2017 discharge: IMI 2 Joint Undertaking

2018/2215(DEC) - 02/10/2018 - 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 2017, together with the Joint Undertaking's reply.

CONTENT: the Court of Auditors carried out the audit on the accounts of the Innovative Medicines Initiative (IMI) 2 Joint Undertaking.

In brief, the objective of the IMI Joint Undertaking is to improve health by speeding up the development of, and patient access to innovative medicines, particularly in areas where there is an unmet medical or social need. The Joint Undertaking seeks to facilitate collaboration between the key players in healthcare research, including universities, the pharmaceutical and other industries, small- and medium-sized enterprises (SMEs), patient organisations and medicine regulators.

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 available for FP7 and Horizon 2020 programme implementation included commitment appropriations of EUR 322.4 million and payment appropriations of EUR 206.4 million. The implementation rates for commitment and payment appropriations were 97 % and 72 %, respectively. The low implementation rate for payment appropriations was mainly due to a reduction or postponement of clinical trials within some large and complex projects of the Anti-Microbial Resistance and Ebola programmes and to delays in concluding grant agreements for calls under Horizon 2020.

Near the end of 2017, the unused payment appropriations from previous years amounted to EUR 78.7 million. Consequently, the Joint Undertaking's Governing Board approved in July 2017 to reduce the new operational payment appropriations of the year by EUR 56 million, and in November 2017 to reduce the accumulated unused payment appropriations from previous years by EUR 25.8 million. This situation shows that during the last years, there were weaknesses when planning and monitoring the need for new payment appropriations.

Internal controls

The Joint Undertaking has set up reliable ex-ante control procedures based on financial and operational desk reviews. For FP7 interim and final payments, the Joint Undertaking performs ex-post audits at the beneficiaries whilst for Horizon 2020 project cost claims the Commission's Common Audit Service (CAS) is responsible for the ex-post audits.

Based on an assessment of the Joint Undertaking's internal control system and substantive testing of revenue, payment, grant and procurement operations and a review of a sample of finalised ex-post audits including recoveries arising from the errors detected, 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 Support Centre (CAS) had not finished specific developments in the Horizon 2020 grant management and monitoring tools to serve the Joint Undertaking' s reporting and processing needs for in-kind contributions.

Leverage of 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 to be achieved according to the Joint Undertaking's founding regulation is 1.

Joint Undertaking's replies

Financial management

The forecasting process under the Commission's annual budgeting procedure starts two years in advance. The IMI2 Joint Undertaking is requested to provide a forecast for payment appropriations in January year N-2, at a time where future needs cannot be identified with full accuracy and precision. In January of year N-1, payment appropriations are recorded in the Commission's 'Fiche Financière' which forms the basis of the Commission's annual budget procedure.

The established budgetary process does not allow any adaptations even though the IMI2 Joint Undertaking revises its forecast in year N-1 according to the actual changes in project portfolio.