2012 discharge: European Institute of Innovation and Technology (EIT)

2013/2242(DEC) - 10/09/2013 - 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 (EIT) for the financial year 2012, 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 present fairly, in all material respects, its financial position as at 31 December 2012** and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

However, it considers that the **transactions underlying the annual accounts** of the Institute for the financial year ended 31 December 2012 are partly legal and regular in all material respects. It delivers a **qualified opinion** in this respect as regards the following operations: grants, final payments and pre-financings (transactions) for an amount of EUR 11.3 million and EUR 48.6 million relating respectively to the activities in 2010 and 2011. The Court notes that about 80% of grant expenditure claimed by KIC's is covered by certificates issued by independent audit firms contracted by the KICs and their partners. However, it notes that the quality of the audit certificates is inadequate in many instances.

The Court could not obtain sufficient appropriate audit evidence on the legality and regularity of the audited grant transactions related to 2010 activities.

The report confirms that the Institute's 2012 budget amounted to EUR 95.30 million in commitment appropriations and EUR 77.09 million in payments.

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:

- internal control: the Court noted that budgets for grant agreements signed in 2010 and 2011, which resulted in payments in 2012, were not sufficiently specific. There was no link between the approved funds and the activities to be implemented;
- budgetary management: out of the committed appropriations carried over from 2011 amounting to some EUR 22 million, some EUR 10 million (45%) were cancelled in 2012. The high level of cancellations is mainly due to lower than estimated costs claimed by beneficiaries under 2011 grant agreements (EUR 9.2 million or 92% of cancelled carry-overs).

Institute's replies:

- audits: EIT foresaw the need to reinforce the *ex ante* verification to mitigate the risks related to the first year of operation of the KICs. In order to obtain reasonable assurance, EIT, beyond requesting audit certificates from the KICs, verified supporting documents related to an important percentage of expenditure based on a random sample. As a result, ineligible costs were corrected before the final payments. Any irregularities will be corrected and amounts unduly paid will be recovered in 2013;
- budget management: although there is a high level of carry-overs from 2012 to 2013, significant progress is expected since cancellations of carry-overs will be considerably reduced from 45 % (2011 carry-overs) to estimated 13 % (2012 carry- overs).

Lastly, the Court of Auditors' report contains a **summary of the Institute's activities in 2012**. This is focused on the following:

- establish regular dialogue between the Director of the Institute and the KIC CEOs;
- manage a total budget of approximately EUR 90 million for EIT funding of KIC Value Added Activities and a budget of EUR 300 million for non-EIT Funding of KAVA (kick added value) activities and complementary activities;
- increase the number of KIC partners involved in the three KICs;
- manage the European Union EIT Stakeholders Conference organised by the European Commission.