



2019/2105(DEC)

13.12.2019

DRAFT REPORT

on discharge in respect of the implementation of the budget of the Shift2Rail
Joint Undertaking for the financial year 2018
(2019/2105(DEC))

Committee on Budgetary Control

Rapporteur: Joachim Brudziński

CONTENTS

	Page
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION.....	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION.....	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	7

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 2018 (2019/2105(DEC))

The European Parliament,

- having regard to the final annual accounts of the Shift2Rail Joint Undertaking for the financial year 2018,
- having regard to the Court of Auditors' report on the annual accounts of the Shift2Rail Joint Undertaking for the financial year 2018, together with the Joint Undertaking's reply¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2018, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2020 on discharge to be given to the joint undertaking in respect of the implementation of the budget for the financial year 2018 (00000/2019 – C9-0000/2019),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 209 thereof,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012⁴, and in particular Article 71 thereof,
- having regard to Council Regulation (EC) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking⁵, and in particular Article 12 thereof,
- having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament

¹ OJ C 0, 0.0.0000, p. 0.

² OJ C 0, 0.0.0000, p. .

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 193, 30.7.2018, p. 1.

⁵ OJ L 177, 17.6.2014, p. 9.

and of the Council⁶,

- having regard to Rule 100 of and Annex V to its Rules of Procedure,
 - having regard to the opinion of the Committee on Transport and Tourism,
 - having regard to the report of the Committee on Budgetary Control (A9-0000/2019),
1. Grants the Executive Director of the Shift2Rail Joint Undertaking discharge in respect of the implementation of the joint undertaking's budget for the financial year 2018 / 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 2018;
 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).

⁶ OJ L 38, 7.2.2014, p. 2.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the Shift2Rail Joint Undertaking for the financial year 2018 (2019/2105(DEC))

The European Parliament,

- having regard to the final annual accounts of the Shift2Rail Joint Undertaking for the financial year 2018,
- having regard to the Court of Auditors' report on the annual accounts of the Shift2Rail Joint Undertaking for the financial year 2018, together with the Joint Undertaking's reply¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2018, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2020 on discharge to be given to the joint undertaking in respect of the implementation of the budget for the financial year 2018 (00000/2019 – C9-0000/2019),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 209 thereof,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012⁴, and in particular Article 71 thereof,
- having regard to Council Regulation (EC) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking⁵, and in particular Article 12 thereof,
- having regard to Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament

¹ OJ C 0, 0.0.0000, p. 0.

² OJ C 0, 0.0.0000, p. 0.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 193, 30.7.2018, p. 1.

⁵ OJ L 177, 17.6.2014, p. 9.

and of the Council⁶,

- having regard to Rule 100 of and Annex V to its Rules of Procedure,
 - having regard to the opinion of the Committee on Transport and Tourism,
 - having regard to the report of the Committee on Budgetary Control (A9-0000/2019),
1. Approves the closure of the accounts of the Shift2Rail Joint Undertaking for the financial year 2018/ Postpones the closure of the accounts of the Shift2Rail Joint Undertaking for the financial year 2018;
 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).

⁶ OJ L 38, 7.2.2014, p. 2.

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the Shift2Rail Joint Undertaking for the financial year 2018
(2019/2105(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 2018,
 - having regard to Rule 100 of and Annex V to its Rules of Procedure,
 - having regard to the opinion of the Committee on Transport and Tourism,
 - having regard to the report of the Committee on Budgetary Control (A9-0000/2019),
- A. whereas the Shift2Rail Joint Undertaking (the “Joint Undertaking”) was established in June 2014 for a period of 10 years by Regulation 642/2014¹;
- 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 that the Court of Auditors’ report on the annual accounts of the Joint Undertaking for the year ended 31 December 2018 (the “Court’s report”) presents fairly, in all material respects, the financial position of the Joint Undertaking at 31 December 2018, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with the 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 2018 are, in all material respects, legal and regular;

¹ Council Regulation (EC) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking (OJ L 177, 17.6.2014, p. 9)

3. Notes that the maximum Union contribution to the activities of the Joint Undertaking is EUR 450 000 000, to be paid from Horizon 2020; notes that the industry members of the Joint Undertaking are to contribute resources of at least EUR 470 000 000, consisting of at least EUR 350 000 000 for in-kind and cash contributions to the operational activities and administrative costs of the Joint Undertaking and at least EUR 120 000 000 of in-kind contributions to the Joint Undertaking's additional activities;

Budget and financial management

4. Notes that the final 2018 budget available for implementation included commitment appropriations of EUR 84 800 000 and payment appropriations of EUR 71 900 000; stresses that the utilisation rates for commitment and payment appropriations were 100 % and 82,3 % respectively which represent a low level especially for payment appropriations; notes moreover that most of the payments made by the Joint Undertaking in 2018 were interim payments for the Horizon 2020 projects selected under the 2015 and 2016 calls for proposals, as well as pre-financing payments for Horizon 2020 projects selected under the 2018 calls for proposals;
5. Observes that out of EUR 411 200 000 (including EUR 158 900 000 as the maximum of the Union cash contribution and the industry members' cash contribution to the Joint Undertakings' administrative costs of EUR 6 500 000) by the end of 2018, the Joint Undertaking had made commitments of EUR 84 756 000 and payments of EUR 59 155 000 for the implementation of its first wave of projects; this shows that the Joint Undertaking has currently signed interdependent multiannual grant agreements and procurement contracts for the implementation of 39 % of the Joint Undertaking's research and innovation programme, in line with the Joint Undertaking's multi-annual work programme;
6. Acknowledges the fact that out of 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 2018, i.e. four months after the Joint Undertaking had launched its first Horizon 2020 projects, the industry members had reported in-kind contributions of EUR 63 700 000 for operational activities, of which EUR 21 700 000 had been certified; moreover, notes that out of EUR 120 000 000 of contributions to be made by the industry members to additional activities of the Joint Undertaking, the industry members had reported in cash contributions of EUR 6 500 000 for other activities outside of the Joint Undertaking's work plan;
7. Observes that by the end of 2018, the total contributions from industry members amounted to EUR 252 300 000, compared to the Union's cash contribution of EUR 158 900 000;
8. Notes that, in 2018, the Joint Undertaking signed 17 grant agreements resulting from the calls for proposals of 2018, and that the value of the research and innovation activities of those calls for proposals amounted to EUR 152 600 000, to be co-funded by the Joint Undertaking up to a maximum of EUR 77 300 000;

Performance

9. Notes that the absence of established key performance indicators (KPIs) is no longer an issue under Horizon 2020; regrets that information on third set of KPIs is not yet available due to the nature of the projects; in addition, takes note that the Joint Undertaking continued the development of a KPI model to measure the contribution of the Research and Innovation activities to its Regulation; notes that this work is still ongoing and the first results have been presented to the Governing Board in December 2018;
10. Observes that the management cost ratio (administrative/ operational budget) remains below the 5%, thus pointing to rather lean and efficient organisational structure of the Joint Undertaking;
11. Takes note that the Joint Undertaking helped to create continuity and shared common vision for rail research within the railway community; notes that in addition the Joint Undertaking has helped to build trust between players that would otherwise not have the opportunity to share ideas and common interests outside a commercial situation; observes that the presence of rail operators in the Joint Undertaking should be strengthened over time;
12. Notes that the Joint Undertaking should contribute to addressing the challenges faced by the rail sector focusing on the needs of the rail system and of its users, including in Member States that do not have a railway system within their territory; observes that in order to do that, the Joint Undertaking is implementing the Shift2Rail Programme, and Research and Innovation activities in the railway sector in Europe, through the collaboration between stakeholders and Member States;
13. Notes that the Joint Undertaking launched the 2018 call for proposals for grants restricted to its members, as a lump sum funding scheme; however, the financial experts involved in the grant evaluation phase revealed some relevant deviations in the financial proposals; the Joint Undertaking used the grant preparation phase to analyse the beneficiaries' explanations for the deviations and to correct the lump sum if justified; calls on the Joint Undertaking to continue to strengthen the financial data in its beneficiary database and to disclose important financial experts' comments in the evaluation summary report; takes note on the Joint Undertaking's reply that all legal and financial aspects of the Commission Decision have been strictly followed-up, and that the Authorizing Officer has ensured that all the comments of the experts, technical and financial, were taken in due consideration; moreover, taking into account the recommendation of the Court, the overall process will be further enhanced in the 2019 call for proposals;

Personal selection and recruitment

14. Notes that in 2018, the Joint Undertaking recruited two second national experts in accordance with the Staff Establishment Plan, and with the agreement of the Budget Authorities, recruited a third one for a one-year secondment in order to replace one Programme Manager;
15. Notes that at the end of 2018, the Joint Undertaking's staff consisted of 22 members out of 23 foreseen in the Staff Establishment Plan;

Internal Control

16. Notes that the Joint Undertaking has set up reliable ex-ante control procedures based on financial and operational desk reviews and that the Common Audit Service of Directorate-General for Research and Innovation of the Commission (the “Common Audit Service”) is responsible for the ex-post audit of Horizon 2020 project cost claims; notes, moreover, that the situation at the end of 2018 showed that the most important internal control standards were largely implemented with some actions remaining to be completed in 2019, in particular, the revision of the key performance indicator model;
17. Takes note that the residual error rate for the Horizon 2020 Programme was below materiality according to the Court, amounting to 0,97 %; takes into consideration that at the end of 2018, the Joint Undertaking could base its error rate calculation on four ex-post audit reports, one related to the risk based audit and three related to the Joint Undertaking representative sample;
18. Acknowledge the fact that the Internal Audit Service 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 established a risk profile of the Joint Undertaking with the objective to establish a triennial internal audit plan; observes that the Internal Audit Service Strategic Internal Audit Plan 2017-2019 has been presented in June 2017; moreover, in accordance with this audit plan, the IAS performed in 2018 a Limited Review of the implementation of Internal Control Standards; observes that from the 5 recommendations to management to address the shortcomings identified that were not yet fully implemented, only one still required implementing actions in 2019;
19. Notes with regret that at the end of 2017, the Commission’s common Horizon 2020 grant management and monitoring tools had not finished the specific developments needed for the processing of the Joint Undertaking’s in-kind contributions; however, notes that in-kind contributions have been validated by the Executive Director in 2018;
20. Observes that the Commission’s Interim Evaluation on the Joint Undertaking’s operating activities under Horizon 2020 covering the period from 2014 to 2016 was carried out; notes that an Action Plan has been prepared and adopted by the Governing Board in June 2018; takes into consideration that not all recommendations raised in the Interim Evaluation will be addressed under the current Financial Framework Programme; however, notes that some actions included in the Action Plan have already been initiated, while others are expected to be implemented by 2020;

Others issues

21. Insists on the importance of the cooperation between the Joint Undertaking and the Union Agency for Railways (ERA); notes the involvement of ERA in meetings of the Joint Undertaking’s Governing Board and in the groups that drafted the Multi-Annual Action Plan; notes that the Joint Undertaking assessed the requests for research and innovation coming from ERA in order to avoid overlapping activities and to maximize the efficiency of use of the public funding;
22. Notes that in 2018 one Associated Member became a wholly owned subsidiary of a

Founding Member, as a result the Founding Member's representation in the governing board increased; observes that the provisions of the Joint Undertaking's current legal framework do not sufficiently address corporate acquisitions among the Joint Undertaking's industry members and the implications they might have on the balanced representation of members in the Governing Board; takes note on the Joint Undertaking's reply that the legal framework established within the Joint Undertaking does not allow an increase in the influence of a Founding Member on the decision-making process and overall governance; notes that the finding of the Court will be considered in any possible amendment to the regulation;

23. Notes that the interim evaluation of the Joint Undertaking was completed in the timeframe fixed in its legal framework; notes with regrets that it could not provide the best value added for the joint Undertaking's decision-making process at this early stage of its activities; takes note on the Joint Undertaking's reply that the evaluation took place early in the life of the joint Undertaking but this was a requirement in compliance with the joint Undertaking regulation and the overall Horizon 2020 programme;
24. Observes that the staff turnover rates for the last two years were entirely caused by the rotation of contract agents; welcomes the steps taking by the Joint Undertaking to cope with this situation; notes that the joint Undertaking made use of interim staff services, which represented about 17% of its total staff; takes note on the Joint Undertaking's reply that the main reasons stem from the current Staff Establishment Plan structure which does not allow the Joint Undertaking to offer the same favourable contractual conditions as other bodies and institutions; notes that soft measures have been put in place to reduce high levels of turnover; calls on the Commission to follow up this issue.