2017 discharge: European Institute of Innovation and Technology (EIT)

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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 2017, together with the Institute's replies.

CONTENT: the Court of Auditors carried out the audit on the annual accounts of the European Institute of Innovation and Technology (EIT).

In brief, the Institute's objective is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the European Union. It awards grants to an increasing number of 'Knowledge and Innovation Communities' (KICs), linking the higher education, research and business sectors with one another and aiming thereby to boost innovation and entrepreneurship.

Statement of assurance and reliability of the accounts

The Court considered that:

- the Institute's annual accounts present fairly, in all material respects, its financial position as at 31 December 2017 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;

- the transactions underlying the annual accounts for the year ended 31 December 2017 are legal and regular in all material respects.

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:

The Court's observations

Internal controls

In December 2016, the EIT signed amendments to the specific grant agreements (SGAs) with KICs EIT Digital, InnoEnergy, Health and Raw Materials. The amended SGA with Climate KIC was even signed in January 2017, after the end of the eligibility period. The increase in the single reimbursement rates (SRR) agreed in these amendments allowed the KICs to receive an extra EUR 15 million in grant from the EIT for the same amount of approved eligible costs. That practice goes against the purpose of encouraging KICs to find own sources of financing and of incentivising the KICs to become gradually financially independent from the EIT.

In order to further strengthen its internal control system for grants to KICs the EIT introduced centralised ex ante checks for those KIC partners whose cost claims exceeded EUR 325 000.

The business continuity and disaster recovery plans of the EIT were adopted in 2013 and are outdated. For example, half of the members of the crisis management team no longer worked for the EIT in 2017. An update has been prepared for the last two years but has not been adopted yet.

Financial management and performance

As in previous years, the KICs did not fully use the grant amounts awarded by the EIT. The main reasons for the unused funds were an incomplete implementation of the business plans, partly due to the late approval of grant agreements and the multi-annual nature of KICs activities, and higher than planned self-financing of management costs by some of the KICs.

In 2017, all KICs adopted sustainability strategies in line with the EIT guidance, which was an important step towards a more sustainable future of the KICs. However, revenue generated by the first-wave KICs remains very low and progress was limited in 2017.

Agencies should introduce a single solution for the electronic exchange and storage of information with third parties participating in public procurement procedures (e-procurement). As the same requirement exists for all EU Institutions, the Commission is developing a comprehensive IT solution covering all phases of public procurement procedures. The Commission launched tools for electronic invoicing (e-invoicing), for the electronic publication of documents related to contract notices (e-tendering) and for the electronic submission of tenders (e-submission). By the end of 2017 the Institute had introduced e-invoicing for certain procedures, but not e-tendering and e-submission.

The Institute's reply

Internal controls

Amendment requests to the SGA can be submitted at any time during the eligibility period in line with the EIT-KIC Framework Partnership Agreements (FPA). The KICs' amendment requests were subject to a technical and financial assessment by the EIT and ex ante approval by the European Commission.

Specific Grant Agreements in 2017 and 2018 were systematically signed in February, enabling KICs to start their activities early in the year.

The updates to both the Business Continuity Plan and the Disaster Recovery Plan will be adopted by the EIT in 2018.

Financial management and performance

The EIT intends to adopt the e-tendering and e-submission tools after conclusion of the necessary agreements with the European Commission, for which preparatory actions are ongoing.

Lastly, the report contained a summary of the EIT's key figures in 2017:

Budget

EUR 303 million (in payment appropriations);

Staff

60 full time (staff includes officials, temporary and contract staff and seconded national experts).