## Basic information

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|---|---|
| **2018/2207(DEC)**<br>DEC - Discharge procedure | Procedure completed |
| 2017 discharge: European Institute of Innovation and Technology (EIT)<br>**Subject**<br>8.70.03.02 2017 discharge | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| CONT Budgetary Control | SARVAMAA Petri (PPE) | 26/07/2018 |
| | Shadow rapporteur<br>KADENBACH Karin (S&D)<br>CZARNECKI Ryszard (ECR)<br>ALI Nedzhmi (ALDE)<br>DE JONG Dennis (GUE/NGL)<br>STAES Bart (Verts/ALE)<br>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 |
|---|---|---|---|
| 28/06/2018 | Non-legislative basic document published | COM(2018)0521 | Summary |
| 11/09/2018 | Committee referral announced in Parliament | | |
| 20/02/2019 | Vote in committee | | |
| 04/03/2019 | Committee report tabled for plenary | A8-0152/2019 | Summary |

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|---|---|---|---|
| 26/03/2019 | Decision by Parliament | T8-0270/2019 | Summary |
| 26/03/2019 | Results of vote in Parliament | | |
| 26/03/2019 | Debate in Parliament | | |
| 26/03/2019 | End of procedure in Parliament | | |
| 27/09/2019 | Final act published in Official Journal | | |

## Technical information

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|---|---|
| **Procedure reference** | 2018/2207(DEC) |
| **Procedure type** | DEC - Discharge procedure |
| **Other legal basis** | Rules of Procedure EP 165 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | CONT/8/14335 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE626.798 | 17/12/2018 | |
| Amendments tabled in committee | | PE634.476 | 01/02/2019 | |
| Committee report tabled for plenary, single reading | | A8-0152/2019 | 04/03/2019 | Summary |
| Text adopted by Parliament, single reading | | T8-0270/2019 | 26/03/2019 | Summary |

**Council of the EU**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Supplementary non-legislative basic document | 05825/2019 | 24/01/2019 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Non-legislative basic document | COM(2018)0521 | 28/06/2018 | Summary |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| CofA | Court of Auditors: opinion, report | N8-0012/2019<br>OJ C 434 30.11.2018, p. 0001 | 18/09/2018 | Summary |

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

| Final act |
|---|
| Budget 2019/1482<br>OJ L 249 27.09.2019, p. 0228 |

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

2018/2207(DEC) - 28/06/2018 - Non-legislative basic document

PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2017, as part of the 2017 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 2017** 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 with a view to granting discharge.

**Discharge procedure**: **the final step of a budget lifecycle is the discharge**. It is the decision by which the European Parliament '**releases**' the Commission from its responsibility for management of a given budget by marking the end of that budget's existence. It is granted by the European Parliament on the recommendation of the Council.

The decision is based in particular on the European Court of Auditors reports, in particular its annual report, in which the Court provides a Statement of Assurance (DAS) on the legality and regularity of transactions (payments and commitments).

The procedure results in the granting, postponement or refusal of 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.

All EU institutions and other agencies, bodies and joint undertakings are subject to their own discharge procedures.

**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 2017:

**Commitment appropriations**:

- available: EUR 317 million;
- made: EUR 289 million.

**Payment appropriations**:

- available: EUR 308 million;
- made: EUR 306 million.

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

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

2018/2207(DEC) - 26/03/2019 - 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) for the financial year 2017 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 Institute's annual accounts for the financial year 2017 are reliable and that the underlying transactions are legal and regular, Parliament adopted by 508 votes to 118 with 9 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 draft resolution on performance, financial management and control of EU agencies:

***Institute's financial statement***

The final budget of the European Institute of Innovation and Technology for the financial year 2017 was EUR 338 465 181, representing an increase of 15.20 % compared to 2016. The overall contribution of the Union to the Institute's budget for 2017 amounted to EUR 315 147 801.58.

***Budget and financial management***

The budget monitoring efforts during the financial year 2017 resulted in a budget implementation rate of 91.23 %, representing a decrease of 3.8 % compared to 2016. This low number is linked to the low implementation rate of commitments appropriations of grants. The Institute stated that it will try to improve its budgetary processes to enhance the implementation. Payment appropriations execution rate was 99.5 %, representing a slight increase of 0.36 % compared to 2016.

There was a low implementation rate due to an unforeseen delay in introducing Sysper for human resource management as well as overestimation of other maintenance costs.

The cancellations of carryovers from 2016 to 2017 amounted up to 95 721, representing 16.26 % of the total amount carried forward, and showing a notable increase of 5.33 % in comparison to 2016.

Members also made a series of observations regarding performance, staff policy, procurement, conflicts of interest and internal controls.

In particular, they noted that:

- on 31 December 2017, the establishment plan was 92.68 % filled, with 38 temporary agents appointed out of 41 authorised under the Union budget. Members urged the Institute to refrain from relying too heavily on temporary contracts;

- the Institute's current interim director was appointed in 2014, and has held the post ever since as ad interim. This practice is at odds with the Staff Regulations which limits the duration to a maximum of one year. Members urged the Institute to replace the interim director by a new director, without further delay;

- in 2017 several conflicts of interests cases were identified and assessed and that adequate measures were taken;

- the Commission finally granted the Institute full financial autonomy in December 2017, since it achieved compliance with the internal control standards.

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

2018/2207(DEC) - 24/01/2019 - Supplementary non-legislative basic document

Having examined the revenue and expenditure accounts for the financial year 2017 and the balance sheet as at 31 December 2017 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 2017, 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 2017.

The Council welcomes the Court's opinion 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 the Institute's Financial Regulation, and that the underlying transactions for 2017 are legal and regular with the exception of the matter described below.

Nevertheless, some observations need to be made.

***Performance***

The Council regretted the Court's finding related to amendments to the specific grant agreements with the Institute's Knowledge and Innovation Communities (KICs), which goes against the purpose of encouraging KICs to find own resources of financing and become gradually financially independent from the Institute. The Council called on the Institute to reduce the use of amendments to the specific grant agreements.

***Procurement***

The Council regretted the weaknesses found by the Court in the Institute's procurement procedures and called on the Institute to take appropriate actions in order to ensure the effectiveness of the process, competition in its procurement procedures, as well as the full implementation without unjustified delay of electronic public procurement.

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

2018/2207(DEC) - 04/03/2019 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Petri SARVAMAA (EPP, FI) on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology (EIT) for the financial year 2017.

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 2017.

Noting that the Court of Auditors stated that it had obtained reasonable assurance that the annual accounts of the Institute for the financial year 2017 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:

***Institute's financial statement***

The final budget of the European Institute of Innovation and Technology for the financial year 2017 was EUR 338 465 181, representing an increase of 15.20 % compared to 2016. The overall contribution of the Union to the Institute's budget for 2017 amounted to EUR 315 147 801.58.

***Budget and financial management***

The budget monitoring efforts during the financial year 2017 resulted in a budget implementation rate of 91.23 %, representing a decrease of 3.8 % compared to 2016. This low number is linked to the low implementation rate of commitments appropriations of grants. The Institute stated that it will try to improve its budgetary processes to enhance the implementation. Payment appropriations execution rate was 99.5 %, representing a slight increase of 0.36 % compared to 2016.

The cancellations of carryovers from 2016 to 2017 amounted up to 95 721, representing 16.26 % of the total amount carried forward, and showing a notable increase of 5.33 % in comparison to 2016.

Members also made a series of observations regarding performance, staff policy, procurement, conflicts of interest and internal controls.

In particular, they noted that:

- on 31 December 2017, the establishment plan was 92.68 % filled, with 38 temporary agents appointed out of 41 authorised under the Union budget. Members urged the Institute to refrain from relying too heavily on temporary contracts;

- the Institute's current interim director was appointed in 2014, and has held the post ever since as ad interim. This practice is at odds with the Staff Regulations which limits the duration to a maximum of one year. Members urged the Institute to replace the interim director by a new director, without further delay;

- in 2017 several conflicts of interests cases were identified and assessed and that adequate measures were taken;

- the Commission finally granted the Institute full financial autonomy in December 2017, since it achieved compliance with the internal control standards.

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

2018/2207(DEC) - 18/09/2018

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).