RESOLUTION (EU) 2020/1930 OF THE EUROPEAN PARLIAMENT

of 14 May 2020

with observations forming an integral part of the decision on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology (EIT) for the financial year 2018

THE EUROPEAN PARLIAMENT,

— having regard to its decision on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology for the financial year 2018,

— having regard to Rule 100 of and Annex V to its Rules of Procedure,

— having regard to the report of the Committee on Budgetary Control (A9-0054/2020),

A. whereas, according to its statement of revenue and expenditure [1], the final budget of the European Institute of Innovation and Technology (the 'Institute') for the financial year 2018 was EUR 458 057 031,54, representing an increase of 35,33 % compared to 2017, mainly due to the increasing importance of Knowledge and Innovation Communities (KICs), in particular those on EIT Health, EIT Raw Materials and EIT Food, in their education, innovation and business creation activities; whereas the overall contribution of the Union to the Institute's budget for 2018 amounted to EUR 312 886 716 [2];

B. whereas the Court of Auditors (the 'Court'), in its report on the Institute's annual accounts for the financial year 2018 (the 'Court's report'), states that it has obtained reasonable assurances that the Institute's annual accounts are reliable and that the underlying transactions are legal and regular;

Budget and financial management

1. Notes that the budget monitoring efforts during the financial year 2018 resulted in a budget implementation rate of 92,05 %, representing an increase of 0,82 % compared to 2017; notes that the payment appropriations execution rate was 97,80 %, representing a decrease of 1,72 % compared to 2017; observes that this slight increase in the commitment implementation rate is mainly owing to an increase in commitment execution in operational expenditure and, in particular, grants to the Institute's KICs;

2. Notes the Institute's reply to the 2017 discharge that the move to multi-annual grant agreement with the Institute's KICs in the post-2020 period is dependent on the budgetary allocations for 2021 to 2027 and that the Institute's future legal basis is still under negotiation;

3. Notes with concern from the Court's report that the Institute was late in paying the agreed pre-financing to two KICs; calls on the Institute to manage, with the Commission, cash needs in a timely manner and to avoid any risk of late payment interest and of reputational damage; notes from the Institute's reply that the late payment of the pre-financing to KICs was caused by the non-availability of cash on the Institute's bank account and that it planned and initiated the request of the Commission subsidy in line with the relevant procedures but this resulted in a payment delay, which was beyond the Institute's control;

Performance

4. Acknowledges that the Institute uses key performance indicators (KPIs) at the Institute-level and KIC-level, as well as management-oriented Horizon 2020 KPIs and that it also uses specific indicators set out in the single programming document; notes, furthermore, that it uses additional KPIs to enhance its budget management; notes that, following the mid-term evaluation by the Commission and the Institute Impact Study of 2017, the Institute is working on establishing an Impact Framework to measure the socioeconomic impact of its KIC activities;

[1] OJ C 120, 29.3.2019, p. 213.
[2] OJ C 120, 29.3.2019, p. 214.

5. Notes the fact that the Institute has outsourced accounting services to the Commission in October 2019; strongly encourages the Institute to actively seek further and broader cooperation with all of the Union agencies; urges the Institute to explore possibilities of resources sharing on overlapping tasks among other agencies with similar activities;

6. Notes the results from the Commission's mid-term report published in October 2017 that the Institute is the only Union body that fully integrates business, research and education, that the Institute's community delivers ground-breaking results, and that its existing KICs bring innovative solutions;

7. Notes with concern from the Court's report that actual progress towards sustainability remains limited for KICs, that the three first-wave KICs are a cause for concern due to their low financial sustainability indicators, displaying only modest growth, with a higher concern with regard to the Climate-KIC, which has the lowest score; notes the Institute's reply that the revenues generated by KICs have increased from EUR 23,7 million in 2017 to EUR 38,4 million in 2018, that assets are being built by the KICs ensuring future revenues, and that substantial co-financing for the cost of KICs activities is borne by KICs and KIC partners, that ceilings for the Institute's management cost of KICs are in place at both KIC and individual staff members level; calls on the Institute to concentrate on lean management structures, review the portfolio of activities pursued and promote alternative revenue sources;

8. Notes that the EIT Community also reached another major milestone in 2018, growing to eight KICs, as provided for in the EIT Strategic Innovation Agenda for 2014 to 2020, including the designation of EIT Manufacturing and EIT Urban Mobility in December 2018;

9. Encourages the Institute to pursue the digitalisation of its services;

Staff policy

10. Notes that, on 31 December 2018, the establishment plan was 97,73 % executed, with 43 temporary agents appointed out of 44 temporary agents authorised under the Union budget (compared to 41 authorised posts in 2017); notes that, in addition, 20 contract agents and one seconded national expert have been working for the Institute in 2018;

11. Notes with regard to gender balance on the management board for 2018 that there are 4 men and 8 women;

12. Reiterates its concern based on the Court's report that the limited staff resources do not correspond to the increase in the budget of the Institute and in the number of KICs which create a risk for the Institute to deal with the expanded workload and to achieve its strategic objectives;

13. Notes that the Institute decided to adopt a manual for informal procedures for cases of harassment and that the decision of the director of the Institute on the appointment of confidential counsellors will be adopted by end of 2019; welcomes the fact that the Institute provides members of staff with annual training sessions on ethics and integrity, with a part of that training devoted to harassment;

14. Notes that the Institute requested the Commission to grant it seven additional posts from 2020 onwards to address the structural understaffing of the Institute, and to be able to fully implement the Institute's work programme planned for 2020; notes with concern that the Commission did not grant the requested additional posts;

15. Notes from the Court's report that, according to the Institute's statutes, it can only offer TAs contracts for a maximum of five years, extendable for a further five years, and given that there are key staff members that will reach the maximum 10 years in 2020; expresses concerns that the continuity of the operations could be potentially hampered; notes that the Institute's requests to solve these contract issues under the current statute were not met by the Commission, and that, as a result, the Institute could not offer contract extensions to 10 members of staff, and that it has taken the necessary steps to launch calls for expressions of interest for those key positions to ensure the continuity of operations;

16. Welcomes the fact that, according to the Institute's reply, the new director was appointed by the Institute's governing board decision of 19 August 2019;

17. Notes with concern that the Institute paid nearly EUR 3 000 as allowances to five staff members for whom the Institute was already paying tuition fees to the school directly, which resulted in an irregular double financing of education costs; welcomes the fact that the Institute has regularised the situation by means of a thorough review of pre-school allowance payments, has established the amounts to be recovered from each staff member and has put in place additional control measures for staff entitlements, notes that the amounts unduly paid are planned to be recovered in the course of 2019; calls on the Institute to report to the Court and the discharge authority on the amount recovered;

Procurement

18. Notes from the Court's report that in 2014 the Commission signed, on behalf of the Institute and other Union institutions and bodies, a framework contract for the acquisition of software, licences and the provision of related IT maintenance and consultancy, and that the Institute in the *ex ante* control did not systematically check the framework contractor's prices and uplifts charged with the suppliers' quotes; stresses that total payments to the framework contractor amounted to EUR 64 000;. notes the Institute's reply that it followed the mechanism prescribed in the framework contract and that the framework contract in question has expired and has been replaced by a new one requiring that each quotation shall provide a split between the original pricing and the uplift; highlights the fact that the framework contract itself may restrict competition, as there is no evidence that the framework contractor chooses suppliers on a competitive basis; calls on the Commission to report on the competitiveness of the framework contracts; calls on the Institute to adapt *ex ante* controls on payments under such contracts and to ensure there is a competitive procedure for all procurements;

19. Welcomes the fact that the Institute has introduced e-tendering and e-submission in 2018 and has processed several calls for tender via e-procurement tools in 2019;

20. Notes the Institute's reply to the findings of the Court in 2016 relating to procurement procedures of the KIC legal entities (LEs), and observes that the Institute contracted external experts to review the procurement policies and procedures in 2016 to 2017; notes that the Institute introduced new provisions in the KICs' specific grant agreements for 2018 to ensure the alignment of the KIC LEs procurement policies with the main requirements of the Union public procurement law; notes that in 2019 the Institute launched a new monitoring activity on the procurement policies and procedures of the KIC LEs and their co-location centres;

Prevention and management of conflicts of interests and transparency

21. Acknowledges the Institute's existing measures and ongoing efforts to secure transparency, to prevent and manage conflicts of interests, and to protect whistleblowers; takes note of the fact that in 2018 several potential conflicts of interests cases were identified and assessed and adequate measures were taken, including exclusion from relevant activities where a conflict of interests was identified;

22. Welcomes the fact that the EIT publishes a list of external experts together with the remuneration paid on an annual basis; calls on the Institute to put in place a requirement that external experts declare conflicts of interests;

Internal controls

23. Notes that in 2018, the Commission's internal audit service (IAS) carried out an audit on *ex ante* verification of payments to the KICs, concluding that very significant weaknesses exist in the area of prevention and detection of fraud, although procedures for the *ex ante* verification of payments to the KICs are overall generally effective and in line with Horizon 2020 legal requirements; notes that the IAS has issued three findings out of which the Institute has accepted only one but that the Institute has drawn up an adequate action plan for the implementation of all recommendations, including the two rejected findings;

24. Notes that the 2018 assessment on the KICs' implementation of good governance principles, addressing the recommendations of the IAS, was finalised in September 2018; notes that the 2019 assessment, as a part of the 2018 performance assessment of the KICs, was finalised in July 2019; notes that five out of six KICs generally address the good governance principles well;

25. Regrets the number of outstanding issues and ongoing corrective measures in response to the Court's comments in 2014, 2015, 2016 and 2017 related in particular to funding condition, funding from public, grants and private sources; notes that the Institute's reply states that it has continued to take corrective measures and completed most of the open actions addressing the Court's comments, and acknowledges that a number of the remaining open actions are beyond the Institute's control and that some comments remaining open require a long-term perspective to become fully addressed;

26. Notes with grave concern from the Court's report that the Institute paid the remuneration of a member of the governing board to the wrong person over a period of one and a half year, and that it became aware of this error only after the person contacted the Institute; notes the Institute's reply that this error was due to a one-off misunderstanding and that appropriate controls are in place to prevent similar situations from arising; strongly urges the Institute to put in place measures that will prevent such significant errors in the future;

Other comments

27. Notes that throughout 2018, the Institute actively engaged with key stakeholders, including in the context of the Union's next Multiannual Financial Framework and its Framework Programme for Research and Innovation; notes that the Commission proposed a budget of EUR 100 billion for Horizon Europe, including a EUR 3 billion budget for the Institute;

28. Calls on the Institute to focus on disseminating the results of its research to the public, and to reach out to the public via social media and other media outlets;

29. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of 14 May 2020 on the performance, financial management and control of the agencies ([3]).

([3]) Texts adopted, P9_TA(2020)0121.