



European Institute of  
Innovation & Technology

# Consolidated Annual Activity Report

Financial year: 2015

The EIT – Making Innovation Happen

European Institute of Innovation and Technology (EIT)

Budapest | 2 June 2016

[www.eit.europa.eu](http://www.eit.europa.eu)



The EIT is a body of the European Union



## *Foreword from the EIT Interim Director*

### *The Year in Brief*

*2015 has been a successful year for the EIT.*

*It has been a year in which we have further grown and strengthened our innovation communities and developed the relations with our stakeholders on all levels. The growing number of entrepreneurial students, successful ventures and innovation projects that originate for the EIT's pan European Knowledge and Innovation Communities (KICs) bear witness to this.*

*2015 was the first year when the EIT allocated grants to five Knowledge and Innovation Communities, since the two second wave KICs, EIT Health and EIT Raw Materials, selected in 2014, successfully completed their start-up phase. The EIT further consolidated its legal and contractual framework as a new Framework Partnership Agreement had been developed ensuring alignment with the Horizon 2020 rules. The signature of the new FPAs gives the EIT's governance framework with KICs a solid foundation for the coming years. At the same time, we developed rules on good governance and introduced principles of financial sustainability, developing the EIT model to create innovation in an open, transparent and sustainable manner. This resulted in a growth of the EIT community from 500 to 800 partners forming the largest pan European innovation network.*

*While 2015 was an intense year for the EIT to strengthen collaboration with the existing KICs, the EIT was also preparing the grounds to launch the 2016 Call for KIC Proposals on 14 January 2016 in order to select the third wave of KICs in 2016 in the themes of Added Value Manufacturing and Food for Future.*

*The EIT has increased direct engagement with its institutional stakeholders, including the European Parliament, European Commission services and EU Member States as well as other key stakeholders from across the Knowledge Triangle in a structured, targeted and tailored manner. During the next period to come, the role of the EIT is even more important in contributing to the objectives of Europe 2020, the 'Innovation Union', Horizon 2020 and the European Commission by continuing to integrate the Knowledge Triangle and by helping the KICs progress towards financial sustainability and delivering impact. A successful INNOVEIT stakeholder event in May 2015 was among the highlights of the year, with EIT award winners that are poised to become success stories. Further outreach, in particular through the revamped EIT Regional Innovation Scheme will ensure that there is a further widening of participation in EIT activities in areas of Europe with lower innovation capacity.*

*Finally, we continued to make internal improvements in the EIT to ensure staff engagement and to make EIT a challenging and rewarding place to work.*

*I am confident that the EIT is on a steady growth path not only as regards scale of operations but also in terms of results and impact achieved. I therefore would like to thank both our stakeholders and staff for their contributions to make this success possible and to put the EIT on track to become Europe's leading innovation initiative.*

**Signed**

Martin Kern

*Interim Director of the European Institute of Innovation and Technology*

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# ASSESSMENT OF THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

## 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,<sup>1</sup> (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 2013<sup>2</sup> (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 Council<sup>3</sup>, 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,<sup>4</sup> as amended by Decision 6/2015 of the Governing Board of the EIT of 5 March 2015<sup>5</sup> (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;

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<sup>1</sup> OJ L97 of 09.04.2008, p. 1.

<sup>2</sup> OJ L347 of 20.12.2013, p. 174.

<sup>3</sup> OJ L328 of 07.12.2013, p. 42.

<sup>4</sup> 01364.EIT.2014.I.

<sup>5</sup> 00101.EIT.2015.I.GB34.

- (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;
- (5) On its 38<sup>th</sup> 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*



# INTRODUCTION

This consolidated annual activity report provides an overview of the activities and achievements of the European Institute of Innovation and Technology (EIT) in 2015 and has been established based on the guidelines of the EU Agencies Performance Development Network.

The EIT's Annual Activity Report 2015 is a report of the EIT Interim Director. It is a key component of the strategic planning and programming cycle: it is the basis on which the EIT Interim Director takes its responsibility for the management of resources and the achievement of objectives. It also allows the EIT Interim Director to decide on the necessary measures to address any potential management and control weaknesses identified. It is in compliance with Article 47 of the EIT Financial Regulation, as adopted by the EIT Governing Board on 27 December 2013.

The Annual Activity Report 2015 comprises four main parts and annexes as follows.

**Part I: Achievements of the financial year 2015.** Mirroring the structure of the Annual Work Programme of the EIT for the year of 2015, Part I provides information on achievements of objectives set in the annual work programme. This section also includes references to progress against Key Performance Indicators (KPIs) and targets.

**Part II: Management.** This section provides information on the functioning of the EIT Governing Board. It also includes major internal and external developments which had an impact on the EIT during the reporting year as well as information on budgetary and financial management, Human Resources management, assessment by the EIT management and also assessment of audit results during 2015, along with the follow-up of recommendations and action plans resulting from audits. It also includes components on the follow-up of observations from the Discharge authority.

**Part III: Assessment of the effectiveness of the internal control systems.** The report details in Part III the most important areas of risks associated with the EIT's operation as well as compliance with and effectiveness of the Internal Control Standards (ICS).

**Part IV: Management assurance.** The report concludes in Part IV with a declaration of assurance in which the EIT Interim Director, in his role as Authorising Officer, takes responsibility for the legality and regularity of all financial transactions.

**In the annexes,** the report provides statistics and information on the EIT core KPIs, financial management, organisational chart, establishment plan, Human and Financial resources used by activity, the EIT's final annual accounts and further specific annexes related to Part II and Part III of the report.

The EIT Annual Activity Report is a public document and is available on the EIT website.

## The EIT in brief

The EIT's mission is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the European Union. It does this by promoting and integrating higher education, research and innovation of the highest standards.

The EIT achieves its mission by fully integrating all three sides of the 'knowledge triangle', i.e. higher education, research and business, in Knowledge and Innovation Communities (KICs). By bringing together leading organisations from these dimensions to cooperate in the KICs, the EIT is able to promote innovation in Europe. Underlying all of the EIT's activities is the aim of encouraging and facilitating approaches favourable to entrepreneurship-driven innovation being able to turn major societal challenges into future economic opportunities to create economic growth and skilled jobs. The EIT contributes to Europe 2020, the 'Innovation Union', Horizon 2020 and the European Commission's objectives by integrating the 'knowledge triangle'. This integration takes place primarily in the Knowledge and Innovation Communities (KICs) that bring together excellent organisations to tackle societal challenges on a long-term basis. Based on existing European excellence, the KICs continue to build upon and create new ecosystems tackling the fragmentation and duplication of efforts across borders to generate critical mass, enhance and strengthen collaboration, optimise the use of human, financial and physical resources, and attract talented individuals from all over the world.

To date, the EIT has established a total of five KICs:

- Climate-KIC, EIT Digital and KIC InnoEnergy were designated in 2010 and are fully operational and deliver outputs and results as measured by the EIT's core KPIs.
- EIT Health and EIT Raw Materials were designated in December 2014 and were in the process of setting their innovation and entrepreneurship activities across Europe during 2015.

# Executive Summary

## Highlights of the year

In 2015, the financial support awarded by the EIT to the first wave of Knowledge and Innovation Communities, EIT Digital, Climate-KIC and KIC InnoEnergy, amounted to approximately EUR 236 million. The Start-Up Agreements entered into force in April 2015 with the two second wave of KICs, EIT Health and EIT Raw Materials designated by the EIT Governing Board on 9 December 2014. During 2015, both EIT Raw Materials and EIT Health achieved all the milestones set in their Start-up Plans.

In 2015, the EIT placed special emphasis on supporting its KICs' progress towards financial sustainability. Given the principles of financial sustainability adopted by the EIT's Governing Board in March 2015, the EIT has developed a reporting template in order to allow the KICs to start more structured reporting on financial sustainability in 2016. The EIT started discussions in 2015 with the European Commission and European Investment Bank to explore a potential participation of KICs in the European Fund for Strategic Investments (EFSI). Moreover, in 2015, the EIT continued to exploit synergies and complementarities with all relevant stakeholders, including EU and other funding institutions.

The 2016 Call for KICs proposals was prepared by the EIT in 2015, taking into account the lessons learnt from the previous KIC calls, in order to designate two new KICs in 2016 in the themes of added value manufacturing and food for future. The EIT launched the call on 14 January 2016 with a deadline of 14 July 2016.

In July 2015, the EIT is committed to a lean and efficient administration of innovation activities and together with the KICs and the Commission jointly launched the Task Force for Simplification. This Task Force set out an ambitious terms of reference to thoroughly review all relevant processes with the aim of simplification, increased cost efficiency and assurance from controls and EIT-KIC interactions. Together with excellence, impact has been one of the guiding principles of the EIT since its creation and had a special focus in 2015 when the EIT further improved its monitoring framework and activities.

Over the course of 2015, the EIT implemented a Pilot Monitoring Plan. The monitoring actions not only targeted concrete KICs' activities, but also KICs' internal processes. Results of the 2015 pilot monitoring activities served as an input for the development of a comprehensive EIT Monitoring Strategy, which was adopted by the EIT Governing Board in December 2015, and contributed to the preparation of the 2016 Monitoring Plan. A comprehensive review of the existing Key Performance Indicator system used by EIT and its KICs was initiated in 2015 with the aim to promote the use of results and impact. In 2015, the EIT completed its Business Creation Review, drawing valuable lessons learnt and recommendations from the KICs accelerator programmes. The preparations of the Education Review was finalised in 2015. The assessment is being conducted in 2016 covering all types of EIT educational activities such as EIT Labelled Masters and doctoral degrees, MOOCs, MOOPs, professional executive programmes and post graduate training.

In 2016, the EIT Regional Innovation Scheme (EIT RIS) is being implemented as an important element of the outreach strategy of the EIT and KICs, operationalised through dedicated budget lines of the KICs and financed from the competitive funding. A revised guidance was prepared by the EIT supporting the KICs in the conceptualisation of this

scheme in 2015, elaborating the objectives, main principles and characteristics including examples of potential activities to be carried out under the scheme.

In 2015, the EIT further developed the EIT Alumni Community in close co-operation with KIC alumni associations and KICs. It organised the second edition of the EIT Alumni CONNECT event in May 2015 as part of the EIT's Innovation Forum INNOVEIT 2015. The CONNECT event provided a platform for students and alumni from across KICs to meet, share knowledge, experiences, ideas and encouraged joint initiatives to further develop the Community. In addition, the EIT developed the concept for the EIT Alumni Community governance structure and proposed next steps for its implementation in 2016.

The EIT continued to directly engage with its institutional stakeholders, including the European Parliament, European Commission services and EU Member States as well as other key stakeholders from across the Knowledge Triangle in a structured, targeted and tailored manner. In December 2015, the EIT Community participated in the 7th European Innovation Summit in several sessions organised at the European Parliament.

In 2015, the EIT organised the first edition of its Innovation Forum (INNOVEIT). Over three days, all legal requirements such as the EIT Stakeholder Forum including the special configuration of Member States were covered as set out in the amended EIT Regulation and the EIT Strategic Innovation Agenda 2014-2020, including the EIT awards for the most promising students, entrepreneurs and innovators. The wide range of external participants from the three sides of the knowledge triangle ensured an open dialogue with the EIT Community and added valuable perspectives.

In 2015, the EIT organised three EIT Roundtables on Investors, EIT Education and Knowledge Triangle Integration as an integral part of the EIT's Innovation Forum INNOVEIT 2015, bringing together more than 70 key stakeholders, including entrepreneurs, representatives of Venture Capital firms, governmental organisations, academia and representatives from the EIT Community.

In 2015, the EIT continued the co-operation with KICs, via the nominated KIC co-ordinators responsible for engagement with non-EU countries, to identify potential collaboration opportunities in prioritised Third Countries and International Organisations.

## **Key conclusions on the effectiveness of the internal control system and resources management**

The EIT has adopted a set of internal control standards, based on international good practice, that aim to ensure the achievement of strategic and operational objectives.

In accordance with the governance statement of the EIT, the EIT staff conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The EIT has also put in place an organisational structure that is suited to the achievement of the objectives of the EIT in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

In 2015, the EIT focused on compliance with the standards that were identified as areas of concern during the risk assessment exercise, as well as on the recommendations raised by the auditing bodies. During 2015, the EIT achieved compliance with the internal control standards.

# PART I

## ACHIEVEMENTS OF THE YEAR

### 1.1 Incentivising Growth, Impact and Sustainability through the EIT

#### 1.1.1 Consolidating, Fostering Growth and Impact of the KICs

##### 1.1.1.1 Promoting Collaboration and Competition among KICs

###### **Business plan assessment and grant allocation for 2016**

In the first quarter of 2015, the EIT Governing Board defined the principles and criteria for the allocation of the annual EIT financial contribution to the KICs in 2016, fine-tuning a performance based competition based on an open and transparent procedure. The EIT subsequently issued updated Guidelines to the KICs on the preparation of their business plans and reports. In this period, the preparation of the new Framework Partnership Agreement and its associated Specific Grant Agreements entered into the final stage and strategic elements have been added into the Guidelines for the preparation of the Business Plans 2016 (e.g. multi-annual Strategic Agendas and triennial plans for management and overheads costs).

In 2015, the family of KICs expanded to five, therefore it was for the first time when the second wave KICs (EIT Health and EIT Raw Materials) prepared and submitted Business Plans for 2016 in line with the proposals successfully evaluated in 2014.

Following the submission of the KICs' Business Plans for 2016 on 30 September 2015, the EIT assessed the activities planned by the KICs with the assistance of panels of external experts. The EIT revised the methodology and the specific guidance notes for independent experts in order to reinforce the quality of the ex-ante assessment of Business Plans. The experts drafted consolidated assessment reports including a list of main strengths and weaknesses for each KIC's. Subsequently, KICs were invited to a Hearing with the EIT Governing Board on 2 December 2015 in order to assess the implementation and the developments of the multi-annual strategy of the KICs. The assessment was also supported by a multiannual overview of the evolution of the KICs in the years 2010-2014 and the assessment of the contribution of 2016 KIC Business Plan to the KICs' revised Strategic Agendas.

As a result of the competitive funding allocation process, the following amounts were allocated to the first wave KICs for 2016: EUR 81,181,937 to Climate-KIC, EUR 75,074,941 to EIT Digital and EUR 77,493,122 to KIC InnoEnergy. For the second wave KICs the final 2016 financial allocation was: EUR 20,706,935 to EIT Health and EUR 20,543,065 to EIT Raw Materials. Therefore, the total EIT financial contribution to the KICs' Business Plans for 2016 amounts to EUR 275 000 000. The EIT also issued tailor-made strategic recommendations to each of the five KICs in order to strengthen key areas as well as requirements for the revision of the Business Plans prior to the signature of the Grant Agreements.

## Report assessment and verification of Grant Agreements 2014

### Ex-ante assessment and payments

Between April and August 2015, the EIT carried out ex-ante verification of KIC Reports on the execution of the 2014 Business Plans. The assessment encompassed different operational and financial elements such as completeness and consistency check, performance assessment including KPIs, as well as verification of cost eligibility. External experts supported the EIT in particular concerning performance assessment. The financial assessment was partially based on Certificates on KICs' Financial Statements obtained from independent auditors. The modalities and processes of the EIT ex-ante verification were optimised and strengthened and more thoroughly documented compared to previous years.

The ex-ante assessment of KIC Reports resulted in a estimated initial 2014 grant amount approved of EUR 181,542,350 for the three first-wave KICs combined, compared to EUR 213,796,779 grant awarded in Grant Agreements and EUR 187,272,417 claimed by KICs. The KICs challenged some of the conclusions reached by the EIT, and on the basis of supplementary evidence submitted during the fourth quarter of 2015, the EIT was in the position to reassess some of its previous findings. Therefore the final 2014 grant approved for the three KICs combined equals to EUR 183,322,654 (Climate KIC: EUR 70,464,097; EIT Digital: EUR 60,301,991; KIC InnoEnergy: EUR 52,556,566). Overall, the EIT's ex-ante verification resulted in a deduction of EUR 3,949,763, corresponding to 2.11% of the grant amount claimed. The reason for EIT deductions is twofold: improper implementation of activities and therefore reduction of related costs, or non-compliance with cost eligibility provisions stipulated in the legal framework. The payment of the GA 2014 final balance to the KICs was executed in August/September 2015, and the supplementary payment in December 2015.

The main achievements and results of the three first-wave KICs in 2014 are measured by the EIT core KPIs, which are demonstrated in Annex I of this report. Climate KIC achieved an overall good implementation of the objectives set out in its Business Plan 2014 and a relatively high level of budget implementation (92.4%). The number of Climate KIC Partners from the business sector increased significantly in 2014, representing more than 50% of the partnership now, compared to the initial academic dominance. Nevertheless, Climate KIC will need to ensure a better monitoring of activities to define areas with more market potential and to align its approach of labelling universities with the EIT label handbook in the future. EIT Digital achieved good progress in scouting and supporting start-ups, increasing the visibility of EIT with entrepreneurs, setting up robust financial management systems and processes and contributing to the development of the EIT brand identity. Nevertheless, EIT Digital will need to improve its budget implementation (83.6% in 2014), its strategy for financial sustainability, the procedures for selecting activities producing close-to-market innovations and the integration of the research and entrepreneurship pillars. KIC InnoEnergy is well linked in the European policy arena, achieved good progress in business creation services, equity investments and in setting-up Pan-European accelerators. Nevertheless, KIC InnoEnergy will need to improve its budget implementation (77.8% in 2014), its management and control systems to eliminate errors in costs declared and the alignment of the KIC brand with the EIT community brand.

On the basis of the assessment of KIC reports and results in 2014, the EIT finalised the evaluation of the past performance of KICs that represented one of the three pillars of the competitive funding allocation to the KICs in 2016.

### Result of ex-post audits

Ex-post audits of cost reports related to Grant Agreements 2014 were performed by an external service provider on the basis of the Framework Contract of the European Commission. In accordance with the audit methodology devised by the EIT, the 28 KIC Partners audited were selected by the EIT primarily on the basis of a risk assessment in order to maximise the efficiency of the resources spent on ex-post audits. The risk-based audit sample was complemented by a random sample in order to ensure a more representative coverage of KIC Partners over the duration of the Framework Partnership Agreements. The external audit service provider carried out the on-spot audits based on the audit programme provided by the EIT and reported the results to the EIT. The process was completed in May 2016. The audited grant covered 18% of the total grant paid for the Grant Agreement 2014. As a result of the ex-post audits, the detected error rate equals to 1.78% and the EIT is in the process of recovering from the KICs all ineligible amounts in the value of EUR 574,015. The residual error rate after ex-ante and ex-post controls is 1.46%.

### **Contracting and amendment of legal framework (new EIT-KIC Framework Partnership Agreements)**

In the course of 2015, EIT conducted a series of consultations with stakeholders in order to align the legal framework to Horizon 2020 while also reflecting the EIT funding model and KIC governance model in the legal agreements. The basis for the alignment was the standard contractual templates applicable under H2020. All EIT-specific amendments introduced to adapt to the EIT-KIC model were extensively consulted with the Commission services and the KICs.

As the conclusion of the process, all five Framework Partnership Agreements have been signed by February 2016 that has brought full compliance with the H2020 legal framework while also maintaining the EIT-specific features. The Framework Partnership Agreements have been accompanied by detailed Explanatory Notes to ensure that KICs and all KIC Partners are familiar with certain technical aspects of the legal agreements such as the rules applicable to the use of Intellectual Property Rights and the liability of individual KIC Partners in case of partial non-implementation of the Business Plans.

### **Continuous support and guidance to KICs**

Following a consultation process with KICs, the EIT issued formal Guidelines for the 2016 KIC Business Plan and estimated budget. Furthermore, in the last quarter of 2015, the Guidelines for 2015 KIC Report as well as the EIT Financial Guide were slightly updated in order to incorporate lessons learnt from the previous ex-ante verification exercise of 2014 KIC Reports. All relevant provisions of the Horizon 2020 framework have been incorporated in the EIT guidance documents.

In addition to issuing formal guidance documents, the EIT continuously provided support to KICs in all pertinent operational and financial issues, in the form of face-to-face meetings, videoconferences/teleconferences and following up queries orally and in writing.

<b>Performance indicator</b>	<b>Target</b>	<b>Results/achievements</b>
Effectiveness and timeliness of funding allocation process to five	Full allocation of available funds to five KICs by Q4 and targeted recommendations	Business Plan guidelines for KICs issued by May 2015

<p>KICs under grant allocation process 2016</p>	<p>to improve the Business Plan 2016 issued</p>	<p>Business plans submitted timely by all five KICs</p> <p>Business Plan assessment reports timely completed by the EIT</p> <p>EIT Governing Board decision on annual grant allocation adopted in December 2015</p> <p>KIC Strategic Agendas covering years 2016-2018 submitted by each KIC (by January 2016)</p>
<p>Improved legal framework and sound financial management of KICs</p>	<p>Signature of Framework Partnership Agreement and Grant Agreements 2015 with first three KICs by end March 2015 and with new KICs by end September 2015</p>	<p>Five Framework Partnership Agreements signed (by February 2016)</p> <p>Grant Agreements 2015 signed</p>
<p>Continuous support to the first three and two newly designated KICs</p>	<p>Additional guidance issued for KICs on programming, implementation, reporting and fostering EIT identity, incl. EIT label</p> <p>At least two improvements of processes agreed at each KIC Forum.</p>	<p>Formal guidance documents issued by the EIT to KICs on timely basis</p> <p>Timely follow-up of questions raised by KICs in a satisfactory manner</p> <p>Minutes of Forum meetings including approved improvement measures</p> <p>EIT-KIC Task Force Simplification set up, 16 improvement measures identified and initiated</p>
<p>Timely process and finalisation of ex-ante verifications of Grant Agreements 2014 performance and cost reports</p>	<p>Grant Agreements 2014 verified by end July 2015 and payments made by September 2015</p>	<p>Ex-ante verification and assessment of three reports on Grant Agreements 2014 performance and cost reports completed by July 2015</p>



		Approved final balance payment to KICs in August/September 2015
Improved efficiency of the ex-ante verification of KIC reports	Finalisation of reporting approval process 2014 by July 2015.  20% reduced number of comments by KICs on EIT verification findings compared to 2014.	EIT verification reports completed by July 2015  KIC letters responding to EIT verification report sent in September 2015
Timely process and finalisation of ex-post audits	Audit completed by end April 2015 (reports for Grant Agreements) 2013)  Auditors selected by end October 2015 (selection for Grant Agreements 2014)	30 final ex-post audit reports on Grant Agreements 2013 received by April 2015  Contract for ex-post audit on Grant Agreements 2014 signed in October 2015

### 1.1.1.2. Fostering Growth and Creating Impact

#### KICs' Financial Sustainability

In line with the EIT Founding Regulation, KICs were further improving their strategies for financial sustainability and they were actively building revenue streams to complement the EIT funding in 2015. A summary of these strategies was presented in the Business Plans 2016. Furthermore, the EIT Governing Board adopted the "Principles on KICs' Financial Sustainability" on 5 March 2015. This document sets a clear direction by providing definitions, funding principles and incentives for the KICs to work towards financial sustainability. Since these principles were adopted, the KICs have significantly improved their plans towards financial sustainability. In addition, the EIT has provided the KICs with a specific template for reporting on the progress made towards financial sustainability.

The 2016 Business Plans and assessments by EIT experts show significant progress towards financial sustainability for all KICs. Following the adoption of the principles of financial sustainability by the EIT, all KICs have made this one of their priority objectives and activities are reviewed accordingly to create a return of income from activities. Several revenue streams have been established such as cash contributions from KIC Partners, return on investment from innovation projects, monetization of equity in start-up companies or self-paying students. The two new KICs selected in 2014 already attract significant cash financing in their first year of operations. One of the new KICs fully finances its management and overhead costs from own funds, which is a strong starting point to become financially sustainable.

The financial sustainability plans included in the final Business Plans 2016 are being reviewed by the EIT's external expert and the results of this review and the first reporting will be discussed in a common workshop with KIC CEOs in June 2016.

Finally, the EIT refined the EIT-KIC funding model by strengthening the verification of the EIT-funded activities and KIC Complementary Activities links at programming stage, i.e. when assessing the Business Plans, as from the Business Plan 2016 cycle. Consequently, KICs will no longer be able to replace planned KIC Complementary Activities at the reporting stage without the EIT's approval, and there will no longer be uncertainty as to whether the costs of KIC Complementary Activities will be accepted at the reporting stage.

### Fostering the Knowledge Triangle Integration

In 2015, the Working Group on Knowledge Triangle Integration was merged with the Working Group on Monitoring Strategy to form the Strategy Working Group. Draft Topical Strategy Notes of Knowledge Triangle Integration and on Colocation Centres have been prepared. These notes have the objective to ensure a common understanding of Knowledge Triangle Integration and Co-location Centres within the EIT Community and provide definitions and aspects to be taken into account during implementation. The notes have been discussed in the Strategy Working Group and updated versions have been sent to the KICs for consideration. Comments have been received from two KICs and the documents will be finalised during 2016 serving as basis for the EIT's analysis of achievements in the area of Knowledge Triangle Integration.

### Synergies with EU funds and programmes

In 2015, the EIT continued to exploit synergies and complementarities with all relevant stakeholders, including EU and other funding institutions. For example, EIT and ESA agreed to collaborate on areas of common interest. The EIT Interim Director met Vladimir Šucha, Director-General of the Joint Research Centre and agreed on a structural cooperation to link research results and activities of the JRC to the EIT and its KICs and facilitate their transformation into innovations. A similar cooperation was launched with the EU's Copernicus programme in order to facilitate the use of available satellite data. Moreover, the annual meeting with the European Commission services, the EIT and the KICs in Brussels served as an occasion to maximise mutual learning and synergies between the EIT KICs and EU policies and initiatives.

Performance indicator	Target	Results/achievements
Description of the Knowledge Triangle and its integration	Full understanding of the concepts by the entire EIT Community and beyond.	Draft notes on the concept of Knowledge Triangle Integration prepared
Implementation of Knowledge Triangle Integration within the EIT Community	Efficient and effective integration in all sides of the Knowledge Triangle	Draft notes on of Knowledge Triangle Integration and Co-Location Centres prepared
Information about Knowledge Triangle Integration in the EIT Community that can be used by management at all levels	Concrete evidence about degree of implementation and effectiveness of Knowledge Triangle Integration, information guiding	New Key Performance Indicators and assessment methodology enabling monitoring and assessment of Knowledge Triangle Integration within the EIT

	adjustments to improve concept.	Community prepared and adopted (March 2016)
Improved EIT label award process for diploma	Revision of the current EIT label awarding framework and adoption by the EIT Governing Board by Q2 2015.  Additional cross-KIC educational activities defined in selected fields (e.g. MOOCs) by Q1 2015.	Revised EIT label framework adopted in Q2 2015  Plan for new cross-KIC educational activities adopted and implementation of education review started
Common definition of expectations concerning financial sustainability of KICs	Financial sustainability guidelines developed by Q2 2015	Financial sustainability principles adopted by the EIT Governing Board in March 2015
Better defined relations and synergies of EIT with other EU programmes (e.g. other H2020 programmes, ESIF), funding bodies (e.g. EIF) and policies (e.g. Digital Agenda) to define EIT value added and focus.	Analysis completed on links with EU programmes and identified key counterparts and policies by Q4 2015	Structured dialogue with selected key partners (JRC, Copernicus) in place (analysis paper to be completed in 2016)
Timely consultations with KICs and subsequent adoption of a KIC's financial sustainability strategy	Adoption of the strategy by the EIT Governing Board in Q1-Q2 2015; implementation of the strategy in Q3-Q4 2015	KICs' financial sustainability strategies assessed in the course of the Business Plan 2016 assessment  Specific template to report on progress towards financial sustainability prepared by the EIT and consulted with KICs
Timely consultations with KICs and guidelines issued on strengthening the links between KAVA and KCA	Consultations with KICs in Q1 2015; Guidelines issued in Q2 2015; implementation in 3Q-Q4 2015	EIT-KIC Funding Model refined in the Guidelines for 2016 Business Plans

## 1.1.2 Creating new KICs

### 1.1.2.1. Support the start-up phase and readiness of the newly designated KICs in 2014

Following the selection and designation by the EIT Governing Board on 9 December 2014, and based on the evaluation of the proposed Start-up Plans, the EIT decided on 27 February 2015 to award a maximum amount of:

- EUR 3,298,985.75 for the implementation of EIT Health's Start-up Plan;
- EUR 3,822,040.00 for the implementation of EIT Raw Materials' Start-up Plan.

The Start-Up Agreements entered into force for both partnerships in April 2015. The two KICs submitted monthly progress reports and an Interim Report in November 2015. The EIT assessed the KICs' progress based on the analysis and verification of the information presented in the Interim Reports and the outcomes of the continuous monitoring activities of the EIT, in particular monthly monitoring reports, monitoring calls, meetings and on-the-spot monitoring missions. Based on the assessment made, the EIT Governing Board concluded on 3 December 2015 that the progress of EIT Health and EIT Raw Materials in achieving the main milestones of the start-up phase was in line with the plans and the finalisation of the new KICs designation process was approved. The start-up phase was finalised by 31 December 2015.

EIT Raw Materials and EIT Health achieved all the milestones set in the Start-up Plan. Both KICs set up effective governance structure as planned. EIT Raw Materials signed the FPA on 14 January 2016 and EIT Health on 25 February 2016. Both KICs set up their operational readiness with the management teams and the Legal Entities in place. By end of September 2015, both KICs prepared communication policies. The KICs submitted the Business Plan 2016 by the deadline and developed the operational procedures in a satisfactory manner.

Performance indicator	Target	Results/achievements
Timely set up of the two KIC legal entities	Set up finalised in June 2015	KIC legal entities officially registered
Timely signature of the Framework Partnership Agreement (FPA) with the two KICs	Signature in July 2015	Both FPAs signed (by February 2016)
Efficient implementation of the start-up plan	Start-up plan substantially implemented by September 2015	Start-up plan implementation assessed as satisfactory by the EIT

### 1.1.2.2. Preparation of the Call to Designate New KICs in 2016

The EIT prepared a lessons learnt document on the EIT's 2014 Call for KICs proposals in February 2015 based on the contributions from the EIT staff involved in the evaluation process, opinions and feedback of the evaluation experts,

applicants, Governing Board members and the report of the Independent Observer. It also included preliminary findings of the IAS, IAC and ECA. Although the EIT's 2014 Call for KICs proposals was considered by the Commission observers as a good practice in terms of transparency and efficiency, some further improvements were proposed. Simplification of the evaluation process to increase its effectiveness (e.g. elimination of the Final Recommendation Panel, simplification of the sub-criteria) and more focus on excellence (setting thresholds for proposals invited for the GB hearings, stimulating competition of the call through setting a maximum number of partners and number of co-location centres at the application stage - up to 50 and 5 respectively, early publication of the selection criteria, Framework of Guidance, model FPA and Grant Agreement to give more time for applicants to prepare the high quality proposals) were the most important changes proposed by the EIT. Furthermore, as the EIT is part of Horizon 2020, more alignment with the framework programme was proposed including publication of the EIT's 2016 Call for KICs proposals on the Horizon 2020 Participant Portal, broader use of the H2020 Submission and Evaluation Program compared to the 2014 Call for KICs and better alignment with the H2020 terminology regarding the evaluation process. The EIT Governing Board approved the document and the roadmap for the 2016 Call for KICs proposals on 5 March 2015. The lessons learnt document was transformed into the document presenting the key assumptions for the 2016 Call for KICs proposals which was published on the EIT website dedicated to the 2016 Call for KICs in March 2015 to ensure equal access to information for all interested stakeholders.

On 3 June 2015, the EIT GB approved the 2016 Call's opening and closing dates (14 January 2016 and 14 July 2016, respectively) and the date of the GB Hearings (16-17 November 2016). It also decided on the number and profiles of the external evaluation experts: six experts (four thematic experts and two horizontal: on business creation/entrepreneurship and education/human capital development) and one rapporteur per each panel. This information was published on the EIT website in July 2015.

In September 2015, the EIT Governing Board adopted the evaluation criteria and the Framework of Guidance for the 2016 Call for KICs.

- **Evaluation criteria** - three main technical evaluation criteria: strategy, operations and impact remained as in the 2014 Call for KICs proposals but the wording of the sub-criteria was simplified. The number of sub-criteria was also decreased from nine to eight. The EIT Governing Board decided to maintain the 'impact' as overarching principle of the call but also highlighted importance of communication, outreach and dissemination sub-criterion. Following the lessons learnt document and lessons learnt from the start-up phase of KICs selected in 2014, the EIT introduced the selection criteria to assess operational and financial capacity of the proposal coordinators. In order to further increase transparency of the evaluation process, the EIT Governing Board decided to introduce the evaluation criteria at the stage of the Hearings of the Governing Board. The criteria and scoring methodology were published on the EIT website on 5 October 2015 and disseminated to the EIT's stakeholders.
- **The Framework of Guidance** was published on the EIT website and disseminated to the EIT's stakeholders on 19 November 2015. Following the lessons learnt from 2014, good practices emerging from the existing KICs and the recent developments of the KIC model, the document has become more prescriptive and provides more information on the definition and development path of Co-location Centres, the knowledge triangle integration process, good governance principles and financial sustainability principles.

The call package presenting the evaluation criteria and evaluation process was approved by the EIT Governing Board on 3 December 2015. The model Framework Partnership Agreement, model Specific Grant Agreement, model Start-up Grant Agreement and the evaluation template were attached to the Call text. During the same meeting, the EIT

Governing Board approved the revised version of the “Principles for financing, monitoring and evaluating KIC activities” that was published on the EIT’s website on 18 December 2016.

The call was launched as planned on 14 January 2016 and the proposals submission system was opened on the same day. Information about the call was published on the EIT website, in the Official Journal of the European Union and on the H2020 Participant Portal. Information about the Call has been widely disseminated to external stakeholders (*incl. media*) and through the EIT’s social media channels.

In addition to the early and timely publication of the call’s assumptions, evaluation criteria, Framework of Guidance and “Principles for financing, monitoring and evaluating KIC activities” on the website dedicated to the EIT’s 2016 Call for KICs proposals, the EIT made the following efforts to promote the Call to ensure a wide range of potentially interested stakeholders were made aware of the opportunities to co-operate with the EIT in the context of the 2016 Call for KICs Proposals:

- The key assumptions for the 2016 Call for KICs were presented at the 5th Annual Meeting of EC services, the EIT and KICs on 23 March 2015 in Brussels;
- The Call was promoted at several targeted events, e.g. the Annual Conference of the UK Research Organisation (Birmingham, 19 June 2015), ManuFuture 2015 (Luxemburg, 24 November 2015), 7<sup>th</sup> Programme Committee Meeting of Horizon 2020 Societal Challenge 2: "Food Security, Sustainable Agriculture and Forestry, Marine and maritime and inland water research and the Bioeconomy" (Brussels, 11 December 2015);
- The Call was promoted during the EIT Innovation Forum – INNOVEIT (Budapest, 6-7 May 2015) in particular by the EIT Interim Director in the Stakeholder Forum session and the meeting of the EIT Member State Configuration;
- The call was promoted on the occasion of the EIT Awareness Days in Bratislava (Slovakia) on 26 October 2015;
- Representatives of the EIT Member State Configuration and EU multiplier organisations received information on the Call via e-mail;
- To complement the publication of these key documents on the EIT website, the EIT ensured the information was shared on all of its social media platforms throughout the year, focusing on Twitter, LinkedIn and Facebook.

The EIT also started the preparations of the Information Day for the 2016 Call for KICs proposals in July 2015. The Information Day was held successfully in Brussels on 18 February 2016.

Performance indicator	Target	Results/achievements
Improved guidelines for applicants for 2016 call for two new KICs integrating lessons learnt from the previous calls.	Guidelines integrating all lessons learnt and legal requirements ready for adoption by the EIT Governing Board by the end of 2015.	Documentation package for the new call and evaluation process adopted by the EIT Governing Board

Effective awareness and information campaign for the 2016 Call for KICs, targeting relevant stakeholders and potential applicants to maximise participation.	Awareness and information activities defined for 2016 and targeted actions implemented by the end of 2015.	Awareness of the Call and opportunities to cooperate with EIT in the context of the call raised amongst stakeholders
Successful promotion of the upcoming Call for new KICs	Contribution to EIT Awareness Days delivered by the end of 2015	Awareness raised among relevant stakeholders on upcoming Call for new KICs

## 1.2. New Delivery Mechanisms and Results-oriented Monitoring

### 1.2.1 Simplification

#### Simplification measures and the Task Force Simplification

Striking a balance between accountability and flexibility is key to the EIT, particularly with regard to its unique living partnership with its KICs. Monitoring and simplification are dynamic processes embedded in the EIT's strategy and operations – as set out in the Strategic Innovation Agenda. Specific activities that contribute to the simplification goal of the EIT were initiated in 2015 under the scope of the Task Force Simplification.

In July 2015, the EIT together with the KICs and the Commission as observer jointly launched the Task Force for Simplification. This Task Force set out an ambitious terms of reference to thoroughly review all relevant processes with the aim of simplification, increased cost efficiency and assurance from controls and EIT-KIC interactions. A detailed roadmap for the Task Force was approved at the EIT-KIC Forum meeting in September 2015. The measures developed shall lead to significant efficiency gains resulting in lower overhead and administrative workload both for EIT and KICs, and therefore ensuring improved operations and results.

A first package of redesigned processes and 'quick wins' was adopted by the EIT-KIC Forum in November 2015. Several new procedures are implemented as part of the grant cycle (e.g. related to business planning, monitoring, reporting, auditing, preparation of guidelines etc.). Some more complex measures take more time to redesign, such as moving towards a multiannual grant cycle. Nevertheless, the Task Force started to investigate the legal and operational feasibility of some selected more complex measures. A further category of 'out of the box' measures deal with more

far reaching proposals, which may require for example changes to the legal basis; therefore, these shall be assessed in more detail before eventually tabling them during the mid-term review of the EIT or for the period of 2020 onwards.

Furthermore, the EIT started to review all existing internal Standard Operating Procedures (SOPs) in 2015 in order to streamline and simplify them while maintaining the high level of assurance obtained. The revision of SOPs will be finalised in the first half of 2016.

Performance indicator	Target	Results/achievements
Completed review and revision of all EIT procedures to streamline, simplify and align with H2020 provisions	Financial procedures improved and aligned with H2020 rules by mid-2015	EIT started the revision of all internal Standard Operating Procedures
Development of 'Setting EIT standards for KIC Management and Control Systems'	Recommendations in place on how to enhance KIC governance and management and control systems by Q3	Principles of good governance included in the Grant Agreements 2015 and in the new Framework Partnership Agreements
The ratio of simplified costs used by the KICs is extended	Establishment of KIC specific simplified cost categories offered to KICs by end 2015	Extension of the use of simplified costs has been made part of the improvement measures of the Task Force Simplification
Exploring further simplification measures beyond current grant model	Recommendations in place for potential alternative delivery mechanisms complementing the current model	The Task Force Simplification has been tasked by implementing 'out of the box' improvement measures

## 1.2.2. Monitoring, Impact Analysis and Evaluation

Together with excellence, impact has been one of the guiding principles of the EIT since its creation. In a context of economic frailty, demonstrating a tangible and measurable impact is essential. The EIT and the KICs are characterised by a focus on results and an ambition to achieve long-lasting impact in the way the EU approaches and manages innovation. Results-oriented monitoring in the EIT context requires not only measuring the number of created start-ups but also assessing their long-term success, economic impact or associated job creation.

In this context, in 2015 the EIT further improved the monitoring framework and activities. The Monitoring Working Group set up in September 2014 continued its activities and its objectives were broadened to bring coherence to activities of the different working groups as far as the strategic direction of the EIT is concerned also in view of upcoming evaluations and reviews of the EIT. In 2015, the Working Group on Knowledge Triangle Integration was merged with the Monitoring Working Group to form the Strategy Working Group.



The Working Group developed a comprehensive EIT Monitoring Strategy and consulted it with the KICs and the Commission services, which was then adopted by the EIT Governing Board on 3 December 2015. On the same day, the revised version of the “Principles for financing, monitoring and evaluating KIC activities”, aligned with the EIT Monitoring Strategy, was adopted by the EIT Governing Board. Following the adoption of the Monitoring Strategy, the EIT Interim Director approved the EIT’s Monitoring Plan 2016 on 16 February 2016. The Plan envisages 18 monitoring missions selected according to the pre-determined specific criteria and to be implemented according to the developed Standard Operating Procedure annexed to the Plan.

Over the course of 2015, the EIT implemented the 2015 Pilot Monitoring Plan, adopted by the EIT Interim Director on 21 May 2015. Monitoring actions complemented the EIT’s grant assurance processes and provided qualitative and quantitative information on activities’ implementation as well as captured lessons learnt and recommendations to improve the KIC grant management cycle. In 2015, monitoring actions not only targeted concrete KICs’ activities, but also KICs’ internal processes. Some monitoring activities involved the use of external experts to support EIT staff. Each monitoring activity was followed by the monitoring report including information on best practices/success stories identified and recommendations. The EIT conducted a total of 15 on-site monitoring activities including covering the two new KICs in their Start-up phase. Results of the 2015 pilot monitoring activities served as an input for the development of an EIT Monitoring Strategy and contributed to the preparation of the 2016 Monitoring Plan. The recommendations and conclusions of the monitoring missions were included in a recommendations repository and are followed up by the EIT.

A comprehensive review of the existing Key Performance Indicator system used by EIT and its KICs was initiated in 2015 with the aim to promote the use of results and impact KPIs, following the widely adopted “results chain model”, rather than the output KPI system used up until now. After several iterations for consultation with the KICs and inputs from external experts, this resulted in an agreement on 12 new EIT core KPIs to be used for the planning and reporting monitoring of KICs activities starting in 2017, covering activities in all sides of the Knowledge Triangle as well as introducing KPIs for Outreach/Dissemination and Management/Institutional activities and results. The framework for collected indicators was also adjusted to be able to satisfy the required H2020 data from the EIT and its KICs.

A comprehensive Review of the KICs Business Creation Programs (KBCPR) was conducted from April until October 2015 with the support of external experts. This was conducted through close interaction with Entrepreneurship/Business Creation personnel of the KICs, but access was also granted for interviews with accelerated start-ups, mentors and investors working with the KICs. Three individual KBCPR reports were submitted by end of 2015 to each individual first wave KIC. Key objectives of the KBCPR were to identify lessons learned in the implementation of KICs business creation programs (strategy and operations level), identify synergies and good practices, share observations and address recommendations and possible follow-up actions with each KIC, as part of the ongoing monitoring of the KICs Entrepreneurship and Business Creation activities. The experts have identified several good practices, such as venture competitions as a pipeline of deal flow, which can be used by newly established KICs. The reports emphasise the need to implement a strong local and international network of mentors available to start-ups as well as to further facilitate access to finance for start-ups.

The KIC Complementary Activity (KCA) review has been completed and showed that the EIT funding model needs to be improved as the criteria to identify KCAs and their link to EIT financed activities need to be better defined. First corrective actions in this direction have been included in the 2016 Business Plan guidelines.

The preparations of the Education Review were finalised at the end of 2015 and the kick-off meeting with the experts took place in March 2016. The assessment will cover all types of EIT educational activities (EIT Labelled Masters and

doctoral degrees, MOOCs, MOOPs, professional executive programmes, post graduate training) as implemented by the KICs between 1 January 2011 and 1 January 2016. The review should, inter alia, assess the added value and impact of the KIC educational activities and how they are measured, the efficiency and the effectiveness of the EIT and its KICs to deliver on the strategic objectives as set out for Education in the Amended EIT Regulation and Strategic Innovation Agenda. It is also expected to make recommendations for future educational activities that could be supported by the EIT and KICs to foster the knowledge triangle integration.

During the second half of 2015, the preparations for the first renewal of the EIT Label for the KICs' master and doctoral programmes as well as for the first-time awarding of the EIT Label for new programmes were intensified. As a result, there will be a two-stage process of awarding/re-awarding the EIT Label based on the provisions foreseen in the updated EIT Label Handbook in 2016.

Initial preparations for an Impact Study to measure the concrete economic and social benefits of EIT and KIC activities started at the end of 2015. This study is to be completed in the course of 2016 to demonstrate the results and impact achieved by the EIT. It will serve as an important input to the upcoming EIT evaluations and the development of the future strategy of the EIT.

Performance indicator	Target	Results/achievements
Quality of the improved EIT evaluation and monitoring framework	Revision of the existing monitoring and evaluation strategy by Q4	EIT Monitoring Strategy and implementation plans for 2015 and 2016 adopted
Time and quality of the pilot monitoring activities	Pilot monitoring activities completed by the end of November 2015	Monitoring reports resulting from 15 monitoring missions covering different activities of each KIC issued
Time and quality of revision of the existing EIT PMS and its Key Performance Indicators for EIT and KICs	Revised KPIs in place by end 2015 and improved guidance on KPIs by Q1 2016	Guidelines for new core KPIs including improved methodology for their assessment adopted (in March 2016)
Timely finalisation and quality of the reviews for KPIs, KAVA/KCA, business creation, education and research/innovation	KPI review completed by Q2 2015	Final report for KPI review completed and new KPIs adopted by the EIT Governing Board (in March 2016)
	KAVA/KCA review completed by Q2	Final report for KAVA/KCA review issued in 2015

	Business creation review with recommendations completed by September 2015	Final reports for the Business Creation Review issued in 2015
	Education review with recommendations completed by end 2015	Education review prepared in 2015 and to be completed in 2016
	Research/ Innovation review launched by end 2015	Innovation Review to be launched in 2016

### 1.3. Enhancing the EIT’s impact

#### 1.3.1. Fostering Knowledge Exchange through Dissemination and Outreach

##### 1.3.1.1. Fostering Knowledge Exchange through Dissemination

In the course of 2015, the EIT continued to focus its communications activities on one overarching objective, namely to increase the level of awareness, visibility and understanding of the EIT Community (EIT and its five KICs) across the European innovation landscape. To achieve this, the EIT continued to implement the recommendations put forward in its revised Communications Strategy.

EIT communications and dissemination activities focused on strengthening cooperation with the first three KICs, providing support to the EIT’s two new KICs (EIT Health and EIT Raw Materials), on consolidating its digital communications portfolio and on engaging more pro-actively with the media. In addition, the EIT worked closely with all of its five KICs to adopt the EIT Community’s new brand identity launched in December 2014.

The overall purpose of the brand review was to develop a coherent branding strategy for the growing EIT Community. The updated EIT Community brand identity was launched by the EIT on 1 December 2014. It aims to facilitate communications about the EIT and the KICs as well as help stakeholders understand the EIT and its KICs.

As part of the digital communications portfolio, a new modern website for the EIT was launched in May 2014. This has supported the EIT in presenting itself and its activities clearly and coherently. Supported by the deployment of latest technologies in 2015, the EIT website has not only become more user friendly by also facilitating a modern two-way interaction, thus enabling its stakeholders to increase their level of understanding of and engagement with the EIT. In addition to the new website, the EIT also strengthened its presence on social media channels in order to engage more actively with its stakeholders.

Performance indicator	Target	Results/achievements
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Level of understanding among EIT Community of activities, achievements and co-operation possibilities	80% of stakeholders have an increased understanding of EIT activities during 2015 (based on online survey)	EIT 2015 Communications Campaign successfully implemented raising the EIT's profile considerable across all communications channels.  More than 80% of participants had an increased understanding of EIT Community activities following INNOVEIT, the EIT's Innovation Forum.
Quantitative and qualitative increase in EIT media coverage	20% increase in EIT media coverage in 2015 compared to 2014 statistics (media monitoring reports)	1477 articles about the EIT: 25% increase in written press articles (258 articles)  200% increase in web articles (1219 articles)
Quantitative increase in visits to the EIT website, Facebook and Twitter accounts	10% increase in unique visitors to the EIT website in 2015 compared to 2014 unique visitor statistics  20% increase in the number of unique users "like" the EIT Facebook and following the EIT Twitter in 2015 compared to 2014 statistics.	167,364 unique visitors to the EIT website, that is 6.2% decrease compared to 2014 (partially caused by a change in the algorithm for calculating unique visitors)  Increased social media reach on all EIT social media channels in 2015: <ul style="list-style-type: none"> <li>• 116% increase in followers on Facebook</li> <li>• 60% increase in followers on Twitter</li> <li>• 90% increase in followers on LinkedIn</li> </ul>

### 1.3.1.2 EIT Regional Innovation Scheme (EIT RIS)

The EIT Regional Innovation Scheme (EIT RIS) aims to provide opportunities to partnerships of higher education institutions, research organisations, companies and other relevant stakeholder organisations to benefit from closer linkages with the KICs with a view to ensuring that the overall strategic objective of enhancing the innovation capacity in regions not participating in KICs can be achieved. In 2015, the EIT decided to mainstream the EIT RIS action into KICs activities and earmarked a dedicated budget starting with the 2016 financial allocation (10% of the annual competitive EIT contribution to the KICs earmarked for the implementation of the EIT RIS). The KICs' plans for the

implementation of the EIT RIS in 2016 were assessed by external experts and this had a direct impact on the final grants allocated to KICs for 2016.

Open calls for participation in the EIT RIS are to be organised and thus the KICs will be able to demonstrate that the selection was based on excellent merits of the applicants who will become real change agents promoting the integration of the knowledge triangle and further develop a regional innovation community. KICs should be able to demonstrate that the selection criteria explicitly mention the thematic area and the link to relevant national/regional innovation plans.

Performance indicator	Target	Results/achievements
EIT RIS scheme made operational as part of 2016 Business Plan process	Guidance for EIT RIS implemented through the KICs BPs	Revised guidelines for the implementation of EIT RIS issued in 2015
Timely analysis of outputs resulting from the implementation of first activities by participating KICs	Report on results and outputs of activities implemented by participating KICs by Q4/2016	Indicators to measure results of EIT RIS developed as part of new KPIs

## 1.3.2. Fostering and Attracting Talent

### 1.3.2.1. EIT Alumni Community

In 2015, the EIT further developed the EIT Alumni Community in close co-operation with KIC alumni associations and KICs. The second edition of the EIT Alumni CONNECT event was organised in May 2015 as part of the EIT's Innovation Forum INNOVEIT 2015. The CONNECT event provided a platform for students and alumni from across KICs to meet, share knowledge, experiences, ideas and encouraged joint initiatives to further develop the Community.

As a direct result of the teamwork at the EIT CONNECT event, EIT alumni developed and organised a cross-KIC and cross-colocation 'hackathon'. The so-called 'EIT Alumni Start-up Days' was a 54-hour event which took place from 6 to 8 November in five European locations simultaneously bringing together over 200 students, entrepreneurial graduates and coaches from across the EIT community and beyond<sup>6</sup>. Participants formed interdisciplinary teams to develop their ideas into a workable business solutions and pitch to a panel of experienced entrepreneurs and mentors.

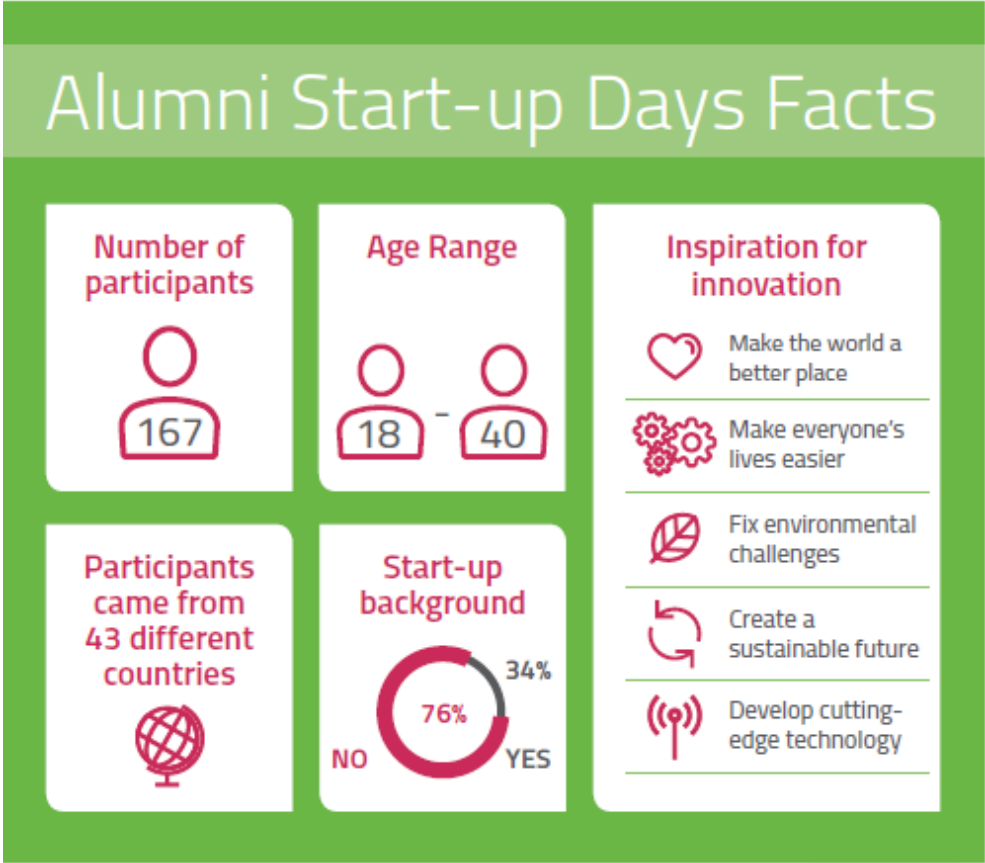
The result was over 30 innovative start-up teams covering diverse topics that ranged from sustainable takeaway containers to user-friendly gasifiers. Further to the start-ups that emerged from the event, this opportunity for cross-KIC collaboration also united like-minded individuals from across the EIT Alumni Community, with all those involved making new contacts and finding potential partners to take their ideas forward. At each location, prizes were given

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<sup>6</sup> Of which 167 were participants working in teams. See Infographic below.

for the best idea, the most innovative idea and the overall winning idea. The winners received prizes, primarily in the form of mentoring for further business development.

The EIT supported this pilot activity with communication and promotional support to enhance the visibility of the event and enhance the EIT Alumni community building.



In addition, the EIT developed the concept for the EIT Alumni Community governance structure and proposed next steps for its implementation in 2016. It was decided to appoint a first EIT Alumni Community Board as the main decision making body in the first half of 2016 and to set up and finance a support structure to facilitate the activities the EIT Alumni Community is going to implement.

Performance indicator	Target	Results/achievements
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Effective involvement of nominated KIC alumni representatives in the event design process, programme and follow-up actions	Active participation of 150 students and alumni from EIT labelled educational programmes (>75% positive feedback in review)	2015 EIT Alumni Connect Event organised bringing together more than 115 students and alumni 95% of participants who responded to the feedback questionnaire underlined that the Alumni CONNECT was an informative and inspiring event. As a highlight of EIT Connect 2015 the respondents mentioned the opportunity to connect, meet and network with other students and alumni, sharing knowledge with peers, getting to know better the KICs and their projects
A fit-for-purpose governance structure and activity plan agreed	Fit-for-purpose governance structure and activity plan approved by the EIT by Q3 2015	Concept for a fit-for-purpose governance structure and activity plan prepared for adoption in 2016

### 1.3.2.2. EIT Awards

The EIT implemented in a timely manner the EIT CHANGE, Venture and Innovators Awards with the objective to reward successful EIT innovations, entrepreneurial start-ups and graduates from EIT labelled education programmes, to showcase EIT success stories and to enhance awareness about the EIT. A novelty of the 2015 EIT Awards edition was the nomination, by each of the first three KICs, of two candidates for the EIT Venture and EIT CHANGE Awards as well as two teams for the EIT Innovators Award. The EIT Jury selected one winner per category.

The 2015 EIT Awards were an integral part of the EIT's Innovation Forum INNOVEIT 2015, which was held in Budapest on 5-7 May 2015. The implementation of the 2015 EIT Awards comprised of a promotional campaign, the preparation of nominees for the pitching sessions, the set-up of a high-level jury for each Award category, the organisation of the Award Ceremony and the implementation of support packages for the three winners to further develop their businesses, ideas and projects.

In 2015, the award packages for the EIT CHANGE and Innovators Award winners were elaborated and implemented. The package for the VENTURE Award winner could not be implemented. Also during 2015, the EIT prepared and launched the 2016 EIT Award in the three aforementioned categories.

Performance indicator	Target	Results/achievements
Timely implementation of the 2015 EIT Awards	2015 winners of all three categories awarded in May 2015	Three 2015 EIT Awards winners selected
Timely implementation of the 2015 EIT Awards winners' packages	EIT Award packages for all three 2015 Awards winners implemented by Q4 2015	Award package delivered to two 2015 EIT Awards winners
Timely launch and nominations received for the 2016 EIT Awards competition	EIT CHANGE and EIT Innovators Awards launched on 15 September 2015 and nominations received by December 2015	Preparations for 2016 EIT Awards competition finalised

### 1.3.3 Enhancing Stakeholder Engagement

#### 1.3.3.1 Relations with Institutional and Knowledge Triangle Stakeholders

During 2015, the EIT continued to directly engage with its institutional stakeholders, including the European Parliament, European Commission services and EU Member States as well as other key stakeholders from across the Knowledge Triangle in a structured, targeted and tailored manner. The main objectives of these encounters were to raise visibility, showcase achievements, results as well as to present EIT future ambitions and intensify collaboration in areas of common interest. Regular informal exchanges took place at all levels including EIT Governing Board Members, the EIT Interim Director and his staff and on numerous occasions at the EIT Headquarters in Budapest, in Brussels and several Member States. For example, in April 2015, Commission Vice-President Katainen and Commissioner Navracsics paid a visit to the EIT Community in Budapest to get first-hand information on the results achieved so far. In September 2015, the EIT Interim Director met Jiří Buriánek, Secretary-General of the Committee of the Regions to raise awareness about the EIT Regional Innovation Scheme. In October 2015, an EIT Awareness Day was organised together with the Slovak Ministry of Education, Science, Research and Sport with around 40 local stakeholders from the knowledge triangle. In December 2015, the EIT Community (EIT and KIC management) participated in the 7th European Innovation Summit in several sessions organised at the European Parliament. Furthermore, the EIT has regular meetings and information exchange with the European Cooperation in Science and Technology (COST), the European Association of Research and Technology Organisations (EARTO) and the League of European Research Universities (LERU).

The EIT signed an expert contract with a view to identifying the processes required in stakeholder relations in order to set up a tool to support stakeholder mapping and contact management. The expert assessed the current state taking into account the EIT IT infrastructure and, based on the findings, continues working towards a suitable design for such a tool at the EIT in 2016.

Performance indicator	Target	Results/achievements
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Structured dialogue reinforced with institutional stakeholders	Mapping of key stakeholders and topics of common interest in place by Q2	Structured dialogue with selected institutional stakeholders reinforced
Identification of processes required in stakeholder relations	Development of specifications for a tool to support Stakeholder mapping and contact management	Basis for Terms of Reference for a central database (CRM) of stakeholders, mapped according to specific qualifiers
Workshop organised in two member states that have KIC co-locations and regional subsidiaries involving representatives of EIT, KICs, national and regional authorities	Increase insight in opportunities resulting from alignment of practices and formulation of initiatives to seize these	EIT Awareness Day organised in Slovakia (October 2015)

### 1.3.3.2 EIT Stakeholder Forum

In 2015, the EIT organised the first edition of its Innovation Forum (INNOVEIT). Over three days, all legal requirements such as the EIT Stakeholder Forum including the special configuration of Member States were covered as set out in the amended EIT Regulation and the EIT Strategic Innovation Agenda 2014-2020. The wide range of external participants from the three sides of the knowledge triangle ensured an open dialogue with the EIT Community and added valuable perspectives. The Member State Configuration meeting provided the opportunity for a structured dialogue with the EIT management and the management of the five KICs. In total, 22 Member States plus Norway registered and 18 plus Norway participated. An analysis of the results of the feedback questionnaire has been carried out and 80% of the participants responding to the questionnaire indicated that INNOVEIT 2015 was an informative and inspiring conference.

Based on the detailed participants' feedback and a lesson-learnt exercise, the concept was fine-tuned and specific needs were taken into account for the preparation of INNOVEIT 2016.

Performance indicator	Target	Results/achievements
Targeted information provided and dialogue with key stakeholders Positive, above-average feedback received from	Participation by at least five knowledge triangle representatives of all three sides and 75% of EU Member States	EIT Stakeholder Forum 2015 organised successfully (80% positive feedback)

participants (as measured by a dedicated survey)	> 75 % of feedback received above average	
Improved concept for the 2016 edition of the EIT Stakeholder Forum based on lessons learnt from previous editions.	Evaluation review of the 2015 EIT Stakeholder Forum and EIT week available by Q2 2015  Fine-tuned concept developed based on lessons learnt by Q3 2015.	Concept note of the EIT Stakeholder Forum in 2016 considering the specific stakeholders' needs prepared

### 1.3.3.3 EIT Roundtables

In 2015, the EIT organised three EIT Roundtables on Investments, EIT Education and Knowledge Triangle Integration as an integral part of the EIT's Innovation Forum INNOVEIT 2015. The Roundtables brought together more than 70 key stakeholders, including entrepreneurs, representatives of Venture Capital firms, governmental organisations, academia and representatives from the EIT Community. The Roundtables discussed issues of strategic importance for the EIT and KICs with a view to finding mutually beneficial solutions. They contributed to the EIT's thought leadership in the field of entrepreneurship and innovation by providing outstanding contributions to European and global problems and strengthened the relations between the EIT and key stakeholders/multiplier organisations.

Performance indicator	Target	Results/achievements
Degree of target group satisfaction as "above average" of event participants (as measured by a dedicated questionnaire)	> 75 % of feedback received above average	EIT Roundtables on Knowledge Triangle Integration, Education and Investment in start-ups at the 2015 EIT event organised successfully. More than 80% of participants who responded to the survey, rated the EIT Roundtables as informative and inspiring.

### 1.3.3.4 Relations with Third Countries and International Organisations

In 2015, the EIT continued the co-operation with the EIT KICs, via the nominated KIC co-ordinators responsible for engagement with non-EU countries, to identify potential collaboration opportunities in prioritised Third Countries (including the US and BRIC countries) and International Organisations.

A number of meetings took place, mainly at strategic level, such as the EIT Interim Director discussing opportunities of cooperation with the President of the Russian Skolkovo Foundation, the EIT Governing Board Chairman joining the Delegation of the European Union to Korea for a bilateral meeting and high-level protocol visits at the EIT HQ (e.g. with the Argentinian Minister of Science, Technology and Innovation and a Delegation from the Hong Kong University of Science and Technology).

Performance indicator	Target	Results/achievements
Establish a structured dialogues in targeted Third Countries on knowledge triangle integration issues	Structured dialogue set up in at least two thirds of the targeted countries and international organisations by Q4 2015	Engagement with key stakeholders in non-EU countries and international organisations intensified

## PART II

# MANAGEMENT

### 2.1. EIT Governing Board

The Governing Board (GB) of the EIT consists of 12 appointed members and three representative members. The 12 appointed members are appointed by the European Commission, providing a balance between those with experience in business, higher education, and research. They have a four year non-renewable term of office. The EIT Governing Board members act in the interests of the EIT, safeguarding its goals and mission, identity, autonomy and coherence, in an independent and transparent way. The EIT Governing Board is assisted by an Executive Committee composed of four Governing Board members, including the Chairman of the EIT Governing Board, plus an observer from the European Commission.

In 2015, the EIT Governing Board met four times in Budapest and adopted 39 decisions (compared to 30 decisions in 2014). The Executive Committee met four times in Budapest in 2015 to prepare the Governing Board meetings. Additional extraordinary Executive Committee meetings were not organised. In addition, on 2 December 2015 a hearing with the KICs was held to assist the Governing Board in reaching a decision on the annual financial allocation to the KICs for the financial year 2016. EIT Governing Board members met with KIC representatives for a spring workshop in Budapest in June 2015. In accordance with the transparency principle, the list of all relevant decisions

taken by the EIT Governing Board is made publicly available on the EIT website (<http://eit.europa.eu/about-us/governing-board/board-decisions/>).

Having regard to the mandate of four appointed members of the EIT Governing Board, which expires on 30 June 2016, the EIT GB endorsed the process for the selection of four new members in September 2015. The EIT published an open Call for Expression of Interest on 10 November 2015 to attract potential EIT GB members. The four new EIT Governing Board Member shall be eventually appointed by the European Commission in the summer of 2016.

The EIT's partner Commission Directorate-General is the Directorate-General for Education and Culture of the European Commission (DG EAC), which also provides the observer on the EIT Governing Board. The EIT maintains close working relations with its partner DG.

## 2.2. Major Developments

In 2015 the EIT made significant efforts to maintain its established budget and the activities of the KICs as a consequence. For the period of 2014-2020, the budget of the EIT, as an integral part of Horizon 2020, the EU's Framework Programme for Research and Innovation, was initially established at EUR 2.7 billion. Within the multi-annual financial framework, the indicative budget for 2016 was EUR 336 million. However, as result of the proposed Regulation for the establishment of the European Fund for Strategic Investments this budget was proposed to be reduced to EUR 200 million.

Due to the joint efforts of the EIT, its KICs and the European Commission, the EIT budget cuts have been reduced significantly and the final EIT budget for 2016 is EUR 285 million. Although the reduction is still substantial compared to the indicative budget, the EIT has been able to maintain the previous level of funding provided to its KICs. The revised reduction over the multi-annual financial framework shall not risk the EIT's capacity to create innovation, and contribute to the EU's growth, competitiveness and job creation.

In July 2015, the EIT together with the KICs and the Commission as observer jointly launched the Task Force for Simplification. This Task Force set out an ambitious terms of reference to thoroughly review all relevant processes with the aim of simplification, increased cost efficiency and assurance from controls and EIT-KIC interactions. A detailed roadmap for the Task Force was approved at the EIT-KIC Forum meeting in September 2015. The measures developed shall lead to significant efficiency gains resulting in lower overhead and administrative workload both for EIT and KICs, and therefore ensuring improved operations and results.

Another major development was the negotiation and conclusion of the new Framework Partnership Agreements with the five KICs, as described in Part 1 of this report.

## 2.3. Budgetary and Financial Management

### Planning

The EIT's medium-term priorities are specified in its rolling Triennial Work Programme (2014-2016) which are translated into annual work programmes and financing decisions. Both triennial and annual working programmes are

adopted by the EIT Governing Board on the basis of proposals by the EIT Director. The AWP is operationalised via the use of project fiches which contribute to better planning and implementation of activities.

### **Implementation**

Since June 2011, the EIT has been partially financially autonomous, which means that in 2015 the EIT's partner Directorate-General at the European Commission (DG EAC) continued to provide consultation and ex-ante verification of contracts in two areas: 1) each step of KIC grant management and 2) procurement procedures above the threshold of EUR 60,000.

The total implementation of payment appropriations, EUR 222.3 million, represents an implementation rate of 96.5% calculated at the level of cashed payment appropriations. The implementation rate has slightly decreased compared to 2014 (2014: 98.03%)

For commitments, the authorised budget was implemented at 90.58%. The implementation rate was slightly lower than in 2014 (94.13%) due to lower actual implementation of grants. Authorised commitment appropriations slightly increased from 2014 to 2015 (2015: EUR 243.1 million, 2014: EUR 235.4 million). Since the KICs grants represent more than 95% of the budget, any under-implementation on the grant budget line has a considerable effect on the overall budget implementation.

In 2016, the EIT intends to further improve and make its budgetary planning, monitoring and implementation processes more effective and efficient by 1) simplifying the existing procedures and systems making them more appropriate to the needs of management and staff; 2) providing more guidance to staff members; 3) improving the revision process for KICs' business plans to secure the eventual re-entering of unused appropriations; 4) under the umbrella of the Task Force Simplification, measures are taken (including the possibility of multiannual Business Plans), which aim to improve the implementation levels by the KICs.

Detailed figures on budget execution are presented in Annex II.

### **Amendments and transfers**

The EIT budget was amended three times during the 2015 financial year. Four transfers were approved by the EIT Interim Director which was below the limit established by the EIT Financial Regulation.

### **Carry-over of appropriations from 2014 to 2015 on decision**

Commitment appropriations carried over were fully consumed, while the implementation rate of payment appropriations carried over on decision was low (17.85%). The available payment appropriations on most of the budget lines were not used or marginally used owing to 1) the overestimation of fund needs, 2) the delayed implementation of activities, 3) the under-implementation of 2014 actions and of new actions planned for 2015 and 4) the delay in submission of invoices. Therefore, the payment appropriations authorised for 2015 were sufficient to cover the payment needs of new contracts concluded in 2015 and of contracts concluded in 2014

### Automatic carry-over of appropriations corresponding to obligations duly contracted

Pursuant to Article 14 (5) of the EIT Financial Regulation, non-differentiated appropriations, corresponding to obligations duly contracted at the close of the financial year, must be carried over automatically to the following year. 68.78% of the non-differentiated appropriations of administrative nature carried over from 2014 to 2015 were paid, which represents an adequate level of execution, taking into account the nature of these expenses. Nevertheless, the estimation of amounts to be carried over will be further improved in 2016.

The EIT used the following financial information systems in 2015:

- ABAC Workflow for budget management, budgetary accounting;
- SAP for financial accounting (general accounting);
- Business Objects for financial reporting;
- ABAC Assets for fixed asset management; and
- MiMa for mission management.

### Reporting

Budget execution was reported to the EIT Management on a quarterly basis with deviations from budget execution targets by budget chapters, thereby identifying mitigating actions if needed. In addition, the implementation of the EIT Annual Work Programme was continuously monitored. These allowed for corrective actions to be taken where needed to optimise the utilisation of available human and financial resources. Comprehensive budget reports were made available to the organisation on the EIT Intranet. The allocation of financial resources was reviewed once in July and re-allocations were formulated where required.

The interest charged by suppliers for late payments in 2015 added up to EUR 18,536.01.

## **2.4. Human Resources (HR) Management**

In 2015, the EIT recruited 13 staff members, which brought the total number of staff to 50 on 31 December 2015 (an increase by two compared to end-2014) with 7 ongoing selection processes. The EIT has stepped up its efforts to fill the remaining vacant posts and this trend is expected to continue and lead to full staffing in 2016. The recruitment of the EIT staff was in line with the EIT's objectives and priorities as outlined in the Multi-annual Staff Policy Plan of the Institute.

In terms of job screening, the majority of posts belong to the operational or neutral activities (70%), whereas the administrative support and coordination roles correspond to 30% of all posts. In total, 34 out of 63 posts have been identified as operational (54%), while 10 posts have been categorised as neutral (16%). In addition, 8 posts (13%) are classified in the coordination category and 11 posts belong to the administrative support role (17%).

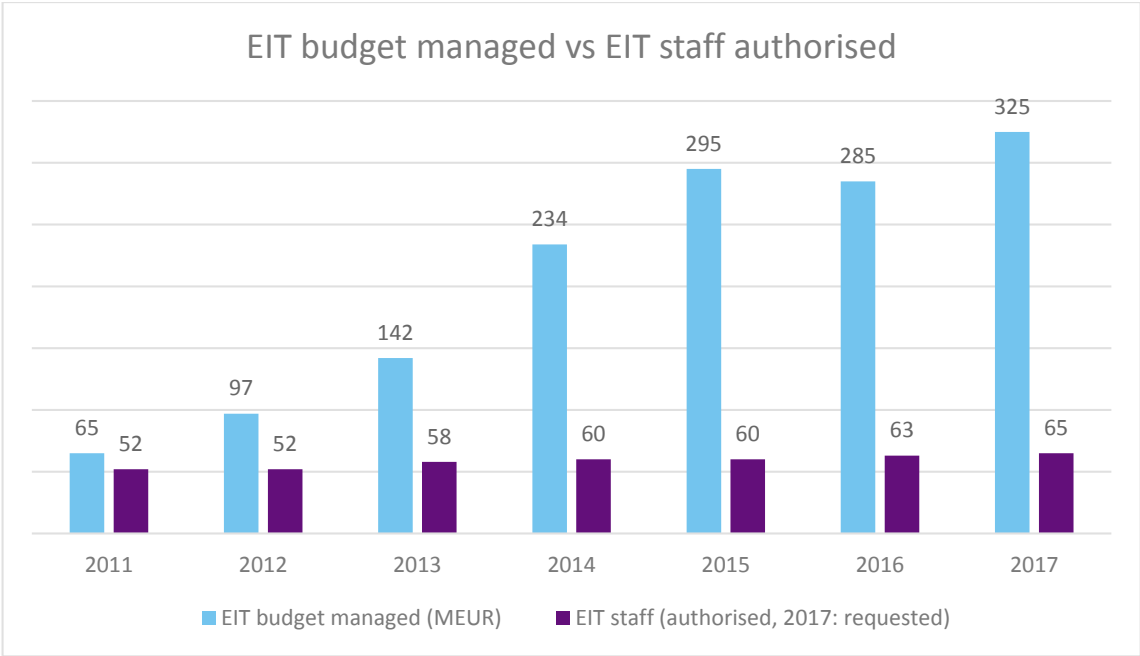
In terms of legal basis, the implementing rules for the performance appraisal of temporary and contract staff have been adopted by the Governing Board, in addition to the revised rules governing the secondment of national experts to the Institute.

In the area of learning and development, in order to offer benefits to the individuals and the organisation as a whole, in-house training sessions on Ethics & Integrity, Project management, Public speaking, Writing with impact, Expenditure lifecycle, Public procurement and Data protection were organised, in addition to a team building activity and courses attended individually by staff members on external locations.

Since its establishment, the EIT has suffered from high staff turnover and vacancy rates. One of the reasons behind this trend is the structural under-staffing of the EIT. As confirmed by the European Court of Auditors in their recent Special Report No 4/2016 on the EIT, the amount of grant managed per person at the EIT is significantly higher than for any other EU research grant programme. While the budget managed per staff member under FP7 is between 12.5 and 20.4 million euro, the EIT project officers manage annual grants up to 90 million euros. This is without considering the monitoring of the complementary funding of KICs as the EIT finances a maximum of 25% of a KIC’s budget. The resulting high workload and responsibility has a serious effect on staff turnover affecting the core business of the EIT.

In addition, the EIT’s tasks have been growing significantly over the past years. While the EIT managed three Knowledge and Innovation Communities from 2010 to 2014, two new KICs started their operations in 2014 and further two will be designated in 2016. The amount of grant managed by the EIT has increased from 16 million euros (2010) to 275 million euros (2016), while the number of beneficiaries (KIC Partners) has increased from 73 (2010) to more than 800 (2016). In addition, the EIT has taken on board new activities to develop its strong innovation potential, related to the Regional Innovation Scheme, the preparation for an Impact Fund to support KICs’ Financial Sustainability and outreach and synergies with other programmes. All these new activities, including the implementation of the EIT Regional Innovation Scheme, supporting KICs to reach financial sustainability and creating synergies and complementarities with other programmes stem from the relevant EIT legal basis, i.e. EIT Founding Regulation and Strategic Innovation Agenda.

The number of posts available to the EIT has not followed the significant growth of activities (see chart below).



## 2.5 Assessment by Management

This section reports on and assesses the elements identified by management that support assurance on the achievement of the internal control objectives. In order to ensure control effectiveness as regards legality and regularity, the EIT has set up internal control processes intended to ensure the adequate management of risks relating to the legality and regularity of the underlying transactions. The control objective is to ensure that EIT has reasonable assurance that the total amount of any financial operation authorised during the reporting year which would not be in conformity with the applicable contractual or regulatory provisions does not exceed 2% of the authorised payments.

### **Ex-ante verification**

In compliance with the EIT Financial Regulation, ex-ante verification was carried out on all financial transactions (commitments, payments, recoveries etc.) by the EIT staff member designated to perform this task. Errors detected during these checks were documented on a checklist and corrected before the transaction was approved. This contributed to the sound financial management of the EIT budget and the legality and regularity of the financial transactions.

As stated above, the EIT has been partially financially autonomous since June 2011, which means that the EIT's partner Directorate-General at the European Commission (DG EAC) continued supporting the EIT, by way of ex-ante verification of KIC grant transactions and high-value procurements exceeding EUR 60,000. These prior consultations provided a second level of assurance for the Authorising Officer.

### **Ex-ante measures applied to grant transactions**

The EIT consistently carries out ex-ante verification of both commitment and payment transactions. In 2015, numerous guidelines were made available providing detailed instructions to KICs, namely, Guidelines on the preparation of KIC Business Plans and Budgets (Grant Agreements 2016), Guidelines for the preparation of KIC Reports (Grant Agreements 2016), EIT Financial Guide (Grant Agreements 2015) and EIT methodology for certificates on financial statements (Grant Agreements 2015). EIT became part of the Horizon 2020 programme as from January 2014 and therefore became part of the H2020 Participant Guarantee Fund which is an additional overall financial risk mitigating measure.

In 2015, final balance payments were executed thereby closing grant agreements for 2014. The EIT performed the technical and financial assessment of all final reports to assess the adequacy of the implementation of Business Plans and to establish the final balances due.

In line with its grant assurance strategy, the EIT combined its sources of assurance by either performing a desk check on a sample of supporting evidence and/or by requesting Certificates on the Financial Statement (CFS) by independent auditors. All exceptions and weaknesses identified by the CFS auditors were followed up with the KIC during the ex-ante assessment process, which led either to the acceptance of the costs reported following the receipt of further supporting evidence, or alternatively corrections being made by the EIT. After examining the CFSs issued by the auditors, the EIT carried out an analytical review of information received as part of the cost reports. When deemed necessary, follow up questions and requests for supporting documentation were sent to the KICs in the framework of the ex-ante assessment process.

Details of the expenditure/partner coverage are shown in the following table.



	EIT Digital	KIC InnoEnergy	Climate KIC	Total
EIT grant request (EUR)	61,342,492	54,801,661	71,128,264	187,272,417
EIT grant approved and paid (EUR)	60,301,991	52,556,566	70,464,097	183,322,654
EIT grant approved and paid (% of grant requested)	98.3%	95.9%	99.1%	97.9%
EIT grant covered by CFS (EUR)	51,742,212	44,392,250	58,242,431	154,376,893
EIT grant covered by CFS (%)	84.3%	81.0%	81.9%	82.4%
Number of partners claiming EIT grant	103	171	178	452
Number of partners covered by CFS	38	24	33	95
% of partners covered by CFS	36.9%	14.0%	18.5%	21.0%

As a result of the ex-ante verification procedures described above, the EIT rejected costs that had not been supported by sufficient and appropriate evidence and reduced the EIT grant paid accordingly. Taking into consideration the high coverage and the generally good quality of CFSs, combined with the analytical review carried out by the EIT, it can be concluded that the assurance provided by the EIT ex-ante assessment as regards the legality and regularity of expenditure is reasonable.

#### **Ex-post verification of grants**

To obtain reasonable assurance on the legality and regularity of the expenditure reported by the KICs and with a view to detecting and correcting errors, the EIT has developed and implemented an ex-post audit strategy. This complements ex-ante controls embedded in the KICs grant management processes.

Ex-post audits of cost reports relating to EIT-KIC grant agreements are performed by an external service provider selected using a Framework Contract of the European Commission. The audit methodology has been devised by the EIT and the external audit service provider carries out on-the-spot audits based on the audit programme provided by the EIT and reports on the results. KIC Partners to be audited are selected by the EIT primarily on the basis of risk assessment to maximise the efficiency of the resources spent on ex-post audits, while a certain part of the sample is selected randomly to increase the representativeness of the sample.

As regards 2014 Grant Agreements, the EIT selected 11 KIC Partners purely on a random basis in addition to 17 Partners selected based on risk assessment. All 28 final audit reports were received by the EIT by 30 April 2016. On the basis of the audit reports, the total amount to be recovered as a result of the ex-post audits of 2014 Grant Agreements is EUR 574,014.77. As the total amount of grant audited under 2014 Grant Agreements was EUR 32,290,040.79 for the 28 KIC Partners selected, the detected error rate in the audited sample is 1.78% and the residual error rate is 1.46%. As the residual error rate of 1.46% is well below the materiality level of 2% established in the EIT's control strategy and used by the European Court of Auditors, the EIT considers that grants paid as part of 2014 Grant Agreements are free from material errors.

#### **Exception reporting, analysis of internal control weaknesses or control failures recorded**

In 2015, the EIT followed its standard operating procedure on exception reporting. All instances of overriding controls or deviations from established processes and procedures are documented in exception reports. Instances of non-compliance events are documented in non-compliance reports.

In 2015, six exception reports and eleven non-compliance events were recorded. The total value of the exception and non-compliance events amounted to EUR 7,140,586 (2014: EUR 12,603.09). However, EUR 7,121,125.75, representing 99.7% of the total value, related to a single event. This particular event was of purely administrative nature, no payments were affected. The amount indicated does not reflect any financial risk but only an administrative weakness that has been corrected<sup>7</sup>.

The exception reports for 2015 were related to the appointment of an EIT staff member, EIT decisions concerning budgetary issues, Joint Promotion/Reclassification Committees and procedures regarding simplified costs used by KICs. The non-compliance events for 2015 mainly concerned budgetary issues, procurement and conflict of interest.

Mitigating measures have been put in place to address the internal control weaknesses identified in the exception reports and non-compliance events registered during 2015. For instance, the EIT will introduce and implement an internal policy for third parties' participation at the EIT meetings. Vacant middle management positions have been externally advertised to attract wider competition. The EIT also identified the need to update and improve its financial circuits, workflows, checklists and routing slips and to also carry out eligibility checks for future employees with greater care than before.

### **Fraud prevention and detection**

In order to reinforce a strong anti-fraud culture and actively encourage dedicated fraud prevention actions designed to the specifics of the EIT's activities, the EIT has developed an Anti-Fraud Strategy for the period of 2015-2017, having regard to the costs and benefits of the measures to be implemented.

As a result, the EIT Anti-Fraud Strategy and the related action plan were adopted by the EIT Governing Board on 9 November 2015. This Anti-Fraud Strategy is part of the EIT's internal controls system and meets the requirements of Article 48 of the Framework Financial Regulations of the European Commission, which refers inter alia to the need of preventing and detecting irregularities and fraud. It is valid for three years and will be updated in the course of its implementation - if necessary - or after its assessment, at the end of the implementation period.

A staff survey on awareness of fraud risk was carried out on 13 October 2015, which was the basis to prepare a tailor made training session. The training session was organised on 30 October 2015 to raise awareness among the EIT staff on how to prevent and detect fraud. The EIT's Anti-fraud Strategy, objectives and actions were also introduced to the EIT staff. The concept and definition of fraud and irregularity followed by practical cases, conflict of interest, definition and application of red flags, actors intervening in the fight against fraud and the role and mission of OLAF and its investigative process were presented to the staff.

On 15 October 2015, an anti-fraud coordinator was appointed by Decision 18/2015 of the EIT Interim Director.

On an annual basis and as part of the action plan to the EIT Anti-fraud Strategy, the EIT performs a declaration exercise on conflict of interest (Col) in accordance with the EIT Code of Good Conduct for members of the EIT Governing Board, which takes place at the beginning of the year. This annual exercise is aimed at identifying potential or actual conflict of interests. The outcome of this annual exercise is provided to the EIT Governing Board. Staff members are also subject to regular checks on conflict of interest in compliance with the legal obligations under the Staff Regulations.

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<sup>7</sup> The non-compliance event relates to the regularisation of cancelled appropriations. Cancelled appropriations were re-entered instead of their carry-over, based on Article 14 of the EIT Financial Regulation.

Newcomers are provided with an introductory session by the anti-fraud coordinator on how to prevent and detect fraud and their role in the fight against fraud within the EIT.

## 2.6 Assessment of audit results during 2015

### 2.6.1 Internal Audit Service (IAS)

The IAS carried out an audit on the 2014 call for KIC proposals in April 2015. Following an adversarial procedure, IAS issued a final audit report in January 2016. Although no critical or very important recommendations were made, IAS recommends some improvements for the selection procedure to be used in the 2016 call for KIC proposals. Most of the recommendations have already been incorporated in the new process following an internal lessons learned exercise carried out by the EIT. The revised criteria and process has been published by the EIT on its website as part of the call package (<http://eit.europa.eu/collaborate/2016-call-for-kics>).

Furthermore, the IAS carried out a second follow-up audit in October 2015 to review the implementation of actions stemming from the “limited review” performed by IAS in 2012. In the follow-up audit report issued in January 2016, the IAS confirmed significant improvement in the EIT procedures and closed most of the open recommendations with the exception of three actions out of the original 25. As the EIT signed the new Framework Partnership Agreements with all five KICs in January-February 2016, the IAS has closed two of the remaining three actions as well. Therefore, there is only one out of 25 actions open as of the date of this report. This open action, the revision of the EIT grant assurance strategy will be completed by June 2016.

### 2.6.2 Internal Audit Capability (IAC)

#### Annual Audit Plan 2015

The IAC sent its draft 2015 Annual Audit Plan, prepared on the basis of a risk assessment, to the EIT Audit Committee and EIT Interim Director for comments on 17 February 2015. The EIT Governing Board approved the plan on 5 March 2015 and amended it once regarding consultancy work, without changing the planned assurance engagements. The IAC considers the audit plan 2015 as suitable.

#### Execution of the plan

In line with its Annual Audit Plan, the IAC carried out three assignments in 2015, including a follow-up audit on Monitoring of Activities, an audit on Document Management and a Management Letter. As a result of its assignments, the IAC issued 11 new recommendations in 2015, including 6 rated as very important, 5 as important and one issue for consideration. The management of EIT has accepted all IAC recommendations.

The first follow-up to the audit on Monitoring of Activities was finalised by the IAC on 23 January 2015. As a result of this follow-up audit, all four recommendations rated as critical have been maintained because the IAC estimated that the underlying risks have not been significantly lowered compared to 2012 when the original audit report on Monitoring of Activities was issued. A second follow-up will be needed when the majority of recommendations will be reported by EIT management as ready for review.

The Audit on Document Management was finalised on 19 October 2015. Beyond document management processes, the scope included the personal data protection process and transparency/access to document process as well. The results of the audit showed that the EIT has not yet fully achieved its objective to construct a secure, efficient Document Management System that complies with applicable legislation and four issues rated as ‘very important’ have been identified in the following fields: 1. Organisation of Document Management; 2. Registration, reception, attribution and approval; 3. Filing and retrieving documents; 4. Archiving, storage, protection and destruction of documents. In addition, three issues rated as ‘important’ concern a) personal data protection, b) access to documents and transparency and c) confidentiality and information security. Management has accepted all recommendations and drew up an action plan to address the above weaknesses.

The Management Letter was finalised on 17 June 2015 and contained four recommendations regarding the designation of new KICs and award decision, the role of the GB Hearing and setting of pre-defined criteria, expert selection and redesign of the actual role of experts in the selection of new KICs.

### Key Performance Indicators (KPIs)

The KPIs for the Internal Audit Capability were set by the decision of the EIT GB adopting the 2015 Annual Work Program for the EIT as follows:

Indicator (as per AWP)	Target (as per AWP)	Comment
Timely preparation of the audit plan	Audit plan adopted by the GB by March 2015	Target achieved.
Timely production and transmission of audit reports	Submitted to the Director and subsequently to the GB by December 2015	Target achieved.

## 2.6.3 European Court of Auditors (ECA)

### Financial (discharge) audit

After it had been postponed in April 2015, by its Decision of 27 October 2015 the European Parliament granted the Director of the European Institute of Innovation and Technology discharge in respect of the implementation of the Institute’s budget for the financial year 2013 and approved the closure of the 2013 EIT accounts. This is a recognition of the progress made by the EIT in improving its financial management of both grants for KICs and the EIT’s own funds.

The European Court of Auditors published its final audit report on the annual accounts of the EIT for the financial year 2014 on 15 September 2015. In the statement of assurance section of the report, the Court of Auditors expressed its unqualified opinion on the reliability of the accounts and on the legality and regularity of transactions underlying the accounts. In the Court’s opinion, the Institute’s annual accounts present fairly, in all material respects, its financial position as at 31 December 2014. Furthermore, the transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects.

The audit opinion of the Court confirms that the significant improvements made by the EIT have been effective and have remedied previous shortcomings and addressed the recommendations of the European Parliament and the Court.

Without calling into question the unqualified opinion, the Court drew attention to the fact that the EIT financial contribution may not exceed 25 % of the KIC's global expenditure over the first five years, from 1 January 2010 to 31 December 2014. According to the figures reported by the KICs, this ceiling was respected. The EIT obtained audit certificates by 31 March 2015 on the costs of KIC complementary activities (KCA) incurred during 2010-2014. In addition to obtaining the audit certificates, in 2015 the EIT conducted a review of the portfolio of KIC complementary activities to ensure that only those activities are accepted that meet all legal and operational requirements set for KCAs including to have a link with KIC added value activities funded by the EIT.

The emphasis of matter paragraph of the Court of Auditors referred to a timing issue in that a particular verification activity on the KIC complementary activities was carried out by the EIT after the audit period (in the first half of 2015) and the Court of Auditors could not fully take this into account for their audit report on 2014.

As confirmed by the Court of Auditors, the EIT had obtained audit certificates from independent auditors on the costs of KIC complementary activities by 31 March 2015 in order to ensure that the EIT financial contribution did not exceed the 25% ceiling over the years 2010-2014.

On the basis of the audited figures, the funding percentages for the period 2010-2014 are as follows:

- Climate KIC: 16%
- KIC InnoEnergy: 19%
- EIT Digital: 21%

Consequently, based on the audit evidence collected on KIC complementary activities after the Court's audit period, the EIT has confirmed that the EIT funding provided to the three KICs in years 2010-2014 has not exceeded the 25% ceiling set out in the EIT-KIC Framework Partnership Agreements.

### **Performance audits**

The European Court of Auditors carried out two performance audits at the EIT in 2015: 1) An EIT-specific audit focussed on whether the EIT is an effective tool to foster innovation in the EU. 2) A performance audit on the EU agencies' use of grants in general where EIT was one of the five agencies selected for audit.

The Court's special report entitled "*The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impact*" was published on 14 April 2016. The report confirms that the EIT is achieving its mission of strengthening cooperation between business, education institutions and research organisations. However, in order to unleash its full innovation potential, certain changes, including to the EIT's legal framework, are necessary according to the recommendations of the Court of Auditors. The EIT welcomes the four recommendations made by the Court of Auditors and will implement them, as soon as possible, by working closely together with the European Commission. Positive changes have already been introduced as recognised by the European Court of Auditors.

The Court's special report entitled "*Agencies' use of grants: not always appropriate or demonstrably effective*" was published on 21 April 2016. The audit concluded that agencies audited, including the EIT, in general awarded and paid

grants in compliance with the rules. However, the Court has made five recommendations to all agencies for improvements in the way agencies manage grants. The EIT has accepted the relevant and applicable parts of all five recommendations and will implement them as soon as possible.

## 2.7 Follow up of IAC recommendations and action plans for IAC audits

The tables below show the state of play of the action plan implementation progress as of end 2015 and contain brief description of issues covered by critical and very important recommendations.

The IAC issued the following very important recommendations in 2015 (no critical recommendations have been issued):

IAC report title	Brief description (rating)	Acceptance,  Target date for implementation	Implementation status
Audit on Document Management	Organisation of Document Management (very important)	Accepted, End-2016	In progress
Audit on Document Management	Registration, reception, attribution and approval of documents (very important)	Accepted, End-2016	In progress
Audit on Document Management	Filing and retrieving documents (very important)	Accepted, End-2016	In progress
Audit on Document Management	Archiving, storage, protection and destruction of documents (very important)	Accepted, 09/2016	In progress
IAC letter to management	Redesign of the process for selection, designation of new KICs and award decision (very important)	Accepted, 03/2016	Implemented. The 2016 call for KIC proposals approved by the GB on 3/12/2015 makes distinction between selection and award criteria.  For the 2014 selection of new KICs, award decisions have been signed in February 2016.

IAC letter to management	Introduce weighting of designation criteria and the sub-processes (evaluation by experts, hearing) leading to designation (very important)	Accepted, 06/2016	Largely implemented. The 2016 call for KIC proposals was approved by the GB on 3/12/2015. It sets pre-defined quantitative weighting of the designation criteria. Furthermore, it also set pre-defined weighting of results of the sub-processes (experts and GB hearing).
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**Implementation status of critical and very important recommendations from IAC audit reports issued in previous years:**

Audit report	Brief description of recommendations	Current rating	Original deadline	Revised deadline	Implementation status
Audit on Risk Management	Implement the risk management process throughout the EIT	VI	End-2012	End-2016	In progress
Audit on Risk Management	Develop a comprehensive risk register for KIC Grant Management	C	End-2012	End-2016	In progress
Audit on Risk Management	Develop and implement a risk management action plan for grant management	C	Jan. 2013	End-2016	In progress
Audit on Risk Management	Develop a comprehensive risk register for the procurement process	VI	End-2012	End-2016	In progress
Audit on Risk Management	Develop a comprehensive risk register for information technology	VI	End-2012	End-2016	In progress
Audit on Risk Management	Implement a management and internal control system for the prevention and detection of fraud	C	Q1 2013	End-2016	Largely implemented by the adoption of the EIT Anti-Fraud Strategy in 2015. The assessment of the fraud risks will be documented by end-2016 as part of the overall EIT risk assessment.

Audit on Risk Management	Annual Work Program	VI	Q1 2013	06/2016	The 2016 AWP has been adopted by the GB on 03/12/2015. A new operational procedure on the planning process will be developed by June 2016 and will address the recommendation.
Audit on Monitoring of Activities	Implement a continuous and systematic monitoring process for the KICs	C	Nov. 2013	03/2016	Largely implemented, as a new Monitoring strategy has been developed and adopted by the Governing Board on 03/12/2015.  Furthermore, a new set of KPIs has been presented to the GB in March 2016 which will be adopted subsequently.
Audit on Monitoring of Activities	Definition of smart objectives and racer performance indicators	C	Dec. 2014	05/2016	In progress. A new set of KPIs has been presented to the GB in March 2016 which will be adopted subsequently.
Audit on Monitoring of Activities	Information needs analysis	C	April 2013	06/2016	In progress. A new set of KPIs that has been presented to and approved by the EIT GB in March 2016.
Audit on Monitoring of Activities	Single IT system or database providing reliable and complete information on KICs, KIC grants and KICs' projects	C	End-2013	06/2016	Three out of the four planned modules of the EIT IT system for grant management is fully functional and the fourth one will be operational by June 2016.



## 2.8 Follow up of observations from the Discharge authority

In response to the European Parliament decision of 30 April 2015 on discharge in respect of the implementation of the budget of the EIT for the financial year 2013, the EIT informed the Discharge Authority of follow-up actions taken and progress made in respect of observations made by the European Parliament on 15 October 2015. In particular, the following actions have been taken in order to address the observations of the European Parliament.

In response to the observation of the European Parliament and implementing the recommendation made by the Internal Audit Capability of the EIT, the EIT Governing Board adopted a comprehensive revision of the Code of Conduct applicable to Governing Board members on 3 June 2015. In line with the new Code of Conduct, the annual declarations of interests and independence of EIT Governing Board members have been published on the EIT website (<http://eit.europa.eu/eit-community/eit-governing-board/meet-gb>). Furthermore, the EIT has published on its website the declaration of interests and CV of the EIT Interim Director.

In order to address the specific weaknesses identified by the Court of Auditors, the EIT had improved the instructions provided to certifying auditors and communicated the updated instructions to the Knowledge and Innovation Communities on 4 June 2013. This resulted in a considerable increase in the quality of audit certificates received in respect of 2013 grant transactions for which final payments were made by the EIT in 2014. Furthermore, starting with grant agreements 2014, the EIT has been using the same audit certificate methodology as all other programmes under the Horizon 2020 framework programme. The use of a more detailed and consistent certification methodology has further increased the assurance obtained in the course of ex-ante verifications.

The EIT has significantly improved its procurement procedures. The EIT took a proactive approach after the European Court of Auditors had detected errors and launched immediate mitigating actions in the area of procurement as follows. The EIT cancelled the two framework contracts in question in 2014 and carried out an extensive revision of the internal procedures, circuits and templates to fully comply with the respective public procurement rules, with special attention to the sound planning and estimation of needs. Furthermore, the EIT has reinforced the capacity of its procurement team and carried out a series of trainings for EIT staff on procurement.

The EIT obtained audit certificates on costs of KIC complementary activities incurred in 2010-2014 by 31 March 2015 and compliance with the 25 % ceiling set out in the Framework Partnership Agreements has been verified on the basis of final figures. On the basis of the audit evidence collected on KIC complementary activities, the EIT has confirmed that the EIT funding provided to the three KICs in years 2010-2014 has not exceeded the 25% ceiling set out in the EIT-KIC Framework Partnership Agreements.

In order to mitigate the high staff turnover, the EIT has identified improvements in the vacancy management and they are being implemented according to an action plan. In addition, the EIT put in place an appraisal and re-classification system in autumn 2014 to provide a better career perspective to EIT staff. Furthermore, the EIT has strengthened the middle management level, as a new Head of Unit had been appointed for managing grant operations, who took up duties on 1 August 2015.

In order to improve budget implementation, the EIT has improved both planning and monitoring of the implementation of the budget. Improved programming and planning includes a more rigorous assessment of all activities proposed with budget impact over EUR 50,000. Additional planning documents have been introduced to ensure that needs of human and financial resources are well identified and available to implement all planned

activities. Furthermore, the link between planned activities and resource allocation has been strengthened by linking the Annual Work Programme with the annual budget.

## PART III

# ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

### 3.1. Risk management

EIT uses the principles and main elements of the European Commission's risk management methodology. In light of the risk associated with the EIT's activities, the risk management exercise is performed yearly, covering all EIT activities.

The 2014 risk register review identifying the most significant risks in the EIT's register was followed up in 2015. The EIT risk register follows the template recommended by the Commission and risks are categorised on the basis of the Commission risk typology. The EIT risk register contains the actions planned to address the risks, including who should perform them as well as the target dates for completion. The implementation of the action plan was monitored throughout 2015 to ensure it continued to be effective and relevant. To this end, the EIT risk register and action plans are reviewed by the EIT Management on a regular basis and in particular as part of the preparations of Annual Work Programmes and Annual Activity Reports. Moreover, in 2015, the EIT Interim Director put in place a consolidate audit register, which is reviewed on a quarterly basis and maps all outstanding audit recommendations with deadlines and actions required to address them.

As the grants awarded to the KICs represent the largest share of EIT's operational budget (above 90%), an adequate identification and management of the risks associated with the KICs' planning and implementation of their Business Plans is crucial.

Specific risks associated with the management of grants are at the level of the EIT and KICs.

At the level of KICs:

- Inherent risks linked to the multiplicity of organisations and systems, involved in diverse operations;
- Inherent risks related to the relationship between the KIC LE and its partners and the governance of KICs;
- Inherent risk deriving from the start-up phase of new KICs;
- Inherent risk deriving from the complexity and nature of KIC added-value activities;
- Risks related to the fact that the quality and accuracy of the certificates on financial statements produced by external parties is not always satisfactory;
- Risks related to the transition to the new Framework Partnership Agreement and rules of Horizon 2020.

At the level of the EIT:

- Risks related to the reliability of the KICs internal control systems;
- Risks related to the limited staff capacity at the EIT and the relatively high staff turnover.

These risks have been mitigated by:

- Guarantees built into Grant Agreements provisions;
- Continuous guidance provided to KICs in terms of performance and financial matters, including improved Business Plan and Reporting guidelines;
- Close follow-up of the implementation of the KICs' added-value activities;
- Ex-ante verifications such as the assessment of performance and cost reports;
- Ex-post verifications;
- Development of a comprehensive monitoring strategy, an annual monitoring plan and reviews on priority issues;
- Increase of EIT staff capacity;
- Establishment of a process to review, update and improve all EIT procedures;
- Task Force for Simplification developing measures to improve efficiency and effectiveness of grant management;
- Principles of good governance included in the Grant Agreements 2015;
- Preparations of a new Framework Partnership Agreement with KICs.

For further details on risk mitigating actions implemented in 2015, please, refer to Annex VII.

### 3.2. Compliance and effectiveness of Internal Control Standards (ICS)

With its Decision No 3/2010, the EIT Director decided to apply the prevailing Internal Control Standards applicable to the European Commission, which is based on international good practice. The EIT's main objective is to maintain the appropriate balance between the risks to be addressed and the controls required for minimising the risks.

EIT has put in place the organisational structure and the internal control systems suited to the achievement of the control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

In conclusion, the internal control standards are effectively implemented with the exception of certain areas where further improvements are under way. These concern in particular the further improvements needed in the areas of grant management, internal procedures and staff capacity as outlined in the below table. As adequate mitigation actions are under way, the remaining weaknesses do not qualify for a reservation in the annual declaration of assurance.

No	Title	Description of weakness and risk	Potential impact	Mitigating action under way
1	Grant management	Grant management at the level of KICs is controlled by the EIT's grant assurance strategy. However, in the past a number of weaknesses and errors have	Until the EIT's grant assurance strategy is fully updated and principles of good governance implemented as well KIC	Significant steps have been taken by the EIT to address the errors and identified weaknesses and the control systems are improving, as confirmed by the unqualified

		<p>been detected in the financial and operational reports by KICs. This has led the Court of Auditors to issue a qualified opinion on the legality and regularity of transactions at the EIT for the financial years 2012 and 2013.</p> <p>However, as a result of continuous improvement in the EIT's procedures and control activities, the Court of Auditors issued an unqualified opinion for financial year 2014.</p> <p>Nevertheless, control weaknesses remain at the level of some of the KICs, which have not put in place yet fully effective management and control systems. Turnover at management level (CEO, COO and CFO) for two of the first wave KICs present a risk to building reliable control systems. The two second wave KICs are in the process of building up their internal control structures.</p>	<p>internal controls are adequately strengthened for the first wave KICs and set up for the second wave KICs, the risk of errors or ineligible expenditure at the level of the KIC Legal Entities and KIC partners remains, in particular as KICs continue to expand, adding new partners.</p>	<p>audit opinion of the European Court of Auditors for the financial year 2014. The revision of the EIT grant assurance strategy and implementation of the good governance principles for KICs will further contribute to the mitigating actions taken. Nevertheless, a significant risk remains for errors in financial management at the level of the KICs.</p>
2	EIT staff capacity	<p>The EIT encountered staff turnover at all levels, including management and a series of vacancies remained open at the end of 2015. Moreover, there is a risk that the overall staffing allocated to the EIT will not be fully sufficient to carry out all responsibilities assigned to it, in particular in view of the</p>	<p>The EIT is on track to full staffing in 2016. However, the growing number of KICs and budget, which significantly increases the complexity of EIT operations and transactions presents a risk that despite full staffing and various</p>	<p>The EIT will reach full staffing within its establishment plan in 2016 and put in place an <i>interiminaire</i> contract for temporary vacancies (maternity leave, long term sick leave and turnover). However, the EIT remains structurally under-resourced, as confirmed by the European Court of Auditors in</p>

		<p>significant growth of budget, workload and complexity as the number of KICs increases from 3 to 7 with a proportionate increase in the number of beneficiaries (KIC Partners).</p>	<p>financial and operational improvements under way, the EIT will have difficulties to fully implement its work programme and to provide assurance on funds managed in the future. In case this risk materialises, it will not only have a significant negative impact on the EIT's envisaged results in terms of innovation and their contribution to growth, competitiveness and job creation in Europe, but also have a significant reputational risk for the EIT community and the EU as a whole.</p>	<p>Special Report 4/2016. Unless full staffing is achieved by the EIT and the additional staff requested is provided, there is a risk that EIT cannot fully implement its work programme and to provide assurance on funds managed in the future.</p>
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## PART IV

# MANAGEMENT ASSURANCE

### 4.1 Review of the elements supporting assurance

The information reported in Parts II and III derives from the results of the management supervision of activities and audit observations contained in the audit reports listed. These reports are based on a systematic analysis of the evidence available. This approach provided sufficient guarantees as to the completeness and reliability of the information reported and ensures a complete coverage of the EIT budget.

In conclusion, the management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Interim Director of the EIT, in his capacity as Authorising Officer has signed the Declaration of Assurance.

Nevertheless, as indicated in section 3.2 above, 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.

### 4.2 Overall conclusion on assurance

The information reported in Parts II and III does not result in any major issues meriting a reservation. The main remaining weaknesses were identified in the previous chapter.

# DECLARATION OF ASSURANCE

I, the undersigned,

Interim Director of the European Institute of Innovation and Technology

In my capacity as authorising officer

Declare that the information contained in this report gives a true and fair view.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the ex-ante assessment, ex-post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

*Budapest, 2 June 2016*

*Signed*

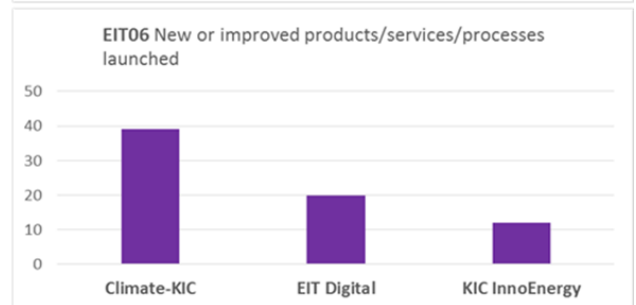
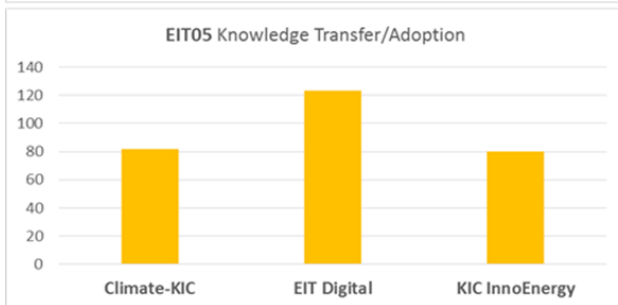
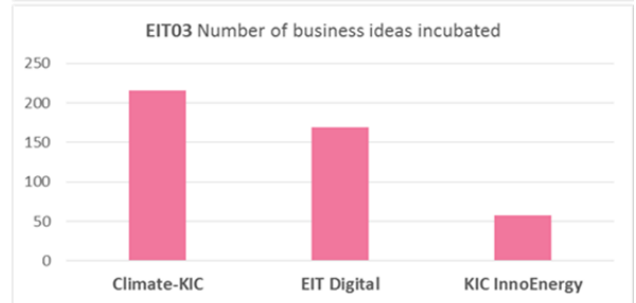
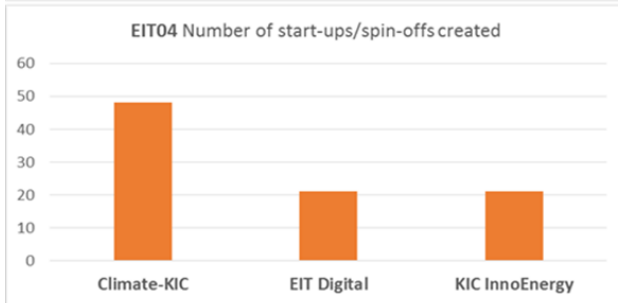
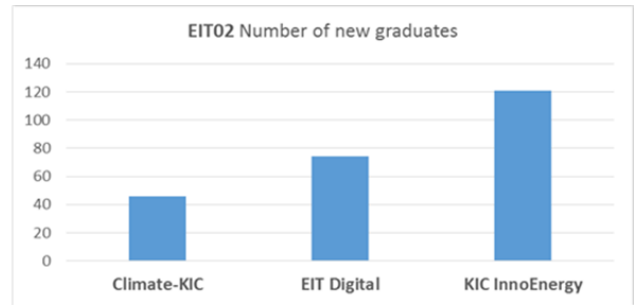
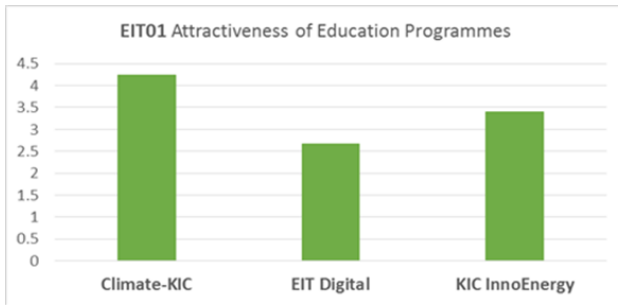
Martin Kern



# ANNEXES

# Annex I: Validated EIT core KPIs (Grant Agreements 2014)

KPI		EIT Digital	Climate KIC	KIC InnoEnergy
1	Attractiveness of the education programmes: EIT labelled	Ratio: 2.67 1547 applications for 580 seats	Ratio: 4.23 652 applications for 154 seats	Ratio: 3.39 1323 applications for 390 seats
2	Number of graduates: EIT labelled degrees	74	46	121
3	Knowledge Transfer and Adoption	25 transfers and 98 adoptions	53 transfers and 29 adoptions	48 transfers and 32 adoptions
4	Business ideas incubated	169	216	58
5	New or Improved Products/Services/Processes	12 new products and 8 improved products	30 new products and 9 improved products	10 new products and 2 improved products
6	Start-ups/Spin-offs created	21 start-ups and 0 spin-offs	48 start-ups and 0 spin-offs	21 start-ups and 0 spin-offs



# Annex II: Statistics on financial management

Breakdown and changes in commitment and payment appropriations per chapter:

Chapter		COMMITMENT				Total, EUR
		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Carried over, EUR	Assigned revenue, EUR	
11	Staff in active employment	4 330 000,00	-1 234 520,60			3 095 479,40
12	Recruitment expenses	46 000,00	4 000,00			50 000,00
13	Mission	330 000,00	-130 000,00			200 000,00
14	Socio-medical infrastructure	106 800,00	-55 300,00			51 500,00
15	Training	110 000,00	-34 000,00			76 000,00
16	External staff and linguistic support	333 000,00	11 331,00			344 331,00
17	Representation	3 000,00	-1 000,00			2 000,00
Title 1 - Total		5 258 800,00	-1 439 489,60	0,00	0,00	3 819 310,40
20	Building and associated costs	149 600,00	-100 100,00			49 500,00
21	Information and communication technology	428 100,00	-66 000,00			362 100,00
22	Moveable property and associated costs	125 500,00	-125 250,00			250,00
23	Current administrative expenditure	299 500,00	-64 000,00			235 500,00
24	Publications, information, studies and surveys	50 000,00	-41 500,00			8 500,00
25	Meeting expenses	383 000,00	-155 000,00			228 000,00
Title 2 - Total		1 435 700,00	-551 850,00	0,00	0,00	883 850,00
30	Grants	285 553 830,27	-25 044 373,10	6 787 568,56	975 670,60	268 272 696,33
31	Knowledge and Innovation Communities	1 443 000,00	-224 000,00		12 850,00	1 231 850,00
32	Communication and outreach	1 285 000,00	300 000,00			1 585 000,00
33	Strategy and stakeholder relations	120 000,00	-10 000,00			110 000,00
Title 3 - Total		288 401 830,27	-24 978 373,10	6 787 568,56	988 520,60	271 199 546,33
TOTAL		295 096 330,27	-26 969 712,70	6 787 568,56	988 520,60	275 902 706,73
40	Cancelled appropriations not used in year n		5 227 645,00			5 227 645,00
Title 4 - Total		0,00	5 227 645,00	0,00	0,00	5 227 645,00
GRAND TOTAL		295 096 330,27	-21 742 067,70	6 787 568,56	988 520,60	281 130 351,73

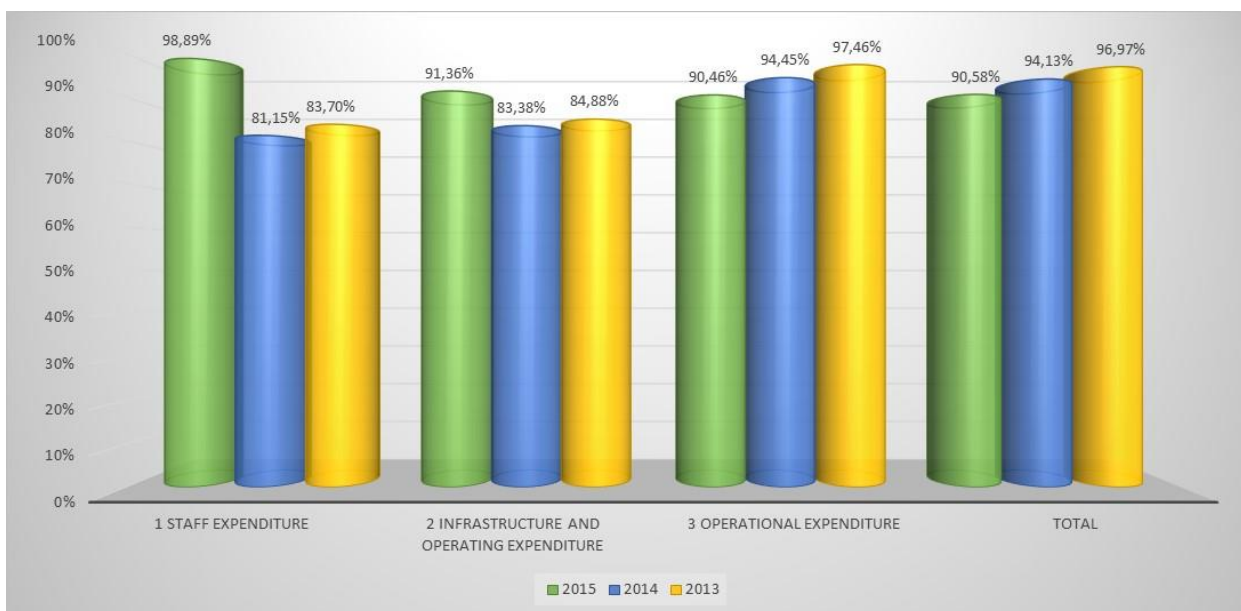
Chapter		PAYMENT				Total, EUR
		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Carried over, EUR	Assigned revenue, EUR	
11	Staff in active employment	4 330 000,00	-1 234 520,60			3 095 479,40
12	Recruitment expenses	46 000,00	4 000,00			50 000,00
13	Mission	330 000,00	-130 000,00			200 000,00
14	Socio-medical infrastructure	106 800,00	-55 300,00			51 500,00
15	Training	110 000,00	-34 000,00			76 000,00
16	External staff and linguistic support	333 000,00	11 331,00			344 331,00
17	Representation	3 000,00	-1 000,00			2 000,00
Title 1 - Total		5 258 800,00	-1 439 489,60	0,00	0,00	3 819 310,40
20	Building and associated costs	149 600,00	-100 100,00			49 500,00
21	Information and communication technology	428 100,00	-66 000,00			362 100,00
22	Moveable property and associated costs	125 500,00	-125 250,00			250,00
23	Current administrative expenditure	299 500,00	-64 000,00			235 500,00
24	Publications, information, studies and surveys	50 000,00	-41 500,00			8 500,00
25	Meeting expenses	383 000,00	-155 000,00			228 000,00
Title 2 - Total		1 435 700,00	-551 850,00	0,00	0,00	883 850,00
30	Grants	233 031 584,48	-11 552 614,65	242 003,13	975 670,60	222 696 643,56
31	Knowledge and Innovation Communities	2 014 000,00	177 050,00	146 352,19	12 850,00	2 350 252,19
32	Communication and outreach	1 568 000,00	-101 050,00	143 212,85		1 610 162,85
33	Strategy and stakeholder relations	65 000,00	0,00	5 000,00		70 000,00
Title 3 - Total		236 678 584,48	-11 476 614,65	536 568,17	988 520,60	226 727 058,60
TOTAL		243 373 084,48	-13 467 954,25	536 568,17	988 520,60	231 430 219,00
40	Cancelled appropriations not used in year n		226 151,64			226 151,64
Title 4 - Total		0,00	226 151,64	0,00	0,00	226 151,64
GRAND TOTAL		243 373 084,48	-13 241 802,61	536 568,17	988 520,60	231 656 370,64

EIT revenue collected, EUR

Income line header	2015	2014	2013
European Union subsidy, EFTA and third party contribution	227 017 581,00	164 850 050,00	93 462 181,00
Contribution by the Host Member State	1 560 000,00	1 560 000,00	1 560 000,00
Other revenue from administrative operations	7 547,64	31 614,04	24 406,00
Surplus, balances	1 564 522,98		
Repayment of KICs grants incurred as a result of an ex-post audit	263 239,16	712 431,44	2 149 992,00
<b>TOTAL</b>	<b>230 412 890,78</b>	<b>167 154 095,48</b>	<b>97 196 579,00</b>

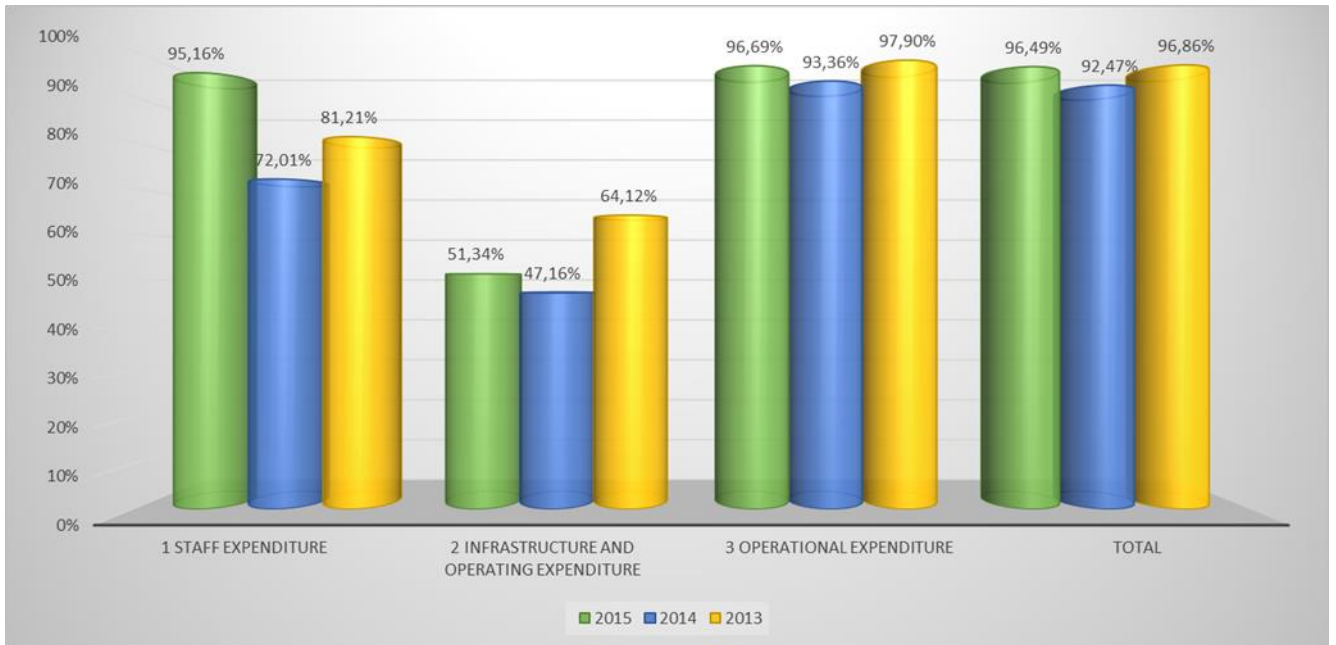
Comparison of budget execution for commitments, EUR

Budget Title	2015	2014	2013
1 Staff expenditure	3 776 915,96	3 760 695,52	3 555 894,03
2 Infrastructure and operating expenditure	807 497,27	1 051 002,24	790 675,97
3 Operational expenditure	238 536 397,71	216 765 223,48	133 543 507,85
<b>TOTAL</b>	<b>243 120 810,94</b>	<b>221 576 921,24</b>	<b>137 890 077,85</b>

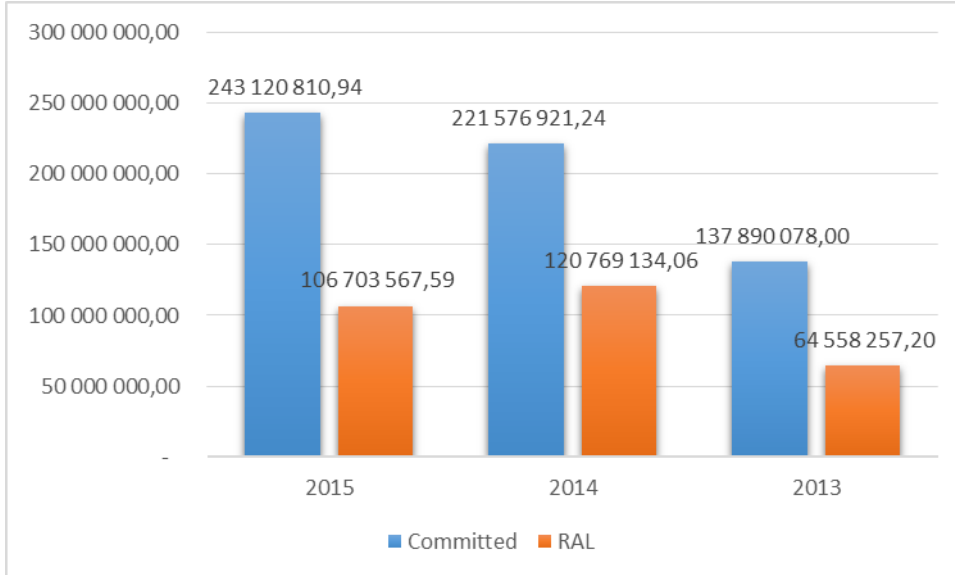


Comparison of budget execution for payments, EUR

Budget Title	2015	2014	2013
1 Staff expenditure	3 634 394,83	3 337 077,26	3 450 021,83
2 Infrastructure and operating expenditure	453 778,62	594 512,95	597 255,92
3 Operational expenditure	218 206 460,23	159 927 251,04	91 615 737,59
<b>TOTAL</b>	<b>222 294 633,68</b>	<b>163 858 841,25</b>	<b>95 663 015,34</b>

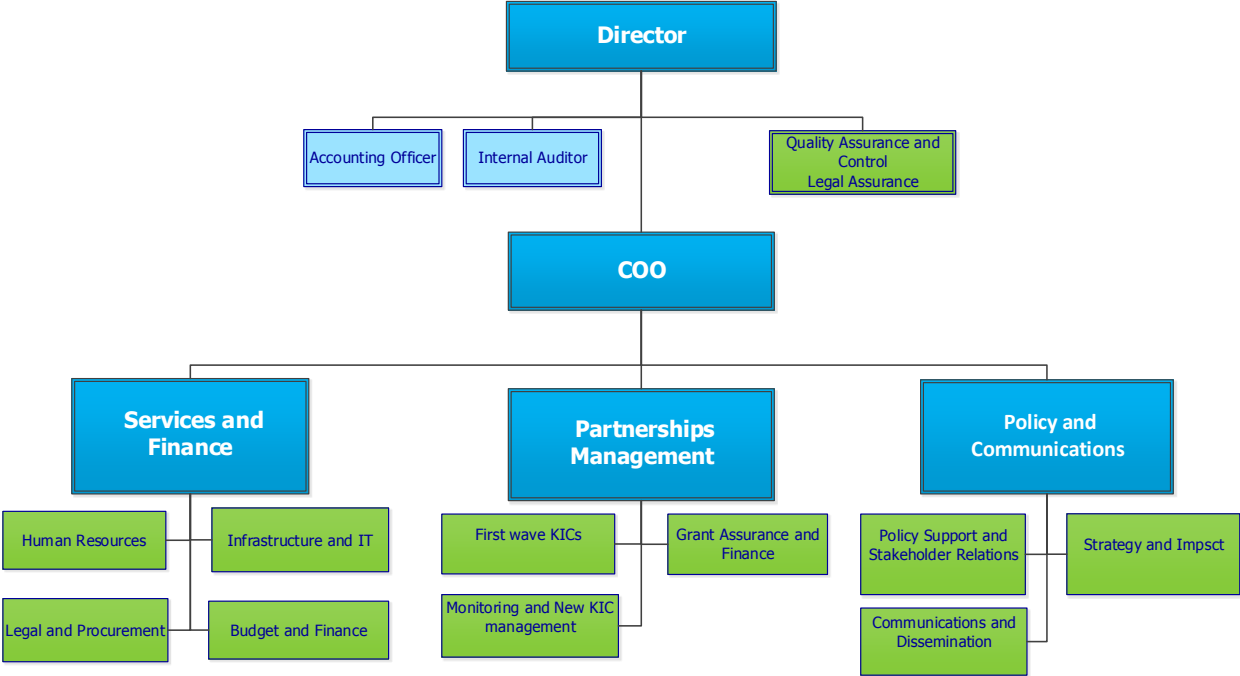


Comparison of committed and RAL amounts for financial years 2013, 2014 and 2015, EUR





# Annex III: Organisational chart



# Annex IV: Establishment Plan and additional information on Human Resources management

Establishment Plan:

Category and grade	Establishment plan 2015	
	Officials (n/a)	Temporary staff (TA)
AD 16		
AD 15		
AD 14		1
AD 13		
AD 12		
AD 11		1
AD 10		
AD 9		5
AD 8		8
AD 7		5
AD 6		14
AD 5		
<b>Total AD</b>		<b>34</b>
AST 11		
AST 10		
AST 9		
AST 8		
AST 7		
AST 6		
AST 5		1
AST 4		2
AST 3		2
AST 2		
AST 1		
<b>Total AST</b>		<b>5</b>
AST/SC 6		
AST/SC5		
AST/SC4		
AST/SC3		
AST/SC2		
AST/SC1		
<b>Total ST/SC</b>		<b>0</b>
<b>TOTAL</b>		<b>39</b>

External personnel:

Category	2015
Contract staff (CA)	
FG IV	6
FG III	8
FG II	6
FG I	0
TOTAL	20
Seconded national Experts (SNE)	
TOTAL	1

a) Information on the entry level for each type of post

Key functions	Type of Contract (TA, CA)	Function group, grade of recruitment	Indication whether the function is dedicated to administrative support or operations
<b>CORE FUNCTIONS</b>			
<i>Director (level 1)</i>	TA	AD 14	<i>Management (both administration and operational)</i>
<i>Chief Operating Officer (level 2)</i>	TA	AD 11	<i>Management (both administration and operational)</i>
<i>Head of Unit</i>	TA	AD9	<i>Management (both administration and operational)</i>
<i>Senior Officer</i>	TA	AD8	<i>operational</i>
<i>Officer (Programme)</i>	TA/CA	AD6/FGIV	<i>operational</i>
<b>SUPPORT FUNCTIONS</b>			
<i>Head of Unit Services and Finance</i>	TA	AD9	<i>administration</i>
<i>Head of Section Human Resources</i>	TA	AD6	<i>administration</i>
<i>Head of Section Budget and Finance</i>	TA	AD6	<i>administration</i>
<i>Head of Section Legal and Procurement</i>	TA	AD6	<i>administration and operational</i>
<i>Corporate Communications Officer</i>	TA	AD5	<i>administration and operational</i>
<i>Head of Section IT and Infrastructure</i>	TA	AD 9	<i>administration</i>
<i>Officer (Policy)</i>	TA	AD6	<i>administration</i>
<i>Secretary</i>	CA	FG II	<i>administration and operational</i>
<b>SPECIAL FUNCTIONS</b>			

<i>Data Protection Officer (Legal Advisor appointed, not a separate function)</i>	TA	AD6	<i>administration</i>
<i>Corporate Legal Officer</i>	TA	AD8	<i>administration</i>
<i>Accounting Officer</i>	TA	AD8	<i>administration</i>
<i>Internal Auditor</i>	TA	AD7	<i>administration</i>

b) Result of the job screening exercise (31/12/2015)

<b>Job Type and Category</b>	<b>Year 2014</b>	<b>Year 2015</b>
ADMINISTRATIVE SUPPORT AND COORDINATION	30 %	30%
Administrative Support	11	11
Coordination	7	8
OPERATIONAL	57%	54%
Top-Level Operational Coordination	5	4
Programme Management & Implementation	20	18
Evaluation & Impact Assessment	5	6
General Operational	4	6
NEUTRAL	13%	16%
Finance	8	7
Control	0	0

# Annex V: Human and Financial resources by activity

Activity	TA	CA	SNE	Operational HR <sup>1</sup>	Operational exp., EUR <sup>2</sup>	Overheads, EUR <sup>3</sup>	Total cost (operational exp. and overheads), EUR
Consolidating, fostering growth and impact of the KICs	4	4	0	8	EUR 236,344,212.79	EUR 733,506.12	EUR 237,077,718.90
Start up and new KICs	3	0	0	3	EUR 5,719.40	EUR 275,064.79	EUR 280,784.19
Simplification	1	0	0	1	EUR 20,000.00	EUR 91,688.26	EUR 111,688.26
Monitoring, impact analysis and evaluation	2	2	0	4	EUR 462,739.79	EUR 366,753.06	EUR 829,492.84
Fostering knowledge exchange through dissemination and outreach	3	1	0	4	EUR 956,140.60	EUR 366,753.06	EUR 1,322,893.66
Fostering and attracting talent	2	1	0	3	EUR 300,000.00	EUR 275,064.79	EUR 575,064.79
Enhancing stakeholder engagement	2	1	1	4	EUR 49,992.50	EUR 366,753.06	EUR 416,745.56
Strategy: Coordination and implementation	4	0	0	4	EUR 397,592.64	EUR 366,753.06	EUR 764,345.70
Administrative support	9	10	0	19	EUR 0.00	EUR 1,742,077.03	EUR 1,742,077.03
<b>TOTAL</b>	<b>30</b>	<b>19</b>	<b>1</b>	<b>50</b>	<b>EUR 238,536,397.71</b>	<b>EUR 4,584,413.23</b>	<b>EUR 243,120,810.94</b>

<sup>1</sup> The operational Human Resources consist of the total number of Temporary and Contract Agents directly involved in operations.

<sup>2</sup> The operational expenditure is the costs directly involved in the implementation of the projects of the AWP.

<sup>3</sup> The overheads are costs indirectly involved in the implementation of the projects of the AWP. These include fixed costs such as salaries, rent, software licences and other similar costs. In addition, overheads include variable costs such as office equipment and supplies, ICT equipment, telecommunication costs and other similar expenses. The total overheads are distributed to each area of activity in proportion to the operational staff employed in each area of activity.

# Annex VI: Specific annexes related to part

## II

### a) Budget implementation

#### Revenue

Income line	Income line header	Income appropriation, EUR	Entitlements established, EUR	Revenue received, EUR	Outstanding amounts, EUR
200	European Union subsidy	215 030 200,53	215 030 200,53	215 030 200,53	0,00
300	Contributions by the EFTA member states	6 321 887,47	6 321 887,47	6 321 887,47	0,00
310	Contributions by third countries	5 665 493,00	5 665 493,00	5 665 493,00	0,00
410	Contribution by the Host Member State	1 560 000,00	1 560 000,00	1 560 000,00	0,00
520	Revenue from investments, or loans granted, bank and other interest on the institution's accounts	214,68	214,68	214,68	0,00
570	Revenue arising from repayment of amounts wrongly paid		4 583,70		4 583,70
590	Other revenue from administrative operations	7 332,96	8 000,00	7 332,96	667,04
600	Surplus, balances	1 564 522,98	1 564 522,98	1 564 522,98	0,00
701	Repayment of KICs grants incurred as a result of an ex-post audit	263 239,16	263 239,16	263 239,16	0,00
	<b>total</b>	<b>230 412 890,78</b>	<b>230 418 141,52</b>	<b>230 412 890,78</b>	<b>5 250,74</b>
900	Cancelled appropriations	1 243 479,86			0,00
	<b>TOTAL</b>	<b>231 656 370,64</b>	<b>230 418 141,52</b>	<b>230 412 890,78</b>	<b>5 250,74</b>

## Expenditure

Budget Title	Fund Source	Commitment			Payment		
		Appropriations, EUR	Commitments made, EUR	%	Appropriations, EUR	Payments made, EUR	%
1 Staff expenditure	C1	2 259 310,40	2 216 915,96	98,12%	2 259 310,40	2 074 394,83	91,82%
	R0	1 560 000,00	1 560 000,00	100,00%	1 560 000,00	1 560 000,00	100,00%
		3 819 310,40	3 776 915,96	98,89%	3 819 310,40	3 634 394,83	95,16%
2 Infrastructure and operating expenditure	C1	883 850,00	807 497,27	91,36%	883 850,00	453 778,62	51,34%
		883 850,00	807 497,27	91,36%	883 850,00	453 778,62	51,34%
3 Operational expenditure	C1	263 423 457,17	238 536 397,71	90,55%	225 446 491,22	218 206 460,23	96,79%
	C2				536 568,17	95 765,69	17,85%
	C3	6 787 568,56	6 787 568,56	100,00%			
	C5	725 281,44	721 808,94	99,52%	725 281,44	721 808,94	99,52%
		270 936 307,17	246 045 775,21	90,81%	226 708 340,83	219 024 034,86	96,61%
TOTAL		275 639 467,57	250 630 188,44	90,93%	231 411 501,23	223 112 208,31	96,41%

Remark: In addition EIT recovered grants of EUR 263 239,16 in 2015 that was booked on C4 fund sources and was carried over automatically to financial year 2016.

### Implementation of the commitment and payment appropriations (C1)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	678 387,72	678 387,72	100,00%	678 387,72	678 387,72	100,00%	-
A-1101	Allowances	261 864,85	261 864,85	100,00%	261 864,85	261 864,85	100,00%	-
A-1102	Employers charges	51 648,57	47 146,84	91,28%	51 648,57	47 146,84	91,28%	-
A-1110	Remuneration and allowances of contract agents	279 645,71	279 645,71	100,00%	279 645,71	279 645,71	100,00%	-
A-1120	Termination of service	12 113,67	12 113,67	100,00%	12 113,67	12 113,67	100,00%	-
A-1121	Entitlements related to entering the service	121 818,88	121 818,88	100,00%	121 818,88	121 818,88	100,00%	-
A-1130	Schooling	130 000,00	127 104,39	97,77%	130 000,00	127 104,39	97,77%	-
	Total	1 535 479,40	1 528 082,06	99,52%	1 535 479,40	1 528 082,06	99,52%	-
A-1200	Recruitment expenses	50 000,00	50 000,00	100,00%	50 000,00	50 000,00	100,00%	-
	Total	50 000,00	50 000,00	100,00%	50 000,00	50 000,00	100,00%	-
A-1300	Mission expenses	200 000,00	200 000,00	100,00%	200 000,00	190 871,45	95,44%	9 128,55
	Total	200 000,00	200 000,00	100,00%	200 000,00	190 871,45	95,44%	9 128,55
A-1410	Medical expenses	1 000,00	1 000,00	100,00%	1 000,00	435,68	43,57%	564,32
A-1420	Early childhood centre and approved day nurseries	49 000,00	49 000,00	100,00%	49 000,00	37 991,66	77,53%	11 008,34
A-1430	Social contacts among staff members	1 500,00	1 500,00	100,00%	1 500,00	1 105,74	73,72%	394,26
	Total	51 500,00	51 500,00	100,00%	51 500,00	39 533,08	76,76%	11 966,92
A-1500	Training	76 000,00	60 552,94	79,67%	76 000,00	27 435,13	36,10%	33 117,81
	Total	76 000,00	60 552,94	79,67%	76 000,00	27 435,13	36,10%	33 117,81
A-1601	Seconded National Expert	40 500,00	38 956,71	96,19%	40 500,00	38 956,71	96,19%	-
A-1602	Trainees	18 000,00	17 685,91	98,26%	18 000,00	17 685,91	98,26%	-
A-1603	IT support	115 531,00	112 276,60	97,18%	115 531,00	97 672,60	84,54%	14 604,00
A-1604	Administrative assistance	116 300,00	111 187,24	95,60%	116 300,00	51 924,24	44,65%	59 263,00
A-1611	Translation	54 000,00	46 000,00	85,19%	54 000,00	31 559,15	58,44%	14 440,85
	Total	344 331,00	326 106,46	94,71%	344 331,00	237 798,61	69,06%	88 307,85
A-1700	Representation expenses	2 000,00	674,50	33,73%	2 000,00	674,50	33,73%	-
	Total	2 000,00	674,50	33,73%	2 000,00	674,50	33,73%	-
	<b>TOTAL - Title 1</b>	<b>2 259 310,40</b>	<b>2 216 915,96</b>	<b>98,12%</b>	<b>2 259 310,40</b>	<b>2 074 394,83</b>	<b>91,82%</b>	<b>142 521,13</b>



Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2000	Renting	8 000,00	-	0,00%	8 000,00	-	0,00%	-
A-2020	Water gas electricity and heating	20 000,00	20 000,00	100,00%	20 000,00	-	0,00%	20 000,00
A-2030	Cleaning and maintenance	17 000,00	14 396,32	84,68%	17 000,00	8 334,72	49,03%	6 061,60
A-2040	Security and surveillance	500,00	500,00	100,00%	500,00	-	0,00%	500,00
A-2050	Fitting out of premises	4 000,00	3 433,99	85,85%	4 000,00	1 173,59	29,34%	2 260,40
	Total	49 500,00	38 330,31	77,43%	49 500,00	9 508,31	19,21%	28 822,00
A-2100	Acquisition renting of equipments and software	279 000,00	277 744,31	99,55%	279 000,00	71 320,36	25,56%	206 423,95
A-2101	Maintenance and repair of equipments	83 100,00	82 973,58	99,85%	83 100,00	54 156,35	65,17%	28 817,23
	Total	362 100,00	360 717,89	99,62%	362 100,00	125 476,71	34,65%	235 241,18
A-2212	Transport cost	250,00	106,10	42,44%	250,00	106,10	42,44%	-
	Total	250,00	106,10	42,44%	250,00	106,10	42,44%	-
A-2300	Stationery and office supplies	13 000,00	13 000,00	100,00%	13 000,00	12 408,42	95,45%	591,58
A-2310	Postage and delivery charges	2 000,00	2 000,00	100,00%	2 000,00	1 534,79	76,74%	465,21
A-2320	Telecommunication charges	41 000,00	40 553,53	98,91%	41 000,00	26 568,05	64,80%	13 985,48
A-2330	Legal expenses and damages	33 000,00	32 220,00	97,64%	33 000,00	17 040,00	51,64%	15 180,00
A-2350	Bank charges	2 000,00	2 000,00	100,00%	2 000,00	1 705,13	85,26%	294,87
A-2360	Honoraria for Governing Board Members	142 500,00	142 500,00	100,00%	142 500,00	142 500,00	100,00%	-
A-2390	Other administrative expenses	2 000,00	2 000,00	100,00%	2 000,00	1 718,87	85,94%	281,13
	Total	235 500,00	234 273,53	99,48%	235 500,00	203 475,26	86,40%	30 798,27
A-2400	Official Journal	5 000,00	500,00	10,00%	5 000,00	-	0,00%	500,00
A-2401	EIT publications	1 000,00	-	0,00%	1 000,00	-	0,00%	-
A-2410	Purchase information	2 500,00	2 326,79	93,07%	2 500,00	2 326,79	93,07%	-
	Total	8 500,00	2 826,79	33,26%	8 500,00	2 326,79	27,37%	500,00
A-2500	Organisation of Governing Board meetings	64 000,00	53 352,20	83,36%	64 000,00	31 256,00	48,84%	22 096,20
A-2501	Travel expenses of Governing Board members	161 000,00	114 981,74	71,42%	161 000,00	78 720,74	48,89%	36 261,00
A-2520	Internal meetings	3 000,00	2 908,71	96,96%	3 000,00	2 908,71	96,96%	-
	Total	228 000,00	171 242,65	75,11%	228 000,00	112 885,45	49,51%	58 357,20
	TOTAL - Title 2	883 850,00	807 497,27	91,36%	883 850,00	453 778,62	51,34%	353 718,65
	TOTAL - Title 1 and Title 2	3 143 160,40	3 024 413,23	96,22%	3 143 160,40	2 528 173,45	80,43%	496 239,78

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	260 509 457,17	235 671 060,54	90,47%	221 478 969,83	216 014 521,89	97,53%	
	Total	260 509 457,17	235 671 060,54	90,47%	221 478 969,83	216 014 521,89	97,53%	
B3-110	KIC monitoring and performance measurement	843 000,00	825 494,57	97,92%	1 209 000,00	682 259,26	56,43%	
B3-120	Entrepreneurship activities	105 000,00	99 985,00	95,22%	241 050,00	241 050,00	100,00%	
B3-130	Educational activities				120 000,00	120 000,00	100,00%	
B3-150	Experts	265 000,00	260 404,96	98,27%	531 000,00	162 745,23	30,65%	
B3-151	Legal assistance				60 000,00	-	0,00%	
B3-190	Other KIC related activities	6 000,00	5 719,40	95,32%	30 000,00	5 719,40	19,06%	
	Total	1 219 000,00	1 191 603,93	97,75%	2 191 050,00	1 211 773,89	55,31%	
B3-200	Communication tools	750 000,00	749 640,60	99,95%	550 000,00	524 767,85	95,41%	
B3-202	Communication strategy and corporate identity	270 000,00	254 000,00	94,07%	365 000,00	219 120,12	60,03%	
B3-203	EIT brand events conferences	505 000,00	505 000,00	100,00%	511 950,00	194 637,89	38,02%	
B3-209	Other communication activities	60 000,00	60 000,00	100,00%	40 000,00	-	0,00%	
	Total	1 585 000,00	1 568 640,60	98,97%	1 466 950,00	938 525,86	63,98%	
B3-300	Strategy development	20 000,00	20 000,00	100,00%	30 000,00	30 000,00	100,00%	
B3-301	Stakeholder relations	90 000,00	85 092,64	94,55%	35 000,00	11 638,59	33,25%	
	Total	110 000,00	105 092,64	95,54%	65 000,00	41 638,59	64,06%	
	Total - Title 3	263 423 457,17	238 536 397,71	90,55%	225 201 969,83	218 206 460,23	96,89%	
	TOTAL	266 566 617,57	241 560 810,94	90,62%	228 345 130,23	220 734 633,68	96,67%	496 239,78

### Implementation of the commitment appropriations (C3) and payment appropriations (C2)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC grants	6 787 568,56	6 787 568,56	100,00%	242 003,13		0,00%
	Total	6 787 568,56	6 787 568,56	100,00%	242 003,13	-	0,00%
B3-120	Entrepreneurship activities				21 313,36	21 293,73	99,91%
B3-130	Educational activities				85 816,76	74 471,96	86,78%
B3-150	Experts				23 913,51		0,00%
B3-151	Legal assistance				6 500,00		0,00%
B3-190	EIT Forum and other KIC related activities				8 808,56		0,00%
	Total	-	-		146 352,19	95 765,69	65,44%
B3-200	Communication tools				35 835,47		0,00%
B3-202	Communication strategy and corporate identity				107 377,38		0,00%
	Total	-	-		143 212,85	-	0,00%
B3-301	Stakeholder relations				5 000,00		0,00%
	Total	-	-		5 000,00	-	0,00%
	Total	6 787 568,56	6 787 568,56	100,00%	536 568,17	95 765,69	17,85%
B4-001	Cancelled appropriations for year n-1 not used in year n	5 227 645,00		0,00%	9 582 730,39		0,00%
	Total	5 227 645,00	-	0,00%	9 582 730,39	-	0,00%
	GRAND TOTAL	12 015 213,56	6 787 568,56	56,49%	10 119 298,56	95 765,69	0,95%

Implementation of the commitment and payment appropriations (C4)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	263 239,16		0,00 %	263 239,16		0,00 %	0,00
	Total	263 239,16	-	0,00 %	263 239,16	-	0,00 %	0,00

Implementation of the commitment and payment appropriations (C5)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC Grants	712 431,44	712 431,44	100,00%	712 431,44	712 431,44	100,00%
B3-140	EIT Foundation	12 850,00	9 377,50	72,98%	12 850,00	9 377,50	72,98%
	Total	725 281,44	721 808,94	99,52%	725 281,44	721 808,94	99,52%

### Implementation of the commitment and payment appropriations (C8)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1130	Schooling	14 000,00	-	0,00%	14 000,00	-	0,00%	-
	Total	14 000,00	-	0,00%	14 000,00	-	0,00%	-
A-1200	Recruitment expenses	9 416,05	9 416,05	100,00%	9 416,05	9 416,05	100,00%	-
	Total	9 416,05	9 416,05	100,00%	9 416,05	9 416,05	100,00%	-
A-1300	Mission expenses	23 000,00	13 181,43	57,31%	23 000,00	13 181,43	57,31%	-
	Total	23 000,00	13 181,43	57,31%	23 000,00	13 181,43	57,31%	-
A-1410	Medical expenses	6 857,43	1 001,85	14,61%	6 857,43	1 001,85	14,61%	-
A-1430	Social contacts among staff members	3 000,00	2 168,98	72,30%	3 000,00	2 168,98	72,30%	-
	Total	9 857,43	3 170,83	32,17%	9 857,43	3 170,83	32,17%	-
A-1500	Training	42 649,45	25 379,24	59,51%	42 649,45	25 379,24	59,51%	-
	Total	42 649,45	25 379,24	59,51%	42 649,45	25 379,24	59,51%	-
A-1603	IT support	58 766,23	50 730,00	86,33%	58 766,23	50 730,00	86,33%	-
A-1604	Administrative assistance	4 755,00	4 755,00	100,00%	4 755,00	4 755,00	100,00%	-
A-1611	Translation	6 105,00	6 105,00	100,00%	6 105,00	6 105,00	100,00%	-
	Total	69 626,23	61 590,00	88,46%	69 626,23	61 590,00	88,46%	-
	<b>TOTAL - Title 1</b>	<b>168 549,16</b>	<b>112 737,55</b>	<b>66,89%</b>	<b>168 549,16</b>	<b>112 737,55</b>	<b>66,89%</b>	<b>-</b>

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
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A-2020	Water gas electricity and heating	20 000,00	13 991,25	69,96%	20 000,00	13 991,25	69,96%	-
A-2030	Cleaning and maintenance	5 690,16	4 812,59	84,58%	5 690,16	4 812,59	84,58%	-
A-2040	Security and surveillance	768,89	320,00	41,62%	768,89	320,00	41,62%	-
	<b>Total</b>	<b>26 459,05</b>	<b>19 123,84</b>	<b>72,28%</b>	<b>26 459,05</b>	<b>19 123,84</b>	<b>72,28%</b>	<b>-</b>
A-2100	Acquisition renting of equipments and software	238 917,78	201 832,37	84,48%	238 917,78	201 832,37	84,48%	-
A-2101	Maintenance and repair of equipments	27 535,75	18 619,44	67,62%	27 535,75	18 619,44	67,62%	-
	<b>Total</b>	<b>266 453,53</b>	<b>220 451,81</b>	<b>82,74%</b>	<b>266 453,53</b>	<b>220 451,81</b>	<b>82,74%</b>	<b>-</b>
A-2310	Postage and delivery charges	1 000,00	191,63	19,16%	1 000,00	191,63	19,16%	-
A-2320	Telecommunication charges	8 825,42	2 659,72	30,14%	8 825,42	2 659,72	30,14%	-
A-2330	Legal expenses and damages	34 500,00	21 500,00	62,32%	34 500,00	21 500,00	62,32%	-
A-2350	Bank charges	137,79	137,79	100,00%	137,79	137,79	100,00%	-
	<b>Total</b>	<b>44 463,21</b>	<b>24 489,14</b>	<b>55,08%</b>	<b>44 463,21</b>	<b>24 489,14</b>	<b>55,08%</b>	<b>-</b>
A-2400	Official Journal	923,58	242,62	26,27%	923,58	242,62	26,27%	-
A-2420	Studies and surveys	1 200,00	931,10	77,59%	1 200,00	931,10	77,59%	-
	<b>Total</b>	<b>2 123,58</b>	<b>1 173,72</b>	<b>55,27%</b>	<b>2 123,58</b>	<b>1 173,72</b>	<b>55,27%</b>	<b>-</b>
A-2500	Organisation of Governing Board meetings	56 986,90	40 955,19	71,87%	56 986,90	40 955,19	71,87%	-
A-2501	Travel expenses of Governing Board members	58 730,27	10 945,70	18,64%	58 730,27	10 945,70	18,64%	-
A-2520	Internal meetings	1 272,75	-	0,00%	1 272,75	-	0,00%	-
	<b>Total</b>	<b>116 989,92</b>	<b>51 900,89</b>	<b>44,36%</b>	<b>116 989,92</b>	<b>51 900,89</b>	<b>44,36%</b>	<b>-</b>
	<b>Total - Title 2</b>	<b>456 489,29</b>	<b>317 139,40</b>	<b>69,47%</b>	<b>456 489,29</b>	<b>317 139,40</b>	<b>69,47%</b>	<b>-</b>
<b>TOTAL - Title 1 and Title 2</b>		<b>625 038,45</b>	<b>429 876,95</b>	<b>68,78%</b>	<b>625 038,45</b>	<b>429 876,95</b>	<b>68,78%</b>	<b>-</b>

### Implementation of the commitment and payment appropriations (R0)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	850 000,00	850 000,00	100,00 %	850 000,00	850 000,00	100,00 %	0,00
A-1101	Allowances	291 000,00	291 000,00	100,00 %	291 000,00	291 000,00	100,00 %	0,00
A-1102	Employers charges	75 000,00	75 000,00	100,00 %	75 000,00	75 000,00	100,00 %	0,00
A-1110	Remuneration and allowances of contract agents	344 000,00	344 000,00	100,00 %	344 000,00	344 000,00	100,00 %	0,00
	TOTAL	1 560 000,00	1 560 000,00	100,00 %	1 560 000,00	1 560 000,00	100,00 %	0,00



## b) List of contracts, external experts and grants awarded in 2015

### List of procurement contracts and exceptional negotiated procedures

The below list includes the compulsory information for publication purposes on:

1) Contracts (direct contracts, framework contracts, purchase orders) awarded by the EIT for a value between EUR 15 000 and EUR 60 000 (see Article 123 (4) of the Rules of Application to the Financial Regulation):

Number of contract	Contract type	Supplies/services	Name of the contractor	Value of the contract	Currency
08/2014/EITPROC	Direct Service Contract	Consultancy services to revise the grant assurance strategy	Mazars Könyvszakértői és Tanácsadói Kft.	49,200.00	EUR
02/2015/EITPROC	Direct Service Contract	Cleaning services (for a total duration of 4 years)	STRABAG Property and Facilities Zrt.	53.585,25	EUR
06/2015/EITPROC	Direct Service Contract	Provision of internet (for a total duration of 4 years)	Magyar Telekom Távközlési Zrt.	38,313.36	EUR

2) Aggregate amount of specific contracts and order forms based on framework contracts exceeding EUR 135 000, if their volume is above EUR 15 000 (see Article 124 (4) of the Rules of Application to the Financial Regulation):

Number of contract	Contract type	Supplies/services	Name of the contractor	Value of the contract	Currency
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Executive Committee meeting and the Governing Board meeting (4-5 March 2015), Budapest	Teamwork	39,812.85	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Logistical arrangements for the EIT Governing Board members for the INNOVEIT Event on 5-7 May 2015	Teamwork	22,810.20	EUR

FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the extraordinary Executive Committee meeting, the Governing Board meeting and the EIT-KICs Spring Review (2-3 June 2015), Budapest	Teamwork	36,731.48	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Executive Committee meeting and the Governing Board meeting (23-24 September 2015), Budapest	Teamwork	40,511.27	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Information day for the 2016 Call for KICs proposals (18 February 2016), Brussels	Teamwork	117,557.90	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the INNOVEIT 2016 Even, including the venue	Teamwork	559,937.54	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Executive Committee meeting, Governing Board meeting and the KIC Hearings (1-3 December 2015), Budapest	Teamwork	50,755.92	EUR
FWC EAC/23/2011 – Lot 4	Specific contract under FWC	2016 Call for KICs proposals: Development and production of information materials	Ecorys	49,969.25	EUR
FWC EAC/23/2011 – Lot 1	Specific contract under FWC	Design and delivery of EIT tailored media trainings	Ecorys	50,819.88	EUR
FWC EAC/23/2011 – Lot 4	Specific contract under FWC	Communication campaign in support of the EIT Alumni pilot activity	Ecorys	99,926.25	EUR
FWC EAC/23/2011 – Lot 1	Specific contract under FWC	EIT Integrated Communications Campaign 2016	Ecorys	730,879.75	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	IT First Level support 2015 (SC 08)	Grape Solutions Zrt.	43,896.00	EUR

FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	IT Second level support 2015 (SC 09)	Grape Solutions Zrt.	71,635.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Software development and support for the Business planning (SC 10)	Grape Solutions Zrt.	20,262.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Software development and support for the Grant Management Platform (SC 12)	Grape Solutions Zrt.	42,043.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Provision of a Knowledge Management consultant (SC 13)	Grape Solutions Zrt.	30,420.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	IT First Level support 2016 (SC 14)	Grape Solutions Zrt.	43,896.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Adaptation of the Reporting Platform and development of the partners in and out tool (SC 16)	Grape Solutions Zrt.	214,737.50	EUR
FWC BUDG/11/PO/003	Specific contract under FWC	Provision of ex-post audit services	Moore Stephens LLP	136,500.00	EUR
FWC DI/07210	Order form under FWC	Acquisition of an IBM server rack and storage expansion	Bechtle AG	165,418.00	EUR
FWC DI/07210	Order form under FWC	Acquisition of the IBM tape library with accessories	Bechtle AG	18,886.45	EUR
FWC DI/7030	Order form under FWC	Acquisition of CISCO video-conference hardware and maintenance	Dimension Data Belgium	50,473.99	EUR
FWC 29/2012/EITP ROC	Order form under FWC	Acquisition of Citrix licenses and maintenance	Comparex Nederland BV	19,657.59	EUR
FWC DI/7020	Order form under FWC	Microsoft licenses	Hewlett Packard Belgium BVBA	16,718.40	EUR
FWC DI/7350	Order form under FWC	Acquisition of HP Thin Clients, personal computers, display	Systemat Luxembourg SA	49,837.11	EUR

		monitors and other IT components			
FWC DI/7180	Order form under FWC	Acquisition of the infrastructure and services for the new Testa-NG services	T-Systems GmbH	50,520.29	EUR
FWC 27/2012/EITP ROC	Order form under FWC	Digital services related to the EIT website (webhosting, developing, maintenance)	Eworx	42,450.00	EUR
FWC EPSO/06/PR/2 011/005	Order form under FWC	Promotion of the EIT Director's selection procedure	Scholz & Friends	30,631.19	EUR
BUDG 12 PO 02 / Lot 1	Specific contract	Provision of advice and consultancy services in accounting and financial systems	PriceWaterhouse Coopers EU Services EESV	44,358.00	EUR

### 3) List of exceptional negotiated procedures in 2015:

Number of contract	Type of procurement procedure and legal basis	Legal basis	Contract type	Supplies/ services	Value of the procurement procedure / contract	Name of the contractor
02/2015/NP/EITPROC	Negotiated procedure without the publication of a contract notice	Article 134(1)(i) RAP <sup>8</sup>	Direct service contract	Legal support in litigation – Court case T-76/15	EUR 32,220.00	De Bandt Attorneys
16/2015/NP/EITPROC	Negotiated procedure without the publication of a contract notice	Article 134(1)(b) RAP <sup>9</sup>	Purchase order	Participation of the EIT Community at the 7 <sup>th</sup> European Innovation Summit	EUR 20,000.00	Knowledge(4) Innovation Asbl

<sup>8</sup> In accordance with the Rules of Application of the Financial Regulation in force until 31 December 2015.

<sup>9</sup> In accordance with the Rules of Application of the Financial Regulation in force until 31 December 2015.

## List of experts

In accordance with Article 40(5) of the Horizon 2020 Rules for Participation and Article 287(5) of the rules of Application of the Financial Regulation, the below listed experts have been contracted in 2015:

Name of expert	Amount (EUR)	Area
Albertina DIAS	EUR 23,850.00	KPI Review
Alexandra BRANCO RIBEIRO	EUR 20,250.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Alexandra BRANCO RIBEIRO	Below EUR 15,000.00	Monitoring
Andre FAAIJ	Below EUR 15,000.00	2014 Grant Agreement Reporting
Andre FAAIJ	Below EUR 15,000.00	Monitoring
Andy BLEADEN	Below EUR 15,000.00	2016 Business Plan Assessment
Bartosz DESZCZYNSKI	EUR 25,200.00	Stakeholder management
Catherine FREISSINET	EUR 20,250.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Christiano SPILLATI	EUR 45,000.00	Communication and marketing support to EIT Awardee
Colette ANDREE	Below EUR 15,000.00	2016 Business Plan Assessment
Edwin JANSSEN	Below EUR 15,000.00	2014 Grant Agreement Reporting
Edwin JANSSEN	Below EUR 15,000.00	Monitoring
Elzbieta UZUNOW	Below EUR 15,000.00	2016 Business Plan Assessment
Eugene SWEENEY	EUR 23,400.00	KPI Review
Fiona SLEVIN	Below EUR 15,000.00	2014 Grant Agreement Reporting
Graciela PADOANI	EUR 20,250.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Hans KARLSEN	Below EUR 15,000.00	2016 Business Plan Assessment
Jaana PUUKKA	Below EUR 15,000.00	2016 Business Plan Assessment
Jean-Marc STEILER	Below EUR 15,000.00	2016 Business Plan Assessment

Johan ZUIDWEG	EUR 20,250.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Joseph Colman MORRISSEY	EUR 21,600.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Juan OTERO	EUR 17,550.00	Business Creation
Klaus HOLMSBERG	Below EUR 15,000.00	2016 Business Plan Assessment
Klaus HOLMSBERG	EUR 17,550.00	KIC Business Creation Program Review
Lars Ballieu CHRISTENSEN	Below 15,000.00	2014 Grant Agreement Reporting
Lorenzo DI GREGORIO	EUR 21,600.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Marc ROSEN	EUR 20,250.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Maria da Conceicao ALVIM-FERRAZ	Below EUR 15,000.00	2014 Grant Agreement Reporting
Massimo Mecella	EUR 26,100.00	IT architecture study
Mauro CISLAGHI	EUR 20,250.00	2014 Grant Agreement Reporting and 2016 Business Plan Assessment
Michael Evan GOODSITE	Below EUR 15,000.00	2016 Business Plan Assessment
Mihai-Marius VORONCA	Below EUR 15,000.00	2016 Business Plan Assessment
Niccolo BECATTINI	Below EUR 15,000.00	2014 Grant Agreement Reporting
Norbert PAQUEL	Below EUR 15,000.00	2016 Business Plan Assessment
Phillippe VANRIE	EUR 18,900.00	KIC Business Creation Program Review
Richard PELLY	EUR 45,000.00	Impact analysis
Sergio MUNOZ LEZCANO	Below EUR 15,000.00	2016 Business Plan Assessment

## Grants awarded

Name of the beneficiary	city	Country/ territory	Co-financing rate	Amount (EUR)	Subject of grant
Knowledge and Innovation Community CLIMATE-KIC HOLDING BV	Utrecht	The Netherlands	100,00%	91,181,000.00	Support the implementation of KIC added value activities (GA 2015)
Knowledge and Innovation Community EIT ICT LABS IVZW	Gent	Belgium	100,00%	83,824,033.11	Support the implementation of KIC added value activities (GA 2015)
Knowledge and Innovation Community KIC InnoEnergy SE	Eindhoven	The Netherlands	100,00%	84,961,679.54	Support the implementation of KIC added value activities (GA 2015)
HELMHOLTZ-ZENTRUM DRESDEN-ROSSEND	Dresden	Germany	100,00%	3,822,040.00	Start-up grant for EIT Raw Materials
ROCHE DIAGNOSTICS GMBH	Mannheim	Germany	100,00%	3,298,985.75	Start-up grant for EIT Health

# Annex VII: Specific annexes related to part

## III

### a) Risk mitigating actions undertaken in 2015

Description of the risk	Proposed mitigating actions	Accomplished risk mitigation actions
<p><b>Improper implementation of EIT-KICs agreements given the complexity and novelty of the KIC concept</b>  <u>Causes:</u> new concept, simplified rules  <u>Consequences:</u> recovery of EIT funds; delays in implementing KICs' activities; negative reactions from EC, CoA, OLAF, KICs; damage reputation/credibility of the EIT</p>	<p>Ensure proper internal consultation and with relevant EU bodies (EC/DG EAC/DG BUDG).</p> <p>Improve the procedures (SOPs) on KIC grant management.</p> <p>Finalise and fine-tune the EIT Grant handbook</p>	<p>Finalisation of a note explaining all the processes that have led to the allocation of funds, including ex-ante assessment of BPs.</p> <p>Finalisation of an improved methodology for ex-ante assessment of KIC reporting accomplished. Updated Guidelines for Business plan and Reporting of the KICs completed.</p> <p>New Framework Partnership Agreements with KICs put in place ensuring full alignment of rules with Horizon 2020.</p>
<p><b>Title: Improper implementation of EIT-KICs agreements - irregularities not detected during the ex-ante verification of performance and cost reports</b>  <u>Causes:</u> full verification by the EIT is not possible  <u>Consequences:</u> non eligible activities and cost are funded by the EIT</p>	<p>Internal detailed assessments of Performance and Cost reports for the GA 2014.</p> <p>Principles of good governance introduced for KICs.</p> <p>Assessment of certificates on the Financial Statements (CFSS) that are required by the EIT.</p> <p>Risk based ex-post audits to be performed on GA 2014 as well.</p> <p>Potential external technical review of KIC added-value activities.</p> <p>Establishment of a fraud prevention strategy.</p> <p>The Anti-fraud Strategy</p>	<p>Definition of new more structured guidelines for ex-ante assessment of KIC reporting has been completed. Grant assurance strategy reviewed by external experts. Detailed assessment of the GA 2014 performance and cost reports as well as the CFSS completed. Ex-post audits on GA 2014 launched and on track. The EIT Anti-Fraud Strategy was adopted by the EIT Governing Board</p>



<p><b>Title: Unexpected/unforeseen legal and procedural aspects delaying finalisation and introduction of the new FPA</b></p> <p><u>Causes:</u> the process is to a certain degree novel and unexpected formal obstacles may arise</p> <p><u>Consequences:</u> delay could damage to the EIT's credibility</p>	<p>Ensure proper and continuous internal consultation and with relevant EU bodies (EC/DG EAC/DG BUDG) and negotiations with KICs.</p>	<p>As a result of the joint efforts of EIT and the relevant EC services, the new FPAs have been signed by February 2016.</p>
<p><b>Title: Difficulty to meet planned deadlines due to ad hoc priorities</b></p> <p><u>Causes:</u> conflicting priorities and significantly increased workload</p> <p><u>Consequences:</u> delays in the realisation of objectives</p>	<p>Efficient activity planning and monitoring, effective allocation of internal resources and reinforcements of critical areas. Regular reporting to Management through weekly management meetings and bilateral meetings with units.</p> <p>Quarterly reviews of action plans set per unit on priority actions.</p>	<p>Priorities are regularly revised in accordance with the needs of the service. The recruitment procedures are well advanced to fill all vacant positions.</p>
<p><b>Title: IT hardware or software failure</b></p> <p><u>Causes:</u> Hardware devices or software failure</p> <p><u>Consequences:</u> Systems and services could be stopped for different periods of time</p>	<p>Off-site back-up system in cooperation with CEPOL.</p> <p>Regular maintenance and update of hardware and software.</p> <p>IT action plan monitored by the IT Steering Committee.</p>	<p>Off-site back-up system set up.</p> <p>New server infrastructure put in place.</p> <p>Improved IT governance.</p>

<p><b>Title: Poor planning and organisation of the financial and procurement process, including the planning of supervision and monitoring</b></p> <p><u>Causes:</u> improper time management, insufficient and inefficient processes</p> <p><u>Consequences:</u> non-achievement of objectives or delay in the achievement, waste of time and resources</p>	<p>Start budgetary planning in Sept, monthly monitoring of the budget and procurement implementation, review of the budget and procurement implementation twice per year.</p>	<p>Budget reports provided and reviewed by EIT Management Team on a regular basis.</p> <p>Quarterly reviews take place. Improved procurement planning process put in place.</p>
<p><b>Staff involved in procurement process may not be properly qualified or familiar with relevant regulations, rules and procedures and may not be properly and consistently apply the rules</b></p> <p><u>Causes:</u> staff involved in procurement process have no financial training and expertise, no follow-up of the changes in the rules, guidance</p> <p><u>Consequences:</u> non-compliance with the legal and regulatory requirements, waste of time and resources</p>	<p>Expenditure Life Cycle training for newcomers and staff, training on procurement, regular workshop and guidance on financial and procurement practicalities.</p> <p>Specific feedback to be provided to OIAs and OVAs on weaknesses identified and management alerted accordingly.</p> <p>Increase capacity of the Procurement and Contracts sections.</p>	<p>Trainings have been organised by HR. Participation in the trainings are mandatory and monitored.</p> <p>Feedback mechanism put in place on procurement performance.</p> <p>Additional capacity provided to the Procurement and Contracts section in 2016.</p>

b) Specific annexes related to "Assessment of the effectiveness of the internal control systems"

Standard	Brief description of the action	Status as of 31.12.2015
ICS 2 – Ethical and Organisational Values	Review EIT’s ethical guidance including provisions of conflict of interest covering the EIT staff, GB members and Experts.	<p><b>Conflict of interest regarding the staff members:</b></p> <p>Two trainings were provided by the EIT to the EIT staff members regarding conflict of interests. The first training was focused on Ethics &amp; Integrity at the EIT-Building an Effective Organisational Culture while the second training was conducted by the anti-fraud coordinator in the context of the OLAF Anti-fraud Strategy. Both trainings aimed to address the principles of professional ethics in the European Institutions and agencies and the main staff obligations, in particular, conflict of interests, external activities, freedom of expression and discretion, gifts and Interest groups.</p> <p>Briefings on the Ethical and Organisational Code of Conduct at the EIT, specially on how staff members shall avoid potential or actual conflict of interest, their obligations towards the EIT to declare external activities, as well as gifts, favours and payments from governments or any other source outside the institute, are provided by the EIT to the newcomers on ad hoc basis by the EIT Ethics officer.</p> <p>Templates on conflict of interest related to the EIT staff members have been duly updated and amended to ensure they are fully compliance with the EU Staff Regulations.</p> <p>Several requests on prior permission for external activities have been submitted to the Appointing Authority during 2015. All the requests were carefully analysed in accordance to the provisions laid down in the Staff Regulations. In some cases, staff members were requested to provide further documents to support their request for authorisation.</p> <p>Staff members leaving the EIT are informed on their obligations after leaving the service. EIT former staff members are obliged to submit the declaration after leaving the service along with the job description of the new tasks assigned to their new function, should this be the case. The declaration after leaving the service has been amended, in particular, as regards the deadline for submission which needs to be done at least one month before the staff member leaves the EIT. This has allowed the EIT to make a proper assessment on whether the new occupational activity of the former staff member would be incompatible with the interests of the EIT or the EU.</p>

		<p>A conflict of interests' assessment is also performed by the EIT regarding the declaration of absence of conflict of interest submitted by the newcomers (contract agents, temporary agents, trainees and national experts) before the signature of their contracts.</p> <p><b>Conflict of interest regarding the Members of the EIT Governing Board:</b></p> <p>On 3 June 2015, the EIT Governing Board adopted Decision 13/2015 on the Code of Good Conduct on conflict of interests for members of the EIT Governing Board. The revised code of conduct takes into account lessons learnt from the past, best practices and findings and recommendations issued by the EIT Internal Audit Capability. It supports prompt identification and the consequent management of any actual or potential conflicts of interests. It reflects a balanced approach that aims to strengthen the decision making process by effectively handling conflicts of interest. This Code of Conduct also introduce three annual exercises on conflict of interest: Annual Declaration of Interest, Call for KICs Declaration of Interest and KIC's Business Plan Declaration of Interest.</p> <p>As laid down in the abovementioned Code of Good Conduct, members of the Governing Board, an annual declaration on conflict of interest was conducted by the EIT in June 2015. Since the adoption of the new Code of conduct took only place in June 2015, the annual declaration exercise for 2015 was postponed to June 2015. With the agreement of the EIT Governing Board, the annual declaration on conflict of interest for 2014 was considered valid until June 2015, when the new annual conflict of interest exercise took place. The ADol for 2015 submitted by the members of the EIT Governing Board were published on the EIT website.</p> <p>The Annual Declaration on Col exercise consists of a preliminary assessment on the ADol presented by the members of the Governing Board and a final assessment.</p> <p>During the 2015 ADol exercise, the EIT contacted some members of the Governing Board regarding unclear and missing information to complete the related declaration of interests. The final assessment on the ADol was finally produced by the EIT on 22 September 2015. Members of the Governing Board were informed individually of the outcome of this ADol assessment and of the mitigation measures adopted in case an actual or potential conflict of interest was identified.</p> <p>As a result, the EIT staff carefully monitored and followed-up the situations declared by the members of the Governing Board and identified by the EIT as potential or actual conflict of interests.</p>
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		<p>During the EIT Governing Board meetings held in 2015, members of the Governing Board were asked to declare interests which could be considered prejudicial to their independence with respect to the items on the agenda at the beginning of each Governing Board meeting.</p> <p>The EIT staff carefully monitored and followed-up the situations declared by the members of the Governing Board and identified by the EIT as actual or potential conflict of interest during the final assessment of the Annual Declaration of Conflict of Interest exercise for 2015.</p> <p>The revision of the EIT's expert policy has started in 2015 in order to have a complete and comprehensive set of rules covering all areas (KIC Calls, Business Plans and Reporting, other experts) and all stages of the selection procedure, contracting and implementation. This includes a detailed methodology for the verification of conflict of interest situations, risk assessment and mitigation. The policy is expected to be adopted in Q2 2016.</p>
ICS 4 – Staff evaluation and development	<p>Implement staff performance evaluation based on annual objectives.</p> <p>Introduce career development with reclassification system.</p>	<p>The first appraisal and reclassification exercise for the EIT was conducted in 2015. Individual objectives of all staff members were revised and training maps for each staff member were created.</p>
ICS 5 - Objective and performance indicators	<p>Continue development of the EIT's performance indicators in line with the KIC's performance indicators.</p>	<p>A comprehensive review of the existing Key Performance Indicator (KPI) system used by EIT and its KICs was initiated in 2015 with the aim to promote the use of results and impact KPIs. This resulted in an agreement on 12 new EIT core KPIs to be used for the planning and reporting / monitoring of KICs activities starting in 2017. The framework for collected indicators was also adjusted to be able to satisfy the required Horizon 2020 data from the EIT and its KICs.</p>
ICS 8 – Processes and procedures	<p>Complete the assessment and revision of the processes, procedures and workflows based on the covering operative and administrative activities.</p>	<p>Partially completed. Due to other priorities, the implementation started late in the year with the help of an external consultant due to insufficient internal resources.</p>
ICS 9 – Management Supervision	<p>Implement via SharePoint a consolidated action plan covering recommendations emerging from audits, risk assessments and consultations in order to facilitate management supervision.</p>	<p>Consolidation partially completed: a single audit register is now maintained covering all audit findings. Separate action plans for units are still maintained to focus on a limited set of key operational and procedural priorities until the EIT has achieved full capacity.</p>

Standard	Brief description of the action	Status as of 31.12.2015
ICS 15 – Assessment of internal control standards	Evaluation of the implementation of the internal control system after four years of activities as “partially autonomous” institute to support the analysis of organisational maturity to reach full financial autonomy.	The progress in EIT’s control environment and the improved maturity of the Institute’s grant management and administrative processes enabled the EIT to request the partner DG (DG EAC) to re-launch the process towards full financial autonomy in July 2015. The process is on-going as no response has yet been received to the request.
ICS 16 – Internal audit capability	Coordinate and agree with the IAS the multi-annual strategic audit plan.	<p>The Internal Audit Capability of the EIT has coordinated its work plan with the Internal Audit Service of the European Commission regarding the 2015-2017 audit period.</p> <p>As a result, the Governing Board endorsed the IAC and IAS Strategic Internal Audit Plans on 5th March 2015.</p>

# Annex VIII: Final annual accounts 2015

DECISION 15/2016 OF  
THE GOVERNING BOARD OF  
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE OPINION OF THE GOVERNING BOARD ON THE FINAL ACCOUNTS 2015

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

Having regard to Regulation (EC) No 294/2008 establishing the European Institute of Innovation and Technology<sup>10</sup>, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013<sup>11</sup>, (hereinafter the EIT Regulation) and in particular, Article 21 (3) and Section 2(a) and 4.3 (j) to the Statutes annexed thereto (hereinafter the ‘Statutes’);

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 Council, in particular Article 99.2<sup>12</sup>;

Having regard to Decision<sup>13</sup> of the Governing Board of the EIT of 27 December 2013 adopting the Financial Rules of the European Institute of Innovation and Technology (hereinafter the ‘Financial Rules of the EIT’) as amended by Decision 6/2015 of the Governing Board of the EIT of 5 March 2015, in particular, Article 99.2;

Having regard to the preliminary observations of the European Court of Auditors on the provisional annual accounts 2015 of the EIT, forwarded to the EIT Interim Director by the President of the Court of Auditors on 31 May 2016;

Having regard to the final accounts drawn up by the Accounting Officer on 16 May 2016 and submitted by the EIT Interim Director to the EIT Governing Board on 26 May 2016;

**WHEREAS**

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<sup>10</sup> OJ L97 of 09.04.2008, p. 1.

<sup>11</sup> OJ L347 of 20.12.2013, p. 174.

<sup>12</sup> OJ L 328, 7.12.2013, p. 42–68

<sup>13</sup> 01364.EIT.2014.I

- (1) The final accounts of the EIT shall be sent by 1 July 2016 together with the opinion of the Governing Board, to the account officer of the Commission, the Court of Auditors, the European Parliament and the Council,
- (2) The EIT's final accounts are attached as Annex I to this decision;
- (3) An excerpt from the final accounts shows the following information:

	<b>01.01.2015 31.12.2015</b>	<b>01.01.2014 31.12.2014</b>
Subsidy of the Commission	220,602,473.77	160,558,343.35
Host state contribution	1,560,000.00	1,560,000.00
Revenues from admin operations - fixed asset income	0.00	0.00
Other operating revenue	456,339.37	635,840.72
<b>TOTAL OPERATING REVENUE</b>	<b>222,618,813.14</b>	<b>162,754,184.07</b>
Staff expenses	3,197,247.44	2,958,994.29
Fixed asset related expenses	72,975.50	56,785.00
Other administrative expenses	1,130,139.76	1,213,269.58
Operational expenses	226,902,884.34	186,431,597.46
<b>TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES</b>	<b>231,303,247.04</b>	<b>190,660,646.33</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>(8,684,433.90)</b>	<b>(27,906,462.26)</b>
Financial operations revenues	214.48	8,600.95
Financial operations expenses	20,194.96	649.12
<b>SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES</b>	<b>(19,980.48)</b>	<b>7,951.83</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>(8,704,414.38)</b>	<b>(27,898,510.43)</b>
Extraordinary gains	0.00	0.00
Extraordinary losses	0.00	0.00
<b>SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS</b>	<b>0.00</b>	<b>0.00</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>(8,704,414.38)</b>	<b>(27,898,510.43)</b>



**HAS DECIDED AS FOLLOWS:**

On the basis of the examination of the final accounts, presented by the EIT Interim Director to the Governing Board of the European Institute of Innovation & Technology ('EIT'), and on the basis of the preliminary observations of the European Court of Auditors on the provisional annual accounts 2015 of the EIT, the Governing Board of the EIT gives a favourable opinion on the final accounts drawn up by the EIT Accounting Officer for 2015.

*Done in Budapest on 2 June 2016*

***Signed***

Peter Olesen

Chairman of the EIT Governing Board

*Annex 1: Final Accounts 2015 of the European Institute of Innovation and Technology*

**FINAL ACCOUNTS OF THE  
EUROPEAN INSTITUTE  
OF  
INNOVATION AND TECHNOLOGY  
(EIT)**

**and**

**REPORT ON THE IMPLEMENTATION OF THE BUDGET**

**01.01.2015 – 31.12.2015**

European Institute of Innovation and Technology (EIT)

[www.eit.europa.eu](http://www.eit.europa.eu)



The EIT is a body of the European Union

Budapest | 16 May 2016

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## CERTIFICATE

The annual accounts of EIT for the year 2015 have been prepared in accordance with the Title IX of the Financial Regulation applicable to the general budget of the European Union, the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of EIT in accordance with Article 68 of the Financial Regulation.

I have obtained from the authorising officer, who certified its reliability, all the information necessary for the production of the accounts that show EIT's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of EIT.

Davide Mola

Accounting Officer

# PART I – Financial statements

Financial year: 2015

## INTRODUCTION

### LEGAL BASIS

The following accounts, together with a report on budgetary and financial management were drawn up in accordance with Article 21 (3) of 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 (hereinafter referred to as "EIT Regulation") and Article 92 of the EIT Financial Regulations<sup>1</sup>.

### BACKGROUND INFORMATION

This report and financial statements have been drawn up for the EIT, a European Union body established by Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008.

The mission of the EIT is to increase European sustainable growth and competitiveness by reinforcing the innovation capacity of the EU (Article 3, EIT Regulation). The seat of EIT is in Budapest.

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<sup>1</sup> Decision of the Governing Board of the European Institute of Innovation and Technology of 27 December 2013 adopting the Financial Regulations of the European Institute of Innovation and Technology (EIT).

The EIT's expenditures are financed by an annual subsidy from the general budget of the European Union and by a contribution from the host state.

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is independent and autonomous in its decision-making and is responsible for the selection, evaluation and support of the Knowledge and Innovation Communities (KICs). The Governing Board brings together 22 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields. It consists of 18 Appointed Members and 4 Representative Members.

The Chairman of the Governing Board for 2015 was Mr Peter Olesen.

The Institute is managed by the EIT Interim Director, Mr. Martin Kern. In accordance with Article 1(c) of the EIT Regulation and Article 39 of the EIT Financial Regulations, the Director is the authorising officer for the EIT budget.

In accordance with Article 43 (1) of the EIT Financial Rules, the Governing Board appointed Davide Mola as accounting officer for the EIT on 28 June 2012 following a recruitment procedure.

# PART I: - FINANCIAL STATEMENTS



## STATEMENTS OF FINANCIAL PERFORMANCE

01.01.2015 - 31.12.2015

EUR

<b>STATEMENTS OF FINANCIAL PERFORMANCE</b> <b>31.12.2015</b>
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	01.01.2015 31.12.2015	01.01.2014 31.12.2014
Subsidy of the Commission	220,602,473.77	160,558,343.35
Host state contribution	1,560,000.00	1,560,000.00
Revenues from admin operations - fixed asset income	0.00	0.00
Other operating revenue	456,339.37	635,840.72
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<b>TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES</b>	<b>231,303,247.04</b>	<b>190,660,646.33</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>(8,684,433.90)</b>	<b>(27,906,462.26)</b>
Financial operations revenues	214.48	8,600.95
Financial operations expenses	20,194.96	649.12
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<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>(8,704,414.38)</b>	<b>(27,898,510.43)</b>
Extraordinary gains	0.00	0.00
Extraordinary losses	0.00	0.00
<b>SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS</b>	<b>0.00</b>	<b>0.00</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>(8,704,414.38)</b>	<b>(27,898,510.43)</b>

## BALANCE SHEET

31.12.2015

### ASSETS

EUR

	31.12.2015	31.12.2014
<b>A. NON CURRENT ASSETS</b>		
<b>Intangible fixed assets</b>	<b>250,022.28</b>	<b>219,319.28</b>
<b>Tangible fixed assets</b>	<b>177,999.00</b>	<b>99,448.00</b>
Land and buildings	0.00	0.00
Plant and equipment	0.00	0.00
Computer hardware	133,492.00	41,803.00
Furniture and vehicles	43,411.00	53,307.00
Other fixtures and fittings	1,096.00	4,338.00
Tangible fixed assets under construction	0.00	0.00
<b>Long-term receivables</b>	<b>1,135.14</b>	<b>1,135.14</b>
Long-term pre-financing	1,135.14	1,135.14
Long-term receivables with consolidated EC entities	0.00	0.00
<b>TOTAL NON CURRENT ASSETS</b>	<b>429,156.42</b>	<b>319,902.42</b>
<b>B. CURRENT ASSETS</b>		
<b>Stock</b>	<b>0.00</b>	<b>0.00</b>
<b>Short-term receivables</b>	<b>527,442.07</b>	<b>364,171.12</b>
Short term prefinancing	0.00	0.00
Current receivables	556,767.75	319,341.45
Long term receivables falling due within a year	0.00	0.00
Sundry receivables	(35,993.46)	43,877.67
Prepaid expenses and accrued income	6,667.78	952.00
<b>Cash and cash equivalents</b>	<b>7,756,960.45</b>	<b>5,172,983.81</b>
<b>TOTAL CURRENT ASSETS</b>	<b>8,284,402.52</b>	<b>5,537,154.93</b>
<b>TOTAL</b>	<b>8,713,558.94</b>	<b>5,857,057.35</b>

## CAPITAL AND LIABILITIES

31.12.2015

EUR

	31.12.2014	31.12.2014
<b>A. CAPITAL</b>		
Accumulated surplus/deficit	(80,502,839.51)	(52,604,329.08)
Economic result of the year	(8,704,414.38)	(27,898,510.43)
<b>TOTAL CAPITAL</b>	<b>(89,207,253.89)</b>	<b>(80,502,839.51)</b>
<b>B. NON CURRENT LIABILITIES</b>		
Provisions for risks and liabilities	0.00	0.00
Long-term liabilities with consolidated entities	0.00	0.00
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>0.00</b>	<b>0.00</b>
<b>C. CURRENT LIABILITIES</b>		
Provisions for risks and liabilities	50,000.00	50,000.00
Accounts payable	97,870,812.83	86,309,896.86
Current payables	(3,437.31)	(2,303.23)
Long-term liabilities falling due within the year	0.00	0.00
Sundry payables	25,781.62	1,992.13
Accrued expenses and deferred income	89,866,676.05	82,016,338.73
Accounts payable with consolidated EC entities	7,981,792.47	4,293,869.23
<b>TOTAL CURRENT LIABILITIES</b>	<b>97,920,812.83</b>	<b>86,359,896.86</b>
<b>TOTAL</b>	<b>8,713,558.94</b>	<b>5,857,057.35</b>

## CASH FLOW STATEMENT

31.12.2015

EUR

	<b>01.01.2015 31.12.2015</b>	<b>01.01.2014 31.12.2014</b>
<b>Cash Flows from ordinary activities</b>		
<b>Surplus/(deficit) from ordinary activities</b>	<b>-8,704,414.38</b>	<b>-27,898,510.43</b>
<b>Operating activities</b>		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	5,494.00	10,644.00
Depreciation (tangible fixed assets) +	67,481.50	46,141.00
Increase/(decrease) in Provisions for risks and liabilities	0.00	-52,789.31
Increase/(decrease) in Value reduction for doubtful debts	0.00	0.00
(Increase)/decrease in Stock	0.00	0.00
(Increase)/decrease in Long term Pre-financing	0.00	0.00
(Increase)/decrease in Short term Pre-financing	0.00	62,150.00
(Increase)/decrease in Long term Receivables	0.00	0.00
(Increase)/decrease in Short term Receivables	-163,270.95	357,168.14
(Increase)/decrease in Receivables related to consolidated EU entities		
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	11,560,915.97	29,744,308.75
Increase/(decrease) in Liabilities related to consolidated EU entities		
<b>Net cash Flow from operating activities</b>	<b>2,766,206.14</b>	<b>2,269,112.15</b>
<b>Cash Flows from investing activities</b>		
Increase of tangible and intangible fixed assets (-)	-182,229.50	-213,825.28
Proceeds from tangible and intangible fixed assets (+)		
<b>Net cash flow from investing activities</b>	<b>-182,229.50</b>	<b>-213,825.28</b>
Net increase/(decrease) in cash and cash equivalents	2,583,976.64	2,055,286.87
<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,172,983.81</b>	<b>3,117,696.94</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,756,960.45</b>	<b>5,172,983.81</b>

## STATEMENT OF CHANGES IN CAPITAL

EUR

Capital	Reserves	Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
Balance as of 31 December 2014	0.00	(52,604,329.08)	(27,898,510.43)	(80,502,839.51)
Changes in accounting policies				0.00
<b>Balance as of 1 January 2015</b>	<b>0.00</b>	<b>(52,604,329.08)</b>	<b>(27,898,510.43)</b>	<b>(80,502,839.51)</b>
Allocation of the Economic Result of Previous Year		(27,898,510.43)	27,898,510.43	0.00
Economic result of the year			(8,704,414.38)	(8,704,414.38)
<b>Balance as of 31 December 2015</b>	<b>0.00</b>	<b>(80,502,839.51)</b>	<b>(8,704,414.38)</b>	<b>(89,207,253.89)</b>

# NOTES TO THE GENERAL ACCOUNTS

01.01.2015 – 31.12.2015

## ACCOUNTING POLICIES AND PRINCIPLES

In accordance with Article 21 (3) of 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 (hereinafter referred to as "EIT Regulation") and Article 76 of the EIT Financial Rules of 3 April 2009, the following final accounts together with a report on budgetary and financial management have been drawn up. These financial statements for the financial year 2015 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the European Union, while the reports on implementation of the budget continue to be primarily based on movements of cash. They also follow Commission Regulation No 2342/2002 (hereinafter referred to as the Implementing Rules).

The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For a public sector entity such as the EIT, the objective is more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

The accounting system of the EIT comprises general accounts and budgetary accounts. The accounts are kept in EUR and are accounted on the basis of a financial year equal to the calendar year. The budgetary accounts give a detailed picture of the implementation of the budget. They are based on the modified cash accounting principle.<sup>2</sup> The general accounts allow for the preparation of the financial statements as they show all charges and income for the financial year and are designed to establish the financial position in the form of a balance sheet at 31 December.

The EIT financial statements have been drawn up using the methods of preparation set out in the accounting rules laid down by the European Commission's accounting officer.

Article 95 of the EIT Financial Regulations sets out the accounting principles to be applied in drawing up the financial statements:

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<sup>2</sup> This differs from cash-based accounting because of elements such as carryovers.

## Going concern basis

The financial statements have been made in accordance with the going concern principle, which means that the EIT is deemed to have been established for an indefinite duration (IPSAS 1; Implementing Rules, Article 187).

## Prudence

Assets and income in these financial statements have not been overstated, and liabilities and expenses have not been understated. No hidden reserves have been created (IPSAS 1; Implementing Rules, Article 188).

## Consistent accounting method

According to this principle the accounting methods and valuation rules may not be changed from one year to the next (IPSAS 1; Implementing Rules, Article 189).

## Comparability of information

In accordance with this principle, the financial statements shall show for each item the amount of the corresponding item for the previous year. Where the presentation or the classification of one of the components of the financial statements has been changed, the corresponding amounts for the previous year shall be made comparable and reclassified (IPSAS 1; Implementing Rules, Article 190).

## Materiality

According to this principle, items that are material by virtue of their nature should be presented separately in the financial statements. Items that are material by virtue of their size but which have the same nature may be aggregated. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately (IPSAS 1; Implementing Rules, Article 191).

## No netting

The principle of no netting means that assets and liabilities may not be offset against each other, nor may revenues and expenses, save where the revenues and expenses derive from the same transaction, from similar transactions or from hedging operations and provided that they are not individually material (IPSAS 1; Implementing Rules, Article 192).

## Reality over appearance (Substance Over Form)

This principle states that if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form (IPSAS 1; Implementing Rules, Article 193).

## Accrual-based accounting

Accrual based accounting is an accounting method that measures the performance and position of the entity by recognizing economic events regardless of when cash transactions occur. (Income and expense items are recognized and recorded when income is earned and expense is incurred, regardless of when cash is actually received or paid.) (IPSAS 1; EIT Financial Regulations, Article 95; Implementing Rules, Article 194).

## Reporting period

The EIT reporting period is from 1 January to 31 December 2015.



## CURRENCY AND BASIS FOR CONVERSION

### Functional and reporting currency

The financial statements are presented in Euro, which is the functional and reporting currency of the EIT (EIT Financial Regulations, Article 96).

### Transactions

Foreign currency transactions were translated into Euros using the official exchange rates of the European Commission of the day on which the payment order was drawn up (Implementing Rules, Article 8).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised in the economic outturn account.

## CHART OF ACCOUNTS

The chart of accounts used by EIT follows the structure of the chart of accounts of the European Commission (PCUE).

## STATEMENTS OF FINANCIAL PERFORMANCES

### Non-Exchange Revenue

Non-exchange revenues for 2015 consist of the subsidy and other operational revenue received from the European Commission and the Hungarian contribution.

In accordance with point 3 of Annex A of the Host Agreement between the European Institute of Innovation and Technology (EIT) and the Government of Hungary, the Hungarian Government agreed to make a contribution towards the staff costs of the EIT representing the wage costs of 20 employees of the EIT for five years. The paid contribution for 2015 was EUR 1 560 000,00; the financial year 2015 was the last year when EIT is entitled to the contribution.

	2015	2014
EC subsidy	220 602 473,77	160 558 343,55
Host state contribution	1 560 000,00	1 560 000,00
Recoveries of GA	431 827,42	400 077,01
Miscellaneous income	11 261,60	8 195,39
Exchange rate gains	13 250,35	227 568,32
<b>Total</b>	<b>222 618 813,14</b>	<b>162 754 184,07</b>

### Service in-kind - Host state contribution to the EIT premises

According to Article 3(3) of the Host Agreement the Hungarian Government covers the rental fee of the EIT premises for 20 years. For such in-kind services the EIT follows the non-recognition approach therefore the contribution was not recognised as revenue (and asset) in the EIT books.

The Hungarian Government contribution to the rental fee constitutes EUR 547 524,48 in kind revenue per calendar year.

## Expenses

According to the principle of the accrual-based accounting, financial statements take account of expenses relating to the reporting period; without taking into consideration the payment date.

### Administrative and operational expenses

Staff expenses comprise different categories of personnel related expenses: salaries, allowances, mission costs and other welfare expenses. Fixed asset related expenses comprise the charged amortisation/depreciation. Other administrative expenses comprise building associated costs, maintenance and service fees, office running costs, the honoraria for the Governing Board and meeting expenses. Operational expenses comprise the KIC grants, studies, expert fees, operational meeting and other operative expenses. The amount includes the pre-financing already paid of 139 743 559,76 EUR.

Article 14 (6) of Regulation (EC) No 1292/2013 amending Regulation (EC) No 294/2008 establishing the European Institute of Innovation and Technology stipulates that the EIT financial contribution shall not, on average, exceed 25% of a KIC's overall funding over the next EU budget period, from 1 January 2015 to December 2020. The rule shall apply as an average at the end of the period, therefore the fulfilment cannot be measured reliably before 2021. As a consequence, the relevant figures of EIT financial contribution and the KICs' overall funding for 2015 are not known at the date of the accounts and no financial impact was recorded for the financial year.

	2015	2014
Staff expenses	3 197 274,44	2 958 994,29
Fixed asset related expenses	72 975,50	56 785,00
Other administrative expenses	1 130 139,76	1 213 269,58
Operational expenses	226 902 884,34	186 431 597,46
<b>Total</b>	<b>231 303 247,04</b>	<b>190 660 646,33</b>

The Institute make pre financing (transactions) for grants during the financial year and final payments in the following year. The Institute makes accrual on the grant amount based on KICs' final settlement and payment requests. Each final settlement have to be supported by an ex-post audit, however, such confirmation is only available in one year delay. As of the date of our report the result of the ex-post audit is not available and the ex-post audits will not be finalised before 2017, therefore no financial impact was recorded for the financial year.

## Average number of employees

	2015	2014
Temporary agents	30	32
Contract agents	19	13
<b>Total</b>	<b>49</b>	<b>45</b>

### Note related to Payroll charges

All salary calculations giving the total staff expenses included in the Statement of financial performance of the Agency are externalized to the Office for administration and payment of individual entitlements (also known as the Paymaster's Office-PMO) which is a central office of the European Commission.

The PMO's mission is to manage the financial rights of permanent, temporary and contractual staff working at the Commission, to calculate and to pay their salaries and other financial entitlements. The PMO provides these services to other EU institutions and agencies as well. The PMO is also responsible for managing the health insurance fund of the Institutions, together with processing and paying the claims of reimbursement from staff members. The PMO also manages the pension fund and pays the pensions of retired staff members. PMO is being audited by the European Court of Auditors.

The Agency is only responsible for the communication to the PMO of reliable information allowing the calculation of the staff costs. It is also responsible to check that this information has been correctly handled in the monthly payroll report used for accounting payroll costs. It is not responsible for the calculation of the payroll costs performed by PMO.

## Financial operations revenues (exchange revenue)

The EIT Financial Regulations provide the EIT with derogation; the funds paid to the EIT by the Commission by way of the subsidy shall bear interest for the benefit of its budget. (EIT FR, Art. 51). The interest collected in 2015 will be incorporated into the 2015 EIT budget.

	2015	2014
Bank interest	214,48	8 600,95

## BALANCE SHEET

### ASSETS

Assets are resources controlled by the EIT as a result of past events and from which future economic benefits or service potential are expected to flow.

EIT uses ABAC Assets, which is an integrated part of the ABAC platform, as inventory application.

### Fixed assets

Fixed assets are assets that are expected to be used during more than one reporting period. The fixed assets in these financial statements are valued at their acquisition price or production cost. The book value of a fixed asset is equal to its acquisition price or production cost, plus or minus revaluations, depreciation and other amounts written off.

### Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets without any physical form. In the EIT's case these consist of computer software.

### Tangible fixed assets

Tangible fixed assets are assets of physical nature, consisting of technical equipments, furniture, computer hardware, telecommunication and audiovisual equipment.

## Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life (IPSAS 17). The depreciation on fixed assets is calculated using the straight-line method with the following rates:

Depreciation rates

Type of asset	Straight line depreciation rate
Computer software	25%
Technical equipment	12.5%
Vehicles	25%
Furniture	10%
Kitchen, cafeteria equipment	12.5%
Computer hardware	25%
Telecommunication and audiovisual equipment	25%

Details of the fixed assets' depreciation can be found in the following table.

EUR

		Internally generated Computer Software	Computer software	Plant and Equipment	Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	<b>Total</b>
<b>Gross carrying amounts 01.01.2015</b>	+		<b>270,209.43</b>	<b>1,235.76</b>	<b>213,901.20</b>	<b>93,181.79</b>	<b>50,093.60</b>	<b>628,621.78</b>
Additions	+	36,197.00			146,032.50			<b>182,229.50</b>
<b>Gross carrying amounts 31.12.2015</b>		<b>36,197.00</b>	<b>270,209.43</b>	<b>1,235.76</b>	<b>359,933.70</b>	<b>93,181.79</b>	<b>50,093.60</b>	<b>810,851.28</b>
								<b>0.00</b>
<b>Accumulated amortization and impairment 01.01.2015</b>	-		<b>-50,890.15</b>	<b>-1,235.76</b>	<b>-172,098.20</b>	<b>-39,874.79</b>	<b>-45,755.60</b>	<b>-309,854.50</b>
Depreciation	-		-5,494.00	0.00	-54,343.50	-9,896.00	-3,242.00	<b>-72,975.50</b>
<b>Accumulated amortization and impairment 31.12.2015</b>		<b>0.00</b>	<b>-56,384.15</b>	<b>-1,235.76</b>	<b>-226,441.70</b>	<b>-49,770.79</b>	<b>-48,997.60</b>	<b>-382,830.00</b>
<b>Net carrying amounts 31.12.2015</b>		<b>36,197.00</b>	<b>213,825.28</b>	<b>0.00</b>	<b>133,492.00</b>	<b>43,411.00</b>	<b>1,096.00</b>	<b>428,021.28</b>

## Receivables

Receivables are carried at original invoice amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the EIT will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is recognised in the economic outturn account statement.

### Short term and long term receivables

Long term:

	2015	2014
Fee paid to supplier	<u>1 135,44</u>	<u>1 135,44</u>
<b>Total</b>	<b>1 135,44</b>	<b>1 135,44</b>

Short-term:

	2015	2014
Receivable from customers	5 250,74	-
Recoveries grant	431 827,42	263 239,16
Receivables from consolidated entities	85,84	0,00
Recoverable VAT from host state	119 603,75	56 102,29
Accrued income/deferred charges	6 667,78	952,00
Sundry receivables	-35 993,46	43 877,67
<b>Total</b>	<u><b>527 442,07</b></u>	<u><b>364 181,12</b></u>

The prepayments consist of prepaid maintenance fees.



## Cash and cash equivalents

	2015	2014
Bank accounts	7 756 960,45	5 172 983,81
<b>Total</b>	<b>7 756 960,45</b>	<b>5 172 983,81</b>

The bank accounts are held with BNP Paribas Fortis (Fortis Bank nv/sa) in Belgium for the EUR currency and in Hungary for the HUF account.

## EQUITY AND LIABILITIES

### Provisions for risks and liabilities

Provisions for risks and liabilities are recognised when EIT has a present legal or constructive obligation as a result of past events; an outflow of resources might be required to settle the obligation, and the amount can be reliably estimated.

The amount of 50 000,00 EUR is intended to cover the legal expenses related to a procurement procedure.

### Short term provisions

	2015	2014
Provision	50 000,00	50 000,00

The provision is related to the court case T-481/14 European Dynamics vs EIT related to procurement procedure No 38/2013/EITPROC concerning the provision of IT services. It is not possible to predict the outcome of the case as there are several different factors to be evaluated by the court. Also there are very few precedents regarding the calculation of damages in these kind of cases. The maximum of the obligation payable to the plaintiff would be EUR 158.430,4 plus the legal cost of the plaintiff. Due to the high uncertainty, EIT has not provided further provision in 2015.

## Current payables

The accounts payable as at 31 December 2015 comprise outstanding unpaid invoices and claims from the suppliers, beneficiaries and other public bodies.

	2015	2014
Accounts payable	14 149,25	-2 303,23
<b>Total</b>	<b>14 149,25</b>	<b>-2 303,23</b>

## Accrued expenses and deferred income

	2015	2014
Accrued expenses	89 866 676,05	82 016 338,73
Deferred income	0,00	0,00
<b>Total</b>	<b>89 866 676,05</b>	<b>82 016 338,73</b>

Accrued expenses are expenses that have been incurred but not yet paid. The majority of the booked accruals are related to KIC grant agreements (EUR 89 866 676,05; this amount is the actual costs incurred by KICs decreased by pre-financing already paid).

The calculated amount of holiday compensation is recognised as accrued expense (according to the Staff regulation - Annex V: Leave, Article 4 - if the person at the time of leaving the service has not used up his/her annual leave, he/she shall be paid compensation equal to one thirtieth of his monthly remuneration for each day of leave due to him/her).

## Accounts payable with consolidated EU entities

	2015	2014
Repayable positive budgetary outturn	7 979 629,89	2 095 551,97
Repayable positive budgetary outturn 2011-2013		2 196 154,68
Repayable interest earned on EU subsidy	-	-
Other payables to consolidated EU entities	-	2 162,58
<b>Total</b>	<b>7 979 629,89</b>	<b>4 293 869,23</b>

Article 14 of the EIT Financial Regulation, derogations allow for the possibility to re-enter unused appropriations, appropriations carried over and decommitted appropriations in the estimate of revenue and expenditure up to the following three financial years.

The amount of the unused commitment appropriations on Title 3 are:

2014: 12 015 213.56 (C1) + 725 281.44 (C4)

2015: 24 887 059.26 (C1) + 263 239.16 (C4)

The amount of unused payment appropriations are:

2014: 1 564 522.98

2015: 7 979 844.69

Article 58 of the EIT Financial Regulations grants derogation as regards the interest earned on the subsidy payments: the funds paid to the EIT by the Commission by way of the subsidy bears interest for the benefit of its budget.

The interest generated by funds paid to the EIT by the Commission by way of the contribution shall be due to the budget of the EIT.

## CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or a present obligation that arises from past events but is not recognised because the amount of the obligation cannot be measured with sufficient reliability.

### Operational leases

Operational leases are classified as such where the lessor retains a significant portion of the risks and rewards of ownership. Lease payments under an operating lease are recognised as an expense in the economic outturn account on a straight-line basis over the lease term. Assets subject to an operating lease are treated as rentals.

EIT has no operational lease contracts.

### Carryovers

The EIT recognises the difference between the amount of the automatic carryover of commitment appropriations (the budgetary commitment is the operation reserving the appropriation necessary to cover subsequent payments to honour a legal commitment) and the accrued expenses as a contingent liability.

	2015	2014
Automatic carryovers (C8)	759 478,94	120 514 064,96
Accrued expenses	(89 866 676,05)	(82 016 338,73)
<b>Contingent liabilities for carryovers</b>	<b>(89 107 197,11)</b>	<b>38 497 726,23</b>

## Amounts relating to legal cases

EIT has a provision of EUR 50 000,00 related to a procurement procedure launched in 2014.

## Long term/Multi-annual contractual commitments

A commitment for future funding is a possible future outflow of resources that could arise due to a legal or contractual commitment existing at year end. Significant long-term service contracts fall under this category.

The EIT has no existing multi-annual contracts without budgetary commitments.

	2015	2014
Operational leases	-	-
Carryovers	(89 866 676,05)	38 497 726,23
Legal case	-	-
Multi-annual contractual commitments	-	-
Contingent liabilities	(89 866 676,05)	38 497 726,23

## CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events but which are not recognised because the amount of the obligation cannot be measured with sufficient reliability.

### Guarantees received for pre-financing

Articles 118 of the EU Financial Regulation and Article 182 of the Implementing Rules allow the Authorising Officers, if appropriate and proportionate, to require an advance guarantee for pre-financing.

#### RELATED PARTIES

Highest grade description	Grade	Number of persons of this grade	Nominal amount	Remaining open amount as of 31/12
Interim Director	AD11	1	-	-

## CHANGES IN ACCOUNTING POLICIES

EIT Financial Regulation was modified, however, it has no financial impact and changes still ensure comparability between financial year 2014 and 2015.

# PART II - Report on the implementation of the budget

Financial year: 2015

# 1. Budget result

EUR

		2015	2014
Revenue for the financial year	+	228,848,153.12	167,154,095.48
Payments against current year appropriations (C1, C4, C5, R0)	-	223,016,442.62	164,874,352.73
Payment appropriations carried over to year N+1	-	759,478.94	1,886,888.06
Cancellation of unused payment appropriations carried over from year N-1 (C2,C8)	+	635,963.98	531,028.99
Adjustment for carry-over from previous year of appropriations available at 31.12 arising from assigned revenue (C5)	+	725,281.44	1,015,511.48
Exchange differences for the year (gain+/loss-)	+/-	-18,369.75	156,156.81
<i>Budget result</i>		<i>6,415,107.23</i>	<i>2,095,551.97</i>
Interest generated on the Commission's subsidy	+	214.48	8,600.95
Surplus N-1 reduced by the amount repaid to the Commission in year N	+	1,564,522.98	



## 2. Reconciliation of the budget and economic result

EUR

<b>Table 2 - Reconciliation of the budgetary and economic outturn</b>	2015	2014
<b>ECONOMIC RESULT</b>	-8,704,414.38	-27,898,510.43
Adjustments for accrual cut off reversal 31.12.N-1	-82,016,338.73	-56,560,559.88
Adjustments for accrual cut off reversal 31.12.N	89,866,676.05	82,016,338.73
Unpaid invoices at year end but booked in charges	0.00	0.00
Depreciation of intangible and tangible assets	72,975.50	56,785.00
Provisions	0.00	-52,789.31
Payments made from carry over of payment appropriations	525,642.64	284,915.46
Other revenue	-214.48	12,850.00
Asset acquisitions	-182,229.50	-213,825.28
Recovery orders (grants) not yet cashed	-431,827.42	-263,239.16
Recovery orders (grants) from previous years cashed in 2015	263,239.16	575,593.59
Recovery orders (others) not yet cashed	0.00	0.00
Pre-financing open at the end of 2014 and paid in 2015	0.00	62,150.00
Payment appropriations carried over	-759,478.94	-1,886,888.06
Cancellation of unused carried over payment appropriations from previous year	635,963.98	531,028.99
Carry-over from previous year of appropriations available at 31.12 arising from assigned revenue	725,281.44	1,015,511.48
Accrued income/ Deferred Charges	6,667.78	952.00
Release of provision against unrealized gain/losses	0.00	123,330.53
Pre-financing open with the Commission	6,415,107.23	4,291,706.65
Others	-1,943.10	201.66
<b>Total</b>	<b>6,415,107.23</b>	<b>2,095,551.97</b>
<b>BUDGETARY RESULT</b>	<b>6,415,107.23</b>	<b>2,095,551.97</b>

### 3. Revenue

Income line	Income line header	Income appropriation, EUR	Entitlements established, EUR	Revenue received, EUR	Outstanding amounts, EUR
200	European Union subsidy	215 030 200,53	215 030 200,53	215 030 200,53	0,00
300	Contributions by the EFTA member states	6 321 887,47	6 321 887,47	6 321 887,47	0,00
310	Contributions by third countries	5 665 493,00	5 665 493,00	5 665 493,00	0,00
410	Contribution by the Host Member State	1 560 000,00	1 560 000,00	1 560 000,00	0,00
520	Revenue from investments, or loans granted, bank and other interest on the institution's accounts	214,68	214,68	214,68	0,00
570	Revenue arising from repayment of amounts wrongly paid		4 583,70		4 583,70
590	Other revenue from administrative operations	7 332,96	8 000,00	7 332,96	667,04
600	Surplus, balances	1 564 522,98	1 564 522,98	1 564 522,98	0,00
701	Repayment of KICs grants incurred as a result of an ex-post audit	263 239,16	263 239,16	263 239,16	0,00
	<b>total</b>	<b>230 412 890,78</b>	<b>230 418 141,52</b>	<b>230 412 890,78</b>	<b>5 250,74</b>
900	Cancelled appropriations	1 243 479,86			0,00
	<b>TOTAL</b>	<b>231 656 370,64</b>	<b>230 418 141,52</b>	<b>230 412 890,78</b>	<b>5 250,74</b>

## 4. Expenditure

### 4.1 Breakdown and changes in commitment and payment appropriations by chapter

Chapter		COMMITMENT				Total, EUR
		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Carried over, EUR	Assigned revenue, EUR	
11	Staff in active employment	4 330 000,00	-1 234 520,60			3 095 479,40
12	Recruitment expenses	46 000,00	4 000,00			50 000,00
13	Mission	330 000,00	-130 000,00			200 000,00
14	Socio-medical infrastructure	106 800,00	-55 300,00			51 500,00
15	Training	110 000,00	-34 000,00			76 000,00
16	External staff and linguistic support	333 000,00	11 331,00			344 331,00
17	Representation	3 000,00	-1 000,00			2 000,00
<b>Title 1 - Total</b>		<b>5 258 800,00</b>	<b>-1 439 489,60</b>	<b>0,00</b>	<b>0,00</b>	<b>3 819 310,40</b>
20	Building and associated costs	149 600,00	-100 100,00			49 500,00
21	Information and communication technology	428 100,00	-66 000,00			362 100,00
22	Moveable property and associated costs	125 500,00	-125 250,00			250,00
23	Current administrative expenditure	299 500,00	-64 000,00			235 500,00
24	Publications, information, studies and surveys	50 000,00	-41 500,00			8 500,00
25	Meeting expenses	383 000,00	-155 000,00			228 000,00
<b>Title 2 - Total</b>		<b>1 435 700,00</b>	<b>-551 850,00</b>	<b>0,00</b>	<b>0,00</b>	<b>883 850,00</b>
30	Grants	285 553 830,27	-25 044 373,10	6 787 568,56	975 670,60	268 272 696,33
31	Knowledge and Innovation Communities	1 443 000,00	-224 000,00		12 850,00	1 231 850,00
32	Communication and outreach	1 285 000,00	300 000,00			1 585 000,00
33	Strategy and stakeholder relations	120 000,00	-10 000,00			110 000,00
<b>Title 3 - Total</b>		<b>288 401 830,27</b>	<b>-24 978 373,10</b>	<b>6 787 568,56</b>	<b>988 520,60</b>	<b>271 199 546,33</b>
<b>TOTAL</b>		<b>295 096 330,27</b>	<b>-26 969 712,70</b>	<b>6 787 568,56</b>	<b>988 520,60</b>	<b>275 902 706,73</b>
40	Cancelled appropriations not used in year n		5 227 645,00			5 227 645,00
<b>Title 4 - Total</b>		<b>0,00</b>	<b>5 227 645,00</b>	<b>0,00</b>	<b>0,00</b>	<b>5 227 645,00</b>
<b>GRAND TOTAL</b>		<b>295 096 330,27</b>	<b>-21 742 067,70</b>	<b>6 787 568,56</b>	<b>988 520,60</b>	<b>281 130 351,73</b>

		PAYMENT				
Chapter		Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Carried over, EUR	Assigned revenue, EUR	Total, EUR
11	Staff in active employment	4 330 000,00	-1 234 520,60			3 095 479,40
12	Recruitment expenses	46 000,00	4 000,00			50 000,00
13	Mission	330 000,00	-130 000,00			200 000,00
14	Socio-medical infrastructure	106 800,00	-55 300,00			51 500,00
15	Training	110 000,00	-34 000,00			76 000,00
16	External staff and linguistic support	333 000,00	11 331,00			344 331,00
17	Representation	3 000,00	-1 000,00			2 000,00
Title 1 - Total		5 258 800,00	-1 439 489,60	0,00	0,00	3 819 310,40
20	Building and associated costs	149 600,00	-100 100,00			49 500,00
21	Information and communication technology	428 100,00	-66 000,00			362 100,00
22	Moveable property and associated costs	125 500,00	-125 250,00			250,00
23	Current administrative expenditure	299 500,00	-64 000,00			235 500,00
24	Publications, information, studies and surveys	50 000,00	-41 500,00			8 500,00
25	Meeting expenses	383 000,00	-155 000,00			228 000,00
Title 2 - Total		1 435 700,00	-551 850,00	0,00	0,00	883 850,00
30	Grants	233 031 584,48	-11 552 614,65	242 003,13	975 670,60	222 696 643,56
31	Knowledge and Innovation Communities	2 014 000,00	177 050,00	146 352,19	12 850,00	2 350 252,19
32	Communication and outreach	1 568 000,00	-101 050,00	143 212,85		1 610 162,85
33	Strategy and stakeholder relations	65 000,00	0,00	5 000,00		70 000,00
Title 3 - Total		236 678 584,48	-11 476 614,65	536 568,17	988 520,60	226 727 058,60
TOTAL		243 373 084,48	-13 467 954,25	536 568,17	988 520,60	231 430 219,00
40	Cancelled appropriations not used in year n		226 151,64			226 151,64
Title 4 - Total		0,00	226 151,64	0,00	0,00	226 151,64
GRAND TOTAL		243 373 084,48	-13 241 802,61	536 568,17	988 520,60	231 656 370,64

## 4.2. Implementation of commitment and payment appropriations by Title (C1, R0 and C4)

Budget Title	Fund Source	Commitment			Payment		
		Appropriations, EUR	Commitments made, EUR	%	Appropriations, EUR	Payments made, EUR	%
1 Staff expenditure	C1	2 259 310,40	2 216 915,96	98,12%	2 259 310,40	2 074 394,83	91,82%
	R0	1 560 000,00	1 560 000,00	100,00%	1 560 000,00	1 560 000,00	100,00%
		3 819 310,40	3 776 915,96	98,89%	3 819 310,40	3 634 394,83	95,16%
2 Infrastructure and operating expenditure	C1	883 850,00	807 497,27	91,36%	883 850,00	453 778,62	51,34%
		883 850,00	807 497,27	91,36%	883 850,00	453 778,62	51,34%
3 Operational expenditure	C1	263 423 457,17	238 536 397,71	90,55%	225 446 491,22	218 206 460,23	96,79%
	C4	263 239,16		0,00%	236 239,16		0,00%
		263 686 696,33	238 536 397,71	90,46%	225 682 730,38	218 206 460,23	96,69%
TOTAL		268 389 856,73	243 120 810,94	90,58%	230 385 890,78	222 294 633,68	96,49%

## 4.3 Implementation of the commitment and payment appropriations (C1)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	678 387,72	678 387,72	100,00%	678 387,72	678 387,72	100,00%	-
A-1101	Allowances	261 864,85	261 864,85	100,00%	261 864,85	261 864,85	100,00%	-
A-1102	Employers charges	51 648,57	47 146,84	91,28%	51 648,57	47 146,84	91,28%	-
A-1110	Remuneration and allowances of contract agents	279 645,71	279 645,71	100,00%	279 645,71	279 645,71	100,00%	-
A-1120	Termination of service	12 113,67	12 113,67	100,00%	12 113,67	12 113,67	100,00%	-
A-1121	Entitlements related to entering the service	121 818,88	121 818,88	100,00%	121 818,88	121 818,88	100,00%	-
A-1130	Schooling	130 000,00	127 104,39	97,77%	130 000,00	127 104,39	97,77%	-
	Total	1 535 479,40	1 528 082,06	99,52%	1 535 479,40	1 528 082,06	99,52%	-
A-1200	Recruitment expenses	50 000,00	50 000,00	100,00%	50 000,00	50 000,00	100,00%	-
	Total	50 000,00	50 000,00	100,00%	50 000,00	50 000,00	100,00%	-
A-1300	Mission expenses	200 000,00	200 000,00	100,00%	200 000,00	190 871,45	95,44%	9 128,55
	Total	200 000,00	200 000,00	100,00%	200 000,00	190 871,45	95,44%	9 128,55
A-1410	Medical expenses	1 000,00	1 000,00	100,00%	1 000,00	435,68	43,57%	564,32
A-1420	Early childhood centre and approved day nurseries	49 000,00	49 000,00	100,00%	49 000,00	37 991,66	77,53%	11 008,34
A-1430	Social contacts among staff members	1 500,00	1 500,00	100,00%	1 500,00	1 105,74	73,72%	394,26
	Total	51 500,00	51 500,00	100,00%	51 500,00	39 533,08	76,76%	11 966,92
A-1500	Training	76 000,00	60 552,94	79,67%	76 000,00	27 435,13	36,10%	33 117,81
	Total	76 000,00	60 552,94	79,67%	76 000,00	27 435,13	36,10%	33 117,81
A-1601	Seconded National Expert	40 500,00	38 956,71	96,19%	40 500,00	38 956,71	96,19%	-
A-1602	Trainees	18 000,00	17 685,91	98,26%	18 000,00	17 685,91	98,26%	-
A-1603	IT support	115 531,00	112 276,60	97,18%	115 531,00	97 672,60	84,54%	14 604,00
A-1604	Administrative assistance	116 300,00	111 187,24	95,60%	116 300,00	51 924,24	44,65%	59 263,00
A-1611	Translation	54 000,00	46 000,00	85,19%	54 000,00	31 559,15	58,44%	14 440,85
	Total	344 331,00	326 106,46	94,71%	344 331,00	237 798,61	69,06%	88 307,85
A-1700	Representation expenses	2 000,00	674,50	33,73%	2 000,00	674,50	33,73%	-
	Total	2 000,00	674,50	33,73%	2 000,00	674,50	33,73%	-
	TOTAL - Title 1	2 259 310,40	2 216 915,96	98,12%	2 259 310,40	2 074 394,83	91,82%	142 521,13

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2000	Renting	8 000,00	-	0,00%	8 000,00	-	0,00%	-
A-2020	Water gas electricity and heating	20 000,00	20 000,00	100,00%	20 000,00	-	0,00%	20 000,00
A-2030	Cleaning and maintenance	17 000,00	14 396,32	84,68%	17 000,00	8 334,72	49,03%	6 061,60
A-2040	Security and surveillance	500,00	500,00	100,00%	500,00	-	0,00%	500,00
A-2050	Fitting out of premises	4 000,00	3 433,99	85,85%	4 000,00	1 173,59	29,34%	2 260,40
	Total	49 500,00	38 330,31	77,43%	49 500,00	9 508,31	19,21%	28 822,00
A-2100	Acquisition renting of equipments and software	279 000,00	277 744,31	99,55%	279 000,00	71 320,36	25,56%	206 423,95
A-2101	Maintenance and repair of equipments	83 100,00	82 973,58	99,85%	83 100,00	54 156,35	65,17%	28 817,23
	Total	362 100,00	360 717,89	99,62%	362 100,00	125 476,71	34,65%	235 241,18
A-2212	Transport cost	250,00	106,10	42,44%	250,00	106,10	42,44%	-
	Total	250,00	106,10	42,44%	250,00	106,10	42,44%	-
A-2300	Stationery and office supplies	13 000,00	13 000,00	100,00%	13 000,00	12 408,42	95,45%	591,58
A-2310	Postage and delivery charges	2 000,00	2 000,00	100,00%	2 000,00	1 534,79	76,74%	465,21
A-2320	Telecommunication charges	41 000,00	40 553,53	98,91%	41 000,00	26 568,05	64,80%	13 985,48
A-2330	Legal expenses and damages	33 000,00	32 220,00	97,64%	33 000,00	17 040,00	51,64%	15 180,00
A-2350	Bank charges	2 000,00	2 000,00	100,00%	2 000,00	1 705,13	85,26%	294,87
A-2360	Honoraria for Governing Board Members	142 500,00	142 500,00	100,00%	142 500,00	142 500,00	100,00%	-
A-2390	Other administrative expenses	2 000,00	2 000,00	100,00%	2 000,00	1 718,87	85,94%	281,13
	Total	235 500,00	234 273,53	99,48%	235 500,00	203 475,26	86,40%	30 798,27
A-2400	Official Journal	5 000,00	500,00	10,00%	5 000,00	-	0,00%	500,00
A-2401	EIT publications	1 000,00	-	0,00%	1 000,00	-	0,00%	-
A-2410	Purchase information	2 500,00	2 326,79	93,07%	2 500,00	2 326,79	93,07%	-
	Total	8 500,00	2 826,79	33,26%	8 500,00	2 326,79	27,37%	500,00
A-2500	Organisation of Governing Board meetings	64 000,00	53 352,20	83,36%	64 000,00	31 256,00	48,84%	22 096,20
A-2501	Travel expenses of Governing Board members	161 000,00	114 981,74	71,42%	161 000,00	78 720,74	48,89%	36 261,00
A-2520	Internal meetings	3 000,00	2 908,71	96,96%	3 000,00	2 908,71	96,96%	-
	Total	228 000,00	171 242,65	75,11%	228 000,00	112 885,45	49,51%	58 357,20
	TOTAL - Title 2	883 850,00	807 497,27	91,36%	883 850,00	453 778,62	51,34%	353 718,65
	TOTAL - Title 1 and Title 2	3 143 160,40	3 024 413,23	96,22%	3 143 160,40	2 528 173,45	80,43%	496 239,78

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	260 509 457,17	235 671 060,54	90,47%	221 478 969,83	216 014 521,89	97,53%	
	Total	260 509 457,17	235 671 060,54	90,47%	221 478 969,83	216 014 521,89	97,53%	
B3-110	KIC monitoring and performance measurement	843 000,00	825 494,57	97,92%	1 209 000,00	682 259,26	56,43%	
B3-120	Entrepreneurship activities	105 000,00	99 985,00	95,22%	241 050,00	241 050,00	100,00%	
B3-130	Educational activities				120 000,00	120 000,00	100,00%	
B3-150	Experts	265 000,00	260 404,96	98,27%	531 000,00	162 745,23	30,65%	
B3-151	Legal assistance				60 000,00	-	0,00%	
B3-190	Other KIC related activities	6 000,00	5 719,40	95,32%	30 000,00	5 719,40	19,06%	
	Total	1 219 000,00	1 191 603,93	97,75%	2 191 050,00	1 211 773,89	55,31%	
B3-200	Communication tools	750 000,00	749 640,60	99,95%	550 000,00	524 767,85	95,41%	
B3-202	Communication strategy and corporate identity	270 000,00	254 000,00	94,07%	365 000,00	219 120,12	60,03%	
B3-203	EIT brand events conferences	505 000,00	505 000,00	100,00%	511 950,00	194 637,89	38,02%	
B3-209	Other communication activities	60 000,00	60 000,00	100,00%	40 000,00	-	0,00%	
	Total	1 585 000,00	1 568 640,60	98,97%	1 466 950,00	938 525,86	63,98%	
B3-300	Strategy development	20 000,00	20 000,00	100,00%	30 000,00	30 000,00	100,00%	
B3-301	Stakeholder relations	90 000,00	85 092,64	94,55%	35 000,00	11 638,59	33,25%	
	Total	110 000,00	105 092,64	95,54%	65 000,00	41 638,59	64,06%	
	Total - Title 3	263 423 457,17	238 536 397,71	90,55%	225 201 969,83	218 206 460,23	96,89%	
	TOTAL	266 566 617,57	241 560 810,94	90,62%	228 345 130,23	220 734 633,68	96,67%	496 239,78



#### 4.4. Implementation of the commitment appropriations (C3) and payment appropriations (C2)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC grants	6 787 568,56	6 787 568,56	100,00%	242 003,13		0,00%
	Total	6 787 568,56	6 787 568,56	100,00%	242 003,13	-	0,00%
B3-120	Entrepreneurship activities				21 313,36	21 293,73	99,91%
B3-130	Educational activities				85 816,76	74 471,96	86,78%
B3-150	Experts				23 913,51		0,00%
B3-151	Legal assistance				6 500,00		0,00%
B3-190	EIT Forum and other KIC related activities				8 808,56		0,00%
	Total	-	-		146 352,19	95 765,69	65,44%
B3-200	Communication tools				35 835,47		0,00%
B3-202	Communication strategy and corporate identity				107 377,38		0,00%
	Total	-	-		143 212,85	-	0,00%
B3-301	Stakeholder relations				5 000,00		0,00%
	Total	-	-		5 000,00	-	0,00%
	Total	6 787 568,56	6 787 568,56	100,00%	536 568,17	95 765,69	17,85%

B4-001	Cancelled appropriations for year n-1 not used in year n	5 227 645,00		0,00%	9 582 730,39		0,00%
	Total	5 227 645,00	-	0,00%	9 582 730,39	-	0,00%
	GRAND TOTAL	12 015 213,56	6 787 568,56	56,49%	10 119 298,56	95 765,69	0,95%

#### 4.5. Implementation of the commitment and payment appropriations (C4)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	263 239,16		0,00 %	263 239,16		0,00 %	0,00
	Total	263 239,16	-	0,00 %	263 239,16	-	0,00 %	0,00

#### 4.6. Implementation of the commitment and payment appropriations (C5)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)
B3-000	KIC Grants	712 431,44	712 431,44	100,00%	712 431,44	712 431,44	100,00%
B3-140	EIT Foundation	12 850,00	9 377,50	72,98%	12 850,00	9 377,50	72,98%
	Total	725 281,44	721 808,94	99,52%	725 281,44	721 808,94	99,52%

#### 4.7. Implementation of the commitment and payment appropriations (C8)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1130	Schooling	14 000,00	-	0,00%	14 000,00	-	0,00%	-
	Total	14 000,00	-	0,00%	14 000,00	-	0,00%	-
A-1200	Recruitment expenses	9 416,05	9 416,05	100,00%	9 416,05	9 416,05	100,00%	-
	Total	9 416,05	9 416,05	100,00%	9 416,05	9 416,05	100,00%	-
A-1300	Mission expenses	23 000,00	13 181,43	57,31%	23 000,00	13 181,43	57,31%	-
	Total	23 000,00	13 181,43	57,31%	23 000,00	13 181,43	57,31%	-
A-1410	Medical expenses	6 857,43	1 001,85	14,61%	6 857,43	1 001,85	14,61%	-
A-1430	Social contacts among staff members	3 000,00	2 168,98	72,30%	3 000,00	2 168,98	72,30%	-
	Total	9 857,43	3 170,83	32,17%	9 857,43	3 170,83	32,17%	-
A-1500	Training	42 649,45	25 379,24	59,51%	42 649,45	25 379,24	59,51%	-
	Total	42 649,45	25 379,24	59,51%	42 649,45	25 379,24	59,51%	-
A-1603	IT support	58 766,23	50 730,00	86,33%	58 766,23	50 730,00	86,33%	-
A-1604	Administrative assistance	4 755,00	4 755,00	100,00%	4 755,00	4 755,00	100,00%	-
A-1611	Translation	6 105,00	6 105,00	100,00%	6 105,00	6 105,00	100,00%	-
	Total	69 626,23	61 590,00	88,46%	69 626,23	61 590,00	88,46%	-
	<b>TOTAL - Title 1</b>	<b>168 549,16</b>	<b>112 737,55</b>	<b>66,89%</b>	<b>168 549,16</b>	<b>112 737,55</b>	<b>66,89%</b>	<b>-</b>

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2020	Water gas electricity and heating	20 000,00	13 991,25	69,96%	20 000,00	13 991,25	69,96%	-
A-2030	Cleaning and maintenance	5 690,16	4 812,59	84,58%	5 690,16	4 812,59	84,58%	-
A-2040	Security and surveillance	768,89	320,00	41,62%	768,89	320,00	41,62%	-
	<b>Total</b>	<b>26 459,05</b>	<b>19 123,84</b>	<b>72,28%</b>	<b>26 459,05</b>	<b>19 123,84</b>	<b>72,28%</b>	<b>-</b>
A-2100	Acquisition renting of equipments and software	238 917,78	201 832,37	84,48%	238 917,78	201 832,37	84,48%	-
A-2101	Maintenance and repair of equipments	27 535,75	18 619,44	67,62%	27 535,75	18 619,44	67,62%	-
	<b>Total</b>	<b>266 453,53</b>	<b>220 451,81</b>	<b>82,74%</b>	<b>266 453,53</b>	<b>220 451,81</b>	<b>82,74%</b>	<b>-</b>
A-2310	Postage and delivery charges	1 000,00	191,63	19,16%	1 000,00	191,63	19,16%	-
A-2320	Telecommunication charges	8 825,42	2 659,72	30,14%	8 825,42	2 659,72	30,14%	-
A-2330	Legal expenses and damages	34 500,00	21 500,00	62,32%	34 500,00	21 500,00	62,32%	-
A-2350	Bank charges	137,79	137,79	100,00%	137,79	137,79	100,00%	-
	<b>Total</b>	<b>44 463,21</b>	<b>24 489,14</b>	<b>55,08%</b>	<b>44 463,21</b>	<b>24 489,14</b>	<b>55,08%</b>	<b>-</b>
A-2400	Official Journal	923,58	242,62	26,27%	923,58	242,62	26,27%	-
A-2420	Studies and surveys	1 200,00	931,10	77,59%	1 200,00	931,10	77,59%	-
	<b>Total</b>	<b>2 123,58</b>	<b>1 173,72</b>	<b>55,27%</b>	<b>2 123,58</b>	<b>1 173,72</b>	<b>55,27%</b>	<b>-</b>
A-2500	Organisation of Governing Board meetings	56 986,90	40 955,19	71,87%	56 986,90	40 955,19	71,87%	-
A-2501	Travel expenses of Governing Board members	58 730,27	10 945,70	18,64%	58 730,27	10 945,70	18,64%	-
A-2520	Internal meetings	1 272,75	-	0,00%	1 272,75	-	0,00%	-
	<b>Total</b>	<b>116 989,92</b>	<b>51 900,89</b>	<b>44,36%</b>	<b>116 989,92</b>	<b>51 900,89</b>	<b>44,36%</b>	<b>-</b>
	<b>Total - Title 2</b>	<b>456 489,29</b>	<b>317 139,40</b>	<b>69,47%</b>	<b>456 489,29</b>	<b>317 139,40</b>	<b>69,47%</b>	<b>-</b>
<b>TOTAL - Title 1 and Title 2</b>		<b>625 038,45</b>	<b>429 876,95</b>	<b>68,78%</b>	<b>625 038,45</b>	<b>429 876,95</b>	<b>68,78%</b>	<b>-</b>

#### 4.8. Implementation of the commitment and payment appropriations (R0)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	850 000,00	850 000,00	100,00 %	850 000,00	850 000,00	100,00 %	0,00
A-1101	Allowances	291 000,00	291 000,00	100,00 %	291 000,00	291 000,00	100,00 %	0,00
A-1102	Employers charges	75 000,00	75 000,00	100,00 %	75 000,00	75 000,00	100,00 %	0,00
A-1110	Remuneration and allowances of contract agents	344 000,00	344 000,00	100,00 %	344 000,00	344 000,00	100,00 %	0,00
	<b>TOTAL</b>	<b>1 560 000,00</b>	<b>1 560 000,00</b>	<b>100,00 %</b>	<b>1 560 000,00</b>	<b>1 560 000,00</b>	<b>100,00 %</b>	<b>0,00</b>

## 5. Explanatory notes to the report on the implementation of the budget

### 5.1. Budgetary principles, structure and appropriations

#### Legal basis

Article 92(b) of the EIT Financial Regulation<sup>3</sup> stipulates that “the accounts of the EIT shall comprise the financial statements of the EIT and the reports on the implementation of the budget of the EIT.

#### Budgetary principles

The budget of the EIT is governed by a number of basic principles:

- **unity and budget accuracy:** all expenditure and revenue must be incorporated into a single budget document, must be booked on a budget line and expenditure must not exceed authorised appropriations;
- **universality:** this principle comprises two rules:
  - the rule of non-assignment, meaning that budget revenue must not be earmarked for specific items of expenditure (total revenue must cover total expenditure);
  - the gross budget rule, meaning that revenue and expenditure are entered in full into the budget without any adjustment against each other;
- **annuality:** the appropriations entered are authorized for a single year and must therefore be used during that year;
- **equilibrium:** the revenue and payment appropriations shown in the budget must be in balance;
- **specification:** each appropriation is assigned to a specific purpose and a specific objective;
- **unit of account:** the budget is drawn up and implemented in euro and the accounts are presented in euro;
- **sound financial management:** budget appropriations are used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness;
- **transparency:** the budget is established and implemented and the accounts presented in compliance with the principle of transparency; the budget and amending budgets are published in the Official Journal of the European Union.

#### Budget structure

The budget consists of a statement of revenue and expenditure.

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<sup>3</sup> EIT Governing Board Decision of 27 December 2013

The items of revenue and expenditure are classified according to their type or the use to which they are assigned under titles, chapters, articles and items.

## Structure of the budgetary accounts

### *General overview*

The EIT budget contains administrative appropriations and operating appropriations. Furthermore, the budget distinguishes between two types of appropriation: non-differentiated appropriations (NDA) and differentiated appropriations (DA).

Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). They cover all the administrative items of the budget. In the case of non-differentiated appropriations, the amount of commitment appropriations is the same as that of payment appropriations.

Differentiated appropriations were introduced in order to reconcile the principle of annuality with the need to manage multi-annual operations. They are intended to cover multi-annual operations and comprise all appropriations in Title 3.

Differentiated appropriations are split into commitment and payment appropriations:

- **commitment appropriations:** cover the total cost of the legal obligations entered into for the current financial year for operations extending over a number of years. However, budgetary commitments for actions extending over more than one financial year may, in accordance with Article 69(4) of the EIT Financial Regulation, be broken down over several years into annual instalments where the basic act so provides or where they relate to administrative expenditure.
- **payment appropriations:** cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years.

### *Origin of the appropriations*

The main source of appropriations is the Union's budget for the current year. However, there are other types of appropriations resulting from the provisions of the EIT Financial Regulation. They come from previous financial years or outside sources:

- **Initial budget appropriations** adopted for the current year can be supplemented with **transfers** between lines in accordance with the rules laid down in Articles 27 of the EIT Financial Regulation and by amending budgets (covered by Article 34 of the EIT Financial Regulation).
  - **EIT transfers:** transfers decided by the EIT Director on its own authority in accordance with Article 27(1) of EIT Financial Regulation
  - **GB transfers:** transfers decided by the Governing Board in accordance with Article 27(2) of EIT Financial Regulation
- **Appropriations carried over** from previous year or made available again also supplement the current budget. These are
  - non-differentiated appropriations which may be carried over automatically for one financial year only in accordance with Article 14(5) of the EIT Financial Regulation;
  - appropriations carried over by decision of the EIT Governing Board in accordance with Article 14(3) and (4) of the EIT Financial Regulation;
  - appropriations not used and available at 31 December of the financial year arising from assigned revenue in accordance with Article 15 of the EIT Financial Regulation.

- **Assigned revenue** which is made up of
  - contribution from Host Member State that has concluded a Host Agreement with the EIT;
  - appropriations made available again as a result of repayment of payments on account: These are mainly EIT grants which have been repaid by the Knowledge and Innovation Communities (KICs).

#### **Outstanding commitments (RAL)**

With the introduction of differentiated appropriations, a gap developed between commitments entered into and payments made: this gap, corresponding to outstanding commitments, represents the time-lag between when the commitments are entered into and when the corresponding payments are made.

## **5.2. Explanation of the budget result**

The amounts of EU subsidy and Host Member State contribution entered in the accounts are those credited in the course of the year to the EIT accounts. The other revenue entered in the accounts is the amount actually received in the course of the year.

For the purposes of calculating the budget outturn for the year, expenditure comprises payments made against the year's appropriations for payments plus any of the appropriations for that year that are carried over to the following year. Payments made against the year's appropriations for payments mean payments that are made by the accounting officer by 31 December of the financial year.

The budget result consists the difference between:

- all the revenue collected in respect of that financial year
- the amount of payments made against appropriations for that financial year increased by the amount of the appropriations for the same financial year carried over.

The difference referred to above is increased or decreased

- by the net amount of appropriations carried over from previous financial years which have been cancelled and,
- by:
  - o payments made in excess of non-differentiated appropriations carried over from the previous financial year, as a result of change in euro rates;
  - o the balance resulting from exchange gains and losses during the financial year, both realised and non-realised.



The payment appropriations carried over include: automatic carryovers and carryovers by decision. The cancellation of unused payment appropriations carried over from the previous year shows the cancellations on appropriations carried over automatically and by decision. It also includes the assigned revenue appropriations carried over.

The terminology is shown in the schematic table on types of appropriation below:

Fund source code	Found source description	Presentation in this report
C1	Initial budget + Amending budget + Transfers	Voted budget
C2	Carry-over on decision to be used before 31/12/	Carry-over from 2014 to 2015
C4	Refunds	Belongs to assigned revenue
C5	Carry-over of appropriations arising from assigned revenue	Belongs to assigned revenue
C8	Automatic carry-over of payment appropriations corresponding to commitments of non-differentiated appropriations	Carry-over from 2014 to 2015
IC1	Income voted in the budget	Income voted in the budget
IC4	Internal assigned revenue	Belongs to assigned revenue
R0	External assigned revenue	Belongs to assigned revenue

### 5.3. Explanation of the reconciliation of the budget and economic result

The economic result of the year is calculated on the basis of accrual accounting principles. The budget result is however based on modified cash accounting rules, in accordance with the EIT Financial Regulation. As the economic result and the budget result both cover the same underlying operational transactions, it is a useful control to ensure that they are reconcilable.

#### Reconciling items - Revenue

The actual budgetary revenue for a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years. Therefore the entitlements established in the current year but not yet collected are to be deducted from the economic result for reconciliation purposes as they do not form part of budgetary revenue. On the contrary the entitlements established in previous years and collected in current year must be added to the economic result for reconciliation purposes.

The net accrued revenue mainly consists of accrued revenue for inter-agency balances and interests. Only the net-effect, i.e. accrued revenue for current year minus reversal accrued revenue from previous year, is taken into consideration.

## Reconciling items - Expenditure

The net accrued expenses mainly consist of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by KICs but not yet reported to the EIT. While accrued expenses are not considered as budgetary expenditure, payments made in the current year relating to invoices registered in prior years are part of current year's budgetary expenditure.

The net effect of pre-financing is the combination of (1) the new pre-financing amounts paid in the current year and recognised as budgetary expenditure of the year and (2) the clearing of the pre-financing paid in current year or previous years through the acceptance of eligible costs. The latter represent an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

Besides the payments made against the year's appropriations, the appropriations for that year that are carried to the next year also need to be taken into account in calculating the budget result for the year. The same applies for the budgetary payments made in the current year from carry-overs and the cancellation of unused payment appropriations.

The movement in provisions relates to year-end estimates made in the accrual accounts (employee benefits mainly) that do not impact the budgetary accounts. Other reconciling amounts comprise different elements such as asset depreciation, asset acquisitions, capital lease payments and financial participations for which the budgetary and accrual accounting treatments differ.

# ANNEX TO THE ANNUAL ACCOUNTS

## LIST OF THE EIT GOVERNING BOARD MEMBERS 2015

The Governing Board is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the operational activities implemented by the EIT Headquarters. It is independent and autonomous in its decision-making and is responsible for the selection, evaluation and support of the Knowledge and Innovation Communities (KICs).

The Governing Board brings together 14 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields.

Name	Function
ABRAMATIC Jean-Francois	Representative GB Member
BOJAR Gabor	Appointed GB Member
FRIIS Lykke	Representative GB Member
GARANA María	Appointed GB Member
HUBSCHNEIDER Hans	Representative GB Member
JOHANSSON Ulf	Appointed GB Member
KERAVNOU-PAPAILIOU Elpida	Appointed GB Member, Executive Committee Member
KOLAR Jana	Appointed GB Member, Executive Committee Member
MAKAROW Marja	Appointed GB Member
OLESEN Peter	Appointed GB Member, Chairman of GB
PRENDERGAST Patrick	Appointed GB Member
REVELLIN-FALCOZ Bruno	Appointed GB Member, Executive Committee Member
ROCCA Gianfelice	Appointed GB Member
VAN DER VEER Jeroen	Appointed GB Member

**EIT INTERIM DIRECTOR: Martin Kern**

## ESTABLISHMENT PLAN 2015

Function group and grade	2015				2014			
	Authorised under the Community Budget		Filled as of 31/12/2015		Authorised under the Community Budget		Filled as of 31/12/2014	
	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts
AD 16								
AD 15								
AD 14		1				1		1
AD 13								
AD 12						1		
AD 11		1		1		1		
AD 10						2		
AD 9		5		4		4		2
AD 8		8		5		8		6
AD 7		5		5		2		
AD 6		14		11		7		12
AD 5						1		1
<b>AD total</b>		<b>34</b>		<b>26</b>		<b>27</b>		<b>22</b>
AST 11								
AST 10								
AST 9								
AST 8								
AST 7								
AST 6								
AST 5		1		1		3		
AST 4		2				1		2
AST 3		2		3		3		3
AST 2								
AST 1								
<b>AST total</b>		<b>5</b>		<b>4</b>		<b>7</b>		<b>5</b>
<b>GRAND TOTAL</b>		<b>39</b>		<b>30</b>		<b>34</b>		<b>27</b>