








# Procedure file

Basic information		
DEC - Discharge procedure	2016/2201(DEC)	Procedure completed
2015 discharge: ECSEL Joint Undertaking		
Subject 8.70.03.05 2015 discharge		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>CONT</b> Budgetary Control		04/08/2016
		 <a href="#">POCHE Miroslav</a>	
		Shadow rapporteur	
		 <a href="#">HAYES Brian</a>	
		 <a href="#">MARIAS Notis</a>	
		 <a href="#">GERBRANDY Gerben-Jan</a>	
		 <a href="#">TARAND Indrek</a>	
		 <a href="#">VALLI Marco</a>	
		 <a href="#">KAPPEL Barbara</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>ITRE</b> Industry, Research and Energy	The committee decided not to give an opinion.	
European Commission	Commission DG <a href="#">Budget</a>	Commissioner GEORGIEVA Kristalina	

Key events			
11/07/2016	Non-legislative basic document published	COM(2016)0475	Summary
04/10/2016	Committee referral announced in Parliament		
23/03/2017	Vote in committee		
29/03/2017	Committee report tabled for plenary	<a href="#">A8-0113/2017</a>	Summary

26/04/2017	Debate in Parliament		
27/04/2017	Results of vote in Parliament		
27/04/2017	Decision by Parliament	<a href="#">T8-0190/2017</a>	Summary
27/04/2017	End of procedure in Parliament		
29/09/2017	Final act published in Official Journal		

### Technical information

Procedure reference	2016/2201(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/07537

### Documentation gateway

Non-legislative basic document		COM(2016)0475	11/07/2016	EC	Summary
Court of Auditors: opinion, report		N8-0145/2016 <a href="#">OJ C 473 16.12.2016, p. 0024</a>	18/10/2016	CofA	Summary
Committee draft report		<a href="#">PE593.966</a>	01/02/2017	EP	
Supplementary non-legislative basic document		<a href="#">05875/2017</a>	07/02/2017	CSL	Summary
Amendments tabled in committee		<a href="#">PE599.871</a>	07/03/2017	EP	
Committee report tabled for plenary, single reading		<a href="#">A8-0113/2017</a>	29/03/2017	EP	Summary
Text adopted by Parliament, single reading		<a href="#">T8-0190/2017</a>	27/04/2017	EP	Summary

### Final act

Budget 2017/1735  
[OJ L 252 29.09.2017, p. 0346](#) Summary

## 2015 discharge: ECSEL Joint Undertaking

**PURPOSE:** presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2015, as part of the 2015 discharge procedure.

**Analysis of the accounts of the ECSEL Joint Undertaking.**

**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.

The EU's operational expenditure of these institutions takes different forms, depending on how the money is paid out and managed.

From 2014 onwards, the Commission classifies its expenditure as follows:

- Direct management: the budget is implemented directly by the Commission services.
- Indirect management: the Commission confers tasks of implementation of the budget to bodies of EU law or national law, such as the EU agencies.
- Shared management: under this method of budget implementation tasks are delegated to Member States. About 80 % of the expenditure falls under this management mode covering such areas as agricultural spending and structural actions.

This Commission document concerns the EU's consolidated accounts for the year 2015 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 ECSEL Joint Undertaking, 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 ECSEL JU.

The ECSEL Joint Undertaking: the ECSEL JU, located in Brussels (BE), was set up by [Council Regulation \(EU\) No 561/2014](#) and aims to contribute to the development of a strong and globally competitive electronics components and systems industry in the Union.

As regards the JUs accounts, these are presented in detail in the document published by the Joint Undertaking (please refer to the [final accounts of the ECSEL JU](#)).

## 2015 discharge: ECSEL Joint Undertaking

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**PURPOSE:** presentation of the EU Court of Auditors report on the annual accounts of the ECSEL Joint Undertaking for the financial year 2015, together with the Joint Undertakings replies.

**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 ECSEL Joint Undertaking (electronic components and systems). To recall, the objective of the ECSEL Joint Undertaking is to contribute to the development of a strong and globally competitive electronics components and systems industry in the European Union. It also aims to ensure the availability of electronic components and systems for key markets and for addressing societal challenges, and to maintain and grow semiconductor and smart system manufacturing capability in Europe. Lastly, it aims to align strategies with Member States to attract private investment and contribute to the effectiveness of public support by avoiding unnecessary duplication and fragmentation of effort, and by facilitating the participation of actors involved in research and innovation.

**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 ENIAC Joint Undertaking, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2015;
- the legality and regularity of the transactions underlying those accounts.

**Opinion on the reliability of the accounts:** in the Courts opinion, the Joint Undertakings annual accounts present fairly, in all material respects, its financial position as at 31 December 2015 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 accounting rules adopted by the Commissions accounting officer.

**Basis for a qualified opinion on the legality and regularity of the transactions underlying the accounts:** the Court noted that 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 2015, against certificates of acceptance of costs issued by the national funding authorities (NFAs) of the ECSEL Participating States, amounted to EUR 94.2 million, which represents 65 % of the total payments made by the Joint Undertaking in 2015.

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. Under these agreements, the NFAs perform ex post audits of FP7 project payments on behalf of the Joint Undertaking. The ARTEMIS and ENIAC Joint Undertakings ex post audit strategies relied heavily on the NFAs to audit project cost claims.

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, the Court was 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 not relevant anymore for the implementation of Horizon 2020 projects, as the ex post audits will be undertaken either by the ECSEL Joint Undertaking or by the Commission.

**Joint Undertakings reply:** the Joint Undertaking stated that in 2016, it will continue undertaking a number of actions towards improving the internal control environment with regard to the internal policy on fraud prevention.

## 2015 discharge: ECSEL Joint Undertaking

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Having examined the revenue and expenditure accounts for the financial year 2015 and the balance sheet as at 31 December 2015 of the ECSEL Joint Undertaking, as well as the Court of Auditors' report on the annual accounts of the Joint Undertaking for the financial year 2015, 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 2015.

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 2015 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 2015 are legal and regular. However, it regretted the Court's qualified opinion on the legality and regularity of the transactions underlying the accounts of the Joint Undertaking, resulting from the significant variation in the methodologies and procedures used by the different national funding authorities. It asked the Joint Undertaking to improve its assessment methods for the implementation of national ex-post audit procedures, in order to obtain reasonable assurance to calculate a reliable single error rate.

The Council made further observations:

- financial programming: the Council called on the Joint Undertaking to pay due attention to the proper programming and implementation of commitment and payment appropriations in the course of the budgetary year and to decommit unused appropriations if necessary;
- in-kind contributions: the Council regretted that the value of in-kind contributions by other members was based on estimates. It urged the Joint Undertaking to timely obtain from its members the reports on the value of their in-kind contributions;
- conflicts of interest: the Joint Undertaking is called on to incorporate in its procedures a declaration of absence of a conflict of interest as stated in the Commission's guidelines;
- anti-fraud strategy: lastly, the Council noted the Court's observation related to an outstanding comprehensive analysis of the measures introduced by the Joint Undertaking's updated anti-fraud strategy. It called on the Joint Undertaking to take appropriate corrective action without delay, in order to have reasonable assurance about the prevention and detection of fraud.

## 2015 discharge: ECSEL Joint Undertaking

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The Committee on Budgetary Control adopted the report by Miroslav POCHE (S&D, CZ) on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2015.

The committee called on the European Parliament to grant the joint undertakings Executive Director discharge in respect of the implementation of the joint undertakings budget for the financial year 2015.

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 2015, Members called on Parliament to approve the closure of the joint undertakings 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:

Budgetary and financial management: the Joint Undertaking's final budget for the financial year 2015 included commitment appropriations of EUR 108 500 000 and payment appropriation of EUR 168 000 000. The budget implementation rate was 100 % and the payment appropriations execution rate was at 90.95 %.

Members expressed concern that the Court's report finds that it was impossible for the Joint Undertaking to calculate a reliable weighted error rate or a residual error rate because of the significant variation in the methodologies and procedures used by the national funding authorities (NFAs) and thus the Court could not conclude whether ex-post audits were functioning effectively.

Members recognised that the issue is related to the legal framework of the Seventh Framework Programme and thus not caused by the Joint Undertakings performance. Members highlighted that the issue regarding the variation in the methodologies and procedures used by the NFAs is no longer relevant for the implementation of Horizon 2020 projects.

They regretted that out of the 28 Participating States which were required to make a financial contribution to the operational costs of the Joint Undertaking proportional to the Unions financial contribution only 11 declared payments, totalling EUR 15 800 000.

Other observations: the report also contained a series of observations on key controls and supervisory systems, calls for proposals, the legal framework, internal audits and internal control standards to prevent fraud and irregularities.

Lastly, Members also noted concern following the risk-assessment within the Joint Undertaking, the internal audit services (IAS) performed a risk assessment of the Joint Undertaking, and is concerned that as a result it identified two high impact/high risk areas and two high risk/high impact area in the Joint Undertakings operational processes. They welcomed, however, the Joint Undertaking's already implemented and ongoing efforts to mitigate these risks.

## 2015 discharge: ECSEL Joint Undertaking

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PURPOSE: to grant discharge to the ECSEL Joint Undertaking for the financial year 2015.

NON-LEGISLATIVE ACT: Decision (EU) 2017/1735 of the European Parliament on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2015.

CONTENT: with the present decision, the European Parliament grants discharge to the Executive Director of the ECSEL Joint Undertaking in respect of the implementation of the Joint Undertaking's budget for the financial year 2015.

This decision is in line with the European Parliament's resolution adopted on 27 April 2017 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 27 April 2017).

Amongst Parliaments main observations in the resolution accompanying the discharge decision, the latter regretted that the Court has, once

again, issued only a qualified opinion on the legality and regularity of the transactions underlying the annual accounts on the grounds of the administrative agreements signed with the national funding authorities (NFAs) regarding ex-post audits of project payments and the fact that the Joint Undertaking audit strategies relied heavily on the NFAs.

Parliament noted that, as a reaction to the postponement of the discharge decision in 2014, the Joint Undertaking asked the NFAs to provide written declarations that the implementation of their national procedures provided for a reasonable assurance of the legality and regularity of transactions. The discharge authority took the declarations of the NFAs into account during the postponed discharge process and granted discharge to the Joint Undertaking in October 2016.

## 2015 discharge: ECSEL Joint Undertaking

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The European Parliament decided to grant the Executive Director of the [ECSEL](#) Joint Undertaking discharge in respect of the implementation of the joint undertakings budget for the financial year 2015.

Based on the statement of assurance provided by the Court of Auditors concerning the reliability of the accounts and the legality and regularity of the underlying transactions, it decided to approve the closure of the accounts of the Joint Undertaking for the same financial year.

Noting that the Court of Auditors has stated that it has obtained reasonable assurances that the Joint Undertakings annual accounts for the financial year 2015 are reliable and that the underlying transactions are legal and regular, Parliament adopted by 499 votes to 102 with 14 abstentions, a resolution containing a series of recommendations which form an integral part of the decision on discharge.

Budgetary and financial management: the Joint Undertaking's final budget for the financial year 2015 included commitment appropriations of EUR 108 500 000 and payment appropriation of EUR 168 000 000.

Members also noted that:

- the budget implementation rate was 100 % and the payment appropriations execution rate was at 90.95 %;
- the Court's report finds that it was impossible for the Joint Undertaking to calculate a reliable weighted error rate or a residual error rate because of the significant variation in the methodologies and procedures used by the NFAs. It could not conclude whether ex-post audits were functioning effectively. Members recognised that the issue is related to the legal framework of the Seventh Framework Programme and thus not caused by the Joint Undertakings performance;
- as a reaction to the postponement of the discharge decision in 2014, the Joint Undertaking asked the NFAs to provide written declarations that the implementation of their national procedures provided for a reasonable assurance of the legality and regularity of transactions. The discharge authority took the declarations of the NFAs into account during the postponed discharge process and granted discharge to the Joint Undertaking in October 2016. The Joint Undertaking, following its good example from the previous year, asked the NFAs in January 2017 to provide similar written declarations to submit to the discharge authority.

Parliament regretted that out of the 28 Participating States which were required to make a financial contribution to the operational costs of the Joint Undertaking proportional to the Unions financial contribution only 11 declared payments, totalling EUR 15 800 000.

Other observations: the resolution also contained a series of observations on key controls and supervisory systems, calls for proposals, the legal framework, internal audits and internal control standards to prevent fraud and irregularities.

Lastly, Members also noted concern following the risk-assessment within the Joint Undertaking, the internal audit services (IAS) performed a risk assessment of the Joint Undertaking, and is concerned that as a result it identified two high impact/high risk areas and two high risk/high impact area in the Joint Undertakings operational processes. They welcomed, however, the Joint Undertaking's already implemented and ongoing efforts to mitigate these risks.