## Basic information

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|---|---|
| **2013/2242(DEC)**<br>DEC - Discharge procedure | Procedure completed |
| 2012 discharge: European Institute of Innovation and Technology (EIT)<br>**Subject**<br>8.70.03.07 Previous discharges | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| CONT Budgetary Control | SARVAMAA Petri (PPE) | 10/10/2013 |
| | Shadow rapporteur<br>KADENBACH Karin (S&D)<br>GERBRANDY Gerben-Jan (ALDE)<br>STAES Bart (Verts/ALE)<br>ANDREASEN Marta (ECR)<br>DE JONG Dennis (GUE/NGL)<br>VANHECKE Frank (EFD)<br>EHRENHAUSER Martin (NI) | |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| ITRE Industry, Research and Energy | The committee decided not to give an opinion. | |

### European Commission

| Commission DG | Commissioner |
|---|---|
| Budget | ŠEMETA Algirdas |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 26/07/2013 | Non-legislative basic document published | COM(2013)0570 | Summary |
| 22/10/2013 | Committee referral announced in Parliament | | |

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|---|---|---|---|
| 17/03/2014 | Vote in committee | | |
| 21/03/2014 | Committee report tabled for plenary | A7-0234/2014 | Summary |
| 02/04/2014 | Debate in Parliament | | |
| 03/04/2014 | Decision by Parliament | T7-0315/2014 | Summary |
| 03/04/2014 | Results of vote in Parliament | | |
| 03/04/2014 | End of procedure in Parliament | | |
| 05/09/2014 | Final act published in Official Journal | | |

## Technical information

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| **Procedure reference** | 2013/2242(DEC) |
| **Procedure type** | DEC - Discharge procedure |
| **Other legal basis** | Rules of Procedure EP 165 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | CONT/7/14226 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE521.669 | 27/01/2014 | |
| Amendments tabled in committee | | PE521.771 | 26/02/2014 | |
| Committee report tabled for plenary, single reading | | A7-0234/2014 | 21/03/2014 | Summary |
| Text adopted by Parliament, single reading | | T7-0315/2014 | 03/04/2014 | Summary |

**Council of the EU**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Document attached to the procedure | 05849/2014 | 05/02/2014 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Non-legislative basic document | COM(2013)0570 | 26/07/2013 | Summary |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| CofA | Court of Auditors: opinion, report | N7-0026/2014<br>OJ C 365 13.12.2013, p. 0142 | 10/09/2013 | Summary |

| Additional information | | |
|---|---|---|
| Source | Document | Date |
| European Commission | EUR-Lex | |

| Final act |
|---|
| Budget 2014/0589<br>OJ L 266 05.09.2014, p. 0232 Summary |

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

2013/2242(DEC) - 26/07/2013 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2012, as part of the 2012 discharge procedure.

Analysis of the accounts of the **European Institute of Innovation and Technology (EIT)**.

CONTENT: this Commission document sets out the consolidated annual accounts of the European Union for the financial year 2012 as prepared on the basis of the information presented by the institutions, organisations and bodies of the EU, in accordance with Article 129 (2) of the Financial Regulation applicable to the EU's General Budget, including the European Institute of Innovation and Technology (EIT).

In 2012, the tasks and budget of this agency were as follows:

- **description of the EIT's tasks**: the EIT, which is located in Budapest, was set up by Regulation (EC) No 294/2008 of the European Parliament and of the Council. 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. The Institute shall: (i) raise awareness among potential partner organisations and encourage their participation in its activities; (ii) select and designate Knowledge and Innovation Communities (KICs) in the priority fields; (iii) mobilise funds from public and private sources to encourage the innovation process; (iv) encourage the recognition in the Member States of degrees and diplomas which are awarded by higher education institutions that are partner organisations,…
- **EIT's budget for the 2012 financial year**: the EIT's budget for 2012, as presented in the Commission document on the consolidated annual accounts of the European Union, gives the following figures:

  § **Commitment appropriations** :

  - **committed** : EUR 97 million;
  - **paid** : EUR 95 million;
  - **carried-over** : 0.

  § **Payment appropriations** :

  - **committed** : EUR 83 million;
  - **paid** : EUR 71 million;
  - **carried-over** : EUR 7 million.

Please refer also to the final accounts of the EIT.

# 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.

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

2013/2242(DEC) - 05/02/2014

Having examined the revenue and expenditure accounts for the financial year 2012 and the balance sheet at 31 December 2012 of the European Institute of Innovation and Technology (EIT), as well as the Court of Auditors' report on the annual accounts of the Institute for the financial year 2012, accompanied by the Institute's replies to the Court's observations, the Council recommends the European Parliament to give a discharge to the Director of the Institute in respect of the implementation of the budget for the financial year 2012.

The observations in the Court of Auditors' report in relation to the financial year 2012 call for some comments by the Council, which may be summarised as follows:

- in general, the Council welcomes the Court's opinion that, in all material respects, the Institute's annual accounts present fairly 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 the Institute's Financial Regulation and the accounting rules adopted by the Commission's accounting officer, and that the underlying transactions for that financial year are legal and regular.
- **Qualified opinion**: the Council regrets the Court's **qualified opinion regarding the weaknesses detected in the grant transactions authorised by the Institute**. It calls on the Institute to reinforce its ex-ante and ex-post verifications in order to improve assurance on the legality and regularity of grant expenditure. It also urges the Institute to take all necessary measures to enhance the quality of the audit certificates issued by independent auditors in that respect. Furthermore, the Council invites the Institute to include more detailed objectives and cost specifications in its grant agreements, establishing a clear link between the approved funds, the activities to be implemented and the rules to be applied. It

underlines the importance of **clear and quantifiable targets and milestones** allowing an effective assessment of the supported project activities and the achieved results. Lastly, it asks the Institute to limit carry-overs of appropriations to the following year to the minimum necessary, in line with the budgetary principle of annuality.

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

2013/2242(DEC) - 03/04/2014 - Text adopted by Parliament, single reading

The European Parliament adopted a decision concerning the discharge to be granted to the Director of the European Institute of Innovation and Technology in respect of the implementation of the Institute's budget for the financial year 2012. The vote on the discharge decision approved the closure of the accounts (in accordance with Annex VI, Article 5(1) of the Rules of Procedure of the European Parliament.

Noting that the Court of Auditors stated that it has obtained reasonable assurances that the annual accounts of the Institute for the financial year 2012 are reliable, but that it could not obtain sufficient appropriate audit evidence on the legality and regularity of the underlying transactions, Parliament adopted by 508 votes to 63, with 20 abstentions, a resolution containing a series of recommendations that form an integral part of the discharge decision and as well as the general recommendations that appear in the draft resolution on performance, financial management and control of EU agencies.

These recommendations are summarised as follows:

- **Qualified opinion**: Parliament regretted that the Court of Auditors found the quality of the audit certificates is inadequate in many instances. It also deplored the fact that no ex post verifications have been carried out for transactions related to grants for 2010 activities (EUR 11.3 million). Furthermore, it deplored the fact that given the limited assurances that can be drawn from ex ante verifications, there is **no reasonable assurance as to the legality and regularity of these transactions**. Parliament noted that according to the Court of Auditors, except for the possible effects of the matters described in the basis for a qualified opinion, the transactions underlying the annual accounts for the year 2012 are legal and regular in all material respects.
- **Commitments and carryovers**: Parliament noted that out of the committed appropriations carried over from 2011 amounting to some EUR 22 million, some EUR 10 million (45%) were cancelled in 2012.
- **Performance**: Parliament requested that the Institute communicate the results and impact its work has on European citizens in an accessible way, mainly through its website.

It also made a series of observations on transfers, procurement and recruitment procedures as well as comments on internal controls.

Parliament acknowledged that the Institute has two framework rules regulating conflicts of interests. It called on the Institute to inform the discharge authority whether it intends to update those framework rules according to the Commission's Guidelines.

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

2013/2242(DEC) - 21/03/2014 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Petri SARVAMAA (EPP, FI) in which it recommended the European Parliament to grant discharge to the Director of the European Institute of Innovation and Technology in respect of the implementation of the Institute's budget for the financial year 2012.

Noting that the Court of Auditors stated that it has obtained reasonable assurances that the annual accounts of the Institute for the financial year 2012 are reliable, and that the underlying transactions are legal and regular, Members approved the closure of the Institute’s accounts. They made, however, a number of recommendations that needed to be taken into account when the discharge is granted, in addition to the general recommendations that appear in the draft resolution on performance, financial management and control of EU agencies.

- **Qualified opinion**: Members regretted that the Court of Auditors found the quality of the audit certificates is inadequate in many instances. They also deplored the fact that no ex post verifications have been carried out for transactions related to grants for 2010 activities (EUR 11.3 million). Furthermore, they deplored the fact that given the limited assurances that can be drawn from ex ante verifications, there is **no reasonable assurance as to the legality and regularity of these transactions**. They noted that according to the Court of Auditors, except for the possible effects of the matters described in the basis for a qualified opinion, the transactions underlying the annual accounts for the year 2012 are legal and regular in all material respects.
- **Commitments and carryovers**: Members noted that out of the committed appropriations carried over from 2011 amounting to some EUR 22 million, some EUR 10 million (45%) were cancelled in 2012.

Members also made a series of observations on transfers, procurement and recruitment procedures as well as comments on internal controls.

They acknowledged that the Institute has two framework rules regulating conflicts of interests. They called on the Institute to inform the discharge authority whether it intends to update those framework rules according to the Commission's Guidelines.

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

2013/2242(DEC) - 03/04/2014 - Final act

PURPOSE: to grant discharge to the European Institute of Innovation and Technology for the financial year 2012.

NON-LEGISLATIVE ACT: Decision 2014/589/EU of the European Parliament on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology for the financial year 2012.

CONTENT: with the present decision, the European Parliament grants discharge to the Director of the European Institute of Innovation and Technology in respect of its budget for the financial year 2012. **However, a certain number of reservations were made.**

This decision is in line with the European Parliament's resolution adopted on 3 April 2014 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 3 April 2014).

Amongst the main observations made, Parliament expressed reservations about the **legality and regularity of the underlying transactions**. It regretted in particular the lack of quality of audit certificates from the Institute and the weakness of some ex-post verifications of several of its transactions.