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EUROPEAN COURT OF AUDITORS

COUR DES COMPTES EUROPÉENNE



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Report by the Court of Auditors on
the audit of the operational efficiency
of the management of the European Central Bank
for the financial year 2004

together with the replies of the European Central Bank

1. The Court's audit of the operational efficiency of the European Central Bank (ECB) is a requirement of Article 27(2) of the Protocol on the Statute of the European System of Central Banks (ESCB) and of the European Central Bank¹. The audit subject selected for the 2004 financial year was the efficiency of human resources policy at the ECB. The Court also did a follow-up audit on the monitoring of projects and on the procurement and management of external services.

HUMAN RESOURCES POLICY

2. The ECB's 2004 budget amounted to 376,4 million euro, of which staff costs were 145,9 million euro (39 %)².

3. Since its inception in 1999 the ECB has experienced a period of rapid growth, from 518 staff members in 1999 to 1 309 staff members at the end of 2004. In its start-up phase, the Directorate Human Resources (D-HR) was mainly occupied with recruitment, day-to-day administrative tasks and coping with short-term constraints regarding human resources policy. In the current consolidation phase, the ECB has identified³ several areas for improvement and fields for action in the HR (Human Resources) area.

4. The objective of the Court's audit was to assess the operational efficiency of the ECB's HR policy in respect of recruitment and mobility, remuneration and

¹ Article 27(2) stipulates 'The provisions of Article 248 of the Treaty shall only apply to an examination of the operational efficiency of the management of the ECB'. The institutional provisions relating to the European Central Bank are included in Article 110 of the EC Treaty.

² Comprising 133,2 million euro of direct salary costs and 12,7 million euro of indirect human resources costs, such as recruitment and removal allowances.

³ Within the context of an organisational change programme called "ECB in Motion", the Executive Board launched a number of surveys conducted among staff in order to improve the effectiveness and efficiency of the ECB.

compensation, and absence management. The Court assessed whether the ECB had:

- developed a comprehensive and coherent HR policy addressing its organisational needs;
- established adequate mechanisms at the central level for monitoring the implementation of its HR policy;
- properly implemented its HR policy at all levels.

5. The completeness of the ECB's human resources policy in the selected areas was compared with other international organisations, these being the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the EU institutions. In addition, the Court examined the management information available to the central services of the ECB to monitor the implementation of HR policy. In a sample of Business Areas⁴ the Court then reviewed how the HR policy in the selected areas was being implemented.

6. Over the years, the ECB has developed a coherent HR policy addressing its main organisational needs. However, there is still room for improvement in the areas of recruitment, grading, disciplinary action and the prevention of bullying and harassment. For some of these areas, full compliance with Council Directives has not yet been achieved.

7. While mechanisms have been established at the central level for monitoring the implementation of HR policy, the monitoring role of D-HR still shows weaknesses, particularly in the areas of recruitment, training organised by Business Areas and leave and absence management.

⁴ The term 'Business Areas' is used in the text for 'Directorates General' and 'Directorates' of the ECB.

8. Overall, the ECB has implemented most of its HR policy at all levels according to the policy it had established, although weaknesses relating to consistency and uniformity were found in the areas of salary setting, bonus distribution, recruitment and training. However, the most significant weakness concerned the low level of compliance with the leave and absence rules.

9. The Court recommends that the ECB should:

- make its HR policy more comprehensive and review it more regularly to keep it updated, having regard to developments in comparable international organisations;
- strengthen the central monitoring function in the HR area in order to ensure that HR policy is equally implemented throughout the ECB and introduce performance measurement in the HR area by using key performance indicators and critical success factors;
- address the problems found in the leave and absence area by improved monitoring, clearer communication and a better definition of responsibilities.

FOLLOW-UP OF PREVIOUS OBSERVATIONS

10. The Court carried out a follow-up audit on the monitoring of projects⁵ and on the procurement and management of external services⁶.

11. Central monitoring is only performed for projects with IT involvement and only encompasses IT resources. Other projects are still only monitored locally by the Business Areas concerned without an independent second level of control for these activities at prioritisation, approving and monitoring level.

⁵ OJ C 286, 23.11.2004 and OJ C 341, 4.12.2001.

⁶ OJ C 45, 20.2.2004.

Furthermore, nearly half of the projects monitored at the central level in 2004 were subject to delays of more than 20 % compared to the initial planning.

12. A new Administrative Circular on the ECB's Procurement Rules was issued in September 2003 and a prototype database has been developed to record all exemptions to the Procurement Rules with an amount above 10 000 euro and all large purchases (amount above 250 000 euro). However, the ECB has still not implemented quality control of work performed by consultants and suppliers, neither at central monitoring level nor at the decentralised level.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 5 April 2006.

For the Court of Auditors

Hubert Weber
President

REPLY OF THE EUROPEAN CENTRAL BANK
TO THE REPORT BY THE COURT OF AUDITORS ON THE AUDIT OF THE OPERATIONAL
EFFICIENCY OF THE MANAGEMENT OF THE EUROPEAN CENTRAL BANK FOR THE 2004
FINANCIAL YEAR

The European Central Bank (ECB) welcomes the report of the European Court of Auditors for the financial year 2004 and expresses its appreciation of the Court's acknowledgment that the ECB has developed a coherent HR policy addressing its main organisational needs.

The ECB takes note of the findings and recommendations for improvement made by the Court. In this respect, the ECB has prioritised the development of a diversity policy and a framework for preventing bullying and harassment. Work on these issues is now in its final stage. Although the ECB's practice complies with the substance of the European Union Directives, the ECB will address further improvements to ensure that its rules and regulations fully reflect the Directives. In all policy development projects, the ECB takes account of developments not only in comparable international organisations, but also in the other national central banks of the European System of Central Banks. Furthermore, as regards compliance with leave and absence rules, particular attention will be given to improving the monitoring of absence management in the near future. With regard to performance measurement in the HR area, the ECB has decided on a process to gradually introduce key performance indicators.

Major IT- and non-IT-related projects have always been centrally monitored by the ECB's Project Steering Committee. Since the third quarter of 2005, the Project Steering Committee's central monitoring has been extended to cover all IT related projects thereby covering the vast majority of the ECB's project undertaking. The quality control of work performed by consultants and suppliers is carried out as an integrated part of line management responsibility.