












Procedure file

Basic information		
DEC - Discharge procedure	2017/2187(DEC)	Procedure completed
2016 discharge: ECSEL Joint Undertaking		
Subject 8.70.03.06 2016 discharge		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Budgetary Control	 HAYES Brian	20/09/2017
		Shadow rapporteur	
		 POCHE Miroslav	
		 CZARNECKI Ryszard	
		 DLABAJOVÁ Martina	
		 TARAND Indrek	
		 VALLI Marco	
		 KAPPEL Barbara	
	Committee for opinion	Rapporteur for opinion	Appointed
	 Industry, Research and Energy	The committee decided not to give an opinion.	
European Commission	Commission DG Budget	Commissioner OETTINGER Günther	

Key events			
26/06/2017	Non-legislative basic document published	COM(2017)0365	Summary
13/09/2017	Committee referral announced in Parliament		
20/03/2018	Vote in committee		
22/03/2018	Committee report tabled for plenary	A8-0072/2018	Summary

18/04/2018	Results of vote in Parliament		
18/04/2018	Debate in Parliament		
18/04/2018	Decision by Parliament	T8-0168/2018	Summary
18/04/2018	End of procedure in Parliament		
03/10/2018	Final act published in Official Journal		

Technical information

Procedure reference	2017/2187(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/10881

Documentation gateway

Non-legislative basic document	COM(2017)0365	26/06/2017	EC	Summary
Court of Auditors: opinion, report	N8-0044/2018 OJ C 426 12.12.2017, p. 0023	03/10/2017	CofA	Summary
Committee draft report	PE613.428	25/01/2018	EP	
Supplementary non-legislative basic document	05943/2018	09/02/2018	CSL	Summary
Amendments tabled in committee	PE618.278	01/03/2018	EP	
Committee report tabled for plenary, single reading	A8-0072/2018	22/03/2018	EP	Summary
Text adopted by Parliament, single reading	T8-0168/2018	18/04/2018	EP	Summary

Final act

Budget 2018/1442
[OJ L 248 03.10.2018, p. 0360](#) Summary

2016 discharge: ECSEL Joint Undertaking

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2016, as part of the 2016 discharge procedure.

Analysis of the accounts of the ECSEL Joint Undertaking.

CONTENT: the organisational governance of the EU consists of institutions, agencies and other EU bodies whose expenditure is included in the general budget of the Union.

This Commission document concerns the EU's consolidated accounts for the year 2016 and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cash flows of the EU institutions and bodies, including the ECSEL Joint Undertaking, with a view to granting discharge.

Discharge procedure: the final step of a budget lifecycle is the discharge of the budget for a given financial year. It represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "releases" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The European Parliament is the discharge authority within the EU.

The discharge procedure may produce three outcomes: (i) the granting; (ii) postponement or; (iii) the refusal of the discharge.

The final discharge report including specific recommendations to the Commission for action is adopted in plenary by the European Parliament and are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

Each agency is subject to its own discharge procedure, including the ECSEL JU.

The ECSEL Joint Undertaking: the ECSEL JU, located in Brussels (BE), was set up by [Council Regulation \(EU\) No 561/2014](#) and aims to contribute to the development of a strong and globally competitive electronics components and systems industry in the Union.

As regards the JUs accounts, these are presented in detail in the document published by the Joint Undertaking (please refer to the [final accounts of the ECSEL JU](#)).

2016 discharge: ECSEL Joint Undertaking

PURPOSE: presentation of the EU Court of Auditors report on the annual accounts of the ECSEL Joint Undertaking for the financial year 2016, together with the Joint Undertakings replies.

CONTENT: in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit focused on the annual accounts of the ECSEL Joint Undertaking (electronic components and systems). To recall, the objective of the ECSEL Joint Undertaking is to contribute to the development of a strong and globally competitive electronics components and systems industry in the European Union.

Statement of assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the ENIAC Joint Undertaking, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2016;
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Courts opinion, the Joint Undertakings annual accounts present fairly, in all material respects, its financial position as at 31 December 2016 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its financial rules and the accounting rules adopted by the Commissions accounting officer.

Basis for a qualified opinion on the legality and regularity of payments underlying the accounts: the Court noted that the ECSEL Joint Undertaking has taken over the FP7 projects of the ARTEMIS and ENIAC Joint Undertakings. The payments made for these projects by the ECSEL Joint Undertaking in 2016, against certificates of acceptance of costs issued by the national funding authorities (NFAs) of the ECSEL Participating States, amounted to EUR 118 million, which represents 54 % of the total operational payments made by the Joint Undertaking in 2016.

Administrative agreements concluded by the ARTEMIS and ENIAC Joint Undertakings with the NFAs have continued to apply since those Joint Undertakings were merged to form the ECSEL Joint Undertaking. Under these agreements, the NFAs perform ex-post audits of FP7 project payments on behalf of the Joint Undertaking. The ARTEMIS and ENIAC Joint Undertakings ex-post audit strategies relied heavily on the NFAs to audit project cost claims.

The ECSEL Joint Undertaking has taken steps to assess the implementation of ex-post audits by the NFAs and has obtained written statements from the NFAs declaring that the implementation of their national procedures provides reasonable assurance on the legality and regularity of transactions. However, the significant variation in the methodologies and procedures used by the NFAs does not allow the ECSEL Joint Undertaking to calculate a single reliable weighted error rate or a residual error rate.

Therefore, once again, the Court is not in a position to conclude whether ex-post audits are functioning effectively and whether this key control provides sufficient assurance as to the legality and regularity of the underlying transactions for FP7 projects.

This issue concerning the variation in the methodologies and procedures used by the NFAs is no longer relevant for the implementation of Horizon 2020 projects, as the ex-post audits will be undertaken by the ECSEL Joint Undertaking and the Commission.

The audit also revealed the following points:

- **budgetary and financial management:** the Court noted that the final 2016 budget available for implementation included commitment appropriations of EUR 169.3 million and payment appropriations of EUR 245.6 million. The utilisation rates for commitment and payment appropriations were 99 % and 91 % respectively;
- **internal controls:** in 2012, the Joint Undertaking was informed of insolvency proceedings concerning two beneficiaries, but did not attempt to recover the pre-financing payments made to those beneficiaries until 2016. By then, the proceedings were closed and the outstanding pre-financing of EUR 230 000 had to be waived;
- **conflicts of interest:** although the JU adopted rules on the prevention and management of conflicts of interest to mitigate the risks related to its governance structure, the Court noted that in 2016 it failed to apply those rules consistently.

Joint Undertakings reply: the Joint Undertaking made it clear that the bankruptcy of the two beneficiaries is a legacy of the ENIAC JU and happened before its incorporation into the ECSEL JU. Improvements shall be made regarding the issue on conflicts of interest.

2016 discharge: ECSEL Joint Undertaking

Having examined the revenue and expenditure accounts for the financial year 2016 and the balance sheet as at 31 December 2016 of the

ECSEL Joint Undertaking, as well as the Court of Auditors' report on the annual accounts of the Joint Undertaking for the financial year 2016, accompanied by the Joint Undertaking's replies to the Court's observations, the Council recommended the European Parliament to give a discharge to the Executive Director of the Joint Undertaking in respect of the implementation of the budget for the financial year 2016.

The Council welcomed the Court's opinion that, in all material respects, the Joint Undertaking's annual accounts present fairly its financial position as at 31 December 2016 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of the Joint Undertaking's Financial Rules, and that the underlying transactions for 2016 are legal and regular.

Nevertheless, the following observations were made:

- qualified opinion: the Council regretted the Court's qualified opinion on the legality and regularity of the transactions underlying the accounts of the Joint Undertaking, resulting from the significant variation in the methodologies and procedures used by the different national funding authorities for the Seventh Research Framework Programme (FP7) projects. It asked the Joint Undertaking to improve its assessment methods for the implementation of national ex-post audit procedures, in order to obtain reasonable assurance to calculate a reliable single error rate;
- pre-financing payments: the Council is concerned about the shortcomings identified by the Court in the monitoring of pre-financing of FP7 projects, where the late attempt to recover the pre-financing payments made to insolvent beneficiaries led to a financial loss of EUR 230 000. The Council called on the Joint Undertaking to swiftly launch, when needed, its procedure to deal with cases of insolvency or bankruptcy of beneficiaries;
- conflicts of interest: lastly, the Council called on the Joint Undertaking to consistently apply its rules on the prevention and management of conflicts of interest to its governance structure.

2016 discharge: ECSEL Joint Undertaking

The Committee on Budgetary Control adopted the report by Brian HAYES (EPP, IE) on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2016.

The committee called on the European Parliament to grant the joint undertakings Executive Director discharge in respect of the implementation of the joint undertakings budget for the financial year 2016.

Noting that the Court of Auditors issued a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions for the financial year 2016, Members called on Parliament to approve the closure of the joint undertakings accounts.

They made, however, a number of recommendations that need to be taken into account when the discharge is granted. They may be summarised as follows:

- Follow-up to the 2015 discharge: Members welcomed the fact that the Joint Undertaking has taken steps to assess the implementation of ex-post audits by the national funding authorities (NFAs), and has obtained written statements from the national funding authorities declaring that the implementation of their national procedures provided for a reasonable assurance of the legality and regularity of transactions.
- Budgetary and financial management: the Joint Undertaking's final budget for the financial year 2016 included commitment appropriations of EUR 169 300 000 and payment appropriation of EUR 245 000 000. The utilisation rates for commitment and payment appropriations were 99 % and 91 % respectively.

Members highlighted as a matter of particular concern that the Court issued a qualified opinion on Joint Undertaking's payments related to projects taken over from its legal predecessors Artemis and ENIAC joint undertakings and invited the Court to reconsider the methodology that results in repetitive qualified opinions based on this reoccurring issue that cannot be solved until the Seventh Framework Programme projects are terminated.

They noted that the payments made for those projects by the ECSEL Joint Undertaking in 2016, against certificates of acceptance of costs issued by the national funding authorities (NFAs) of the Participating States, amounted to EUR 118 000 000, which represents 54 % of the total operational payments made by the Joint Undertaking in 2016. They also noted that the NFAs compiled 'declarations of assurance' on the 2016 expenditure as received on 22 January 2018 from Joint Undertaking which cover 98 % of the participation fees from the participating Member States for the 2016 Seventh Framework Programme expenditure.

Other observations: the report also contained a series of observations on internal controls, human resources and communication.

Members noted that the Joint Undertaking has adopted rules on the prevention and management of conflicts of interests to mitigate the risks related to its governance structure. They noted, however, that in 2016 the Joint Undertaking did not apply those rules consistently. The internal register of declarations of conflicts of interest was not managed in line with internal guidelines and was not regularly updated.

2016 discharge: ECSEL Joint Undertaking

The European Parliament decided to grant discharge to the Executive Director of the ECSEL Joint Undertaking in respect of the implementation of the budget for the financial year 2016 and to approve the closure of the accounts for the financial year in question.

Noting that the Court of Auditors finds that the Joint Undertakings annual accounts present fairly, in all material respects, its financial position as at 31 December 2016 as well as the results of its operations and cash flows, Parliament adopted by 476 votes to 192, with 29 abstentions, a resolution containing a series of recommendations, which form an integral part of the decision on discharge:

- Follow-up to the 2015 discharge: Members welcomed the fact that the Joint Undertaking has taken steps to assess the implementation of ex-post audits by the national funding authorities (NFAs), and has obtained written statements from the national funding authorities declaring that the implementation of their national procedures provided for a reasonable assurance of the legality and regularity of transactions.
- Budgetary and financial management: the Joint Undertaking's final budget for the financial year 2016 included commitment

appropriations of EUR 169 300 000 and payment appropriation of EUR 245 000 000. The utilisation rates for commitment and payment appropriations were 99 % and 91 % respectively. The Joint Undertaking estimated at the end of 2016 that, out of the EUR 1 657 500 000 of contributions to be made by industry members to the activities of the Joint Undertaking, the members had made in-kind contributions of EUR 202 million, compared to the Unions cash contribution of EUR 264 million.

Qualified opinion: Parliament highlighted as a matter of particular concern that the Court issued a qualified opinion on Joint Undertaking's payments related to projects taken over from its legal predecessors Artemis and ENIAC joint undertakings and invited the Court to reconsider the methodology that results in repetitive qualified opinions based on this reoccurring issue that cannot be solved until the Seventh Framework Programme projects are terminated.

It noted that the payments made for those projects by the ECSEL Joint Undertaking in 2016, against certificates of acceptance of costs issued by the national funding authorities (NFAs) of the Participating States, amounted to EUR 118 000 000, which represents 54 % of the total operational payments made by the Joint Undertaking in 2016. It also noted that the NFAs compiled 'declarations of assurance' on the 2016 expenditure as received on 22 January 2018 from Joint Undertaking which cover 98 % of the participation fees from the participating Member States for the 2016 Seventh Framework Programme expenditure.

Other observations: the resolution also contained a series of observations on internal controls, human resources and communication.

Members noted that the Joint Undertaking has adopted rules on the prevention and management of conflicts of interests to mitigate the risks related to its governance structure. They noted, however, that in 2016 the Joint Undertaking did not apply those rules consistently. The internal register of declarations of conflicts of interest was not managed in line with internal guidelines and was not regularly updated.

Parliament recognised the need for the Joint Undertaking to communicate with Union citizens on significant research it carries out. It called on the Commission to ensure the direct involvement of the Joint Undertaking in the process of the Horizon 2020 mid-term review in the sphere of the further simplification and harmonisation of joint undertakings.

2016 discharge: ECSEL Joint Undertaking

PURPOSE: to grant discharge to the ECSEL Joint Undertaking for the financial year 2016.

NON-LEGISLATIVE ACT: Decision (EU) 2018/1442 of the European Parliament on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2016.

CONTENT: the European Parliament decided to grant discharge to the Executive Director of the ECSEL Joint Undertaking in respect of the implementation of the Joint Undertaking's budget for the financial year 2016.

This decision is accompanied by a resolution of the European Parliament containing the observations which form an integral part of the discharge decision in respect of the implementation of the general budget of the European Union for the financial year 2016 (please refer to the summary dated 18.4.2018).

In this resolution, Parliament once again highlighted as a matter of particular concern that the Court issued a qualified opinion on Joint Undertaking's payments related to projects taken over from its legal predecessors, the ARTEMIS and ENIAC Joint Undertakings. It invited the Court to reconsider the methodology that results in repetitive qualified opinions based on this reoccurring issue that cannot be solved until the Seventh Framework Programme projects are terminated.

The Commission is called on to ensure the direct involvement of the Joint Undertaking in the process of the Horizon 2020 mid-term review in the sphere of the further simplification and harmonisation of joint undertakings.