

DECISION 14/2016
OF THE GOVERNING BOARD OF
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE ASSESSMENT AND ADOPTION OF THE 2015 ANNUAL ACTIVITY REPORT OF THE
AUTHORISING OFFICER OF THE
EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

Having regard to Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology,¹ (hereinafter referred to as the 'EIT'), as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013² (hereinafter referred to as the "EIT Regulation"), and in particular Section 2 (a) and Article 4 (3) (c) of the Statutes annexed to the EIT Regulation;

Having regard to Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council³, and in particular Article 47(1) thereof;

Having regard to the Decision of the Governing Board of the EIT of 27 December 2013 on adopting the Financial Regulation for the European Institute of Innovation and Technology,⁴ as amended by Decision 6/2015 of the Governing Board of the EIT of 5 March 2015⁵ (hereinafter referred to as the "EIT Financial Regulation"), and in particular Article 47(1) thereof;

Having regard to the Annual Activity Report of the Authorising Officer in respect of the year 2015;

WHEREAS

- (1) The authorising officer shall report to the Governing Board on the performance of his duties in a form of a consolidated annual activity report pursuant to Article 47 of the EIT Financial Regulation;
- (2) The consolidated annual activity report shall be submitted to the Governing Board for the assessment pursuant to Article 47 of the EIT Financial Regulation;
- (3) the Governing Board shall adopt the annual activity report of the European Institute of Innovation and Technology on the basis of a proposal from the Director pursuant to Section 2 of the Statutes annexed to the EIT Regulation ;
- (4) "No later than 1 July each year the consolidated annual activity report together with its assessment shall be sent by the governing board to the Court of Auditors, to the Commission, to the European Parliament and the Council" - pursuant to Article 47 of the EIT Financial Regulation;

¹ OJ L97 of 09.04.2008, p. 1.

² OJ L347 of 20.12.2013, p. 174.

³ OJ L328 of 07.12.2013, p. 42.

⁴ 01364.EIT.2014.I.

⁵ 00101.EIT.2015.I.GB34.

- (5) On its 38th meeting of 3 December 2015, the EIT Governing Board welcomed the suggestion from the Audit Committee to give its opinion on the Annual Activity Report of the Authorising Officer before its assessment by the EIT Governing Board.

HAS DECIDED AS FOLLOWS:**Article 1*****Assessment of the Annual Activity Report 2015***

The EIT Governing Board:

1. Welcomes the results presented in the Annual Activity Report of the Authorising Officer (the 'AAR')
2. Takes note of the declaration of assurance of the Interim Director and appreciates the presentation of all the underlying building blocks that underpin that declaration.
3. Acknowledges the results achieved and, in that context expresses its satisfaction and appreciation of the high level of commitment and the increasing quality of work of the EIT's staff and management.
4. Welcomes the fact that the two second-wave KICs, selected in 2014, successfully completed their start-up phase and that the EIT allocated grants to five KICs in 2015 for the first time.
5. Notes that the detected error rate during ex-post verification grants 2014 was 1.78% and the residual error rate is 1.46%, which is well below the materiality level of 2%.
6. Notes that the new EIT-KIC Framework Partnership Agreements have been prepared throughout 2015 and appreciates that they have been signed by February 2016 with all KICs that has brought compliance with the Horizon 2020 legal framework while also maintaining the EIT-specific features.
7. Notes that the European Court of Auditors published its final audit report on the annual accounts of the EIT for the financial year 2014 and appreciates that the Court expressed its unqualified opinion on the reliability of the accounts and on the legality and regularity of transactions underlying the accounts.
8. Notes that the European Court of Auditors' Special Report No. 04/2016 has been finalised. Appreciates the conclusion of the Court that the main reasons for setting up the EIT are well founded and generally supported by its stakeholders. It regrets that the in the Court's assessment the despite a valid *raison d'être*, the EIT's complex operational framework and management problems have impeded its overall effectiveness.
9. Notes with concern that according to the European Court of Auditors' report the number of project officers compared to the grant budget is much lower than for most other EU research grant programmes. Is concerned that the staff turnover remained high at 17% in 2015. Is concerned that the salary package the EIT can offer is lower than that of most of other EU bodies, which is a contributing factor to the high staff turnover and vacancy rate.
10. Is deeply concerned that there is a risk that EIT may not be able to fully implement its work programme and provide assurance on funds managed in the future, unless full staffing is achieved and the EIT staffing capacity is reinforced.
11. Calls on the Commission to consider to further increase the staff allocated to the EIT and to amend the EIT founding regulation to enable the EIT to offer permanent contracts to its staff.
12. Acknowledges that according to the Court's report the existing key performance indicators are not suited for effective monitoring and trusts that the new KPIs approved in March 2016 ensure effective monitoring.
13. Notes that the European Court of Auditors' Special Report No. 12/2016 has been finalised. Is disappointed that according to the Court's assessment, the procedure adopted by the EIT on the basis of exemptions in its founding regulation does not ensure the safeguard in full the principles of transparency and equal treatment.
14. Notes with concern that the EIT is not yet fully autonomous and that the new EIT Director's selection is still ongoing.

15. Welcomes the use of the template for the Consolidated Annual Activity Report for decentralised agencies in line with the Communication from the Commission C(2014)9641 which ensures comparability with reports of other decentralised agencies.
16. Welcomes management's efforts to implement recommendations of the Internal Audit Capability stemming from the audits on risk management and monitoring of activities. In this respect it welcomes that the EIT implemented a Pilot Monitoring Plan in 2015 and looks forward to full implementation by end 2016.
17. Is confident that the principles adopted during 2015 is an important step towards KICs' financial sustainability.
18. Regrets the Internal Audit Capability's assessment that EIT did not yet fully achieve its objective to construct a secure, efficient document management system that complies with applicable legislation.
19. Expresses its satisfaction over the conclusion of the Internal Audit Service of the Commission that the management and control systems set up by the EIT for the selection of new Knowledge and Innovation Communities are generally effective and efficient and comply with the applicable rules.
20. Appreciates the improvements in communication and stakeholder engagements and the successful organisation of the first edition of EIT Innovation Forum (INNOVEIT).
21. Notes that in 2015, the Commission's Internal Audit Service (IAS) followed up the status of implementation of the accepted recommendations from the "Limited Review on Grant Management – Preparation of Annual Grant Agreements" in the institute; notes moreover that the IAS concluded on 22 January 2016 that three out of the four remaining outstanding recommendations have been effectively implemented and can therefore be closed, while the EIT has made sufficient progress in the implementation of the remaining recommendation (No. 5) to justify downgrading it from "very important" to "important".
22. Appreciates the fact that throughout 2015, the EIT Interim Director kept the Governing Board fully informed of the EIT's activities and progress by way of Governing Board meetings, facilitated by a structured agenda.
23. Confirms that the EIT's Governing Board's analysis and assessment of the AAR 2015 is positive and that the AAR 2015 provides it with the necessary assurance for a positive assessment of the results achieved in 2015.

Article 2

Adoption of the Annual Activity Report

Based on the assessment of the Governing Board, as set out in Article 1 of this decision, the Annual Activity Report 2015 is adopted as set out in Annex 1 of this decision.

Article 2

Publication

The Annual Activity report shall be sent by the Chairman on behalf of the Governing Board to the Court of Auditors, to the Commission, to the European Parliament and the Council and shall be published on the website of the European Institute of Innovation and Technology.

Article 3
Enter into force

This decision shall enter into force on the day of its signature.

Done in Budapest on 2 June 2016

Signed

Peter Olesen

Chairman of the EIT Governing Board

Annex 1: Annual Activity Report 2015