










Procedure file

| Basic information | | |
|---|--------------------------------|---------------------|
| DEC - Discharge procedure | 2018/2211(DEC) | Procedure completed |
| 2017 discharge: Fusion for Energy Joint Undertaking (F4E) | | |
| Subject 8.70.03.02 2017 discharge | | |

| Key players | | | |
|---------------------|---|--|------------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| | CONT Budgetary Control |  DLABAJOVÁ Martina | 25/07/2018 |
| | | Shadow rapporteur | |
| | |  ZDECHOVSKÝ Tomáš | |
| | |  POCHE Miroslav | |
| | |  MARIAS Notis | |
| | |  TARAND Indrek | |
| | |  VALLI Marco | |
| | |  KAPPEL Barbara | |
| | Committee for opinion | Rapporteur for opinion | Appointed |
| | ITRE Industry, Research and Energy | The committee decided not to give an opinion. | |
| European Commission | Commission DG | Commissioner | |
| | Budget | OETTINGER Günther | |

| Key events | | | |
|------------|--|---|---------|
| 27/06/2018 | Non-legislative basic document published | COM(2018)0521 | Summary |
| 11/09/2018 | Committee referral announced in Parliament | | |
| 20/02/2019 | Vote in committee | | |
| 01/03/2019 | Committee report tabled for plenary | A8-0126/2019 | Summary |
| 26/03/2019 | Results of vote in Parliament |  | |
| 26/03/2019 | Debate in Parliament |  | |
| 26/03/2019 | Decision by Parliament | T8-0292/2019 | Summary |
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|------------|---|--|--|
| 26/03/2019 | End of procedure in Parliament | | |
| 27/09/2019 | Final act published in Official Journal | | |

Technical information

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|----------------------------|---------------------------|
| Procedure reference | 2018/2211(DEC) |
| Procedure type | DEC - Discharge procedure |
| Other legal basis | Rules of Procedure EP 159 |
| Stage reached in procedure | Procedure completed |
| Committee dossier | CONT/8/14362 |

Documentation gateway

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|---|--|------------|------|---------|
| Non-legislative basic document | COM(2018)0521 | 28/06/2018 | EC | Summary |
| Court of Auditors: opinion, report | N8-0004/2019 OJ C 452 14.12.2018, p. 0036 | 02/10/2018 | CofA | Summary |
| Committee draft report | PE626.830 | 17/12/2018 | EP | |
| Amendments tabled in committee | PE634.570 | 30/01/2019 | EP | |
| Supplementary non-legislative basic document | 05827/2019 | 31/01/2019 | CSL | Summary |
| Committee report tabled for plenary, single reading | A8-0126/2019 | 01/03/2019 | EP | Summary |
| Text adopted by Parliament, single reading | T8-0292/2019 | 26/03/2019 | EP | Summary |

Final act

Budget 2019/1548
[OJ L 249 27.09.2019, p. 0343](#)

2017 discharge: Fusion for Energy Joint Undertaking (F4E)

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2017, as part of the 2017 discharge procedure.

Analysis of the accounts of the Fusion for Energy Joint Undertaking (F4E).

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 2017 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 with a view to granting discharge.

Discharge procedure: the final step of a budget lifecycle is the discharge. It is the decision by which the European Parliament releases the Commission from its responsibility for management of a given budget by marking the end of that budget's existence. It is granted by the European Parliament on the recommendation of the Council.

The decision is based in particular on the European Court of Auditors reports, in particular its annual report, in which the Court provides a Statement of Assurance (DAS) on the legality and regularity of transactions (payments and commitments).

The procedure results in the granting, postponement or refusal of 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.

All EU institutions and other agencies, bodies and joint undertakings are subject to their own discharge procedures.

F4E JU: Fusion for Energy (F4E) is a Joint Undertaking created under the Euratom Treaty by [Council Decision 2007/198/Euratom](#). F4E was established for a period of 35 years from 19 April 2007 and its seat is located in Barcelona, Spain. The ITER project was created to manage and to encourage the exploitation of the ITER facilities, to promote public understanding and acceptance of fusion energy, and to undertake any other activities that are necessary to achieve its purpose. ITER involves the EU, China, India, Russia, South Korea, Japan and the USA.

Main changes in 2017: during the period covered by this report the F4E Action Plan originally prepared has evolved with the closure of some actions and the introduction of new ones:

- progress has been regularly reported to the Governing Board. The Plan aims to carry out further improvements to the ITER project as a whole;
- some adjustments have been made to the F4E organisational structure and the latest Organization Breakdown Structure is now effective as of 1st January 2018;
- the overall ITER project cost and the associated estimate of resources for the overall period 2016-2035, approved ad referendum (i.e. subject to domestic processes of obtaining approval including approval of budgetary authorities and/or parliament if required) in 2016 was still the basis of the work on the baseline during 2017, aiming at a final approval in 2018. In May 2017, the Commission released a communication outlining the cost involved with the completion of the ITER project until 2035, when the Deuterium-Tritium (D-T) operations will start.

As regards the accounts:

Commitment appropriations:

- available: EUR 879 million;
- made: EUR 879 million.

Payment appropriations:

- available: EUR 869 million;
- paid: EUR 835 million.

Please also refer to the [final accounts of F4E](#).

2017 discharge: Fusion for Energy Joint Undertaking (F4E)

PURPOSE: presentation of the EU Court of Auditors report on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2017, together with the Joint Undertakings reply.

CONTENT: the Court of Auditors carried out the audit on the annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy.

In brief, ITER was created to manage and to encourage the exploitation of the ITER facilities, to promote public understanding and acceptance of fusion energy, and to undertake any other activities that are necessary to achieve its purpose.

Statement of assurance and reliability of the accounts

The Court considered that:

- the Undertakings 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 Commissions accounting officer;
- the transactions underlying the annual accounts for the year ended 31 December 2017 are legal and regular in all material respects.

Emphasis of matter

As a reminder, in 2016, the ITER Council approved a new reformed ITER project baseline (scope, schedule and cost). In 2017, the Commission issued a communication on the EU contribution to a reformed ITER project, seeking the support of the European Parliament and a mandate from the Council of the EU for the Commission to approve the new baseline on behalf of Euratom.

Even though the new baseline does not include a contingency, in its communication the Commission suggested that a contingency of up to 24 months in terms of schedule and 10-20 % in terms of budget would be appropriate.

In addition, on 29 March 2017, the United Kingdom notified the European Council of its decision to withdraw from the EU and Euratom. An agreement setting out the arrangements for its withdrawal will be negotiated. This may have a significant effect on the future activities of the F4E Joint Undertaking and the ITER project.

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 Courts observations

Financial management

The final 2017 budget available for implementation included commitment appropriations of EUR 589 million and payment appropriations of EUR 865 million. The utilisation rates for commitment and payment appropriations were 99.9% and 96.3 % respectively.

Due to serious shortcomings in the budget planning process, the payment appropriations finally needed in 2017 significantly exceeded the payment appropriations of the initial 2017 budget. Moreover, the Joint Undertaking has estimated a lack of payment appropriations of about EUR 150 million potentially affecting the 2018 budget.

Internal controls

The Court noted that significant shortcomings were found in the internal control and monitoring procedures related to the recruitment of a key management staff.

Significant shortcomings in the internal communication strategies did not ensure the dissemination of appropriate information on the estimated costs of the decommissioning phase within the organisation. Consequently, the Joint Undertaking disclosed no provision for such liability in the accounts of the previous years.

Joint Undertakings replies

Financial management

F4E noted that thanks to the support of Euratom, which provided the additional budget, this lack of payment appropriations in 2017 had no impact on the fulfilment of F4E obligations toward suppliers.

Internally, the payment forecasting system has been totally redesigned and integrated in the new financial management tool, ECOSYS, and the interaction between the Project Teams and the Procurement Unit managing the contracts has been enhanced.

Due to the advanced preparation of the forecasts, F4E confirms that the 2018 budget is also impacted with a lack of payment appropriations of about EUR 150 million. A request for a transfer is ongoing in the 2018 general EU budget, in order to increase the Euratom contribution to F4E, covering these additional needs.

The request for the draft budget 2019 and the forecasts for the following budgets have already been re-evaluated.

Internal controls

F4E will improve its current internal procedure. F4E is enhancing the process and selection procedures through an improvement project that is being implemented. In that context, F4E will reinforce its procedural aspects to take into account the Courts observations, with the objective of enhancing the internal control and the quality of the recruitment process.

In agreement with the Court of Auditors, F4E has recognised the provision for the decommissioning costs in its 2017 Final accounts.

In relation to the shortcomings in the internal communication, F4E will tackle this issue.

2017 discharge: Fusion for Energy Joint Undertaking (F4E)

Having examined the revenue and expenditure accounts for the financial year 2017 and the balance sheet as at 31 December 2017 of the European Joint Undertaking for ITER and the Development of Fusion Energy, as well as the Court of Auditors' report on the annual accounts of the Joint Undertaking for the financial year 2017, accompanied by the Joint Undertaking's replies to the Court's observations, the Council recommended the European Parliament to give a discharge to the Director of the Joint Undertaking in respect of the implementation of the budget for the financial year 2017.

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 2017 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 2017 are legal and regular in all material respects.

Nevertheless, the following observations were made:

-increasing costs: the Council is concerned about the risk of further cost increases and delays in project implementation compared to the new baseline proposed in 2016. The Council requested that the Joint Undertaking update the valuation of its contribution to the ITER project operational phase and present it with the least possible delay;

-internal control systems: the progress achieved by the Joint Undertaking with regard to the establishment and implementation of its internal control systems was welcomed. However, the Council expected the Joint Undertaking to continue its efforts in improving the follow up on the Declarations of Interest from Senior Management, as well as in enhancing the internal control and the quality of the recruitment process;

-Brexit: the Council encouraged the Joint Undertaking to take into account any possible financial impact of the withdrawal of the United Kingdom from the EU and Euratom on its organisation, operations and accounts.

2017 discharge: Fusion for Energy Joint Undertaking (F4E)

The Committee on Budgetary Control adopted the report by Martina DLABAJOVÁ (ALDE, CZ) on discharge in respect of the implementation of the budget of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2017.

The committee called on the European Parliament to grant the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy discharge in respect of the implementation of the Joint Undertakings budget for the financial year 2017.

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 2017, 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:

General

Members noted the fact that in addition to the construction phase, the Joint Undertaking will have to contribute to the ITER operational phase and to the subsequent ITER deactivation and decommissioning phases. It took note that the contribution to the deactivation and the decommissioning phases were estimated at EUR 95 540 000 (in 2001 values) and EUR 180 200 000 (in 2001 values). They are concerned

that the contribution for the operational phase after 2035 has not yet been estimated in financial terms and called on the Joint Undertaking to estimate the cost of the operational phase after 2035 as soon as possible.

They expressed concern that while positive steps have been taken to improve the management and control of the ITER project construction phase, there remains an ongoing risk of further cost increases and delays in project implementation compared to the new proposed baseline. They called on the Joint Undertaking and indeed all parties of the project to take appropriate action to identify and analyse all potential risks and set up an Action Plan that will also include a further analysis on the impact of Brexit.

Budget and financial management

The final 2017 budget available for implementation included commitment appropriations of EUR 588 916 058 and payment appropriations of EUR 864 914 263. The utilisation rates for commitment and payment appropriations were 99.9 % and 96.3 % respectively.

Members regretted that, due to serious shortcomings in the budget planning process coupled with the acceleration of some contracts, the Joint Undertaking has estimated a lack of payment appropriations of about EUR 150 000 000 for the 2018 budget.

Other observations

The report also contained a series of observations on the prevention and management of conflicts of interests, personal selection and recruitment, internal control measures, operational procurements and grants. It noted in particular:

- the overall ITER Project level, 30 out of 32 ITER Council milestones were achieved;
- 83 operational procurement procedures were launched, and 69 operational procurement contracts were signed.

2017 discharge: Fusion for Energy Joint Undertaking (F4E)

The European Parliament decided to grant the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy discharge in respect of the implementation of the joint undertakings budget for the financial year 2017 and to approve the closure of the joint undertakings accounts.

Noting that the Court of Auditors considered that the annual accounts of the Joint Undertaking for the financial year 2017 accurately reflected the financial position of the Joint Undertaking as at 31 December 2017, as well as the results of its operations, Parliament adopted by 439 votes to 175, with 12 abstentions, a resolution containing a series of observations which form an integral part of the discharge decision.

General

Parliament noted the fact that in addition to the construction phase, the Joint Undertaking will have to contribute to the ITER operational phase and to the subsequent ITER deactivation and decommissioning phases. It took note that the contribution to the deactivation and the decommissioning phases were estimated at EUR 95 540 000 (in 2001 values) and EUR 180 200 000 (in 2001 values). It is concerned that the contribution for the operational phase after 2035 has not yet been estimated in financial terms and called on the Joint Undertaking to estimate the cost of the operational phase after 2035 as soon as possible.

Members also expressed concern that while positive steps have been taken to improve the management and control of the ITER project construction phase, there remains an ongoing risk of further cost increases and delays in project implementation compared to the new proposed baseline. They called on the Joint Undertaking and indeed all parties of the project to take appropriate action to identify and analyse all potential risks and set up an Action Plan that will also include a further analysis on the impact of Brexit.

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Parliament regretted that, due to serious shortcomings in the budget planning process coupled with the acceleration of some contracts, the Joint Undertaking has estimated a lack of payment appropriations of about EUR 150 000 000 for the 2018 budget.

Other observations

The resolution also contained a series of observations on the prevention and management of conflicts of interests, personal selection and recruitment, internal control measures, operational procurements and grants. It noted in particular:

- the overall ITER Project level, 30 out of 32 ITER Council milestones were achieved;
- significant shortcomings in relation to the recruitment of key management staff. Improvements should be made in this regard;
- 83 operational procurement procedures were launched, and 69 operational procurement contracts were signed.