



Plenary sitting

A8-0095/2018

26.3.2018

REPORT

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 2016
(2017/2180(DEC))

Committee on Budgetary Control

Rapporteur: Brian Hayes

CONTENTS

	Page
1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	3
2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	5
3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	7
INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE	12
FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE.....	13

1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

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 2016 (2017/2180(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016,
- having regard to the 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 2016, together with the joint undertaking's reply¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 20 February 2018 on discharge to be given to the joint undertaking in respect of the implementation of the budget for the financial year 2016 (05943/2018 – C8-0089/2018),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 208 thereof,
- having regard to Council Decision No 2007/198/Euratom of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it⁴, and in particular Article 5(3) thereof,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁵,

¹ OJ C 426, 12.12.2017, p. 31.

² OJ C 426, 12.12.2017, p. 31.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 90, 30.3.2007, p. 58.

⁵ OJ L 328, 7.12.2013, p. 42.

- 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 (A8-0095/2018),
1. Grants the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy discharge in respect of the implementation of the joint undertaking's budget for the financial year 2016;
 2. Sets out its observations in the resolution below;
 3. Instructs its President to forward this decision and the resolution forming an integral part of it to the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy, the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016 (2017/2180(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016,
- having regard to the Court of Auditors' report on the annual accounts of the Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016, together with the joint undertaking's reply¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2016, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of 20 February 2018 on discharge to be given to the joint undertaking in respect of the implementation of the budget for the financial year 2016 (05943/2018 – C8-0089/2018),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Article 106a of the Treaty establishing the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002³, and in particular Article 208 thereof,
- having regard to Council Decision No 2007/198/Euratom of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it⁴, and in particular Article 5(3) thereof,
- having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council⁵,
- having regard to Rule 94 of and Annex IV to its Rules of Procedure,

¹ OJ C 426, 12.12.2017, p. 31.

² OJ C 426, 12.12.2017, p. 31.

³ OJ L 298, 26.10.2012, p. 1.

⁴ OJ L 90, 30.3.2007, p. 58.

⁵ OJ L 328, 7.12.2013, p. 42.

- having regard to the report of the Committee on Budgetary Control (A8-0095/2018),
- 1. Approves the closure of the accounts of the Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016;
- 2. Instructs its President to forward this decision to the Director of the European Joint Undertaking for ITER and the Development of Fusion Energy, the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

with observations forming an integral part of the decision on discharge in respect of the implementation of the budget for the European Joint Undertaking for ITER and the Development of Fusion Energy for the financial year 2016 (2017/2180(DEC))

The European Parliament,

- having regard to its decision 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 2016,
 - 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 (A8-0095/2018),
- A. whereas the European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy) (the “Joint Undertaking”) was established in March 2007 for a period of 35 years by Council Decision 2007/198/Euratom¹;
- B. whereas the members of the Joint Undertaking are Euratom, represented by the Commission, the member states of Euratom, and third countries which have concluded a cooperation agreement with Euratom in the field of controlled nuclear fusion;
- C. whereas the objectives of the Joint Undertaking are: (a) providing the Union’s contribution to the ITER international fusion energy project; (b) implementing the broader approach agreement between Euratom and Japan; and (c) preparing for the construction of a demonstration fusion reactor (DEMO);
- D. whereas the Joint Undertaking started to work autonomously in March 2008;

General

1. Notes that the report of the Court of Auditors (the “Court”) on the Joint Undertaking’s annual accounts for the financial year 2016 (the “Court’s report”) finds the annual accounts to be presented fairly, in all material respects, its financial position as at 31 December 2016 and the results of its operations, its cash flows and the changes in its net assets for the year then ended, to be in compliance with its financial regulation and the accounting rules adopted by the Commission’s accounting officer;
2. Acknowledges that the transactions underlying the annual accounts of the Joint Undertaking for the financial year 2016 are, in all material respects, legal and regular;
3. Highlights that the Joint Undertaking is responsible for the management of the Union’s contribution to the ITER project and that the budget cap of EUR 6 600 000 000 until 2020 must be maintained; notes that this figure does not include the EUR 663 000 000

¹ Council Decision No 2007/198/Euratom of 27 March 2007 establishing a Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it (OJ L 90, 30.3.2007, p. 58).

proposed by the Commission in 2010 to cover potential contingencies;

4. Notes that in November 2016, the Council of ITER Organisation (the “ITER Council”) approved a new ITER project baseline for the scope, schedule and the costs of the project; notes, moreover, that the overall project schedule for operations ‘First Plasma’ and ‘Deuterium-Tritium’ was approved, notes the fact that following the approval of the new ITER project baseline, the Joint Undertaking set the new timetable and recalculated the related cost at completion of the Joint Undertaking’s contribution to the project construction phase;
5. Expresses ongoing concern that the estimated completion date for the whole construction phase is currently planned with a delay of about 15 years compared to the original baseline; takes note of the fact that the new schedule endorsed by the ITER Council set out a four-stage approach, making December 2025 the deadline for achieving the first strategic milestone of the project construction phase (‘First Plasma’) and December 2035 the estimated completion date for the whole construction phase; acknowledges the fact that the aim of the new staged approach is to better align the project implementation with the priorities and constraints of all members of ITER Organization;
6. Notes the Court’s report finding that the results, which were presented to the Joint Undertaking’s Governing Board in December 2016, indicated an expected additional funding requirement to that already committed of EUR 5 400 000 000 for the construction phase after 2020, which represents an increase of 82 % in relation to the approved EUR 6 600 000 000 budget; reiterates the fact that the amount of EUR 6 600 000 000 adopted by the Council in 2010 serves as a ceiling for the Joint Undertaking’s spending up to 2020; recognises that the additional funding required to complete the ITER project must involve future Multiannual Financial Framework commitments;
7. Highlights that in addition to the construction phase, the Joint Undertaking will have to contribute to the ITER operational phase after 2035 and to the subsequent ITER deactivation and decommissioning phases; considers it worrisome that those contributions are not yet estimated; calls on the Joint Undertaking to estimate the cost of such phases as soon as possible;
8. Stresses that on 14 June 2017, the Commission issued a communication entitled ‘EU contribution to a reformed ITER project’¹, seeking Parliament’s support and a mandate from the Council for the Commission to approve the new baseline on behalf of Euratom;
9. Acknowledges that while the Joint Undertaking’s forecasts for First Plasma are compatible with the ITER Organization timetable for the project, the schedule is considered to be the earliest possible technically achievable date;
10. Stresses that even though the new baseline does not include a contingency, in its above mentioned communication from 14 June 2017 the Commission suggested that a contingency of up to 24 months in terms of schedule and 10 to 20 % in terms of budget would be appropriate; notes in addition that the measures taken to respect the

¹ COM(2017)0319.

EUR 6 600 000 000 capped budget included postponing the procurement and installation of all components not essential to First Plasma; draws attention to the fact 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; notes that the recognition of such risks must be appreciated by the Joint Undertaking and indeed all parties of the project;

11. Stresses that on 29 March 2017, the United Kingdom notified the European Council of its decision to withdraw from the EU and Euratom; notes that an agreement setting out the arrangements for its withdrawal is being negotiated; notes that, on several occasions, the United Kingdom has expressed its interest in further participating in EU fusion energy activities; notes furthermore that the Union and United Kingdom fusion communities expressed their hope in the JET experiment at Culham in the United Kingdom to continue, beyond 2018, to undertake vital preparation work for the ITER project.

Budget and financial management

12. Notes that the final 2016 budget available for implementation included commitment appropriations of EUR 488 000 000 and payment appropriations of EUR 724 510 000; notes that the utilisation rates for commitment and payment appropriations were 99,8 % and 98 % respectively;
13. Notes that out of EUR 488 000 000 available for commitment appropriations, almost 100 % was implemented through direct individual commitments;
14. Acknowledges the fact that almost full implementation of the 2016 budget and the automatic carry-over make the level of cancelled appropriations very low for 2016, representing less than 1 % of the budget; observes that the cancelled appropriations for the amount of EUR 1 202 662 correspond to the amounts not paid in 2016 on open administrative commitments carried over from 2015;
15. Notes that, in 2015, the balance of the budget outturn amounted to EUR 5 880 000;
16. Expresses concern that the Joint Undertaking missed the opportunity to introduce detailed information about its budgetary and financial management in 2016 compared to 2015 (payment transactions, global and individual commitments, important notes and comments on the implementation of the budget); invites the Joint Undertaking to provide these data to the discharge authority as a follow up to this report;

Prevention and management of conflicts of interest and transparency

17. Notes that in June 2015, the Joint Undertaking's governing board adopted an anti-fraud strategy and corresponding action plan, of which most of the actions were implemented in 2016; notes, however, that the Joint Undertaking has not set up a specific tool to facilitate the monitoring of its actions in relation to procurement procedures, in particular those related to risk assessment and the evaluation, negotiation and award phases of the procedures; welcomes the fact that the Joint Undertaking is currently defining the requirements to parameterise the tool that will allow the Joint Undertaking

to collect systematically information relating to anti-fraud indicators on procurement procedures and will also offer the possibility to the Joint Undertaking's staff to insert additional information related to red flags on any procurement procedure;

18. Welcomes that during 2016, the anti-fraud and ethics officer together with the respective units further implemented Joint Undertaking's anti-fraud strategy, which was checked by the Court as part of its regular visits;
19. Notes that further to the adoption of the Joint Undertaking's whistleblowing rules" in 2015, an implementation process was drafted, establishing a concise and detailed process map on how serious irregularities and wrongdoings can be reported and are being followed-up within the Joint Undertaking;

Personal selection and recruitment

20. Notes that the Joint Undertaking missed the standard opportunity to introduce detailed information about their personal selection and recruitment procedures in 2016 (number of Union officials, temporary agents, contract agents and interim staff, number of published vacancies, etc.), invites the Joint Undertaking to provide these data to the discharge authority as a follow up to this report;

Internal Control

21. Notes that, according to the Court's report, the Joint Undertaking has a system for performing audits at contractors' premises with the aim of checking compliance with its quality assurance requirements; acknowledges the fact that the audits cover numerous aspects of implementation, including the quality plan, any situations of non-compliance with a specific requirement, purchase control and subcontracting management, documentation and data management, change and deviation management, the civil works quality control plan, the detailed project schedule, contract risk management and the technical works quality control plan; draws attention to the fact that the 29 audits carried out in 2016 identified 47 situations of non-conformity with the quality assurance requirements and 202 areas for improvement; and invites the Joint Undertaking to provide a comprehensive statement on data exchange to the discharge authority;
22. Acknowledges the fact that in September 2016, the Commission's internal audit service (IAS) completed an audit on the implementation of procurement arrangements and the Joint Undertaking is implementing an action plan in response to the resulting recommendations; recognises with appreciation that the IAS also followed up its audit on contract management and concluded that all its related recommendations had been adequately implemented by the Joint Undertaking;
23. Notes that in 2016, the Joint Undertaking internal audit capability (IAC) followed up its audit of procurement in the area of ITER buildings and acknowledged the important work performed by the Joint Undertaking in formalising and designing the process, guidelines, rules and tools related to procurement activities; takes further note on the fact that the IAC also made six further recommendations for improvements in procedures; welcomes that as of July 2017, five out of the six new IAC recommendations have been implemented and the ongoing recommendation relates to the redefinition of the role of the internal review panel;

24. Notes that a residual error rate for grant payments has not been calculated due to their low share of the Joint Undertaking's budget and the small number of *ex-post* audits carried out; notes with appreciation that in 2016, the European Research Agency launched an *ex-post* audit of a beneficiary on behalf of the Joint Undertaking; welcomes the fact that the Joint Undertaking has taken the necessary action to correct errors identified in previous years' audits;

Operational procurement and grants

25. Notes that during 2016, 40 operational procurement procedures were launched and 52 procurement contracts were signed;
26. Notes with concern that the average time to contract for procurements above EUR 1 000 000 increased (from 140 to 162 days) during 2016 with respect to 2015; notes that the average timeframe for procurement procedures below EUR 1 000 000 also increased (from 59 to 71 days) but for grants decreased significantly (from 103 to 61) in line with 2015 figures; and that clear action must be taken by the Joint Undertaking to adequately address the worrying increase in the timeframe to contract for procurements for both amounts above and below the EUR 1 000 000 threshold;

Other issues

27. Invites the Joint Undertaking to use the benefits of the network of the joint undertakings network, which serves as a platform of cooperation between joint undertakings;
28. Recognises the need for the Joint Undertaking to communicate with Union citizens through the institutions, concerning the significant research and collaboration that is it undertaking, stresses the importance of highlighting the real improvements achieved as a consequence of its work, which are an important part of its mandate as well as the fact that it works with other joint undertakings in promoting public awareness of the benefits of their work.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	20.3.2018
Result of final vote	+: 20 -: 3 0: 1
Members present for the final vote	Nedzhmi Ali, Inés Ayala Sender, Zigmantas Balčytis, Dennis de Jong, Tamás Deutsch, Martina Dlabajová, Raffaele Fitto, Ingeborg Gräßle, Cătălin Sorin Ivan, Jean-François Jalkh, Arndt Kohn, Notis Marias, José Ignacio Salafranca Sánchez-Neyra, Petri Sarvamaa, Claudia Schmidt, Bart Staes, Indrek Tarand, Marco Valli, Derek Vaughan, Tomáš Zdechovský, Joachim Zeller
Substitutes present for the final vote	Karin Kadenbach, Julia Pitera, Miroslav Poche

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

20	+
ALDE	Nedzhmi Ali, Martina Dlabajová
GUE/NGL	Dennis de Jong
PPE	Tamás Deutsch, Ingeborg Gräble, Julia Pitera, José Ignacio Salafranca Sánchez-Neyra, Petri Sarvamaa, Claudia Schmidt, Tomáš Zdechovský, Joachim Zeller
S&D	Inés Ayala Sender, Zigmantas Balčytis, Cătălin Sorin Ivan, Karin Kadenbach, Arndt Kohn, Miroslav Poche, Derek Vaughan
VERTS/ALE	Bart Staes, Indrek Tarand

3	-
ECR	Raffaele Fitto, Notis Marias
EFDD	Marco Valli

1	0
ENF	Jean-François Jalkh

Key to symbols:

+ : in favour

- : against

0 : abstention