Basic information

2017/2186(DEC) DEC - Discharge procedure	Procedure completed
2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking **Subject** 8.70.03.06 2016 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	HAYES Brian (PPE)	20/09/2017
	Shadow rapporteur POCHE Miroslav (S&D) CZARNECKI Ryszard (ECR) DLABAJOVÁ Martina (ALDE) OMARJEE Younous (GUE/NGL) TARAND Indrek (Verts/ALE) VALLI Marco (EFDD) KAPPEL Barbara (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
TRAN Transport and Tourism	FERBER Markus (PPE)	03/10/2017

European Commission

Commission DG	Commissioner
Budget	OETTINGER Günther

Key events

Date	Event	Reference	Summary
		COM(2017)0365	Summary

19/06/2017	Non-legislative basic document published		
13/09/2017	Committee referral announced in Parliament		
20/03/2018	Vote in committee		
23/03/2018	Committee report tabled for plenary	A8-0076/2018	Summary
18/04/2018	Decision by Parliament	T8-0173/2018	Summary
18/04/2018	Results of vote in Parliament		
18/04/2018	Debate in Parliament		
18/04/2018	End of procedure in Parliament		
03/10/2018	Final act published in Official Journal		

Technical information

Procedure reference	2017/2186(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/10878

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE613.434	29/01/2018	
Committee opinion	TRAN	PE613.310	21/02/2018	
Amendments tabled in committee		PE618.283	01/03/2018	
Committee report tabled for plenary, single reading		A8-0076/2018	23/03/2018	Summary
Text adopted by Parliament, single reading		T8-0173/2018	18/04/2018	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05943/2018	09/02/2018	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2017)0365	19/06/2017	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0049/2018 OJ C 426 12.12.2017, p. 0064	19/09/2017	Summary

Additional information		
Source	Document	Date
European Commission	EUR-Lex	

Final act	
Budget 2018/1457 OJ L 248 03.10.2018, p. 0388	Summary

2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 19/06/2017 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2016, as part of the 2016 discharge procedure.

Analysis of the accounts of the **Shift2Rail Joint Undertaking - S2R**.

CONTENT: the organisational governance of the EU consists of institutions, agencies and other EU bodies whose expenditure is included in the general budget of the Union.

This Commission document concerns the EU's consolidated accounts for the year 2016 and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cash flows of the EU institutions and bodies, including the **S2R JU**, with a view to granting discharge.

Discharge procedure: the final step of a budget lifecycle is the discharge of the budget for a given financial year. It represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "**releases**" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The European Parliament is the discharge authority within the EU.

The discharge procedure may produce three outcomes: (i) the granting; (ii) postponement or; (iii) the refusal of the discharge.

The final discharge report including specific recommendations to the Commission for action is adopted in plenary by the European Parliament and are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

Each agency is subject to its own discharge procedure, including the **S2R JU**.

The Shift2Rail Joint Undertaking: the S2R JU, located in Brussels (BE), was set up by Council Regulation (EU) No 642/2014 and aims to contribute to the achievement of the Single European Railway Area, to a faster and less costly transition to a more attractive, user-friendly sustainable European rail system. It is set up for a period until 31.12.2024.

As regards the JU's accounts, these are presented in detail in the document published by the Joint Undertaking (please refer to the annual activity report 2016 of the S2R).

2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 03/10/2018 - Final act

PURPOSE: to grant discharge to the Shift2Rail (S2R) Joint Undertaking for the financial year 2016.

NON-LEGISLATIVE ACT: Decision (EU) 2018/1457 of the European Parliament on discharge in respect of the implementation of the budget of the Shift2Rail Joint Undertaking for the financial year 2016.

CONTENT: the European Parliament decided to **grant discharge** to the Executive Director of the Shift2Rail Joint Undertaking discharge in respect of the implementation of the Joint Undertaking's budget for the financial year 2016.

This decision is accompanied by a resolution of the European Parliament containing the observations which form an integral part of the discharge decision in respect of the implementation of the general budget of the European Union for the financial year 2016 (*please refer to the summary dated 18.4.2018*).

In this resolution, Parliament noted that even though the Commission's research anti-fraud strategy is mandatory for the Joint Undertaking, at the end of 2016, the Joint Undertaking had not yet performed a specific anti-fraud risk assessment, nor had it established an action plan for the implementation of its own anti-fraud strategy. However, in 2017, the Joint Undertaking took the first steps towards establishing its own anti-fraud action plan, i.e. an anti-fraud awareness session for Joint Undertaking staff organised by the European Anti-Fraud Office (OLAF), and an anti-fraud risk assessment. This plan will be followed by an impact assessment establishing the key objectives relating to mitigation of identifiable weaknesses (in the 4th quarter of 2017) and an evaluation of the anti-fraud strategy and the action plan by June 2018.

Parliament called on the Commission to ensure the direct involvement of the Joint Undertaking in the process of the Horizon 2020 mid-term review in the sphere of further simplifications and harmonisation of joint undertakings.

Lastly, Parliament insisted on the importance of the cooperation between the Joint Undertaking and the Union Agency for Railways (ERA) and welcomed the involvement of ERA in meetings of the Joint Undertaking governing board. The Joint Undertaking should provide more concrete information on the main achievements of this cooperation in its annual activity report.

2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 23/03/2018 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Brian HAYES (EPP, IE) on discharge in respect of the implementation of the budget of the Shift2Rail Joint Undertaking for the financial year 2016.

The committee called on the European Parliament to **grant the Executive Director discharge** in respect of the implementation of the Joint Undertaking's budget for the financial year 2016.

Noting that the Court of Auditors issued a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions for the financial year 2016, Members called on Parliament to **approve the closure of the joint undertaking's accounts**.

They made, however, a number of recommendations that need to be taken into account when the discharge is granted. They may be summarised as follows:

Budget and financial management: Members noted that the final 2016 budget available for implementation included commitment appropriations of EUR 50 200 000 and payment appropriations of EUR 52 300 000. The utilisation rates for commitment and payment appropriations were 94 % and 82 % respectively which represent a low level especially for payment appropriations. Most of the payments made by the Joint Undertaking in 2016 were pre-financing payments for Horizon 2020 projects selected under the 2015 and 2016 calls for proposals.

Other observations: the report also contained a series of observations on procurement and recruitment procedures, the prevention and management of conflicts of interests and internal control systems.

Members regretted that at the end of 2016, the Joint Undertaking had not yet performed a specific anti-fraud risk assessment, nor had it established an action plan for the implementation of its own anti-fraud strategy.

Highlighting that the objectives of the Joint Undertaking are to achieve a Single European Railway Area and to enhance the attractiveness and competitiveness of the European railway system, Members stressed that it is significantly important to identify among the research and innovation projects those that are capable to bring **innovative solutions** to the market.

On **funding**, Members also stressed that there is a need to foresee the use of the principle of **multiannual financing** and to adopt flexible timetables for publishing projects proposals.

They insisted on the importance of the cooperation between the Joint Undertaking and the Union Agency for Railways (ERA).

During the first months since it became autonomous, the Joint Undertaking started some exploratory work to consider how to make use of activities planned in other Union programmes and funds, in relation to the railway sector, in particular EFSI, Regional and Cohesion fund. The Joint Undertaking intends to further develop this activity. Members stressed that the necessity of complementary financing using the relevant funding instruments is key to build a competitive railway system in the future.

2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 19/09/2017 - 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 2016, together with the Joint Undertaking's reply.

CONTENT: in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit focused on the annual accounts of the **Shift2Rail Joint Undertaking** (public-private partnership in the rail sector). As a reminder, the Shift2Rail (S2R) Joint Undertaking, located in Brussels, was set up in June 2014 for a period of 10 years and started working autonomously on 24 May 2016. As the Joint Undertaking began autonomous operations in 2016, this year's accounts are the **first set of S2R financial statements** audited by the ECA. Its objectives are to achieve a single European railway area; enhance the attractiveness and competitiveness of the European railway system; ensure a modal shift from road transport; and to maintain the European rail industry's leading position in the global market.

Statement of assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the S2R, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2016;
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Joint Undertaking's annual accounts present fairly, in all material respects, its financial position as at 31 December 2016, and the results of its operations and its cash flows for the year then ended in accordance with the provisions of its financial rules and the rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts: in the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2016 are, in all material respects, legal and regular.

The audit also revealed the following points:

- **budgetary and financial management**: the final 2016 budget included commitment appropriations of EUR 50.2 million and payment appropriations of EUR 52.3 million. The utilisation rates for commitment and payment appropriations were 94 % and 82 % respectively. Most of the payments made by the Joint Undertaking in 2016 were pre-financing payments for Horizon 2020 projects selected under the 2015 and 2016 calls for proposals;
- **internal controls**: the S2R Joint Undertaking set up an action plan for the implementation of its internal control framework, which takes into account the results of a risk assessment completed by the Commission's Internal Audit Service in December 2016;
- **anti-fraud strategy**: although the Commission's research anti-fraud strategy is mandatory for the S2R JU, the Court noted that at the end of 2016, the JU had not yet performed a specific anti-fraud risk assessment, nor had it established an action plan for the implementation of its own anti-fraud strategy.

Joint Undertaking's reply: only in 2017 did the S2R Joint Undertaking make the first steps to establish its own anti-fraud action plan. This will be followed by an impact assessment establishing the key objectives to mitigate the main weaknesses found and an evaluation of the anti-fraud strategy and the action plan (June 2018).

2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 18/04/2018 - Text adopted by Parliament, single reading

The European Parliament decided to **grant discharge** to the Executive Director of the Shift2Rail Joint Undertaking for the financial year 2016 and approve the closure of the accounts of the Joint Undertaking for the financial year in question.

Noting that the Court of Auditors finds that the Joint Undertaking's annual accounts present fairly, in all material respects, its financial position as at 31 December 2016 as well as the results of its operations and cash flows, Parliament adopted by 489 votes to 144, with 6 abstentions, a resolution containing a series of recommendations, which form an integral part of the decision on discharge:

Budget and financial management: the final 2016 budget available for implementation included commitment appropriations of EUR 50 200 000 and payment appropriations of EUR 52 300 000. The utilisation rates for commitment and payment appropriations were **94 % and 82 %** respectively which represent a low level especially for payment appropriations. Most of the payments made by the Joint Undertaking in 2016 were pre-financing payments for Horizon 2020 projects selected under the 2015 and 2016 calls for proposals.

Out of the EUR 350 million of **contributions** to be made by the industry members to the operational activities and administrative costs of the Joint Undertaking, by the end of 2016, i.e. four months after the Joint Undertaking had launched its first Horizon 2020 projects, the members had reported in-kind contributions of EUR 4.5 million for operational activities, of which EUR 3 million had been certified. The governing board had validated cash contributions to the Joint Undertaking's administrative costs of EUR 3.2 million.

By the end of 2016, the total contributions from industry members amounted to EUR 62.7 million, compared to the Union's cash contribution of EUR 48.5 million.

Other observations: the resolution also contained a series of observations on procurement and recruitment procedures, the prevention and management of conflicts of interests and internal control systems.

Members regretted that at the end of 2016, the Joint Undertaking had not yet performed a specific **anti-fraud risk** assessment, nor had it established an action plan for the implementation of its own anti-fraud strategy.

Highlighting that the objectives of the Joint Undertaking are to achieve a Single European Railway Area and to enhance the attractiveness and competitiveness of the European railway system, Members stressed that it is significantly important to identify among the research and innovation projects those that are capable to bring **innovative solutions** to the market.

On **funding**, the resolution also stressed that there is a need to foresee the use of the principle of **multiannual financing** and to adopt flexible timetables for publishing projects proposals.

Members insisted on the importance of the cooperation between the Joint Undertaking and the Union Agency for Railways (ERA).

During the first months since it became autonomous, the Joint Undertaking started some exploratory work to consider how to **make use of activities planned in other Union programmes and funds**, in relation to the railway sector, in particular EFSI, Regional and Cohesion fund. The Joint Undertaking intends to further develop this activity. Members stressed that the necessity of complementary financing using the relevant funding instruments is key to build a competitive railway system in the future.

2016 discharge: Shift2Rail Joint Undertaking - S2R Joint Undertaking

2017/2186(DEC) - 09/02/2018 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2016 and the balance sheet as at 31 December 2016 of the Shift2Rail Joint Undertaking, as well as the Court of Auditors' report on the annual accounts of the Joint Undertaking for the financial year 2016, accompanied by the Joint Undertaking's replies to the Court's observations, the Council recommended the European Parliament to give a discharge to the Executive Director of the Joint Undertaking in respect of the implementation of the budget for the financial year 2016.

The Council welcomed the Court's opinion that, in all material respects, the Joint Undertaking's annual accounts present fairly its financial position as at 31 December 2016 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of the Joint Undertaking's Financial Rules, and that the underlying transactions for 2016 are legal and regular in all material respects.

Nevertheless, the following observations were made:

- **anti-fraud**: the Council urged the Joint Undertaking to perform a specific anti-fraud risk assessment and to establish an action plan for the implementation of its own anti-fraud strategy;
- **project funding**: the Council called on the Joint Undertaking to pay due attention to the financial risk associated with the completion of projects and to avoid the high concentration of total project funding to a single coordinating partner;
- **procurement**: the Council also invited the Joint Undertaking to introduce a methodology to systematically assess the needs and costs of contracts in its procurement procedures.