2013 discharge: Artemis Joint Undertaking to implement a Joint Technology Initiative in Embedded Computing Systems

2014/2132(DEC) - 21/10/2014 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Artemis Joint Undertaking for the financial year 2013, 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 Artemis Joint Undertaking (Embedded Computing Systems).

Statement of assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the ARTEMIS Joint Undertaking, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2013;
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Joint Undertaking's annual accounts present fairly, in all material respects, its financial position as at 31 December 2013 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.

Basis for a qualified opinion on the legality and regularity of the transactions underlying the accounts: the Court considered that the transactions underlying the annual accounts for the year ended 31 December 2013 are, in all material respects, legal and regular. However, the Court noted that although the audit of project cost claims has been delegated to the NFAs, the administrative agreements signed with the NFAs do not include practical arrangements for ex post audits. The Joint Undertaking received audit reports from the NFAs covering approximately 46 % of the costs related to completed projects. However, the Joint Undertaking did not assess the quality of these audits. It was therefore not in a position to assess whether ex post audits provide sufficient assurance as to the legality and regularity of the underlying transactions.

Consequently, the Court considered that the information available on the implementation of the Joint Undertaking's ex post audit strategy is **not sufficient** for the Court to conclude whether this key control is functioning effectively. The Court considered that a qualified opinion was issued for Artemis JU since there was insufficient appropriate audit evidence on which to base the opinion and the possible effects are considered material but not pervasive.

The audit approach taken by the Court comprises analytical audit procedures, testing of transactions at the level of the Joint Undertaking and an assessment of key controls of the supervisory and control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of management representations and of annual activity reports.

The 2013 audit placed special emphasis on ex post audits.

At the end of this audit, the Court concluded the following:

- **financial and budgetary management**: the rate for payment appropriations was only 69%. The low budget implementation rate is mainly due to the lengthy and complex process for the financial closure of projects; the current amount of appropriations committed for the calls for proposals accounts for 49% of the total budget to cover operational expenditure during the entire duration of the existence of the JU (10 years from 2007);
- **internal audit function**: the report noted shortcomings in the audit function capacity of the JUs, weaknesses in the financial regulation of the JUs, and confidentiality issues;
- **conflict of interest**: the Joint Undertaking does not have a comprehensive written procedure to deal with conflicts of interest. According to the Court, there is a **need for a clear definition of what should be considered a conflict of interest**, a database regularly updated to include all information related to conflicts of interest, a procedure for managing them and a mechanism for dealing with breaches of the policy.

Cross-cutting remarks for all the Joint undertakings: the prevention of conflicts of interest is addressed by most Joint Undertakings by the adoption of specific rules and by the development of tools to document all related information. An Interim Evaluation was performed over 2013 assessing all Joint Undertakings in terms of relevance, efficiency, effectiveness and research quality. The reports, while positive, also highlighted areas for further improvement.

Joint Undertaking's replies: the Joint Undertaking replied point by point to all of the technical elements highlighted by the Court of Auditors. ARTEMIS submitted a common action plan with ENIAC to mitigate this qualified opinion. Visits to National Funding Authorities (NFA) took place already in Germany, Belgium and France, followed by additional documentation; the assessment reports are in the process of being elaborated. The results may be found in the Court of Auditor's report.

As regards the **activities of the Joint Undertaking in 2013**, the report refers to the Annual Activity Report 2013 which can be found at http://www.artemis-ju.eu/reference_documents.

It should be noted that the budget for the Joint Undertaking for 2013 amounted to EUR 30 343 708 in commitment appropriations and EUR 30 000 000 in payment appropriations (operational).

Remark: the ARTEMIS and ENIAC Joint Undertakings were merged to create the Electronic Components and Systems for European Leadership Joint Technology Initiative (ECSEL JTI). In addition to combining the ARTEMIS initiative on embedded systems and the ENIAC initiative on nano-electronics, ECSEL JTI will incorporate research and innovation on smart systems. ECSEL JTI started in June 2014 and will run for 10 years.