able to precisely identify either the outcome or the impact of the agencies' work. However, they did obtain a reasonably reliable measure of the level of activity.
- 34.** In most of the reports, the fact that there was no activity-based budget made it difficult, if not impossible, to establish the link between the actual activities and the implementation of the budget. The Commission's guidelines for authorising officers on the subject of activity reports had not been transposed to the agencies. Even though this reconciliation of activities with the budget was a key aspect of the agencies' governance, the management boards had not adopted any clear guidelines as to the information that they were expecting from management in order to ascertain that the work programmes' objectives were in fact being pursued.

EVALUATIONS

- 35.** The framework financial regulation (Article 25, paragraph 4) requires the agencies to regularly carry out *ex post* evaluations of their programmes and activities. In practice these evaluations provide useful input to the periodic updating of strategies and for organising the agencies' structure. Some basic regulations require the corresponding agencies to make an initial evaluation three or five years after they have been set up, followed by subsequent evaluations at regular intervals. The agencies always complied with these rules and the evaluations were produced within the time limits.
- 36.** Nevertheless, these initial evaluations for the most part only tackled questions relating to the start-up (fitting-out, organisation, recruitment). The problem is that the deadlines which are imposed by the basic regulations do not take sufficient account of the fact that it is hard for an agency to reach its 'cruising speed' until it has been in existence for two years. So it is not until the second evaluation that the question of performance is dealt with.

37. In most cases, the agencies themselves have carried out internal evaluations of their projects and have called on outside parties to make evaluations of all their activities for a given period (see Box 9). Most of the external evaluations had been commissioned by the agencies themselves. In one case, certain consultants had made successive evaluations of the same agency³⁴. These situations were not without risk to the evaluators' independence.

³⁴ EU-OHSA.

38. The conclusions of the eight evaluations that were examined³⁵ were positive overall but in general regretted the vagueness of the objectives being pursued and the lack of performance indicators. For example, in order to assess performance and to compensate for the lack of internal data, the assessors had often conducted enquiries at the agencies' stakeholders.

³⁵ EU-OHSA (1), Frontex, EEA (1), EFSA (1), Eurofound (2), EMSA, EMEA (1) and ENISA (2) had not yet undergone external evaluations.

BOX 9

ASSESSMENT BY BENCHMARKING – THE EUROPEAN MEDICINES AGENCY (EMA)

The agency belongs to the BEMA (benchmarking of European medicines agencies) network, which has the broad aim of contributing to the development of a world-class regulatory system for pharmaceutical products based on best practice in the sector. It stems from the wish to improve performance at all levels by means of comparing know-how and by learning from each other. Using a common evaluation system, each agency has performed a self-assessment by measuring itself against 12 key performance criteria and 44 specific indicators covering all its main activities. A team of three assessors from other agencies

in the network has then repeated the assessment by applying the same indicators, thus enabling the areas in which the agency is performing below par to be identified. Plans to bring these areas up to standard have then been drawn up with three levels of priority (high, medium, low). The last assessment exercise took place in 2006. As the agency was found to be performing above par, no action to bring it up to standard was necessary. This type of approach allows the thematic networks bringing together a Community agency and national agencies to be strengthened.

- 39.** Hardly any correlation was made between the multiannual programming and the overall evaluations, thus restricting the effect of these exercises. The measurement of performance against aims remained largely intuitive (see paragraph 27). In all cases, the evaluation reports had been examined by the agencies' management bodies. However, the drawing-up of action plans for implementing the remedial measures in response to the assessors' conclusions had not been systematically required by the management bodies.
- 40.** In September 2003, a 'meta-evaluation of the agencies' was published by the Commission on the basis of the external evaluations available at the time. The agencies' management boards had not asked for a systematic examination of the overall recommendations made on this occasion, despite their relevance.

³⁶ The Commission, for example, has recommended that each agency set up a multiannual staff policy plan, Sec Gen C(2005) 5304.

³⁷ Article 71(2) of the framework financial regulation for the agencies.

³⁸ Cf. the meta-evaluation of 2003 made on the basis of the external evaluations available at the time.

³⁹ COM(2005) 59, draft interinstitutional agreement on the operating framework for the European regulatory agencies. In-depth study of this document has been postponed by the Council since 2006.

THE COMMISSION'S ROLE

- 41.** Several Commission departments are involved with the agencies: the directorates-general (DG) with which they are associated for the sectoral part, the Budget DG for the financial part and the Personnel and Administration DG³⁶ for all human resources questions. The Commission's Internal Audit Service exercises the same powers with respect to the Community bodies as with respect to Commission departments³⁷ and bases its audits on the same internal control standards (see paragraph 25). Lastly, in the General Secretariat there is a unit responsible for institutional matters which deals with issues concerning relations between the agencies and the Commission.
- 42.** The agencies encountered difficulties in using the services proposed by the Commission in respect of activity-based management and monitoring of performance against objectives. As a consequence, the agencies as a whole were not in a position to identify the best practice management systems they could adopt, as many of them were too small to determine and develop the management solutions most suited to their needs.
- 43.** The Commission also plays a role in appraising the results achieved by the agencies. The associated directorates-general are primarily the recipients of the agencies' work and are able to judge its added value. Furthermore, the Commission takes initiatives in order to evaluate³⁸ the agencies' systems and, if need be, to propose improvements³⁹. Nevertheless, during its audit the Court did not obtain proof that the Commission's representatives on the agencies' management boards had asked for the overall recommendations made in the meta-evaluation (see paragraph 40) to be systematically examined.

CONCLUSIONS AND RECOMMENDATIONS

- 44.** One of the key objectives of the major administrative and financial reform carried out by the European Union⁴⁰ was to make its management more focused on results by overhauling the strategic planning cycle and introducing activity-based budget management. In terms of the reform's objectives, the agencies were still lagging behind as regards setting up management systems geared towards getting results.

⁴⁰ Commission reform, COM(2000) 200 final of 5.4.2000.

DID THE AGENCIES PLAN THEIR ACTIVITIES ADEQUATELY BY SETTING THEMSELVES SPECIFIC AND MEASURABLE OBJECTIVES?

- 45.** The shortcomings in the planning were not conducive to effectively assessing the results achieved in terms of the objectives.
- 46.** Multiannual planning was not in widespread use in the agencies. The objectives that were pursued were all too often vaguely worded and not properly coordinated with the Community's sectoral policy priorities. Engaging the discharge authority in the dialogue that was needed to ensure the transparency and quality of these public services thus proved difficult (see paragraphs 1 to 9).
- 47.** Where multiannual programmes did exist, their underlying strategies were not based on explicit *ex ante* evaluations justifying the priorities that had been selected. This being so, the objectives were not always accompanied by indicators which could act as benchmarks over time for the results obtained and for their impact in terms of Community sectoral strategies (see paragraphs 12 and 13).

- 48.** The annual programmes did not make a sufficient link between the measures to be taken and the resources to be deployed. Although these work programmes underwent a preparation and adoption procedure that was parallel to that for budgets, they did not constitute a basis for transparent operational management because they failed to indicate the expected cost of the planned action (see paragraphs 14 to 18).
- 49.** The widespread lack of any activity-based budgeting, which is one of the basic instruments needed for management transparency, acted as a serious brake on the introduction of a performance-oriented culture (see paragraphs 19 and 20).

RECOMMENDATIONS

- 1.** The agencies should produce a document converting their strategy into a multiannual work programme that has clear objectives and performance indicators corresponding to the requirements of their internal control standard on monitoring performance against objectives and indicators.
- 2.** The agencies should make systematic use of *ex ante* evaluations in order to structure their objectives and the different stages of their multiannual planning.
- 3.** Performance indicators (outcomes and impact) need to be defined as part of the multiannual planning, whereas activity indicators (volume and timetable of inputs and outputs) should be reserved for the annual planning.
- 4.** In the interests of clear programming and transparent management, the agencies should apply the same practices as the Commission by presenting their budgets classified by the purpose of the expenditure according to the ABB/ABM system.

DID THE AGENCIES INTRODUCE SOUND TOOLS FOR MONITORING THEIR ACTIVITIES?

- 50.** The monitoring tools still did not provide the transparency needed for permanent supervision of performance.
- 51.** 'Scoreboard' mechanisms had been set up in all the agencies, which was a sign that the management teams were keen to monitor performance. Nevertheless, these mechanisms were still inadequate and the experience acquired in using them had not been sufficiently shared between the agencies. Introducing monitoring tools did not seem to have been a priority for the agencies' management bodies (see paragraphs 22 and 24).
- 52.** Whereas relatively widespread use was made of indicators for resource allocation and the volume of activity, this was not the case for outcome and impact indicators (see paragraphs 26 to 28).

RECOMMENDATIONS

- 5.** The agencies should set up management control instruments linked to their work programmes and to their budgets.
- 6.** Such instruments should enable all the allocated resources to be identified.
- 7.** The experience gained by some of the agencies could beneficially be made use of by others.
- 8.** The indicators adopted should make it possible to measure the resources deployed and the work carried out as well as the results achieved in terms of outcomes and impact.

DID THE AGENCIES REPORT PROPERLY ON THEIR ACTIVITIES AND EVALUATE THEIR RESULTS?

- 53.** The duty to report was always complied with, but appraisal of the actual results was hindered by the shortcomings in planning.
- 54.** The activity reports submitted by the directors were too often merely descriptive. They dealt more with the type and scope of the work than with performance in terms of the objectives achieved. Seldom did these reports address the question of the obstacles that had been encountered and possible repercussions on future programmes (see paragraphs 30 to 32).
- 55.** The management bodies were not always proactive in introducing a performance-oriented culture and their lack of relations with the discharge authority did not encourage them to embark on this course of action (see paragraph 33).

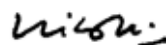
RECOMMENDATIONS

- 9.** In addition to describing the measures that have been taken, the activity reports should offer an assessment of the progress made in terms of achieving the objectives set in the multiannual programmes by using the latter's performance indicators.
- 10.** These reports should also give an indication as to how the programmes should, if necessary, be modified in the light of the situations encountered in practice.
- 11.** Guidelines should be laid down by the management bodies in order to make the reports into genuine instruments of governance.

- 56.** Internal evaluations of projects usually enabled the management teams to learn from the experience gained from work in the field. Overall evaluations entrusted to external experts were regularly undertaken by all the agencies. By and large, their results were positive but most of these evaluations suffered from the weaknesses of the multiannual planning and from the lack of basic data relating to the objectives being pursued. The fact that these evaluations were organised by the agencies themselves without any other outside participants (such as the Commission) entailed risks as regards the independence of the experts' judgement (see paragraphs 35 to 40).

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 June 2008.

For the Court of Auditors

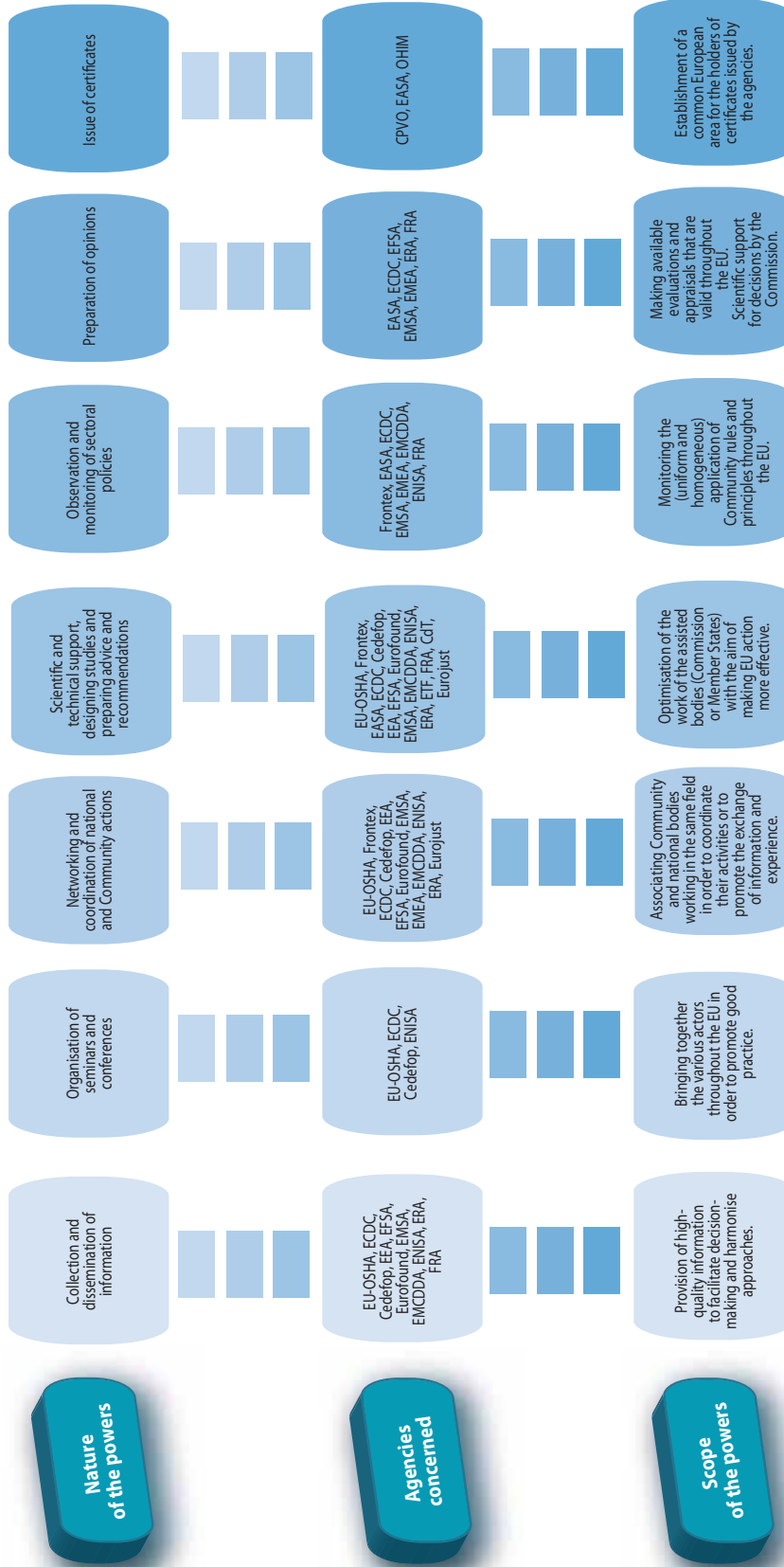


Vítor Manuel da Silva Caldeira
President

RECOMMENDATIONS

- 12.** The frequency with which periodic overall evaluations are made should be linked to the rhythm of the multiannual programmes and the underlying *ex ante* evaluations. In so doing, the performance indicators laid down in the multiannual programmes could be used as benchmarks when it comes to making the *ex post* evaluations.
- 13.** For the sake of independence and consistency, it would be advisable to involve the Commission in performing the periodic overall evaluations.
- 14.** The results of these evaluations should be communicated to the discharge authority according to a set timetable.
- 15.** On this occasion, the director of the agency should be required to present the conclusions that are drawn from the periodic evaluation.

POWERS EXERCISED BY THE EU AGENCIES ¹



¹ A description of the tasks and objectives of each agency referred to in this annex is available in the Court's report on the annual accounts of these bodies for the financial year 2006 (OJ C 309, 19.1.2.2007).

**AGENCIES OF THE EUROPEAN UNION GOVERNED BY ARTICLE 185 OF THE FINANCIAL REGULATION
AND CONCERNED BY THE COURT'S AUDIT**

MAIN DATA

	Agencies and other decentralised bodies of the European Union	Acronym	Head office	Created in	Budget (in EUR million) (2007)¹	Posts authorised (2007)
1	European Agency for Safety and Health at Work	EU-OSHA	Bilbao	1995	14.9	42
2	European Agency for the Management of Operational Cooperation at the External Borders	Frontex	Warsaw	2005	42.2	49
3	European Aviation Safety Agency	EASA	Cologne	2002	72.0	467
4	European Centre for Disease Prevention and Control	ECDC	Stockholm	2005	28.9	90
5	European Centre for the Development of Vocational Training	Cedefop	Thessaloniki	1975	17.4	97
6	European Environment Agency	EEA	Copenhagen	1990	35.1	116
7	European Food Safety Authority	EFSA	Parma	2002	52.2	300
8	European Foundation for the Improvement of Living and Working Conditions	Eurofound	Dublin	1975	20.2	94
9	European Maritime Safety Agency	EMSA	Lisbon	2002	48.2	153
10	European Medicines Agency	EMA	London	1993	163.1	441
11	European Monitoring Centre for Drugs and Drug Addiction	EMCDDA	Lisbon	1993	14.4	82
12	European Network and Information Security Agency	ENISA	Heraklion	2003	8.3	44
13	European Railway Agency	ERA	Valenciennes	2003	16.6	116
14	European Training Foundation	ETF	Turin	1990	21.5	100
	Total				555.1	2 191


¹ Payment appropriations.

MAIN OBSERVATIONS FOLLOWING THE ON-THE-SPOT VISITS

	Satisfac- tory	Not yet	To be improved
	EMSA	EMEA	ENISA
	Eurofound		
	EFSA		
	EEA		
	Frontex		
	EU-OSHA		
<p>DID THE AGENCIES PLAN THEIR ACTIVITIES ADEQUATELY BY SETTING THEMSELVES SPECIFIC AND MEASURABLE OBJECTIVES?</p> <p>1. Multiannual strategy</p> <p>The agency has introduced a multiannual programming procedure.</p> <p>The multiannual programme is both strategic (defining expected results and impact) and operational (calendar, master plan for staff, etc.).</p> <p>The agency has turned the mandate provided by its basic act into a strategy that is coordinated with the Commission's sectoral strategy.</p> <p>Multiannual programming is based on an <i>ex ante</i> evaluation that is strategic in nature.</p> <p>The agency possesses a document that details its human resources policy and is coordinated with its strategic priorities.</p> <p>2. Annual work programme</p> <p>The agency has had access to an annual work programme that was prepared in due time.</p> <p>Stakeholders have been involved in the decision-making process and have been able to express their wishes.</p> <p>The structure of the annual work programmes corresponds to that of the multiannual forecasts. It is stable enough for comparisons to be made over time.</p> <p>The agency has identified the risks associated with its activities.</p> <p>The work programme distinguishes clearly between the activities that support the Commission and its own activities.</p>			

MAIN OBSERVATIONS FOLLOWING THE ON-THE-SPOT VISITS

	EU-OSHA	Frontex	EEA	EFSA	Eurofound	EMSA	EMEA	ENISA	Satisfac- tory	Not yet	To be improved
<p>DID THE AGENCIES REPORT PROPERLY ON THEIR ACTIVITIES AND EVALUATE THEIR RESULTS?</p> <p>5. Annual activity report</p> <p>The annual activity report can be used to measure the achievement of the activities listed in the annual work programme.</p> <p>There is structural consistency between the work programme, the budget, the management accounts and the activity reports.</p> <p>The information received allows the management board to identify the impact of the agency's activities.</p> <p>The agency's internet site is user-friendly and multilingual.</p>	Green	Orange	Green	Orange	Green	Orange	Green	Orange	Green	Green	Orange
	Green	Orange	Green	Orange	Green	Orange	Green	Orange	Green	Green	Orange
	Green	Orange	Green	Orange	Green	Orange	Green	Orange	Green	Green	Orange
	Green	Orange	Green	Orange	Green	Orange	Green	Orange	Green	Green	Orange
<p>6. Evaluations</p> <p>The agency carries out periodic external evaluations of its global and individual activities.</p> <p>The agency carries out periodic critical internal evaluations of its activities.</p> <p>The agency has been able to integrate the conclusions and recommendations of the evaluations into a later programming cycle.</p>	Green	Grey	Green	Green	Green	Grey	Green	Green	Green	Green	Green
	Green	Grey	Green	Green	Green	Grey	Green	Green	Green	Green	Green
	Green	Grey	Green	Green	Green	Grey	Green	Green	Green	Green	Green



REPLIES
OF THE COMMISSION
AND AGENCIES
TO THE SPECIAL
REPORT OF THE
COURT OF AUDITORS
'THE EUROPEAN
UNION'S AGENCIES:
GETTING RESULTS'

II.

Agencies: The agencies concerned welcome the audit report relating to the assessment of sound financial management at the regulatory agencies, in which the points raised were found to be both constructive and of value. The observations made could benefit all concerned.

The principle of sound financial management audited by the Court is applicable to all agencies, but it should be highlighted that the complexity of the activities of each agency determines how easy it is to provide assurance of sound financial management.

IV.

Agencies: Some agencies are now in the process of carrying out *ex ante* evaluations. However, *ex ante* evaluations do not concern all agencies to the same extent and should, essentially, address agencies managing programmes more than agencies acting as an authority.

As regards multiannual programming, some agencies have already implemented a multiannual programme. Others are in the process of implementation. Even if the level of implementation differs, all of them are fully aware that implementing a precise multiannual programming is essential. Multiannual programming is also closely linked to the available budgets.

V.

Commission: The programmes adopted for 2008 give a more exact indication of the resources to be used for each action and the expected results.

Agencies: The annual work programmes are submitted to, reviewed and adopted by the management boards. This adoption is a key element of the control environment/governance of the work programme.

VI.

Agencies: Due to the differing sizes and available resources of the agencies, the proportionality considerations for the implementation of mechanisms and controls, which could support monitoring, should be taken into account. Even if the level of implementation differs, all of them are fully aware that implementing efficient monitoring tools is essential. The agencies are working on the improvement of such tools.

Commission: The Commission offers agencies assistance in activity-based management but is conscious of how difficult it is to raise awareness on the subject. The recent communication to the Council and the European Parliament entitled 'European agencies — The way forward'¹ indicated this concern and stated that the Commission would be reviewing its internal procedures in its relations with agencies.

VII.

Commission: Since the 2008 budget, several agencies have performance indicators imposed on them by the financial regulation. Some agencies have, since 2007, begun presenting a budget and using activity-based management; this enables them to set out in more precise terms the goals they aim to achieve.

IX.

Agencies: The degree of precision in the definition of objectives depends partly on the basic regulations and differs from one agency to another.

X.

Agencies: As regards the achievement of annual objectives, the agencies are working on the improvement of reporting tools, including the annual activity report. This annual activity report is reviewed and adopted by the respective management boards.

¹ COM(2008) 135 final.

INTRODUCTION

3.

Agencies: The framework financial regulation is in line here with the general financial regulation; it does not contain more detailed or more stringent provisions on, for instance, programming, setting objectives or indicator-based assessment. More detailed provisions on programming, setting objectives or indicator-based assessment may also be laid down in the basic instruments creating the agencies.

9.

Agencies: The agencies are fully aware of the importance of the multiannual plan. Some of them issued a multiannual programme, even if it was not explicitly required by their basic regulation.

For example, following the Court's audit:

- (i) EU-OSHA's 2009–13 strategy states the expected results and the ongoing impact assessment/*ex ante* evaluation work focuses exactly on how progress towards delivering these results can be measured.
- (ii) For the Frontex Agency (Council Regulation (EC) No 2007/2004) the draft 2009 work programme presented to the Frontex management board early in 2008 foresees that a multiannual approach would be adopted in the future.
- (iii) EMEA has developed the EMEA road map, outlining its long-term strategy, medium and long-term objectives and key actions. In addition, EMEA will launch the process for the preparation of the road map to 2015 during the course of 2008.
- (iv) As from 2008, ENISA implemented a multiannual programming approach in the form of multiannual thematic programmes (MTPs).

11.

Agencies: The agencies work on multiannual programming and when appropriate work in close cooperation with the Commission, Member States and stakeholders.

12.

Agencies: Most agencies are now in the process of carrying out *ex ante* evaluations. However, *ex ante* evaluations do not concern all agencies to the same extent and should address agencies' managing programmes more than agencies acting as an authority.

13.

Commission: The guidelines on staff policy in the European regulatory agencies foresees that every agency annually produces a (rolling) multiannual staff policy plan (SPP), the standard contents of which was elaborated by the Commission services together with agencies. The SPP should include the description of type of existing and new posts in the establishment plan and allocation of tasks to those positions. The regulatory agencies also provide in their staff policy plans the analysis of type of tasks allocated to types of posts in the establishment plan (core, supportive, permanent, temporary tasks, long- or short-term posts of officials, temporary or contract agents).

In 2007, the budgetary authority requested that henceforth SPPs be attached to the documents of the budgetary procedure.

15.

Agencies: Increased consistency — and a closer link — between the multiannual work programme and the annual work programme would increase comparability between years. However, given the dynamic environment, some agencies are confronted with new and significantly different tasks. The agencies have to continuously update and adjust all plans. This exercise will mainly increase transparency for agencies working in a more stable environment.

16.

Agencies: Most of the audited agencies perform a regular risk analysis exercise. This shows their awareness of the importance of using a risk analysis when preparing the annual programme even if some room for improvement may exist.

17.

Agencies: The agencies endeavour to include in the annual work programme the totality of activities they intend to carry out each year. Nevertheless, some flexibility should be permitted in order to be able to face ad hoc unforeseen requests (scientific advice or risk evaluation). The management board is kept informed of these requests at least on an annual basis in the annual activity report and in some cases throughout the year in the regular report of the executive director to the management boards.

18.

Agencies: The agencies are fully aware of the importance of the objectives and will continue to strive to attain consistent depth of precision as far as possible.

19.

Agencies: The agencies recognise the interest of activity-based budgeting (ABB) as a tool for better sound financial management. That is why some agencies decided to present an activity-based budget. Nevertheless, it is a fairly recent process that needs to be further consolidated and discussed in the future budgetary procedure.

22.

Agencies: The methods of monitoring and reporting differ from agency to agency and are being further developed. In most cases, the management boards are informed at least annually and in some cases, more frequently.

23.

Agencies: All agencies implemented tools to allow for the monitoring of the implementation of their activities. They are continuously assessed and improved.

24.

Agencies: In the context of continuously improving the monitoring tools, the idea is to share best practices between the agencies when appropriate and acquire new tools if necessary. Certain agencies have by now implemented specific tools as regards time tracking.

25.

Commission: The IAS has received the resources necessary to fulfil its current obligations assigned by Article 185 of the financial regulation. In 2007, audits were conducted in all operating regulatory agencies in the IAS scope. Audits for agencies that started operations in 2007 are planned for 2008.

Agencies: However, small agencies cannot necessarily afford a full-time internal controller or internal auditor.

26.

Agencies: Following the Court's audit, certain agencies are now considering developing 'outcome' and 'impact' indicators in addition to those in place. In this context, they always welcome support from the European Commission.

27.

Agencies: Size and available resources, including the tools in place to collect the data, availability of staff and budget, have an impact on the indicators that are defined and followed. The agencies continuously strive to implement and utilise the most appropriate indicators.

28.

Agencies: Performance indicators are appropriate for all agencies, however, *ex ante* evaluations and multiannual programmes do not concern all agencies to the same extent.

31.

Agencies: The agencies intend to continuously improve their monitoring and reporting.

33.

Agencies: Indeed, the annual activity report is not the only means of informing the management board on the impact of the activities of the agencies. As a governance body and in accordance with the basic regulations, the management boards of the agencies adopt the annual work programme and are kept informed of its implementation in the annual activity report. In some cases, the management board is assisted by an advisory body to provide advice in particular on annual programming and budget matters. In addition, the management boards have the power to request additional information to corroborate/substantiate items reported.

34.

Commission: Each agency's management board on which the Commission is in a minority is responsible for adopting and implementing such guidelines where it sees fit. On those agency management boards where it is represented, the Commission intends to make proposals regarding the introduction of good administrative practice.

Although the agencies are independent bodies, the Commission's standing instructions for the preparation of the annual activity reports are nevertheless available to them.

36.

Agencies: For most agencies, the timing of the first evaluation is imposed by their founding regulation.

In some cases, the scope of the first evaluation included more than just the start-up phase aspects.

37.

Agencies: In some agencies, the management board is involved in the management of the evaluation with administrative support from the agency. The consultant is selected according to the EU procurement procedure.

40.

Commission: As a follow-up to this study, the Commission is currently carrying out during 2008 a new similar meta-study on decentralised agencies which will be mainly based on findings from existing evaluations on agencies.

The Commission has also provided the budgetary authority with an overview document based on the main findings from the evaluation reports on individual agencies².

42.

Commission: Agencies are independent Community bodies and accountable to the budgetary authority and the discharge authority. Their management boards, in which the Commission is in a minority (if represented at all), are responsible for the decisions to be taken as regards their management and working methods. The relatively small size of the agencies gives them significant advantages in terms of concentration on core tasks, internal procedures and adaptability that larger organisations do not enjoy.

The Commission offers agencies assistance in activity-based management but is conscious of how difficult it is to raise awareness on the subject. The recent communication to the Council and the European Parliament entitled 'European agencies — The way forward'³ indicated this concern and stated that the Commission would be reviewing its internal procedures in its relations with agencies.

With a view to facilitating access to information about agencies, a common website for Commission/regulatory agencies has been recently launched. The aim of the common website is to establish a comprehensive, up-to-date library of information material relating to the agencies; to promote an understanding of the common challenges faced by the agencies working in the legislative framework of the EU; and to continuously improve the way the agencies function by learning from good approaches followed by other agencies.

² Letter of 10 October 2007 [D(2007) ref.1150].

³ See footnote in point VI.

43.

Commission: As part of the above communication, the Commission conducts an internal analysis of how ultimately to coordinate the positions taken by its representatives on those agencies' management boards where it is represented regarding best practice to be applied across all agencies. The recommendations resulting from assessments are part of this best practice. The management board of the agency is the decisional body within the agency that can decide over recommendations made by the evaluations, including the Commission 2003 meta-evaluation.

CONCLUSIONS AND RECOMMENDATIONS

44.

Commission: The process of the revision of the framework financial regulation (FFR) of the agencies was launched by the Commission following the adoption of modifications to the general financial regulation in December 2006. It is only now (April 2008) being completed by the legislative authority.

The previous version of the FFR came into effect in 2003, as part of the major reform of the financial regulation (FR) which itself came into effect on 1 January 2003. Certain of the institutions and bodies had difficulties implementing all the provisions of the reformed FR that year, as the Court has pointed out. This effect may account for a lag between the establishment of certain management practices in the Commission and their establishment in the agencies.

45.

Agencies: This is changing as the new methods foreseen are being taken on board in the FFR and in the practices of certain agencies.

46.

Agencies: See reply to point 45 above.

47.

Agencies: Some agencies are now in the process of carrying out *ex ante* evaluations. However, *ex ante* evaluations do not concern all agencies to the same extent and should essentially address agencies managing programmes rather than agencies acting as an authority.

48.

Agencies: Increased consistency — and a closer link — between the multiannual work programme and the annual work programme would increase comparability between years. However, given the dynamic environment, some agencies are confronted with new and significantly different tasks. The agencies have to continuously update and adjust all plans. This exercise will mainly increase transparency for agencies working in a more stable environment.

However, with the final budget being decided at the end of the year and with the work programme being issued during the year, there is a possibility of divergence between the annual work programme and the final budget, in particular in the case of a significant change of funding.

49.

Agencies: The agencies recognise the interest of AAB as a tool for better sound financial management. That is why some agencies decided to present an ABB. Nevertheless, it is a quite recent process that needs to be further consolidated and discussed in the future budgetary procedure.

In any case, the management tools should be the most suitable for the needs of the agencies.

50.

Agencies: All agencies implemented tools to allow for the monitoring of the implementation of their activities. Their objective is to continuously assess and improve the tools in place. As an example, some agencies have now implemented time tracking tools to provide better transparency.

51.

Agencies: In the context of continuously improving the monitoring tools, the idea is to share best practices between the agencies when appropriate and acquire new tools if necessary. Certain agencies have by now implemented specific tools as regards time tracking.

As regards management boards, they are informed at least annually and in some cases, more frequently about the follow-up of activities.

52.

Agencies: Following the Court's audit, certain agencies are now considering developing 'outcome' and 'impact' indicators in addition to those in place. In this context, they always welcome support from the European Commission.

54.

Agencies: All agencies (with respect to the regulations) have submitted an annual activity report to their management board. They agree that this report should better focus on the result and achievement of the objectives.

55.

Agencies: The management boards have the power to request additional information to corroborate/substantiate items reported.

56.

Commission: As a general rule, the FFR for the agencies places the obligation to evaluate on the agencies. However, specific requirements on evaluation have been set out in some of the agencies' constituent acts. Not all constituent acts giving the main responsibility for evaluation to the agencies themselves include the requirement to agree the terms of reference with the Commission.

Agencies: In some agencies, the management board and/or the Commission is involved in the management of the evaluation with administrative support from the Agency. The consultant is selected according to the EU procurement procedure.

RECOMMENDATIONS

1.

Agencies: The agencies generally accept the Court's recommendations, most of which have begun to be implemented, with due regard to the specific nature of each.

2.

Agencies: See reply to points 12 and 47.

3.

Agencies: See reply to points 26 and 52.

4.

Agencies: See reply to points 19 and 49.

5.

Agencies: See reply to points 22, 23, 24, 50, 51 and 52.

8.

Agencies: See reply to points 26 and 52.

9.

Agencies: See reply to points 31, 33, 54 and 55.

10.

Agencies: See reply to points 33 and 55.

11.

Agencies: See reply to points 33 and 55.

12.

Agencies: See reply to point 56.

13.

Commission: Specific requirements on evaluation have been set out in some of the agencies' constituent acts. Some constituent acts give the main responsibility for evaluation to the agencies themselves and include the requirement to agree the terms of reference with the Commission.

15.

Agencies: See reply to points 37 and 56.

European Court of Auditors

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IN THIS REPORT, THE EUROPEAN COURT OF AUDITORS ANALYSES THE STRATEGIC PLANNING TOOLS AND THE PERFORMANCE MONITORING AND EVALUATION MECHANISMS SET UP BY EIGHT EUROPEAN UNION AGENCIES FOR GETTING RESULTS AND REPORTING ON THEM. THE REPORT DETAILS THE ACTION TAKEN SO FAR AND POINTS OUT ASPECTS THAT COULD BE IMPROVED IN 15 RECOMMENDATIONS. THE REPORT HIGHLIGHTS THE NEW SET OF MANAGEMENT PROBLEMS ARISING FROM THE REFORM OF COMMUNITY GOVERNANCE. TABLES AND ANNEXES PROVIDE THE READER WITH MORE DETAIL ON THIS SUBJECT.



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