



Plenary sitting

A8-0119/2016

8.4.2016

REPORT

on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014
(2015/2204(DEC))

Committee on Budgetary Control

Rapporteur: Marian-Jean Marinescu

CONTENTS

	Page
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	7
RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE.....	12

1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014 (2015/2204(DEC))

The European Parliament,

- having regard to the final annual accounts of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 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 – C8-0059/2016),
- 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 72/2008 of 20 December 2007 setting up the ENIAC Joint Undertaking⁴,
- 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 Systems⁵,
- having regard to Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁶, and in particular Article 1(2) and Article 12 thereof,
- having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November

¹ OJ C 422, 17.12.2015, p. 80.

² OJ C 422, 17.12.2015, p. 81.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 21.

⁵ OJ L 30, 4.2.2008, p. 52.

⁶ OJ L 169, 7.6.2014, p. 152.

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 Communities¹,

- having regard to 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 Council²,
 - 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 (A8-0119/2016),
1. Grants the Executive Director of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) discharge in respect of the implementation of the 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 (formerly the ENIAC Joint Undertaking and the ARTEMIS 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 357, 31.12.2002, p. 72.

² OJ L 38, 7.2.2014, p. 2.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014 (2015/2204(DEC))

The European Parliament,

- having regard to the final annual accounts of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014,
- having regard to the Court of Auditors' report on the annual accounts of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 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 – C8-0059/2016),
- 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 72/2008 of 20 December 2007 setting up the ENIAC Joint Undertaking⁴,
- 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 Systems⁵,
- having regard to Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁶, 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

¹ OJ C 422, 17.12.2015, p. 80.

² OJ C 422, 17.12.2015, p. 81.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 21.

⁵ OJ L 30, 4.2.2008, p. 52.

⁶ OJ L 169, 7.6.2014, p. 152.

Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities¹,

- having regard to 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 Council²,
 - 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 (A8-0119/2016),
1. Approves the closure of the accounts of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and 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 (formerly the ENIAC Joint Undertaking and the ARTEMIS 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 357, 31.12.2002, p. 72.

² 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 ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and the ARTEMIS Joint Undertaking) for the financial year 2014 (2015/2204(DEC))

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking (formerly the ENIAC Joint Undertaking and 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 (A8-0119/2016),
- A. whereas on 7 June 2014 the ECSEL Joint Undertaking (“the Joint Undertaking”) was established as a joint undertaking within the meaning of Article 187 of the Treaty on the Functioning of the European Union, for the purpose of implementing the Joint Technology Initiative on Electronic Components and Systems for European Leadership for the period until 31 December 2024;
- B. whereas the public-private partnership on electronic components and systems should combine the financial and technical means that are essential to master the complexity of the ever escalating pace of innovation in that area;
- C. whereas, by Council Regulation (EC) No 561/2014¹, the Joint Undertaking was established to replace and succeed the ENIAC Joint Undertaking (ENIAC) and the ARTEMIS Joint Undertaking (ARTEMIS);
- D. whereas the members of the Joint Undertaking are the Union, the Member States, and the countries associated to Horizon 2020 on a voluntary basis, private member associations representing their constituent companies and other organisations active in the field of electronic components and systems in the Union; whereas the Joint Undertaking should be open to new members;
- E. whereas in assessing the overall impact of the Joint Undertaking, investments from legal entities other than the Union and the States participating in the Joint Undertaking contributing to its objectives should be taken into account; whereas those overall investments are expected to amount to at least EUR 2 340 000 000;
- F. whereas the contributions to the Joint Undertaking envisaged for the entire period of Horizon 2020 are EUR 1 184 874 000 from the Union, EUR 1 170 000 000 from the Joint Undertaking’s participating states and 1 657 500 000 from private members;
- G. whereas the transition from ENIAC and ARTEMIS to the Joint Undertaking should be

¹ Council Regulation (EU) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking (OJ L 169, 7.6.2014, p. 152).

aligned and synchronised with the transition from the Seventh Framework Programme¹ (FP7) to Horizon 2020 to ensure the optimal use of the funding available for research;

General

1. Notes 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”) makes too many general, to the detriment of viable, specific, remarks; therefore calls for an audit with a more accentuated focus on the annual financial performance on the implementation status of multiannual projects, including a clear presentation of the implementation of the budget for the respective year and for previous years, and their results and implementation;
2. Notes that the information provided in the Joint Undertaking’s Report on Budgetary and Financial Management for the financial year 2014 lacked harmonisation and was often incomplete; notes that guidance is required from the Commission as to the nature and content of the report;
3. Takes note that the Court’s 2016 work programme includes a special report on performance audit of joint undertakings;

Budgetary and financial management

4. Acknowledges that, according to the Court's report, the Joint Undertaking's accounts for the period 27 June to 31 December 2014 present fairly, in all material respects, its financial position as at 31 December 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;
5. Notes that the Joint Undertaking's final budget for the financial year 2014 included commitment appropriations of EUR 160 114 500 and payment appropriation of EUR 104 144 250;
6. Regrets the absence of information regarding in-kind and cash contribution; calls on the Court to include in future reports provisions regarding the evaluation procedure and level of in-kind and cash paid contribution, separately, for FP7 and Horizon 2020;
7. Notes that the Joint Undertaking’s programmes funded under FP7 are ongoing; encourages the Joint Undertaking to conduct its budget planning carefully, taking into due account the parallel process;
8. Acknowledges that, according to the Joint Undertaking’s annual accounts for the financial year 2014 (“the Joint Undertaking’s annual accounts”) practical arrangements have been put in place in order to implement the obligations provided for in the Joint Undertaking’s administrative agreements by the introduction of the specific reporting form "end-of-project certificate"; notes that the Joint Undertaking has introduced such a form to the National Funding Authorities (NFAs);

¹ Decision No 1982/2006 of the European Parliament and 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.6).

9. Acknowledges that the Joint Undertaking elaborated in 2014 a checklist including the essential elements of an assurance system and engaged in intensive exchanges with the NFAs to assess the assurance provided by the national systems; notes that the assessment has been completed for five contributors, representing 54,2 % of the grants awarded by the Joint Undertaking and that one more contributor, representing 18,9 % of the grants awarded by the Joint Undertaking, has been reviewed, although update on it was pending at the time of the audit;
10. Notes that the Joint Undertaking estimated the residual error rate at 0,73 %; observes, however, that the Joint Undertaking failed to convey how many transactions were involved to calculate such rate; therefore, asks the latter to supply that information;
11. Points out that, despite all the above, the Court has issued a qualified opinion on the legality and regularity of the transactions underlying the annual accounts on the grounds that the administrative agreements signed with the NFAs regarding the audit of project cost claims do not include practical arrangements for *ex-post* audits;
12. 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 error rate; notes that this technical difficulty does not, however, result in the Court's negative opinion, but understandably prevents it from confirming the legality and regularity of the transactions without formulating a reservation; notes also that the Joint Undertaking has confirmed that its extensive assessment of the national assurance systems concluded that they can provide a reasonable protection of the financial interests of its members;
13. Notes that the Joint Undertaking is of the opinion that national procedures provide reasonable assurance with regard to the legality and regularity of the underlying transactions in spite of several reports from different Union institutions, including the discharge authority; calls on the Joint Undertaking, following the assessment of the procedures applied by the NFAs, to invite the NFAs to produce a written statement that the implementation of the national procedures provides a reasonable assurance on the legality and regularity of transactions;
14. 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 the 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 the provisions of Article 287(3) of the Treaty on the Functioning of the European Union; moreover, invites the Court to use those additional documents and 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;
15. Notes that a substantial amending budget increasing commitment appropriations to EUR 158 200 000 was implemented by the governing board by the end of the financial year; invites the Joint Undertaking to provide the discharge authority with detailed information

on the criteria followed to execute such significant financial decision;

16. Acknowledges that the implementation rate for operational commitment appropriations was 99,7 %; notes, however, that commitments appropriation were signed at a global level and, therefore, no corresponding grant agreements had been signed yet; considers that, in the absence of a clear separation between FP7 and Horizon 2020 implementation-related information, those indicators do not ensure a real evaluation of performance; calls on the Court to include in future reports information regarding the execution of the budget under of FP7 and separately under Horizon 2020; asks the Joint Undertaking to inform the discharge authority about the state of play and any progress completed in that regard;
17. Notes that no clear separation was made between FP7 and Horizon 2020 implementation information due to the fact that no contracts relating to the implementation of Horizon 2020 were signed by the end of year 2014 and thus no payments have been made; asks the Court to provide separate information on budgetary implementation for FP7 and Horizon 2020 in its report for 2015; calls on the Joint Undertaking to provide that information in its Report on Budgetary and Financial Management for 2015;
18. Supports the Joint Undertaking's initiative to collaborate with smaller contributors and to extend the coverage of grants assessment in order to include 90 % of the grants awarded; calls on the Joint Undertaking to continue its assessment in order to approach the 100 % coverage of the total grants and inform the discharge authority on the advancements realised in the financial year of 2015 and 2016;
19. Points out that the Joint Undertaking took over the activities of ENIAC and ARTEMIS in June 2014; notes that there is not enough clear information regarding the status of implementation of the Joint Undertaking's projects (level of payments, payments plan for the next years);
20. Welcomes the Joint Undertaking assessment of the level of in-kind contributions; notes, however, the lack of sufficient information to be able to ascertain the accomplishment of the members task with regards to FP7;

Legal framework

21. Reiterates its demand to the Court to present a complete and appropriate financial assessment of rights and obligations of the Joint Undertaking for the period until the Joint Undertaking started its activity¹;

Internal audit

22. Takes note that the Commission's internal audit service performed a risk assessment of the Joint Undertaking; points out that four items have been rated as "high impact/high risk";
23. Requests that the Joint Undertaking provide the discharge authority with detailed information regarding risk management of indirect costs about concrete measures taken in the light of work with the Commission to find alternative mechanisms, as well as further possibilities to converge in accounting procedures in order to avoid the potential risk of

¹ 2013 Discharge procedure - documents A8-0103 /2015 ARTEMIS & A8-0104/2015 ENIAC.

double or triple book-keeping and reporting and the financial burden that this may cause;

24. Asks the Joint Undertaking to update the discharge authority on the adoption and implementation of the anti-fraud strategy;
25. Acknowledges that the Joint Undertaking will implement an auditing strategy aligned with the standard Horizon 2020 procedures; requests that the Joint Undertaking submit a report to the discharge authority detailing the criteria followed to execute such a strategy as well as the grounds for and an assessment of the effectiveness of such a strategy;

Internal control systems

26. Notes that the Joint Undertaking's governing board has established an internal audit capability and has approved the relevant internal charter; notes, furthermore, that, according to the Joint Undertaking's annual accounts, two internal control standards have not been fully implemented yet and that some procedures are still to be updated;

Prevention and management of conflicts of interests and transparency

27. Notes with satisfaction that a comprehensive policy to prevent conflicts of interest has been adopted by the Joint Undertaking; recalls, however, that the declarations of conflict of interest of the member of the governing board have not been made publicly available;

Monitoring and reporting of research results

28. Welcomes the advancements realised by the Joint Undertaking in monitoring and reporting; notes, however, that more effort ought to be made to collaborate more closely with the Commission to meet the requirements of Horizon 2020 and to better contribute to the dissemination of FP7 results; notes, furthermore, that the Joint Undertaking should increase the systematic dissemination of the research results; requests that the Joint Undertaking take the necessary measures to comply with the above in the future and inform the discharge authority in that regard;
29. Welcomes the publication by the Joint Undertaking of the Report on the Socio-Economic Impact of ECSEL Joint Undertaking activities;
30. Recalls that the discharge authority has previously requested the Court to draw up a special report on the capacity of the joint undertakings, together with their private partners, to ensure added value and efficient execution of Union research, technological development and demonstration programmes¹.

¹ 2013 Discharge procedure - documents A8-0103/2015 ARTEMIS & A8-0104/2015 ENIAC.

RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

Date adopted	4.4.2016
Result of final vote	+: 16 -: 5 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