2013 discharge: European Institute of Innovation and Technology (EIT)

2014/2125(DEC) - 02/10/2015 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the 2nd report by Ryszard **CZARNECKI** (ECR, PL) and called on the European Parliament to **grant to the Director of the** European Institute of Innovation and Technology (EIT) discharge **in respect of the implementation of the budget of the EIT Undertaking for the financial year 2013.**

Members called on Parliament to approve the closure of the EIT's accounts.

Legality and regularity of the underlying transactions: Members recalled that the Court of Auditors, in its report on the annual accounts of the EIT for the financial year 2013, found for the second consecutive year **no reasonable assurance on the legality and regularity of the grant transactions**. In the Court´s view the quality of the certificates was compromised as the certificates were issued by independent audit firms contracted by the grant beneficiaries, covering about 87% of the grant expenditure.

The EIT stated that the improved instructions resulted in an improvement of the quality of the audit certificates received in respect to 2013 grant transactions for which the final payments were made in 2014. Members recalled that the Institute introduced complementary ex post verifications for grant transactions as a second layer of assurance on the legality and regularity of grant transactions. They acknowledged that the Institute carried out "on the spot" audits covering around 40% of the grants paid under the 2013 Grant Agreements. They noted that these audits resulted in the recovery of EUR 263 239, out of the total audited amount of EUR 29 163 272 and that the detected error rate in the audited sample was 0.90 % and the residual error rate was 0.69%, which was below the materiality threshold of 2 %.

Procurement procedures: the committee noted from the Institute that it had improved its procurement procedures since 2013 and took a proactive approach after the detection of errors by the Court. Further to the consultancy assignment performed by the Institute's Internal Audit Capability (IAC), the EIT implemented a series of measures to improve procedures.

As the residual error rate in grant expenditure was 0.69%, the combined error rate for administrative and operational expenditure was around 0.5% of the total payments made in 2014.

KIC: Members ascertained that the Institute obtained the audit certificates on the costs of KIC complementary activities incurred in the period 2010-2014. They noted that the EIT carried out a review of the portfolio of KIC complementary activities to ensure that only the activities with a clear link to the KIC added value activities funded by the Institute were accepted.

Budgetary and financial management: the report noted that the Institute improved the planning and monitoring procedures related to the budget implementation. The EIT had significantly improved the absorption capacity of the first-wave KICs for the 2010-2014 period. Members recalled that the low budget implementation rate for Title I (staff expenditure) was mainly related to the high turnover of staff and the outstanding adoption of the regulations on salary adjustments.

Lastly, Members made a series of observations on internal audits.