



**2017/2186(DEC)**

29.1.2018

# **DRAFT REPORT**

on discharge in respect of the implementation of the budget of the Shift2Rail  
Joint Undertaking for the financial year 2016  
(2017/2186(DEC))

Committee on Budgetary Control

Rapporteur: Brian Hayes

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## 1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

### **on discharge in respect of the implementation of the budget of the Shift2Rail Joint Undertaking for the financial year 2016 (2017/2186(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the Shift2Rail Joint Undertaking for the financial year 2016,
  - having regard to the Court of Auditors' report on the annual accounts of the Shift2Rail Joint Undertaking for the financial year 2016, together with the Joint Undertaking's reply<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 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
  - having regard to the Council's recommendation of ... February 2018 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
  - 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 1605/2002<sup>3</sup>, and in particular Article 209 thereof,
  - having regard to Council Regulation (EC) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking<sup>4</sup>, 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 and of the Council<sup>5</sup>,
  - 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 and the opinion of the Committee on Transport and Tourism (A8-0000/2018),
1. Grants the Executive Director of the Shift2Rail Joint Undertaking discharge in respect

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<sup>1</sup> OJ C 426, 12.12.2017, p. 64.

<sup>2</sup> OJ C 426, 12.12.2017, p. 64.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> OJ L 177, 17.6.2014, p. 9.

<sup>5</sup> OJ L 38, 7.2.2014, p. 2.

of the implementation of the Joint Undertaking's budget for the financial year 2016 / Postpones its decision on discharge to the Executive Director of the Shift2Rail Joint Undertaking in respect of the implementation of the Joint Undertaking's budget for the financial year 2016;

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 Shift2Rail 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 Shift2Rail Joint Undertaking for the financial year 2016 (2017/2186(DEC))**

*The European Parliament,*

- having regard to the final annual accounts of the Shift2Rail Joint Undertaking for the financial year 2016,
  - having regard to the Court of Auditors' report on the annual accounts of the Shift2Rail Joint Undertaking for the financial year 2016, together with the Joint Undertaking's reply<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 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
  - having regard to the Council's recommendation of ... February 2018 on discharge to be given to the Joint Undertaking in respect of the implementation of the budget for the financial year 2016 (00000/2018 – C8-0000/2018),
  - 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 1605/2002<sup>3</sup>, and in particular Article 209 thereof,
  - having regard to Council Regulation (EC) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking<sup>4</sup>, 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 and of the Council<sup>5</sup>,
  - 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 and the opinion of the Committee on Transport and Tourism (A8-0000/2018),
1. Approves the closure of the accounts of the Shift2Rail Joint Undertaking for the

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<sup>1</sup> OJ C 426, 12.12.2017, p. 64.

<sup>2</sup> OJ C 426, 12.12.2017, p. 64.

<sup>3</sup> OJ L 298, 26.10.2012, p. 1.

<sup>4</sup> OJ L 177, 17.6.2014, p. 9.

<sup>5</sup> OJ L 38, 7.2.2014, p. 2.

financial year 2016 / Postpones the closure of the accounts of the Shift2Rail Joint Undertaking for the financial year 2016;

2. Instructs its President to forward this decision to the Executive Director of the Shift2Rail 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 the decision on discharge in respect of the implementation of the budget for the Shift2Rail Joint Undertaking for the financial year 2016**

**(2017/2186(DEC))**

*The European Parliament,*

- having regard to its decision on discharge in respect of the implementation of the budget of the Shift2Rail Joint Undertaking for the financial year 2016,
  - 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 and the opinion of the Committee on Transport and Tourism (A8-0000/2018),
- A. whereas the Shift2Rail Joint Undertaking was established in June 2014 for a period of 10 years by Council Regulation 642/2014;
- B. whereas the founding members are the European Union, represented by the Commission, and rail industry partners (key stakeholders, including rail equipment manufacturers, railway companies, infrastructure managers and research centres); with the possibility that other entities may participate in the Joint Undertaking as associated members;
- C. whereas the objectives of the Joint Undertaking are: (a) to achieve a Single European Railway Area; (b) to enhance the attractiveness and competitiveness of the European railway system; (c) to ensure a modal shift from road transport; and (d) to maintain the European rail industry's leading position in the global market;
- D. whereas the Joint Undertaking started to work autonomously in May 2016;

#### ***General***

1. Acknowledges from the Court of Auditor's report on the annual accounts of the Joint Undertaking for the year ended 31 December 2016 present fairly, in all material respects, the financial position of the Joint Undertaking at 31 December 2016, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer;
2. Acknowledges that the Court's report states that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2016 are, in all material respects, legal and regular;

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

3. Notes that the final 2016 budget available for implementation included commitment appropriations of EUR 50 200 000 and payment appropriations of EUR 52 300 000; notes that the utilisation rates for commitment and payment appropriations were 94 %

and 82 % respectively; notes moreover that most of the payments made by the Joint Undertaking in 2016 were pre-financing payments for Horizon 2020 projects selected under the 2015 and 2016 calls for proposals;

4. Notes that out of the EUR 450 000 000 of Horizon 2020 funds assigned to the S2R initiative, EUR 52 000 000 were earmarked for the Horizon 2020 Transport Work Programme 2014-2015 managed by the European Commission, resulting in EUR 398 000 000 allocated to the Joint Undertaking; observes that by the end of 2016, the Joint Undertaking had made commitments of EUR 92 400 000 and payments of EUR 42 700 000 (10,7 % of the allocated funds) for the implementation of its first wave of projects;
5. Acknowledges the fact that out of the EUR 350 000 000 of contributions to be made by the industry members to the operational activities and administrative costs of the Joint Undertaking, by the end of 2016, four months after the Joint Undertaking had launched its first Horizon 2020 projects, the members had reported in-kind contributions of EUR 4 500 000 for operational activities, of which EUR 3 000 000 had been certified; notes that the Governing Board had validated cash contributions to the Joint Undertaking's administrative costs of EUR 3 200 000;
6. Takes note that out of the EUR 120 000 000 of industry members' contributions to be made to additional activities, by the end of 2016 the members had already reported EUR 55 000 000 (45.8 %), of which EUR 35 200 000 had been certified;
7. Observes that by the end of 2016, the total contributions from industry members amounted to EUR 62 700 000, compared to the Union's cash contribution of EUR 48 500 000;

#### ***Prevention and management of conflicts of interest and transparency***

8. Notes that even though the Commission's research anti-fraud strategy is mandatory for the Joint Undertaking, at the end of 2016, the Joint Undertaking had not yet performed a specific anti-fraud risk assessment, nor had it established an action plan for the implementation of its own anti-fraud strategy, both important and expected systems of governance and best practice based on the methodology provided by the Commission; notes the fact that in 2017 the Joint Undertaking took the first steps towards establishing its own anti-fraud action plan, i.e. an anti-fraud awareness session for Joint Undertaking staff organised by OLAF, and an anti-fraud risk assessment; notes that this plan will be followed by an impact assessment establishing the key objectives relating to mitigation of identifiable weaknesses (Q4 2017) and an evaluation of the anti-fraud strategy and the action plan by June 2018;

#### ***Personal selection and recruitment***

9. Notes that in 2016, the Joint Undertaking recruited 7 members of staff in accordance with its Staff Establishment Plan: an executive director, a head of administration and finance, a communication officer, an IT assistant and three programme managers;
10. Notes that at the end of 2016, the Joint Undertaking team consisted of 17 members of staff as foreseen in the establishment plan;



### ***Internal Control***

11. Notes that, according to the Court's report, the Joint Undertaking has set up an action plan for the implementation of its internal control framework, which takes into account the results of a risk assessment completed by the Commission's Internal Audit Service in December 2016; notes moreover that ex-post audits of project cost claims by independent external auditors are to be launched after the validation of the first cost claims in the course of 2017;
12. Acknowledges the fact the Internal Audit Service (IAS) of the European Commission performs the role of Internal Auditor of the Joint Undertaking and, in this respect, it reports to the Governing Board and the Executive Director indirectly; notes that the first audit mission consisted in establishing a risk profile of the Joint Undertaking with the objective of establishing a triennial internal audit work plan;

### ***Operational procurement and grants***

13. Expresses its concern that in its procedures for the procurement of services, the Joint Undertaking unwisely set a maximum contract budget; observes that there was no evidence that this maximum amount has been based on a cost estimation process and a reasonable market price reference system; takes the view that this might not ensure the cost-effectiveness of its multi-annual service contracts, as experience shows that most of the bids received were close to the maximum budget; welcomes the fact that the approach followed by the Joint Undertaking is in line with the provisions of the Commission Procurement Vademecum and the principles of its Financial Regulation;
14. Draws attention to the fact that in two cases out of eight, the Joint Undertaking awarded grants to project consortia, despite the fact that the checks of the financial viability of the beneficiaries performed by the Research Executive Agency indicated that the financial capacity of the coordinating industry members of the consortia was weak; notes that this implies an unnecessarily high financial risk for the completion of those projects and the financial risk was particularly high in one case, in which the coordinating partner had been assigned over 45% of the total project funding; draws attention to the ongoing and substantial need for a proper risk assessment system that should be followed in a comprehensive fashion;

### ***Others issues***

15. Reminds the Joint Undertaking that the network of the Joint Undertakings provides a useful platform for advice and cooperation;
16. Recognises the need for the Joint Undertaking to communicate with Union citizens, through the Union institutions, concerning the significant research and collaboration that it is undertaking, stresses the importance of highlighting the real improvements achieved as a consequence of its work, which are an important part of its mandate, as well as the fact that it works with other joint undertakings in promoting public awareness of the benefits of their work.