2017 discharge: Fusion for Energy Joint Undertaking (F4E)

2018/2211(DEC) - 02/10/2018 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2017, together with the Joint Undertaking's reply.

CONTENT: the Court of Auditors carried out the audit on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy.

In brief, ITER was created to manage and to encourage the exploitation of the ITER facilities, to promote public understanding and acceptance of fusion energy, and to undertake any other activities that are necessary to achieve its purpose.

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.

Emphasis of matter

As a reminder, in 2016, the ITER Council approved a new reformed ITER project baseline (scope, schedule and cost). In 2017, the Commission issued a communication on the EU contribution to a reformed ITER project, seeking the support of the European Parliament and a mandate from the Council of the EU for the Commission to approve the new baseline on behalf of Euratom.

Even though the new baseline does not include a contingency, in its communication the Commission suggested that a contingency of up to 24 months in terms of schedule and 10-20 % in terms of budget would be appropriate.

In addition, on 29 March 2017, the United Kingdom notified the European Council of its decision to withdraw from the EU and Euratom. An agreement setting out the arrangements for its withdrawal will be negotiated. This may have a significant effect on the future activities of the F4E Joint Undertaking and the ITER project.

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 available for implementation included commitment appropriations of EUR 589 million and payment appropriations of EUR 865 million. The utilisation rates for commitment and payment appropriations were 99.9% and 96.3 % respectively.

Due to serious shortcomings in the budget planning process, the payment appropriations finally needed in 2017 significantly exceeded the payment appropriations of the initial 2017 budget. Moreover, the Joint Undertaking has estimated a lack of payment appropriations of about EUR 150 million potentially affecting the 2018 budget.

Internal controls

The Court noted that significant shortcomings were found in the internal control and monitoring procedures related to the recruitment of a key management staff.

Significant shortcomings in the internal communication strategies did not ensure the dissemination of appropriate information on the estimated costs of the decommissioning phase within the organisation. Consequently, the Joint Undertaking disclosed no provision for such liability in the accounts of the previous years.

Joint Undertaking's replies

Financial management

F4E noted that thanks to the support of Euratom, which provided the additional budget, this lack of payment appropriations in 2017 had no impact on the fulfilment of F4E obligations toward suppliers.

Internally, the payment forecasting system has been totally redesigned and integrated in the new financial management tool, ECOSYS, and the interaction between the Project Teams and the Procurement Unit managing the contracts has been enhanced.

Due to the advanced preparation of the forecasts, F4E confirms that the 2018 budget is also impacted with a lack of payment appropriations of about EUR 150 million. A request for a transfer is ongoing in the 2018 general EU budget, in order to increase the Euratom contribution to F4E, covering these additional needs.

The request for the draft budget 2019 and the forecasts for the following budgets have already been re-evaluated.

Internal controls

F4E will improve its current internal procedure. F4E is enhancing the process and selection procedures through an improvement project that is being implemented. In that context, F4E will reinforce its procedural aspects to take into account the Court's observations, with the objective of enhancing the internal control and the quality of the recruitment process.

In agreement with the Court of Auditors, F4E has recognised the provision for the decommissioning costs in its 2017 Final accounts.

In relation to the shortcomings in the internal communication, F4E will tackle this issue.