



Analysis and assessment of the Fuel Cells and Hydrogen Joint Undertaking Annual Activity Report 2012 (FCH JU AAR) by the FCH JU Governing Board

Legal basis

Article 40 (2) of the FCH 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 2012 (Authorising Officer's report) was presented to the FCH JU Governing Board on March 14th 2013 and it was approved by the Governing Board in June 2013.

The Governing Board is of the opinion that the FCH JU AAR 2012 covers well the main activities of the FCH JU in 2012, 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 2012 and notes in particular that:

- The FCH JU successfully completed the negotiations leading to the signature of 33 grant agreements of the fourth Call for Proposals (published in 2011) with a total FCH JU contribution of 117,5 M €, with the participation of 294 legal entities. 25% of the participants in the signed grant agreements are SMEs, receiving 34% the FCH JU funding granted in the call.
- In 2012, the FCH JU published the fifth Call for Proposals with an indicative FCH JU budget of 77,5 M € (increased to 79,8 M €) . For this call, 72 proposals were evaluated with the assistance of independent experts, in which 573 legal entities participated and in which 28% of the FCH JU funding was requested by SMEs. The Governing Board approved on October 11th 2012 a list of 28 proposals (and a reserve list of an additional set of 15 proposals) for opening negotiations in view of concluding grant agreements.
- The second programme review day was successful enabling the public assessment of the progress of the programme towards its objectives.

- The low number of complaints from coordinators of proposals not retained for negotiations (8) is considered as an indication of the robustness of the evaluation process.
- 100% of payments for grants were paid on time. In addition, it is recognised the improvement of the time to payment for the experts in relation to previous years (89% of payments on time in 2012 while only 62 % in 2011).
- The FCH JU Guide on financial issues, providing clarifications on the financial provisions of the FCH JU grant agreement, was published. Furthermore, to avoid errors in the financial reports of the beneficiaries, several training sessions were organised for the FCH JU beneficiaries.
- 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 2011. In addition, the high implementation of ex-post audit results (97,6% of total costs) proves effective correction of the detected errors in the FCH JU grant agreements.
- The Governing Board observes that assurance could be given regarding 99,34% of the total expenditure (operational and administrative)

The Governing Board considers that the following aspects require improvement:

- The achievements of the FCH JU in relation to the technical objectives set should be better explained in the AAR, as well as the results of the FCH JU projects finished.
- A number of public procurements foreseen in the AIP 2012 were cancelled or postponed. All efforts should be made to ensure that procurements are launched as planned.

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 the Annual Activity Reports 2011 and 2012, such as the increased automation, simplification of procedures and efficiency gains using staff build up know-how.

The Governing Board also acknowledges that the management of the FCH JU has taken actions to tackle the risk areas identified in the risk assessment exercise, jointly carried out by the Internal Audit Service and the Internal Audit Capability. The risk areas identified were monitoring of operational and administrative activities, data protection, IT development and management, documents management, business continuity, matching assessment and ex-post controls.

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 2012 have been used for their intended purpose. It is also noted that one post was vacant at the end of 2012. This was filled on 1st January 2013.

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. However, it is noted that further improvement is needed in terms of effectiveness to address the weaknesses identified.

The Governing Boards acknowledges that thanks to the Action Plan for the effective implementation of the internal control standards, several weaknesses were identified

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

The Governing Board positively notes that all audit recommendations from the Internal Audit Capability's audits from previous years have been implemented during 2012.

The Governing Board also notes that actions have been carried out to deal with the audit findings of the two assurance engagements carried out by the Internal Audit Capability in 2012, one on "ex-ante controls for eligibility of declared costs and related payments" and another one on the "assessment of the level of in-kind contributions".

The Governing Board welcomes the reasonable assurance that suitable control systems are in place, and that the identified risks are being mitigated and/or monitored.

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 2012. More than 33 audits have been selected out of which 19 are finalised. As a result of the ex-post audits, lack of accuracy of few costs claims was detected.

It is noted that more than 90% of the adjustments related to the implementation of the ex-post audit results in favour of the FCH JU have been implemented.

The Governing Board notes that although the residual error rate on cost claims is below the materiality threshold (i.e. 2%), the Declaration of Assurance of the Authorising Officer states a reservation in this regard. This seems justified by a prudent approach taking into consideration that it is not possible at this point in time to state that by the end of the programming period the residual error rate will be below 2%.

Assessment

The declaration of the Executive Director's and the FCH Annual Activity Report 2012 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 the financial year 2012 have been met in compliance with legality, regularity and sound financial management.

The Governing Board also notes that a reservation has been issued for the reasons mentioned above and it welcomes that in this respect preventive, detective and corrective actions are implemented by the Programme Office.

The Governing Board considers that, taking into consideration the control and monitoring system, the implemented control procedures give the necessary guarantees concerning the legality and regularity of the operations of the FCH JU in the financial year 2012.

The FCH JU Governing Board hereby adopts the analysis and assessment of the FCH Annual Activity Report 2012.

