

IV

(Notices)

NOTICES FROM EUROPEAN UNION INSTITUTIONS AND BODIES

COURT OF AUDITORS

**Report on the audit of the operational efficiency of the management of the European Central Bank
for the 2005 financial year together with the replies of the European Central Bank**

(2007/C 313/01)



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Picture of the ECB's future headquarters

INTRODUCTION

1. The Court's audit of the operational efficiency of the European Central Bank (ECB) is based on Article 27.2 of the Protocol on the Statute of the European System of Central Banks (ESCB) and of the ECB ⁽¹⁾. The audit subject selected for the 2005 financial year audit was the management of the New ECB Premises (NEP) project. The Court also did a follow-up audit of the efficiency of human resources policy at the ECB.

THE NEW ECB PREMISES

2. The ECB will build its new premises in Frankfurt on the site of the 'Grossmarkthalle' (former wholesale market). The new ECB premises of about 186 000 square metres will combine the historical buildings with an office tower around 185 metres high. The current budget amounts to around 850 million euro, including around 500 million euro for building costs ⁽²⁾.

3. The Court's audit objective was to assess the operational efficiency of the management of the NEP project and its compliance with the applicable rules. The Court assessed whether the ECB had:

- established an efficient planning and organisational structure,
- set up an appropriate risk management, monitoring, control and reporting framework, taking into account the complexity of the NEP project,
- applied adequate procedures for procurements within the NEP project in compliance with the general applicable rules.

4. The audit reviewed the period from September 2001 to August 2006 but excluded the competition for the selection of the building design and the technical aspects of the specifications established by the ECB. The audit also took into consideration subsequent developments of the NEP project.

Planning and organisational structure

5. The established organisational structure for the NEP project allowed the ECB to meet its current needs. This structure was established before the final decision to build, including detailed building specifications, was taken in December 2005.

⁽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⁾ Based on 2005 prices.

6. In 2001, project completion was initially planned for the third quarter of 2008. Since then completion has been postponed to the end of 2011 ⁽³⁾. This is mainly due to the introduction of two phases not originally foreseen: a Revision Phase and an Optimisation Phase. The Revision Phase lasted 10 months followed by an Optimisation Phase of 13 months in which 30 % cost reduction was achieved. However, the delay in the project completion leads to additional renting cost.

Risk management, monitoring, control and reporting

7. The ECB has developed and implemented an appropriate and coherent monitoring, control and reporting strategy.

8. Regarding risk management, while a risk management framework has been established, some weaknesses have been noted in the risk register. By August 2006, the Court had reviewed the register on risks that was established for the NEP project, detailing for each item a description, potential impact, action, owner and status. The ECB had ranked more than 100 potential risks in the risk register with levels from 1 (low impact and low probability) to 25 (high impact and high probability).

9. This register did not always provide a clear view of the most risky items, the likelihood of their occurrence and the time-frame: the risks were not always formulated in a coherent way and were sometimes mixed up with sub-risks ⁽⁴⁾. Furthermore, the various reputation risks were dispersed across the risk register, sometimes with a relatively low ranking ⁽⁵⁾, and on a number of occasions only a sub-risk was listed in the register or the main risk was omitted.

Procurement

10. The general ECB procurement rules and procedures applied for the procurement activities associated with the NEP project were adequate. However, these rules did not provide for a formal appeal procedure and did not define the criteria for excluding abnormally low offers. Although the ECB strives to meet the requirements of the EU Directive ⁽⁶⁾, the thresholds were not systematically updated according to the requirements of the Directive.

⁽³⁾ The timetable reflecting the development of the project is presented in the Annex.

⁽⁴⁾ For example, the risk ranked as number 4 'A one big bang move in December 2011 is not possible due to core business' is less critical and constitutes a sub-risk of the risk ranked as number 13 'The move to the new building is delayed (for whatever reason) — existing rental contracts must be extended — time/cost prolongation'.

⁽⁵⁾ For instance, the risk of 'Illegal employment by contractors/subcontractors' which was ranked as number 43.

⁽⁶⁾ The European Public Procurement Directive (European Parliament and Council Directive 2004/18/EC on the coordination of procedures for the award of public works contracts, public supply contracts and public services contracts which should have been implemented by 31 January 2006 at the latest) is not directly applicable as Directives are addressed to the Member States.

11. In general, NEP procurements did comply with ECB rules and procedures, but the scoring was sometimes unclear and was based on sub-criteria that were not explicitly foreseen as evaluation criteria. Furthermore, while most exemptions are duly authorised and substantiated, there were cases where the justification for the exemption was questionable or not formally documented.

12. For a number of tenders, there is no evidence available that best value for money was always achieved. In some of these tenders, the exact scope of services tendered was not sufficiently clear, the offers showed high deviations and the tenderers selected for negotiations were later allowed to significantly change their offers.

13. The Court found weaknesses in the ECB's controls of procurements related to the work of external consultants. In one case, the controls performed by the ECB on the scoring of the offers were not traceable. In another case, the procurement process was mainly conducted by the external project manager whereas the ECB's participation was not clearly evidenced.

Conclusions and recommendations

14. While the initial timing for project completion was too optimistic, overall, the ECB has established an adequate organisational structure to meet its current needs and managed to significantly reduce the overall cost estimate. The ECB has set up an appropriate monitoring, control and reporting framework for the NEP project. Although a specific risk management framework

was set up for the NEP project, some weaknesses concerning the risk register were found. The main project weaknesses were noted in the execution of NEP procurements since in some cases the ECB's procurement rules and procedures were not fully respected.

15. The Court recommends that the ECB should:

- continue to improve its risk management within the NEP project,
- enhance its own controls within the procurement process and ensure that the procurement rules and procedures are fully respected.

FOLLOW-UP ON HUMAN RESOURCES (HR) AUDIT

16. The Court carried out a follow-up audit to its 2004 audit of the efficiency of human resources policy at the ECB.

17. Significant progress has been made regarding the global HR framework, notably with the definition of an HR communication strategy. Other issues were still in the process of implementation, such as the definition of Key Performance Indicators (KPIs) for all business areas. Furthermore, the new release of the IT system to enhance the reliability and completeness of the data on staff leave and absences has been delayed to 2008. Some specific guidelines and procedures were not yet established, such as the guidelines for part-time work and the rules on disciplinary procedures.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 8 November 2007.

For the Court of Auditors
Hubert WEBER
President

ANNEX

DEVELOPMENT OF THE NEP PROJECT

Competition phase			Optimisation phase	Planning phase	Construction phase		Occupation of the premises
Nov 2002 — Dec 2004			Jan 2005 — Feb 2006	Mar 2006 — Nov 2008	Jan 2008 — Dec 2011		End 2011
Competition phase (1 st part)	Competition phase (2 nd part)	Revision phase (3 rd part)	Optimisation phase	Preliminary planning Detailed planning Planning for building permit Planning for tender	Preliminary construction works	Main construction works	
International competition with 80 participants	International competition with 12 participants Award 1. Prize	with 3 participants	Optimising the project by significantly reducing costs	Design planning with different level of details, preparing and applying for the building permit, preparing the tenders for construction	Preparatory construction works	Construction of new buildings	Relocation
High rise 150 m	High rise 150 m	High rise elevated to 180 m	High rise 180 m	High rise 185 m			

(Source: ECB)

THE EUROPEAN CENTRAL BANK'S REPLIES

The European Central Bank (ECB) welcomes the report of the European Court of Auditors (ECA) for the financial year 2005 and expresses its appreciation of the Court's acknowledgment that the ECB has established an adequate organisational structure for the New ECB Premises (NEP) project in order to meet its current needs and has set up an appropriate and coherent monitoring, control and reporting framework. The ECB is also pleased to note that the Court of Auditors considers the general ECB procurement rules and procedures applied to the procurement activities associated with the NEP project to have been adequate.

The ECB takes note of the Court's observations and recommendations for improvement. Below are the ECB's comments with regard to specific paragraphs.

Paragraphs 7 to 9: the NEP risk register is an evolving product and reviewed on a regular basis. The ECB has taken note of the ECA's observations and has addressed them in the meantime.

Paragraph 10: the ECB has published updated procurement rules in a formal ECB decision (ECB Decision of 3 July 2007 laying down the rules on procurement). This decision introduced a formal appeals procedure, defined 'abnormally low offers' and updated the thresholds in accordance with the EU Directive on which it is based. Regular monitoring will be carried out to ensure that changes to the Directive are incorporated as and when required.

Paragraph 11: the ECB is transparent in publishing the main evaluation criteria in the procurement documents ('Invitation to Tender' for public tenders, and 'Request for Quote' for three/five-quote procedures). In one case the wording of the evaluation report did not fully coincide with the published evaluation sub-criteria. The scoring is based on the published criteria.

Paragraph 12: the standard documentation for the tender process in general includes detailed evaluation reports, technical assessments, price calculations, minutes of negotiation meetings and documentation from Procurement Committee meetings. Such documents evidence the process and the achievement of best value for money for all tenders.

Paragraph 13: the procurement process was at all times conducted under the full control of ECB staff. The role of the external project manager was limited to support, organisation and documentation of the evaluation process. All procurement decisions were taken by the ECB. Revised documentation standards now ensure that the ECB's control over the tender process is clearly documented.

Follow-up on Human Resources (HR) audit: the ECB remains committed to the implementation of further key elements of its global HR framework.
