2008 discharge: SESAR Joint Undertaking SJU

2009/2188(DEC) - 22/10/2009 - Court of Auditors: opinion, report

PURPOSE: to present the Court of Auditor's report on the 2008 accounts of the SESAR Joint Undertaking.

CONTENT: the Court of Auditors considers that the SESAR Joint Undertaking's annual accounts 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. It also considers that the transactions underlying the annual accounts of the SESAR Joint Undertaking 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:

- **non-respect of the budgetary principle of annuality**: while the framework Financial Regulation states that the appropriations entered in the budget are authorised for one financial year running from 1 January to 31 December. However, Article 5 of the Financial Regulation of the Joint Undertaking states that the first financial reporting period starts when the Joint Undertaking begins autonomous operations in 2007 and ends on 31 December 2008. This did not respect the principle of annuality;
- **implementation of the budget**: the final budget included commitment appropriations of EUR 1 463 million and payment appropriations of 38 million euro. As few project activities had started by the end of 2008, the budget proved to be highly unrealistic. While the utilisation rate for payment appropriations was very low, revenue for the year amounted to EUR 124.2 million and deposits in bank accounts at the end of the year totalled EUR 116 million, and the budgetary principle of equilibrium was not respected;
- **internal control system**: the Joint Undertaking is in a start-up phase and had not completely implemented its internal controls and management information systems by the end of 2008. The underlying business processes had not been formalised and the contracts and procurement unit has not yet developed adequate internal control systems. The Joint Undertaking has not yet developed a disaster recovery plan nor a data protection policy. It should have an internal audit service which must comply with relevant international standards. However, this important element of the internal control system was not put in place until January 2009, which led to several cases where the internal controls had not operated correctly;
- recognition of assets: 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. However, it has not yet developed an accounting policy in respect of assets which may result from the development phase of the project, which impedes the proper valuation of assets;
- **Financial Regulation of the Joint Undertaking**: this was adopted by the Administrative Board in July 2007 and should be in line with the framework Financial Regulation for Community bodies. This is not entirely the case;
- **late payment of membership contributions**: according to the Statutes, the founding members should pay a minimum initial contribution of EUR 10 million within 1 year of the establishment of the Joint Undertaking. Eurocontrol paid its initial contribution on 21 August 2008, whereas the Joint Undertaking was established on 3 March 2007. The Commission had already paid the Community contribution on 1 August 2007;
- **annual activity report:** the Court received the annual activity report in May 2009, later than provided for. 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 framework Financial Regulation.

Response of the Joint Undertaking :

- **implementation of the budget**: the undertaking indicates that the resources available at the end of 2008 in the SJU are needed for the launch of approximately 200 projects in late 2009 and early 2010. The need to change the SJU basic act and the alignment of the SJU legal framework to that of a full Community body impacted on the capacity of the SJU to launch the programme as initially expected by the end of 2008;
- **internal control systems**: with regard to the financial system, the undertaking is in the 'EC waiting list' for the implementation of ABAC and SAP, while internally is working on a management system for the operational aspects of the programme. Nevertheless, it is not expected that the SJU will have an integrated financial system before mid-2010, requiring the SJU to manage its resources with additional controls;
- **recognition of assets**: the undertaking indicates that it will seek to develop an accounting policy for the recognition of the assets resulting from the programme by mid-2010;
- **financial regulation of the Joint Undertaking** the Financial Rules, which are based on the Commission's Framework Regulation (EC, Euratom) No 2343/2002, were adopted by the Administrative Board on 28 July 2009;
- **late payment of membership contributions** : the reasons for the deferred payment of the initial Eurocontrol contribution were related to the adoption of the new Statutes of the SJU. While the intention of Eurocontrol to pay the contribution was clearly established, the SJU had to assess the detailed impact of the change of its basic act on the status of such a payment, before making the payment request;
- **annual activity report**: lastly, the undertaking recalls that 2007-2008 was the first year of the Joint Undertaking operations and was mostly dedicated to the set-up and organisation of the Public-Private Partnership. As a consequence, the annual activity report concentrates on the achievements in the set-up of the structure and the initial financial aspects. From 2009, the report will address the progress achieved towards the programme objectives.