2011 discharge: Artemis Joint Undertaking to implement a Joint Technology Initiative in Embedded Computing Systems

2012/2218(DEC) - 15/11/2012 - 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 2011, 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 2011** 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 2011** are, in all material respects, **partially legal and regular**.

The basis for this **qualified opinion** on the legality and the regularity of the transactions underlying the accounts concerns the audit of project cost claims which have been delegated to the NFAs of the Member States. The administrative agreements signed with the NFAs do not include the practical arrangements for the ex post audits. By the end of the audit (September 2012), Artemis had not received sufficient information relating to the audit strategies of eight of the NFAs and was not in a position to assess whether the ex-post audit strategy provides sufficient assurance with respect to the legality and regularity of the underlying transactions. The information available on the implementation of the Joint Undertaking' s ex post audit strategy is not sufficient to conclude whether this key control is functioning effectively.

The report confirms that the Artemis Joint Undertaking's budget for 2011 amounted to EUR 28.5 million in commitment appropriations and 32 million in payment appropriations. Staff totalled 13 at the end of 2011.

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:

Court's comments:

- implementation of the budget: the estimates for budget implementation for the 2008, 2009 and 2010 call for proposals at the end of the year amounted to 86%, 53% and 18% respectively. However, the actual payments made under the 2008 call were only 50%, 31% for the 2009 call and no payments had been made under the 2010 call. According to the Joint Undertaking, the relatively low implementation rate for operational payment appropriations, is the consequence of the delays at the level of the Member States in signing the national grant agreements. Contrary to the Statutes of the

Artemis Joint Undertaking, Greece is using EU structural funds to cover its national contributions to the Greek beneficiaries of the Artemis projects instead of providing national funding. The Joint Undertaking accepted the continuation of Greek participation in Artemis projects but no funding is being provided by the Joint Undertaking to the Greek beneficiaries as co-financing with another source of EU funding is not allowed. The Court also notes issues with the certain carry-overs for next year;

- calls for proposals: the Council Regulation setting up the Artemis Joint Undertaking envisaged a maximum total budget of EUR 420 million to cover operational expenditure. The actual implementation and the foreseen value of the calls for proposals represent EUR 244 million or 58% of the total budget;
- internal audit capability: the Regulation setting up Artemis stipulates that the Joint Undertaking shall have an internal audit capability. However, at the end of 2011, this important element of the internal control system had not yet been set up. In 2011 the Commission's Internal Audit Service carried out a risk assessment exercise and the strategic audit plan for 2012-2014 was presented to the Governing Board for adoption on 25 January 2012. However, the financial rules of the Joint Undertaking have not yet been amended to include the provision of the Framework Regulation referring to the powers of the Commission's Internal Auditor.

Joint Undertaking's replies:

- **qualified opinion**: in its reply, Artemis acknowledges the importance of the ex-post audit strategy and the pertinence of the Court's observations. The JU stipulates that the various financing schemes and national rules in place in the different Member States imply that ex- post audit is only feasible on **completed projects**. For these reasons, the declaration of assurance of the Executive Director didn't make reference to the implementation of the ex-post audit strategy, taking into account the absence of materiality for the year 2011. It will be obviously included in the Annual Activity Report 2012;
- as regards the audit, the Commission's Internal Audit Service is the Internal Auditor of ARTEMIS since 25 November 2010 and, taking into account the size of the Artemis Joint Undertaking staff, has kindly offered to be also the Internal Audit Capability of Artemis. Lengthy discussions between the IAS and the Commission are still ongoing and have delayed the implementation of this plan. The Artemis JU hopes that the IAS will fulfill that role as soon as possible. In the meantime, the Executive Director has replaced that role of the IAS by collective (the whole team) off-site meetings addressing the main topics related to process improvements.

Lastly, the Court of Auditors' report contains a summary of the **Joint Undertaking's activities in 2011**. The main task of the Artemis Joint Undertaking was to launch a call for proposals with an overall budget of EUR 72 million.