2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 19/09/2017 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the **Shift2Rail Joint Undertaking** for the financial year 2016, 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 focused on the annual accounts of the **Shift2Rail Joint Undertaking** (public-private partnership in the rail sector). As a reminder, the Shift2Rail (S2R) Joint Undertaking, located in Brussels, was set up in June 2014 for a period of 10 years and started working autonomously on 24 May 2016. As the Joint Undertaking began autonomous operations in 2016, this year's accounts are the **first set of S2R financial statements** audited by the ECA. Its objectives are to achieve a single European railway area; enhance the attractiveness and competitiveness of the European railway system; ensure a modal shift from road transport; and to maintain the European rail industry's leading position in the global market.

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 S2R, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2016;
- 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 2016, 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 rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts: in the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2016 are, in all material respects, legal and regular.

The audit also revealed the following points:

- **budgetary and financial management**: the final 2016 budget included commitment appropriations of EUR 50.2 million and payment appropriations of EUR 52.3 million. The utilisation rates for commitment and payment appropriations were 94 % and 82 % respectively. Most of the payments made by the Joint Undertaking in 2016 were pre-financing payments for Horizon 2020 projects selected under the 2015 and 2016 calls for proposals;
- **internal controls**: the S2R Joint Undertaking set up an action plan for the implementation of its internal control framework, which takes into account the results of a risk assessment completed by the Commission's Internal Audit Service in December 2016;
- **anti-fraud strategy**: although the Commission's research anti-fraud strategy is mandatory for the S2R JU, the Court noted that at the end of 2016, the JU had not yet performed a specific anti-fraud

risk assessment, nor had it established an action plan for the implementation of its own anti-fraud strategy.

Joint Undertaking's reply: only in 2017 did the S2R Joint Undertaking make the first steps to establish its own anti-fraud action plan. This will be followed by an impact assessment establishing the key objectives to mitigate the main weaknesses found and an evaluation of the anti-fraud strategy and the action plan (June 2018).