

# 2010 discharge: IMI Joint Undertaking for the implementation of the Joint Technology Initiative on Innovative Medicines

2011/2241(DEC) - 25/10/2011 - Court of Auditors: opinion, report

**PURPOSE:** presentation of the EU Court of Auditors' report on the annual accounts of the Innovative Medicines Initiative Joint Undertaking for the financial year 2010, together with the Joint Undertaking's 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 concerned, amongst others, the annual accounts of the Innovative Medicines Initiative (IMI) Joint Undertaking.

In the Court's opinion, the IMI 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 IMI 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 IMI Joint Undertaking to cover running costs and research activities is EUR 1 billion to be paid from the budget of the Seventh Framework Programme. The EU and EFPIA, as Founding Members, are to contribute equally to the running costs, each with an amount not exceeding 4 % of the total EU contribution. Other Members are to contribute to running costs in proportion to their contribution to research activities. The research companies which are members of EFPIA are to contribute to the funding of research activities through in-kind contributions at least equal to the EU financial contribution.

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 final budget included commitment appropriations of EUR 107 million and payment appropriations of EUR 29 million. Additionally, EUR 3 million in commitment appropriations and EUR 78.6 million in payment appropriations were carried over from 2009. The utilisation rates for available commitment and payment appropriations were 6 % and 35 % respectively, EUR 98.6 million in commitment appropriations were carried over to 2011 and EUR 64 million of payment appropriations carried over from 2009 were cancelled at the end of the year;

- **internal control systems:** the Joint Undertaking has not fully implemented its internal controls and financial information systems during 2010. Furthermore, at the end of 2010 the underlying business processes had not yet been formalised and had not been validated by the Accounting Officer as required by the Joint Undertaking's financial rules. The methodology for evaluating contributions in-kind has not yet been approved by the Governing Board as it proved difficult for an agreement to be reached. Consequently, the EFPIA members were unable to report on the costs incurred during the first reporting period as established in the grant agreements;
- **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:** IMI Joint Undertaking has taken several initiatives to facilitate and expedite the implementation of the budget, including the revision of the Scientific Research Agenda, the launch of the third and fourth calls for proposals, the conclusion of negotiations and the signature of grant agreements for new projects funded under the second call, as well as the receipt and payment of cost claims from the beneficiaries participating in projects funded under the first call. In collaboration with the Founding Members, the Executive Office is also exploring ways of how it can simplify and streamline its call management processes and shorten time lines;
- **internal control systems:** IMI Joint Undertaking's internal control system is being further consolidated through the systematic review, strengthening and formalisation of internal processes, including IT policies and procedures. In parallel, the creation of a new senior management position responsible for Administration and Finance as well as the establishment of the internal control and the internal audit functions further enhances the overall management and oversight of IMI Joint Undertaking's implementation of the internal control framework;
- **host state:** there are ongoing proceedings with the Belgian authorities for the signature of the Host Agreement. It is expected to be signed by the end of 2011.

Lastly, the Court of Auditors' report contains a **summary of the Joint Undertaking's activities** in 2010. The main task of the IMI Joint Undertaking was to launch new calls for proposals, evaluation, negotiation, grant management, support and guidance to beneficiaries and other participants, communication and organisation of meetings and events with key stakeholders, as well as consultations and support to the Founding Members on the innovative medicine research strategy and associated activities.