2012 discharge: IMI Joint Undertaking for the implementation of the Joint Technology Initiative on Innovative Medicines

2013/2251(DEC) - 22/10/2013 - 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 2012, 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 2012** and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its financial rules and the accounting rules adopted by the Commission's accounting officer.

The Court also considers that the **transactions underlying the annual accounts** of the IMI Joint Undertaking for the financial year ended 31 December 2012 are, in all material respects, **partially legal and regular** and gives a **qualified opinion**. The basis for this opinion concerns the JU's ex post audit strategy. 56 ex post audits had been completed as of June 2013, covering EUR 4.4 million (37.3% of the accepted IMI JU's contribution for the first call validated by June 2011). The detected error rate resulting from these audits was 5.82%.

The report confirms that the IMI Joint Undertaking's budget for 2012 amounted to EUR 373 763 361 million in commitment appropriations and EUR 113 209 163 million in payment appropriations.

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: a high level of payment and commitment appropriations for administrative expenditure in 2012 were still unused at year's end (26.81% of commitment appropriations and 39.8% of payment appropriations);
- internal audit procedure: in 2012, the Commission's Internal Audit Service carried out an assurance review of IMI's negotiation, grant agreement preparation and pre-financing processes. The IAS concluded that the existing internal controls provided reasonable assurance as to whether, with the exception of specific issues related to the management of **conflicts of interests**, documentation of the negotiation process and the related controls, and an IT application used during the negotiation process, the business objectives had been achieved. The Joint Undertaking's action plan to address the IAS recommendations was validated by the IAS on 29 October 2012.

Joint Undertaking's replies:

- **qualified opinion**: the JU states that the Court's qualified opinion reflects the outcome of 56 audits covering 65 first call cost claims that were accepted in 2010 and 2011 when IMI JU was still in its start-up phase. For the IMI, the vast majority of financial errors were relatively small in amounts to be adjusted (less than EUR 5 000 in favour of IMI JU) and clearly arose from misunderstandings of the rules or a lack of attention to the detail of the provisions of the grant agreements.
- The estimated error rate does not reflect the outcome of audits of interim payments made to beneficiaries in 2012 for which a new representative sample of 40 ex post audits is being conducted in 2013 and the first preliminary results are expected at the end of the year. These new audits cover a broader population of claims and beneficiaries, including the first claims of the second call projects as well as the second and third reporting periods of first call projects. IMI has since taken a series of concrete preventive and monitoring measures to help reduce the common types of errors and minimise the inherent underlying risks related to grant management;
- the IMI states that it has transformed 11 recommendations proposed by the IAS into concrete actions. During August 2012 and July 2013, the IAS also verified and closed 10 of the 11 recommendations.

As regards the **activities of the Joint Undertaking in 2012**, the report refers to the Annual Activity Report 2012 which can be found at www.imi.europa.eu.

On an operation level, the Court's report states that in 2012, the Joint Undertaking launched four calls for proposals and signed 11 grant agreements. During this period, it committed EUR 351 million, or almost 37% of its total available budget for research activities. At the end of 2012, the cumulative total of approved commitments for research costs was EUR 736 million.