2017 discharge: Bio-based Industries Joint Undertaking (BBI Joint Undertaking)

2018/2214(DEC) - 02/10/2018 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Bio-based Industries Joint Undertaking for the financial year 2017, together with the Joint Undertaking's replies.

CONTENT: the Court of Auditors carried out the audit on the accounts of the Bio-based Industries (BBI) Joint Undertaking.

In brief, the objective of the BBI Joint Undertaking is to implement a programme of research and innovation activities in Europe that will assess the availability of renewable biological resources that can be used for the production of bio-based materials, and on that basis support the establishment of sustainable bio-based value chains. Those activities should be carried out through collaboration between stakeholders along the entire bio-based value chain, including primary production and processing industries, consumer brands, SMEs, research and technology centres, and universities.

Statement of assurance and reliability of the accounts

The Court considered that:

- the Undertaking's annual accounts present fairly, in all material respects, its financial position as at 31 December 2017 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer;

- the transactions underlying the annual accounts for the year ended 31 December 2017 are legal and regular in all material respects.

The report also makes a series of observations on the budgetary and financial management of the Undertaking, accompanied by the latter's response. The main observations may be summarised as follows:

The Court's observations

Financial management

The final 2017 budget included commitment appropriations of EUR 92.9 million and payment appropriations of EUR 91.6 million. The implementation rates for commitment and payment appropriations were 97 % and 95 %, respectively. Most of the payment appropriations made by the Joint Undertaking were pre-financing of grant agreements resulting from the 2016 call for proposals.

Out of the maximum of EUR 975 million of EU cash contribution to be allocated to the BBI Joint Undertaking over its life span, by the end of 2017, the EU contributed in cash a total amount of EUR 150.7 million.

The Commission (DG RTD) suspended EUR 50 million of its cash contributions to the Joint Undertaking. Although the Commission initiated in February 2017 an amendment of the BBI founding regulation in

view to enable industry members also to provide their cash contributions at project level, there is a high risk that the industry members will not achieve the minimum amount of operational cash contributions by the end of the BBI programme.

Internal controls

The Joint Undertaking has set up reliable ex-ante control procedures based on financial and operational desk reviews. The situation at end of 2017 showed that the most important Internal Control Standards (ICS) were mostly implemented with some standards remaining to be fully implemented in 2018.

Based on an assessment of the Joint Undertaking's internal control system and substantive testing of revenue, payment, grant and procurement operations, the audit results provided us with reasonable assurance that the overall residual error rate for the Joint Undertaking is below materiality.

At the end of 2017, the Commission's common Horizon 2020 grant management and monitoring tools had not finished the specific developments needed for the processing of the Joint Undertaking's in-kind contributions.

Leverage contributions

One of the main objectives of the Joint Undertaking is to leverage contributions from industry members in the area of its activities. The minimum leverage factor for both, operational and additional activities amounts to 2.8.

Joint Undertaking's reply

Financial management

The JU stated that the European Commission initiated an amendment of the BBI's founding regulation to allow the private partners to provide financial contributions also at project level. However, as the amendment entered into force only in February 2018, after the closure of four out of the seven calls for proposals planned until 2020 (inclusive), the risk of not achieving the minimum amount of financial (in-cash) contributions by the end of the BBI programme persists.