

2017 discharge: Shift2Rail Joint Undertaking (S2R Joint Undertaking)

2018/2217(DEC) - 02/10/2018 - 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 2017, together with the Joint Undertaking's reply.

CONTENT: the Court of Auditors carried out the audit on the accounts of the Shift2Rail Joint Undertaking.

In brief, the Undertaking aims to provide a platform for the rail sector to work together to drive forward innovation to enhance the competitiveness of the railway system and to strengthen the rail transport system in Europe.

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 68.6 million and payment appropriations of EUR 44.1 million. The implementation rates for commitment and payment appropriations were 94 % and 79 % respectively. Most of the payments made by the Joint Undertaking in 2017 were pre-financing payments for Horizon 2020 projects selected under the 2017 calls for proposals.

At the end of 2017, the Joint Undertaking had unused payment appropriations from previous years of around EUR 7.6 million. This situation shows weaknesses in the budget planning process, which, however, cannot be fully controlled by the Joint Undertaking.

Out of the maximum of EUR 398 million of EU cash contribution to be allocated to the S2R Joint Undertaking over its lifespan, by the end of 2017, the EU had contributed in cash a total amount of EUR 83.2 million.

Internal controls

The situation at end of 2017 showed that the most important internal control standards were largely implemented with some actions remaining to be completed in 2018 such as carrying out the testing of the Business Continuity Plan.

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.

Procurement procedures

Some qualitative shortcomings were observed in the Joint Undertaking's open procedure for the procurement of communication and event services of an estimated budget of EUR 1.2 million over 4 years.

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 0.88 if only the industry members' contributions to the activities directly covered by the Joint Undertaking's work programme are considered.

The Joint Undertaking's replies

Financial management

The usual budget process foresees that for each financial year the Commission pays to the Joint Undertaking the first instalment around March only. The Joint Undertaking therefore considered the full amount of unused payment appropriations from previous years in its budget planning for 2017, to cover the payments of the first quarter in 2018.

Procurement procedures

The JU clarified the shortcomings regarding the procurement procedure for a communication and event services' framework contract.

Leverage of contributions

The leverage factor according to the Joint Undertaking's founding regulation is in actual fact 1.24 and 1.66 respectively when considering the Members other than the Union contributions' only.