2017 discharge: SESAR Joint Undertaking

2018/2212(DEC) - 02/10/2018 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the Single European Sky Air Traffic Management Research 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 annual accounts of the Single European Sky Air Traffic Management Research Joint Undertaking Joint Undertaking (SESAR).

In brief, the SESAR project aims to modernise ATM in Europe by defining, developing and delivering new or improved technologies and procedures

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 available 2017 budget for SESAR I was EUR 19.3 million in commitment appropriations and EUR 121.8 million in payment appropriations; and the available 2017 budget for SESAR 2020 was EUR 111.7 million in commitment appropriations and EUR 91.2 million in payment appropriations. The implementation rates for the SESAR I commitments and payment appropriations were low at 11 % and 68 % respectively. The implementation rate for SESAR 2020 commitment and payment appropriations was 92 % and 68 % respectively. The lower than expected implementation rate for payment appropriations was mainly due to delays in the implementation of Horizon 2020 projects conducted by the industry members and a rather conservative budget planning considering the risk of delayed reception of the annual financial implementation delegation agreements.

Multiannual budget implementation under FP7 and TEN-T.

Internal controls

Shortcomings were noted in the Joint Undertaking's financial control processes. This situation is mainly due to the complex financial regulatory framework under which the Joint Undertaking has to operate, the recent departure of key finance staff and the resulting work overload in the finance department.

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.

Leverage of contributions

One of the main objectives of the Joint Undertaking is to leverage contributions from industry partners in the area of its activities. The estimated leverage factor of air traffic industry funds to be achieved according to the Joint Undertaking's founding regulation without Eurocontrol is 0.85.

Joint Undertaking's replies

Financial management

Over the period 2010-2017, the average time for receiving the annual financial implementation delegation agreements was more than six months. Consequently, in order to ensure continuity of operations, the SESAR Joint Undertaking has to plan its budget in such a way to have enough cash and payment appropriations to be able to cover payments during at least the first half of the following year.

Internal controls

Over the last two years, the SESAR Joint Undertaking has been operating under several financial regulatory systems because it had to implement simultaneously projects under FP7, TEN-T, Horizon 2020, Connecting Europe Facility (CEF) and delegation agreements for assigned revenue.