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DRAFT REPORT

on discharge in respect of the implementation of the budget of the SESAR
Joint Undertaking for the financial year 2010
(C7-0297/2011 – 2011/2238(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 SESAR Joint Undertaking for the financial year 2010 (C7-0297/2011 – 2011/2238(DEC))

The European Parliament,

- having regard to the final annual accounts of the SESAR Joint Undertaking for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the SESAR Joint Undertaking for the financial year ended 31 December 2010, together with the replies of the Joint Undertaking¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - 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 Council Regulation (EC) No 1361/2008 of 16 December 2008 amending Regulation (EC) No 219/2007 on the establishment of a joint undertaking to develop the new generation European air traffic management system (SESAR)³, and in particular Article 4b 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 Communities⁴, and in particular Article 94 thereof,
 - 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 and the opinion of the Committee on Transport and Tourism (A7-0000/2012),
1. ... the Executive Director of the SESAR Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2010;
 2. Sets out its observations in the resolution below;

¹ OJ C 368, 16.12.2011, p. 32.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 352, 31.12.2008, p. 12.

⁴ OJ L 357, 31.12.2002, p. 72.

3. Instructs its President to forward this Decision and the resolution that forms an integral part of it to the Executive Director of the SESAR 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 SESAR Joint Undertaking for the financial year 2010
(C7-0297/2011 – 2011/2238(DEC))**

The European Parliament,

- having regard to the final annual accounts of the SESAR Joint Undertaking for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the SESAR Joint Undertaking for the financial year ended 31 December 2010, together with the replies of the Joint Undertaking¹,
 - having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
 - 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 Council Regulation (EC) No 1361/2008 of 16 December 2008 amending Regulation (EC) No 219/2007 on the establishment of a joint undertaking to develop the new generation European air traffic management system (SESAR)³, and in particular Article 4b 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 Communities⁴, and in particular Article 94 thereof,
 - 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 and the opinion of the Committee on Transport and Tourism (A7-0000/2012) ,
1. ... the closure of the accounts of the SESAR Joint Undertaking for the financial year 2010;
 2. Instructs its President to forward this Decision to the Executive Director of the SESAR 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 C 368, 16.12.2011, p. 32.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 352, 31.12.2008, p. 12.

⁴ OJ L 357, 31.12.2002, p. 72.

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 for the SESAR Joint Undertaking for the financial year 2010

(C7-0297/2011 – 2011/2238(DEC))

The European Parliament,

- having regard to the final annual accounts of the SESAR Joint Undertaking for the financial year 2010,
- having regard to the Court of Auditors' report on the annual accounts of the SESAR Joint Undertaking for the financial year ended 31 December 2010, together with the replies of the Joint Undertaking¹,
- having regard to the Council's recommendation of ... (0000/2012 – C7-0000/2012),
- 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 Council Regulation (EC) No 1361/2008 of 16 December 2008 amending Regulation (EC) No 219/2007 on the establishment of a joint undertaking to develop the new generation European air traffic management system (SESAR)³, and in particular Article 4b thereof,
- having regard to the Financial Rules of the SESAR Joint Undertaking adopted by the SESAR Administrative Board on 28 July 2009 (hereinafter 'SESAR Financial Rules'),
- 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 Communities⁴, and in particular Article 94 thereof,
- 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 and the opinion of the Committee on Transport and Tourism (A7-0000/2012) ,

A. whereas the SESAR Joint Undertaking was set up in February 2007 to run the Single European Sky Air Traffic Management Research (SESAR) programme,

¹ OJ C 368, 16.12.2011, p. 32.

² OJ L 248, 16.9.2002, p. 1.

³ OJ L 352, 31.12.2008, p. 12.

⁴ OJ L 357, 31.12.2002, p. 72.

- B. whereas the Joint Undertaking started to work autonomously in August 2007,
- C. whereas the Joint Undertaking will own all the tangible and intangible assets which it creates or which are transferred to it for the development phase of the SESAR project in accordance with specific agreements with its members,
- D. whereas the Court of Auditors states that it has obtained reasonable assurances that the annual accounts for the financial year 2010 are reliable and that the underlying transactions are legal and regular,
- E. whereas in April 2010 the Court of Auditors delivered Opinion No 2/2010 on the SESAR Financial Rules,
- F. whereas the budget for the 2008-2013 development phase of the SESAR project is EUR 2 100 000 000,
- G. whereas for the financial year 2010 the final budget of the Joint Undertaking amounted to EUR 143 000 000,

Budget and Financial Management

1. Takes note that the final 2010 budget included commitment appropriations of EUR 135 000 000 and payment appropriations of EUR 143 000 000; further acknowledges that the utilisation rates for commitment and payment appropriations were 97,3 % and 82,2 % respectively;
2. Establishes from the Court of Auditors that, at year-end 2010, the Joint Undertaking had a positive budget outturn of EUR 53 500 000 and that deposits in bank accounts represented EUR 57 200 000; notes that the situation resulted from:
 - the contributions from members: EUR 55 600 000,
 - the outturn of the previous year: EUR 86 500 000,
 - payments to the Joint Undertaking: EUR 84 900 000,
 - carryover of appropriations: EUR 3 700 000;
3. Reminds the Joint Undertaking that this situation is against the budgetary principle of equilibrium; notes however the Joint Undertaking replies to the Court of Auditors that the 2010 cash balance decreased by 34 % compared to 2009 and that out of the EUR 55 600 000 of contributions from members, EUR 43 800 000 were received in the last weeks of the year to ensure the funding of operations in 2011; calls on the Joint Undertaking to develop an Action Plan with concrete measures and deadlines to keep its budget balanced and to inform the discharge authority about this matter;
4. Underlines that according to Article 6 of the Joint Undertaking Financial Rules, no expenditure may be committed or authorised in excess of the appropriations authorised by the budget; is seriously concerned that for two budget headings – administrative expenditure, studies and development – authorised expenditure exceeded budgetary appropriations by 11 % and 9 % respectively; takes note that the Joint Undertaking

considers that it can only enter the total payment appropriations once into the overall budget for 2007-2016, in order to avoid exceeding the total budget ceiling by the end of the SESAR development phase in 2016; reminds the Joint Undertaking that it shall comply to its own Financial Rules and expects that authorised expenditure exceeding budgetary appropriations shall not occur in future financial years;

Internal control systems

5. Notes that in 2010, the Joint Undertaking began to use the financial reporting systems also used by the Commission (ABAC and SAP); regrets that the Joint Undertaking operational programme management system was not integrated into these financial reporting systems and that at the end of 2010, the underlying business processes had not been validated by the Accounting Officer as required by the Financial Rules of the Joint Undertaking;
6. Understands from the Joint Undertaking that it has developed an operational programme management system that complements the financial and budgetary information and considers that it has integrated its systems as far as possible, given the constraints on its use of ABAC and SAP; notes moreover that the Joint Undertaking planned to implement ABAC Assets and ABAC Contract by the end of 2011 and that the report of the Accounting Officer on the validation of the local systems was to be finalised in 2011;
7. Calls also on the Joint Undertaking to inform the discharge authority about:
 - the nature of the constraints experienced by the Joint Undertaking on its use of ABAC and SAP;
 - the state of validation of the underlying business processes and in particular the local systems;
8. Urges the Joint Undertaking, nevertheless, to integrate its financial reporting systems (ABAC and SAP) with its operational programme management system allowing costs to be allocated to specific work packages and funding sources of operational costs to be identified;

Project Management

9. Acknowledges from the Annual Activity Report that in 2010 the SESAR Programme consisted of 304 projects of which 171 were initiated in 2009 while 114 additional projects were launched in 2010; takes note that 80,9 % of the Projects are in execution phase, excluding those Projects that have been cancelled (3) or suspended (10); notes that, for each cancelled or suspended Project, the Joint Undertaking provided justification and explained the corrective actions undertaken; notes in particular in respect of the suspended projects that:
 - about 60 % of the currently suspended projects are related to activities that require other projects to deliver first mature results before being re-started;

- about 20 % is related to projects which have not a reliable coupling with other programme activities;

The remaining 20 % has been suspended due to a lack of clear link with the future concept of operations or because of the lack of connection with the Master Plan;

10. Urges the Joint Undertaking to continue to inform the discharge authority on the stage of implementation of the projects under the SESAR programme and to present the results achieved;

Performance

11. Establishes from the Annual Activity Report that during 2010 a comprehensive review of the SESAR Programme implementation approach was conducted and that its conclusions highlighted the need to breakdown the Programme high level objectives into a more technical and operational level defining in detail what has to be done, by whom and when, and thus to clearly identify the SESAR validated deliverables which will contribute to the SESAR Development Phase objectives as well as to the specific 2012 Strategic Objectives; calls on the Joint Undertaking to develop an Action Plan with concrete measures and deadlines to address the results of the comprehensive review;
12. Notes moreover that, at the end of 2009, it was decided to establish a common SESAR execution framework to enable adequate programme/project management through streamlined monitoring and control activities; takes note that at year-end 2010 the execution framework has been completely defined and is about 85 % implemented and deployed; calls on the Joint Undertaking to inform the discharge authority of the current stage of implementation and deployment of the execution framework as well as the progress achieved;
13. Acknowledges that the Commission carried out the first intermediate evaluation of the Joint Undertaking in 2010; notes that the evaluation underlines the ability of the Joint Undertaking to provide an optimal response to the needs of the airspace users and service providers; is nevertheless of the opinion that interim evaluations and evaluations should be carried out by external and independent experts;

Internal Audit

14. Welcomes the fact that at the end of 2010 the Executive Director of the Joint Undertaking established the Internal Audit Capability (IAC), appointed the former Joint Undertaking's Internal Auditor to assume the IAC role, and approved the IAC audit work programme for 2011;
15. Acknowledges from the Final Annual Accounts that the Joint Undertaking signed a framework contract for audit services in May 2010;
16. Welcomes that the Joint Undertaking and the Commission have taken action to ensure a clearer definition of the respective operational roles of the Commission's Internal Audit

Service (IAS) and of the internal auditing function of the Joint Undertaking; albeit notes that the Statutes of the Joint Undertaking have not been amended;

17. Notes with satisfaction that the IAS confirmed its responsibilities under the general Financial Regulation as the Internal Auditor of the Joint Undertakings and that the Joint Undertaking's Administrative Board has modified the charter of its internal auditing function accordingly;

Late payment of membership contributions

18. Is concerned that the deadline for payment of the cash contributions to the Joint Undertaking from its members was not respected; takes note that the payment delays ranged from 12 to 113 days and that at the end of 2010 two members had paid no contribution at all; notes the Joint Undertaking's reply that those contributions were received at the beginning of 2011;

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Horizontal observations on the Joint Undertakings

19. Underlines that seven Joint Undertakings have so far been established by the European Commission under Article 187 of the Treaty on the Functioning of the European Union; notes that six Joint Undertakings (IMI, ARTEMIS, ENIAC, CLEAN SKY, FCH and ITER-F4E) are in the research area under the Commission's DGs RTD and INFSO and one is charged to develop the new air traffic management system (SESAR) in the transport domain whose activities are supervised by DG MOVE;
20. Notes that the total indicative resources deemed necessary for the Joint Undertakings for their period of existence amounts to EUR 21 793 000 000;
21. Notes that the total Union contribution deemed necessary for the Joint Undertakings for their period of existence amounts to EUR 11 489 000 000;
22. Notes that, for the financial year 2010, the overall European Union contribution to the budget of the Joint Undertakings amounted to EUR 262 500 000;
23. Calls on the European Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers;
24. Welcomes the initiative of ARTEMIS Joint Undertaking to include information in its Annual Activity Report on the monitoring and review of its ongoing projects; believes this is a practice that should be followed by the other Joint Undertakings;
25. Recalls that Joint Undertakings are public-private partnerships and that as a consequence public and private interests are intertwined; is of the opinion that under the circumstances the likelihood of conflicts of interest should not be dismissed but

addressed properly; calls therefore on the Joint Undertakings to inform the discharge authority on the verification mechanisms which exist in their respective structures to enable a proper management and prevention of conflicts of interest;

26. Notes, with the notable exception of the Joint Undertaking for ITER and the Development of Fusion Energy, that Joint Undertakings are relatively small structures and geographically-concentrated; believes therefore that they should pool their resources where possible;
27. Calls on the Court of Auditors to provide the discharge authority with a follow-up on the comments it has made for each of the Joint Undertakings in their respective report on the annual accounts for the financial year 2011;
28. Invites the Court of Auditors to provide, within a reasonable deadline, a special report to Parliament, on the added value of the establishment of the Joint Undertakings for the efficient execution of Union research, technological development and demonstration programmes; further notes that the same report should include an assessment of the effectiveness of the Joint Undertakings' establishment.