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DRAFT REPORT

on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2017
(2018/2218(DEC))

Committee on Budgetary Control

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2017 (2018/2218(DEC))

The European Parliament,

- having regard to the final annual accounts of the ECSEL Joint Undertaking for the financial year 2017,
- having regard to the Court of Auditors' report on the annual accounts of the ECSEL Joint Undertaking for the financial year 2017, together with the joint undertaking's reply¹,
- 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 2017, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... 2019 on discharge to be given to the joint undertaking in respect of the implementation of the budget for the financial year 2017 (00000/2019 – C8-0000/2019),
- 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 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012⁴, and in particular Article 71 thereof,
- having regard to Council Regulation (EC) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁴, and in particular Article 12 thereof,
- 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

¹ OJ C ..., ..., p.

² OJ C ..., ..., p.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 169, 7.6.2014, p. 152.

and of the Council¹,

- having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0000/2019),
1. Grants the Executive Director of the ECSEL Joint Undertaking discharge in respect of the implementation of the joint undertaking's budget for the financial year 2017 / Postpones its decision on discharge to the Executive Director of the ECSEL Joint Undertaking in respect of the implementation of the joint undertaking's budget for the financial year 2017;
 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 ECSEL Joint Undertaking for the financial year 2017 (2018/2218(DEC))

The European Parliament,

- having regard to the final annual accounts of the ECSEL Joint Undertaking for the financial year 2017,
- having regard to the Court of Auditors' report on the annual accounts of the ECSEL Joint Undertaking for the financial year 2017, together with the joint undertaking's reply¹,
- 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 2017, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... 2019 on discharge to be given to the joint undertaking in respect of the implementation of the budget for the financial year 2017 (00000/2019 – C8-0000/2019),
- 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 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012⁴, and in particular Article 71 thereof,
- having regard to Council Regulation (EC) No 561/2014 of 6 May 2014 establishing the ECSEL Joint Undertaking⁴, and in particular Article 12 thereof,
- 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

¹ OJ C ..., ..., p.

² OJ C ..., ..., p.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 169, 7.6.2014, p. 152.

and of the Council¹,

- having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0000/2019),
1. Approves the closure of the accounts of the ECSEL Joint Undertaking for the financial year 2017 / Postpones the closure of the accounts of the ECSEL Joint Undertaking for the financial year 2017;
 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 for the ECSEL Joint Undertaking for the financial year 2017
(2018/2218(DEC))**

The European Parliament,

- having regard to its decision on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2017,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0000/2019),
- A. whereas the ECSEL Joint Undertaking on Electronic Components and Systems for European Leadership (the ‘Joint Undertaking’) was established on 7 June 2014 within the meaning of Article 187 of the Treaty on the Functioning of the European Union for the implementation of the Joint Technology Initiative on “Electronic Components and Systems for European Leadership” (‘ECSEL’), for a period up to 31 December 2024;
- B. whereas the Joint Undertaking was established by Council Regulation (EU) No 561/2014¹ in June 2014 to replace and succeed the ARTEMIS and the ENIAC Joint Undertakings;
- C. whereas the members of the Joint Undertaking are the Union, the Member States and, on a voluntary basis, the countries associated to Horizon 2020 (‘Participating States’) and private member associations (‘Private Members’) that represent 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;
- D. whereas the contributions to the Joint Undertaking envisaged for the entire period of Horizon 2020 amount to EUR 1 184 874 000 from the Union, EUR 1 170 000 000 from the Participating States and EUR 1 657 500 000 from the Private Members;

Budgetary and financial management

1. Notes that the Court of Auditors (the ‘Court’), in its report on the Joint Undertaking's annual accounts for the financial year 2017 (the ‘Court’s report’), finds that the Joint Undertaking’s annual accounts present fairly, in all material respects, its financial position as at 31 December 2017 and the results of its operations and cash flows for the year then ended, in accordance with its financial rules and the accounting rules adopted by the Commission’s accounting officer;
2. Notes that the Joint Undertaking's final budget for the financial year 2017 included commitment appropriations of EUR 183 900 000 and payment appropriation of EUR 290 100 000; notes that the utilisation rates for commitment and payment

¹ OJ L 169, 7.6.2014, p. 152.

appropriations were 98 % and 83 % respectively;

3. Acknowledges the fact that the Court's report states that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2017 are, in all material respects, legal and regular;
4. Notes that out of the EUR 1 204 700 000 of Horizon 2020 funds allocated to the Joint Undertaking, including EUR 19 700 000 in industry member's cash contribution to the Joint Undertakings' administrative costs by the end of 2017 the Joint Undertaking had made commitments of EUR 455 000 000 and payments of EUR 314 000 000 (31,81 % of the allocated funds), mostly pre-financing payments for the first wave of Horizon 2020 projects;
5. Notes that out of the EUR 1 657 500 000 of contributions to be made by industry members to the activities of the Joint Undertaking, at the end of 2017, the Joint Undertaking estimated that the members had made in-kind contributions of EUR 421 000 000, compared to the Union's cash contribution of EUR 377 000 000;

Performance

6. Welcomes the fact that the absence of established key performance indicators (KPIs) is no longer an issue under Horizon 2020; observes that most of the third set KPIs targets were already met;
7. Observes that the management cost ratio (administrative/operational budget) remains below the 5 %, thus pointing to rather lean and efficient organisational structure of the Joint Undertaking;
8. Welcomes the 2017 value of leverage effect of 3.0 exceeding the target leverage effect over the whole 2014 to 2020 period;
9. Notes with appreciation that the Joint Undertaking has made very good efforts to be transparent, with all the calls for proposals made having been made public;
10. Takes note of the fact that experts underscore that the Joint Undertaking attracts the best European players in the semiconductor and systems domains;
11. Welcomes the fact that all calls for proposals were published and closed according to the respective work plans and that the results regarding 'time-to-grant' and 'time-to-pay' remained well below the defined targets;

Procurement

12. Takes note of the fact that the Court noticed significant shortcomings in the management of the procurement procedures for administrative services; notes from the Joint Undertaking's replies that a budget, procurement and contracts assistant has been nominated to handle this problem;

Internal controls

13. Welcomes the fact that the Joint Undertaking has taken steps to assess the

implementation of *ex-post* audits by the national funding authorities (NFAs), and has obtained written statements from the NFAs declaring that the implementation of their national procedures provided for a reasonable assurance of the legality and regularity of transactions;

14. Notes with satisfaction the fact that the issue concerning the variation in the methodologies and procedures used by the NFAs is no longer relevant to the implementation of Horizon 2020 projects, as the *ex-post* audits are undertaken either by the Joint Undertaking or by the Commission; notes that in accordance with the provisions of the common ex post audit plan for Horizon 2020, there are at present 17 *ex-post* audits already launched on transactions relating to the activities of the Joint Undertaking;
15. Takes note of the fact that in 2017, the Joint Undertaking had not properly documented in its register of exceptions management overrides of controls nor deviations from established processes and procedures; observes from their replies that the Joint Undertaking has taken actions to address this issue, like revising Internal Control Standard 8, that it has a register of exceptions and that a training session took place for its staff in 2018;
16. Observes that the Commission's Final Evaluation on the ARTEMIS and the ENIAC Joint Undertakings for the period 2008 to 2013, together with the Interim Evaluation on the Joint Venture operating under Horizon 2020 covering the period 2014 to 2016 was undertaken; notes that the Joint Undertaking prepared and adopted an action plan to address the recommendations of these evaluations and that some activities already been initiated;

Internal audit

17. Notes that in 2017 the Commission Internal Audit Services performed an audit on performance management and requested that the Joint Undertaking formulate an action plan to address the recommendations in that report¹;

Human resources management

18. Notes that on 31 December 2017, the Joint Undertaking employed 29 staff, the same number as in the year before; notes that the Joint Undertaking filled one communication position and advertised two posts, one for internal control and audit management and the other for head of administration and finance, plus a seconded national expert position;
19. Welcomes the fact that with a view to adapting the structure of the organisation to priorities and needs for expertise, the organisation chart of the Joint Undertaking was updated on 1 June 2017.

¹ AAR, p.51