



Plenary sitting

A8-0092/2016

7.4.2016

REPORT

on discharge in respect of the implementation of the budget of the ARTEMIS
Joint Undertaking for the financial year 2014
(2015/2199(DEC))

Committee on Budgetary Control

Rapporteur: Marian-Jean Marinescu

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the ARTEMIS Joint Undertaking for the financial year 2014 (2015/2199(DEC))

The European Parliament,

- having regard to the final annual accounts of the ARTEMIS Joint Undertaking for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the ARTEMIS Joint Undertaking for the period 1 January to 26 June 2014, together with the Joint Undertaking's replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2016 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2014 (05587/2016 – C8-0055/2016),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 209 thereof,
- having regard to Council Regulation (EC) No 74/2008 of 20 December 2007 on the establishment of the 'ARTEMIS Joint Undertaking' to implement a Joint Technology Initiative in Embedded Computing Systems⁴,
- having regard to Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁵, and in particular Article 1(2) and Article 12 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁶,
- having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September

¹ OJ C 422, 17.12.2015, p. 9.

² OJ C 422, 17.12.2015, p. 10.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 52.

⁵ OJ L 169, 7.6.2014, p. 152.

⁶ OJ L 357, 31.12.2002, p. 72.

2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council¹,

- having regard to Rule 94 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0092/2016),
1. Postpones its decision on granting the Executive Director of the ECSEL Joint Undertaking discharge in respect of the implementation of the ARTEMIS Joint Undertaking's budget for the financial year 2014;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision and the resolution forming an integral part of it to the Executive Director of the ECSEL Joint Undertaking, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

¹ OJ L 38, 7.2.2014, p. 2.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the ARTEMIS Joint Undertaking for the financial year 2014 (2015/2199(DEC))

The European Parliament,

- having regard to the final annual accounts of the ARTEMIS Joint Undertaking for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the ARTEMIS Joint Undertaking for the period 1 January to 26 June 2014, together with the Joint Undertaking's replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2014, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 12 February 2016 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2014 (05587/2016 – C8-0055/2016),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 209 thereof,
- having regard to Council Regulation (EC) No 74/2008 of 20 December 2007 on the establishment of the 'ARTEMIS Joint Undertaking' to implement a Joint Technology Initiative in Embedded Computing Systems⁴,
- having regard to Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁵, and in particular Article 1(2) and Article 12 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁶,
- having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September

¹ OJ C 422, 17.12.2015, p. 9.

² OJ C 422, 17.12.2015, p. 10.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 52.

⁵ OJ L 169, 7.6.2014, p. 152.

⁶ OJ L 357, 31.12.2002, p. 72.

2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council¹,

- having regard to Rule 94 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0092/2016),
1. Postpones the closure of the accounts of the ARTEMIS Joint Undertaking for the financial year 2014;
 2. Instructs its President to forward this decision to the Executive Director of the ECSEL Joint Undertaking, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

¹ OJ L 38, 7.2.2014, p. 2.

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the ARTEMIS Joint Undertaking for the financial year 2014
(2015/2199(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the ARTEMIS Joint Undertaking for the financial year 2014,
 - having regard to Rule 94 of and Annex V to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0092/2016),
- A. whereas the ARTEMIS Joint Undertaking (‘the Joint Undertaking’) was set up in December 2007 for a period of 10 years to establish and implement a research agenda for the development of key technologies for embedded computing systems across different application areas in order to strengthen Union competitiveness and sustainability and to allow for the emergence of new markets and societal applications,
- B. whereas the Joint Undertaking started to work autonomously in October 2009,
- C. whereas the maximum contribution for the period of 10 years from the Union to the Joint Undertaking is EUR 420 000 000 to be paid from the budget of the Seventh Research Framework Programme,
- D. whereas financial contributions from ARTEMIS Member States should amount in total to at least 1,8 times the Union's financial contribution and the in-kind contribution of research and development organisations participating in projects over the duration of the Joint Undertaking is to be equal to or greater than the contribution of public authorities,
- E. whereas the Joint Undertaking and the ENIAC Joint Undertaking (ENIAC) were merged to create the Electronic Components and Systems for European leadership Joint Technology Initiative (ECSEL JTI), which started its activity in June 2014 and will run for 10 years,

Budgetary and financial management

1. Notes that the Joint Undertaking’s accounts for the period 1 January 2014 to 26 June 2014 present fairly, in all material respects, its financial position as at 26 June 2014 and the results of its operations and cash flows for the period then ended, in accordance with the provisions of its financial rules and the accounting rules adopted by the Commission’s accounting officer;
2. Is concerned that the Court of Auditors (‘the Court’) in its report on the annual accounts of the Joint Undertaking for the financial year 2014 (the Court’s report) issued a qualified opinion regarding the regularity and legality of the underlying transactions on the grounds that the administrative agreements signed with the national funding authorities (‘NFAs’)

regarding the audit of project cost claims do not include practical arrangements for *ex-post* audits;

3. Notes from the Court's report that the Joint Undertaking did not assess the quality of the audit reports received from the NFAs concerning the costs relating to completed projects; notes, furthermore, that, after an assessment of the audit strategies of three of the NFAs, it was not possible to conclude whether *ex-post* audits are functioning effectively due to different methodologies used by NFAs which did not allow the Joint Undertaking to calculate either a weighted error rate or a residual rate error; notes also that ECSEL JTI confirmed that its extensive assessment of the national assurance systems concluded that they can provide reasonable protection of the financial interests of the Joint Undertaking's members;
4. Calls on the ECSEL JTI, following the assessment of the procedures applied by the NFAs, to invite the NFAs to produce evidence that the implementation of the national procedures provides a reasonable assurance on the legality and regularity of transactions;
5. Notes that the Court's report includes a qualified opinion which is based on the lack of information necessary to calculate either a weighted error rate or a residual error rate following the *ex-post* audits by NFAs; invites the Court to collect additional and necessary documents and information, which the Joint Undertaking is not empowered to require from the national audit bodies or the national competent departments, in accordance with Article 287(3) of the Treaty on the Functioning of the European Union; moreover, invites the Court to use that additional information as an alternative way to justify its opinion and to report to the discharge authority on its assessment of those additional elements;
6. Takes note that according to the Court's report, the Joint Undertaking's final budget for the financial year 2014 included commitment appropriations of EUR 2 554 510 and payment appropriations of EUR 30 330 178 (operational);
7. Notes that the initial budget for 2014 included only commitment appropriations for running costs amounting to EUR 2 200 000 and that the budget did not include commitment appropriations for operational activities; notes, furthermore, that the utilisation rate for administrative commitment appropriations was 38 %; observes that, according to the Court's report, those appropriations are due to the merger of the Joint Undertaking and ENIAC in June 2014 and to the fact that the budget was adopted for the whole year;
8. Reminds the Joint Undertaking of its obligation to respect the 1 to 1,8 ratio between the Union and the Member States' contributions; notes with dissatisfaction that the amount for the appropriations committed for the calls for proposals was EUR 198 000 000, representing 48 % of the total budget; observes, however, that according to the Court's report, budget restrictions in the Member States impeded the commitment of the remaining part of the budget, representing 52 % of the total budget;
9. Notes the limited amount of information regarding in-kind and cash contribution; calls on the Court to include, in their reports to come, concrete provisions regarding the evaluation procedure and the level of in kind and cash paid contribution;

Legal framework

10. Is aware of the Joint Undertaking's merger in June 2014; nonetheless, is concerned that the Joint Undertaking did not amend its financial rules to comply with the new Financial Regulation¹ applicable to public-private partnership bodies that entered into force on 8 February 2014;

Internal audit

11. Notes that the Joint Undertaking did not amend its financial rules to include the provision of the Seventh Framework Programme Decision² referring to the powers of the Commission's Internal Auditor; acknowledges that this was due to the merger into ECSEL JTI;

Internal control

12. Notes with concern that the Joint Undertaking took no action regarding some internal control standards relating to information and financial reporting: in particular, evaluation of activities, assessment of the internal control systems and internal audit capability ('IAC'); observes that this was due to the impending merger; asks the ECSEL JTI to inform the discharge authority on the measures taken and the advancements attained in this aspect;
13. Notes with satisfaction that although the function of IAC was not set up at the time of the merger but was established shortly thereafter, on 4 July 2014;

Prevention and management of conflicts of interest and transparency

14. Notes with concern from the Court's report that the Joint Undertaking did not have in place a comprehensive written procedure to deal with conflicts of interest at the time of the audit; acknowledges that ECSEL JTI's Governing Board adopted a comprehensive policy to prevent conflicts of interest;
15. Takes note that the 2016 Court's work programme includes a special report on performance audit of Joint Undertakings.

¹ Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 38, 7.2.2014, p.2).

² Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013) (OJ L 412, 30.12.2006, p. 1).

RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

Date adopted	4.4.2016
Result of final vote	+: 17 -: 3 0: 0
Members present for the final vote	Louis Aliot, Inés Ayala Sender, Dennis de Jong, Martina Dlabajová, Ingeborg Gräßle, Verónica Lope Fontagné, Monica Macovei, Dan Nica, Gilles Pargneaux, Georgi Pirinski, Petri Sarvamaa, Claudia Schmidt, Bart Staes, Marco Valli, Derek Vaughan, Anders Primdahl Vistisen, Tomáš Zdechovský
Substitutes present for the final vote	Marian-Jean Marinescu, Miroslav Poche
Substitutes under Rule 200(2) present for the final vote	Birgit Collin-Langen, Bodil Valero