

RESOLUTION (EU) 2019/1483 OF THE EUROPEAN PARLIAMENT**of 26 March 2019****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 for the financial year 2017**

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 2017,
 - having regard to Rule 94 of and Annex IV to its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0152/2019),
- 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 2017 was EUR 338 465 181, representing an increase of 15,20 % compared to 2016, mainly due to the increase in grants appropriated to the Institute to allocate among the Knowledge and Innovation Communities (KICs); whereas the overall contribution of the Union to the Institute's budget for 2017 amounted to EUR 315 147 801,58;
- B. whereas the Court of Auditors (the 'Court'), in its report on the Institute's annual accounts for the financial year 2017 (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 2017 resulted in a budget implementation rate of 91,23 %, representing a decrease of 3,8 % compared to 2016; observes that this low number is linked to the low implementation rate of commitments appropriations of grants; acknowledges from the Institute that it will try to improve its budgetary processes to enhance the implementation; notes that the payment appropriations execution rate was 99,5 %, representing a slight increase of 0,36 % compared to 2016; notes that 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; particularly calls on the Institute to enhance the implementation in this area;
2. Notes with concern from the Court's report that the knowledge and innovation communities (KICs), did not fully use the grants awarded by the Institute, mainly due to an incomplete implementation of the business plans; acknowledges from the Institute's reply that it intends to address this issue by moving towards multi-annual grant agreements with KICs in the post-2020 period; calls on the Institute to report to the discharge authority on the steps taken in this regard;
3. Notes with concern from the Court's report that an increase in the single reimbursement rates (SRRs) occurred in several KICs, against the purpose of encouraging KICs to find own sources of financing and incentivising them to become gradually independent from the Institute; takes note of the Institute's reply that the adjustment of the SRRs is in line with the applicable legal basis, and that it considers that some KICs are able to obtain significant proportion of resources by their own;
4. Regrets that some activities were added to two KICs, amending the initial business plans and the grants allocated to them, which is against the Rules of Application of the Financial Regulation, since it impairs equal treatment of the KICs; notes from the Institute's reply that they do not consider that this is the case, as the possibility to add tasks to the KICs exists and that the changes in grants are not important (3,9 % and 0,6 %);
5. Notes with satisfaction that the detected error rate during *ex post* verification of 2016 grants, performed by an external service provider, was 0,98 % and the residual error rate is 0,95 %, which is well below the materiality level of 2 %.

⁽¹⁾ OJ C 166, 24.5.2017, p. 14

Cancellation of carryovers

6. Regrets that 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; notes with concern that this high amount is mainly due to the impossibility of the KICs to absorb the grants carried forward;

Performance

7. Acknowledges that the Institute uses certain key performance indicators (KPIs) to measure the performance of the KICs, as well as Horizon 2020 KPIs to assess its own performance in managing the KICs and indicators set out in the single programming document to measure other operational activities; notes furthermore that it uses additional KPIs to enhance its budget management;
8. Welcomes the fact that the Institute has conducted joint public procurement procedures and set up common selection committees for the staff with the European Union Agency for Law Enforcement Training, taking advantage that they are both located in Budapest;
9. Observes that an external evaluation to assess the impact, governance, processes and progress towards financial sustainability of the first wave of KICs for the period 2010 to 2016 was made in 2017, and during 2018 the Institute will conclude the review; calls on the Institute to report to the discharge authority on the conclusions of this review;

Staff policy

10. Notes that, on 31 December 2017, the establishment plan was 92,68 % filled, with 38 temporary agents (TAs) appointed out of 41 TAs authorised under the Union budget (39 authorised posts in 2016); notes that in addition 20 contract agents and two seconded national experts have been working for the Institute in 2017; urges the Institute to refrain from relying too heavily on temporary contracts;
11. Notes that the Institute has adopted a policy on protecting the dignity of the person and preventing harassment; acknowledges that it participated in the call for expression of interests for interagency confidential counsellors;
12. Takes note of the fact that the Institute is structurally understaffed, as also endorsed by the Court in its Special Report No 4/2016; regrets that the Institute's requests to significantly increase its staff capacity have been declined by the Commission; calls on the Institute to report to the discharge authority of any developments in this matter;
13. 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 ten years in 2020, is concerned by the fact that the continuity of the operations could be potentially hampered; notes from the Institute's reply that it is aware of the problem and for that reason has requested the legal opinion of the Commission by letter; calls on the Institute to report to the discharge authority of the evolutions regarding that matter;
14. Regrets to note from the Court's report that the Institute's current interim director was appointed in 2014, and has held the post ever since as ad interim; points out that that practice is at odds with the Staff Regulations which limits the duration to a maximum of one year; regrets that a selection procedure for the nomination for a new director launched in 2016 was unsuccessful; takes note that a vacancy notice was again published in June 2018; urges the Institute to replace the interim director by a new director, without further delay; calls on the Institute to report to the discharge authority on the results of the ongoing selection process;
15. Welcomes the suggestion of the Court to publish vacancy notices also on the website of the European Personnel Selection Office in order to increase publicity; understands the Institute's reply concerning the high translation costs triggered by such publication;

Procurement

16. Notes from the Court's report that by the end of 2017 the Institute had not yet implemented all of the tools launched by the Commission aimed to introduce a single solution for the electronic exchange of information with third parties participating in public procurement procedures (e-procurement); notes from the Institute's reply that it intends to adopt the e-tendering and e-submission tools, for which preparatory actions are ongoing; calls on the Agency to report to the discharge authority on the implementation of all the necessary tools;

17. Notes with regret an ongoing issue from the Court's report from 2016, when it found significant weaknesses when auditing the procurement procedures of the KIC Legal Entities (LEs), which were considered to be a high risk area, including irregularities such as direct award of contracts, and significant extensions of initial contracts or contracts without limits in time, volume, quality or price, quantifying the irregular procurement procedures in 2016 up to EUR 2 200 000; welcomes the measures taken and the recommendations given by the Institute to address this issue; calls on the Institute to report to the discharge authority on the implementation of the KIC LEs' action plans;

Prevention and management of conflicts of interests and transparency

18. Acknowledges the Institute's existing measures and ongoing efforts to secure transparency, prevention and management of conflicts of interests, and whistleblower protection; takes note of the fact that in 2017 several conflicts of interests cases were identified and assessed and that adequate measures were taken; notes that two cases of suspected fraud were dismissed by the European Anti-Fraud Office in 2017, leaving one enquiry open from 2016;

Internal controls

19. Notes that the Commission's Internal Audit Service finalised the Audit on Monitoring of Grant Agreements concluding that the framework is adequate but the implementation should be improved; regrets that the reviews of the KICs by the Institute were not based on their annual reports, and that the Institute did not cover systematically some risks, that it did not address all governance requirements in detail and that it did not provide feedback on good governance to the second wave of KICs; points out furthermore that although it is stated in the 2016 Work Programme, the Institute did not issue a report on good governance of KICs;
20. Regrets the number of outstanding issues and ongoing corrective measures in response to the Court's comments in 2014, 2015 and 2016 related in particular to funding condition, funding from public, grants and private sources; calls on the Institute to complete the corrective actions as soon as possible and report to the discharge authority on their implementation;
21. Notes with concern that in 2017, two exception reports (estimated in EUR 5 318 720) related to overriding controls or deviations from established processes and procedures and five non-compliance events (estimated in EUR 2 250) were recorded; acknowledges however from the Institute that all events were assessed and corrective measures taken;

Other comments

22. Notes that the original target set by the Commission for the Institute to obtain financial autonomy was by 2010; acknowledges that the Commission finally granted the Institute full financial autonomy in December 2017, since it achieved compliance with the internal control standards;
23. Refers, for other observations of a cross-cutting nature accompanying its decision on discharge, to its resolution of 26 March 2019 ⁽²⁾ on the performance, financial management and control of the agencies.

⁽²⁾ Texts adopted, P8_TA(2019)0254. See page 361 of this Official Journal.