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Working Documents

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DOCUMENT 1-59/81

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

1.2.2

By letter of 26 January 1981, the President of the European Parliament authorised the Committee on Budgetary Control to prepare a report on the budgetary control aspects of the Joint Research Centre at Ispra.

At its meeting on 26/27 January 1981, the Committee on Budgetary Control confirmed the mandate of Mr Edward Kellett-Bowman as rapporteur.

The Committee considered the draft report at its meetings of 26/27 January 1981 and 16/17/18 February 1981. The Committee adopted the draft motion for a resolution unanimously at the latter meeting.

Present: Mr Dankert (acting chairman), Mrs Boserup, (vice-chairman); Mr Price, (vice-chairman); Mr Kellett-Bowman, (rapporteur); Mr Colla, Mr Gabert, Mr Notenboom, Mr Patterson (deputising for Mr John Mark Taylor) and Mr Simmonet.

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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,

- 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.

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;

⁽¹⁾ OJ No. 342, 31.12.1980 and
Doc. 1-567/79

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;

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. Calls on its Committee on Budgetary Control to present a further report in relation to the issues raised in this motion for a resolution;
22. Asks the President to transmit this Resolution and the report of its Committee to the Council and the Commission.

EXPLANATORY STATEMENTIntroduction

1. The Community Research Centre is of good repute in its sphere; it has been responsible for discoveries that led to an appreciable number of patents being established and includes in its staff many European scientists of high standing.
2. The Committee on Budgetary Control does not intend to go into the technical aspects of the work assigned to the centre, nor to question its *raison d'être*. However, it will be necessary, in passing, to touch on aspects of the work during the course of certain references to techniques of accounting. In the main, the Committee on Budgetary Control wishes to avoid trespassing on the sphere of responsibility of the Committee on Energy and Research in relation to the JRC.⁽¹⁾
3. In the course of the preparation of the 1979 discharge decision, Mr Price, the member responsible for expenditure on staff, administration and immovable property⁽²⁾ deals with serious problems raised by the Court of Auditors in relation to the management of posts, bonuses and allowances, the processing of staff remuneration, transfers of emoluments, persons treated as dependant children and other points directly related to the discharge.⁽³⁾ In his working document, Mr Colla examines other issues arising from the audit of Title III. It is not the intention of the rapporteur to go over these issues in the present text - though he appreciates fully their control significance and the importance of having them clarified.
4. In the following paragraphs, the rapporteur outlines some of the issues which preoccupied the delegation⁽⁴⁾ of Parliament during its political control visit to the JRC establishment at Ispra and which are reflected in the preceding motion for a resolution.

(1) Earlier reports of the Committee on Energy and Research on the JRC include
 Doc. 161/74 (O.J. No. C 93 of 7.8.1974, p. 85)
 Doc. 511/74 (O.J. No. C 95 of 28.4.1975, p. 6)
 Doc. 522/74 (O.J. No. C 95 of 28.4.1975, p. 7)
 Doc. 49/76 (O.J. No. C 125 of 8.6.1976, p. 16)

(2) Chapter 10 and 11 of the ECA report on 1979 (O.J. No. C 342 of 31.12.1980)

(3) See PE 70.633

(4) Mr Aigner, Chairman of the Committee, Mr Irmer, rapporteur for the 1979 discharge and the rapporteur.

Inventory

5. The delegation noted the earlier complaints made by the ECA regarding laxity in the matter of keeping an inventory.
6. Where considerable quantities of equipment of an expensive nature are kept in an establishment remote from the centre of the Communities, the need for an effective inventory system, with adequate control over the purchase of new material and the disposal of surplus or out-of-date equipment, is evident. Indeed, this requirement is stipulated clearly in the financial regulation⁽¹⁾ at Article 59 which states that

"Permanent quantitative inventories of all movable and immovable property belonging to the Communities shall be kept"

also the same Article states that

"Each institution shall carry out its own inspection to ascertain that entries in the inventory correspond to the facts."

7. Even if this Section did not exist in the financial regulation, prudent management should have ensured that those responsible would, as a matter of course, keep such records. After the ECA applied pressure, efforts were made to set up an adequate inventory.
8. When the delegation visited the establishment at Ispra, it was informed that the work of drawing up the inventory was under way in response to the ECA wishes. However, the task was not yet completed and some aspects - e.g. the numbering of individual items - were not carried out in a standard manner throughout the establishment. Moreover, it was understood that certain responsible officials were reluctant to sign for items under their charge. It is now understood that standardisation is being effected.

Disposal of movable property

9. The financial regulation also stipulates (at articles 60 and 61) the conditions governing the disposal of movable property - publicity, sale conditions records and authentication. Partly because of the absence of certain responsible officers and partly because of the unfamiliarity of others with the accounts procedures, it was not possible for the delegation to have such sales out of inventory traced through the records. This is a matter to which it is hoped that the ECA will devote attention during the course of its normal verification.⁽²⁾

⁽¹⁾ O.J. No. L 356, 31,12,1977

⁽²⁾ The delegation sought, and has now received, copies of the correspondence between the Ispra establishment and the ECA re the inventory issue.

Transfers

10. The number of transfers of all sorts effected in the management of Ispra in the 1979 financial year totalled 668. Of these, 29 were between objectives and the great bulk was within the same objective or were authorised by the financial regulation - according to the accounts section. Nevertheless, even if all of these transfers are allowable, they have the effect of radically distorting the figures envisaged at the outset of the financial year. For this reason alone, the presentation could be faulted since it consists of only the broadest guideline to be altered readily later.

Complexity of the accounting system

11. The delegation was struck both by the complexity of the establishment's accounting system and by its weaknesses. The complexity was such that the officials found it difficult to trace operations through it and certain research area managers were unable to identify (or quantify) the amounts that their projects would cost during the year.

12. The accounting framework was considered to be weak because its operation can involve hundreds of transfers, it baffles virtually all of those who manage the various projects at Ispra and it rendered possible the mustering of appropriations to finance the construction of an administrative building not specifically authorised by the budgetary authority.

13. In all the circumstances, the delegation tended to the view that a revision of the accounting system should be actively considered so as to ensure greater transparency and simplicity and to render it possible to secure easier adherence to budgetary authorisations. As well as making it possible to check on regularity, legality and effectiveness of expenditure, it should also enable middle and lower range management (and not merely a few specialised personnel) to appreciate the full costs involved in their projects and not only the ceiling on their capital investment possibilities as seems to be the situation at present.

14. Such a revision of the accounting system appears, prima facie, to be essential. It could appropriately be undertaken by JRC officials working with the budgetary experts of the Commission and in consultation with the ECA. The Control Committee should be kept informed of developments.

15. The management of the establishment has assured the Committee on Budgetary Control that, in future, the initial figures shown in the functional budget will be adhered to more closely than in the past. Nevertheless, in view of the fact that the present system made it possible to finance expenditure on a building not formally authorised in the budget, as is pointed out in the following paragraphs, it is felt that the revision referred to in the preceding paragraph needs to be effected.

Financing of the administrative building in 1979

16. The delegation was perturbed by the manner in which the funds for the construction of an administrative building were marshalled in 1979 by direction of the management of the Ispra establishment without specific budgetary approval.

17. The investment appropriations on the line (1,422,620 EUA) were added to by transfers amounting to 2,903,467 EUA to give a final amount of 4,326,087 EUA. Included in the transfers were the repayments of sums of 75,000 EUA and 150,000 EUA by the establishments at Petten and Geel respectively; as well, there was a number of other transfers involving sums intended for other purposes which were diverted to pay for the building.

18. The construction of this particular administrative building was not specifically authorised in the budget. A surprisingly large number of book transactions was necessary to carry out the project which, in the view of the delegation, seemed to indicate a degree of cynicism in regard to normal budgetary procedures.

The Committee on Budgetary Control found it impossible to reconcile the approval by the financial controller of the transfers in question particularly because Article 34 of the Financial Regulation states that

"The purpose of the approval of proposals for commitments of expenditure given by the financial controller shall be to establish that

- (a) the expenditure has been charged to the correct item in the budget;
- (b) the appropriations are available;
- (c) the expenditure is in order and conforms to the relevant provisions, in particular of the budget

The Committee also noted the provision of Article 96 (1) of the Financial Regulation in this regard.

Staff mobility

19. The Chairman of the Committee on Budgetary Control recalled that, on the occasion of an earlier investigation, he had become aware of the decision to terminate a project known as ORGEL and he asked to be shown the building formerly used in connection with the project. It appeared to the delegation that quite a number of persons congregated in the building, although activity had ceased. As regards the equipment formerly in use in the building (and which had obviously been largely removed) it was not readily possible for the management to produce the records of disposal and of the use of the receipts from sales.

20. Arising out of the visit of the delegation to the former ORGEL building, the acuteness of a major JRC problem became evident: the difficulty of reassigning personnel who become technically redundant when projects on which they have worked for years come to an end. The rapporteur feels - in common with his colleagues - that this is a key issue affecting the JRC. Particularly with present large organigramme of the JRC,⁽¹⁾ it is difficult to get new - and meritorious - projects under way because of the rigidity of the arrangements for reassigning staff. In this context, the delegation, at the instigation of its Chairman, suggested to the Commission representatives an ingenious transfer proposal which would have helped to get the remote sensing project under way - but the Commission did not take up the suggestion.

21. The delegation was convinced that a really active programme of reform is needed to increase mobility in the JRC, to ensure more rapid retraining and to enhance flexibility. Short-term contracts for specific tasks appear to be called for, if the long-term viability of the JRC is to be ensured. The draftsman fears that the tapering off of the graph of patents, which could be plotted from the figures at paragraph 24 below, could, coincidentally or otherwise, be paralleled by a graph showing the ageing of the staff of the JRC. The point that, to some extent, the tapering off is attributable to a shift in the nature of the projects being carried out is appreciated.

(1) See Annex I

(2) See Annex II

22. A clearer presentation of the real staff situation showing those actually assigned, those awaiting reassignment, those being retrained, together with a good personnel files system, would go some way towards clarifying the position. It is quite unacceptable that promising areas of research, potentially of vital significance to the EC, should be held up because of a lack of staff whilst, elsewhere, scores of highly-paid scientists are idle or underemployed due to structural rigidities.

Results

23. The work carried out at the four JRC establishments (At Ispra, Karlsruhe, Geel and Petten) is of considerable importance to the Community primarily from the energy, nuclear safety and general research aspects. Forming a political and technical judgment on the effectiveness of this work is, initially, a matter for the Energy and Research Committee. However, as regards regularity, transparency, opportuneness, legality and good management of the Community funds involved, the Committee on Budgetary Control clearly has prime responsibility. In this context, the development of cost-effectiveness techniques, appropriate to the special circumstances of the establishments, is a difficult and complex matter but one which should be undertaken.

Patents

24. In the absence of other yardsticks, account could be taken of such broad indicators as the number of patents granted. Here, the pattern for Ispra was as follows:

<u>Period</u>	<u>No. of patents grants (annual average)</u>
1962 - 1964	38
1965 - 1967	46
1968 - 1970	33
1971 - 1973	17
1974 - 1976	13
1977 - 1979	13

For the period 1960 to 1979, the total number of patents granted in respect of Ispra totalled 486. The falling off in the average number of patents granted in recent years is notable.

Cost-benefit analysis

25. Obviously, a considerable part of the work done by the JRC could, readily, be accomplished by other means e.g. by way of contract to other centres. The present Community system is justifiable only if the outlay is warranted. If the work can be accomplished more efficiently by other means, the prudent management of scarce Community resources demands changes. In all sectors of the budget, account must be taken of the need to apply techniques that will enable a view to be formed of the effectiveness of expenditure. The JRC is no exception. Here, the ECA could play a valuable role by extending the use of the criteria which it is evolving for judging the effectiveness of the satellites in Dublin and Berlin. Zero base budgetary techniques should also be considered in relation to staffing levels.

Financial controller

26. The Committee on Budgetary Control subscribes fully to the principles underlying the role of the financial controller as indicated at Article 34 of the financial regulation. The fourth element, that

"the principles of sound financial management have been applied",

clearly imposes on a responsible official an obligation to ensure that prudent use is made of taxpayers' funds and that wastefulness is avoided. The attitude of the financial controller as evidenced at paragraph 10.28 of the 1979 ECA report is fully in line with this. However, in other instances, the financial controller at Ispra seems to have approved of outlay that could have been questioned. This matter will be gone into carefully by the Committee in the context of the revision of the Financial Regulation to see what changes, if any, may be needed to clarify and strengthen the situation of the financial controller.

Checks on movements into, and out of, the establishment

27. During its visit, the delegation observed that work was in progress on the construction of a new security fence around the grounds of the establishment. The delegation also noted the fact that offices and other work places are spread widely over the grounds. Account was taken, too, of the dangerous nature of certain substances handled (as evidenced by the special allowances which are mentioned in the ECA report⁽¹⁾) and of the fact that work in relation to nuclear materials is involved. There was, also, an apparent element of absenteeism. Taking account of all these factors, and having regard to the presence in the establishment of an extensive computer capacity, it appeared to the delegation that a personal computerised card system should be in operation which would make it possible to determine immediately, in the event of an emergency, which personnel were inside the establishment - in addition to the security aspect.

(1) Paragraph 10.19 of
O.J. No. C 342 of 31.12.1980

Positive attitude of the management

28. The delegation was impressed by the very positive attitude of the relatively new management team which is responsible for the running of the establishment at Ispra and which is apparently keen to advance the JRC work programme and set right the series of shortcomings that developed over the past.

Computer aspect

29. The delegation noted that the computing equipment at the establishment was being used to 80% of capacity.⁽¹⁾ The acquisition of computing equipment followed the procedure prescribed in the Financial Regulation and the acquisition in 1980 of a large-scale computer was submitted to the Commission for decision following advice by the Permanent Nucleus on New Information Technologies. The JRC is conscious of the significance of European developments in the data processing sphere and recent acquisitions have included French-made mini computers (SOLAR 16) for network purposes, Olivetti telephone exchange with built-in data transmission capabilities and terminals and text-processing equipment of European origin.

30. The Ispra staff includes several persons at all levels with long experience and formal education background in computing. It is to be hoped that their services can be fully utilised in the Community context and that, when better coordination of the procurement of data-processing equipment is being secured, their experience can be harnessed to ensure a higher degree of coordination.

31. Furthermore, if appropriate circumstances should arise and if there were some spare capacity at the establishment's computing centre, it would be desirable that it be available to Parliament, and especially to the Committee on Budgetary Control, in the framework of a better coordination of Community data-processing equipment use.

A flying squad

32. It would appear to be desirable that the Commission should be in a position to set up a special audit and systems specialists team 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.

⁽¹⁾ See Annex III

Transport

33. The Committee considers that the size and composition of the transport fleet at the JRC establishment at Ispra, which appears to run to 180 units, should be examined critically with a view to identifying the real needs.

Budgetary provisions

34. The sums provided for the JRC in 1978 and 1979 are shown at Annexes IV and V.

Further report

35. The Committee on Budgetary Control should be called on to present a further report when it is possible to indicate progress in relation to the issues cited in the present motion for a resolution.

JOINT RESEARCH CENTRE STAFF

(for 1980 financial year)

Category and grade	
A 1	2
A 2	10
A 3	40
A 4	147
A 5	227
A 6	91
A 7	27
A 8	-
	Total 544
B 1	121
B 2	230
B 3	199
B 4	183
B 5	55
	Total 788
C 1	362
C 2	417
C 3	86
C 4	10
C 5	-
	Total 875
D 1	47
D 2	6
D 3	-
D 4	-
	Total 53
	Grand Total 2,260

Source: OJ No L 242, 15.9.1980

AVERAGE AGE OF THE STAFF OF THE
CENTRE, OVER THE PAST FIVE YEARS

Situation as of	A	B	C + D	Total JRC
1.01.76	43.44	41.63	41.55	41.94
31.12.76	43.83	41.99	42.40	42.56
31.12.77	44.58	42.79	42.76	43.17
31.12.78	45.38	43.87	43.47	43.95
31.12.79	46.33	44.45	44.03	44.69
Oct 1980	46.91	45.02	44.55	45.26

Source: Data supplied by the JRC

USE OF COMPUTING CENTRE

	%
Reactor Safety	48,11
Plutonium Fuels and Actinide Research	0.72
Safety of Nuclear Materials	3.04
Fissile Materials Control and Management	2.23
Super-SARA Test Programme SSTP	7.29
Solar Energy	0.02
Hydrogen Production	
Energy Storage and Transport	0.04
Thermonuclear Fusion Technology	6.21
High Temperature Materials	0.23
Protection of the Environment	3.70
Remote Sensing from Space	0.45
Informatics	
Support to the Community	9.05
Bureau of References	0.29
Training and Education	0
Provision of Scientific and Technical Serv.	2.41
Adm. Gén. JRC	
Gen.Adm. Serv. Ispra	11.99
Gen. Techn. Serv. Ispra	0.22
Central Workshop Ispra	0.40
ESSOR	0.65
Third Parties	2.95
	100.00

Source: Data supplied by the JRC

JRC PAYMENTS APPROPRIATIONS

	1978 thousands of EUA					1979 thousands of EUA				
	Current appropriations		Appropriations brought forward		T O T A L	Current appropriations		Appropriations brought forward		T O T A L
Personnel		63,664		49	63,713		72,103		1,558	73,661
Operating expenditure		43,582		12,420	56,002		34,039		22,722	56,761
- administrative	14,982		3,159		18,141	11,273		4,582		15,855
- technical	28,600		9,261		37,861	22,766		18,140		40,906
Others		20,501		5,252	25,753		14,389		15,958	30,347
- investments	15,692		2,590		18,282	12,467		12,372		24,839
- by contract	4,632		2,656		7,288	1,922		3,481		5,403
- miscellaneous	177		6		183	-		105		105
T O T A L		127,747		17,721	145,468		120,531		40,238	160,769

PAYMENTS MADE OUT OF JRC APPROPRIATIONS

	1978 thousands of EUA				1979 thousands of EUA			
	Against current appropriations	Against appropriations b/f	T O T A L		Against current appropriations	Against appropriations b/f	T O T A L	
Personnel	58,163	32	58,195		67,198	33	67,231	
Management	25,933	12,152	38,085		21,177	18,434	39,611	
- administrative	10,957	3,035	13,992		7,060	4,439	11,499	
- technical	14,976	9,117	24,093		14,117	13,995	28,112	
Others	3,178	5,034	8,212		1,992	11,183	13,175	
- investments	2,740	2,484	5,224		1,738	8,632	10,370	
- by contract	436	2,544	2,980		254	2,551	2,805	
- miscellaneous	2	6	8		-	-	-	
T O T A L	87,274	17,218	104,492		90,367	29,650	120,017	

