2011 discharge: European Institute of Innovation and Technology (EIT)

2012/2212(DEC) - 11/09/2012 - Court of Auditors: opinion, report

PURPOSE: presentation of the EU Court of Auditors' report on the annual accounts of the European Institute of Innovation and Technology for the financial year 2011, together with the Institute's replies.

CONTENT: in accordance with the tasks conferred on the Court of Auditors by the Treaty on the Functioning of the European Union, the Court presents to the European Parliament and to the Council, in the context of the discharge procedure, a Statement of Assurance as to the reliability of the annual accounts of each institution, body or agency of the EU, and the legality and regularity of the transactions underlying them, on the basis of an independent external audit.

This audit concerned, amongst others, the annual accounts of the European Institute of Innovation and Technology (EIT).

In the Court's opinion, the **Institute's Annual Accounts fairly present, in all material respects, its financial position as of 31 December 2011** and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation.

The Court also considers that the **transactions underlying the annual accounts** of the Institute for the financial year ended 31 December 2011 are, in all material respects, **legal and regular**.

The report confirms that the Institute's 2011 budget amounted to EUR 65.85 million and that the number of staff employed by the Institute at the end of the year was 40.

The report also makes a series of observations on the budgetary and financial management of the Institute, accompanied by the latter's response. The main observations may be summarised as follows:

Court's comments:

- budget execution: the Court notes that the rate of execution of the Institute's budget for the audited period of financial autonomy was low;
- grants: grant agreements resulting in payments in 2011 were systematically signed by the European Commission (Directorate General for Education and Culture) and the Institute after most of the activities had already been implemented. Between September and December 2011, the Institute made final payments, amounting to EUR 4.2 million, related to three grant agreements that were signed well after the start of activities. This is an issue in terms of good financial management.

Institute's replies:

- the Institute states that there is a seasonal distribution of expenditures particularly as regards grants. Grant agreements were concluded at the beginning of the year, and consequently the pre-financing payments were executed prior to the Institute's financial autonomy. As grants represent about 90 % of the Institute's budget, their impact on budget execution is significant. Execution rates are considerably higher for the entire calendar year than for the audited period of financial autonomy. However, in order to improve budget execution, the Institute has introduced a monthly reporting on

budget implementation and a review process for assessing in detail the implementation of the budget and the EIT work programme, thereby formulating corrective and reorientation actions in due course if needed, through the year;
- EIT acknowledges the Court' comment and is committed to decrease the gap between the starting date of the grant agreements and the date of signature.

Lastly, the Court of Auditors' report contains a summary of the **Institute's activities in 2011**. This is focused on the following:

- organisation of the first "EIT's Vision for the Future" stakeholder conference in Budapest (HU) on 14 April 2011;
- submission of the Institute's Draft Strategic Innovation Agenda (SIA) to the European Commission on 15 June 2011;
- participation of the Director of the Institute in the 'Friends of EIT' event hosted by the European Parliament with Commissioner Vassiliou and knowledge and innovation communities (KIC) CEOs on 21 September 2011;
- organisation of the first "Youth and Entrepreneurship" conference in Kraków (PL);
- first forum held in Budapest on 11 November 2011;
- joint contribution by the Chairman of the Institute's Governing Board, the Institute's Director and KIC CEOs at the 1st Innovation Convention organised by the European Commission, 5-6 December 2011;
- the number of KIC partners has increased steadily, from 75 in 2010 to around 400 in 2012. The Institute's total contribution is around EUR 160 million (slightly less than 25% of the KICs' total budget) for the period 2010-2012.