2010 discharge: Fuel Cells and Hydrogen Fuel Cell Joint Undertaking

2011/2242(DEC) - 25/10/2011 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Fuel Cells and Hydrogen 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 Fuel Cells and Hydrogen (FCH) Joint Undertaking.

In the Court's opinion, the FCH 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 Fuel Cells and Hydrogen 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 FCH Joint Undertaking to cover running costs and research activities is EUR 470 million financed from the budget of the Seventh Framework Programme, of which the proportion earmarked for running costs must not exceed EUR 20 million. The Industry Grouping should contribute 50 % of the running costs (up to a maximum of EUR 10 million) and should 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:

- **delayed financial autonomy**: the Court is of the view that the period of 28 months from the date the Council Regulation came into force to the date of the actual financial autonomy on 15 November 2010 is excessive. As a result of the delayed financial autonomy, all the 2010 operational payments to beneficiaries were made during the last 6 weeks of 2010;
- **internal control systems**: 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 limited review of the IT controls showed that the Joint Undertaking has an adequate level of IT governance and practice for its size and mission, but the formalisation of policies and procedures is lagging behind in certain areas;
- **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**: the Joint Undertaking shares the Court's view that the period from the entry into force of the Council Regulation setting up the Joint Undertaking to the date of the actual financial autonomy was long. However, the Joint Undertaking would like to point out that all necessary steps were taken by the JU towards the autonomy (e.g. a readiness assessment report proving compliance with the autonomy criteria was submitted to the Commission on time) and therefore the delay in granting autonomy was the result of events out of the JU's control;
- **audit:** the Commission and the Joint Undertaking have taken action to ensure that the respective roles of the Commission's Internal Audit Service (IAS) and the Joint Undertaking's Internal Audit Manager (IAM) are clearly defined. The FCH Joint Undertaking is of the opinion that there is no need to amend the Joint Undertaking's financial rules. However, after finalisation of the revision of the Commission's Framework Financial Regulation, the Joint Undertaking will assess the need and appropriateness to amend its financial rules on all relevant aspects, including the audit function;
- **host state:** the Joint Undertaking has again contacted the Belgian authorities early June 2011 to finalise an agreeable text based on the Belgian proposal and the comments from the Commission.

Lastly, the Court of Auditors' report contains a **summary of the Joint Undertaking's activities** in 2010. The main tasks of the FCH Joint Undertaking may be described as follows:

- revision of the Multi Annual Implementation Plan (MAIP), launched in November 2010 with the focus on updating programme targets and priorities;
- drafting of the RTD priorities and 2010 call topics (25) with an indicative Joint Undertaking funding of EUR 89.1 million;
- publication of the 2010 call for proposals in June 2010 and evaluation of the proposals;
- development of the international cooperation with key partners (USA, Japan and Korea),
- exchange of information with the Member States and the Associated countries (information sessions);
- cooperation with the European Regions (via HyRaMP).