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Report on the audit of the operational efficiency of the management of the European Central
Bank for the financial year 2009:

The management of human resources at the ECB
together with the replies of the European Central Bank

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INTRODUCTION

1. The European Central Bank (ECB – “the bank”) and the national central banks of all European Union (EU) Member States together constitute the European System of Central Banks (ESCB). The primary objective of the ESCB is to maintain price stability. The ESCB also supports the general economic policies of the EU with a view to contributing to the achievement of the EU’s objectives¹. For this purpose, the ECB carries out the tasks specified in its Statute² and is responsible for managing its activities and finances.
2. The Court’s audit of the operational efficiency of the ECB is based on Article 27.2 of the Protocol on the Statute of the ESCB and of the ECB³. The 2009 audit covered the rules, procedures and systems established by the ECB for managing its human resources.
3. The Governing Council, on a proposal from the Executive Board, lays down the conditions of employment of the ECB’s staff⁴. The main documents which govern human resources at the ECB are the conditions of employment, the staff rules and other administrative circulars and the guidelines on specific topics such as recruitment, promotions, mobility and the code of conduct. The total workforce at the ECB consists of “headcount staff” (1 386 at the end 2009) and “non-headcount staff” (278 at the end 2009). “Non-headcount staff” include: ESCB / International Organisations staff (127), members of the Graduate Programme (24), PhD

¹ Article 127(1) of the Treaty on the Functioning of the European Union.

² The Statute of the ESCB and of the ECB is a protocol attached to the Treaty.

³ Article 27(2) stipulates: "The provisions of Article 287 of the Treaty on the Functioning of the European Union shall only apply to an examination of the operational efficiency of the management of the ECB".

⁴ Article 36.1 from Protocol on the Statute of the European System of Central Banks and the European Central Bank.

and student interns (72), Research visitors (9) and agency staff (46). In addition, the ECB has contracts with consultants to specific needs.

AUDIT SCOPE AND APPROACH

4. The Court applies a rotational audit approach to its audit of the ECB by selecting a different management field for examination each year. The objective of the 2009 audit was to assess how well the ECB managed its human resources by addressing the following key audit questions:

- Did the ECB establish comprehensive staff employment conditions and rules?
- Did the ECB adopt and apply transparent staff selection rules and procedures?
- Were the ECB's staff performance appraisals, career development and training policies and procedures adequate?
- Did the ECB use tools to manage its human resources activities and address the information needs of both management and staff?

5. The Court also followed-up on its previous findings and recommendations in this area as set out in its 2004 audit⁵, which dealt with the operational efficiency of the ECB's human resources in respect of: recruitment and mobility; remuneration and compensation; and absence management were also followed-up.

6. The audit covered the ECB's "headcount staff" (staff) only and comprised the following main elements:

- (a) a review of the ECB's conditions of employment and staff rules, including a benchmarking exercise with the staff rules of the EU institutions and those of another financial organisation;

- (b) an assessment of the staff selection rules and procedures by analysing relevant documentation and through a detailed examination of 20 procedures selected on a random basis. Reliance was also placed on the audit work of the bank's Internal Audit Directorate (D-IA) in respect of the recruitment process, following a positive assessment of the adequacy and scope of the D-IA's audit work in this area. The sample selected by the Court was complementary to the items tested by the D-IA;
- (c) an assessment of the bank's staff performance appraisal and reward systems by reviewing the guidelines and by testing 24 appraisals selected from three Business Areas, a review of the training policies, including the testing of a sample of both centralised and decentralised training events;
- (d) a review of the bank's human resources information systems together with an assessment of the information on human resources issues provided to both management and staff.

AUDIT FINDINGS

Did the ECB establish comprehensive staff employment conditions and rules?

7. The staff employment conditions and rules should be comprehensive, covering in detail all aspects of human resources management, such as remuneration, leave, overtime, secondments, probation periods, absence management, harassment, etc.

8. The review of the main staff employment conditions and rules showed that they are comprehensive. The ECB is in the process of consolidating all the rules and regulations into a Staff Handbook, complementing the

⁵ OJ C 119, 19.5.2006, p. 17.

Business Practice Handbook, which was launched in 2007 and last updated in March 2009.

9. The Court previously recommended that the ECB should periodically assess whether its employment conditions are comparable to the other EU and financial institutions⁶.

10. The ECB had carried out a specific benchmarking exercise on its retirement plan⁷ and a limited number of thematic comparisons with the EU institutions and other comparable financial institutions. These comparisons did not result in any significant changes to the ECB's staff employment conditions. In general, the ECB considers that its staff conditions are adequate, as evidenced by the low staff turnover⁸ and the fact that very few job offers were rejected by successful candidates.

Did the ECB adopt and apply transparent staff selection rules and procedures?

11. Staff selection rules and procedures are necessary for transparent and effective staff recruitment processes if they are to be considered as appropriate. The Court assessed whether the bank had:

- established comprehensive and clear staff selection rules and procedures; and
- applied these rules and procedures consistently at each stage of the recruitment process, namely during:
 - the establishment and publication of the vacancy notice; and

⁶ See recommendation in the Court's 2004 report, OJ C 119, 19.5.2006.

⁷ The Court's audit did not cover the ECB's retirement plan.

⁸ The annual staff turnover for the period 2004 - 2008 was between 2,0 % and 2,6 %.

- the selection procedure itself.

The ECB's staff selection rules and procedures

12. A set of comprehensive and clear staff selection rules and procedures should be in place covering all the key stages of the process in a clear and detailed manner. They should identify the person(s) responsible for the different stages of the recruitment process, the decisions that had to be taken and the documents required.

13. The general rules on recruitment are complete, clear, and easily accessible to all the stakeholders involved. However, no comprehensive manual has been established and there is no checklist for ensuring that all steps during the recruitment life cycle have been performed properly.

Application of the staff selection rules and procedures

14. Staff recruitment should be carried out in accordance with the established rules and procedures. The aim of the selection procedures should be to recruit staff who best fit the job profile in a timely and transparent manner.

15. The ECB's selection procedures aim to ensure that "all members of staff of the ECB shall be selected, appointed and promoted by the Executive Board and with due regard to the principles of professional qualification, publicity, transparency, equal access and non-discrimination⁹".

16. The audit examined both recruitment campaigns and direct appointments. The direct appointments examined were clearly documented and in accordance with the ECB's established rules. Recruitment campaigns are characterised by a more complex process

⁹ Article 20.1 and 20.2 of the Decision of the ECB dated 19 February 2004 adopting the Rules of Procedure of the European Central Bank (ECB/2004/2) (2004/257/EC).

during which issues like vacancy notices and selection procedures were assessed.

Vacancy notice

17. For all recruitment campaigns, a vacancy notice should be drafted which should clearly set out the main responsibilities of the position and a general description of the educational and other qualifications, competencies and experience required and/or desired. The vacancy notice should also indicate the nature and duration of the contract as well as the selection criteria. All vacancy notices should be posted in the ECB's electronic recruitment system and may also be advertised in other ways when deemed appropriate.

18. The vacancy notices examined defined sufficiently the experience and qualifications requested, as well as the nature of the post and the selection criteria. A reasonable deadline was set for the submission of applications.

19. Despite the ECB's efforts to encourage staff mobility and to attract candidates with profiles that can be used in its various Business Areas, prerequisites for posts were often very technical. In general, placing a lot of weight on very specific technical knowledge makes subsequent mobility within the ECB more difficult. A set of basic standard competencies for fulfilling the tasks expected at different seniority levels, with the aim of facilitating the drafting of the vacancy notice and to possibly foster internal staff mobility, has not been developed.

Selection procedure

20. The ECB rules foresee that the appointed selection committee should decide whether tests, written exercises or other selection tools will form part of the selection procedure. All recruitment procedures have to include at least one interview of each candidate by the members of the selection committee. An assessment of managerial skills for all managerial vacancies should be carried out by an external consultant. The selection

committee may also consider references relevant to the position from the candidate's previous employers as well as from relevant current or past supervisors within the ECB. The assessment should be based on the qualifications and experience requirements specified in the vacancy notice.

21. After completion of the selection procedure, the selection committee is expected to draw up its conclusions on the short-listed candidates, ranked in order of suitability. The selection committee should then seek the endorsement of the head of the Business Area in which the vacancy has arisen or of the Executive Board if the position is above a certain seniority level.

22. Each recruitment campaign examined used a combination of several methods to assess the suitability of the candidates (see **Box 1**).

Box 1 - Assessment methods employed in the recruitment campaigns

- Pre-screening / short-listing
- Written test
- Reference checking
- Interview with the selection committee
- External assessment of managerial skills
- Interview with a Member of the Executive Board

23. The recruitment campaigns examined were carried out in a timely manner. The decisions made at each stage of the process were justified in the selection memorandum. However, the memoranda examined included only a narrative assessment and frequently did not make explicit reference to any scores obtained. Even though the candidates selected had the required experience and qualifications, in most cases it was difficult to track how exactly candidates had been short-listed and selected. The assessments of the written tests and interviews with the candidates were

mostly descriptive and often no ranking tables were produced to compare the assessment of each candidate.

24. In the campaigns where reference checks were carried out, the outcome of the checks was not always documented in the recruitment file nor was there evidence that the outcomes of the checks were systematically discussed by the selection committee.

Were the ECB staff performance appraisals, career development and training policies and procedures adequate?

25. The Court assessed whether the ECB had:

- established comprehensive and clear staff performance appraisal procedures and whether these were applied consistently;
- established adequate career development policies; and
- adequately planned training activities and evaluated training programmes on a regular basis.

Staff performance appraisal procedures

26. Clear guidelines should be issued covering all aspects of a staff performance appraisal system. The staff appraisal system should define roles and clearly set out what is expected of both appraisers and appraisees.

27. The 'Guide to the ECB appraisal' describes the key aspects of the appraisal system applied in the bank. The appraisal form used includes the following fields: i) a review of the appraisee's performance, as measured against the tasks and objectives set in the prior year's appraisal; ii) an overall assessment of performance in accordance with ECB values; iii) a review of the skill level as measured against the ECB competencies; iv) setting of the tasks and objectives for the period ahead; v) a training and development section; vi) a section which includes summaries of the

comments of the two appraisers and vii) a section for the appraisee's comments.

28. The Court's analysis of the appraisal procedures noted the following:

- (a) the system is sufficiently comprehensive and the guide clearly describes the process;
- (b) the system facilitates the provision of balanced feedback since: i) each appraisee needs to be assessed by at least two appraisers and where appropriate input from another appraiser is sought and ii) multi-source feedback of the managers' performance is to be carried out every three to four years;
- (c) the section of the appraisal on how the appraisee has lived up to ECB values in his/her daily work is theoretical and does not provide particularly valuable information which could contribute to the appraisal and development of the individual staff member; and
- (d) there was an inconsistent use of three sub-sections within the 'training and development' section of the appraisal form.

Individual staff appraisals

29. Individual staff appraisals should respect the provisions of the 'Guide to ECB appraisal'. The provisions of the Guide should be consistently applied by all Business Areas in order to ensure a uniform approach and fair assessment of all staff.

30. The testing of the selected individual appraisals from the Business Areas showed that:

- (a) the individual staff appraisals are generally carried out in compliance with the provisions of the guide;

- (b) the quality of the appraisals differs depending on the individuals conducting the appraisal exercise;
- (c) only 48 % of the 2009 appraisals have been completed by the end of January 2010, despite the fact that all Business Areas had a Key Performance Indicator (KPI) of 100 % completion;
- (d) in a large number of cases the objectives set were vague and not readily measurable¹⁰, with the exception of the Business Area DG Market Operations (DG-M);
- (e) no specific areas of improvement were identified; and
- (f) other weaknesses in individual staff appraisals were noted, for instance, appraisals for which objectives were not set or training needs were not sufficiently identified.

Career development

31. The ECB should develop adequate career development policies and procedures designed to reward staff for their performance and to maintain a motivated workforce.

32. The Court reviewed the career development policies and rules and selected a sample for testing for compliance with these policies and rules.

33. Staff development and addressing the demographic challenge¹¹ are amongst the ECB's priorities mentioned in the President's 2009 letter¹². In

¹⁰ For example: contribute to continuing good relations with clients in other business areas, contribute through coaching of staff to high quality services, work on KPIs, draft contracts of a complex legal nature, participate in procurement procedure for a contract.

¹¹ More than half of the ECB's staff are between the age of 35 and 45, while the vast majority of managers and advisers are younger than 54. This implies that there is a high number of staff in a relatively narrow age bracket who will have similar career expectations.

accordance with the ECB's strategy, one of the key policies of recent years has been headcount neutrality. The demographic challenge, in combination with headcount neutrality, constitutes the main constraint on staff career progression at the ECB. It was noted that while the staff headcount increased by 3 %, there has been a substantial increase in the non-headcount staff (from 154 in 2006 to 254 in 2009).

34. While ECB fosters mobility¹³ and provides necessary training, it is up to the staff member to make use of these opportunities and to shape their careers. There are no pre-defined career paths and there is no automatic career progression.

35. According to the ECB's administrative circular on promotions and additional salary advancement, a member of staff could be promoted only following:

- a selection procedure for a vacant position (recruitment or direct appointment);
- a conversion of a position (e.g. an upgrade); and
- a decision to grant him/her an Additional Salary Advancement (ASA).

36. In addition to the options described in the paragraph above, there is the Annual Salary and Bonus Review (ASBR). The ECB's reward policy has been created with the objective of rewarding an individual's performance and achievement by linking their salary level to their contribution to the success of the ECB in achieving its objectives. Staff

¹² The President's letter which is issued annually sets the strategic objectives of the ECB for the future year.

¹³ There are two types of mobility: internal and external. Internal mobility may be permanent or temporary; it might be at the same salary level or combined with promotion; external mobility may be paid fully by the bank or may involve a temporary suspension of the employment contract with the ECB.

members are eligible for two types of reward: salary increases and bonus awards.

37. The following was noted:

- (a) for the 2009 conversions of a position, a total of 55 requests were submitted from 12 Business Areas, the five cases selected by the ECB were well documented¹⁴;
- (b) for a 2009 ASA, 11 out of the 17 proposals by the Business Areas were approved. The four examined by the Court showed that the grounds for awarding an ASA were well documented¹⁵;
- (c) for the ASBR, three Business Areas were selected for testing and a sample of 20 individual appraisals were reviewed. The ECB did not explicitly link the appraisal procedure and the ASBR since the bank manages the individual appraisal as a stand alone exercise, in contrast with the ASBR, which is a comparative exercise. The Court identified no apparent contradictions between the appraisals and the ASBR decisions. However, no direct link was found either between a highly positive appraisal and the number of ASBR points awarded or a bonus; and
- (d) the decision on the ASBR is made by the management of the Business Areas. However, their specific decisions on the percentages to be awarded to specific individuals are not documented and the results are only communicated to the individual concerned.

¹⁴ For each of the cases a request form had been completed, indicating the business justification, strategic alignments and organisational and/or managerial impact.

¹⁵ For each case a summary of the long term performance was made, a reason for the proposal was clearly explained, and staff appraisals were summarised.

Training

38. Annual training activities should be planned adequately. Target oriented training should be provided, e.g. for newly recruited staff, managers and others with specific skills. For all training programmes, evaluations should be carried out assessing the quality of the programmes provided. Information on training activities should be easily accessible to all staff and there should be a single point of information for all training events.

39. There are two types of training at the ECB: centralised and decentralised. Centralised training is offered to all staff and is managed by the Directorate General Human Resources, Budget and Organisation (DG-H) and DG Information Systems (DG-IS). Decentralised training is organised by each Business Area mainly on specialised technical subjects.

40. The audit included a review of the 2009 training programme and tested a sample of training activities from three Business Areas. The results of the testing showed that:

- (a) sufficient induction training and other important information is provided to all newly recruited staff;
- (b) for the training activities tested, the feedback indicated that the training met the needs identified and the general assessment indicated satisfaction;
- (c) For decentralised training activities, which are decided and financed within each Business Area and represent approximately two thirds of

the ECB's training budget, there is no single point of information¹⁶; and

- (d) there is little information sharing on decentralised training. Back to office reports are submitted and saved in the Business Area concerned, but not shared with the other Business Areas.

Did the ECB use tools to manage its human resources activities and address the information needs of both management and staff?

Information systems used for the management of human resources

Human resources information systems at the ECB

41. Human resources data should be managed in an integrated way in order to ensure a complete, reliable and consistent source of data for planning, monitoring and reporting on the human resources activities.

42. Part of human resources information (for example employment contracts), is processed and stored in the personnel hard copy files. The ECB is in the process of implementing digital personnel files. Two main IT systems are used by the DG-H: ISIS and the e-recruitment system which is expected to be phased out in 2011. ISIS is a SAP-based software system which was introduced at the ECB in January 2008. It had a significant impact on a number of tasks relating to human resources management. Several modules are already in use or being implemented.

43. The ISIS portal is available to all ECB staff through the intranet. ECB staff are responsible for the maintenance of their own personal data, such as their bank account details and personal information. Managing own personal data by staff has led to an improvement in data quality.

¹⁶ A single point of information exists for centralised training courses, e.g. what is available, how to apply, other organisational details, etc.

44. At the end of 2009, although the ISIS system had technically been operational since January 2008, no system ownership of the ISIS system had been assigned to a specific directorate. The system was temporarily owned by the Project Steering Group. In addition, the service level agreement (SLA) had not been signed. SLAs are common practice to define the level of service to be guaranteed to users of the information system by the operational support provider and to define the roles and responsibilities of the parties to the agreement.

Implementation of the human resources modules of the ISIS

45. Before implementation of a new information system, user acceptance testing and user sign-off should be conducted. All testing should be properly documented, reviewed and approved and form a part of the system documentation.

46. After successful testing, the system should be ready to migrate to the production environment. At this stage, the users should have developed procedures and been fully trained in the use of the new system. Following the implementation of the new system, a post implementation review should then be conducted to verify that the system has been properly designed and developed, and appropriate controls have been built into the system.

47. The human resources modules of the ISIS were implemented in stages. For each release, user acceptance testing was performed and user acceptance statements were signed off before moving to production. On a sample basis the Court tested the existence and documentation of the test cases related to the releases. In two test cases examined, the only available documentation was the user manual for the process implemented.

48. Before the ISIS system went live, a pre-production security assessment had been performed which included the identification of IT risks and action

plans/controls to manage these risks. However, there were several criteria in the pre-production security assessment before the ISIS release which had not been met. The owner, in this case the DG-H, accepted the residual risks. The Court considers that two of those risks are potentially high and should have been addressed so as to ensure confidentiality, integrity of data and availability of the information assets.

49. Classrooms based training and “practical” sessions were carried out to train the users when the human resources modules of the ISIS system were being implemented. Currently, new staff are trained on the use of the systems by their colleagues (e.g. job shadowing). Training sessions are organised for certain groups of users, for example management assistants and external staff. An ISIS newsletter is published on a monthly basis; handbooks and demonstrations are in place and available on the ECB’s intranet.

50. The ISIS implementation project has not yet been completed, so the post-implementation review to verify that the system has been properly designed and developed and proper controls have been built into the system is not yet applicable.

51. Any changes to the ISIS system are agreed with the process owners. For specified standard changes in the ISIS system a fast track change management was introduced. During the audit three operating procedures related to this fast track change management were examined. All three documents were draft versions. No information could be obtained as to who will provide the approval of those procedures and when it would be done.

The management of human resources data

52. Personal data should be processed in compliance with the laws and regulations on data protection rules. Appropriate access to different levels of data should be granted to staff on a need-to-know basis. If an employee

with access to the human resources information system leaves the department, then that individual's access should be terminated.

53. The ECB has a notification procedure in place which requires the relevant controller to notify the Data Protection Officer (DPO), using the on-line interface accessible through the DPO website on the ECB's intranet, before introducing new processing operations relating to personal data. Personal data on members of staff are processed inter alia in the human resources modules of ISIS. The notification to the Data Protection Officer was sent in September 2008 although the ISIS system has been in production since January 2008.

54. Every staff member has been assigned specific roles in the human resources module of the ISIS system. The senior human resources expert on the ISIS programme has been given authority to approve the role profiles.

55. A list of all staff with a "read all" profile in the ISIS in relation to the human resources data was obtained in order to assess whether only appropriate personnel had this profile. In three cases "read human resources" roles were assigned to external staff (agency staff and consultant) and in another three cases to short-term staff. Even though these six staff members form an integral part of the various human resources teams, granting access to external and short-term staff increases the risk of not maintaining the confidentiality of sensitive personal data. In four cases staff that left the ECB still had their assigned access rights in ISIS.

Information needs

Management information

56. “Staff is the capital of the institution and people management will remain a key preoccupation of the Executive Board”¹⁷. Human resources information systems should be a reliable tool to generate reports to assist management in strategic and tactical planning, as well as operational decision-making. Reporting on human resources management issues should be done in a regular and timely manner. The information reported should be comprehensive and accurate.

57. The introduction of ISIS has significantly improved information flow at the ECB, as both management and staff can consult human resources data in one system at all times. This is an improvement which resolves the weaknesses identified by the Court in its 2004 audit in the manual validation of human resources data.

58. In accordance with the decentralised human resources management set-up at the ECB, it is mainly the Business Area managers’ responsibility to monitor human resources related issues in their Business Area. Judging by the feedback obtained from the representatives of the Business Areas, there is sufficient information available for the ongoing management of human resources and the data from ISIS are of an adequate quality. However, recruitments and decentralised training are still managed outside the ISIS system. Standard reports are also available in ISIS. In addition, business intelligence reports make it possible to create reports on business processes and their results and analyse and interpret data.

59. The system of formal reporting to the Executive Board on human resources management issues has not changed since the Court’s 2004 audit. An extensive annual report on recruitment and staff mobility is

¹⁷ President’s 2008 Letter.

submitted to the Executive Board and senior management (even though recruitment numbers have decreased significantly) while the implementation of other policies is not followed-up to the same extent by formal reporting.

60. A presentation on the topic of sick leave at the ECB was made to senior management in April 2008 (concerning 2006 and 2007 years) while a presentation on sick leave has been held internally in DG-H for 2008. The staff's sick leave increased during the years 2006 to 2008. Some key developments from 2007 to 2008 included an increase by 13,3 % in the total work days lost due to sick leave and an increase of 37 % of days lost due to long term sick leave. In 2009 the total number of work days lost due to sick leave decreased by 9,9 % and the number of work days lost due to long term sick leave decreased by 42,3 %. No formal reporting on sick leave statistics has been submitted to the Executive Board.

61. In recent years, the ECB has implemented policies of strategic importance to the organisation, such as a policy on diversity and a series of measures to mitigate the "demographic challenge". Although a follow-up report on the diversity in respect of the ECB's staff was prepared and submitted to the Executive Board in 2007, there is no regular formal reporting to follow up on the implementation of these policies and the issues arising from them. Similarly, the majority of implemented DG-H policies are not formally or regularly reported to the Executive Board. Nevertheless, it was noted that a management committee was established to discuss, among others, human resources matters.

General staff information

62. Availability and accessibility of information is important in order to ensure transparency and consistency in the rules applicable to staff. For this reason all relevant information on human resources rules and policies should be available and easily accessible to all ECB staff.

63. The main and most comprehensive source of information for staff is the ECB intranet. The intranet page “around my job” contains all main staff rules, human resources policies and guidelines and links to background documentation. Human resources news and updates are also published here.

64. DG-H also published operational guidelines on the intranet which further detail how the staff rules are interpreted and applied by DG-H. This has been done in order to improve transparency throughout the organisation and to clarify the human resources processes. The operational guidelines take the form of “information boxes” in an annotated version of the staff rules.

65. A Business Practice Handbook (BPH) entered into force in 2007 which integrates a number of the organisational rules (administrative circulars) which are binding on staff of the ECB. Information related to ethical recommendations, conditions of employment, staff rules (such as rules for secondment, promotions, recruitment, etc.) have not yet been incorporated into a Staff Handbook complementing the BPH.

66. The 2008 internal customer satisfaction survey showed that respondents generally know where to find human resource-related information on the intranet and also that a majority found the human resources news on the intranet relevant and approximately 40 % found it clear and concise.

CONCLUSIONS AND RECOMMENDATIONS

Did the ECB establish comprehensive staff employment conditions and rules?

67. The ECB established comprehensive staff employment rules covering all main aspects of human resources in detail. The bank did periodically assess whether specific aspects of its employment conditions are comparable to those of the EU and other comparable financial institutions.

Did the ECB adopt and apply transparent staff selection rules and procedures?

68. The ECB established a set of comprehensive and clear staff selection rules and procedures covering all the key stages of the process. For recruitment campaigns:

- (i) the selection procedures were carried out in a timely manner;
- (ii) despite the ECB's efforts to encourage mobility, the vacancy notices were not designed to identify candidates with profiles that can be used in various Business Areas; and
- (iii) the decisions made at the different stages of the process were not always sufficiently documented thus, it proved difficult to identify the basis for short-listing candidates and the ranking of the candidates following the comparative assessment.

Recommendation
1. The ECB should further improve its documentation of decisions made to select candidates during the recruitment procedures including the recording of the outcome of the reference checks carried out during the selection procedures.

Were the ECB staff performance appraisals, career development and training policies and procedures adequate?

69. The ECB issued clear guidelines covering all aspects of its staff performance appraisal system. The staff appraisal system clearly defines the roles and clearly sets out what is expected of both appraisers and appraisees. However:

- (i) although the 2009 appraisals were generally carried out in compliance with the 'Guide to the ECB appraisal', a large number of them were not completed within the deadline set;

- (ii) the quality of the appraisals varied;
- (iii) no specific areas of improvement were identified; and
- (iv) no specific training needs were indicated.

70. Overall the ECB developed adequate career development policies and procedures. Nevertheless, the combination of headcount neutrality with the demographic challenge the ECB faces, constitutes a major constraint on the staff career progression. Although decisions regarding staff performance rewards were in general well documented, the specific decisions on the Annual Salary and Bonus Review were not.

Recommendation

2. The staff appraisal forms should be completed within the deadlines set and their quality should be enhanced by setting SMART¹⁸ objectives and linking career progression to specific training needs.

Did the ECB use tools to manage its human resources activities and address the information needs of both management and staff?

71. Although the human resources parts of the ISIS software system have been operational since 2008, no system ownership had been assigned to a specific directorate, nor had a Service Level agreement been signed.

72. The availability and accessibility of reliable information on human resources issues to both management and staff has significantly improved since the Court's 2004 audit. Nevertheless, the system of formal reporting to the Executive Board has not changed since then.

¹⁸ Specific, measurable, achievable, realistic and timely.

Recommendation

3. An assessment of the human resources elements of the ISIS software system should be carried out in order to verify that the system has met its initial objectives and that adequate controls have been put in place.

This Report was adopted by Chamber IV, headed by Mr Igors LUDBORŽS, Member of the Court of Auditors, in Luxembourg at its meeting of 23 November 2010.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

REPLY OF THE EUROPEAN CENTRAL BANK

The European Central Bank (ECB) welcomes the preliminary observations of the European Court of Auditors (ECA) for the financial year 2009 and expresses its appreciation for the ECA's observations and recommendations for further improvement.

Please find below some comments from the ECB with regard to specific paragraphs of the ECA's preliminary observations and the three recommendations.

Paragraph 13:

A dedicated space in the documentation system is assigned for each recruitment process and the system is supported by automated workflows and templates to ensure that all steps of the recruitment process are performed consistently and efficiently.

Paragraph 19:

The ECB's recruitment process is supported by a competency framework. This framework is structured in terms of both technical (i.e. job-related and generic) and behavioural competencies, thereby helping to create a balance between a business area's need for specific technical competencies to meet operational requirements and the organisation's need for cross-functional competencies (generic technical competencies and behavioural competencies) which help to foster mobility.

In line with the ECA's findings, the ECB has, over recent years, increasingly placed emphasis in its vacancy notices on behavioural and generic technical competencies and tests the candidates' level in mastering those competencies.

Paragraph 23:

The ECB has chosen to emphasise the qualitative assessment of candidates, both in absolute terms and relative to other applicants. Rather than developing a culture of selection through an application of scores, the ECB encourages a process whereby the panel uses the scoring templates as a tool to foster discussion within the panels and thus to reach a more reasoned overall assessment.

Paragraph 24:

Reference checks are becoming a more regular practice at the ECB. In most cases, references are taken up for the top ranked candidate(s) and, if the references confirm the selection panel's assessment, the need for a discussion within the panel is not considered necessary. If references are used to facilitate a ranking, then a discussion within the selection panel naturally follows. In any case, in the process of finalising the recruitment memo, all panel members are involved and can comment on all parts.

Paragraph 28c:

The ECB attaches great importance to the concept of values and provides an explanation of their use to staff and managers in the guidelines concerning the appraisal discussion, encouraging appraisers to describe how the appraisee has lived up to the ECB's values in his/her daily work during the year, focusing on specific behaviours, and thus translating the values into valuable information for staff development.

Paragraphs 37c and 37d:

The ECB, while taking note of the ECA's observations, would like to state that it has made the policy choice of not mechanistically linking the annual appraisal to the ASBR. It has chosen to apply different parameters to both exercises. The purpose of the appraisal, which also serves as a tool for professional development, is to assess the ability and efficiency of each staff member in relation to the defined objectives and to assess the conduct of the person concerned in performing his/her duties. This means that, by its very nature, the annual appraisal is carried out with respect to each member of staff individually, i.e. it does not include a comparison between two or more people. By contrast, the ASBR is a comparative exercise, where the growth of a member of staff's contribution to the ECB's tasks relative to that of other staff members within the same business area is assessed. The outcome of this comparative assessment is documented for its operational implementation, cross-checked for consistency and communicated and explained by the respective manager to each individual.

Paragraph 42:

The ECB would like to specify that the current e-recruitment system will be phased out, as soon as the e-recruitment module has been implemented in ISIS (expected in 2011 at the earliest).

Paragraphs 44 and 51:

The ECB would like it to be noted that, since the project was closed in mid-2010, a Service Level Agreement has been developed and is expected to be finalised by the end of 2010. Since the closure of the project, the standard change management processes for the operational phase of a system have been followed.

Paragraph 48:

According to the ECB's risk framework, none of the risks identified in the Pre-Production Security Assessment were high: one was medium and the other low. As laid down in the ECB's Operational Risk policies, only the medium risk needs to be addressed. Nevertheless, the ECB intends to reassess the impact of these two risks.

Paragraph 55:

With reference to the last sentence in this paragraph, the ECB informs that, in the cases identified, building access and, more importantly, IT access to all systems were disabled once the people concerned had left the ECB. In the meantime, an automated workflow has been established, which additionally disables the role of former staff members in ISIS (and therefore prevents access to any activity in ISIS). The ECB would like it to be noted that external staff are also obliged to sign the confidentiality provisions in place at the ECB.

Paragraph 71:

The ECB would like to clarify (as stated by the ECA in Paragraph 44) that, while the ISIS project was running, a (temporary) collective ownership was attributed to the ISIS Project Steering Group (PSG). The PSG included senior managers of all stakeholder areas. Since the project closure, ownership for individual processes has been allocated to individual business areas.

Paragraph 72:

The ECB takes note of the ECA's observation and informs that, already in 2010, the regular reporting to the Executive Board has been further expanded by means of a comprehensive report (based on 2009 data), covering all aspects of the HR spectrum, such as recruitment, training, mobility, salaries and allowances, working time and leave, absenteeism, social integration of staff and their families and resignations/retirement of staff. In addition, detailed information on absence management has been submitted to the ECB's Management Committee. Both reporting tools will continue to be prepared on a regular basis in the future.

Recommendation 1:

The ECB accepts the recommendation. Concerning the documentation aspects, the ECB notes that, in addition to the elements in place, a comprehensive recruitment manual will be finalised and published before the end of 2011. As regards recording the outcome of the reference checks carried out during the selection process, the ECB is working towards systematically reflecting those outcomes in the recruitment memos. The recruitment manual will put further emphasis on this aspect.

Recommendation 2:

The ECB takes note of the three elements of the recommendation concerning staff performance appraisal, career development and training policies and comments as follows: as concerns the progress in completing appraisal forms, the ECB notes that, for the forthcoming appraisal cycle, the time line for the appraisal has been communicated explicitly, particularly as concerns the time window for finalising the forms. Also, the awareness-raising activities have been strengthened and a contact point for technical questions has been established. Furthermore, concerning the second and third aspects of the recommendation, appraisers and appraisees will receive dedicated training and info sessions, which include specific parts on how to establish SMART objectives and how to link the assessment of individual competency profiles to training needs and specific proposals for training measures. Regarding the last part of the recommendation, the ECB informs that, in the ECB's approach, there is no direct link between the completion of a training course and career progression; although, obviously, the successful completion of relevant training is recognised as a means of facilitating professional development. Implementation of the recommendation was started with the 2010 round of appraisals and will be closed with the next appraisal cycle at the end of 2011.

Recommendation 3:

The ECB accepts the recommendation and would like to reiterate that, in accordance with the project closure report, the benefits will be assessed before the end of 2011.