2010 discharge: Artemis Joint Undertaking to implement a Joint Technology Initiative in Embedded Computing Systems

2011/2240(DEC) - 25/10/2011 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Artemis Joint Undertaking for the financial year 2010, together with the Joint Undertaking's reply.

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 concerned, amongst others, the annual accounts of the Artemis Joint Undertaking.

In the Court's opinion, the Artemis Joint Undertaking's **Annual Accounts fairly present, in all material respects, its financial position as of 31 December 2010** and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

The Court also considers that the **transactions underlying the annual accounts** of the Artemis Joint Undertaking for the financial year ended 31 December 2010 are, in all material respects, **legal and regular.**

The report confirms that the maximum EU contribution to the Artemis Joint Undertaking to cover running costs and research activities is EUR 420 million to be paid from the budget of the Seventh Research Framework Programme. The Artemisia association is to make a maximum contribution of EUR 30 million to the running costs. Artemis Member States are to make in-kind contributions to the running costs (by facilitating the implementation of projects), and to provide financial contributions of at least 1.8 times the EU contribution. In-kind contributions are also to be provided by research organisations participating in projects.

The report also makes a series of observations on the budgetary and financial management of the Joint Undertaking, accompanied by the latter's response. The main observations may be summarised as follows:

The Court's observations:

- **implementation of the budget** : the 2010 budget was not adopted by the end of the previous year (28 January 2010). Its structure and presentation were not in line with the provisions of the financial rules. The final budget included payment appropriations of EUR 27 million. The utilisation rate was 37.7 %. Deposits in bank accounts at the end of the year totalled EUR 16.6 million (60% of the available payment appropriations in 2010). The relatively low implementation rate for payment appropriations reflects the delays at Member State level;

- **internal control systems**: the Joint Undertaking has not fully implemented its internal controls and financial information systems during 2010. The ex post audit of cost claims related to the projects has been fully delegated to the Member States, without any control being exercised by the Joint Undertaking. This will make it difficult for the Joint Undertaking to ensure: (i) that the

financial interests of its Members are adequately protected, as required by Council Regulation (EC) No 74/2008 and (ii) the legality and regularity of the underlying transactions.

- **lack of host agreement**: according to the Council Regulation setting up the Joint Undertaking, a host agreement should be concluded between the Joint Undertaking and Belgium concerning office accommodation, privileges and immunities and other support to be provided by Belgium. However, as at the end of 2010, no such agreement had been signed.

The Joint Undertaking's response:

- **implementation of the budget**: because the operational part of the budget depends on the commitment of the Member States, and for most of them that is only possible after adoption of their national budget, the budget was adopted by the Governing Board in its meeting of January 2011. The structure and presentation of the budget have been adapted in the 2011 budget, according to the remarks and recommendations made previously by the Court of Auditors.

- **internal control systems**: ex post audits are primarily delegated to Artemis Member States. Exceptions are foreseen in the adopted ex post audit strategy. Artemis is currently collecting the various national strategies from Member States and their ex post audit results and will then analyse with the IAS (Artemis internal auditor) how to improve the strategy. The Charter of the Commission's Internal Audit Service was adopted by the Governing Board on 25 November 2010. The financial rules of Artemis will be amended accordingly at the appropriate occasion;

- **host state:** Artemis Joint Undertaking continues to cooperate for the implementation of the provisions of a Host State agreement and awaits the outcome of the next steps of the procedure to have an agreement signed.

Lastly, the Court of Auditors' report contains a **summary of the Joint Undertaking's activities** in 2010. The main task of the |Artemis Joint Undertaking was to launch a Call for proposals with an overall budget of EUR 93 million.