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REPORT

on discharge in respect of the implementation of the budget of the Artemis
Joint Undertaking for the financial year 2012
(C7-0338/2013 – 2013/2250(DEC))

Committee on Budgetary Control

Rapporteur: Paul Rübig

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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 2012 (C7-0338/2013 – 2013/2250(DEC))

The European Parliament,

- having regard to the final annual accounts of the Artemis Joint Undertaking for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the Artemis for the financial year 2012, together with the Joint Undertaking's replies¹,
- having regard to the Council's recommendation of 18 February 2014(05851/2014 – C7-0053/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
- 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 208 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, and in particular Article 11(4) 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 Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁵,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶, and in particular Article 108 thereof,

¹ OJ C 369, 17.12.2013, p. 1.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 52.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ OJ L 328, 7.12.2013, p. 42.

- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A7-0203/2014),
1. Grants the Executive Director of the Artemis Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2012;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this Decision and the resolution that forms an integral part of it to the Executive Director of 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).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the Artemis Joint Undertaking for the financial year 2012
(C7-0338/2013 – 2013/2250(DEC))**

The European Parliament,

- having regard to the final annual accounts of the Artemis for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the Artemis for the financial year 2012, together with the Joint Undertaking's replies¹,
- having regard to the Council's recommendation of 18 February 2014(05851/2014 – C7-0053/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
- 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 208 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, and in particular Article 11(4) 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 Communities⁵,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶, and in particular Article 108 thereof,
- having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,

¹ OJ C 369, 17.12.2013, p. 1.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 52.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ OJ L 328, 7.12.2013, p. 42.

- having regard to the report of the Committee on Budgetary Control (A7-0203/2014),
- 1. Approves the closure of the accounts of the Artemis Joint Undertaking for the financial year 2012;
- 2. Instructs its President to forward this Decision to the Executive Director of 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).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the Artemis Joint Undertaking for the financial year 2012

(C7-0338/2013 – 2013/2250(DEC))

The European Parliament,

- having regard to the final annual accounts of the Artemis for the financial year 2012,
- having regard to the Court of Auditors' report on the annual accounts of the Artemis for the financial year 2012, together with the Joint Undertaking's replies¹,
- having regard to the Council's recommendation of 18 February 2014(05851/2014 – C7-0053/2014),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Article 185 thereof,
- 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 208 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, and in particular Article 11(4) 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 Communities⁵,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁶, and in particular Article 108 thereof,

¹ OJ C 369, 17.12.2013, p. 1.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 30, 4.2.2008, p. 52.

⁵ OJ L 357, 31.12.2002, p. 72.

⁶ OJ L 328, 7.12.2013, p. 42.

- having regard to its previous discharge decisions and resolutions,
 - having regard to Rule 77 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A7-0203/2014),
- A. whereas the Artemis Joint Undertaking ("the Joint Undertaking") was set up in December 2007 for a period of 10 years to define and implement a “Research Agenda” for the development of key technologies for embedded computing systems across different application areas in order to strengthen European competitiveness and sustainability, and allow 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,

Budgetary and Financial Management

1. Notes that the Court of Auditors stated that the 2012 annual accounts of the Joint Undertaking fairly present, in all material respects, its financial position as of 31 December 2012 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Rules;
2. Is concerned that for the second year in a row, the Joint Undertaking received a qualified opinion from the Court of Auditors on the legality and the regularity of the transactions underlying the annual accounts on the grounds that the Joint Undertaking was not in a position to assess whether the *ex post* audit strategy provides sufficient assurance with respect to the legality and regularity of the underlying transactions;
3. Notes that the Court of Auditors considers that the information available on the implementation of the Joint Undertaking’s *ex post* audit strategy is not sufficient for the Court to conclude whether this key control tool is functioning effectively; reiterates its call for the Court of Auditors, through its independent audits, to provide the discharge authority with its own opinion on the legality and the regularity of the transactions underlying the annual accounts of the Joint Undertaking;
4. Recalls that the Joint Undertaking adopted an *ex post* audit strategy in 2010 and that its implementation started in 2011; notes that the audit of project cost claims has been delegated to the National Funding Authorities (NFAs) of the Member States, but that the administrative agreements signed with the NFAs do not include the practical arrangements for *ex post* audits;
5. Points out that, according to the audit report by the Court of Auditors, payments made in 2012 relating to certificates of acceptance of costs issued by the Member States' NFAs amounted to EUR 7,3 million, which represents 43% of total operational payments; is concerned that, according to that Court of Auditors' report, the Joint Undertaking received

audit reports from the NFAs covering approximately 45% of the costs relating to completed projects, that the Joint Undertaking did not assess the quality of those audits, that, by the end of April 2013, the Joint Undertaking had not received information on the audit strategies of all NFAs, and that the Joint Undertaking was therefore not in a position to assess whether ex post audits provide sufficient assurance as to the legality and regularity of the underlying transactions;

6. Calls on the Joint Undertaking to submit a report to Parliament on the negative aspects recorded by the Court of Auditors; calls for that report to be submitted to Parliament together with an assessment by the Court of Auditors;
7. Reiterates that the Joint Undertaking should reinforce without delay the quality of its ex ante and ex post controls; requests that the discharge authority is informed of the results of the following ex post audit processes; notes, moreover, that the Joint Undertaking is engaged in an ongoing process to address these issues together with the Court of Auditors, and anticipates a positive outcome in future years;
8. Notes that the Joint Undertaking's initial budget included operational commitment appropriations amounting to EUR 55,1 million and that at the end of the year, the Governing Board decided to reduce the operational appropriations budget to EUR 39,5 million; regrets the fact, nevertheless, that the utilisation rate for operational payment appropriations only reached the level of 62 %; notes that this is at odds with the budgetary principle of equilibrium; reminds the Joint Undertaking of the need to implement concrete measures to attain budget equilibrium, consistent with the relevant operational procedures of the participating Member States;
9. Is concerned about the low implementation rate of the budget and, moreover, about the underlying activities of the Joint Undertaking; emphasises that the deposits in bank accounts at the end of 2012 totalled EUR 17 230 100, representing 57 % of the authorised payment appropriations (EUR 30 132 752);
10. Ascertains from the Court of Auditors' report that although the Council Regulation setting up the Joint Undertaking envisaged a maximum total budget of EUR 410 million to cover operational expenditure, the actual implementation rate and the anticipated value of calls for proposals together represent EUR 206 million, or only 50,2 % of the total budget; notes that this indicates a low budget implementation rate, mainly due to a complex financial process for the closure of the projects; takes note that the budget implementation rate is linked in full complementary to the national commitments of Member States;

Internal control systems

11. Takes note that the Court of Auditors considers that the Joint Undertaking intensified its efforts to establish and implement effective financial, accounting and management control procedures in 2012; points out that further work is needed, in particular regarding financial verification of cost claims and the internal control standards;
12. Takes due note that the Executive Director's 2012 declaration of assurance expresses a reservation concerning the *ex post* audit strategy but the information included in the reservation is not sufficient as regards its implementation; calls on the Joint Undertaking

to obtain the assurance needed provided by the national authorities' certificates and the *ex post* audit strategy;

13. Regrets that the CVs of the members of the Management Board and the Executive Director are not publicly available; calls on the Joint Undertaking to remedy the situation as a matter of urgency; urges the Joint Undertaking, in the framework of the future ECSEL Joint Undertaking, to develop and adopt a comprehensive policy on the prevention and management of conflicts of interests;
14. Believes that a high level of transparency is a key element in order to mitigate the risks of conflicts of interests; calls, therefore, on the Joint Undertaking to make its policy and/or arrangements on the prevention and management of conflicts of interests and its implementing rules, as well as the list of the members of the management boards and CVs available on its website;
15. Invites the Court of Auditors to monitor the Joint Undertaking's policies as regards the management and prevention of conflicts of interests by drafting a Special Report on the matter by the next discharge procedure;

Electronic Components and Systems for European Leadership (ECSEL) Joint Undertaking

16. Recalls that the Artemis and ENIAC Joint Undertakings were set up in December 2007, under the Seventh Framework Programme for a period of 10 years for the development of key competences for nanoelectronics and for the development of key technologies for embedded computing systems, respectively; notes that Artemis started to work autonomously in October 2009 and ENIAC was granted its financial autonomy in July 2010;
17. Recalls the continued worries of the discharge authority concerning the low implementation rates of their budget and, moreover, the underlying activities of the Joint Undertakings associated with high cash balances; recalls that they sought to increase and leverage private and public investments in research and innovation in two complementary domains of high importance for the industrial fabric in Europe;
18. Notes that the Commission made a proposal (COM(2013)0501), in the context of the implementation of Horizon 2020, to combine Embedded computing systems (Artemis) and Nanoelectronics (ENIAC) into a single initiative and therefore, winding-up ARTEMIS and ENIAC Joint Undertakings before their normal end of life up to 31 December 2017; notes that the new Joint Undertaking in the field of electronic components and systems called ECSEL ('Electronic Components and Systems for European Leadership') will take the form of a tripartite institutional Public-Private Partnership (PPP) with a dedicated legal entity involving the private sector, national authorities and European authorities;
19. Notes that this new legal entity under Article 187 TFEU will follow the model financial regulation for PPP bodies referred to in Article 209 of the Financial Regulation, charged with indirect management and it would take over all rights and obligations of the current Artemis and ENIAC Joint Undertakings; expects that complete and appropriate financial assessments of rights and obligations of each entity will be executed by the Court of

Auditors; recalls, in this context, the joint statement by the European Parliament, the Council and the Commission on the separate discharge for Joint Undertakings under Article 209 of the Financial Regulation;

20. Is surprised that in such a reduced time frame and without a final conclusive assessment of those Joint Undertakings' achievements, the Commission has decided to substantially adapt the Union's implementing strategy for the development of key competences for nanoelectronics and for the development of key technologies for embedded computing systems; recalls Parliament's request for a cost-benefit analysis of a merger that highlights its possible advantages and disadvantages;
21. Notes that the interim evaluations recommended the implementation of the future JTI on a legal basis that is better attuned to the specificities of Public-Private Partnerships with a lighter administrative overhead and greater flexibility with the administrative burden reduced in order to attract the participation from high-level industry representatives;
22. Notes, furthermore, that in order to achieve its objectives, the ECSEL Joint Undertaking should provide financial support mainly in the form of grants to participants following open and competitive calls for proposals targeted at proven market failures;
23. Regrets that the Commission proposal excludes the examination of the accounts and the revenue and expenditure of the ECSEL Joint Undertaking by the Court of Auditors and indicates that the accounts of that Joint Undertaking will be examined annually by an independent audit body; invites the Commission to clarify what is the added value of such a proposal; stresses that the Court of Auditors has been the exclusive auditor for Joint Undertakings set up under Article 187 TFEU since 2002 and therefore building up extensive knowledge over those bodies that should not be wasted;

European Research Joint Undertakings horizontal aspects

24. Takes note that the audit approach taken by the Court of Auditors comprises analytical audit procedures, the assessment of key controls of the supervisory and control systems and the testing of transactions at the level of the Joint Undertaking but not at the level of the members or final beneficiaries of the Joint Undertaking;
25. Notes that audit testing at the level of the members or final beneficiaries is carried out either by the Joint Undertaking or by external audit firms contracted and monitored by the Joint Undertaking;
26. Welcomes the Court of Auditors' Special Report 2/2013: 'Has the Commission ensured efficient implementation of the Seventh Framework Programme for Research?' where the Court examined whether the Commission has ensured efficient implementation of the Seventh framework programme for research and technological development (FP7);
27. Takes note that the audit also covered the setting-up of the Joint Technology Initiatives (JTIs);
28. Agrees with the Court of Auditors' conclusion that the JTIs have been set up to support long-term industrial investment in particular research areas; notes, however, that it has

taken on average two years to grant financial autonomy to a JTI with the Commission usually remaining responsible for one third of the expected operational lifetime of the JTIs;

29. Notes, moreover, that according to the Court of Auditors some JTIs have been particularly successful in getting small and medium-sized enterprises (SMEs) involved in their projects and nearly 21 % of funding provided by the JTIs has gone to SMEs;
30. Draws attention to the fact that the total indicative resources deemed necessary for the seven European Research Joint Undertakings that have so far been established by the Commission under Article 187 of the Treaty on the Functioning of the European Union - with the notable exception of the Galileo Joint Undertaking - for their period of existence amounts to EUR 21 793 000 000;
31. Notes that the Joint Undertakings' total 2012 forecasted budgeted income amounted to some EUR 2,5 billion or about 1,8 % of the 2012 Union general budget, while approximately EUR 618 million came from the general budget (cash contribution from the Commission) and approximately EUR 134 million came from the industrial partners and members of the Joint Undertakings;
32. Notes that the Joint Undertakings employ 409 permanent and temporary staff or less than 1 % of total Union officials authorised under the Union general budget (staff establishment plan);
33. Recalls that the total Union contribution deemed necessary for the Joint Undertakings for their period of existence amounts to EUR 11 489 000 000;
34. Invites the Court of Auditors to comprehensively analyse the JTIs and the other joint undertakings in a separate report in light of the substantial amounts involved and the risks - notably reputational - presented; recalls that the Parliament has previously requested that the Court of Auditors 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 programmes; claims that such assessment has an urgent character in what considers ENIAC and Artemis Joint Undertakings.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	18.3.2014
Result of final vote	+: 19 -: 1 0: 1
Members present for the final vote	Marta Andreasen, Jean-Pierre Audy, Inés Ayala Sender, Zuzana Brzobohatá, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Rina Ronja Kari, Jan Mulder, Eva Ortiz Vilella, Crescenzo Rivellini, Paul Rübig, Bart Staes, Georgios Stavrakakis, Michael Theurer, Derek Vaughan
Substitute(s) present for the final vote	Amelia Andersdotter, Esther de Lange, Vojtěch Mynář, Markus Pieper
Substitute(s) under Rule 187(2) present for the final vote	Fiona Hall, Annette Koewius