

# 2017 discharge: ECSEL Joint Undertaking

2018/2218(DEC) - 02/10/2018 - Court of Auditors: opinion, report

**PURPOSE:** presentation of the EU Court of Auditors' report on the annual accounts of the Electronic Components and Systems for European Leadership Joint Undertaking for the financial year 2017, together with the Joint Undertaking's replies.

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

In brief, its Undertaking's main aim is to contribute to the development of a strong and globally competitive electronics components and systems industry in the EU.

## *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.

## *Qualified opinion*

The ECSEL Joint Undertaking has taken over the FP7 projects of the ARTEMIS and ENIAC Joint Undertakings. The payments made for these projects by the ECSEL Joint Undertaking in 2017, against certificates of acceptance of costs issued by the national funding authorities (NFAs) of the ECSEL Participating States, amounted to EUR 76.4 million (2016: EUR 118 million), which represents 32 % (2016: 54 %) of the total operational payments made by the Joint Undertaking in 2017.

Administrative agreements concluded by the ARTEMIS and ENIAC Joint Undertakings with the NFAs have continued to apply since those Joint Undertakings were merged to form the ECSEL Joint Undertaking. The ECSEL Joint Undertaking has taken steps to assess the implementation of ex-post audits by the NFAs and has obtained written statements from the NFAs declaring that the implementation of their national procedures provides reasonable assurance on the legality and regularity of transactions. However, the significant variation in the methodologies and procedures used by the NFAs does not allow the ECSEL Joint Undertaking to calculate a single reliable weighted error rate or a residual error rate.

Therefore, once again, the Court is not in a position to conclude whether ex-post audits are functioning effectively and whether this key control provides sufficient assurance as to the legality and regularity of the underlying transactions for FP7 projects.

This issue concerning the variation in the methodologies and procedures used by the NFAs is no longer relevant for the implementation of Horizon 2020 projects, as the ex-post audits will be undertaken by the ECSEL Joint Undertaking and the Commission.

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 183.9 million and payment appropriations of EUR 290.1 million. The implementation rates for commitment and payment appropriations were 98 % and 83 % respectively.

### ***Internal controls***

In 2017, significant shortcomings were noticed in the management of the procurement procedures for administrative services (e.g. selection of inappropriate procurement procedure, incomplete definition of services to be provided, late signature of amendments).

In addition, in 2017 the Joint Undertaking had not properly documented in its register of exceptions management overrides of controls nor deviations from established processes and procedures. This situation affects the management's ability to ensure the effectiveness of the internal control processes and to mitigate quickly procedural shortcomings.

### ***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 1.42.

## ***The Joint Undertaking's replies***

### ***Qualified opinion***

The ECSEL JU has invited from January 2018 the National Authorities to provide it with an annual declaration of assurance. The ECSEL JU has received 20 declarations (out of 25) from the NFAs, which represent 98.54 % of funding, and concluded that the audit report and declaration provide a reasonable protection of the financial interests of its members.

### ***Internal controls***

In order to ensure effective management of the procurement procedures for all administrative services, a Budget, Procurement and Contracts Assistant has been nominated. The role of the Assistant will ensure a coordinated approach and will centralise the procurement procedures and contracts management; including monitoring and follow up of contractual obligations and performance management.