



The Director-General

Brussels, 16 JUN 2015

**NOTE FOR THE ATTENTION OF MR TUOMAS PÖYSTI
CHAIRMAN OF THE OLAF SUPERVISORY COMMITTEE**

Subject: 2016 Preliminary Draft Budget

Ref: SC Opinion 1/2015 - Ares(2015)2016051 dated 12 May 2015

Dear Mr Pöysti,

On 24 February 2015, OLAF sent the Supervisory Committee (SC) OLAF's Preliminary Draft Budget for 2016. By note of 30 March 2015, the Head of the SC Secretariat forwarded OLAF a working document drafted with a view to adopting the SC Opinion 1/2015 on OLAF's Preliminary Draft Budget for 2016, mentioning that OLAF's comments would be welcome by 23 April 2015. OLAF provided its comments on 22 April 2015. On 12 May 2015, the Head of the SC Secretariat transmitted to OLAF the adopted SC Opinion 1/2015 - OLAF's Preliminary Draft Budget for 2016, giving OLAF the opportunity to comment on the final Opinion.

I welcome the SC's support for OLAF's 2016 Draft Budget as confirmed by means of the SC Opinion 1/2015 of 12 May 2015 and I am pleased to announce to you that on 27 May the Commission, in its 2016 Draft Budget, confirmed all of the agreements we reached with DG BUDG at an earlier stage. This outcome demonstrates the Commission's commitment to stepping up the fight against fraud and, not least, the Commission's appreciation of OLAF's key role in this respect. I also welcome the SC's recognition of the resource constraints that OLAF faces in view of the current high caseload.

Please find below a summary of the outcome as regards OLAF's Draft Budget as well as our comments related to the issues raised in the SC's Opinion.

Summary of OLAF's Draft Budget for 2016

Compared to the 2015 budget, OLAF obtained a global increase in its budget of 2.2%¹, which is to be considered as exceptional given the austerity measures imposed on all Commission DGs. This increase was necessary to bring the 2016 budget to a level consistent with the number of staff actually on OLAF's payroll. As you can see in the table below, the Draft Budget shows an increase or remains stable on all sub-headings except for the following four items:

- External staff: the reduction equals the cost of one END post which was transferred together with the Protection of the Euro team to ECFIN.

¹ After the hearing of 27 May, and as a result of technical adjustments implemented by DG BUDG, the budget further increased to 2.2% from 1.9% (cf. OLAF's reply of 22 April on the SC working paper).

- Other management expenditure: the decrease for this item is entirely related to the transfer of the Protection of the Euro team to ECFIN, consequently budget allocated for missions and committees was reduced.
- Documentation and library expenditure: this reduction is justified by the modest execution of 2014.
- Information and Communication measures: this reduction is justified by the modest execution of 2014.

Budget Article/Item	Budget 2015	Draft Budget 2016	Changes 2014/2015	
Expenditure related to permanent & temporary staff	€ 39,032,000	€ 40,471,000 ²	+3.67%	€ +1,439,000
Expenditure related to external staff	€ 2,625,000	€ 2,592,000	-1.26%	€ -33,000
Other management expenditure	€ 2,289,000	€ 2,179,000	-4.81%	€ -110,000
Building and IT expenditure	€ 11,632,000	€ 11,750,000 ³	+1.01%	€ +118,000
Personnel policy and management	€ 3,000	€ 3,000	0%	
Documentation and library expenditure	€ 15,000	€ 10,000	-33.33%	€ -5,000
Controls, studies, analyses and activities specific to the European Anti-Fraud Office	€ 1,700,000	€ 1,700,000	0%	
Measures to protect the euro against counterfeiting	€ 50,000	Transferred to ECFIN		
Information and Communication measures	€ 200,000	€ 150,000	-25%	€ -50,000
Expenditure related to the mandate of the Members of the Supervisory Committee	€ 200,000	€ 200,000	0%	
TOTAL	€ 57,746,000	€59,055,000	+2,2%	€ +1,309,000

² This item was increased by DG BUDG after the hearing by €216,000 (technical adjustment)

³ This item was decreased by DG BUDG after the hearing by €3,000 (technical adjustment)

Budget for the Supervisory Committee and its Secretariat and the guarantees as regards their independent functioning

The SC observes that the amount of expenditure related to the mandate of the SC Members has not been changed over the past 10 years and that Regulation 883/2013 requires the SC to have at least 10 meetings a year. The SC appreciates, however, the initiative taken by OLAF for including references in the Draft Budget as to the independent functioning of the SC and its Secretariat.

On 21 January 2015 OLAF received the political orientations⁴ put forward by the Head of Cabinet of Vice-President Georgieva explaining the austerity measures which should be respected by all Commission services and includes the following guidelines:

- to implement a further 1% staff reduction (which started in 2013);
- to offset to the largest extent possible the impact of automatic salary adjustment and career progression on staff remuneration by savings on other expenditure;
- to arrive at a 'nominal freeze' at the 2015 level of all non-salary related expenditure including the expenditure subject to automatic indexation such as rents.

I would like to emphasize that, notwithstanding these guidelines and despite the fact that the execution rate of the budget put at the disposal of the SC Members in the past five years has always been lower than 90%, the budget for the SC Members will remain in 2016 at the same level as in previous years (i.e. 200,000 EUR).

It should be recalled that the EU budget is currently under constraints and that the SC, like any other EU body, needs to take this into account and carefully consider all their expenses, including those related to the SC's meetings. In this respect, it should be noted that 2014 was the first full year during which the SC had to meet at least 10 times and it appears that the budget was sufficient to comply with the requirements laid down in the Regulation. As a matter of fact, the execution of the budget was at the very same level as in 2013 (i.e. 88%) and a mere 4% higher compared to the two preceding years (i.e. 84% in 2011 and 2012). Should the SC consider that its budget is insufficient it needs to be brought to my attention.

As far as the SC Secretariat is concerned, I would like to highlight that OLAF has ensured that the aforementioned staff cuts, imposed on all Commission services, did not affect the staffing levels of the SC Secretariat.

Furthermore, I am well aware of the wish of the SC to reach a state of budgetary independence for itself as for its Secretariat. However, as mentioned already in previous exchanges on budgetary matters, the structure of the budget and the question of a separate budget line for the SC Secretariat are not a matter within the competence of OLAF.

Nevertheless, upon my proposal and as welcomed by the SC, the 2016 Draft Budget contains budget justifications which address this issue, as mentioned under points (23) and (24) of the SC's Opinion 1/2015, and read as follows:

"Conformément aux dispositions de l'article 18 du règlement no 883/2013 du Parlement européen et du Conseil du 11 septembre 2013, les crédits et les effectifs du Comité de surveillance et de son secrétariat sont inclus dans le budget et le tableau des effectifs de l'Office européen de lutte anti-fraude.

Néanmoins, dans un souci de transparence, il est possible d'identifier les moyens mis à disposition du Comité de surveillance dans le cadre du budget de l'OLAF. Sur base d'un effectif du secrétariat de 7 postes permanents et d'une dotation pour un

⁴ Ares(2015)235875 Orientations for the 2016 Draft Budget from the Head of Cabinet of Vice-President Georgieva of 21 January 2015.

agent contractuel, les crédits prévus pour le fonctionnement du Comité de surveillance en 2016 s'élèveraient à environ 1,200,000 EUR. Ce montant couvre les dépenses suivantes : frais de personnel, formation, missions, réunions internes, bâtiments et indemnités du Comité de surveillance. Le Directeur général de l'OLAF et le Comité de surveillance ont convenu d'une méthode de mise en œuvre de ces moyens par le Secrétariat du Comité de surveillance."

OLAF has undertaken measures to guarantee the independent functioning and the financial autonomy of the SC and its Secretariat. This is demonstrated by the justifications mentioned in the 2016 Draft Budget as regards the human and financial resources of the SC and its Secretariat, the powers that I have delegated to the Head of the SC Secretariat and, not least, the attribution of a dedicated budget to the SC. I would also like to reassure you that I will continue consulting you on staff and budget decisions affecting the SC Secretariat as I have done in the past. OLAF welcomes the recognition of the SC that the current arrangements "*comes close to sufficient financial autonomy*" of the SC and its Secretariat.

OLAF's establishment plan

The establishment plan for OLAF has been prepared taking into account the cut of 1% of the available posts and the return of the available posts (1%) to the Commission as part of the redeployments efforts. By its decision dated 27 May, the Commission decided to re-allocate four additional posts (1 AD and 3 AST) to OLAF in the framework of the redeployment exercise for 2015. As a result, OLAF's establishment plan for 2016 will count a total of 368 posts. In this respect the OLAF budget is not subject to stricter saving measures than foreseen for other services of the Commission.

IT budget

The 2016 OLAF Draft Budget emphasises the importance of adequate resources for a well-functioning ICT infrastructure supporting the investigative function. As a result, and in spite of the austerity measures applied across the Commission's services, we managed to obtain a budget which is about 10% higher than our expenditure in 2014.

Seconded national experts

I fully share the SC's view regarding the added-value of the national experts. However, I regret that we cannot recruit more national experts since the Member States are more and more reluctant to detach national officials to OLAF as they are facing budgetary constraints.

Conclusions:

OLAF attaches great importance to the SC's Opinions and takes due note of its comments. Furthermore, we endeavour to continue with the previously established good practices related to the timely consultation of the SC on the Preliminary Draft Budget.

It should be noted that the adoption of the Draft Budget is only the first step of the budgetary procedure. Your support in the negotiations with the two branches of the Budgetary Authority would be welcomed.

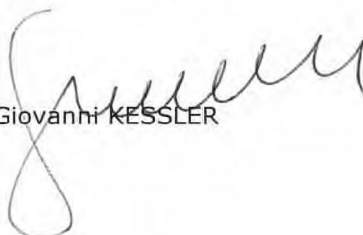
Finally, OLAF would appreciate having this reply sent to the Institutions together with the SC Opinion 1/2015.

OLAF's assessment of the implementation of SC's recommendations of Opinion 1/2015 on OLAF's Preliminary Draft Budget for 2016

SC recommendation no 1: As mentioned above, the 2016 Draft Budget contains the budget justifications transparently detailing the total financial and human resources available to the SC and its Secretariat. As recognised by the SC, following my proposal of 28 May 2014, OLAF has already delegated as far as possible the powers of Appointing Authority and Authorising Officer to the Head of the SC Secretariat. OLAF therefore considers this recommendation implemented.

SC recommendation no 2: OLAF will continue consulting the SC on staff and budget decisions affecting the SC Secretariat, as was already done in the past. OLAF therefore considers this recommendation implemented.

Yours sincerely,



Giovanni KESSLER

CC: J. Marteau, M. D'Ambrosio, C. Scharf-Kroener, M. Kaduczak, M. Hofmann, C. Arwidi, L. Bedeer, J. Dedrie, M. Caner