Basic information

2017/2176(DEC) DEC - Discharge procedure	Procedure completed
2016 discharge: European Institute of Innovation and Technology (EIT) **Subject** 8.70.03.06 2016 discharge	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	STAES Bart (Verts/ALE)	14/09/2017
	Shadow rapporteur SARVAMAA Petri (PPE) LIBERADZKI Bogusław (S&D) ALI Nedzhmi (ALDE) DE JONG Dennis (GUE/NGL) 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	OETTINGER Günther

Key events

Date	Event	Reference	Summary
26/06/2017	Non-legislative basic document published	COM(2017)0365	Summary
13/09/2017	Committee referral announced in Parliament		
20/03/2018	Vote in committee		
26/03/2018	Committee report tabled for plenary	A8-0096/2018	Summary

18/04/2018	Decision by Parliament	T8-0149/2018	Summary
18/04/2018	Results of vote in Parliament		
18/04/2018	Debate in Parliament		
18/04/2018	End of procedure in Parliament		
03/10/2018	Final act published in Official Journal		

Technical information

Procedure reference	2017/2176(DEC)
Procedure type	DEC - Discharge procedure
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/10835

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE613.460	24/01/2018	
Amendments tabled in committee		PE618.250	02/03/2018	
Committee report tabled for plenary, single reading		A8-0096/2018	26/03/2018	Summary
Text adopted by Parliament, single reading		T8-0149/2018	18/04/2018	Summary

Council of the EU

Document type	Reference	Date	Summary
Supplementary non-legislative basic document	05941/2018	09/02/2018	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2017)0365	26/06/2017	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0027/2018 OJ C 417 06.12.2017, p. 0131	19/09/2017	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act	
Budget 2018/1385 OJ L 248 03.10.2018, p. 0252	Summary

2016 discharge: European Institute of Innovation and Technology (EIT)

2017/2176(DEC) - 03/10/2018 - Final act

PURPOSE: to grant discharge to the European Institute of Innovation and Technology (EIT) for the financial year 2016.

NON-LEGISLATIVE ACT: Decision (EU) 2018/1385 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 2016.

CONTENT: the European Parliament decided to **grant discharge** to the Director of the European Institute of Innovation and Technology in respect of its budget for the financial year 2016.

This decision is accompanied by a resolution of the European Parliament containing the observations which form an integral part of the discharge decision in respect of the implementation of the general budget of the European Union for the financial year 2016 (*please refer to the summary dated 18.4.2018*).

In this resolution, Parliament deeply regretted the number of outstanding issues and ongoing corrective measures in response to the Court's comments in 2012, 2014 and 2015 related in particular to funding condition, *ex-ante* verification of cost statements, funding from public and private sources, unused appropriations, financial autonomy and the respect of the principle of sound financial management. It urged the Institute to complete the corrective actions as soon as possible in 2018.

It stated that the possibility to grant discharge in the coming years will be compromised if efficient actions are not taken and effective results are not achieved without further delay.

Parliament acknowledged that the Institute requested the Commission to re-launch the process leading to full financial autonomy. The Institute submitted a completed self-assessment to the Commission in October 2016 as regards this issue.

Lastly, Parliament noted that the Institute will put in place a detailed and proactive transparency policy related to its contacts with stakeholders as part of its annual work programme 2018.

2016 discharge: European Institute of Innovation and Technology (EIT)

2017/2176(DEC) - 19/09/2017 - 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 2016, 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 focused on the annual accounts of the European Institute of Innovation and Technology (**EIT**). 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: 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 2016, 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 2016 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 report also made 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:

- **budgetary management**: the level of carry-overs for committed appropriations for administrative expenditure was high for at EUR 400 000. These carry-overs mainly relate to contracts for IT services going beyond year-end and for meeting costs for which invoices had not yet been received;
- **internal controls**: the Court found weaknesses related to *ex post* verifications of procurement procedures carried out by KIC LEs. Urgent actions are needed to secure a robust application of the Horizon 2020 legislative framework and to further improve the start-up process of new KICs. Corrective action shall be taken in this regard;
- **irregularities**: the Court noted significant shortcomings of KIC Legal Entities (KIC LEs) procurement procedures. The coordination and representation of the KICs is carried out by KIC LEs which are almost fully financed by the Institute. The Court in its audit gave particular attention to the procurement procedures carried out by these entities which it considers to be a **high-risk area**. There is currently **legal uncertainty** as to whether KIC LEs represent contracting authorities. The Institute, together with the Commission's services, is discussing the matter in order to achieve legal certainty for KIC LEs in the future.

The Institute's reply:

- **budgetary management**: EIT stated that the total amount reported by the Court consists of planned carry-overs that were necessary due to the nature of activities such as services going beyond year-end and meetings held in December 2016 for which invoices were only received in January 2017. These planned carry-overs do not indicate weaknesses in the budgetary management of the EIT but are a standard budget management tool.
- **internal controls**: the Institute noted that none of the risks identified jeopardise the robust application of the Horizon 2020 legislative framework and the EIT has already taken actions to address this issue;
- **irregularities**: the EIT agrees that the procurement processes of the particular KIC Legal Entities had weaknesses in the audited year. The EIT recognised this issue and carried out a pilot monitoring activity on the procurement procedures of one Legal Entity in 2016 and made targeted recommendations for improvement in this area. Similar monitoring activities have been conducted for all other KIC Legal Entities in 2017 and action plans for improvement have been put in place. The opinion of the EIT has been that KIC Legal Entities **do not fall under the EU public procurement directives**. However, the EIT has recently received contradicting legal opinions in the matter, which indeed leads to legal uncertainty. Nevertheless, it is important to note that, regardless of their status, ensuring best value for money for contracts concluded by KIC Legal Entities is a legal obligation in the EIT-KIC grant agreements that are based on the Horizon 2020 model grant agreement. In addition, the EIT, in consultation with the Commission services, will establish requirements for KIC Legal Entities ensuring compliance with the general principles of the EU public procurement directives.

Lastly, the report contained a summary of the **EIT's key figures in 2016**:

- **Budget**: EUR 283 million (in payment appropriations);
- **Staff**: 59 full time (staff includes officials, temporary and contract staff and seconded national experts).

2016 discharge: European Institute of Innovation and Technology (EIT)

2017/2176(DEC) - 26/03/2018 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Bart STAES (Greens/EFA, BE) on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology (EIT) for the financial year 2016.

The committee called on the European Parliament to grant the interim Director of the Institute discharge in respect of the implementation of the Institute' s budget for the financial year 2016.

Noting that the Court of Auditors stated that it had obtained reasonable assurance that the annual accounts of the Institute for the financial year 2016 were reliable and that the underlying transactions were legal and regular, Members called 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:

- **Budget and financial management**: Members noted that from the Institute's final accounts that its budget monitoring efforts during the financial year 2016 resulted in a budget implementation rate of 95 %, representing a significant increase compared to the previous year (compared to 90.58% in 2015). They noted that the payment appropriations execution rate was high at 99 %, representing an increase of 3.41 % compared to 2015.

- **Commitments and carry-overs**: the level of carry-overs for committed appropriations for operational expenditure was high, at 40 % (EUR 400 000), compared to 44 % in 2015. Those carry-overs relate mainly to contracts for IT services going beyond year-end and for meetings for which invoices had not yet been received. Carry-overs may often be justified and do not necessarily indicate weaknesses in budget planning and implementation.

Members also made a series of observations regarding procurement and staff policy, the prevention and management of conflicts of interests and internal audits and controls.

They regretted that knowledge and innovation communities (KIC) legal entities' procurements of up to EUR 2 200 000 were considered **irregular** in 2016 and proved significant shortcomings in their procurement procedures. They also regretted that the Institute had **four directors** from its creation in 2008 until July 2014. Since August 2014, the position of director, and, since February 2013, another managerial position, have been filled on an **ad interim basis**. They acknowledged the Institute's reply that it is not in a position to comment on the recruitment procedure for the Institute's director, as that is managed by the Commission. However, Members strongly urged the Commission to finalise this outstanding procedure.

2016 discharge: European Institute of Innovation and Technology (EIT)

2017/2176(DEC) - 18/04/2018 - Text adopted by Parliament, single reading

The European Parliament decided to **grant discharge** to the interim Director of the European Institute of Innovation and Technology (EIT) in respect of the implementation of the Institute's budget for the financial year 2016, and to approve the closure of the accounts for the financial year in question.

Noting that the Court of Auditors has stated that it has obtained reasonable assurances that the agency's annual accounts for the financial year 2016 are reliable and that the underlying transactions are **legal and regular**, Parliament adopted by 563 votes to 128 with 6 abstentions, a resolution containing a series of recommendations, which form an integral part of the decision on discharge and which add to the general recommendations set out in the resolution on performance, financial management and control of EU agencies:

- **Budget and financial management**: Members noted that from the Institute's final accounts that its budget monitoring efforts during the financial year 2016 resulted in a budget implementation rate of 95 %, representing a significant increase compared to the previous year (compared to 90.58% in 2015). They noted that the payment appropriations execution rate was high at 99 %, representing an increase of 3.41 % compared to 2015.
- **Commitments and carry-overs**: the level of carry-overs for committed appropriations for operational expenditure was high, at 40 % (EUR 400 000), compared to 44 % in 2015. Those carry-overs relate mainly to contracts for IT services going beyond year-end and for meetings for which invoices had not yet been received. Carry-overs may often be justified and do not necessarily indicate weaknesses in budget planning and implementation.

Members also made a series of observations regarding procurement and staff policy, the prevention and management of conflicts of interests and internal audits and controls.

Parliament acknowledged that the **structural understaffing** of the Institute affected its main activities and that delays in grant decisions and signing of grant agreements were a source of uncertainty.

Members regretted that knowledge and innovation communities (KIC) legal entities' procurements of up to EUR 2 200 000 were considered **irregular** in 2016 and proved significant shortcomings in their procurement procedures. They also regretted that the Institute had **four directors from its creation in 2008** until July 2014. Since August 2014, the position of director, and, since February 2013, another managerial position, have been filled on an ad interim basis. They acknowledged the Institute's reply that it is not in a position to comment on the recruitment procedure for the Institute's director, as the Commission manages that. However, Members strongly urged the Commission to finalise this outstanding procedure.

Parliament considered that the role of the Institute as regards the **concept of 'Open Innovation'** introduced in 2015 as the key policy concept to frame innovation policy at Union level, does not provide a clear framework for the development of a coherent and coordinated action by the Commission, given the number of policies and instruments in the mix and number of Directorate-Generals involved in supporting the innovation. The Commission was asked to pursue a coordinated and effective innovation policy.

2016 discharge: European Institute of Innovation and Technology (EIT)

2017/2176(DEC) - 26/06/2017 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2016, as part of the 2016 discharge procedure.

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

CONTENT: the organisational governance of the EU consists of institutions, agencies and other EU bodies whose expenditure is included in the general budget of the Union.

This Commission document concerns the EU's consolidated accounts for the year 2016 and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cash flows of the EU institutions and bodies, including the European Institute of Innovation and Technology (**EIT**), with a view to granting discharge.

Discharge procedure: the final step of a budget lifecycle is the discharge of the budget for a given financial year. It represents the political aspect of the external control of budget implementation and is the decision by which the European Parliament, acting on a Council recommendation, "**releases**" the Commission (and other EU bodies) from its responsibility for management of a given budget by marking the end of that budget's existence. The European Parliament is the discharge authority within the EU.

The discharge procedure may produce three outcomes: (i) the granting; (ii) postponement or; (iii) the refusal of the discharge.

The final discharge report including specific recommendations to the Commission for action is adopted in plenary by the European Parliament and are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

Each agency is subject to its own discharge procedure, including the **EIT**.

The European Institute of Innovation and Technology (EIT): 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. Its 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.

As regards the EIT's accounts, these are presented in detail in the document on the consolidated annual accounts of the European Union for 2016:

Commitment appropriations:

- available: EUR 285 million;
- made: EUR 271 million.

Payment appropriations:

- available: EUR 267 million;
- made: EUR 265 million.

For further details on expenditure, please refer to the final accounts of the EIT.

2016 discharge: European Institute of Innovation and Technology (EIT)

2017/2176(DEC) - 09/02/2018 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2016 and the balance sheet as at 31 December 2016 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 2016, 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 2016.

The Council welcome the Court's opinion that the Institute's annual accounts present fairly, in all material respects, its financial position as at 31 December 2016 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 2016 are legal and regular with the exception of the matter described below.

Nevertheless, the following observations were made:

- **procurement**: the Council regretted the Court's finding of significant shortcomings in the Institute's KIC Legal Entities procurement procedures, such as direct award contracts, absence of essential elements in tenders, extensions of contract volume and time, and quality/price weighting, as well as ex-post verification;
- **grants**: despite of some improvement compared to 2015, the Council is concerned about the delays related to the grant award decisions, which create uncertainty and reduce the partners' willingness to commit resources to start activities at the beginning of the year. In this respect, the Council invited the Institute to improve its processes in grant award decisions to eliminate the risk of such an adverse situation.