

# 2010 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy

2011/2237(DEC) - 25/10/2011 - Court of Auditors: opinion, report

**PURPOSE:** presentation of the EU Court of Auditors' report on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy 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 European Joint Undertaking for ITER and the Development of Fusion Energy (ITER Joint Undertaking or F4E).

In the Court's opinion, the ITER 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 ITER Joint Undertaking for the financial year ended 31 December 2010 are, in all material respects, **legal and regular**.

The report confirms when the Joint Undertaking was set up, the indicative total resources deemed necessary for the period 2007 to 2041 were EUR 9 653 million. The total contribution from Euratom was set at EUR 7 649 million, of which a maximum of 15 % for administrative expenditure. Other resources consist of contributions from the ITER host state (France), the annual membership contributions, voluntary contributions from members other than Euratom, and additional resources to be received under terms approved by the Governing Board. The Court draws attention to the requirement for substantially increased resources for the ITER project.

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

## **The Court's observations:**

- **implementation of the budget:** carry-overs from 2009 amounted to EUR 106.8 million in commitment appropriations and EUR 52.2 million in payment appropriations. The utilisation rate for payment appropriations was only 63.4 %.
- **reorganisation of the Joint Undertaking and internal control systems:** the Court reported on two previous occasions that the Joint Undertaking's internal control systems had not been fully established and implemented as required by its Financial Regulation;

- **audit strategy:** the Court welcomes the fact that the Joint Undertaking has started to develop an ex-post audit strategy, to be implemented in 2012. The strategy is a key control aiming to assess the legality and regularity of the underlying transactions and should be put in place as soon as possible.
- **late payment of membership contributions :** in 2008 and 2009, the Court observed that a number of Members of the Joint Undertaking did not pay their membership contributions within the deadline set by the Governing Board. For 2010, the deadline was 31 May 2010 but only 14 out of the 28 Members paid on time ;
- **audit committee:** the Court pointed out that, in view of the size of the budget and the complexity of the tasks to be performed by the Joint Undertaking, an Audit Committee reporting directly to the Governing Board should be set u ;
- **status of the financing of the ITER project :** in May 2010, the Commission issued a communication to the European Parliament and to the Council on the status of the ITER project, in which it estimated that around EUR 1.4 billion will be needed to meet the cost increases in the Euratom contribution to ITER in 2012 and 2013. In July 2010, the Commission made a proposal to amend the current multiannual financial framework and to meet the additional financial needs for 2012 and 2013. The Court notes that these developments may significantly affect the activities and the budget of the Joint Undertaking and possibly delay the Euratom contribution to the construction phase of the ITER project.

#### **The Joint Undertaking's response:**

- **reorganisation of the Joint Undertaking and internal control systems:** a major reorganisation has focussed on implementation of project based management and reinforcement of the internal control environment.
- **late payment of membership contributions following the recurrent delays in the payment of membership contributions,** measures were approved for interest to be levied on Annual Membership Contribution in the event of late payment. Furthermore, a framework defining the modalities for the interest rates and debit notes was adopted and put in place;
- **host State agreement:** the Host Agreement signed between 'Fusion and for Energy' and Spain in 2007 provides that Spain will provide F4E with permanent premises no later than 3 years after the signature of the agreement and also provides that in the meantime, and before the final premises are made available, Spain will provide temporary premises. While Spain has not yet provided permanent premises, the Joint Undertaking occupies temporary premises free of cost, and is informed that Spain is looking for a permanent solution;
- **status of the financing of the ITER project:** F4E has carried out its ITER Activities during 2010 according to the Baseline. 95 % of the activities in F4E's 2010 Work Programme were initiated as planned. F4E has continued to carry out its ITER Activities during 2011, and good progress has been made on many fronts. At the same time there have been delays on some key items and the impact of the East Japan earthquake in March has adversely affected the ITER schedule. The 2012 and 2013 extra budget has been discussed in the meeting of the Budget Committee of the Council on 27 September with the Member States. An agreement is expected before the end of the year.

Lastly, the Court of Auditors' report contains a summary of the Joint Undertaking's activities in 2010. This is focused on the following:

- operational Contracts: 44 awarded for a total value of EUR 826 million;
- procurement Arrangements worth EUR 615 million;
- ITER Credit awarded worth EUR 16.6 million.