

EUROPEAN PARLIAMENT

Working Documents

1982-1983

11 October 1982

DOCUMENT 1-666/82

REPORT

drawn up on behalf of the Committee on Budgetary Control

on the budgetary control aspects of the Joint Research
Centre establishment at Ispra

Rapporteur: Mr Edward KELLETT-BOWMAN



In its resolution of 18 June 1981¹, Parliament instructed the Committee on Budgetary Control to present a report on the budgetary control aspects of the Joint Research Centre establishment at Ispra.

At its meeting on 28/29 January 1982, the Committee on Budgetary Control confirmed the mandate of Mr. Kellett-Bowman as rapporteur.

The Committee considered the draft report at its meetings on 13/14 July 1982 and 28/29 September 1982. At the latter meeting, the Committee adopted the Motion for a Resolution unanimously.

Participated in the vote:- Mr. Aigner, chairman; Mr. Cluskey, vice-chairman; Mrs. Boserup, vice-chairman; Mr. Price, vice-chairman; Mr. Kellett-Bowman, rapporteur; Mr. Alber (deputising for Mr. Früh); Mr. Cousté; Mr. Gontikas; Mr. Gouthier; Mr. Marok; Mr. Notenboom; Mr. Papaefstratiou (deputising for Mr. Filippi); Mr. Konrad Schön

¹ OJ C172, 137.1981, p.90

C O N T E N T S

	<u>PAGE</u>
A MOTION FOR A RESOLUTION	5
B EXPLANATORY STATEMENT	8
Introduction	8
Summary of progress	8
Inventory	9
Disposal of movable property	9
Management information	9
Financing of the administration building in 1979	10
Extension to the canteen at Ispra	11
Staff mobility	11
Analysing results	11
Management and control of finances	13
Site security	14
Vehicle fleet	14
Printing and reproduction facilities	15
Certain allowances	15
Calls for tender	15
Fuel and other supplies	15
Advisory committee	15
Data-processing	15
The professional school	16
Functional budget	16
Community versus national interest	17
File of relevant Community documents	17
Need for regular contact with Parliament	17
Conclusion	17
ANNEX	18

A

The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the budgetary control aspects of the Joint Research Centre establishment at Ispra

The European Parliament,

- A. having regard to the report of the Committee on Budgetary Control (Doc.1-666/82);
 - B. recalling its earlier resolution¹ in regard to the matter;
 - C. reiterating the importance of ensuring that due attention is paid to cost-effectiveness and efficiency in the use of budgetary appropriations;
 - D. conscious of the need for sound financial management as well as for leadership and vision in the sphere of Community research;
 - E. noting the positive action taken by the Commission in response to certain of Parliament's recommendations;
1. Appreciates the frank and positive attitude of the new management team at the Joint Research Centre establishment at Ispra towards the need for reforms as pointed out by Parliament and approves of the steps taken to ensure that the provisions of the Financial Regulation in relation to the inventory of the establishment and to the disposal of Joint Research Centre movable property are respected;

¹ OJ no. C172, 13.7.81, page 90, see Annex

2. Welcomes the installation of a new system of management information which ensures that lower and middle levels of management are kept fully informed of costs and developments and, accordingly, are aware of the full budgetary implications of the activities under their responsibility;
3. Accepts that the financing of the administrative building at Ispra, not authorised in the budget, resulted from an erroneous interpretation by the Commission of the flexibility of the functional budget and of the provisions of the Financial Regulation; insists that there should be no repeat of this kind of infringement of the principles of sound budgetary management which reflect weaknesses in the functioning of the system of financial control;
4. Notes that little staff mobility has been achieved to date, urges the Commission to endeavour to secure greater movement over the years ahead, and looks forward to receiving the new proposals promised by the Commission to this end;
5. Appreciates the explanations offered by the Joint Research Centre management for the difficulty in analysing and gauging results of work done by the Joint Research Centre, is aware of the studies put in hand by the Court of Auditors and urges that this aspect be followed up fully, so as to ensure that results can be measured and that management may always be aware of the value-for-money aspect of the work done in the various establishments;
6. Stresses the need for ensuring that (i) duplication of work is avoided as far as possible, (ii) unprofitable or 'dead-end' research lines are discontinued as soon as they are identified, and (iii) effectiveness is regarded as a keynote criterion so as to ensure that the interests of the European taxpayers are fully safeguarded;
7. Reiterates its view that the interest of site security and the safety of personnel, as well as good management, require that a modern monitoring system - long overdue - should be introduced to cover movements into and out of the establishment;

8. Observes with satisfaction that the number of non-specialised vehicles at the establishment has been cut back by 39 units with a consequent saving in maintenance and running costs;
9. Considers that the descriptions of certain allowances applicable at the Ispra establishment should be altered so as to ensure greater budgetary clarity and transparency;
10. Asks that, in accordance with the provisions of the Financial Regulation, recourse be had to the call for tender procedure to the widest possible extent consistent with economy;
11. Believes that each Community office and satellite as well as each Joint Research Centre establishment should have available copies of all Community documents covering their work;
12. Expects that there will be regular contacts between the Joint Research Centre management and the Committees of Parliament so as to keep the elected representatives of the taxpayers fully informed of developments and prospects and so as to ensure that the management will be aware of the preoccupations of Parliament;
13. Expects that the Court of Auditors will continue to keep a close watch on the section of the budget devoted to Joint Research Centre activities;
14. Instructs its President to forward this motion for a resolution together with the report of its Committee to the Council and the Commission.

Explanatory Statement

Introduction

1. In its work on the preparation of the annual discharge decisions and on the follow-up to observations made in the annual report of the Court of Auditors, the Committee on Budgetary Control found it necessary to look closely at the management of funds at the Joint Research Centre establishment at Ispra.
2. On 26 January 1981, the President of the European Parliament informed the Committee that it was authorised to prepare a report on the budgetary control aspects of the Ispra establishment.
3. The report¹ of the Committee, was considered by Parliament on 18 June 1981 and the resolution² proposed by the Committee was adopted. Paragraph 21 of the resolution instructed the Committee on Budgetary Control to present a further report in relation to the issues raised in the initial report.
4. A delegation of the Committee, consisting of Mr. Cluskey (vice-chairman), Mr. Imer (rapporteur for the follow-up to the 1979 discharge) and Mr. Normanton (vice-chairman of the Committee on Energy and Research) visited the establishment on 10/11 June 1982 and reported back to the Committee on 13/14 July 1982. Their findings were fully endorsed by the Committee and are reflected in the present report.

Summary of progress

5. Full satisfaction has been obtained in regard to several of the issues that preoccupied Parliament in the resolutions adopted in June 1981. In the case of other issues, progress has been achieved. However, in a limited number of cases, much remains to be done before certain issues can be considered as having been finally settled.

¹ Doc 1-59/81

² OJ no. C172, p. 90, 13.7.81

Inventory

6. In regard to the inventory, the major problems have now been resolved. Systematic checks in accordance with the Financial Regulation are being carried out within the establishment and an automated management programme of items of property in the inventories with a residual value of more than 250 ECUs is being developed. However, full basic checks on all the property in the inventory in Ispra over the last few years have not been carried out. The progress made has been noted by the Committee and account has been taken of the fact that the Court of Auditors would appear to be satisfied generally with the situation: therefore, the Committee concluded that this issue could be regarded as having been settled satisfactorily.

Disposal of movable property

7. The Committee on Budgetary Control has received assurances that the provisions of the Financial Regulation in regard to the disposal of movable property are now being applied fully and that records are kept of all sales or other forms of disposal.

Management information

8. Decisions affecting the work within the establishment are now taken in a collegiate manner and junior and middle management are consulted for their views. Further, the administration of the Joint Research Centre has confirmed that each managing unit receives details of the financial plan and, thus, departments dealing with individual research programmes are provided with an overall view of the costs involved in the programmes for which they are responsible.

9. At the beginning of each financial year, programme managers draw up working and expense plans for the year on the basis of budget figures; during the course of the year, comparisons are made between the plan and the implementation of the budget for the previous year. This report shows how the staff and appropriations allocated to the programme have been used. As well, the report shows the cost of using scientific and technical support services and equipment and the administrative and technical infrastructural expenditure involved.

10. Parliament is always anxious to ensure that the responsible officials would be aware of the full costs of the work undertaken by them: hence, the Committee on Budgetary Control welcomes the reform in management information services that has been secured.

Financing of the administration building in 1979

11. Parliament had condemned the way in which the administration building was constructed at Ispra, despite withdrawal of the amendment approving it in the 1979 budget.

Also, Parliament was astonished that the necessary funds were marshalled by way of a large number of transfers from other budgetary lines; Parliament was critical of this particular development which flew in the face of sound management of taxpayers' funds.

12. It has been explained that the difficulties arose largely from over-optimistic interpretation of the Financial Regulation provisions regarding the scope for utilising funds that seemed to be available under the functional budget. However, for example, the Commission now agrees that it would be accepted that, should it not be possible to recruit staff for certain specific tasks, the work in question could be contracted out. Thus, should it not be possible to recruit a draftsman, the services of an expert in an outside office could be paid for without doing violence to sound budgetary management principles, and they would favour an amendment of the Financial Regulation to this effect. Savings under the personnel heading should not, in future, be transferred to cover the cost of construction work. Further, the management has now recognised that what had happened in the past was done in error and will not be repeated.

13. It is apparent to the Committee on Budgetary Control that the errors of the past arose because of failure to interpret and apply the Financial Regulation fully - rather than because of purely managerial shortcomings. Therefore, stricter adherence to the provisions of the Financial Regulation is called for and it is suggested that weaknesses in the system should be considered carefully during the present revision of the Financial Regulation.

Extension to the canteen at Ispra

14. The Committee on Budgetary Control was disturbed to learn that a sizeable extension had been added to the canteen at Ispra without prior budgetary approval and without recourse to the calls for tender procedure. It was appreciated that the extension was motivated by health considerations, but the Committee considered that the procedures followed were quite inappropriate. Whatever the short-term advantages, similar short-cuts must not be taken in future. The distinction between maintenance and construction work is so great that an extension to a building could not be considered as coming within the scope of 'maintenance'.

Staff mobility

15. Parliament has attached considerable importance to the securing of an adequate degree of staff mobility. Such mobility would ensure that the frustrations of dealing with the same kind of problems in the same surroundings for a long period would be avoided, that researchers would be stimulated and that there would also be a useful exchange of new ideas. Moreover, movements between industry, the JRC and other specialised research institutions would be to the overall advantage of the Community. The Committee noted with regret that little is happening in the way of the desired mobility. It is evident, too, that the top management of the Joint Research Centre is not optimistic about prospects for an increase in staff mobility in the immediate future.

Analysing results

16. Investment in research in Western Europe is considerable. However, the results achieved in Western Europe are less satisfactory than those secured in the United States or Japan. Every effort is made, in drawing up the Joint Research Centre programmes, to ensure that the objectives fit in with other Community policies, e.g. competitiveness in industry.

The Commission claims that it is aware of the need for an overall approach to R and D and tries to keep in harmony with what is happening in the spheres of research in energy, industry and agriculture. It states that every effort is made to ensure the greatest possible exchange of information with other interested parties, that duplication of research work is avoided as far as possible, and a continuing effort is made to ensure the most appropriate apportioning between direct and indirect action.

17. The Committee on Budgetary Control would like to be convinced that the Joint Research Centre was fully integrated and that no overlapping arose from the operation of four separate establishments. Indirect research is the most flexible form, in the Community context. The four research establishments make for a certain unwieldiness and Ispra would appear to be the least flexible of the four. It appears to the Committee that the Joint Research Centre should concentrate on undertaking what other researchers and institutions could not accomplish. The application of the 'juste retour' concept is a most non-communautaire approach. Wherever possible, when contracts are put out, Community industry should be able to compete on an 'across the board' pattern rather than on the basis of a national share out.

18. As regards flexibility, the management side of the Joint Research Centre has indicated that there are certain constraints. There is the staff limitation: for instance, nuclear biologists are recruited slowly and, whilst the possibility for change exists as each programme is reviewed and replaced, the potential for change is limited. In this context, the administration has pointed out the advantages of flexibility which the functional budget permits. As far as possible, a unified approach by the various establishments of the Joint Research Centre is ensured via monitoring. The Committee also indicated that it would be difficult and undesirable to damage morale and the independence of the other establishments by having total control from Ispra. However, the management admitted that mobility between establishments was negligible and that there was a need for new blood. As regards duplication of

effort, it was suggested that in pure research, however, competition and some duplication is virtually unavoidable. Moreover, some duplication is needed, because it enables one to check and corroborate results.

19. When evaluating output and results, it is difficult to use the basis of patents or publications. The return on licences is a useful indicator, but this is difficult to apply sometimes - in areas like industrial safety. Moreover, even certain objectives cannot be quantified readily. A study is being conducted by outside experts on behalf of the Court of Auditors into the results achieved by the Joint Research Centre.

20. The Committee on Budgetary Control considers that other parties as well as itself - the Commission, the Joint Research Centre management, the Court of Auditors and the Committee on Energy and Research - will need to keep the value for money aspect under continuing review. Results and effectiveness of the Centre's operations must be kept constantly in mind, if the interests of the European taxpayers are to be safeguarded. Administrative costs must also be watched carefully and kept to as low a level as possible.

Management and control of finances

21. The Committee felt that some of the major difficulties from a budgetary control aspect at the Ispra establishment have arisen from weaknesses in the control and management of finances. These weaknesses stemmed, in part, from the fact that those whose duty it is to carry out financial control responsibilities did not rigidly apply the provisions of the Financial Regulation. This situation calls for corrective action - at least perhaps in the form of an amendment to the Financial Regulation, if Financial Control is to continue as at present.

Site security

22. Parliament considered that the interests of safety of personnel, security of the installation and good management would best be served by introducing a modern checking system at the Ispra establishment. An electronic arrangement, which, in the event of a major mishap, would enable management and rescuers to identify the names of all personnel and visitors on the site, appeared to be essential.

23. The Committee was disappointed, therefore, to learn that the response of the establishment's management to this suggestion was to state that the introduction of systematic checks on staff and visitors 'is being carefully analysed'. The management also suggested that such a system would require a considerable investment. The Committee felt that a modern monitoring system would not be nearly as expensive as the management side appeared to believe and urged the responsible authorities to give effect to Parliament's wishes.

Vehicle fleet

24. In its resolution on 18 June 1981 on the budgetary control aspects of the Joint Research Centre establishment at Ispra, Parliament asked that the justification for a vehicle fleet of 180 units at Ispra be examined. It has now been established that 39 non-specialised vehicles at Ispra have been withdrawn from circulation. The management side of the establishment was not able to present a justification for this particular level of cutback - nor for the actual number of the remaining vehicles at the establishment. It appeared that the reduction had been made in a rather arbitrary fashion. It is suggested that, in all matters affecting expenditure, transparent systems should apply and that particular levels of expenditure should be justified in a coherent and logical manner. However, the Committee welcomes the reduction in vehicle numbers which, obviously, will lead to savings in maintenance and running costs.

Printing and reproduction facilities

25. A number of questions about the printing and reproduction facilities at the establishment will be examined further in the follow-up to Parliament's resolution on the printing etc. facilities of the institutions of the EC.

Certain allowances

26. The Committee discussed the nature and extent of certain allowances paid to some members of the staff at Ispra; it was suggested that an alteration to the title or description of some allowances would appear to be appropriate so as to avoid confusion.

Calls for tender

27. The Committee stresses the importance of having the widest possible recourse to calls for tender in relation to all supplies and services at the establishment. Furthermore, it insists on the need for fully respecting the provisions of the Financial Regulation in this regard.

Fuel and other supplies

28. The Committee also stresses the importance of ensuring that fuel and other supplies were obtained at the best possible price; further, the need for safeguarding duty-free stocks in the establishment was underlined.

Advisory committee

29. The Committee heard with interest that the advisory committee is being reformed so that its members will not be appointed by government nomination. The hope was expressed that it might be possible to extend this reform to other advisory committees of the Community services.

Data-processing

30. The Committee expressed the wish to be kept informed of the extent to which the facilities at Ispra are coordinated with those in the Luxembourg centre and elsewhere, in the interest of economy and efficiency.

The professional school

31. The Committee noted the circumstances which led to the setting up of the technical school at Ispra which is closely related to the workshop that caters for some 30/40 individuals who are not well endowed academically and it is regarded as being a social necessity. The cost is of the order of 80,000-100,000 ECU a year and the diploma of the school is accepted by the Member States. The school buildings are giving rise to concern and additional appropriations may be sought to improve the situation. The Committee also noted the fact that, in the special circumstances of the European School at Varese, streams in certain languages may be organised for fewer pupils than had been the case generally heretofore, the parents making a contribution towards the costs.

Functional budget

32. The Committee noted the contents of the document¹ on the operation of the functional budget. The Committee observed that the complexity of the system makes it difficult for anybody to check readily on the use made of appropriations under specific heads or to follow transactions across the web of accounts. Whilst appreciating the importance of flexibility in the sphere of research financing, the Committee insists on the need (i) to adhere as closely as possible to the policies expressed in the budget as adopted, (ii) for a key which would facilitate the speedy verification of the use made of funds, (iii) for the Court of Auditors to be in a position to follow through transactions speedily and easily and (iv) for the barest minimum of departures from the normal budgetary accounting procedures. The Committee would welcome the views of the Court of Auditors on the appropriateness of the revised functional budget system from the control viewpoint.

1

SEC(81)1787

Community versus national interest

33. The Committee observed what appeared to be a non-communautaire attitude on the part of the Council towards research. There was a tendency to serve purely national interests to the detriment of overall Community well-being. However, with the reconstitution of a reformed advisory committee, there is a hope of a more communautaire approach.

File of relevant Community documents

34. The Committee noted that, when it asked the officials at Ispra to produce from their library a copy of an opinion on Ispra, prepared by the Committee on Energy and Research, it transpired that the document was not in the library at the establishment. The Committee considers that every Community institution should have on hand a copy of each Community document - and especially those of the European Parliament - in which reference is made to its work.

Need for regular contact with Parliament

35. The Committee believes that regular contact between the management of the Joint Research Centre and the appropriate Committees of Parliament is most essential if the elected representatives of the taxpayers are to be kept fully aware of developments in the energy and research spheres.

Conclusion

36. The deliberations of the Committee on Budgetary Control, the considerations set out in the preceding paragraphs, and the findings of Parliament's delegation are reflected in the accompanying motion for a resolution.

A N N E X

RESOLUTION

on the budgetary control aspects of the
Joint Research Centre establishment at Ispra¹

¹ OJ no C172/90, 13.7.81

RESOLUTION

on the budgetary control aspects of the Joint Research Centre establishment at Ispra

The European Parliament,

- having regard to the reports of the Court of Auditors ⁽¹⁾;
- having regard to the report of the Committee on Budgetary Control (Doc. 1-59/81),
 - (a) appreciating the major technological significance, in EC research terms, of the JRC and especially its establishment at Ispra,
 - (b) anxious to ensure that due heed is paid to cost-effectiveness and efficiency in the use of budgetary appropriations,
 - (c) conscious of certain accounting and procedural shortcomings observed by the ECA in the JRC establishment at Ispra and noting the positive attitude of the Ispra management towards the reform of these shortcomings,
 - (d) aware of certain issues concerning the JRC which are treated separately in the context of the report on the 1979 discharge (Doc. 1-136/81),

Inventory

1. Notes the points made by the ECA in its reports about the absence of an effective inventory system at Ispra and welcomes the indications of recent improvements in this respect;
2. Observes, however, that the inventory system is not yet satisfactory and urges that all necessary steps be taken to satisfy the requirements of the Financial Regulation;

Disposal of movable property

3. Insists that the provisions of the Financial Regulation should apply fully to the disposal of movable property and that proper records be kept of all sales or other disposals;

Transfers

4. Notes that the operation of the financial management at the JRC gives rise to a very large number of transfers which have the effect of considerably altering the initial estimates;
5. Considers that the functional budgetary system at the JRC, involving a large number of transfers, makes a strong internal control over transfers essential;
6. Is disturbed at the way in which the present accounting system has the effect (i) of masking delays in achieving results and (ii) of concealing details of expenditure from the budgetary authority.

Management information

7. Believes that a better presentation of the figures for management decisions, which would enable middle management to appreciate fully the costs involved in projects under their charge, is required;

⁽¹⁾ OJ No C 342, 31. 12. 1980 and Doc. 1-567/79.

Financing of the administrative building in 1979

8. Condemns the way in which an administrative building was constructed despite the specific refusal of budgetary authority approval for it in the 1979 financial year;

9. Notes with astonishment that the necessary funds were marshalled by way of a large number of transfers from other budgetary lines; criticises all those, concerned with such transfers, who acted in defiance of the budgetary authority and notes with particular concern that the financial controller at Ispra appeared to give his approval to these transactions without reservations;

Staff mobility

10. Observes that the difficulty of reassigning staff, who become technically redundant when projects on which they have been engaged come to an end, is a major problem confronting the JRC;

11. Considers that enhanced mobility of staff between the establishments together with effective retraining programmes and wider recourse to short-term contracts for specific tasks are necessary if flexibility in the management of staff is to be achieved;

12. Believes that a clearer presentation of the staff situation showing those actually assigned, those awaiting reassignment and those being retrained, together with an effective personal files system, would clarify the staff structure problems and facilitate the tasks of management;

Analysis of costs and benefits

13. Urges that, as far as possible, the fullest use be made of cost benefit analysis techniques in regard to the pursuit of efficiency at the JRC establishments;

14. Urges that the zero base budgeting technique be used in relation to staffing levels;

Financial control

15. Notes the particular problems arising for the financial controller in the special circumstances of the JRC, and will re-examine the matter in the context of the pending review of the financial regulation;

Site security

16. Considers that, in the interests of safety of personnel, security of the installation and good management, a modern checking system should be put into operation by which the names of all personnel and visitors on the site can be ascertained as and when required;

General

17. Appreciates the positive attitude of the present management of the JRC towards the improvement of the procedures and accounting systems in operation;

18. Suggests that Parliament be permitted to make use of the extensive data-processing facilities at Ispra for work, particularly of a statistical nature, in the control framework;

19. Considers that the Commission should establish a team of audit and systems specialists with a mandate to prepare and supervise the introduction of any necessary reforms in cases where the ECA reveals serious shortcomings such as those observed at Ispra;

20. Asks that the justification for a vehicle fleet of 180 units at Ispra be examined;

21. Instructs its Committee on Budgetary Control to present a further report in relation to the issues raised in this resolution;

22. Instructs its President to forward this resolution and the report of its committee to the Council and the Commission.

