2008 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy

2009/2187(DEC) - 22/10/2009

PURPOSE: to present the Court of Auditor's report for 2008 on the annual accounts of the European Joint Undertaking for ITER.

CONTENT: the Court of Auditors report states that the Annual Accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy present fairly, in all material respects, its financial position as of 31 December 2008 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation. It states also that the transactions underlying the annual accounts of the Joint Undertaking for ITER for the financial year ended 31 December 2008 are, in all material respects, legal and regular.

The report includes tables on the expenditure incurred by the undertaking as well as an analysis of the expenditure together with the replies of the undertaking.

Budgetary and financial management: the Court made the following comments:

- **implementation of the budget**: for the year 2008, the budget outturn account showed a surplus of 57,6 million euro, which represents 38 % of the 149.7 million euro accrued revenue. Of this surplus 32.2 million euro were carried over to 2009 and 25.4 million euro has to be repaid to the Commission. The under spending mostly relates to delays in the progress of the Euratom fusion programme;
- **internal control systems**: the Joint Undertaking is in a start-up phase and has not completely implemented its internal controls and financial information system during 2008. At the end of the year, the underlying business processes had not yet been formalised. The Joint Undertaking should have an internal auditing service which must comply with relevant international standards. However, at the end of 2008, this important element of the internal control system had not been set up;
- **Financial Regulation of the Joint Undertaking**: whilst this has been adopted, the Court considers that amendments are required in order to strengthen the financial framework of the Joint Undertaking. In particular, the Financial Regulation should contain more stringent rules on the award of research grants and should also make provision for the audit of the Joint Undertaking by the Internal Audit Service of the Commission;
- **late payment of membership contributions**: within three months of the adoption of the budget, the Joint Undertaking should request its members to pay their annual contributions. Although the budget was adopted in December 2007, the Joint Undertaking only requested payment at the end of May 2008. The members were requested to pay their contributions by July 2008. Only five of the 23 members paid within this deadline. The Joint Undertaking had to issue three reminders and one member had still not paid at the end of 2008;
- **annual activity report**: the Court received the Annual Activity Report only in September 2009, three months after the deadline. Although the report provides financial and operational information, it does not meet all the requirements of the applicable regulations. The report does not include an assessment of the efficiency and effectiveness of the internal control system as required by the Financial Regulation.

Replies of the Joint Undertaking:

-

- **implementation of the budget**: the undertaking considers that the under spending to which the Court refers was inherent to the first year of financial autonomy from the Commission as well as to the delays in the start-up of the ITER International Organisation and the Euratom fusion programme as a whole. As part of the action plan for the internal control standards, additional monitoring and reporting will be identified to tighten even further the controls on budget execution;
- **internal control systems** : the undertaking can confirm that the Internal Auditor took up his duties on 1 July 2009. An Action Plan for the implementation of the internal control standards has been prepared;
- **financial regulation**: an internal Working Group has been set up regularly to analyse the necessity of amending the Financial Regulation and its Implementing Rules in order to strengthen the financial framework;
- **late payment of membership contributions**: the undertaking states that this is attributable to the transitional period it became financially autonomous from the Commission. Most of the members needed some time to establish internal procedures necessary for authorising the payment of this specific contribution. All members have since paid their 2008 annual membership contributions;
- **annual activity report**: lastly, the undertaking states that the delay is mainly attributable to the fact that a meeting of the Governing Board did not take place before the deadline set out in the Financial Regulation. This situation will be amended.