2011 discharge: European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)

2012/2215(DEC) - 15/11/2012 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2011, together with the replies of the Joint Undertaking.

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 European Joint Undertaking for ITER and the Development of Fusion Energy (F4E).

In the Court's opinion, the **annual accounts of the Joint Undertaking 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 Joint Undertaking for ITER and the Development of Fusion Energy for the financial year ended 31 December 2011 are, in all material respects, **legal and regular**.

The report confirms that ITER's budget for 2011 amounted to EUR 263.57 million of which 93% funded by Community contribution. Staff totalled 315.

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:

- internal control: the Court of Auditors has previously reported that the Joint Undertaking's internal control systems had not been fully established and implemented as required by its Financial Regulation. On 31 May 2010 the Joint Undertaking's Internal Auditor issued a report which raised concerns about the financial circuits and the separation of duties. In response to this, the Governing Board adopted a management improvement plan in June 2010;
- procurement and grants: as pointed out in its 2010 report, the Joint Undertaking needs to enhance its efforts to increase competition. The audit also revealed that the ex ante control procedures applied to payments made under contracts and grant agreements are not sufficiently documented;
- late payment of membership contributions: payments of the 2011 contributions by 12 members were subject to delays;
- **EU contribution to ITER construction phase**: the Court recalls that in July 2010, the Council agreed the revised budget estimate of the Joint Undertaking's contribution for the construction phase

amounting to EUR 6.6 billion (2008 value), thus **doubling the initial estimate**; on 1 December 2011 an agreement was reached by the Council, the European Parliament and the Commission on the financing of the EUR 1.3 billion of additional costs for the ITER project for 2012-2013;
- host State agreement: according to the Host State Agreement signed with the Kingdom of Spain on 28 June 2007, the permanent premises should have been made available to the Joint Undertaking by June 2010. However, at the time of the audit (April 2012) this had not occurred.

Joint Undertaking's replies:

- reorganisation of internal control systems: the financial activities have been regrouped and reinforced in a new Budget and Finance unit including the control environment functions (ex-post, financial audits & monitoring, etc.) while segregating the operational and financial activities;
- procurement: as a consequence of the experience gained during financial monitoring visits carried out in 2011, F4E is now in a position to define the strategy to cover the financial control for both procurements and grants. Given the reduced financial dimensions of grants versus standard and operational procurements, this strategy will focus the main effort of the financial control on the ex-post control of procurement;
- membership contributions: F4E has established a new framework in 2011 for the collection of the Membership contribution;
- **financing of ITER**: the estimates for the total value of the project are based on the Toschi report. F4E is now undertaking an exercise to align all the incurred cost up to date to the 2008 values in order to be able to establish the potential deviations from the estimates. An integrated project monitoring tool which allows for the monitoring of potential cost deviations has been developed and is operational since September 2012 at F4E, migrating project management data, such as schedules, and financial management to the new Work Breakdown Structure. Additional development is ongoing for Earn Value Management and the Baseline Cost Estimate by contract;
- host seat agreement: the Host Agreement signed between 'Fusion and for Energy' and the Kingdom of Spain in 2007 does indeed foresee that Spain will provide F4E with permanent premises no later than 3 years after the signature of the agreement. The Agreement also foresees that in the meantime, and before the final premises are made available, Spain will provide temporary premises. While Spain has not yet provided permanent premises, the Joint Undertaking occupies temporary premises free of cost.

Lastly, the Court of Auditors' report contains a summary of the **Joint Undertaking's activities in 2011**. This is focused on the following:

- operational contracts: 38 awarded for a total value of EUR 163 556 000;
- administrative contracts: 17 awarded (including 7 Joint Procurements) for a total value of EUR 5 162 000;
- grants: 22 awarded for a total value of EUR 13 061 000;
- procurement arrangements: 2 for the ITER project (equivalent to EUR 50 135 000); 10 for the broader approach (equivalent to EUR 42 490 000);
- ITER credit awarded: equivalent to EUR 56 066 000.