

2011 discharge: Fuel Cells and Hydrogen Joint Undertaking (FCH Joint Undertaking)

2012/2220(DEC) - 13/11/2012 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Fuel Cells and Hydrogen 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 Fuel Cells and Hydrogen (FCH) Joint Undertaking.

In the Court's opinion, the **FCH 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 Fuel Cells and Hydrogen Joint Undertaking for the financial year ended 31 December 2011 are, in all material respects, **partially legal and regular and gives a qualified opinion**. An ex-post audit strategy was adopted by the Governing Board in January 2011 and is a key control for assessing the legality and regularity of the underlying transactions. Only eight of twelve ex-post audits were completed as of September 2012 covering EUR 4.8 million (27% of all cost claims received by the FCH Joint Undertaking in 2011). Six of the audits did not present material errors but the other two detected significant errors, the larger of which (EUR 764 000) has been corrected in the following year.

The report confirms that the FCH Joint Undertaking's budget for 2011 amounted to EUR 117.2 million in commitment appropriations and 113.1 million in payment appropriations. Staff totalled 20 at the end of 2011.

Court's comments:

- implementation of the budget: the Court notes that the budgetary procedure outlined in the FCH Joint Undertaking's financial rules was not followed; the derogation granted by the Commission to enter cancelled appropriations in the estimates of revenue and expenses for the following three years was misinterpreted. The Joint Undertaking chose to use payment appropriations amounting to EUR 3.3 million (representing payment appropriations carried over from 2010 to 2011) even though EUR 6.3 million in payment appropriations authorised for the current financial year were still available. As a consequence of the FCH Joint Undertaking's interpretation of the budgetary procedure, the budgetary outturn of the year is incorrect. Furthermore, the budgetary outturn account for 2010 does not reflect the EUR 3.3 million in payment appropriations carried over from 2010 to 2011. Unused global commitments from 2010 amounting to EUR 10.4 million and with a final date of implementation at 31 December 2011, were not decommitted by the end of 2011 but were decommitted in January 2012;
- annual assessment of the level of the in-kind contribution: the Court states that the method for evaluating the level of the in-kind contribution has been finalised and was jointly assessed by the

Internal Audit Service (IAS) and the Internal Audit Capability (IAC) in April 2012. The aggregated level of in-kind contributions validated by the Authorising Officer as at 8 February 2012 (the cut-off date used for the preparation of the 2011 Provisional Accounts) was EUR 347.6 million. The assessment report concluded that this amount should be reduced by EU 93 000 (or 0.3%);

- treasury: at the end of December 2011 the balance on the FCH Joint Undertaking's bank account was EUR 9.2 million. Between the months of August 2011 and December 2011 the FCH JU's cash balance ranged between approximately EUR 30 million and EUR 60 million. The Joint Undertaking is expected to implement all the measures necessary to minimise the cash balances held on account to the levels that are required.

Joint Undertaking's replies:

- **Qualified opinion:** the FCH JU states that it has established a control strategy of a multiannual nature which combines ex-ante and ex-post controls and takes into consideration cost-efficiency aspects. Ex-post audits are a key component of the overall internal control system and represent one of the main elements underpinning the Executive Director's statement of assurance. To address properly its control and assurance needs, the FCH JU launched the first ex-post audits immediately after the first cost claims were received and validated by the JU in 2011. Without questioning the Court's statements, FCH JU notes that considering the effectiveness of the JU's internal controls to detect errors, the high ex-post audit coverage, the corrections implemented by the JU on 98% of the errors detected and the low weight of interim payments in respect of total payments, the **amount at risk** (i.e. potential error undetected in the validated cost claims) is relatively limited in respect of total payments made and total operational expenditure incurred in 2011;
- as regards de-commitments, the FCH JU acknowledges that the de-commitments should have been done by 31 December 2011 and that the omission was corrected in January 2012. A tighter budget monitoring and application of year end procedure should avoid recurrence of a similar omission;
- on the treasury, the FCH JU is implementing all measures to optimise its cash flows within the limits of the financing agreements.

Lastly, the Court of Auditors' report contains a summary of the **FCH Joint Undertaking's activities in 2011**. The main tasks may be described as follows:

- revision of the Multi Annual Implementation Plan (MAIP) adopted by the Governing Board;
- drafting of the RTD priorities and 2011 call topics;
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- evaluation of the 2011 call for proposals in September 2011 with preparation of a list of projects for which negotiations are to be entered into;
- development of the international cooperation with key partners (USA, Japan and Korea);
- cooperation with the European Regions (via HyER) and cooperation with the Joint Research Centre (JRC) at project and programme level;
- stakeholders General Assembly held on 22-23 November 2011 together with the first Programme Review day with close to 400 participants and other communication activities;
- move to new premises (together with the 4 other JUs mid- January 2011);
- first interim evaluation of the FCH JU and first ex posts audits launched.