2011 discharge: Clean Sky Joint Undertaking

2012/2217(DEC) - 13/11/2012 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Clean Sky 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 Clean Sky Joint Undertaking.

In the Court's opinion, the **Clean Sky 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.

It considers that the **transactions underlying the annual accounts** of the Centre 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 ex-post audits completed as of September 2012 which covered EUR 44.3 million (18.8% of all cost claims received by the Joint Undertaking in 2008, 2009 and 2010). The error rate resulting from these ex-post audits was **6.16%.**

The report confirms that the Clean Sky Joint Undertaking's budget for 2011 amounted to EUR 192 350 991. Staff totalled 24 at the year end.

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 Court states that the 2011 final amending budget included commitment appropriations of EUR 175 million and payment appropriations of EUR 159.8 million. The utilisation rate for commitment appropriations was 94 %, while the rate of payment appropriations was 64 %. The payment appropriation rate reflects delays in the implementation of the Joint Undertaking's activities. The low implementation of the budget is also reflected in the cash balance, which stood at **EUR 51 million at the end of the year** (32 % of the available payment appropriations in 2011). The Joint Undertaking, contrary to its financial rules, carried over EUR 68 million of payment appropriations to 2012 without a decision by the Governing Board.
- internal audit: despite the progress made during 2011, the Joint Undertaking has not yet fully established reliable internal control and financial information systems. In particular, further work is needed on the ex-ante control procedures applied for the validation of cost claims. 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:

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- **qualified opinion**: the JU has implemented its ex-post audit process in the year 2011, approximately one year after having achieved its autonomy in November 2009. The scope of the first audits covered the validation process of the year 2010, which was the first one carried out by the JU. In the year 2010 the JU was still in a start-up phase and the ex-ante controls related to the grant management were not yet fully mature to manage the high volume of grants. With a view to the results of the first ex-post audit exercise carried out, the JU wishes to highlight the effectiveness of this element of its internal control system, **through which the management has detected and corrected errors incurred during the JU's ex-ante validation of cost claims**. Final corrective actions are still on-going. Since 2010, the JU has significantly developed its processes governing the validation of cost claims by setting up dedicated procedures including a database for grant management. The JU's management considers it important to ensure a multi-annual control architecture for the grant management of the Clean Sky JU, which takes into account the opportunities for standard recovery procedures as well as for preventive measures. This is why the JU's management has established control mechanisms and objectives for the multi-annual duration of the project, which are measured by indicators covering the entire program duration;
- on budgetary and financial management: the JU acknowledges the delay of the Governing Board decision approving the carry-over of payment appropriations to the budget plan of the year 2012. The time schedule for the JU's budgetary planning and reporting cycle has been revised in order to take care of the appropriate timely approval of the Governing Board for the carry-overs to the year 2013;
- as regards the internal audit: the JU had been made aware by the Internal Audit Officer (IAO) on the involvement of the IAO in some core processes in the financial management of the JU and the potential consequences on the independence of the IAO. The risk of a potential lack of assurance regarding the concerned processes will be mitigated through the involvement of the IAS if required.

Lastly, the Court of Auditors' report contains a summary of the Joint Undertaking's activities in 2011. The main tasks of the Clean Sky Joint Undertaking may be found at the following address: www.cleansky.eu