Basic information

2015/2193(DEC) DEC - Discharge procedure	Procedure completed
2014 discharge: European Institute of Innovation and Technology (EIT) **Subject** 8.70.03.04 2014 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	VAUGHAN Derek (S&D)	20/08/2015
	Shadow rapporteur DEUTSCH Tamás (PPE) VISTISEN Anders (ECR) ALI Nedzhmi (ALDE) DE JONG Dennis (GUE/NGL) JÁVOR Benedek (Verts/ALE) VALLI Marco (EFDD) KAPPEL Barbara (ENF)	

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	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
23/07/2015	Non-legislative basic document published	COM(2015)0377	Summary
05/10/2015	Committee referral announced in Parliament		
04/04/2016	Vote in committee		

08/04/2016	Committee report tabled for plenary	A8-0117/2016	Summary
27/04/2016	Debate in Parliament		
28/04/2016	Decision by Parliament	T8-0175/2016	Summary
28/04/2016	Results of vote in Parliament		
28/04/2016	End of procedure in Parliament		
14/09/2016	Final act published in Official Journal		

Technical information

Procedure reference	2015/2193(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/04225

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE569.753	02/02/2016	
Amendments tabled in committee		PE576.946	04/03/2016	
Committee report tabled for plenary, single reading		A8-0117/2016	08/04/2016	Summary
Text adopted by Parliament, single reading		T8-0175/2016	28/04/2016	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05584/2016	27/01/2016	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2015)0377	23/07/2015	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0136/2015 OJ C 409 09.12.2015, p. 0187	15/09/2015	Summary

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

Final act	
Budget 2016/1531 OJ L 246 14.09.2016, p. 0274	Summary

2014 discharge: European Institute of Innovation and Technology (EIT)

2015/2193(DEC) - 28/04/2016 - Text adopted by Parliament, single reading

The European Parliament decided to grant discharge to the Director of the European Institute of Innovation and Technology in respect of the implementation of the budget of the financial year 2014. The vote on the discharge decision covers the closure of the accounts (in accordance with Annex V, Article 5(1)(a) to its Rules of Procedure).

Noting that the Court of Auditors issued a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions for the financial year 2014, Parliament adopted by 513 votes to 113, with 13 abstentions, a resolution containing 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:

- **Institute's financial statements**: Parliament noted that the final budget of the European Institute of Innovation and Technology for the financial year 2014 was EUR 233 115 437, representing an increase of 65.54 % compared to 2013. It indicated that this increase resulted mainly from its expanded portfolio and number of beneficiaries, as well as a change in the Institute's founding regulation.
- **General observation**: Parliament noted that the ceiling of 25 % of global expenditure was complied with for the Knowledge and Innovation Communities (KICs), the recipients of the Institute's grants, over the first five years. It noted, furthermore, that the Institute obtained audit certificates on the costs of KIC complementary activities (KCAs) incurred during 2010 to 2014. It took note that it conducted a review of the portfolio of KCAs to ensure that only those activities that meet all the KCAs' legal and operational requirements, including the requirement of a link with KIC added value activities funded by the Institute, are accepted.
- **Budget and financial management**: Parliament noted the Institute's budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 94.13 %, representing a decrease of 2.84 % compared with 2013. It acknowledged that the Institute faced uncertainties concerning its 2014 annual budget due to the ongoing negotiations relating to the 2014 to 2020 Multiannual Financial Framework and Horizon 2020 throughout the year 2013. It also noted that the Institute's Governing Board decided to approach budget planning in a prudent manner by allocating only a part of the budget for the 2014 grant agreements as a first tranche but that a high amount of commitment appropriations remained unused. It acknowledged that the operational activities of the Institute and the KICs are by nature multiannual, and that this is reflected in a derogation specific to the Institute which allows it to re-enter any cancelled appropriations into its budget in the **following three years**. Nevertheless, Parliament noted that the Institute **overestimated its budgetary needs for 2014** by EUR 13.1 million and only EUR 220 million of the EUR 233.1 million available were committed. Members noted with concern that, according to the Court's report, while the KICs are to develop strategies for **financial sustainability**, to date, and in the fifth year of their existence, **they remain fully dependent on financing by the Institute and KIC partners**. They called on the Institute to continue monitoring the progress of KICs towards financial sustainability.

Parliament also made a series of observations regarding preventing and managing conflicts of interest, and procedures for contract awards, recruitment and internal audit.

As regards the **Institute's performance**, Parliament noted that in order to reduce costs and promote best practices in the area of public procurement, the Institute participates in a number of inter-institutional procurement procedures of the Commission.

2014 discharge: European Institute of Innovation and Technology (EIT)

2015/2193(DEC) - 27/01/2016 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2014 and the balance sheet as at 31 December 2014 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 2014, accompanied by the Institute's replies to the Court's observations, the Council recommended 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 2014.

The Council welcomed the Court's opinion that, in all material respects, the Institute's annual accounts present fairly its financial position as at 31 December 2014 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 that the underlying transactions for 2014 are legal and regular in all material respects.

Nevertheless, the Council has made some observations which may be summarised as follows:

- **Knowledge and Innovation Communities**: the Council noted the Court's observation that the grant agreements signed with the three first Knowledge and Innovation Communities (KIC) stipulate that the Institute's financial contribution may not exceed 25 % of the KIC's global expenditure over the period from 1 January 2010 to 13 December 2014. The Council, while acknowledging that this ceiling was observed, underlined the risk to the legality and regularity of the underlying transactions linked to this provision. It invited the Institute to provide the KICs with further guidance on how to **gradually reduce their dependency from funding through grants provided by the Institute**;
- **financial programming**: the Council asked the Institute to improve its financial programming and monitoring of the budget implementation in order to reduce the level of commitments remaining unused at the end of the financial year;
- **staff**: the Council noted with concern the Institute's high fluctuation of staff and the important vacancy rates, notably at management level. It called on the Institute to fill vacant posts without delay in order to ensure operational continuity.

2014 discharge: European Institute of Innovation and Technology (EIT)

2015/2193(DEC) - 15/09/2015 - 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 2014, 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).

Statement of assurance: pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- the annual accounts of the Institute, which comprise the financial statements and the reports on the implementation of the budget for the financial year ended 31 December 2014, and
- the legality and regularity of the transactions underlying those accounts.

Opinion on the reliability of the accounts: in the Court's opinion, the Institute's annual accounts present fairly, in all material respects, its financial position as at 31 December 2014 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.

Opinion on the legality and regularity of the transactions underlying the accounts: in the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects. Without calling into question the unqualified opinion, the Court drew attention to the fact that the EIT financial contribution may not exceed 25 % of the KIC's global expenditure over the first five years, from 1 January 2010 to 31 December 2014. According to the figures reported by the KICs, this ceiling was respected. The EIT obtained audit certificates by 31 March 2015 on the costs of KIC complementary activities (KCA) incurred during 2010-2014. In addition to obtaining the audit certificates, in 2015 the EIT conducted a review of the portfolio of KIC complementary activities to ensure that only those activities are accepted that meet all legal and operational requirements set for KCAs including to have a link with KIC added value activities funded by the EIT.

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 comments:

- **internal control**: the EIT noted that it has gradually improved its financial verification of the KICs' cost claims. However, the operational verification of deliverables is lagging behind. The KICs' annual business plans still include an inadequate definition of deliverables and there is no clear link between planned deliverables and eligible cost per partner and cost category. Also, the Court has found cases where the full amount of the EIT grant was paid out even if some of the objectives set in the business plan have not been achieved;
- **budgetary management**: the Institute overestimated its budgetary needs for 2014 by EUR 13.1 million, i.e. 5.6 % and only 220 million of the EUR 233.1 million available were committed. The low implementation rate is mainly related to non-used appropriations for grants to fund KIC activities;
- **recruitment**: since its creation in 2009, the Institute has suffered from high staff turnover and instability at management level. In June 2014, the Governing Board decided to second the Institute's Director on a long-term research mission to the European University Institute in Florence for the remaining eleven months of his mandate. The interim Director took over duties in August 2014 (just after his recruitment and appointment as Chief Operating Officer and is now the fourth person occupying the Director's post within a period of six years.

The Institute's reply:

- **internal control**: the EIT agreed that there is still room for improvement in the verification of KICs' performance. However, the ex-ante technical assessment of the implementation of KIC activities has already improved significantly in comparison with previous years;
- **budgetary management**: significant uncertainties surrounded the EIT's 2014 annual budget due to the ongoing negotiations related to the 2014-2020 Multiannual Financial Framework and Horizon 2020. Therefore, the EIT Governing Board took a prudent approach and decided in September 2013 to allocate only EUR 180 million, as a first tranche, for the 2014 grant agreements. After the 2014 annual budget had been confirmed, the EIT awarded further grants totalling EUR 38.5 million, as a second tranche, to the three KICs in March 2014. However, it was not possible to use the full amount of the remaining commitment appropriations, as KICs had requested less EIT grant than what would have been possible to be awarded on the basis of the remaining available EIT budget;
- **recruitment**: in order to mitigate the high staff turnover, the EIT has identified improvements in the vacancy management and they are being implemented according to an action plan. In addition, the EIT put in place an appraisal and re-classification system in autumn 2014 to provide a better career perspective to EIT staff.

Lastly, the Court of Auditors' report contains a summary of the **Institute's activities in 2014**. This is focused on the following:

Budget: EUR 235.4 million in commitment appropriations.

Activities:

- selection and nomination of two new KICs in the areas of Health and Raw Materials by the EIT Governing Board;
- decision of the Governing Board to allocate in 2015 a total of EUR 268 million to the funding of KIC Value Added Activities for the five KICs after the implementation of a process of Competitive Funding corresponding to 40 % of the overall budget;
- definition of key performance indicators;
- organisation of the EIT 2014 Call for Knowledge and Innovation Communities (KICs) Information Day in Budapest (Hungary) on 14 March 2014;
- development of a refined Strategy for the EIT Awards (including conceptualisation of a third category, i.e. EIT Innovators Award);
- development of a refined Concept for the EIT Roundtable of Entrepreneurs;
- adoption of the EIT Community Brand Book and launch on 1 December 2014.

2014 discharge: European Institute of Innovation and Technology (EIT)

2015/2193(DEC) - 23/07/2015 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2014, as part of the 2014 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 2014 as prepared on the basis of the information presented by the institutions, organisations and bodies of the EU, in accordance with Article 148 (2) of the Financial Regulation applicable to the EU's General Budget, including the European Institute of Innovation and Technology (EIT).

The document contains the figures on which the discharge procedure is based.

On this basis, the Financial Controller of the European Commission ensures the certification of the consolidated accounts as declared by the institutions, agencies and bodies of the European Union.

Discharge procedure of the EU agencies: the EU Budget finances a wide range of policies and programmes throughout the EU. In accordance with the priorities set by the European Parliament and the Council in the multi-annual financial framework (MFF), the European Commission carries out specific programmes, activities and projects in the field with the technical support of some specialised agencies.

The consolidated annual accounts of the EU provide information on the activities of the institutions, agencies and other bodies of the EU from a budgetary and accrual accounting perspective.

The consolidated reports on the implementation of the general budget of the EU include the budget implementation of all Institutions. **Agencies do not have a separate budget inside the EU budget**; and they are partially financed by a Commission budget subsidy.

This document sets out how the Agencies spent and implemented their budget in 2014. Each agency is subject to its own discharge procedure.

EIT: in 2014, the tasks and budget of this agency were as follows:

- **description of the EIT's tasks**: the EIT, which is located in Budapest (HU), 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 through raising awareness among potential partner organisations;
- **EIT's budget for the 2014 financial year**: the EIT's budget for 2014, as presented in the Commission document on the consolidated annual accounts of the European Union, gives the following figures:

Commitment appropriations :

- **committed** : EUR 236 million;

- **paid** : EUR 223 million;

- **carried-over** : EUR 8 million.

Payment appropriations :

- **committed** : EUR 179 million;

- **paid** : EUR 165 million;

- **carried-over** : EUR 2 million.

Please refer also to the final accounts of the EIT.

2014 discharge: European Institute of Innovation and Technology (EIT)

2015/2193(DEC) - 08/04/2016 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Derek VAUGHAN (S&D, UK) on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology for the financial year 2014.

The parliamentary committee calls on the European Parliament to grant the Director of the Institute discharge in respect of the implementation of the Institute's budget for the financial year 2014.

Noting that the Court of Auditors issued a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions for the financial year 2014, Members call on Parliament to approve 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:

- **Institute's financial statements:** Members note the final budget of the European Institute of Innovation and Technology for the financial year 2014 was EUR 233 115 437, representing an increase of 65.54 % compared to 2013. They indicate that this increase resulted mainly from its expanded portfolio and number of beneficiaries, as well as a change in the Institute's founding regulation.

- **General observation:** Members note that the ceiling of 25 % of global expenditure was complied with for the Knowledge and Innovation Communities (KICs), the recipients of the Institute's grants, over the first five years. They note, furthermore, that the Institute obtained audit certificates on the costs of KIC complementary activities (KCAs) incurred during 2010 to 2014. They take note that it conducted a review of the portfolio of KCAs to ensure that only those activities that meet all the KCAs' legal and operational requirements, including the requirement of a link with KIC added value activities funded by the Institute, are accepted.

- **Budget and financial management:** Members note the Institute's budget monitoring efforts during the financial year 2014 resulted in a budget implementation rate of 94.13 %, representing a decrease of 2.84 % compared with 2013. They acknowledge that the Institute faced uncertainties concerning its 2014 annual budget due to the ongoing negotiations relating to the 2014 to 2020 Multiannual Financial Framework and Horizon 2020 throughout the year 2013. They note that the Institute's Governing Board decided to approach budget planning in a prudent manner by allocating only a part of the budget for the 2014 grant agreements as a first tranche but that a high amount of commitment appropriations remained unused. They acknowledge that the operational activities of the Institute and the KICs are by nature multiannual, and that this is reflected in a derogation specific to the Institute which allows it to re-enter any cancelled appropriations into its budget in the **following three years**. Nevertheless, Members note that the Institute **overestimated its budgetary needs for 2014** by EUR 13.1 million and only EUR 220 million of the EUR 233.1 million available were committed.

Members also made a series of observations regarding preventing and managing conflicts of interest, and procedures for contract awards, recruitment and internal audit.

As regards the Institute's performance, Members note that in order to reduce costs and promote best practices in the area of public procurement, the Institute participates in a number of inter-institutional procurement procedures of the Commission.

Lastly, Members note that the Institute has suffered from high staff turnover and instability at management level since its establishment in 2009. They observes that, in June 2014, the Governing Board decided to second the Institute's Director on a long-term research mission to the European University Institute in Florence for the remaining eleven months of his mandate.

2014 discharge: European Institute of Innovation and Technology (EIT)

2015/2193(DEC) - 28/04/2016 - Final act

PURPOSE: to grant discharge to the European Institute of Innovation and Technology (EIT) for the financial year 2014.

NON-LEGISLATIVE ACT: Decision (EU) 2016/1531 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 2014.

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 2014.

This decision is in line with the European Parliament's resolution adopted on 28 April 2016 and comprises a series of observations that form an integral part of the discharge decision (please refer to the summary of the opinion of 28 April 2016).

Amongst Parliament’s main observations in the resolution accompanying the discharge decision, the latter noted with concern that, while the KICs are to develop strategies for financial sustainability, to date, they remain fully dependent on financing by the Institute and KIC partners. It encouraged the Institute to continue monitoring the progress of KICs towards **financial sustainability** and take specific corrective actions when necessary.