



Analysis and assessment of the Fuel Cells and Hydrogen Joint Undertaking (FCH JU) Annual Activity Report (AAR) 2013 by the FCH JU Governing Board

Legal basis

Article 40 (2) of the FCH JU Financial Rules states that *'by no later than 15 June each year, the Governing Board shall send to the budgetary authority and the Court of Auditors an analysis and assessment of the Authorising officer's annual report on the previous financial year. This analysis and assessment shall be included in the Annual Activity Report of the FCH Joint Undertaking, in accordance with the provisions of Article 21 of the Statutes'*.

Analysis

The Fuel Cells and Hydrogen Joint Undertaking's Annual Activity Report 2013 (Authorising Officer's report) was presented to the FCH JU Governing Board on 30 April 2014 and it was approved by the Governing Board in June 2014.

The Governing Board is of the opinion that the FCH JU AAR 2013 covers well the main activities of the FCH JU in 2013, clearly identifies the risks associated with the FCH JU operations, duly reports on the use made of the FCH JU resources provided, and indicates the efficiency and effectiveness of the FCH JU internal control system.

The Governing Board recognises the progress made by the FCH JU and the achieved results in year 2013 and positively notes in particular that:

- The achievements of the FCH JU in relation to the technical objectives are included in the AAR, as well as the results of the FCH JU projects finished. In this respect, the closed FCH JU funded projects¹ have produced almost 70 research publications in peer reviewed journals with high citation index, and 12 patent publications. The targets for publications in peer reviewed journals (55%) and patent applications (30%) have been achieved and exceed (69,2% and 30,8% respectively). The inclusion of the publications resulting from FCH JU funded projects and of the patent applications realised through these projects is well appreciated.
- The FCH JU successfully completed the negotiations leading to the signature of 27 grant agreements of the fifth Call for Proposals (published in 2012) with a total FCH JU contribution of 68,13 M €, with the participation of 201 legal entities. 28%² of the

¹ 13 Collaborative projects and 10 support actions were completed by the end of 2013.

² The percentage of SMEs participation in FCH JU programme (28%) in year 2013 is well over the FP7 target of 15%.

participants in the signed grant agreements are SMEs, receiving 27 % the FCH JU funding granted in the call.

- In 2013, the FCH JU published the sixth and the seventh Calls for Proposals with an indicative FCH JU budget of 68,5 M € (increased to 74,7 M €) and 23 M€, respectively.
 - For the FCH JU 2013-1 Call, 64 proposals were evaluated with the assistance of independent experts, in which 489 legal entities participated and in which 30,58% of the FCH JU funding was requested by SMEs. The Governing Board approved in August 2013 a list of 22 proposals (21 projects) for opening negotiations in view of concluding grant agreements.
 - The FCH JU Call 2013-2 was published in November 2013 with a deadline for submission of proposals in February 2014.
- The third Programme Review Days were successful enabling the public assessment of the progress of the FCH JU programme towards its objectives. It is recommended that the new format for this event, conceived by the Scientific Committee, is followed in future Programme Review Days.
- The low number of complaints from coordinators of proposals not retained for negotiations can be considered as an indication of the robustness of the evaluation process (5 in the Call 2013-1).
- 100% of payments for grants were paid on time. In addition, there is an improvement of the time to pay for the experts in relation to previous year (96% of payments on time in 2013, while 89 % in 2012).
- Several steps have been taken towards simplification and guidance to beneficiaries, aiming at facilitating the implementation of the projects and avoiding errors (e.g. update of the Guidance note on project reporting and the Guide to financial issues for FCH JU beneficiaries, Communication campaign to avoid errors in the financial reporting, etc.).
- Two IT tools developed by another JTI JU are used by the FCH JU, one for the digitalisation of the internal workflow of human resource management (Information System for Absences) and another one for the registration of attendees to events (Event Registration Tool). This practice is in line with the outcome of the second interim evaluation which recommended the sharing of resources between JTI JUs.
- The Governing Board also recognises that actions have been taken by the FCH JU to implement the remarks provided by the European Court of Auditors in its report on the FCH JU Annual Accounts 2012, on the monitoring of the beneficiaries' plan of use and dissemination of the foreground. In addition, the high implementation of the ex-post audit results proves effective correction of the detected errors in the FCH JU grant agreements.

However, the Governing Board considers that the following aspects require improvement:

- Following the observations of the Governing Board in its analysis of the AAR 2012 considering that "*all efforts should be made to ensure that procurements are launched as planned*", it is recognised that efforts have been made in this direction. However, in year 2013, a number of public procurements foreseen in the AIP 2013 were again cancelled or postponed. Therefore, remedial measures shall be identified to further avoid this situation in the future.

- The average time to grant close to 400 days should be substantially reduced. It is noted that an action plan has been adopted to that effect and some measures are already implemented.
- The budgetary execution reached 98,91% in terms of commitment appropriations, but only 56,68% in terms of payment appropriations. The Governing Board points out the need to pay special attention to the forecast of the financial needs of the FCH JU.
- The AAR 2013 reports on communication activities but without sufficient indication of the results of these activities. It is thus recommended that more detailed information on the quantitative and qualitative outputs of these activities is included in the AAR. Furthermore in the context of the FCH 2 JU, an updated communication strategy shall be adopted with improved selection/prioritization of key targets and stakeholders, as well as key performance indicators.

The Governing Board also notes that the second interim evaluation of the FCH JU recognises the value of the FCH JU and recommends its continuation in Horizon 2020. However, actions shall be taken to address the areas where improvements are needed: a) Technology monitoring and policy support; b) Engagement with Member States and the regions; and, c) Communication and dissemination.

Risk management process

Concerning the “Risk Management process”, the Governing Board appreciates that mitigating actions have been implemented to address the critical risk of understaffing identified in previous exercises.

The Governing Board also acknowledges that the management of the FCH JU has taken actions to tackle the risk areas identified in the 2013 Risk Management exercise, in particular, the critical risk of "adequate preparation for an effective implementation of the FCH 2 JU under Horizon 2020".

Human resources

In relation to the use of human resources, the Governing Board notes that the FCH JU staff assigned to the activities carried out in 2013 has been used for their intended purpose. It is also noted that at the end of the year there were two vacant posts.

Furthermore, the Governing Board points out that while "understaffing" was identified as a critical risk in year 2012 and a high risk in 2013, the staff establishment plan was not fully filled.

Internal control system

The Governing Board is of the opinion that, in general, the internal control system is working and adequately mitigates the critical risks which could hamper the achievement of the FCH JU objectives and activities.

The Governing Board acknowledges that thanks to the Action Plan for the effective implementation of the internal control standards, several weaknesses were identified in relation to the following internal control standards: ICS 3 (Staff allocation and flexibility), ICS 8 (Processes and procedures

and ICS Management supervision), ICS 11 (Document Management), ICS 12 (Information and Communication), and ICS 13 (Accounting and Financial Reporting). It is appreciated that measures to address these weaknesses are being implemented.

The functioning of the internal control system has been monitored through the year by the systematic registration of exceptions, leading to corrective and alternative mitigating measures.

The Governing Board also notes that further enhancing the effectiveness of the FCH JU's control arrangement is required, in particular by fully implementing the action plans on recommendations of both internal and external auditors, and by improving the use of the monitoring tools.

The Governing Board welcomes the reasonable assurance that overall suitable control systems are in place and working as intended; that the identified risks are being mitigated and/or monitored; and that the improvements and reinforcement are being implemented.

Ex-post controls

The Governing Board notes with satisfaction that the ex-post audit strategy intended to ensure the legality and regularity of the expenditure has been duly implemented in 2013. Since the adoption of the ex-post audit strategy, 48 audits (41 representative and 7 risk-based) have been launched (comprising 122 cost claims) of which 45 are finalised and 3 are on-going. The cumulative audit coverage represents 32% (on finalised audits) and 34% (on total audits) of the value of the validated cost claims at the cut-off reporting date (i.e. 7 February 2014). The Governing Board appreciates that the necessary controls and monitoring mechanisms are in place to ensure that all errors detected in favour of the FCH JU are timely and effectively corrected.

The Governing Board welcomes that no reservation is necessary to the AAR 2013, as it can be stated with reasonable assurance that by the end of the programme the residual error rate is below the materiality threshold (i.e. 2%).

Assessment

The declaration of the Executive Director and the FCH JU AAR 2013 gives a good assessment of operational and financial management in relation to the achievement of objectives. Based on the information provided, the FCH JU key objectives set up for year 2013 have been met in compliance with the principles of legality and regularity of operations. Improvements are nevertheless recommended on the few aspects stated in the analysis of this report.

The Governing Board notes that the management of the FCH JU has reasonable assurance that, overall, suitable controls are in place and working as intended, risks are being properly monitored and mitigated and necessary improvements detected by the auditors are being implemented. Therefore, the Executive Director, in his capacity as Authorising Officer, has signed the Declaration of assurance without any reservation.

The FCH JU Governing Board hereby adopts the analysis and assessment of the FCH JU AAR 2013.