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*Plenary sitting*

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**A9-0093/2023**

29.3.2023

# REPORT

on discharge in respect of the implementation of the budget of the Circular Bio-based Europe Joint Undertaking (before 30.11.2021 the Bio-based Industries Joint Undertaking) for the financial year 2021  
(2022/2125(DEC))

Committee on Budgetary Control

Rapporteur: Joachim Stanisław Brudziński

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## 1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on discharge in respect of the implementation of the budget of the Circular Bio-based Europe Joint Undertaking (before 30.11.2021 the Bio-based Industries Joint Undertaking) for the financial year 2021 (2022/2125(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the Circular Bio-based Europe Joint Undertaking for the financial year 2021,
- having regard to the Court of Auditors' annual report on the EU Joint Undertakings for the financial year 2021, together with the Joint Undertakings' replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> 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 2021, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 28 February 2023 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2021 (06252/2023 – C9-0107/2023),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- 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 966/2012<sup>3</sup>, and in particular Article 71 thereof,
- having regard to Council Regulation (EU) No 560/2014 of 6 May 2014 establishing the Bio-based Industries Joint Undertaking<sup>4</sup>, and in particular Article 12 thereof,
- having regard to Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014<sup>5</sup>, and in particular Article 26 thereof,
- having regard to Commission Delegated Regulation (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in

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<sup>1</sup> OJ C 433, 15.11.2022, p. 52.

<sup>2</sup> OJ C 433, 15.11.2022, p. 52.

<sup>3</sup> OJ L 193, 30.7.2018, p. 1.

<sup>4</sup> OJ L 169, 7.6.2014, p. 130.

<sup>5</sup> OJ L 427, 30.11.2021, p. 17.

Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council<sup>6</sup>,

- having regard to Rule 100 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A9-0093/2023),
1. Grants the Executive Director of the Circular Bio-based Europe Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2021;
  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 Circular Bio-based Europe 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).

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<sup>6</sup> OJ L 142, 29.5.2019, p. 16.

## 2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the closure of the accounts of the Circular Bio-based Europe Joint Undertaking (before 30.11.2021 the Bio-based Industries Joint Undertaking) for the financial year 2021 (2022/2125(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the Circular Bio-based Europe Joint Undertaking for the financial year 2021,
- having regard to the Court of Auditors' annual report on the EU Joint Undertakings for the financial year 2021, together with the Joint Undertakings' replies<sup>1</sup>,
- having regard to the statement of assurance<sup>2</sup> 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 2021, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 28 February 2023 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2021 (06252/2023 – C9-0107/2023),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- 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 966/2012<sup>3</sup>, and in particular Article 71 thereof,
- having regard to Council Regulation (EU) No 560/2014 of 6 May 2014 establishing the Bio-based Industries Joint Undertaking<sup>4</sup>, and in particular Article 12 thereof,
- having regard to Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014<sup>5</sup>, and in particular Article 26 thereof,
- having regard to Commission Delegated Regulation (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of

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<sup>1</sup> OJ C 433, 15.11.2022, p. 52.

<sup>2</sup> OJ C 433, 15.11.2022, p. 52.

<sup>3</sup> OJ L 193, 30.7.2018, p. 1.

<sup>4</sup> OJ L 169, 7.6.2014, p. 130.

<sup>5</sup> OJ L 427, 30.11.2021, p. 17.

the Council<sup>6</sup>,

- having regard to Rule 100 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A9-0093/2023),
1. Approves the closure of the accounts of the Circular Bio-based Europe Joint Undertaking for the financial year 2021;
  2. Instructs its President to forward this decision to the Executive Director of the Circular Bio-based Europe 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).

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<sup>6</sup> OJ L 142, 29.5.2019, p. 16.

### 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 Circular Bio-based Europe Joint Undertaking (before 30.11.2021 the Bio-based Industries Joint Undertaking) for the financial year 2021 (2022/2125(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the Circular Bio-based Europe Joint Undertaking for the financial year 2021,
  - having regard to Rule 100 of and Annex V to its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A9-0093/2023),
- A. whereas the Bio-based Industries Joint Undertaking (the ‘BBI Joint Undertaking’) was set up in May 2014 under the Horizon 2020 programme for a period until 31 December 2024<sup>1</sup>; whereas in November 2021, the Circular Bio-based Europe Joint Undertaking (the ‘CBE Joint Undertaking’) was established by Regulation (EU) 2021/2085<sup>2</sup> to replace the BBI Joint Undertaking, under the Horizon Europe programme for the period ending on 31 December 2031;
- B. whereas the general aim of the joint undertakings under the Horizon Europe programme is to be more objective-driven and have more ambitious partnerships with the respective industrial sectors than under the previous programmes;
- C. whereas the CBE Joint Undertaking was financed under the Multiannual Financial Framework (MFF) 2021-2027 with the aim of bringing together all relevant stakeholders and contributing to establishing the Union as a key player in research, through the involvement and commitment of partners in designing and implementing a programme of research and innovation activities with European added value;
- D. whereas, under the MFF programmes for research and innovation, joint undertakings have separate legal personalities and adopt their own research and innovation agenda in their strategic area of research, and implement it through calls for proposals or procurements;
- E. whereas the general objectives of the CBE Joint Undertaking are to accelerate the innovation process and development of bio-based innovative solutions; to accelerate market deployment of the existing mature and innovative bio-based solutions and to ensure a high level of environmental performance of bio-based industrial systems;

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<sup>1</sup> OJ L 169, 7.6.2014, p. 130.

<sup>2</sup> Council Regulation (EU) 2021/2085 of 19 November 2021 establishing the Joint Undertakings under Horizon Europe and repealing Regulations (EC) No 219/2007, (EU) No 557/2014, (EU) No 558/2014, (EU) No 559/2014, (EU) No 560/2014, (EU) No 561/2014 and (EU) No 642/2014 (OJ L 427, 30.11.2021, p. 17).

- F. in order to take into account the duration of the Horizon Europe programme, calls for proposals under the CBE Joint Undertaking are to be launched by 31 December 2027; whereas calls, in duly justified cases, for proposals to be launched by 31 December 2028;
- G. whereas the founding members of the CBE Joint Undertaking are the Union, represented by the Commission, and industrial partners, represented by the Bio-based Industries Consortium (BIC);
- H. whereas the Union financial contribution to the CBE Joint Undertaking, including EEA appropriations, is up to EUR 1 billion (of which up to EUR 23,5 million is for administrative costs); whereas the members of the CBE Joint Undertaking other than the Union are to make or arrange for their constituent or affiliated entities to make a total contribution of at least EUR 1 billion, including up to EUR 23,5 million for administrative costs, over the 10-year period;

### ***General***

1. Welcomes that the report of the Court of Auditors (the ‘Court’) on the CBE Joint Undertaking’s annual accounts (the ‘Court’s report’); finds the 2021 annual accounts to present fairly, in all material respects, the financial position of the CBE Joint Undertaking on 31 December 2021, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with the CBE Joint Undertaking’s financial rules and with accounting rules adopted by the Commission’s accounting officer and that the underlying transactions to the accounts are legal and regular in all material aspects;
2. Acknowledges that Horizon Europe envisages ambitious goals for the joint undertaking that can be achieved only if effective solutions that address the weaknesses in the internal control systems and prepare for the future challenges arising from increased responsibilities, such as in the area of human resources management and planning, are designed and implemented; points out, in this context, that particularly complicated and burdensome calculations and reporting requirements represent a significant risk of error and calls therefore, to explore the possibilities of simplifications wherever possible and compatible with the existing legal framework;
3. Notes that there is no harmonised definition of ‘administrative costs’ among the joint undertakings, which is a basis for calculating the financial contributions of their members and a precondition for rendering such costs comparable; calls, with this in mind, for common guidelines for all joint undertakings to take a harmonised approach for the classification of certain administrative cost expenditure categories, such as expenditure for consultations, studies, analyses, evaluations, and technical assistance;

### ***Budget and financial management***

4. Notes, in December 2020, that the Governing Board adopted the 2021 budget for the CBE Joint Undertaking for the global amount (adopted budget and reactivations) of EUR 5 215 066 in commitments appropriations and EUR 174 626 895 in payment



appropriations and that there were no amendments;

5. Notes with regret that, according to the Court's report for 2021, the implementation rate for the CBE Joint Undertaking's 2021 payment budget available for Horizon 2020 projects was only 71 %, due to external factors such as the COVID-19 pandemic, as well as the unexpected termination of a large Horizon 2020 project after the main beneficiary went bankrupt in 2021;
6. Notes, moreover, that the former BBI Joint Undertaking's budget included a surplus of unused budget from prior years (2018, 2019 and 2020), which included EUR 600 000 in administrative commitment appropriations and payment appropriations and on the operational side EUR 46 881,709 in payment appropriations; notes also that the reactivated appropriations were consumed in priority in line with the CBE Joint Undertaking's financial rules, and reached almost 100 % on the administrative commitment appropriations side, 84 % on the administrative payment appropriations and 79 % on the operational payment appropriations by the year-end;
7. Notes that at the end of 2021 the Union contributed EUR 728,228 million, and the industry grouping contributed EUR 52,239 million in kind validated, EUR 14,559 million in cash to administrative costs and EUR 3,250 million in cash to operational costs;
8. Notes that, as regards the CBE Joint Undertaking's operational obligations at the end of 2021, the CBE Joint Undertaking had almost fully committed EUR 815,8 million of the maximum Union contribution for signed Horizon 2020 grant agreements; notes, in addition, that around EUR 159,6 million (or 19,6 %) remains to be paid in the coming years; notes, on the other hand, that private members had legally committed to provide in-kind and financial contributions of EUR 266,5 million or 56 % of the indicative target of EUR 475,3 million set in the CBE Joint Undertaking's adopted annual working programmes; notes, however, that as all Horizon 2020 calls have been closed at the end of 2020, the CBE Joint Undertaking will not achieve the indicative target for its private members by the end of the programme period;
9. Notes that the implementation rate for the CBE Joint Undertaking's payment available for Horizon 2020 projects was 71 %, which can be explained by suspensions and extensions of recent Horizon 2020 projects, necessary due to the COVID-19 pandemic, as well as the termination of a large Horizon 2020 project after the main beneficiary went bankrupt in 2021; notes that the CBE Joint Undertaking had no 2021 operational commitment appropriations as it had finished its last call for proposal by the end of 2020;
10. Notes that, at the end of 2021, the industry members reported total in-kind contributions to additional activities of EUR 1 646,5 million or 74 % of the target of EUR 2 225,4 million; notes, however, the Court's observation on the non-conclusion of the certification process for EUR 715,6 million or 43 % of the reported amount; notes the action taken by the CBE Joint Undertaking's Governing Board to ensure the achievement of the target by the end of the programme, by approving, in February 2022, an additional EUR 658 million of industry members' investments into 2022 activities closely linked to the CBE Joint Undertaking's strategic objectives; notes, consequently,

that this private members' commitment may mitigate the CBE Joint Undertaking's risk of not achieving the target for in-kind contributions for additional activities by the end of the Horizon 2020 programme;

11. Notes that, following the Court's observation in 2020 on the lack of data for the validated in-kind contributions, by the release of the annual activity report 2021, the BIC has managed to deliver a large number of certificates covering in-kind contributions by BIC's constituent entities to additional activities mostly from 2020, but also from 2019 and 2018, the delivery of which was delayed during the COVID-19 pandemic;
12. Highlights that, regarding the risk identified by the Court in 2020 relating to the achievement of the CBE Joint Undertaking's research and innovation agenda for the Horizon 2020 programme, the operational achievements reported in the annual activity report 2021 confirm that, despite the reduction of in-cash contributions from both the CBE Joint Undertaking's members (Commission and BIC), the CBE Joint undertaking succeeded in achieving its strategic objectives; welcomes, in particular, the fact that among the operational highlights reported for 2021, 41 projects were finalised, with all Key Performance Indicators (KPIs) linked to the project performance having been achieved; appreciates, moreover, that the expected results reported by ongoing projects indicate that the final KPIs will significantly exceed the targets set in the 'Strategic, Innovation and Research Agenda: Bio-based Industries for Development and Growth in Europe', which identified the research, demonstration and deployment activities to be carried out by the CBE Joint Undertaking in the framework of the Horizon 2020 programme;
13. Notes that in its annual activity report 2021 the CBE Joint Undertaking continues to report on actual values of financial in-kind contributions provided by the BIC, or its constituents entities, in order to achieve the targets established in Regulation (EU) 560/2014 and that the overall level of in-kind and financial contributions already reached 70% of the EUR 2,73 billion final expected value and is well on track to reach this final objective by 2024;

### ***Performance***

14. Notes that the 2021 priorities and objectives of the CBE Joint Undertaking were first presented by the Executive Director to the Governing Board during its meeting of 17 June 2020, prior to a final version being presented and discussed on 7 October 2020; notes that the priorities were then included in the annual working plan 2021 as objectives for 2021, aimed at consolidating the project portfolio whilst maintaining the quality standards to absorb the peak of the workload; notes, moreover, that a smooth transition from the BBI Joint Undertaking to the new CBE Joint Undertaking under the Horizon Europe Framework Programme was ensured;
15. Notes that there were no open calls for proposals in 2021, the last call being implemented in 2020 and that the CBE Joint Undertaking continued to manage its portfolio of projects which resulted in the signature of 18 grant agreements, bringing the total number of projects in the CBE Joint Undertaking's portfolio to 142 (71 research and innovation actions, 39 demonstration actions, 14 flagships and 18 coordination and

support actions) of which 96 were still ongoing at the end of 2021 and 46 finalised;

16. Notes that, in 2021, a dedicated study<sup>3</sup> was performed by an external contractor to both validate the KPI results of the 32 BBI Joint Undertaking's projects completed by July 2020 and provide an overall assessment of the BBI Joint Undertaking's project portfolio; notes that the validation exercise analysed the reported KPI results and impacts against the evidence provided in the project documentation, including the periodic report, deliverables and review reports carried out by independent experts; notes, in addition, that a validation score was developed to indicate the extent to which the reported KPI results were supported by evidence;
17. Points out that the majority (around 90 %) of the validated data reaches scores 1 or 2 (validation scores: 1, 2, 3) showing that the KPI framework set for the BBI Joint Undertaking gives a meaningful measure of the outcomes and impacts of the programme;
18. Notes that flagships and advanced demonstration actions are the projects contributing the most to socio-economic impacts such as job creation, rural development and benefits to primary producers, regional and local impact and impacts on markets and industry; notes that the technology ruddiness level of those projects allows the deployment of the technologies at a large, pre-industrial scale, engaging actors from the whole value chain, from local feedstock suppliers to end users and local authorities;
19. Notes that decreasing the environmental impact of industrial processes and products is one of the core objectives of the CBE Joint Undertaking; notes that an important contribution to climate change mitigation is the reduction of emissions of CO<sub>2</sub> and other green house gases reported by 65 % of the CBE Joint Undertaking projects; notes that 29 % of projects report the utilisation/recycling of CO<sub>2</sub> released from bio-based operations, which corresponds to reducing their direct green house gas emissions;
20. Is pleased that, in 2021, the CBE Joint Undertaking's efficient performance in core operations continued in respect of the main KPIs of Horizon 2020 on which the CBE Joint Undertaking is monitored, confirming the positive trends observed in previous years: time to inform (TTI) applicants of call 2020 was met in January 2021, at 137 days against a target of 153 days (100 % on time); time to grant (TTG) for retained proposals of call 2020 was on average 236 days against the target of 245 days and all grant agreements were signed on time (100 % on time); time to amend (TTA) was nine days against the target of 45 days (100 % on time); time to pay (TTP) for pre-financing of retained proposals from Call 2020 was 9,5 days on average against the target of 30 days (100 % on time) and for interim and final payments was 66 days on average against the target of 90 days (100 % on time);
21. Notes that, following an observation in the 2020 discharge procedure on intellectual property rights, the grant agreements signed by the CBE Joint Undertaking correspond to the model grant agreement issued by the Commission to implement the Union budget and with no deviations in the intellectual property rights management; notes, moreover, that for what concerns intellectual property rights and the publication of results, the ownership of the project results remains under the control of the beneficiaries, and they

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<sup>3</sup> <https://www.bbi.europa.eu/sites/default/files/executive-summary-bbi-ju-portfolio-kpi.pdf>

have to fulfil specific obligations regarding open science and access to research results in line with section 3 ('Rights and obligations related to background and results') of the Horizon 2020 model grant agreement -;

### ***Procurement, staff and recruitment procedures***

22. Notes that, by the end of 2021, the CBE Joint Undertaking programme office comprised 22 members of staff and that four recruitment procedures were launched in 2021, leading to the recruitment of one project officer (contract agent, one stakeholder relations and executive assistant (temporary agent), one communication assistant (temporary agent) and one financial assistant (contract agent); notes, in addition, that, as in 2020, to cope with the peak period of workload, the CBE Joint Undertaking concluded – via the Commission framework contract for interim services - several short-term contracts for interim services to address specific needs of the CBE Joint Undertaking programme office;
23. Notes with concern that the average annual rate of interim staff remained high, representing 19 % of statutory staff; recalls that the high ratio of contractual staff tends to increase significantly the CBE Joint Undertaking's staff turnover rate and further destabilises the staffing situation; emphasises, moreover, that the use of interim staff should remain a temporary solution or it could negatively affect the CBE Joint Undertaking's overall performance, such as the retention of key competencies, unclear accountability channels, possible judicial disputes and lower staff efficiency; reminds that the CBE Joint Undertaking should develop a formalised model or guidance on how to estimate staff needs (including essential competencies), with the objective of optimising the use of staff resources.
24. Notes that, on the basis of the 2021 annual activity report, the gender balance is adequate, with 64 % women at programme office level, 46 % in the States representatives group (including alternates), and 57 % in the scientific committees; encourages the CBE Joint Undertaking to maintain and further improve the gender balance;
25. Acknowledges that, according to its annual activity report, the number of women on the Governing Board has increased from 20 % in the previous year to 30 % by the end of 2021; encourages the CBE Joint Undertaking to make further efforts to achieve gender balance on the Governing Board;
26. Notes that the part of the employers' contributions for the staff of the joint undertakings corresponding to the ratio of their third-country subsidised revenues to their total revenues, has not been paid by the joint undertakings to the Union pension scheme since 2016, as the Commission has neither provided for this expenditure in the budget of the joint Undertaking nor formally requested the payments; calls for the Commission to take steps to avoid similar issues in the future.
27. Notes that, in 2021, the CBE Joint Undertaking took the lead with four other joint undertakings in the implementation of the SYSTAL tool, an e-recruitment tool designed by Oracle and already used by several decentralised agencies and that the CBE Joint

Undertaking used the tool for the first time in September 2021 with the publication of one post;

28. Notes that, in 2021, to ensure that members of staff are competent in their roles and can cope with the demanding working environment the human resources function developed a learning and development framework, taking into consideration the BCE Joint Undertaking's annual objectives; notes that due to the COVID-19 pandemic, all learning activities were organised online;
29. Highlights that, following an observation in the 2020 discharge procedure on procurement, the CBE Joint Undertaking has implemented all possible measures in order to ensure the broadest competition in its procurement procedures and in compliance with the Financial Regulation; welcomes, moreover, the CBE Joint Undertaking's use of eTendering to publish its public procurement notices and has implemented all accession requirements for eProcurement solutions (such as eSubmission), which were planned to be fully integrated into this system by the end of 2022;
30. Acknowledges the fact that, following an observation in the 2020 discharge procedure on the lack of a support structure to ensure the psychological well-being of staff, the CBE Joint Undertaking put in place a series of events to support staff in coping with the challenges imposed by the pandemic and that best practices and golden working rules have been set up in the preparation of the 'Return to the Office' strategy of the organisation within the framework of new ways of working;

#### ***Internal controls and internal audit***

31. Notes that the CBE Joint Undertaking's internal control framework is based on 17 control principles and it is aligned with the control framework of the Commission and is in force since 1 January 2020;
32. Notes that the results of the 2021 internal control assessment confirm that the CBE Joint Undertaking's control system is present and functioning while some improvements are needed; notes that, overall, all internal control components operate together in an integrated manner, the system is compliant with the internal control framework, it is working to an acceptable level of effectiveness, and it allows sufficient control of risks for the achievement of control objectives;
33. Notes that, for Horizon 2020 payments, the common audit service of the Commission's Directorate-General for Research and Innovation is responsible for the ex-post audit; notes that, based on the ex-post audit results available by the end of 2021, the CBE Joint Undertaking reported a representative error rate of 1,9% and a residual error rate of 1,2% for Horizon 2020 projects (clearings and final payments); notes, however, that the error rates presented above should be treated with caution, since not all audit results are available yet, the error rates are not fully representative of the expenditure under control;
34. Appreciates that, as was the case in 2020, there is evidence that the simplifications introduced in Horizon 2020, along with the progressively increasing experience acquired by the major beneficiaries, have positively affected the number and level of

errors; notes, however, that beneficiaries still make errors, usually because of a lack of understanding or non-respect of the rules;

35. Emphasises that the Court's findings confirmed persistent systemic errors for declared personnel costs and that in particular, small and medium-sized enterprises (SMEs) and new beneficiaries are more error-prone than other beneficiaries; highlights that these errors are also regularly reported in Court's annual reports since 2017; emphasises therefore that streamlining of the Horizon 2020 rules for the declaration of personnel costs and wider use of simplified cost options is a precondition to stabilise error rates to below materiality level; emphasises that the CBE Joint Undertaking should strengthen its internal control systems to address the increased risk regarding SMEs and new beneficiaries and strongly encourage the use of the Personnel Costs Wizard by certain categories of beneficiaries that are more prone to errors, such as SMEs and new beneficiaries; welcomes that in 2022 all joint undertakings have started implementing actions for error rate reductions in line with the action proposed by the the Court, including exploring the options of simplified forms of costs such as unit costs, lump sums and flat rates.
36. Notes that, to assess the operational payment controls of the CBE Joint Undertaking, the Court audited randomly sampled Horizon 2020 payments made in 2021, at the level of the final beneficiaries, to corroborate the ex-post audit error rates<sup>4</sup>; notes that, in one case, the Court found and quantified an error related to the direct personnel costs declared for a person who was neither employed by the beneficiary nor directly contracted for the project;
37. Notes that, following an observation in the 2020 discharge procedure on the Court's finding persistent systemic errors in personnel costs declared by beneficiaries and that such errors were also regularly reported in the ex post audits of the common audit service, the CBE Joint Undertaking remains actively engaged to improve its control strategies concerning expenditure and has been participating in common actions taken in this context by the Horizon 2020 and Horizon Europe governance and also targeting the well identified categories of beneficiaries of Union funds;

### ***Management and prevention of conflict of interests and of fraud risks***

38. Notes that, at the end of 2021, a total of 11 risks were identified and described in the risk register with varying degrees of importance, convergence and interdependency; points out that the risk assessment exercise conducted in 2021 confirmed the trend of previous years and some additional risks were absorbed or reduced by an increased effectiveness of internal controls as well as experience gained in the core activities, such as the Horizon 2020 grant planning, processes and systems;
39. Welcomes that, regarding management of potential conflicts of interest, the CBE Joint Undertaking's programme office has developed a comprehensive set of rules and procedures that are effectively implemented across its entire governance structure and that specific measures have been implemented for the prevention and management of

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<sup>4</sup> Regarding the grant payment transactions tested at the beneficiaries, the reporting threshold for quantifiable error is 1% of the audited costs.



conflicts of interest of experts in charge of the review of projects and tenders;

40. Highlights that, in the course of 2021, those controls systems operated effectively, and nothing needs to be reported which may influence the reasonable assurance to be provided by the authorising officer;
41. Notes that, following an observation in the 2020 discharge procedure, the CBE Joint Undertaking, in its annual activity report 2021, reports to the discharge authority on the management of fraud risks and confirms that the CBE Joint Undertaking continued to implement and to report to the European Anti-Fraud Office (OLAF) about the effective implementation of recommendations made in previous years;
42. Notes that, following an observation in the 2020 discharge procedure, the declaration of interests of the members of the Governing Board are published on the official website of the CBE Joint Undertaking and that they include relevant information on past and current professional activities of the members;
43. Notes that, following an observation in the 2020 discharge procedure, the CBE Joint Undertaking has implemented a number of policies and trainings to counter harassment and fraud, to prevent conflicts of interest and to protect whistleblowers; notes, moreover, that the ethical policies are embedded into a wide set of activities and risk management mechanisms whose effectiveness is continuously monitored by the accountable functions that are well identified in the governance structure of the CBE Joint Undertaking and all relevant control systems are regularly tested by the internal audit service and by the Court as assurance providers; notes that the CBE Joint Undertaking has been regularly reporting in its annual activity reports on these risk management mechanism and notably, on the realisation of any potential harassment, conflict of interests and fraudulent events that could raise reservations in the accompanying yearly declaration of assurance provided by the Executive Director of the CBE Joint Undertaking; notes that the CBE Joint Undertaking's annual activity report 2021 does not include reporting on findings and conclusions that could lead to a reservation in those areas.

## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	28.2.2023
<b>Result of final vote</b>	+: 24 -: 2 0: 0
<b>Members present for the final vote</b>	Gilles Boyer, Olivier Chastel, Caterina Chinnici, Corina Crețu, Ryszard Czarnecki, José Manuel Fernandes, Luke Ming Flanagan, Daniel Freund, Isabel García Muñoz, Monika Hohlmeier, Jean-François Jalkh, Mislav Kolakušić, Joachim Kuhs, Alin Mituța, Jan Olbrycht, Markus Pieper, Michèle Rivasi, Sándor Rónai, Petri Sarvamaa, Eleni Stavrou, Angelika Winzig, Lara Wolters, Tomáš Zdechovský
<b>Substitutes present for the final vote</b>	Elżbieta Rafalska
<b>Substitutes under Rule 209(7) present for the final vote</b>	Fabienne Keller, Katrin Langensiepen



## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

24	+
ECR	Ryszard Czarnecki, Elżbieta Rafalska
ID	Jean-François Jalkh
PPE	José Manuel Fernandes, Monika Hohlmeier, Jan Olbrycht, Markus Pieper, Petri Sarvamaa, Eleni Stavrou, Angelika Winzig, Tomáš Zdechovský
Renew	Gilles Boyer, Olivier Chastel, Fabienne Keller, Alin Mituța
S&D	Caterina Chinnici, Corina Crețu, Isabel García Muñoz, Sándor Rónai, Lara Wolters
The Left	Luke Ming Flanagan
Verts/ALE	Daniel Freund, Katrin Langensiepen, Michèle Rivasi

2	-
ID	Joachim Kuhs
NI	Mislav Kolakušić

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention