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DRAFT REPORT

on discharge in respect of the implementation of the budget of the European
Institute of Innovation and Technology (EIT) for the financial year 2022
(2023/2154(DEC))

Committee on Budgetary Control

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1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on discharge in respect of the implementation of the budget of the European Institute of Innovation and Technology (EIT) for the financial year 2022 (2023/2154(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Institute of Innovation and Technology (EIT) for the financial year 2022,
- having regard to the Court of Auditors' annual report on EU agencies for the financial year 2022, together with the agencies' replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2022, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2024 on discharge to be given to the Institute in respect of the implementation of the budget for the financial year 2022 (00000/2024 – C9-0000/2024),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012³, and in particular Article 70 thereof,
- having regard to Regulation (EU) 2021/819 of the European Parliament and of the Council of 20 May 2021 on the European Institute of Innovation and Technology⁴, and in particular Article 23 thereof,
- having regard to Commission Delegated Regulation (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council⁵, and in particular Article 105 thereof,
- having regard to Rule 100 of and Annex V to its Rules of Procedure,

¹ OJ C, C/2023/594, 27.10.2023.

² OJ C, C/2023/112, 12.10.2023.

³ OJ L 193, 30.7.2018, p. 1.

⁴ OJ L 189, 28.5.2021, p. 61.

⁵ OJ L 122, 10.5.2019, p. 1.

- having regard to the report of the Committee on Budgetary Control (A9-0000/2024),
- 1. Grants the Director of the European Institute of Innovation and Technology (EIT) discharge in respect of the implementation of the Institute's budget for the financial year 2022 / Postpones its decision on granting the Director of the European Institute of Innovation and Technology (EIT) discharge in respect of the implementation of the Institute's budget for the financial year 2022;
- 2. Sets out its observations in the resolution below;
- 3. Instructs its President to forward this decision, and the resolution forming an integral part of it, to the Director of the European Institute of Innovation and Technology (EIT), the Council, the Commission and the Court of Auditors, and to arrange for their publication in the *Official Journal of the European Union* (L series).

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the closure of the accounts of the European Institute of Innovation and Technology (EIT) for the financial year 2022 (2023/2154(DEC))

The European Parliament,

- having regard to the final annual accounts of the European Institute of Innovation and Technology (EIT) for the financial year 2022,
- having regard to the Court of Auditors' annual report on EU agencies for the financial year 2022, together with the agencies' replies¹,
- having regard to the statement of assurance² as to the reliability of the accounts and the legality and regularity of the underlying transactions provided by the Court of Auditors for the financial year 2022, pursuant to Article 287 of the Treaty on the Functioning of the European Union,
- having regard to the Council's recommendation of ... February 2024 on discharge to be given to the Institute in respect of the implementation of the budget for the financial year 2022 (00000/2024 – C9-0000/2024),
- having regard to Article 319 of the Treaty on the Functioning of the European Union,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012³, and in particular Article 70 thereof,
- having regard to Regulation (EU) 2021/819 of the European Parliament and of the Council of 20 May 2021 on the European Institute of Innovation and Technology⁴, and in particular Article 23 thereof,
- having regard to Commission Delegated Regulation (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council⁵, and in particular Article 105 thereof,
- having regard to Rule 100 of and Annex V to its Rules of Procedure,

¹ OJ C, C/2023/594, 27.10.2023.

² OJ C, C/2023/112, 12.10.2023.

³ OJ L 193, 30.7.2018, p. 1.

⁴ OJ L 189, 28.5.2021, p. 61.

⁵ OJ L 122, 10.5.2019, p. 1.

- having regard to the report of the Committee on Budgetary Control (A9-0000/2024),
- 1. Approves the closure of the accounts of the European Institute of Innovation and Technology (EIT) for the financial year 2022 / Postpones the closure of the accounts of the European Institute of Innovation and Technology (EIT) for the financial year 2022;
- 2. Instructs its President to forward this decision to the Director of the European Institute of Innovation and Technology (EIT), the Council, the Commission and the Court of Auditors, and to arrange for its publication in the *Official Journal of the European Union* (L series).

3. MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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 2022 (2023/2154(DEC))

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 (EIT) for the financial year 2022,
 - 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 (A9-0000/2024),
- A. whereas, according to its statement of revenue and expenditure¹, the final budget of the European Institute of Innovation and Technology (the ‘Institute’) for the financial year 2022 was EUR 406 585 390,99 representing an increase of 12,65 % compared to 2021; whereas the budget of the Institute derives mainly from the Union budget;
- B. whereas the Court of Auditors (the ‘Court’), in its report on the Institute’s annual accounts for the financial year 2022 (the ‘Court’s report’), states that the Court has obtained reasonable assurance 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 2022 resulted in a current year commitment appropriations implementation rate of 94,03 %, representing a decrease of 3,88 % compared to 2021; notes that the current year payment appropriations execution rate was 98,42 % representing a decrease of 1,06 % compared to 2021;
2. Notes that the amount of the Institute’s final budget is the result of an amendment of EUR 656 930,67 adopted by the Governing Board due to modifications made to the Institute’s annual work programme 2022;
3. Notes with concern the Court’s observation regarding the legality and regularity of the Institute’s grants was verified ex-post by an independent external auditor, being the error rate in 2021 1,73 % (0,66 % in 2020), highlights that although the error rate is still below materiality level of 2 %, the critical risks due to increased budget, mandate and activities under Horizon Europe coupled with an increase in the number of Knowledge and Innovation Communities (KICs) may strain the Institute’s ability to supervise and monitor KICs effectively which could result in higher error rates and undetected irregularities in the future; calls on the Institute to take concrete steps to reduce the error

¹ OJ C 489, 22.12.2022, p.56.

rate;

4. Observes from the Court's report that in 2022 the Institute paid interest on late payments in relation to grants in two cases totalling EUR 32 070; notes with concern that in both cases, the Institute did not adequately monitor the regulatory deadlines, which demonstrates a weakness in the Institute's payment workflow; takes note that according to the Institute's reply to the Court's observation, as of 2023 it has reviewed its grant management processes, trained relevant staff and is using the Commission's grant management IT system (eGrants), thereby significantly reducing the likelihood of the occurrence of a similar error in the future;

Performance

5. Notes with satisfaction that the Institute uses a system of Key Performance Indicators (KPIs) linked to operational activities, governance and corporate communications; further notes that the Institute achieved with some delays approximately 95 % of its Work Programme 2022; takes note that under the framework of the New European Innovation Agenda the Institute was tasked with new activities, which were not included in the initial plan and no additional resources were allocated for accomplishing these activities;
6. Welcomes that the Institute continued to increase its impact during 2022, enabling almost 1 670 innovative products and services, training thousands of entrepreneurs and supporting 5 600 start and scale-ups that attracted close to EUR 6 billion in investments; further notes that the Institute concluded its integration into Horizon Europe, having transitioned into a multiannual funding model;
7. Observes that the Institute has progressed in the implementation of the pilot initiative 'Innovation Capacity Building for Higher Education' launched in 2021, increasing interest and participation of Higher Education Institutions; notes that the Institute's has been highlighted as one of the key contributors and actors of the European Innovation Ecosystem, with the launch of its Deep Tech Talent Initiative which aims to skill, re-skill, and upskill at least 1 million talents in the next three years;
8. Welcomes that the Institute supported the people of Ukraine after the illegal and unprovoked invasion of Russia in February 2022, providing assistance to students, entrepreneurs, researchers and higher education institutions and business; further notes that the Institute launched the European Battery Alliance Academy under the Recovery Assistance for Cohesion and the Territories of Europe, being the first major allocation of funds from another programme to the Institute;

Efficiency and gains

9. Notes that the Institute has signed a Memorandum of Understanding with the European Union Agency for Law Enforcement Training, covering several joint activities and security assessments; reminds that joint activities bring together diverse perspectives, reduce duplication of effort, enhance learning and strengthen relationships between the participants; further notes that the Institute in order to improve its efficiency started implementing its transition from H2020 to Horizon Europe in 2021 and concluded in 2022 in collaboration with the European Commission;

10. Observes that the Institute has adopted different process efficiency reviews, having as a result the adjustment of job descriptions, staff objectives and the allocation of tasks and resources, among others; notes that the Institute performed in 2022 a restructuring exercise and adopted a 'Way of Working' document among other issues to increase efficiency, for example for the use of email, meetings, remote work;
11. Welcomes that in 2022, new IT tools supporting the Institute administrative operations were launched with the ultimate objective of increasing the operational efficiency and effectiveness of the organisation, including the procurement tool PPMT, Q-Sign (electronic signature), and the introduction of various modules of SYSPER; invites the institution to find more internal procedures that could be streamlined via new IT tools;

Staff policy

12. Notes that, on 31 December 2022, the establishment plan was 93 % implemented, with 40 temporary agents appointed out of 45 temporary agents authorised under the Union budget (the same number of authorised posts as in 2021); notes that, in addition, 25 contract agents, 1 seconded national expert and 10 interim staff worked for the Institute in 2022;
13. Is concerned about the fact that the continuous understaffing of the Institute, as highlighted by the Court in its Annual Reports has not been matched by additional posts; highlights that the Institute reiterated its request in early 2023 to receive the additional 10 staff positions, which would allow it to deliver on its 2024 work programme; draws attention to the need for the alignment of the Institute's resources with its mandate expectations;
14. Notes the gender distribution within the Institute's senior and middle management positions, with 5 out of 8 being men, within the management board, with 9 out of 14 being men, and finally, within the Institute's staff overall, with 28 out of 65 being men; further notes that the Institute's Gender Equality Policy and Action Plan was approved in 2022;
15. Welcomes the Institute's initiatives to strengthen the importance of gender balance like Girls Go Circular programme, at school level, and Supernovas, promoting the women entrepreneurship and leadership; notes furthermore that the Institute adopted the EUAN Charter on Diversity & Inclusion in 2023, confirming its commitment to securing equal opportunities at every step of the career and empowering working environment where diversity is regarded as a source of innovation, enrichment, and creativity and where inclusion is promoted by managers and all staff;
16. Observes that the Institute had implemented most of the SYSPER modules in 2022 and will be continued in 2023; notes that the Institute has adopted the European Union Agencies Network Charter on Diversity and Inclusion showing its commitment to secure equal opportunities and empower working environment; further notes that the Institute has established several measures to improve their staff's well-being at work and life-balance, covering public transport costs, enrolment of their children in international kindergartens, flexible and hybrid working conditions, among others;
17. Notes that one former Commissioner and one former MEP are receiving honoraria of

EUR 2 000 per attended Governing Board (GB) meeting from the budget of the Institute as members of the Institute's GB;

18. Notes that one harassment case was reported, and an administrative inquiry was opened and is still ongoing; calls on the Institute to inform to the discharge authority on any development in that regard;

Prevention and management of conflicts of interest and transparency

19. Acknowledges the Institute's existing measures and ongoing efforts to secure transparency, prevention and management of conflicts of interest, and to ensure the protection of whistleblowers; notes that the Institute published on its website the declarations of interest and CVs of the members of its governing board and management team; notes furthermore that the Institute publishes on its website information on all meetings held by its Governing Board and management team in public events and meetings per month;
20. Notes that the Institute has adopted a policy regarding the prevention and management of conflict of interest for staff, including procedures for issuance and assessment of annual declarations of interest and procedure regulating the breach of trust of the Institute's rules on declaration of interest; further notes that the Institute has established the Conflict and Advisory Committee, has provided awareness sessions for its staff on Ethics and Integrity and is developing a decision on Col templates and administrative procedures;
21. Welcomes the Institute's effort regarding the declarations of interest of the members of its governing board, with three different declarations being conducted: the Annual Declaration of Interest, Declaration of Interest on the Evaluation of the KIC's Proposals and Declaration of Interest on the KIC's Business Plan; notes that conflict of interest situations were identified regarding some members of the Governing Board with the Annual Declaration of Interest, consequently, they were informed and mitigating measure were adopted;
22. Notes that the Institute is working on the drafting of a new policy for assessing post-employment restrictions and prohibitions for its senior staff for taking up certain positions after their term-of-office; observes that the policy will specify those positions that are forbidden to be taken up after the term of office, as well as the criteria for when it will prohibit such moves in the future, with a limitation of two years; welcomes that the Institute will also adopt a corruption policy/decision beginning of 2024 which will set up the basis to develop internal anticorruption mechanisms to be implemented;
23. Takes note that OLAF issued two recommendations following two different investigations, with one out of the two recommendations implemented in the course of 2022, while the remaining recommendation is currently in the process of being implemented;

Procurement

24. Takes note that for three audited administrative payments amounting to EUR 337 116, the Institute authorised the budgetary commitments only after the related legal

commitments were signed; emphasizes that this is not an isolated incident, as the Court has previously observed a similar issue in its 2021 report; recalls that this goes against Article 73 (2) of the Framework Financial Regulation; observes from the Institute's reply that will take additional measures to ensure full compliance with Article 73(2) of the Framework Financial Regulations, i.e. dedicated staff information sessions, update of the procedures in place and strengthening of related internal controls; urges the Institute to take immediate action and to implement measures to ensure that all financial transactions are in compliance with the Framework Financial Regulation;

Internal control

25. Notes that the Institute concluded the transition of the Internal Audit Capability function to a KIC's monitoring and supervision function adopted by the Governing Board Decision 12/2022 with date effect on 1 April 2022; acknowledges that the internal auditing function is now performed by Commission's Internal Audit Service (IAS); observes that additionally, the role of the Internal Control Coordinator was strengthened, with tasks including coordinating internal control activities and reporting at the Institute, implementing audit recommendations, coordinating audits, liaising with external auditing bodies, and contributing to financial and operational management in areas such as procurement, contract implementation, payments, and reporting;
26. Notes that the Internal Audit Service (IAS) started preparations in 2022 for the 2023-2025 strategic internal audit plan of the Institute; notes furthermore that the IAS commenced an audit, concluded in 2023, on the management of experts in the Institute to assess the effectiveness of the internal control system for expert management processes, including selection, contracting, and payment in the Institute;
27. Points out that an important recommendation issued by IAS from the 2021 Human Resources Management audit, focusing on the appraisal and reclassification exercise, was significantly delayed by 15 months; notes that the risks identified included potential delays and ineffectiveness in the exercise, the possibility of incorrectly justified management decisions leading to challenges in review procedures or before the Court, staff dissatisfaction and demotivation, concerns about the Joint Reclassification Committee not fulfilling its role, and the overall loss of credibility for the reclassification exercise and review mechanism, leading to staff demotivation; calls on the Institute to take proactive measures to address any potential delays and ineffectiveness in the appraisal and reclassification exercise and to report back to the discharge authority on the progress in this matter;
28. Observes that the Institute has increased its interaction with the European Anti-Fraud Office, having celebrated bilateral meetings and anti-fraud awareness sessions; further notes that the Institute has in place its Anti-Fraud Strategy 2021-2023, adopted on May 2021;
29. Notes that the Institute implemented the risk assessment exercise and recorded in the Institute's Risk Register 2022, having identified the following risks: non-implementation of elements of the Annual Work Programme due to insufficient human resources, improper implementation of KIC agreements, delays in the Institute procurement procedures and in the on-boarding to the Commission IT systems, among

others; calls on the Institute to report to the discharge authority any development in that regard;

30. Notes from the Court's report that for a software renewal order the Institute did not carry out an ex-ante verification, to confirm whether the contractor had charged the correct price and uplift fee, as set out in the applicable framework contract, notes that this is contrary to the provisions of Article 30 of the Financial Regulation on ex ante controls and creates a risk that the Institute will pay incorrect amounts for the services obtained; observes that according to the Institute's reply, it will require a breakdown from the contractor when requesting an offer, which would clearly indicate the price and the mark-up to assess any price-related risk;

Other comments

31. Notes that the Institute organised during 2022 events to enhance its visibility across the Member States and the Union and also Open Days in order to inform about the opportunities offered at the Institute for potential candidates; further notes that the Institute also launched the 'Deep Tech Talent Initiative' which is part of the New European Innovation Agenda, and it will help to skill citizens in tech areas for the future;
32. Observes that the Institute has been working to become a climate neutral agency taking the necessary steps towards environment management; notes that the Institute is the Europe's largest innovation ecosystem and a leading instrument under Horizon Europe to tackle climate change and related issues; welcomes the Institute's actions during 2022 to achieve its environmental objectives: the creation of the Sustainability Committee, becoming a member of the EU Agencies Network Greening Subnetwork and the celebration of EITree, an event where different member of the staff planted trees in an urban area;
33. Notes that the EMAS certification is on the medium or long term agenda of the Institute;
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34. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of [...] 2024² on the performance, financial management and control of the agencies.

² Texts adopted, P9_TA(2024)0000.