

RESOLUTION OF THE EUROPEAN PARLIAMENT**of 10 May 2012****with observations forming an integral part of its Decision on discharge in respect of the implementation of the budget of the Artemis Joint Undertaking for the financial year 2010**

THE EUROPEAN PARLIAMENT,

- having regard to the final annual accounts of the Artemis Joint Undertaking for the financial year 2010,
 - having regard to the Court of Auditors' report on the annual accounts of the Artemis Joint Undertaking for the financial year 2010, together with the replies of the Joint Undertaking ⁽¹⁾,
 - having regard to the Council's recommendation of 21 February 2012 (06086/2012 — C7-0050/2012),
 - having regard to Article 319 of the Treaty on the Functioning of the European Union,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽²⁾, and in particular Article 185 thereof,
 - having regard to Council Regulation (EC) No 74/2008 of 20 December 2007 on the establishment of the 'Artemis Joint Undertaking' to implement a Joint Technology Initiative in Embedded Computing Systems ⁽³⁾, and in particular Article 11(4) thereof,
 - having regard to Commission Regulation (EC, Euratom) No 2343/2002 of 19 November 2002 on the framework Financial Regulation for the bodies referred to in Article 185 of Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities ⁽⁴⁾, and in particular Article 94 thereof,
 - having regard to Rule 77 of and Annex VI to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A7-0109/2012),
- A. whereas the Artemis Joint Undertaking was set up in December 2007 for a period of 10 years to define and implement a 'Research Agenda' for the development of key technologies for embedded computing systems across different application areas in order to strengthen European competitiveness and sustainability, and allow the emergence of new markets and societal applications,
- B. whereas the Joint Undertaking started to work autonomously in October 2009,
- C. whereas the Court of Auditors states that it has obtained reasonable assurances that the annual accounts for the financial year 2010 are reliable and that the underlying transactions are legal and regular,
- D. whereas the maximum contribution for the period of 10 years from the Union to the Joint Undertaking is EUR 420 000 000 to be paid from the budget of the seventh research framework programme,
- E. whereas the budget of the Joint Undertaking for the financial year 2010 amounted to EUR 38 500 000,

⁽¹⁾ OJ C 368, 16.12.2011, p. 1.⁽²⁾ OJ L 248, 16.9.2002, p. 1.⁽³⁾ OJ L 30, 4.2.2008, p. 52.⁽⁴⁾ OJ L 357, 31.12.2002, p. 72.

Budget and Financial Management

1. Notes with concern that the budget of the Joint Undertaking for the financial year 2010 was not adopted by the end of the previous year; takes note of the Joint Undertaking's reply that its 2010 budget was adopted in January 2011 due to the fact that the operational part of the budget depends on the commitment of the Member States and that for most of them the amount of commitment can only be ascertained after the adoption of their national budgets; calls on the Joint Undertaking and the contributing Member States to reach an agreement on a timetable and practical arrangements for the disclosure of their respective commitments to enable the adoption of the Joint Undertaking's budget in due time and to keep the discharge authority informed on this matter;
2. Is concerned that the structure and presentation of the Joint Undertaking's 2010 budget were not in line with the provisions of the Joint Undertaking's financial rules; understands from the Joint Undertaking that the structure and presentation of the budget have been adapted in the 2011 budget; calls on the Court of Auditors to assure the discharge authority that the structure and presentation of the Joint Undertaking's budget are now fully in line with its financial rules;
3. Acknowledges from the Joint Undertaking 2010 Annual Activity Report (AAR) that the commitment credits implemented by the Joint Undertaking for operational expenditures amounted to EUR 36 000 000; takes note that with regards to the administrative expenditure the Joint Undertaking and the Commission agreed on the following split:

— the Joint Undertaking and Artemisia: EUR 1 000 000;

— the Commission: EUR 1 500 000;

notes, however, that the needs of the Joint Undertaking for administrative expenditures reached EUR 1 900 000 and that as a consequence the contribution of the Commission was limited to EUR 935 315,91;

4. Notes that the Joint Undertaking's final budget included payment appropriations of EUR 27 000 000; acknowledges from the final annual accounts that the appropriations were committed at a rate of 99,9 % but regrets that the utilisation rate only reached the level of 37,78 %;
5. Is concerned about the low implementation rate of the budget and, moreover, about the underlying activities of the Joint Undertaking; underlines that the deposits in bank accounts at the end of 2010 totalled EUR 16 600 000 representing 60 % of the available payment appropriations;

Internal control systems

6. Calls on the Joint Undertaking to fully implement its internal controls and financial information systems in particular on the operational verification of cost claims, on the assurance provided by the national authorities' certificates and the *ex post* audit strategy;
7. Is concerned that in the area of *ex ante* verification, reliance is placed entirely upon the certificates provided by the national authorities and that the Joint Undertaking does not perform any other checks to ensure the legality and regularity of the expenses declared by the beneficiaries; urges the Joint Undertaking to establish an *ex ante* verification mechanism in order to avoid errors and/or fraud in the expenses declared;
8. Notes that the *ex post* audit of cost claims related to projects has been fully delegated to the Member States; is therefore of the opinion that the Joint Undertaking will have difficulties in ensuring that the financial interests of its members are adequately protected and that the underlying transactions are legal and regular; calls on the Joint Undertaking to reconsider its strategy towards the *ex post* audit of cost claims and to inform the discharge authority on the mechanism implemented to ensure compliance with Article 12 of its Founding Regulation (EC) No 74/2008;

9. Notes the Court of Auditors' finding that the Joint Undertaking has an adequate level of IT governance and practice for its size and mission; stresses, however, that the strategic IT planning and monitoring cycle, the security policies and rules, IT Risk management and Business Continuity Plan and Disaster Recovery Plan is lagging behind; calls on the Joint Undertaking to remedy the situation and provide the discharge authority with an up-to-date report on the matter;
10. Takes note that the Accounting Officer of the Joint Undertaking validated the financial and accounting systems (ABAC and SAP); notes, however, that the underlying business processes were not validated, in particular the one providing financial information about the validation and payment of the cost claims received from the national authorities; asks the Joint Undertaking to inform the discharge authority on the state of validation of the underlying business processes;

Internal audit

11. Takes note that the Joint Undertaking's financial rules have not yet been amended to include the provision referring to the powers of the Commission's internal auditor regarding the general budget as a whole;
12. Notes, however, that the Commission and the Joint Undertaking have taken action to ensure that the respective operational roles of the Commission's Internal Audit Service and the Joint Undertaking's internal auditing function are clearly defined;

Call for proposals and projects negotiations

13. Acknowledges from the AAR that the Joint Undertaking's Call 2010 was published on 26 February 2010 and that 73 proposals for research projects were submitted in response to Project Outline (PO) phase of this Call, of which 72 satisfied the eligibility criteria; notes that the 11 selected proposals range in size from EUR 45 000 000 to EUR 3 400 000, with four projects of EUR 15 000 000 or more, representing 66 % of the total investment; notes, however, that of the original 11 projects for which the Executive Director was mandated to negotiate, one had to be deemed irrevocably unsuccessful, leaving a total of 10 projects successfully negotiated;
14. Notes the introduction of the concept of 'Maturity Index' during the Call 2010; understands that the tool, which aims to help further analysis, was used at PO phase to judge the subjective quality of the POs and to observe the level of maturity of the response of the Artemis community to the work programme;
15. Establishes from the AAR that with regards to the negotiation and start of R & D projects, some delay was recorded in the delivery of the 'production environment' for the Joint Undertaking contract negotiations due to some change of priority in the Commission's services responsible for the management of the FP7 IT tools; takes note from the Joint Undertaking that the technical delay is under control and that a fully operational production environment was expected to be delivered by mid-January 2011; notes, however, that as a mitigating action to prevent further delays in the Joint Undertaking contract negotiations, a back-up solution based on manual processing is in place that would allow the closure of all negotiations in the first quarter 2011 (assuming that national contracts are signed), in case the IT tools were not yet ready;
16. Ascertains from the AAR that at year-end 2010 the Joint Undertaking grant agreements were signed for the 13 projects of Call 2009 and that all projects were launched;
17. Considers that it is positive that the Joint Undertaking monitored and reviewed the 2008 Calls projects; observes, however, that the evaluation of the projects' outcomes often lack details to assess their performance; notes in particular that the outcomes of the projects CHARTER, eDIANA, SYSMODEL, iLAND, INDEXYS, CHESS and CESAR are only rated as 'positive'; calls on the Joint Undertaking to develop and implement more precise performance indicators for the future monitoring and review of its projects;

Performance

18. Notes from the AAR that the Commission's report on the first interim evaluation of the Artemis and ENIAC Joint Technology Initiatives was adopted on 16 December 2010;
19. Underlines that the interim evaluation formulated three recommendations to the Joint Undertaking:
- to solve the 'free riding' problem, the Joint Undertaking should establish a system where each non-member beneficiary pays a percentage of its Union contribution as a fee to the costs of the Joint Undertaking;
 - the evaluation and selection processes should be modified to improve the match of the portfolio of supported projects to the strategic European aims of the programme;
 - Member States and the Industrial Associations should work together to establish processes whereby potential proposers can be given early, constructive feedback on their prospects for support;
- asks the Joint Undertaking to inform the discharge authority about the measures introduced following the results of this first interim evaluation;
20. Takes note of the Commission's proposal establishing the Specific Programme Implementing Horizon 2020 — The Framework Programme for Research and Innovation (2014-2020) — where the Commission raises a possibility of combining Artemis and ENIAC Joint Undertakings into one initiative and the possibility to set up new Joint Undertakings in the context of implementing the 'Societal challenges' part of Horizon 2020; calls on the Commission to keep the discharge authority informed about this matter;

Lack of host State agreement

21. Reiterates that the Joint Undertaking should rapidly conclude a host agreement with Belgium concerning office accommodation, privileges and immunities and other support to be provided by Belgium to it as provided by its Founding Regulation (EC) No 74/2008;

Horizontal observations on the Joint Undertakings

22. Underlines that seven Joint Undertakings have so far been established by the Commission under Article 187 of the Treaty on the Functioning of the European Union; notes that six Joint Undertakings (IMI, Artemis, ENIAC, Clean Sky, FCH and ITER-F4E) are in the research area under the Commission's DGs RTD and INFSO and one is charged with developing the new air traffic management system (SESAR) in the transport domain whose activities are supervised by DG MOVE;
23. Notes that the total indicative resources deemed necessary for the Joint Undertakings for their period of existence amounts to EUR 21 793 000 000;
24. Notes that the total Union contribution deemed necessary for the Joint Undertakings for their period of existence amounts to EUR 11 489 000 000;
25. Notes that, for the financial year 2010, the overall Union contribution to the budget of the Joint Undertakings amounted to EUR 505 000 000;
26. Calls on the Commission to provide the discharge authority annually with consolidated information on the total annual funding per Joint Undertaking made from the general budget of the Union in order to ensure transparency and clarity on the use of the Union's funds and restore trust among the European taxpayers;

27. Welcomes the initiative of Artemis to include information in its AAR on the monitoring and review of its ongoing projects; believes this is a practice that should be followed by the other Joint Undertakings;
 28. Recalls that Joint Undertakings are public–private partnerships and that as a consequence public and private interests are intertwined; is of the opinion that under the circumstances the likelihood of conflicts of interest should not be dismissed but addressed properly; calls therefore on the Joint Undertakings to inform the discharge authority on the verification mechanisms which exist in their respective structures to enable a proper management and prevention of conflicts of interest;
 29. Notes, with the notable exception of the Joint Undertaking for ITER and the Development of Fusion Energy, that Joint Undertakings are relatively small structures and geographically concentrated; believes therefore that they should pool their resources where possible;
 30. Calls on the Court of Auditors to provide the discharge authority with a follow-up on the comments it has made for each of the Joint Undertakings in their respective report on the annual accounts for the financial year 2011;
 31. Invites the Court of Auditors to provide, within a reasonable deadline, a special report to the Parliament, on the added value of the establishment of the Joint Undertakings for the efficient execution of Union research, technological development and demonstration programmes; further notes that the same report should include an assessment of the effectiveness of the Joint Undertakings' establishment.
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