2011 discharge: IMI Joint Undertaking for the implementation of the Joint Technology Initiative on Innovative Medicines

2012/2219(DEC) - 13/11/2012 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Innovative Medicines Initiative Joint Undertaking for the financial year 2011, 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 Innovative Medicines Initiative (IMI) Joint Undertaking.

In the Court's opinion, the IMI 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 IMI Joint Undertaking for the financial year ended 31 December 2011 are, in all material respects, **partially legal and regular and gives a qualified opinion.** As of September 2012 covered EUR 2.2 million (18.8% of accepted IMI JU contribution for the first call validated by the IMI Joint Undertaking by June 2011). The **error rate** resulting from these ex-post audits was **6.84%.**

The report confirms that the IMI Joint Undertaking's budget for 2011 amounted to EUR 285 379 570 million in commitment appropriations and 88 898 250 million in payment appropriations. Staff totalled 31 at the end of 2011.

Court's comments:

- calls for proposals: the calls for proposals organised in 2008, 2009 and 2010 resulted in signed grant agreements amounting to EUR 269 million at the end of 2011. In 2011 the fourth call for proposals was launched with an indicative budgeted EU contribution of EUR 105 million. In 2012 the fifth call for proposals was launched with an indicative budgeted EU contribution of EUR 80 million. Consequently, if calls for proposals remain at the current level, it is highly likely that the total available EU contribution will not be used;
- budgetary and financial management: the Governing Board Decision of 28 January 2011 only authorises the carry-over of EUR 115 million of commitment appropriations, while the report on budgetary and financial management discloses a carry-over of EUR 117 million;
- accounting system: the Accounting Officer reported on the validation of the accounting system on 27 September 2012 and underlined significant weaknesses which need to be addressed;
- internal audit: in 2011 the Commission's Internal Audit Service and the Internal Audit Capability of the Joint Undertaking carried out a risk assessment exercise and the strategic audit plan for 2012-2014 was approved by the Governing Board on 3 November 2011. The Joint Undertaking obtained

its autonomy in November 2009, but no internal assurance audit work was performed until March 2012 either by the Internal Audit Service of the Commission or the internal audit manager.

Joint Undertaking's replies:

- **qualified opinion**: without questioning the Court's own calculation of the error rate based on IMI JU's first audits, the detected and residual error rate resulting from these finalised ex-post audits, applying the methodology established in IMI JU's ex-post audit strategy, were 4.58% and 3.72% respectively as at September 2012. This result is based on a relatively limited number of concluded audits, and concentrated on new or unaudited beneficiaries from the first IMI projects, where a **higher rate of error can be expected.** The errors reported by the Court as the basis for a qualified opinion were detected by IMI JU's own internal control system and this in itself demonstrates the effectiveness of this process. Moreover, the multi-annual basis of IMI JU's strategy and operations also means that additional time is needed before a full assessment can be made on the impact of such controls.
- IMI JU, none the less, acknowledges the risks related to grant management and is taking the appropriate measures both at ex-ante and ex-post level to follow-up and correct the errors detected from the finalised ex-post audits. In addition, **new initiatives are being introduced with the aim of preventing the occurrence of such errors among existing and new participants of IMI JU projects**. These have included the further strengthening of ex-ante controls in order to allow higher detection and correction of errors before validation of cost claims, the organisation of financial workshops and the development of guidance aimed at increasing the awareness and the understanding of participants on key issues such as the eligibility of costs and the importance of keeping adequate supporting documentation linked to the submitted claims;
- calls for proposals: the IMI JU states that effective measures were put in place in 2012 to increase and accelerate the commitment of EU funding and the matching in-kind contributions from EFPIA members through the launch of several Calls for proposals. To date in 2012, three Calls for Proposals have been launched with another one foreseen by the end of 2012, thus marking significant progress in the execution of IMI programme;
- as regards internal controls, work related to the formal assessment of the internal control system was carried out by the Internal Control Coordinator in the last quarter of 2011 and finalised through the approval of the report to the Executive Director on 13 February 2012.During 2011, the implementation of the internal control systems was also periodically reviewed, in a formal manner, through the preparation and approval of the 2011 Action Plan in February 2011 and through its updating in May and October 2011.

Lastly, the Court of Auditors' report contains a summary of the Joint Undertaking's activities in 2011. The main task of the IMI Joint Undertaking was to launch new calls for proposals, evaluation, negotiation, grant management, support and guidance to beneficiaries and other participants, communication and organisation of meetings and events with key stakeholders, as well as consultations and support to the Founding Members on the innovative medicine research strategy and associated activities.