RESOLUTION (EU) 2019/1540 OF THE EUROPEAN PARLIAMENT

of 26 March 2019

with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the ECSEL Joint Undertaking for the financial year 2017

THE EUROPEAN PARLIAMENT,

— having regard to its decision on discharge in respect of the implementation of the budget of the ECSEL Joint Undertaking for the financial year 2017,

— having regard to Rule 94 of and Annex IV to its Rules of Procedure,

— having regard to the report of the Committee on Budgetary Control (A8-0102/2019),

A. whereas the ECSEL Joint Undertaking on Electronic Components and Systems for European Leadership (the 'Joint Undertaking') was established on 7 June 2014 within the meaning of Article 187 of the Treaty on the Functioning of the European Union for the implementation of the Joint Technology Initiative on 'Electronic Components and Systems for European Leadership' ('ECSEL'), for a period up to 31 December 2024;

B. whereas the Joint Undertaking was established by Council Regulation (EU) No 561/2014 ([1]) in June 2014 to replace and succeed the ARTEMIS and the ENIAC Joint Undertakings;

C. whereas the Joint Undertaking has a specific tripartite approach and the members of the Joint Undertaking are the Union, the Member States and, on a voluntary basis, the countries associated to Horizon 2020 ('Participating States') and private member associations ('Private Members') that represent their constituent companies and other organisations active in the field of electronic components and systems in the Union; whereas the Joint Undertaking should be open to new members;

D. whereas the main objective of the Joint Undertaking is to contribute to the development of a strong and globally competitive electronic components and systems industry in the Union, building on aligned strategies of the Member States to attract private investments;

E. whereas the contributions to the Joint Undertaking envisaged for the entire period of Horizon 2020 amount to EUR 1 184 874 000 from the Union, EUR 1 170 000 000 from the Participating States and EUR 1 657 500 000 from the Private Members;

Budgetary and financial management

1. Notes that the Court of Auditors (the 'Court'), in its report on the Joint Undertaking's annual accounts for the financial year 2017 (the 'Court's report'), finds that the Joint 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 cash flows for the year then ended, in accordance with its financial rules and the accounting rules adopted by the Commission's accounting officer;

2. Notes that the Joint Undertaking's final budget for the financial year 2017 included commitment appropriations of EUR 183 900 000 and payment appropriation of EUR 290 100 000; notes that the utilisation rates for commitment and payment appropriations were 98 % and 83 % respectively;

3. Acknowledges the fact that the Court's report states that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2017 are, in all material respects, legal and regular;

4. Notes that the Court issued a qualified opinion on the legality and regularity of payments underlying the accounts which is a result of projects taken over from Joint Undertaking's legal predecessors Artemis and ENIAC Joint Undertakings; invites the Court to reconsider the methodology that results in repetitive qualified opinions based on this reoccurring issue that cannot be solved until the Seventh Framework Programme projects are terminated;

([1]) OJ L 169, 7.6.2014, p. 152.

5. Notes the complexity of the Joint Undertaking's budgetary and accounting model stemming from its tripartite nature; notes that the Joint Undertaking would welcome further simplification and streamlining of accounting and auditing;

6. Notes that out of the EUR 1 204 700 000 of Horizon 2020 funds allocated to the Joint Undertaking, including EUR 19 700 000 in industry member's cash contribution to the Joint Undertakings' administrative costs by the end of 2017 the Joint Undertaking had made commitments of EUR 455 000 000 and payments of EUR 314 000 000 (31,81 % of the allocated funds), mostly pre-financing payments for the first wave of Horizon 2020 projects;

7. Notes that out of the EUR 1 657 500 000 of contributions to be made by industry members to the activities of the Joint Undertaking, at the end of 2017, the Joint Undertaking estimated that the members had made in-kind contributions of EUR 421 000 000, compared to the Union's cash contribution of EUR 377 000 000;

Performance

8. Welcomes the fact that the absence of established key performance indicators (KPIs) is no longer an issue under Horizon 2020; observes that most of the third set KPIs targets were already met;

9. Observes that the management cost ratio (administrative/operational budget) remains below the 5 %, thus pointing to rather lean and efficient organisational structure of the Joint Undertaking;

10. Welcomes the 2017 value of leverage effect of 3,0 exceeding the target leverage effect over the whole 2014 to 2020 period;

11. Notes with appreciation that the Joint Undertaking has made very good efforts to be transparent, with all the calls for proposals made having been made public;

12. Welcomes the Joint Undertaking's strong position in its area of expertise across whole Europe and its ability to create an interconnected ecosystem of relevant stakeholders; takes note of the fact that experts underscore that the Joint Undertaking attracts the best European players in the semiconductor and systems domains; calls on ECSEL to involve more SMEs;

13. Welcomes the fact that all calls for proposals were published and closed according to the respective work plans and that the results regarding 'time-to-grant' and 'time-to-pay' remained well below the defined targets;

Procurement

14. Notes with regret that the Court noticed significant shortcomings in the management of the procurement procedures for administrative services; notes from the Joint Undertaking's replies that a budget, procurement and contracts assistant has been nominated to handle this problem;

Internal controls

15. Welcomes the fact that the Joint Undertaking has taken steps to assess the implementation of *ex-post* audits by the national funding authorities (NFAs), and has obtained written statements from the NFAs declaring that the implementation of their national procedures provided for a reasonable assurance of the legality and regularity of transactions;

16. Notes with satisfaction the fact that the issue concerning the variation in the methodologies and procedures used by the NFAs is no longer relevant to the implementation of Horizon 2020 projects, as the *ex-post* audits are undertaken either by the Joint Undertaking or by the Commission; notes that in accordance with the provisions of the common ex post audit plan for Horizon 2020, there are at present 17 *ex-post* audits already launched on transactions relating to the activities of the Joint Undertaking;

17. Notes with regret that 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; observes from their replies that the Joint Undertaking has taken actions to address this issue, like revising Internal Control Standard 8, that it has a register of exceptions and that a training session took place for its staff in 2018;

18. Observes that the Commission's Final Evaluation on the ARTEMIS and the ENIAC Joint Undertakings for the period 2008 to 2013, together with the Interim Evaluation on the Joint Venture operating under Horizon 2020 covering the period 2014 to 2016 was undertaken; notes that the Joint Undertaking prepared and adopted an action plan to address the recommendations of these evaluations and that some activities already been initiated;

Internal audit

19. Notes that in 2017 the Commission Internal Audit Services performed an audit on performance management and requested that the Joint Undertaking formulate an action plan to address the recommendations in that report ([2]); notes that an Action Plan was adopted by the Joint Undertaking's Governing Board in April 2018;

Human resources management

20. Notes that on 31 December 2017, the Joint Undertaking employed 29 staff, the same number as in the year before; notes that the Joint Undertaking filled one communication position and advertised two posts, one for internal control and audit management and the other for head of administration and finance, plus a seconded national expert position;

21. Welcomes the fact that with a view to adapting the structure of the organisation to priorities and needs for expertise, the organisation chart of the Joint Undertaking was updated on 1 June 2017.

([2]) AAR, p. 51.