2011 discharge: ENIAC Joint Undertaking

2012/2221(DEC) - 15/11/2012 - Court of Auditors: opinion, report

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

In the Court's opinion, the **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 considers, however, that the **transactions underlying the annual accounts** of the Joint Undertaking for the financial year ended 31 December 2011 are only **partially legal and regular** and gives a **qualified opinion in this respect**. The Court's audit shows that the payments made in 2011 relating to certificates of acceptance of costs issued by the National Funding Authorities of Member States amounted to EUR 6.8 million, which represents 45 % of the total operational payments. The audit of project cost claims has been delegated to the national authorities of Member States. The administrative agreements signed with the authorities in question do not include the practical arrangements for the ex post audits. By the end of the audit (September 2012), the Joint Undertaking had not received sufficient information relating to the audit strategies of the authorities 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. Conseqently, 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 Joint Undertaking's 2011 budget included commitment and payment appropriations amounting to EUR 66 million and EUR 35 million respectively. The number of staff employed by the Authority at the end of the year was 26.

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

Court's comments:

- implementation of the budget : the utilisation rates for the available commitment and payment appropriations were 97 % and 48 % (16) respectively. The Court detected a lack of adequate procedures and control weaknesses in the decommitment of unused appropriations. Appropriations, which should have been implemented by the end of 2010, and appropriations that should have been implemented by the end of 2011 were decommitted in January 2012;
- control systems: ENIAC has not yet fully implemented effective and efficient internal controls and financial information systems. This resulted in significant errors and delays in the financial reporting that were corrected before the adoption of the final accounts. The Accounting Officer of the Joint Undertaking validated the financial and accounting systems (ABAC and SAP) on 20

December 2010. However, the underlying business processes that provide financial information were not validated during 2011;

- audit capability : the Commission's Internal Audit Service carried out a risk assessment exercise. Based on the results of the assessment, the strategic audit plan for 2012-2014 was presented to the Governing Board for adoption on 22 November 2011. 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.
- Member States' contribution: the Court also remarked on the shortfall in contributions from Member States. Furthermore, contrary to the Statutes of ENIAC, Greece is using EU structural funds to cover its national contributions to the Greek beneficiaries of the ENIAC projects instead of providing national funding.

Joint Undertaking's replies:

- qualified opinion: generally ENIAC considers that it engaged in a process of collecting the relevant information regarding the audit procedures in the ENIAC member states. In 2011, in line with the strategic audit plan, the Internal Audit Service of the Commission (IAS), acting as internal auditor of the Joint Undertaking, has started a consultancy engagement on assessing whether the execution of audit strategies already in existence in the ENIAC member states can provide reasonable assurance. IAS has only finished the assessment in 2012, concluding that this approach will not provide the necessary information to reach reasonable assurance. Consequently, ENIAC defined and started executing its own ex post audit plan that shall be completed before the end of the year. It also indicates that it has strong reasons to consider that all its financial operations are regular and reliable. Detailed plans for monitoring accounting have been put in place, but serious difficulties have been encountered in running appropriately the financial and accounting systems;
- with regard to audit capacity, ENIAC states that in 2011, it went through a period of frequent changes: moving to new premises, using a completely new IT infrastructure for its financial transactions, executing the recruiting process that considerable increased the census and experiencing a strong increase in the overall level of activity. Consequently, the financial circuits underwent a period of strong and continuous evolution. The internal control systems, however, continue being strengthened and optimised, and in 2012, once the circuits and systems stabilised after the first full budgetary exercise. A complementary validation was done on 25 June 2012;
- with regard to Members' contributions, ENIAC states that these are unpredictable, depending on the type or R&D performed, the status of the participants, and the amounts each of them engages. Noticing that the average departed from the specified ratio, the EU proposed in 2012 to reduce the ENIAC JU contribution to 15 %. This also resulted in a reduction of the total R&D volume, in contradiction with the overall objective to increase the R&D investments. With respect to Greece, ENIAC considers that the condition under which Greece has been participating in the programme is not in contradiction of the ENIAC Joint Undertaking statutes.

Lastly, the Court of Auditors' report contains a summary of the Agency's activities in 2011.

- The functional operations of the Joint Undertaking consisted of: (i) moving to the White Atrium building, installing new offices and IT infrastructure; (ii) recruiting and integrating new team members; (iii) progressed in closing grant agreements; (iv) performed and accounted for more than 1 400 payments since its financial autonomy; (v) issued and brought to conclusion 2 calls for proposals in one year; (vi) performed large scale public events, produced smaller scale publications and well- received press releases.

With respect to operational activities, ENIAC has mainly:

- implemented its research programme : since inception, the ENIAC JU has awarded EUR 171.6 million to the participants;
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- increased the R&D investments in nanoelectronics : approximately 47 % of the total of approximately 3 700 researchers involved in R&D on nanoelectronics in 2012 will be engaged in the projects selected for funding by the ENIAC, achieving synergy and coordination of the European R&D effort. ENIAC coordinated its activities primarily with the EUREKA cluster CATERNE, co-organising the European Nanoelectronics Forum in Dublin;
- promoted the participation of small and medium size enterprises.