

DECISION 15/2017

OF THE GOVERNING BOARD OF

THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE ASSESSMENT AND ADOPTION OF THE 2016 ANNUAL ACTIVITY REPORT OF THE AUTHORISING OFFICER OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

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

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

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

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

Having regard to the Annual Activity Report of the Authorising Officer in respect of the year 2016;

WHEREAS

- (1) The authorising officer shall report to the Governing Board on the performance of his duties in a form of a consolidated annual activity report pursuant to Article 47 of the EIT Financial Regulation;
- (2) The consolidated annual activity report shall be submitted to the Governing Board for the assessment pursuant to Article 47 of the EIT Financial Regulation;
- (3) The Governing Board shall adopt the annual activity report of the European Institute of Innovation and Technology based on the draft presented by the Director pursuant to Section 2 of the Statutes annexed to the EIT Regulation;

¹ OJ L97 of 09.04.2008, p. 1.

² OJ L347 of 20.12.2013, p. 174.

³ OJ L328 of 07.12.2013, p. 42.

⁴ 01364.EIT.2014.I.

⁵ 00101.EIT.2015.I.GB34.

- (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 38th Governing Board meeting of 3 December 2015, the EIT Governing Board welcomed the suggestion from the Audit Committee to give its opinion on the draft Annual Activity Report prepared by the Director before its assessment by the EIT Governing Board.
- (6) The EIT Audit Committee discussed the draft Annual Activity Report prepared by the Interim Director on its meeting of 2 June 2017. The Audit Committee expressed its positive opinion on the draft Annual Activity Report prepared by the Director and supports the adoption of the Governing Board's Assessment of the Annual Activity Report 2016 as well as the adoption of the Annual Activity Report 2016.

HAS DECIDED AS FOLLOWS:

Article 1 Assessment of the Annual Activity Report 2016

The EIT Governing Board:

- 1. Welcomes the results presented in the Annual Activity Report of the Authorising Officer (the 'AAR').
- 2. Welcomes the fact that the EIT community has become stronger with the designation of EIT Food KIC. Regrets that it could not designate a new KIC in the theme Added Value Manufacturing as no proposal was received that met the overarching excellence criteria.
- 3. Welcomes that the Interim Director adopted the EIT's Grant Assurance Strategy.
- 4. Appreciates the fact that the EIT Regional Innovation Scheme was implemented through dedicated budget lines in 2016.
- 5. Appreciates the further improvements in communication and stakeholder engagements and the successful organisation of the 2016 EIT Innovation Forum (INNOVEIT).
- 6. 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. Expresses its satisfaction and appreciation of the high level of commitment and the increasing quality of work of the EIT's staff and management.
- 7. Notes that the European Parliament granted discharge to the EIT in respect of the 2015 financial year, which confirms the positive trend in the EIT's management and control systems.
- 8. Is strongly concerned that the number of posts made available to the EIT by the EU institutions has not followed the significant growth of budget and activities.
- 9. Is deeply concerned that there is an inherently higher risk level of the EIT related to grant assurance in comparison to the EIT staff resources.
- 10. Calls on the Commission to consider to further increase the staff allocated to the EIT and to initiate without delay the amendment of the EIT founding regulation to enable the EIT to offer permanent contracts to its staff.
- 11. Still notes with concern that the EIT is not yet fully autonomous and that the new EIT Director's selection has been cancelled. It calls on the Commission to finalise these processes as a matter of urgency.
- 12. Welcomes the positive and significantly improved results of the 2016 staff engagement survey. Acknowledges that the staff turnover decreased from 17% in 2015 to 13% and that the total number of staff increased by 9 to 59 during 2016 ensuring essentially full staffing of the EIT for the first time.

- 13. Appreciates that new EIT-KIC Framework Partnership Agreements 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.
- 14. Notes that the European Court of Auditors' Special Report No. 04/2016 on the EIT 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 acknowledges that the Court brought useful recommendations to further improve the EIT in terms of the demonstration of impact and reduction of complexity. It notes that the EIT developed an Action Plan to implement the recommendations and that more than half of the actions have already been implemented.
- 15. Notes that the detected error rate during the ex-post verification of 2015 grants was 1.18% and the residual error rate is 0.98%, which is well below the materiality level of 2%.
- 16. Notes that the Internal Audit Service of the Commission acknowledged that the EIT has successfully adapted its processes to the rules of Horizon 2020, and in particular the Rules for Participation, and that the EIT's controls over the start-up process have been generally effective in supporting the new KICs in fulfilling the requirements for "legal and operational readiness"; however, it notes with concern that according to the IAS it is necessary to secure a robust application of the H2020 framework and to further improve the start-up process of new KICs.
- 17. Notes that in the Internal Audit Capability's assessment the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for IT; however, it notes with concern that improvements are needed in the field of IT security, IT project management and dependence on IT supplier.
- 18. Notes that the IAC confirmed the closure of twelve recommendations in December 2016, including the ones regarding the selection process of new KICs. Calls on management to ensure implementation of further IAC recommendations in 2017.
- 19. Looks forward to the results of the ongoing independent midterm evaluation of the EIT led by the European Commission.
- 20. Appreciates the fact that throughout 2016, 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.
- 21. Confirms that the EIT's Governing Board's analysis and assessment of the AAR 2016 is positive and that the AAR 2016 provides it with the necessary assurance for a positive assessment of the results achieved in 2016.

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 2016 is adopted as set out in Annex 1 to this decision.

Article 3

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 4 Enter into force

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

Done in Berlin on 27 June 2017⁶

Signed

Peter Olesen

Chairman of the EIT Governing Board

Annex 1: Annual Activity Report 2016

⁶ Adopted by the EIT Governing Board via written procedure on 27 June 2017

Consolidated Annual Activity Report

Financial year: 2016

The EIT – Making Innovation Happen

European Institute of Innovation and Technology (EIT)

Budapest | 15 June 2017

www.eit.europa.eu



The EIT is a body of the European Union

Foreword from the EIT Interim Director

The Year in Brief

The EIT left behind another successful year in 2016 with hard work and challenges but even more importantly positive results and improvements.

2016 has been a year in which the EIT Community has become stronger with EIT Food joining the existing five Knowledge and Innovation Communities (KICs) with fostered relations with key stakeholders and with a stabilised EIT Headquarters. We can already see today that the EIT is delivering tangible results based on the high ambition for which the Institute was set up - to increase growth and competiveness in Europe. A prime indicator for the emerging success of the EIT is Forbes that has chosen 18 EIT Community members in their annual 'Forbes 30 under 30' list. We have succeeded in creating a vibrant innovation community with over 800 partners from business, education and research expanding all over Europe. In this sense, the EIT is creating concrete impact thanks to its innovative, flexible and experimental nature.

In 2016, it became evident that high level messages from our stakeholders fully reflect the perspectives and ambition of the EIT to further foster innovation and work towards reinforcing the EIT's education activities, increasing KICs' transparency, increasing visibility as well as enhancing our regional outreach activities.

The EIT hosted several high-level stakeholders in 2016, in particular Commissioner Navracsics. His insights and those of his High Level Advisory Group further enhanced the good collaboration and reinforced our common mission to enhance the EIT's functioning and to make innovation happen across Europe and beyond.

Talking of challenges in 2016, the European Court of Auditors' Special Report on the EIT quickly springs to mind. I am pleased to report that we have already implemented more than half of the actions stemming from the recommendations of the report, thereby simplifying operations and increasing the focus on results and impact. This report served as an opportunity to make the necessary changes at the EIT, KICs and our processes to increase impact.

The financial sustainability of KICs is a unique ambition of the EIT-KIC model and it is one of the most challenging aspects of the EIT's mission. While this was a distant objective for KICs in the past, they have now made this ambitious and unique goal on of their main strategic objectives. The EIT has guided KICs towards on this road and we can see an increasing level of revenues generated by KICs as a result. Furthermore, we have taken first steps towards creating the EIT Growth & Impact Fund that will provide funding to invest into early stage and scale-up development of innovative start-ups from KICs' pipeline and beyond.

Our continuous efforts towards making the EIT more visible are paying off. In 2016, we organised our annual innovation conference (INNOVEIT), made first steps towards setting up the EIT House in Brussels and organised awareness days in Members States and beyond. Numerous other events organised by the EIT Community, including the EIT Alumni events, attracted high interest on the EIT, demonstrated also by the significant increase in the positive articles on the EIT Community and followers on social media followers. If this trend continues we will see the EIT as the flagship institute that is a key element of the EU innovation landscape.

Stability of the EIT as an organisation is at the centre of the commitment of the EIT Management. In 2016, we managed to reduce significantly the staff turnover and the number of vacant posts. The positive results of the staff engagement survey completed in December 2016 confirm that we have made EIT a challenging and rewarding place to work.

The success of the year 2016 could not have happened without the continued great efforts of the EIT stakeholders and staff whose commitment and valuable contributions are essential in shaping the EIT into a fully-fledged and effective innovation institute at the service of Europe.

Martin Kern

Interim Director of the European Institute of Innovation and Technology

Contents

INTRODUCTION	9
Executive Summary	11
PART I	15
ACHIEVEMENTS OF THE YEAR	15
1.1 Incentivising Growth, Impact and Sustainability through the EIT	15
1.1.1 Consolidating, Fostering Growth and Impact of the KICs	
1.1.2 Creating new KICs	24
1.2. Enhancing the EIT's impact	26
1.2.1. The EIT's next Strategic Innovation Agenda (SIA) 2021-2027	26
1.2.3. Fostering and Attracting Talent	
1.2.4 Enhancing Stakeholder Engagement	
1.3. New Delivery Mechanisms and Results-oriented Monitoring	34
1.3.1 EIT-KIC Relations	
1.3.2. Simplification	
1.3.3. Monitoring, Impact Analysis and Evaluation	
1.4. Horizontal activities	40
1.4.1 Strategy: Co-ordination and implementation	40
1.4.2 Internal Communication and work environment	43
1.4.3 Administrative support	
1.4.4 Internal Audit Capability	50
PART II	51
MANAGEMENT	51
2.1. EIT Governing Board	51
2.2. Major Developments	52
2.3. Budgetary and Financial Management	52
2.4. Human Resources (HR) Management	55
2.5 Assessment by Management	57
2.6 Assessment of audit results during 2016	60
2.6.1 Internal Audit Service (IAS)	60
2.6.2 Internal Audit Capability (IAC)	61
2.6.3 European Court of Auditors (ECA)	62
2.7 Follow up of IAC recommendations and action plans for IAC audits	64
2.8 Follow up of observations from the Discharge authority	64

PART III	67
ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS	67
3.1. Risk management	67
3.2. Compliance and effectiveness of Internal Control Standards (ICS)	68
PART IV	71
MANAGEMENT ASSURANCE	71
4.1 Review of the elements supporting assurance	71
4.2 Overall conclusion on assurance	71
DECLARATION OF ASSURANCE	72
ANNEXES	73
Annex I: Validated EIT core KPIs (Grant Agreements 2015)	74
Annex II: Statistics on financial management	75
Annex III: Organisational chart in 2016	80
Annex IV: Establishment Plan and additional information on Human Resources management	81
Annex V: Human and Financial resources by activity	84
Annex VI: Specific annexes related to part II	85
Annex VII: Specific annexes related to part III	99
Annex VIII: Final annual accounts 2016	106

INTRODUCTION

This consolidated annual activity report provides an overview of the activities and achievements of the European Institute of Innovation and Technology (EIT) in 2016 and has been established based on the guidelines of the EU Agencies Performance Development Network.

The EIT's Annual Activity Report 2016 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 2016 comprises four main parts and annexes as follows.

Part I: Achievements of the financial year 2016. Mirroring the structure of the Annual Work Programme of the EIT for the year of 2016, 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 2016, 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 six KICs:

- EIT Climate-KIC, EIT Digital and EIT 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 completed their first full year of operations in 2016.
- EIT Food was selected and designated by the EIT Governing Board in November 2016 and will complete their start-up year in 2017.

Executive Summary

Highlights of the year

The innovative nature of the EIT and its emerging results indicate a strong potential for the EIT to make a major contribution though its pan-European innovation systems to address major societal challenges. In 2016, the EIT saw its first three Innovation Communities (EIT InnoEnergy, EIT Climate-KIC and EIT Digital) reach full maturity and deliver

an increasing number of innovative products, services and skilled entrepreneurial talents from its education programmes. We have also seen our second wave of Innovation Communities (EIT Health and EIT Raw Materials) establish their innovation ecosystems in their first year of activities. Moreover, a new Innovation Community (EIT Food) was selected. Over 800 partners from business, research and education now form the EIT Community and together, we are Europe's largest innovation network that makes a significant contribution to Europe's competitiveness, growth and job creation, bringing EU level value added to the European innovation landscape.

Concrete highlights of activities performed in 2016 were:

EIT Community in brief:

- ✓ 6 Innovation Communities tackling major challenges in climate, digitalisation, energy health, raw materials and food
- Innovation Hubs in 13 Member States and activities across all of Europe
 More than 900 leading partners from business, education and research

The 2016 Call for KIC proposals in the themes Food4Future and Added-value Manufacturing resulted in the designation of a new Innovation Community, EIT Food, in November 2016, increasing the number of established Innovation Communities to six. No Innovation Community was designated in the Added-value Manufacturing theme but the EIT Governing Board decided, after detailed and careful analysis, to re-launch the call for proposals in this

thematic area in 2018 as no proposal was received that met the overarching excellence criteria.

The EIT organised a successful edition of INNOVEIT, its annual Innovation Forum, attended by Commissioners Navracsics and Moedas, with successful EIT award winners, inspiring sessions, a tour of EIT Community innovations and a strong media interest. More than 350 participants from across Europe and beyond, business leaders, research and higher education experts, policy and decision-makers, media and EIT Alumni came together to discuss opportunities for collaboration during the EIT Stakeholder Forum and celebrated the achievements of EIT Community innovators and entrepreneurs during the EIT Awards. The Member State Configuration meeting provided the opportunity



The three EIT Awards winners, highlighting the most successful start-ups, the most innovative projects and the best young entrepreneurial talent that Europe has to offer: bit.ly/EITAwards2016.

for a structured dialogue between the EIT management and the five Innovation Communities' management and the

representatives of 18 countries. An analysis of the results of the feedback questionnaire was carried out and 94% of responding participants indicated that INNOVEIT 2016 was an informative and inspiring conference.

In 2016, the EIT Regional Innovation Scheme (EIT RIS) was implemented as an important element of the EIT Community's outreach strategy, operationalised through dedicated budget lines of the Innovation Communities and financed from grants earmarked by the EIT for this purpose. The EIT RIS succeeded in involving stakeholders from 16 additional European countries that were not previously engaged in EIT activities.

The substantial increase in the values of the EIT core Key Performance Indicators (presented in Annex I of this report) confirms that the EIT Community is delivering tangible results towards achieving its ambitious objectives. Furthermore, the EIT in a cooperation with its Innovation Communities has developed a new set of 11 new results-oriented core KPIs to better address the EIT intervention and the KICs activities. The Education Review has confirmed that the most added value occurs when programmes link the Education Pillar with the Innovation Pillar and the Business Creation Pillar, creating new forms of learning experiences for students.

Finally, the EIT continued to exploit synergies and complementarities with priority stakeholders, including EU and other funding institutions in 2016. As a result, the EIT signed a Memorandum of Understanding, including an action plan, with the European Commission's Joint Research Centre (JRC) and an open call on under the Copernicus Programme was launched with KICs as eligible beneficiaries.

The European Court of Auditors released its Special Report on the EIT covering the 2010-2014 period. The audit confirmed the relevance of the EIT model to foster innovation and brought useful recommendations that can help the EIT to further increase efficiency, effectiveness and impact. The EIT developed an action plan to implement the recommendations together with the Commission and KICs. As of today, we have already implemented more than half of the actions stemming from the recommendations of the report, thereby simplifying operations and increasing the focus on results and impact.



The EIT and its EIT Governing Board had the pleasure of welcoming Commissioner Navracsics and his High-level Advisory Group at the occasion of the presentation of their final report.

Based on initial reflections by the EIT on how to further enhance innovation capacities in Europe based on the experience and insights gained by EIT and its Innovation Communities, the EIT took active part in strategic discussions with stakeholders in 2016 with a focus on its future strategy.

Since the EIT Governing Board's main priority for 2017 is the development of the EIT's Strategic Innovation Agenda (SIA) for the post-2020 period, preparatory work started already in the second half of 2016. The SIA 2021-2027 will cover the EIT's seven-year strategy, defining the priority fields and strategic objectives for the EIT. It will include an assessment of the EIT's socio-economic impact and capacity to generate the best innovation added-value; an analysis of potential and appropriate synergies and an estimate of financial needs and sources and an indicative financial plan. In the context of the strategy development, the EIT's future vision, mission and intervention logic taking into account the added value and impact the EIT can offer will be assessed and further defined. Having established a strong pan-

European innovation system with 30 innovation hubs and over 800 partners, the EIT is in a strong position to raise its ambition and build on the platform and network it has created and which is now delivering tangible results.



Five EIT Community entrepreneurs feature on the 'Forbes' 30 under 30' Europe list 2016: Clémentine Chambon (Oorja), Dénes Honus (Green City Solutions), Govinda Upadhyay, (LEDSafari), Arno Zimmerman (Coolar) and Tanmoy Bari (Greenely): bit.ly/EIT_Forbes2016.

The EIT launched a new initiative, the EIT Growth and Impact Fund, which has the potential to complement the EIT activities and increase their scale and impact. A first feasibility study was conducted. In this context, the Commission undertook to investigate the possibility of scaling up the activities of the EIT to promote entrepreneurship, management and innovation skills in its Communication of 22 November 2016 on the Startup and Scale-up Initiative.

The 2016 Grant Agreements with Innovation Communities based on their Business Plan were concluded with a total allocation of EUR 275 million and pre-financing payments were made in amount of EUR 170 million, the highest ever for the EIT. The grant agreements were signed under the new Framework Partnership Agreements which were concluded with the five Innovation Communities in February 2016

ensuring full compliance with the Horizon 2020 legal framework while also maintaining EIT-specific features.

In 2016, the EIT reengineered its programming and grant allocation process, which resulted in the finalisation of the grants in December 2016 and subsequently their timely signature in early 2017 of specific grant agreements with the five established Innovation Communities committing a total of EUR 320 million for the implementation of their innovation boosting activities.

Crucial work started in 2016 concerning the future of the EIT including the independent external evaluation of the EIT led by the European Commission. Its purpose is to assess the EIT's work as identified in the EIT Regulation and Horizon 2020 Regulation, and in particular to examine how the EIT fulfils its mission.

In 2016, the composition of the EIT Governing Board significantly changed due to expiring terms of office that resulted in the appointment of five new EIT Governing Board members from the fields of business and academia. With the appointment of the five EIT Governing Board Members the EIT Governing Board has again reached its full size, 12 appointed Governing Board Member in November 2016.

Innovation in Action

Green City Solutions Their product curbs air pollution by combining a vertical installed moss cultur with IoT technology.

A "CityTree" has the same effect as 275 urban trees, but requires 99% less space and 'CityTrees' can be found across Europe from Brussels, Berlin to Glasgow.

The founders: EIT Climate-KIC Germany Accelerator Alumni; winner of the EIT Digital 'Digital Cities' Award 2016. In order to further improve the awareness, visibility and reputation of the EIT Community towards strategic stakeholders in Brussels, the EIT started to establish an EIT House in Brussels. The official inauguration of the EIT House is expected to take place in September 2017.

The EIT further fostered the 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. The cooperation with the EIT Governing Board and the Innovation Communities was further strengthened via structured dialogues, such as the regular EIT Governing Board, EIT-KIC Forum and EIT-KIC Chairmen meetings.

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

The EIT 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 EIT's governance statement, EIT staff conducted 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 also put in place an organisational structure that is suited to the achievement of its objectives in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

In 2016, 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 2016, 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 2017

By Decision 26/2016, the EIT Governing Board defined the principles for the determination of the 2017 EIT financial allocation, determined the split of the EIT budget available between the first and the second waves of KICs and laid down the principles for the allocation of the funding including the split between support and competitive funding and the modalities for determining the competitive funding, thereby fine-tuning the EIT's performance-based budget allocation process. In April 2016, the EIT invited the KICs to submit their business plans for 2017 and issued updated guidelines for their preparation. The 2017 financial allocation process was simplified in line with the recommendations of Special Report 4/2016 of the European Court of Auditors, giving equal weight to past performance, while the second pillar focused on the future plans and the progress of implementation of the KICs' multi-annual strategy. This has simplified and improved the process of competitive review across KICs. All five existing KICs submitted their Business Plans in September 2016 which went through scrutiny of EIT with assistance of external experts.

With respect to the assessment of the KICs' progress in the implementation of their multi-annual strategy, a new feature has been introduced. In support of the EIT Governing Board and in order to increase the involvement of the EIT Governing Board in the assessment of KICs, the EIT Governing Board designated one GB Member as Rapporteur for each wave of KICs to oversee the assessment process and report back to the Board in the Hearing with KICs in December 2016. The GB Rapporteurs followed up on how KICs had implemented the strategic recommendations issued by the EIT Governing Board in previous years through personal meetings with the KICs' management teams and assessment of the results of the EIT's continuous monitoring activities. The GB Rapporteurs also met with the expert panels to better understand the strengths and weaknesses of the KICs' business plans proposed for 2017. The role of the GB Rapporteur was positively perceived by all involved actors and will continue in the future. The Hearings with the KICs were held on 7 December 2016. The Hearing format was also improved with longer interactive Q&A session, allowing a more in-depth discussion and thus providing the EIT GB with information for their decision-making.

As a result of the competitive funding allocation process, the following amounts were allocated to the first wave KICs for 2017: EUR 79,596,991 to Climate-KIC, EUR 84,059,750 to EIT Digital and EUR 84,343,259 to EIT InnoEnergy. For the second wave KICs the final 2017 financial allocation was: EUR 33,224,756 to EIT Health and EUR 34,775,244 to EIT RawMaterials. In addition, EUR 4,000,000 was earmarked for the implementation of the cross-KIC activities. Therefore, the total EIT financial contribution to the implementation of the KICs' Business Plans for 2017 amounts to EUR

320,000,000. As every year, the EIT Governing Board also issued strategic recommendations to each of the five KICs in order to further improve in key areas.

The reengineered and efficiently managed programming and grant allocation process resulted in timely signature of the 2017 specific grant agreements with KICs. The EIT signed the 2017 grant agreements by mid-February 2017 with four of the five KICs and transferred the pre-financing payments corresponding to 70% of the EIT grant awarded by end-February 2017. The 2017 grant agreement with the fifth KIC was signed in the beginning of April 2017. The EIT has managed to reduce the time-to-grant significantly to 5 months on average.

Report assessment and verification of Grant Agreements 2015

Ex-ante assessment and payments

As regards <u>first-wave KICs</u>, the EIT carried out the ex-ante verification of KIC Reports on the execution of the 2015 Business Plans between April and August 2016. 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 Financial Statements obtained from independent auditors. The modalities and processes of the EIT ex-ante verification were strengthened and more thoroughly documented compared to previous years. A newly introduced element was the resolution meeting organised between the EIT and each of the KICs replacing numerous rounds of questions and answers, which increased the efficiency of the process.

The validated core KPIs for 2015 per KIC are as follows:

Core KPI	EIT Climate-KIC	EIT Digital	EIT InnoEnergy
Attractiveness of the EIT Labelled	Ratio: 3.89	Ratio: 4.08	Ratio: 6.09
education programmes	549 applications for	1630 applications for	1578 applications for
	141 seats	400 seats	259 seats
Number of graduates (EIT Labelled degrees)	117	146	132
Business ideas incubated	245	173	91
Start-ups/Spin-offs created	35 start-ups + 1 spin- offs	3 start-ups + 4 spin- offs	23 start-ups + 0 spin- offs
Knowledge Transfer / Adoption	57 transfer + 25 adoption	56 transfer + 136 adoption	5 transfer + 35 adoption
New or Improved Products/Services/Processes	38 new + 14 improved	18 new + 6 improved	14 new + 2 improved

The final grant absorption (in MEUR), absorption rate (%), error rate (%) and reimbursement rate (%) per KIC for the
2015 Grant Agreements is as follows:

KIC	EIT Climate-KIC	EIT Digital	EIT InnoEnergy	Total
Grant allocated by the EIT GB in December 2014	91.18	83.82	84.96	259.96
Grant payment requested on 31 March 2016	87.18	66.79	67.99	221.96
Grant approved and paid by EIT	85.08	66.76	67.29	219.13
Difference between awarded and paid	6.1	17.06	17.67	40.84
Absorption rate	93.3%	79.6%	79.2%	84.3%
Ex-ante error rate in grant	2.4%	0.1%	0.5%	1.3%
Reimbursement rate of eligible costs	97.4%	84.9%	87.7%	

The assessment of the GA 2015 Final Report proved that **EIT Climate-KIC** has strong advantages and delivered good results in 2015, such as a matured business creation ecosystem with 170 start-ups raising a total of 189 MEUR in external investments over the four-year period (2012-2015). However, it was concluded that the refreshed operational structure needed to become more active, effective, shared and functional across the KIC. Moreover, the KIC had yet to develop an effective business model that can lead to financial sustainability. As regards **EIT InnoEnergy**, a refreshed education strategy and a risk management exercise was implemented which could help address previously identified weaknesses like underperformance in education and could reap benefits in future years. The first projects emerging from the KIC's research activities were becoming mature and starting to deliver results to the market. The business creation area was considered a success within EIT InnoEnergy with new ventures being incubated and started. **EIT Digital** had made significant progress in 2015 and its results provide the EIT with considerable credibility across the EU. The relatively low number of start-ups created was a result of EIT Digital's strategy to focus on companies in the scaling-up phase. However, only limited progress has been made towards securing financial sustainability in 2015. The financial management and financial reporting of EIT Digital is considered reliable; however, the budget absorption shall be better monitored in the course of implementation of future Business Plans.

Similarly, for <u>second-wave KICs</u> the EIT carried out an ex-ante verification of the reports on the implementation of the Start-Up Plans in line with the Start-Up Grant Agreements. Both **EIT Health** and **EIT RawMaterials** achieved all the objectives and deliverables specified in their respective Start-Up Plan in terms of legal readiness, operational readiness and fostering the EIT identity. As a consequence, the EIT approved the reports and settled the final balance payment for the Start-Up phase.

The final grant absorption (in MEUR), absorption rate (%), error rate (%) and reimbursement rate (%) per KIC for the 2015 Start-up Grant Agreements is as follows:

KIC	EIT Health	EIT Raw Materials	Total
Grant allocated by the EIT GB in November 2014	3.30	3.82	7.12
Grant payment requested on 31 March 2016	3.30	3.82	7.12
Grant approved and paid by EIT	3.30	3.81	7.11
Difference between awarded and paid	0	0.1	0
Absorption rate	100.0%	99.8%	99.9%
Ex-ante error rate in grant	0.0%	0.2%	0.1%
Reimbursement rate of eligible costs	91.0%	95.9%	

Result of ex-post audits

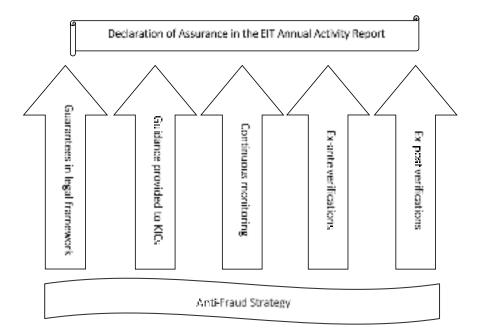
Ex-post audits of cost reports related to Grant Agreements 2015 were performed by an external service provider on the basis of the Framework Contract of the European Commission. In accordance with the audit methodology devised by the EIT, the 28 KIC Partners audited (11 for EIT Climate KIC, 11 for EIT InnoEnergy and 6 for EIT Digital) were selected by the EIT primarily on the basis of a risk assessment in order to maximise the efficiency of the resources spent on expost 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 2017. The audited grant covered 17% of the total grant paid for the Grant Agreements 2015. As a result of the ex-post audits, the detected error rate equals to 1.18%. The residual error rate after ex-ante and ex-post controls is 0.98%.

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

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.

Improving the grant assurance framework

In October 2016, the EIT adopted its revised Grant Assurance strategy. The overall objective of the EIT grant assurance activities is to obtain reasonable assurance that the implementation of EIT grants to the KICs comply with EIT objectives and that KIC activities funded are legal and regular. The strategy relies on the following building blocks of assurance:



The revision of the Grant Assurance strategy took on board the recommendations made by external experts, improvement measures designed by the Simplification Task Force as well as lessons learnt by the EIT during the implementation of previous grant cycles

Furthermore, in collaboration with KICs, the EIT completely revised its guidelines on the entry and exit of KIC partners to make the rules and procedures clearer and more transparent. In addition, enhancements were made to the Business Planning and KIC Reporting guidelines in order to incorporate lessons learnt from the past. The EIT also issued a transition plan and guidance on EIT funded part of KIC management costs to ensure consistency across KICs in terms of defining KIC management activities and introducing thresholds for EIT funding of KIC management costs. In line with this guidance, as from 2016, the EIT applies a double ceiling system: 1) an overall cap, in terms of percentage of total EIT funding, for the management and overhead costs; 2) individual caps per job category to determine the maximum EIT funding for staff costs. The overall cap was set at 18% in 2016 and will be gradually reduced to 12% by 2018. The individual salary caps are based on the salary scales for officials of the European Union as set out in the EU Staff Regulations. The EIT has also circulated to the KICs a guidance note on the implementation of EIT Regional Innovation Scheme (EIT RIS) activities.

Performance indicator	Target	Results/achievements
Effectiveness and timeliness of competitive funding allocation process to five KICs under grant allocation process 2017	Full allocation of available funds to five KICs by Q4 and implementation of the simplified rules to improve the Business Plan 2017 issued	 Invitation to submit KIC Business Plan 2017 including estimated budget issued in April 2016 2017 Business plans and budget submitted by all five KICs in September 2016 Business Plan assessment reports completed by the EIT in Q4 2016 EIT Governing Board decision on competitive funding under the annual grant allocation on 8 December 2016
Timely signature of Grant Agreements 2016	Signature of Grant Agreements 2016 by end February 2016	Five Grant Agreements 2016 signed by April 2016 and pre-financing payments made
Reduction of the error rate of the KIC financial transactions	100% of recommendations and actions incorporated in the revised grant assurance strategy by Q4 2016	Revised EIT grant assurance strategy adopted on 12 October 2016, incorporating previous lessons learnt and recommendations
Improvement in the absorption capacity of KICs	10% reduction of the total final error rate for Grant Agreement 2015 compared to Grant Agreement 2014	Based on results of ex-ante verification of 2015 grants, error rate in grants is 1.3% for first-wave (2015: 2.11%) and 0.1% for the start-up phase of second-wave KICs
Timely review of the KICs' reports on the implementation of the good governance principles	95% of the grants awarded to KICs are actually spent (GA 2016)	Based on results of ex-ante verification of 2015 grants, 84.3% for first-wave and 99.9% for the start-up phase of second- wave KICs

Timely issuance of guidance documents and replies to KIC queries	Review completed and best practices shared with the KICs by Q2 2016 Additional guidance issued for KICs on programming, implementation, reporting and fostering EIT identity, including EIT label by the deadlines fixed in the grant cycle calendar	Implementation of good governance principles reviewed in Q2 together with 2015 KIC reports, results communicated to KICs in Q3 2016 Revised guidelines and transition plan on EIT funded part of KIC management costs issued throughout 2016. Improved timeline for the 2017 grant allocation process.
Improvement measures made	At least two improvements of processes agreed at each EIT-KIC Forum on average	Main business processes have been reengineered leading to shorted time-to- grant and time-to-pay
Timely availability of improved IT tools including review of functions of H2020 IT tools	Improved IT platform available by Q4 2016	Improved IT platform for BP and Report submission
Timely processing and finalisation of ex-ante verifications of Grant Agreements 2015 performance and cost reports	Grant Agreements / Start-Up Grant Agreements 2015 verified by end July 2016 and payments made by September 2016	EIT assessment reports for two GA 2015 KIC Reports and two SUGA Reports approved in July, Climate KIC approved in September 2016 Final balance payment made to four KICs in August/September, and to Climate KIC in October
Improved efficiency of the ex-ante verification of KIC reports ('first time right reporting' implemented)	20% reduced number of appeals by KICs on EIT verification findings compared to 2015	Formal letters sent to KICs in Q3 2016 closing the GA 2015 ex-ante verification, only one KIC submitted a formal disagreement with the conclusions (2015: three KICs submitted letters of formal disagreement) Two audit companies contracted in Q4
		Two audit companies contracted in Q4 2016 to carry out 128 CFS audits in Q1

Centralisation and timely contracting of the CFS audits	Auditors selected and contract(s) with CFS auditors signed by Q4	2017 in relation to costs declared under the 2016 SGA
	2016	Ex-post audit completed (28 final ex-post audit reports) in May 2016 on Grant
Timely processing and	Audits completed by	Agreements 2014
finalisation of ex-post audits	end April 2016 (reports	
	for Grant Agreements)	
	2014)	Contract signed in October 2016 for ex-
		post audit on Grant Agreements 2015, 28
	Auditors selected by	KIC Partners selected for audit
	end October 2016	
	(selection for Grant	
	Agreements 2015)	

1.1.1.2. Knowledge Triangle Integration

Improving the EIT Label Framework

In line with the EIT Annual Work Programme 2016, the EIT conducted the assessment of new educational programmes according the amended EIT Label Handbook. The EIT received 15 new proposals submitted by KICs and their academic partners. The assessment of submitted applications by the panel of independent experts was concluded on 31 August 2016 and all seven programmes recommended for the Label (five for EIT RawMaterials and two for EIT Health) have been awarded the EIT Label by the decision of the EIT Interim Director for an initial period of three years.

The results of the EIT Label assessments have been communicated officially to the KIC Education Directors, as members of the EIT Label Committee as foreseen by the EIT Label Framework, and the list of EIT Labelled programmes was updated on the EIT website.

In conclusion, the EIT Label, as a quality seal, has been further strengthened through the independent assessment carried out by the panel of experts.

Encouraging women entrepreneurship

The long-term objective of the EIT's women entrepreneurship activities is to empower women entrepreneurs and nurture women leaders by increasing the number of girls aged 12 to 18 interested in technology, innovation, digitalisation, entrepreneurship and leadership. In 2016, the EIT organised a series of pilot female entrepreneurship & leadership activities with the ambition to increase the number of women innovators and entrepreneurs as follows.

Three "Women Leaders and Entrepreneurs of Tomorrow" workshops for 12-18 years old female students were held in partnership with Ernst & Young in October and November 2016 at several co-working spaces in Budapest. A total of 16 local Hungarian female entrepreneurs provided their insights over the three workshops. The participants were introduced to entrepreneurship, technology, leadership and business management and creation. In total, the three workshops attracted close to 100 participants. The EIT supported the expansion of an online coding competition open to women coders aged 12-18 years in the CEE region.

Performance indicator	Target	Results/achievements
Harmonised approach implemented to EIT Labelled masters, doctoral programmes and modules	All EIT labelled masters and doctoral programmes aligned with revised EIT Label handbook by Q3 2016	Seven new EIT Labelled masters and doctoral programmes approved in October 2016
Timely development and implementation of a pilot activity encouraging women entrepreneurship in a sustainable manner	Pilot activity implemented reaching minimum 100 young women by Q4 2016	More than 100 participants reached in the various female entrepreneurship activities

1.1.1.3. Fostering Growth and Creating Impact

Synergies with EU funds and programmes

In 2016, the EIT continued to exploit synergies and complementarities with priority stakeholders, including EU and other funding institutions. By carrying out a thorough mapping of existing as well as potential synergies of the EIT with EU programmes and initiatives, priority stakeholders have been identified and a structured dialogue has been established with most of them. A concrete example is the collaboration with the Joint Research Centre (JRC), which has been further specified. In this context, a Memorandum of Understanding was signed in September 2016, including a concrete action plan. The identified areas of cooperation are as follows:

- Smart Specialisation-Regional Outreach, targeting to complementarities of the EIT Regional Innovation Scheme with the JRC's Smart Specialisation Platform (S3P);
- Education, Training and Skills;
- Technology Transfer, Intellectual Property and New Financing Mechanisms;
- Communications and Knowledge Management.

In addition, synergies with DG GROW have been explored in different areas. As a result, a reference to the scaling up of EIT education activities for the New Skills Agenda has been included in the Commission Communication for the Start-Up and Scale-Up Initiative. Furthermore, following the collaboration with DG GROW on the Copernicus Programme, an open call on "Building skills and earth observation related expertise through Copernicus" was launched with KICs as eligible beneficiaries. The call, with a total budget of EUR 613,000, aimed at the provision of educational activities (summer schools, master classes, PhD grants and post-doc grants) in the areas of sustainable exploration, extraction, processing, recycling and substitution. Moreover, the EIT established a structured dialogue with DG GROW F.1 Innovation Policy and Investment for Growth, in the framework of the Smart Specialisation Platform on Industrial Modernisation.

Collaboration opportunities with the Enterprise Europe Network (EEN) have been initially explored as well as with DG REGIO with a view to smart specialisation and the links with the EIT Regional Innovation Scheme, including the potential of KICs' access to the structural funds. Moreover, potential synergies have been explored with the DG RTD Seal of Excellence initiative and as a result a pilot activity with Climate-KIC was launched in Q4 2016.

Create investment project pipeline through collaboration with EFSI and IFIs

Due to re-prioritisation of activities and shortage of available human resources, the EIT focused its efforts in relation to IFIs (International Financial Institutions) and EFSI to their potential role in providing initial funds to the EIT Growth & Impact Fund (cf. chapter 1.3.1.1.), which could create a unique partnership of public and private parties and fill a significant gap in the current funding environment. In 2016, the EIT held numerous discussions with the European Commission (DG RTD), the EIF, EIB and other stakeholders with the objective of securing support for the EIT Growth & Impact Fund.

Performance indicator	Target	Results/achievements
Synergies of EIT with other EU programmes (e.g. other H2020 programmes, ESIF, IPA), funding bodies (e.g. EIB, EIF) and policies (e.g. Digital Agenda, SET Plan etc.) and structured dialogue in place, including joint initiatives	Analysis completed on links of EIT with other EU programmes and services based on structured dialogue and at least one joint pilot project under way by Q4 2016	Memorandum of understanding signed with JRC and collaboration with other programmes in place
Facilitate a successful project application by KICs to EFSI or IFIs	Minimum one project application to the EFSI or IFIs by KICs by Q4 2016	Preparatory analysis for the EIT Growth & Impact Fund carried out (cf. chapter 1.3.1.1.)

1.1.2 Creating new KICs

1.1.2.1. Designating two new KICs in 2016 on Added-value Manufacturing and Food4Future

The 2016 Call for KIC Proposals in the themes 'Food4Future - Sustainable Supply Chain from Resources to Consumers' and 'Added-value Manufacturing' was launched as planned on 14 January 2016. Information about the Call was published on the EIT website, in the Official Journal of the European Union and on the H2020 Participant Portal. The Call has also been widely publicised through the EIT's social media channels.

On 18 February 2016, the EIT organised an Information Day for the 2016 Call for KIC Proposals with over 400 registered participants. The main objectives of the conference was to provide participants with information on the Call and guidance to potential applicants in submitting high quality and successful proposals.

The 2016 Call for KIC Proposals was closed as planned on 14 July 2016. The process of selecting and contracting independent external experts was finalised in July 2016 and the experts evaluation stage was finalised as planned in October 2016. On 17 November 2016, the EIT Governing Board held hearings with the applicants. Following the hearings with the EIT Governing Board, the 'FoodConnects' consortium was designated to become EIT Food and the second-placed proposal was put on the reserve list. The EIT Governing Board did not select and designate a KIC in the area of Added-value Manufacturing. After a thorough evaluation procedure and Hearings with the EIT Governing Board, it was decided unanimously that the single proposal received could not be designated as an EIT KIC, as in the opinion of the Board it did not meet the excellence threshold.

As stated by the Independent Observer in its assessment, the evaluation process of the 2016 Call for KICs Proposals succeeded well in delivering an objective, impartial and justified proposition for the final decision. The EIT submitted to EIT Food the designation package including the start-up guidance describing key milestones to be achieved by the consortium in the start-up phase and the template of the Start-up Grant Agreement (SUGA) with annexes still in 2016. After negotiations on the start-up plan in January and February 2017, the EIT and EIT Food signed the Start-up Grant Agreement on 29 March 2017.

Following the outcome of the evaluation process, the EIT Governing Board tasked the EIT to carry out a thorough analysis in order to be able to take an informed decision on whether to re-launch the call in the Added-value Manufacturing theme at a later stage under the current EIT Strategic Innovation Agenda. The EIT carried out the analysis, involving independent experts with expertise in the thematic area, and presented the results, conclusions and recommendations to the EIT Governing Board in its meeting on 23 March 2017. Based on the results of the analysis, and after considering all relevant circumstances, the EIT Governing Board decided to re-launch the call for proposals in the area of Added-value Manufacturing in 2018.

Performance indicator	Target	Results/achievements
Timely launch of the call	Timely launch on 14 January 2016 and closure in July 2016	Timely publication of the Call in the OJ, on the Participants Portal and the EIT website Timely closure of the Call
Successful organisation of the Info Day	Info Day held on 18 February with over 300 participants, 90% satisfied or fully satisfied with the delivered content of the event	Successful organisation with over 400 registered participants and above 90% satisfied or fully satisfied with the delivered content of the event

Timely designation of two new KICs based on transparent evaluation	Evaluation process completed in November 2016	Evaluation report and GB Decision on the designation of EIT Food
		GB Decision on the re-launch of the Call in the area of Added-value Manufacturing in 2018
	Designation package issued to new KICs in Q4 2016	Designation package was issued to EIT Food

1.2. Enhancing the EIT's impact

1.2.1. The EIT's next Strategic Innovation Agenda (SIA) 2021-2027

As set out in the amended EIT Regulation, in 2016, the EIT started the preparations for the next draft seven-year Strategic Innovation Agenda (SIA), which will include its long-term strategic objectives, operational priorities and potential budget needs for the programming period from 2021 to 2027. The SIA will build upon initial impacts of the EIT's and KICs' activities, lessons learnt as well as results available of EIT reviews and evaluations, as well as an analysis of potential synergies and complementarities between the EIT's activities and other EU initiatives.

In 2016, the EIT prepared and the EIT Governing Board approved the roadmap for the development of the SIA, which was aligned with the preparations for the future European Research and Innovation Framework Programme ('FP9'). This resulted in a shortened development process and earlier submission date for the EIT's draft SIA to the European Commission, as compared with the deadline foreseen in the EIT Regulation.

In addition, the EIT also adopted an outline of the main building blocks and chapters of the draft SIA document.

Performance indicator	Target	Results/achievements
Relevant and timely prepared roadmap and draft outline of building blocks	Approved roadmap for the preparation of the Draft SIA by Q3 2016	Roadmap for the development of the EIT's next Draft SIA adopted in Q3 2016 and outline of building blocks /chapters adopted in Q4 2016

1.2.2 Fostering Knowledge Exchange through Communications, Dissemination and Outreach

1.2.2.1. Fostering Knowledge Exchange through Communications and Dissemination

In the course of 2016, the EIT continued to focus its external communications activities on one overarching objective, namely to increase the level of awareness, visibility and understanding of the EIT Community (EIT and its KICs) across the European innovation landscape.

To achieve this, the EIT continued to implement the recommendations put forward in its Communications Strategy. EIT external communications and dissemination activities focused on strengthening cooperation with EIT Climate-KIC, EIT Digital and EIT InnoEnergy, providing support to EIT Health and EIT Raw Materials as well as welcoming EIT Food to the Community. The EIT continued to work closely with all KICs to ensure the adoption and consistent use of the EIT Community's brand identity introduced in December 2014.

The EIT also consolidated its digital communications portfolio and engaged more pro-actively with the media. As part of the digital communications portfolio, a 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 functionalities such as the multi-lingual option presenting key EIT information in all EU official languages in 2016, the EIT website has 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. This was confirmed in a user satisfaction survey conducted in late 2016 with more than 70% of respondents either satisfied or very satisfied with the content of the website. 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.

To complement regular EIT high media impact events and milestones, such as the coverage of the EIT's annual Innovation Forum, INNOVEIT, in April 2016 (more than 100 articles/ broadcast information produced by the journalists

attending, all positive or neutral) and the designation of EIT Food in November 2016 (102 items of coverage across 13 countries including business, university website, regional and international media, 88% positive tonality), a new media relations tools was introduced in 2016, namely the EIT Journalists Thematic Network. This gathering of 14 Tier 1 journalists resulted in 15 Tier 1 articles published, all positive or neutral and led to a further increase of the awareness of the EIT Community's results and impact across Europe.

Performance indicator	Target	Results/achievements
Increased level of awareness among target audiences of EIT Community activities, achievements and co- operation possibilities	Communication plan adopted by Q1 2016	EIT 2016 external communications plan adopted KIC InnoEnergy adopts EIT Community brand and becomes EIT InnoEnergy EIT Food smoothly transitions from FoodConnects to EIT Food and EIT Community brand.
Quantitative and qualitative increase in EIT media coverage Wider social media reach and enhanced engagement	5% increase in positive media coverage, incl. press (print and online) coverage of the EIT in 2016 compared to 2015 20% increase in the number of unique users "like" the EIT Facebook and following the EIT Twitter in 2016 compared to 2015 statistics	35 % increase in positive media coverage (2,176 articles about the EIT in 2016), 35% increase in Facebook likes (12,264 likes on the EIT Facebook page by end-2016), and 42% increase in Twitter followers achieved (12,265 by end- 2016) compared to 2015 figures based on media and social media monitoring reports
Quantitative increase in visits to the EIT website	10% increase in unique visitors to the EIT website in 2016 compared to 2015	Unique visitor statistics: 2015: 175,740 2016: 214,074 19.6% increase compared to 2015 Online EIT website satisfaction survey conducted in Q4 2016: Very dissatisfied: 1% Dissatisfied: 5% Neither: 14% Satisfied: 62% Very satisfied: 12%

1.2.2.2. EIT Regional Innovation Scheme (EIT RIS)

2016 was the first year when a specific amount of the EIT grant was allocated for the implementation of the EIT RIS. The EIT earmarked 10% of the annual competitive EIT contribution to the KICs for the implementation of KIC activities within the EIT RIS. The total EIT grant allocated by the EIT Governing Board for the implementation of EIT RIS activities in 2016 amounted to EUR 9.7 million.

In order to implement EIT RIS activities, KICs ran open calls for participation. The calls served as means to selecting entities in the EIT RIS eligible countries that would cooperate with KICs in implementing EIT RIS activities and further promote the knowledge triangle integration approach to local innovation actors. The calls included selection criteria that required applicants to demonstrate excellent merits in promoting innovation and capacity for working with local innovation actors in the scope of the EIT RIS. In addition, the selected entities had to demonstrate how they thematically were aligned to the respective KIC area.

Throughout the year, KICs established cooperation with entities in 15 EIT RIS eligible countries: Bulgaria, Cyprus, Malta, Serbia, Latvia, Portugal, Croatia, Czech Republic, Poland, Greece, Estonia, Hungary, Lithuania, Slovenia and Italy. In total, by the end of 2016 various entities from 16 countries were cooperating with KICs within the EIT RIS, including Romania. Thanks to the established cooperation with the entities in these countries, the local innovation actors and individuals were able to benefit from a number of KIC activities and expertise. The activities to a large extent have been focusing on professional and university education and business creation, for instance in ideation, and start-up and scale-up support. During 2016, seven entities that over the past years had established cooperation with KICs within the EIT RIS had become KIC partners.

The EIT grant earmarked for the EIT RIS activities served as a powerful impetus. Tapping into the created momentum, in autumn 2016 the EIT held an EIT RIS stock-taking workshop with the participation of all KICs. During the workshop KICs shared their approaches and experiences with implementing the EIT RIS activities. The workshop also allowed KICs to discuss challenges and identify necessary improvements for the future in order to make the EIT RIS a better focused and result-driven initiative. Following the workshop an EIT-KIC working group on the EIT RIS was established to work on consolidation of the EIT RIS approach. At the end of the year, the work on drafting a consolidated EIT RIS Guidance Note 2018-2020 was started. The revised approach will put a stronger focus on transferring KICs' good practices of the knowledge triangle integration to the EIT RIS eligible countries, foresee provisions for widening the participation in KICs for entities that are not (yet) able to become KIC partners and deepen the cooperation with local innovation actors through EIT Hubs and Co-location Centres. Furthermore, in 2017, KICs will develop their individual EIT RIS strategies for the years 2018-2020 detailing their country strategies and clear targets and indicators. In parallel, a cross-KIC EIT RIS activity, starting in 2017, was designed with an aim to allow KICs to implement joint EIT RIS activities, thereby maximising its effects.

The KICs' plans for the implementation of the EIT RIS in 2017 were assessed by external experts and this had a direct impact on the final grants allocated to KICs for 2017. The total allocation of the EIT grant for the EIT RIS implementation in 2017 amounts to EUR 14.2 million.

Performance indicator	Target	Results/achievements
Widening of participation by EIT RIS target countries in EIT activities	At least 4 target countries under EIT RIS joining the EIT RIS activities	16 countries eligible for EIT RIS are covered by KICs' EIT RIS activities

1.2.3. Fostering and Attracting Talent

1.2.3.1. EIT Alumni Community

One of the key milestones achieved in 2016 with regard to the development of the EIT Alumni Community was the setting-up of the first EIT Alumni Board in April 2016, comprising a representative of each of the four KIC Alumni Associations (Climate-KIC, EIT InnoEnergy, EIT Digital and EIT Health) and an EIT representative to provide guidance and support. The EIT Alumni Board developed its strategy for the community and submitted the first work plan for 2016/2017 to the EIT Director. It adopted its rules of procedure and working arrangements and started the implementation of activities.

The EIT implemented the EIT Alumni Connect Event in a timely manner and ensured the effective involvement of Board members in the programme and its delivery. The main outputs of the event were the formulation of a shared vision, mission and objectives for the EIT Alumni Community and the proposal of four pilot actions, which were included in the work plan for the first year. The feedback received from students and alumni during and after the event showed that the EIT CONNECT event continued to encourage alumni to share their ideas, knowledge and experience in a cross-disciplinary way; to find partners for collaboration and contribute to shape the EIT Alumni Community by proposing concrete ideas for implementation.

The EIT Alumni Community organised the second edition of the EIT Alumni Start-up Days in December 2016, which brought together around 200 participants of different backgrounds to share ideas, form teams, build products/services and embark on entrepreneurial adventures in Barcelona, Berlin, Eindhoven, Lisbon, Paris and Stockholm.

Performance indicator	Target	Results/achievements
Successful Alumni Connect event, including ownership by alumni representatives	Effective involvement of EIT alumni in event design, programme and follow up and active participation of 120 alumni from EIT labelled educational programmes (>75%	Alumni Connect event organised successfully with 97 participants attended with above 90% positive feedback 2016 EIT Alumni Yearbook, input to EIT Alumni Strategy and work plan and activities started

	positive feedback in review) Draft Programme for 2017 EIT Alumni Connect event agreed by Q3 2016	Programme outline for 2017 prepared
EIT Alumni governance structure developed and adopted	EIT Alumni governance concept adopted by the EIT by Q1 2016 First Board of Alumni representatives elected and secretariat operational by Q2 2016	EIT Alumni governance rules of procedures adopted First EIT Alumni Board established EIT Alumni Strategy and Work plan for 2016/2017 prepared and adopted
	Action Plan for future EIT alumni activities proposed by Alumni board and approved by EIT by Q4 2016 EIT support for alumni governance launched by Q3 2016	Interim secretarial support provided to EIT Alumni Board

1.2.4 Enhancing Stakeholder Engagement

1.2.4.1 Stakeholder engagement

During 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. The main objectives of these encounters were to raise awareness on the EIT Community and its activities as well as to showcase achievements and results. Some of the encounters have been used to prepare for the discussions on the EIT future ambitions. Regular formal and 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 January 2016, the Chairman of the EIT Governing Board and the EIT Interim Director met Commissioner Moedas in Brussels to discuss the links of the EIT to other EU innovation initiatives. In June 2016, the EIT Interim Director had the opportunity to present the EIT Community and its activities to the Science and Technology Options Assessment (STOA)

Panel in the European Parliament. In October 2016, an EIT Awareness Day was organised in Kiev together with the National Academy of Sciences of Ukraine (NASU) with around 30 local stakeholders from the knowledge triangle. Furthermore, the EIT had regular meetings and information exchange with the European Association of Research and Technology Organisations (EARTO) and the League of European Research Universities (LERU) as well as BUSINESSEUROPE.

With regard to the stakeholder management tool, the contracted expert finalised his assessment and described different options including the feasibility of those. Subsequently, the EIT Management decided to launch trials in 2017 for two of the options proposed in order to identify the most suitable tool for the EIT to support stakeholder mapping and contact management.

In April 2016, the EIT organised the second edition of its annual Innovation Forum (INNOV*EIT*) and welcomed more than 350 participants from across Europe and beyond. Business leaders, research and higher education experts, policy and decision-makers, the media and EIT alumni came together to discuss opportunities for collaboration during the EIT Stakeholder Forum, and celebrated the achievements of innovators and entrepreneurs supported by the EIT's Knowledge and Innovation Communities (KICs) during the EIT Awards. The wide range of participants 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, 18 countries (19 representatives) participated. An analysis of the results of the feedback questionnaire has been carried out and 94% of the participants responding to the questionnaire indicated that INNOVEIT 2016 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 2017.

Performance indicator	Target	Results/achievements
Structured dialogue reinforced with institutional and knowledge triangle stakeholders	Updated mapping of key stakeholders and events of common interest in place by Q2 2016	Reinforced structured dialogue with institutional and knowledge triangle stakeholders Mapping of key stakeholders and key events
	Participation of EIT representatives (including EIT Governing Board members) in at least 20 international events of key stakeholders	Participation of EIT in 21 international conferences and high-level meetings with key stakeholders
Stakeholder management tool development contract launched	Contract for the development for a tool to support stakeholder mapping and contact	Finalisation of the experts assessment in 2016, pilot phase in 2017

	management by Q4 2016	
Targeted information provided and dialogue with key stakeholders Positive, above-average feedback received from participants (as measured by a dedicated survey)	Participation by at least five knowledge triangle representatives of all three sides and 75% of EU Member States > 75 % of feedback received above average	INNOVEIT 2016: 367 participants (target: 300) Business Representatives: 29 Higher Education Representatives: 26 Research Representatives: 12 MS Configuration: 18 countries, 19 representatives (target 21) 94% positive feedback

1.2.4.2 Relations with Third Countries and International Organisations

In 2016, a number of meetings took place, for example the EIT welcomed the Adviser to the Vice President of the National Academy of Sciences of Ukraine and a Delegation from the Moscow State University and the Russian Institute of Advanced Study at the EIT HQ. Moreover, the EIT participated in a workshop organised by the World Economic Forum (WEF) on Digital Ecosystems Europe in Berlin.

Performance indicator	Target	Results/achievements
Establish structured dialogues in targeted Third Countries on knowledge triangle integration issues	Structured dialogue set up in at least two of the targeted countries and international organisations by Q4 2016	Engagement with key stakeholders in non-EU countries and international organisations: structured dialogue with the National Academy of Sciences of Ukraine which resulted in the organisation of an EIT Awareness Day in Kiev and establishment of relations with the WEF

1.2.4.3. EIT Awards

The EIT implemented in a timely manner the EIT CHANGE, EIT Venture and EIT Innovators Award 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. The three first-wave KICs each nominated two candidates for the EIT Venture and EIT CHANGE Awards as well as two teams for the EIT Innovators Award did not meet the criteria so that the competitions could not take place as intended. It was decided to formally withdraw these Awards and immediately re-launch the call for nominations, although this meant that no monetary prizes could

be given due to the applicable rules of the EU Financial Regulations. The EIT Jury selected one winner per category. The winner of the EIT Innovators Award 2016 went on to gain further recognition, including winning the MBR Global Water Award in 2017.

The 2016 EIT Awards were an integral part of the EIT's Innovation Forum INNOVEIT 2016, which was held in Budapest on 25-26 April 2016. The implementation of the 2016 EIT Awards comprised of a promotional campaign, the settingup of a high-level jury for each Award category, the organisation of the Award Ceremony and the implementation of support packages for the winner of the EIT CHANGE Award to further develop his business initiative.

Performance indicator	Target	Results/achievements
Timely implementation of the 2016 EIT Awards including a promotional campaign and pitch training session	2016 winners of all three categories awarded and prizes delivered by Q2/2016	Three 2016 EIT Awards winners Prizes selected An Award package was delivered to the EIT CHANGE Award winner The winners of the EIT Venture and EIT Innovators Awards did not receive an Award package as the calls had to be re-launched
Timely launch and nominations received for the 2017 EIT Awards competition	EIT CHANGE and EIT Innovators Awards Iaunched by Q3 2016 and nominations received by Q4 2016	EIT INNOVEIT and the EIT Awards have been moved from Spring to Autumn 2017. As a consequence, the launch of the calls has been postponed to Q1 2017.

1.3. New Delivery Mechanisms and Results-oriented Monitoring

1.3.1 EIT-KIC Relations

1.3.1.1. The Role of the EIT as an Investor and KICs' Financial Sustainability Strategies

2016 was the first full-year cycle when KICs implemented their **Financial Sustainability strategies** in line with the Principles on KICs' Financial Sustainability adopted by the EIT Governing Board in 2015. The EIT closely monitored the implementation and provided guidance and recommendations to KICs based on their 2015 reports, 2017 Business Plans and dedicated reports on financial sustainability with the help of a high-level external expert. A workshop was held with KICs CEOs to take stock of progress in June 2016. Overall, although the quality and implementation of financial sustainability measures vary from KIC to KIC, it should be noted that this challenge has been embraced by all KICs, both top-down (strategy) and bottom-up (operations). A dedicated annex to the 2017 Business Plans was for the first time introduced in 2016, where KICs report and explain revenue forecasts across a range of activities (e.g. ROI and equity, Education, Services & Consulting, Alternative Funding Sources). In December 2016, the EIT Governing Board requested from KICs, as part of strategic recommendations, an update on their financial sustainability

strategies, measures, assumptions and forecasts, including lessons learnt and proposals on how the EIT can further support KICs in becoming financial sustainable.

The objective of the **7-year review** (2010-2016) of the first wave KICs, i.e. EIT Climate-KIC, EIT Digital and EIT InnoEnergy, is to assess, at the middle of the maximum 15-year main period of EIT funding to KICs against the baseline set out in the KICs' proposals submitted in 2009, as well as in subsequent KICs' strategic agendas, business plans and reports, and relevant EIT legal framework (e.g. EIT Regulation, etc.), their delivery of the strategy, main results and impacts from their designation until the end of 2016, including general and specific budget evolution, strengths and weaknesses. This stock-taking exercise will also enable the EIT to draw recommendations for improvements both to the EIT and to KICs as well as drawing lessons learnt and identifying good practices to be shared not only with the KICs subject to the review, but also with the other KICs designated in 2014 and 2016. The review should also result in a roadmap and approach for the remaining up to 7 years of EIT funding to KICs to complete their lifecycle, including reflections on the EIT co-operation with KICs after the end of the main period of EIT funding to KICs (i.e. up to year 15 after a KIC designation). A detailed work plan was prepared in Q4 2016. The completion of the review is expected by Q4 2017.

As stated in the EIT's Principles on KICs' Financial Sustainability, 'In cooperation with other European, national and international organisations and the KICs, the EIT will strive to facilitate other forms of financing to KICs, namely through a dedicated Fund.' The EIT has followed this commitment by developing a proposal for a **Growth & Impact Fund**. The goals and objectives of the future Growth & Impact Fund are, inter alia, to provide funding to invest into early stage and scale-up development of innovative start-ups from KICs' pipeline and beyond; to leverage public and private sector capital and other EU funding tools; and to fill gaps in current marketplace due to higher perceived risk, market volatility and structural impediments. The EIT commissioned a report from a law firm with specialised expertise with advice on the legal structure to establish a multi-compartment investment fund. The EIT conducted throughout 2016 numerous meetings and consultations with KICs, including a workshop with KICs CFOs, European Commission (DG EAC, DG RTD, DG GROW), EIF, EIB and other stakeholders with a view to refining the concept of the Growth & Impact Fund and launch a pilot tentatively in 2017/2018.

Performance indicator	Target	Results/achievements
Reporting mechanism for financial sustainability strategies of KICs in place	First report on Financial sustainability provided in Q2 2016	Financial sustainability reports submitted by KICs and performance assessment by EIT
		KICs' revenue forecasts in a dedicated Annex in the 2017 Business Plans
		Introduction of a FS Coefficient in KICs reports and Business Plans
Concept for 7-year review of KICs in place	7-year review launched by Q4 2016	Terms of reference of the 7-year review prepared
Study on the legal structure of the Impact Fund	Study and clear recommendations completed by Q3 2016	Study on the legal structure of the Impact Fund completed

Consultation with stakeholders on draft concept completed by	Extensive consultations with KICs and other stakeholders, namely European Commission (DG EAC, DG RTD, DG GROW), EIF and EIB
Q4 2016	carried out

1.3.2. Simplification

The Task Force Simplification (TFS) was set up in 2015 with the objective to propose improvement measures leading to significant efficiency gains resulting in lower overhead and administrative workload for all sides, and therefore ensuring improved operations and results. A first package of redesigned processes and 'quick wins' were adopted at the end of 2015 and early-2016 (e.g. code of collaboration, grant cycle essentials, etc.), whilst some other processes took more time to redesign.

The TFS analysed the feasibility of introducing a multi-annual grant cycle in line with the recommendations of Special Report 4/2016 of the European Court of Auditors, and concluded that multiannual grant agreements combined with annual competitive funding allocations would not result in increased legal and financial security for KICs. Furthermore, it would not lead to significant savings in operational workload due to annual Business Plan amendment and KIC reporting obligations. Pre-condition for a genuine multiannual cycle is the possibility of committing grants which could cover costs of activities for multiple years. This is not possible within the current EU multiannual financial framework; however, it should be possible to implement for the post-2020 period, provided that commitment appropriations for the EIT budget can be allocated in multi-annual tranches accordingly. Therefore, the TFS designed several measures to maximise efficiency within the framework of current annual grant cycles.

A plan has been developed and implemented in order to reduce retroactivity as regards the signature of annual grant agreements, applicable already for the 2017 grant cycle, i.e. KIC Business Plan assessment and EIT GB decision in Q3 and Q4 2016. The reengineered and efficiently managed grant allocation process resulted in a reduction in time-to-grant and led to a timely signature of the 2017 grant agreements with KICs. The EIT signed the 2017 grant agreements by mid-February 2017 with four of the five KICs and transferred the pre-financing payments corresponding to 70% of the EIT grant awarded by end-February 2017.

The measure 'First time right reporting' was tested as part of the 2015 KIC reporting and EIT report assessment exercise in Q1-Q3 2016. Face-to-face resolution meetings were scheduled with each KIC as part of the process, with the aim to discuss and conclude on outstanding issues, which reduced the scope and necessity of further follow-up work, and as a consequence shortened the time needed for the approval of KIC Reports and execution of final balance payments (i.e. shorter time-to-pay).

With the purpose to optimise the audit chain and eliminate overlaps among different layers of audit throughout the grant cycle, the EIT decided to increase the assurance obtained from the first level of control by improving the quality of Certificates on Financial Statements (CFS). For this reason, instead of requesting beneficiaries to procure and contract CFS auditors, the EIT contracted two audit companies in Q4 2016 to carry out 128 CFS audits in Q1 2017 in relation to costs declared under the 2016 grant agreements. This has reduced the perceived administrative burden on KIC Partners and made the EIT-KIC model more attractive to industry and business participants.

Numerous new or updated guidelines have been issued, for instance on the entry and exit of KIC partners, uniformity around business plan amendments, business planning and KIC reporting. Each time a consultation process took place with KICs in the framework of the TFS.

The use of simplified cost options is encouraged by the EIT, the pre-condition being to agree on unit costs and lump sums which KICs can apply in course of implementation. Unit costs for EIT education programmes have been accepted by Commission Decision No C(2016)8298.

Performance indicator	Target	Results/achievements
Feasibility of most promising out of the box ideas for simplification explored	Two feasibility studies completed by Q4 2016 Agreed measures on simplification implemented and adopted by the EIT-KIC Forum by Q4 2016	The TFS thoroughly analysed the feasibility of a multiannual grant cycle, and within the boundaries of the current legal framework, designed measures to implement multiannual elements as much as possible The TFS designed numerous improvement measures for adoption by the EIT-KIC Forum
Roadmap of Task Force simplification implemented as planned	90% of the improvement measures implemented by Q4 2016	Improvement measures implemented as part of the grant cycle, for example first time right reporting, uniformity around amendments, optimisation of guideline consultation processes, optimisation of audit chain

1.3.3. Monitoring, Impact Analysis and Evaluation

1.3.3.1. Implementation of the EIT monitoring strategy

The **review of the EIT core Key Performance Indicators (KPIs)** was finalised as planned in February 2016. As a result, the EIT in a cooperation with the KICs developed a new set of 11 new results-oriented core KPIs to better address the EIT intervention and the KICs activities. The following new KPIs were approved by the EIT Governing Board:

- Graduates from EIT labelled MSc and PhD programmes
- Start-ups created by Graduates from EIT labelled MSc and PhD programmes
- Start-ups created as a result of innovation projects
- Start-ups supported by KICs

- Investment attracted by ventures that receive/have received KIC support
- Products launched on the market (aligned with Horizon 2020)
- Success stories submitted to and accepted by EIT
- External participants in EIT RIS programmes
- Budget consumption of KICs
- Error rate of KICs
- Financial sustainability of KICs

The new KPIs were integrated into the 2017 Business Plans guidelines and communicated to the KICs. Detailed definitions and associated supporting documentation for the 11 new KPIs have been developed and agreed on over the year in a cooperation with the KICs. The KICs have prepared their 2017 Business Plans based on the new set of KPIs.

The Education Review has been finalised as planned. The main findings and recommendations were presented to the EIT Governing Board members in the 44th EIT GB meeting on 8 December 2016. The review assessed 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. The main finding of the report is that the most added value occurs when programmes link the Education Pillar with the Innovation Pillar and the Business Creation Pillar, creating new forms of learning experiences for students. According to the external experts involved in the review, the EIT's bridging role is not novel but it has put an exceptional emphasis on it. On the other hand, positive impacts are largely limited to the partners themselves and not spreading to universities or businesses outside of the partnerships, except where a specific outreach effort was made. In this sense, it is recommended to strengthen the unique cross-pillar activities as added value, benefitting accelerator and business investor pipelines and thus identifying sources for sustainable funding. Regarding the skills and competences, experts find graduates from EIT labelled programmes and other EIT learners more international, more interdisciplinary and more entrepreneurial than regular graduates. These outcomes are the result of the combination of prior learning, self-selection, selection processes, extra-curricular activities, the major followed, the KIC Added Value Activities and the EIT community effect. The final report has a significant value for the EIT as it provides many valuable recommendations for the future development of the education agenda.

The Innovation and IPR review has been rescheduled for 2017 due to conflicting priorities. The assessment will cover all types of EIT funded innovation or research activities as implemented by the KICs and conducted between 1 January 2011 and 31 December 2016.

A comprehensive **assessment of the implementation of Knowledge Triangle Integration (KTI)** within the EIT and its KICs was initiated in 2016. The assessment evaluates how KTI is elaborated in the vision and strategy of the KICs, CLCs and the EIT, how KTI is implemented in the strategic and operational planning and in the practices of the KICs, and how the role of the Co-Location Centres is shaped as focal point for KIC Activities. The assessment will provide insight in the added value, efficiency and effectiveness of Knowledge Triangle Integration as concept to achieve the mission of the EIT. In 2016, the Terms of Reference have been developed and four experts have been appointed to carry out the Assessment. In addition, a Validation Group with three high level scholars has been assembled. In November 2016, the kick-off meeting with the experts of the Assessment Team has taken place. The final report is expected to be delivered in June 2017.

The EIT set up a risk-based Monitoring Plan 2016 with detailed monitoring activities for each KIC. The Monitoring Plan 2016 distinguished between two types of monitoring activities: monitoring activity of a particular KIC added-value activity or project or a review of specific processes or features of the different KICs. Altogether 17 monitoring activities were carried out of the 18 planned monitoring activities. In total, 19 on-site visits were conducted.

Following each monitoring visit, a set of recommendations was formulated and communicated to the KICs. Among others, the following conclusions were reached: following the outcomes of the pilot monitoring visit of the procurement procedures in EIT InnoEnergy and in order to verify the applicability of the new public procurement directive in case of the KIC legal entities, it was recommended to conduct similar monitoring activities across all other KICs in 2017; the KICs' business acceleration activities are progressing very well and many good practices or potential lessons learnt were identified; the implementation of the EIT RIS activities require more monitoring efforts in the future by a cross-KIC taskforce chaired by the EIT; there is a need to have a more systemic approach towards monitoring the selection of innovation projects by KICs (to be addressed in depth by the innovation and IPR review that will be implemented in 2017).

Performance indicator	Target	Results/achievements
Finalisation of result-based KPIs for the EIT and improved performance measurement system (scoreboard)	Timely finalisation of the KPI review by Q3 2016	The EIT GB approved the new set of EIT core KPIs in March 2016
Better evaluation and understanding of existing education agenda activities, leading to improve the KIC grant management process in 2017.	Timely finalisation of the education review in Q2 2016	Final report was approved by the EIT in December and the recommendations were submitted to the Education Panel
Assessment of Knowledge triangle integration practices in KICs with specific focus on Co- location Centres	Assessment launched by Q3 2016	The Assessment was launched in November 2016 through a kick-off meeting with the experts of the Assessment Team
Evaluation of KIC innovation actions and Identification of good practices of existing KIC innovation activities, including review of IPR issues.	Timely finalisation of the innovation review in Q3 2016	The implementation of the innovation review was postponed for 2017
Conduct of risk based monitoring activities by EIT staff	Monitoring plan adopted and implemented	17 monitoring activities carried out with 19 on-site visits

		Database of reports and
Contribution of monitoring	Mid-term reviews with 5	recommendations from monitoring
activities to improving KIC	KICs organised by Q3	activities established
the grant management	2016	

1.3.3.2. Evaluation and impact assessment

The EIT launched in October 2016 a study and an analysis on the global and European impact of the EIT and its KICs from 2010 to 2016, conducted by an external contractor. The study is foreseen to be published in the Q2 2017. The launch of the impact study was slightly delayed because the scope of the study was extended and in order to ensure proper alignment with the objectives, work plan and timeline of the mid-term evaluation of the EIT carried out by an external consultant contracted by the European Commission. The impact study will identify and describe the main factors through which the EIT and its KICs have economic and societal impact and in particular demonstrate how: 1) The EIT and its KICs add value to Europe's economic growth, competitiveness and society at large, including the global dimension; 2) Impactful and novel is the innovation ecosystem for Europe as proposed by the EIT and its KICs' societal challenges are addressed by the EIT community; and 3) The EIT funds innovation; by taking into consideration the uniqueness of the EIT-KIC model.

Performance indicator	Target	Results/achievements
Timely launch and completion of an impact study together with KICs	Final report available by Q4 2016	Launch of the Impact Study in Q3 2016 Inception Report of the Impact Study delivered in December 2016

1.4. Horizontal activities

1.4.1 Strategy: Co-ordination and implementation

1.4.1.1. EIT Governing Board meetings and EIT management

The EIT provided support to the EIT Governing Board including the smooth running of, and follow up to, Governing Board and Executive Committee meetings as well as GB Working Group meetings and advisory activities to the GB Chairman, GB Members and the Director.

In 2016 the EIT Governing Board held six meetings in Budapest and adopted 36 decisions. Five new EIT Governing Board members were selected and appointed in 2016, based on open calls for expression of interest, further to the end of terms of office of four GB members and one resignation. The Executive Committee met five times in Budapest in 2016 to prepare the Governing Board meetings. Additional extraordinary Executive Committee meetings were not organised.

Performance indicator	Target	Results/achievements
Quality of collaboration between the members of senior and middle management measured by the number of meetings in 2016 Number of and participation in meetings of the EIT Strategy Working Group Preparation of Strategy Notes on key elements of the EIT/KIC model	Ongoing feedback collection among senior and middle management to assess quality of collaboration and to identify areas of improvement	The EIT Management Team met on a weekly basis, complemented with meetings of Strategy Working Group, ad-hoc project oriented cross-unit meetings as needed and quarterly review workshops
Effective preparation and implementation of Governing Board (GB) and Executive Committee meetings, GB Working Groups meetings, Panel and other meetings with GB Members participation	Effective and timely preparation and implementation of at least 4 regular GB meetings, 4 regular Executive Committee (ExCo) Meetings, Annual KIC Hearing and GB-KIC Spring workshop in compliance with all applicable rules and procedures	Six Governing Board meetings and five Executive Committee meetings organised in 2016
Timely selection and appointment of four new EIT GB members	New EIT GB members appointed by Q3 2016	Five new Governing Board Members appointed (four due to end of terms of office and one due to resignation)

1.4.1.2. Planning, Programming and Reporting

The EIT implemented its annual cycle of planning, programming and reporting processes in compliance with the applicable rules and regulations. As regards full financial autonomy of the EIT, the Commission formally launched the process on 30 June 2016 by requesting the EIT to complete a detailed self-assessment questionnaire. The EIT submitted the completed questionnaire and supporting documents end of October 2016. After reviewing the responses and documents submitted, the Commission carried out a fact finding visit in January 2017. Based on the work done in 2016, the Commission is expected to be in a position to decide on the EIT full financial autonomy in 2017.

Performance indicator	Target	Results/achievements
Timeliness (preparation and submission) of the documents foreseen in the SPP (Strategic Planning and Programming) cycle, namely Budget, Annual Activity Report, Budget implementation report, Report on budgetary and financial management and Single Programming Document	Budget 2017, Draft budget 2018, AAR 2015, Budget implementation report 2015, Report on budgetary and financial management 2015 produced and transmitted on time EIT Governing Board adopts the Single Programming Document 2018-2020, Budget 2017 and Draft Budget 2018 by mid-Dec 2016	AAR 2015, Draft SPD 2018-2020, Budget 2017, Draft budget 2018, Report on budgetary and financial management 2015 adopted in 2016 by the deadlines foreseen in the EIT Financial Regulation
Timeliness (preparation and submission) of internal quality reporting	On time delivery of accurate internal reports (ad-hoc, monthly or quarterly) and bi-monthly summary reports for the Commission and GB	Monthly budget execution reports mentioning the deviation to the forecast produced Monthly procurement reports with comparison to the forecast produced Bi-monthly activity reports for Commission and GB produced
Timely implementation of the Annual Work Programme 2016	90% of activities implemented by Q4 2016	Internal AWP 2016 implementation report produced
Timely granting of the full financial autonomy by the European Commission	Full financial autonomy granted by Q4 2016	Self-assessment carried out in 2016 and Commission fact-finding visit took place in January 2017

1.4.1.3. Internal control and risk management

In line with the EIT Financial Regulation, the EIT budget has been implemented in compliance with effective and efficient internal controls. To achieve this, the EIT implemented the internal control standards. These processes are applicable to all levels of management and designed to provide reasonable assurance in order to maintain effectiveness, efficiency and economy of operations, achieve reliability of reporting, safeguard assets and information and prevent, detect, correct and follow up fraud and irregularities

Performance indicator	Target	Results/achievements
Achieves a high level of implementation of Internal Control Standards	90% of internal control standards are implemented and weaknesses in remaining standards are identified and action plan in place by Q4 2016	Annual review of implementation of ICS carried out
Critical risks are identified and addressed	Critical risks are identified in the Annual Work Programme and action plans to address them are in place 80% of recommendations from the audit follow up register are closed	Critical risks identified in the Annual Work Programme part of the SPD 2017-2019 Risk register updated Audit follow up register updated on a quarterly basis
Timely implementation of the actions foreseen in the EIT Anti-Fraud Strategy	100% actions planned for 2016 implemented by Q4 2016	Anti-fraud survey and trainings organised for staff and improved conflict of interest assessment for GB members. 60% of the actions planned for 2016 implemented, the rest is ongoing in 2017.

1.4.2 Internal Communication and work environment

1.4.2.1. Action plan for improving the internal communications

The EIT has improved its internal communication and teamwork to efficiently manage the challenges set out in the Annual Work Programme and to achieve a high level of staff satisfaction. Regular staff meetings were organised generally on a monthly basis to inform staff on priorities, results and latest developments. Two social events were organised in June and December, respectively, as well as a team building event to increase cohesion and improve teamwork. The results of the staff satisfaction survey conducted in December 2016 shows an impressive improvement compared to 2015, as the overall rate of staff satisfaction has increased from 50% to 69%.

Performance indicator	Target	Results/achievements
Efficient internal communication structures are in place.	90% of measures implemented of the internal communications action plan by Q4 2016	Actions planned for 2016 in the internal communication plan largely implemented

Improved level of staff satisfaction	10% average increase of staff satisfaction by mid end 2016 compared to previous year	Annual staff survey satisfaction survey showed an increase of overall satisfaction from 50% to 69%
Staff Committee in place Successful events organised by the Social Committee for improved team building at EIT	Staff Committee in place by Q2 2016 2 events, including one team building, organised with positive feedback by participating staff	Decision was taken to establish a joint Staff Committee with CEPOL (in 2017) Social and team building events completed

1.4.3 Administrative support

1.4.3.1. Human resources management

The EIT has essentially achieved full staffing through a series of measures that were implemented in the last three years and substantially improved the staff management, recruitment process, reduced turnover and improved the work environment. During 2016, the EIT recruited 16 new staff members, 9 among them to reinforce the core operational unit (Partnerships Management), 3 to the other operational unit (Policy and Communications) and an additional 4 to support Procurement, Finance, IT and the Director's Office. As of 31 December 2016, 59 of the 63 authorised positions were filled. This is a significant improvement compared to the situation as of year-end 2015 when the EIT employed 50 staff. For further details on HR management, please, refer to section 2.4.

Performance indicator	Target	Results/achievements
Timely and compliant completion of selection procedures.	Publication of the vacancy notice within 6 weeks of a vacant post and completion of reserve lists within 8 weeks from the deadline for applications	16 staff recruited in 2016; 59 posts filled as of 31 December 2016. The average time needed for establishing reserve lists for vacancies published in 2016 was 17 weeks.
Identification of in-house training courses in the learning and development plan	90% of training sessions provided according to plan	All eight in-house training sessions completed as planned

Timely and correct payment of salaries	100% of salaries paid correctly and in time	Salaries transferred on time
Trainees support EIT activities and increase knowledge of EIT	At least 6 traineeships successfully completed in 2016	Eight traineeships successfully completed
Timely implementation of the revised EIT Schooling policy	Revised EIT Schooling policy implemented by Q2 2016	Revised policy adopted by EIT

1.4.3.2. Finance and Procurement management

Performance indicator	Target	Results/achievements
High level of absorption of EIT funds Legality and regularity of	> 90% of non-grant commitment and payment appropriations absorbed by Q4 For <5 % of	94.87% of authorised commitment appropriations implemented99% of authorised payment appropriations implemented
Commitments and payments	commitments and payments errors are detected ex post	For ex-post error rates in grant payments, please, refer to section 2.5
Efficient and effective financial procedures	100% review of procedures by Q2	New Vade-mecum, workflows, templates and revised relevant EIT decisions adopted in 2017. The focus has been on key financial procedures.
Efficient and effective procurement procedures completed	85% procurement procedures completed in line with the 2016 procurement plan by Q4 (subject to the initiation of the operational units) including 100% of the	All procurement procedures completed as planned with the exception of the activities that have been (partially or fully) postponed to 2017 or cancelled. 118 procedures were planned for 2016, 80 contracts were signed in 2016,
	prioritised procurement procedures Less than 10% of	9 procedures were cancelled and 29 postponed to 2017. No new Court cases or complaints against
	procurement	procurement procedures in 2016

For details on budgetary and financial management, please, refer to section 2.3.

	procedures trigger complaints / court cases.	
Timely and correct delivery, compliance and comprehensiveness of the EIT accounts	Submission of final accounts for 2015 by Q2 All payments carried out <2 working days after authorisation by RAO.	Final Accounts for 2015 adopted on time Payments made from EIT account on the same day of authorisation (99.15%)
Timely development of the EIT policy on the use and selection of external experts	Policy on the use and selection of experts approved by Q2 2016	Policy adoption postponed to 2017
Timely acquisition of a budget planning and monitoring tool	Budget planning and monitoring tool in acquired and in use by Q4 2016	Budget management tools Bluebell and Speedwell acquired and put into production in Q4 2016

1.4.3.3. Management of ICT and Document Management

Throughout 2016, the EIT ensured that adequate IT tools and infrastructure, IT security and document management are in place.

Performance indicator	Target	Results/achievements
Adequate IT and infrastructure tools	Make general and	In 2016, the IT infrastructure and the
available to staff made available	individualised IT	IT services were consolidated and
including data network operations,	systems	remote access and mobility features
help desk, PC/Client support,	permanently	were made available to EIT staff
software support, Systems	available to all staff	improving working flexibility and
administration and programming,	as required,	efficiency. The ticketing system was
voice communications, web		improved and the resource time
publishing, Internet access, and		allocated for each ticket or incident
printing. Individualised ICT services		has been introduced.
for staff members include inter alia:		
desktop/thin client and mobile		Downtime of the IT systems were
computers, Intranet (SharePoint		limited to normal maintenance
based) access, remote data access,		operations and incidents had an
mobile phones and e-mail		impact within the expected target
management		level.

Hours of continuous downtime of systems minimised and timely response to user requests provided Open call launched for development and maintenance of IT services	Maximum one hour downtime of system per incident and <5% of user requests require more than one day to resolve New framework contract in place by Q3 2016	One incident occurred in 2016 that took more than one hour to resolve. 3.66% user requests required more than one day to resolve in 2016 (26 out of 709). Open call for IT services was postponed to 2017.
Improved IT governance through implementation of the IT action and audit plan	90% of actions from the IT action plan implemented, including all high priorities by Q4	 Improved IT Governance and procedures in place. IT actions that required procurement: 91% completed (31 out of 34); IT service delivery actions 100% completed; IT Steering Committee related actions 75% completed; IT security actions 50% completed.
Sound and comprehensive IT change management process established	At least 6 meetings of the IT Steering Committee with concrete decisions Change management process to be in place by Q2 2016	In 2016, there were 5 ITSC meetings and decisions were made available through the meeting minutes A Change Management Policy including an IT Change Procedure was drafted in 2016 and adopted in 2017 1. An Access Policy was adopted in 2016
High level of security of IT operations	Clear access policy in place by Q1 2016 Security weaknesses identified and	IT management/audit software for infrastructure monitoring (SPLUNK) installation turned out to be included

	actions to address them remedied by Q4.	 in the CERT-EU services and postponed in 2017. To cover the auditing needs, a lighter software was acquired and installed. Checkpoint Security was acquired in 2016 and installation expected to be finalised in Q1 2017 The VEEAM Disaster Recovery environment was setup and installed in Q4 and the recovery services are in place CERT-EU Security services were acquired in Q3 2016 and a vulnerability test was performed in Q4 2016
Reliable and comprehensive implementation of DMS Timely revision of Policies and Practices in line with the action plan following the IAC recommendations (DMO, LSO, LISO and DPO related tasks)	Comprehensive DMS operational by Q4 2016 At least 60% of actions implemented by Q4 2016	Definition of the business owner and business administrator of the IT tools Update of the functional mailboxes Preparation of a file note on handling of physical mail
Timely revision and comprehensiveness of the Reporting and Business Planning modules	Reporting 2015 (Q1) and Business Planning 2017 (Q3) IT tools fully in use and users trained.	Upgraded Reporting (2015) and Business Planning (2017) modules of the EIT grant management system put into production on time
Specifications for future IT tool developments completed, supporting alignment with new FPA and Horizon 2020.	Technical specifications developed for core business knowledge management tools, i.e. KIC partner management and monitoring	Partners In-and-Out (PIO) module of the grant management system developed and put into production in 2016
Timely development of the EIT-KIC Business Intelligence Tool	Fully-fledged reliable Business	Further development of the Business Intelligence module of the grant

	Intelligence tool in place by Q3 2016	management system postponed to 2017
--	---------------------------------------	-------------------------------------

1.4.3.4. Logistics and Building Management

Throughout 2016, the EIT provided staff with a functional, attractive and safe working environment, an adequate level of logistics support, sufficient office supply stocks management, and proper level of building security.

Performance indicator	Target	Results/achievements
Accurate assets register in line with physical use/storage	Up-to-date ABAC ASSET Inventory with >98% accuracy	All assets are registered in ABAC Assets
Response time to building and security-related issues	>98 % of building and security related incidents are reported to the external building management within one working day	There were five cases (incidents and malfunctions), reported to the facility management within one working day. All incidents reported to the external building manager were closed in the financial year. Test evacuation of the building was regular. No significant security incident reported.
Incoming and outgoing mails registered and expedited timely and efficiently	Mails sent on the same day as provided and mails received are registered and distributed on the same day based on revised procedures by Q2 2016	Mails sent, received and registered without delay Guideline on mailing was elaborated
Adequate stock of office supplies	Stable provision and availability of quality office supplies without disruption (continuous)	Office supplies provided on time. Stock was monitored continuously.
Timely and compliant completion of works and availability of adequate work places (business continuity)	Office modernisation works carried out by Q3 2016	Procurement procedure on office modernisation work was not successful, thus this action was postponed to 2017 New office furniture purchased in 2016

Office repainted and design upgrade completed by Q4 2016 Exhibition of KIC innovations in place by Q4 2016	Reallocation of small number of offices completed without interruption of daily work
---	--

1.4.4 Internal Audit Capability

See section 2.6.2. on the assessment of audit results and section 2.7 on follow up to IAC recommendations and action plans for IAC audits.

Performance indicator	Target	Results/achievements
Timely preparation of the IAC audit plan	Audit plan adopted by the EIT GB by March 2016	Audit plan for 2016 adopted by the GB
Timely production and transmission of IAC audit reports	Submission of the reports to the Director and to the Governing Board by end 2016	Reports on audit findings and recommendations in line with the audit plan

PART II MANAGEMENT

2.1. EIT Governing Board

The 12 appointed members of the EIT Governing Board 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. The EIT Governing Board also had three additional members representing the Knowledge and Innovation Communities until September 2016, when the EIT Governing Board decided to propose to the European Commission a modification of the structured strategic dialogue between the EIT Governing Board and KICs. The EIT proposed to the European Commission to replace the permanent Representative Members with more effective means of communication such as inviting the Chairpersons of the KICs for an annual strategic discussions with the EIT Governing Board. In addition, the EIT Governing Board proposed further modifications in the EIT Regulation in particular in the governance structure and decision making process.

In 2016 the EIT Governing Board held six meetings in Budapest and adopted 36 decisions, including a simplified and fine-tuned Rules of Procedure in mid-2016. Five new EIT GB Members were appointed in 2016 further to the end of terms of office of four GB members and one resignation. Subsequent to open calls for expressions of interest in November 2015 and May 2016, the European Commission appointed four new GB Members in the field of business and one member in academia.

The Executive Committee met five times in Budapest in 2016 to prepare the Governing Board meetings. Additional extraordinary Executive Committee meetings were not organised. In November 2016, following hearings with applicants for the 2016 Call for KIC Proposals, the EIT GB designated EIT Food as a new member of the EIT Community. In December 2016, a hearing with the five KICs designated in 2009 and 2014 was held to assist the Governing Board in reaching a decision on the annual financial allocation to the KICs for the financial year 2017.

In accordance with the transparency principle, the decisions of the EIT Governing Board have been published on the EIT website. The EIT Governing Board hosted special guests in some of their meetings, in particular, Commissioner Navracsics who joined the 44th EIT Governing Board meeting in December 2016 to exchange views on the future of the EIT.

In 2016, EIT GB Members were also active in representing the EIT with speaking engagements at high level prestigious conferences and events to enhance visibility of the EIT in the European innovation arena.

2.2. Major Developments

In 2016, the EIT made significant efforts to mitigate the impact of the reduction in its multi-annual budget on the activities of the KICs. 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 was EUR 285 million. Although the reduction was still substantial compared to the indicative budget, the EIT was able to maintain the previous level of funding provided to its KICs and ensured that KICs' innovation activities do not suffer a significant setback.

Five new EIT GB Members were appointed in 2016 further to the end of terms of office of four GB members and one resignation. Subsequent to open calls for expressions of interest in November 2015 and May 2016, the European Commission appointed four new GB Members from the field of business and one member from academia.

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

<u>Planning</u>

The EIT's medium-term priorities were specified in its rolling Triennial Work Programme (2016–2018), replaced by the Single Programming Document as of 2017-2019, which are translated into annual work programmes and financing decisions. Both multi-annual and annual working programmes are adopted by the EIT Governing Board on the basis of proposals by the EIT Director.

Implementation

Since June 2011, the EIT has been partially financially autonomous, which means that in 2016 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.

In 2016, the EIT achieved a high rate of implementation both for commitment and payment appropriations owing to more regular monitoring by the management and certain efficiency gains in the workflows. The authorised budget for commitment appropriation was implemented at 94.87% (2015: 90.58%) and for payments at 99.00% (2015: 96.49%). In 2017, the EIT intends to further improve and make its budgetary planning, monitoring and implementation processes more effective and efficient by 1) further simplifying the existing procedures and systems making them more appropriate to the needs of management and staff and 2) providing more guidance and practical trainings for staff members.

Detailed figures on budget execution are presented in Annex II.

Amendments and transfers

The EIT budget was amended twice during the 2016 financial year. Four transfers below the limit established by the EIT Financial Regulation were approved by the EIT Interim Director.

Carry-over/re-entry from previous financial year(s)

Carry-over of appropriations from 2015 to 2016 on decision

The EIT Governing Board decided to re-enter appropriations cancelled in 2014 and 2015 instead of carrying over them.

Re-entry of appropriations from 2014 and 2015 to 2016 on decision

In its decision on budget amendment No 1/2016⁷ of 29 July 2016, the EIT Governing Board decided to re-enter appropriations, which were cancelled in 2014 and 2015, for the financial year 2016.

The decision by the EIT Governing Board concerned the re-entry of commitment and payment appropriations cancelled. Both commitment and payment appropriations re-entered were fully consumed in 2016.

Appropriations cancelled in 2014 were re-entered and consumed in 2016 in full. Part of the appropriations cancelled in 2015 was re-entered in 2016. The remaining part of appropriations cancelled in 2015 was booked on Title 4, where EIT collects cancelled appropriations not needed in the financial year. Title 4 allows to monitor the use of cancelled appropriation and be in line with the derogation for following the three-year rule⁸.

Budget line	Budget Item Description	Commitm	ent appropriations	, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)
		from 2014	from 2015	total		
B3-000	KIC grants	5,227,645.00	15,874,179.84	21,101,824.84	21,101,824.84	100.00%
	Total	5,227,645.00	15,874,179.84	21,101,824.84	21,101,824.84	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	-	9,012,879.42	9,012,879.42	-	0.00%
	Total	-	9,012,879.42	9,012,879.42	-	0.00%
	GRAND TOTAL	5,227,645.00	24,887,059.26	30,114,704.26	21,101,824.84	70.07%

Table - Implementation of appropriations re-e	ntered from 2014 and 2015 to 2016
---	-----------------------------------

Budget line Budget Item Description	Budget Item Description	Paymer	nt appropriations, E	EUR (3)	Payments made, EUR (4)	% Paid (4/3)
	from 2014	from 2015	total	EUR (4)		
B3-000	KIC grants	225,936.64	2,319,432.28	2,545,368.92	2,545,368.92	100.00%
	Total	225,936.64	2,319,432.28	2,545,368.92	2,545,368.92	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n		4,520,339.39	4,520,339.39	-	0.00%
	Total	-	4,520,339.39	4,520,339.39	-	0.00%
	GRAND TOTAL	225,936.64	6,839,771.67	7,065,708.31	2,545,368.92	36.02%

⁷ Decision 22/2016 (02745.EIT.2016.I.GB.WP)

⁸ According to Art 14 (1) of EIT FR: "Appropriations which have not been used by the end of the financial year for which they were entered shall be cancelled. Given the needs of the EIT, the cancelled appropriations may be re-entered in the estimate of revenue and expenditure up to the following three financial years, in accordance with Article 33".

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.

89.07% of the non-differentiated appropriations, namely the administrative appropriations carried over from 2015 to 2016 were paid, which represents an adequate level of execution, taking into account the nature of these expenses. However, the estimation of amounts to be carried over has to be further improved in 2017.

On Title 1 budget lines, 86.88% of appropriations carried over were paid.

The implementation rate on Title 2 appropriations (89.96%) primarily derives from expenses related to the security, postal and telecommunication costs, and travel costs of EIT Governing Board members, which by nature are difficult to estimate.

Budgetary commitments on Title 3 budget lines corresponding to obligations duly contracted and not or only partially paid at the closure of the financial year were carried forward from 2015 to 2016. The execution rate of 87.14% for operational expenses was mainly due to the following: KICs could not fully absorb the 2015 grants and the actual cost of grant and monitoring experts and the annual EIT Innovation Forum INNOV*EIT* event were lower than expected.

RAL situation at the end of the financial year

RAL volumes vary considerably. This is a consequence of the time lag between commitment and payment rather than a problem specifically relating to a particular EIT activity. The amount of outstanding commitments as of 31 December 2016 was EUR 99.7 million, representing for the most part 2016 grants awarded to KICs for which the final balance will be paid in 2017. The year-end RAL amounts have decreased by 6.59% compared to 2015.

Budget Title	2016, EUR	2015, EUR	2014, EUR	Change from 2015 to 2016, EUR	Change from 2015 to 2016, %
1 Staff expenditure	195,744.78	142,521.13	423,618.26	53,223.65	37.34%
2 Infrastructure and operating expenditure	393,105.69	353,718.65	456,489.29	39,387.04	11.14%
3 Operational expenditure	99,080,598.35	106,207,327.81	119,889,026.51	- 7,126,729.46	-6.71%
TOTAL	99,669,448.82	106,703,567.59	120,769,134.06	- 7,034,118.77	-6.59%

Table – E	volution	of RAL,	EUR
-----------	----------	---------	-----

Management information system

The EIT used the following software during the 2016 financial year:

- ABAC Workflow for budget management, budgetary accounting;
- SAP for financial accounting (general accounting);
- Datawarehouse for financial reporting;
- ABAC Assets for fixed asset management;

- MiMa for mission management;
- EIT grant management system and collaboration platform "DUNA" for submission of KICs business plans and reports.

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 and when 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.

2.4. Human Resources (HR) Management

In 2016, the EIT recruited 15 staff members and one seconded national expert (SNE), which brought the total number of staff to 59 on 31 December 2016 (an increase by nine compared to end-2015) with 6 ongoing selection processes. The EIT has stepped up its efforts to fill the remaining vacant posts and this trend is expected to continue in 2017. 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, 37 out of 63 posts have been identified as operational (59%), while 7 posts have been categorised as neutral (11%). 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 on implementation of telework at EIT were adopted, as well as the revised implementing rules on working time and part-time work. In addition, rules on reclassification of both Temporary Agents and Contract Agents were adopted. The Governing Board has also approved the implementing rules concerning leave on personal grounds and unpaid leave for Temporary and Contract Agents.

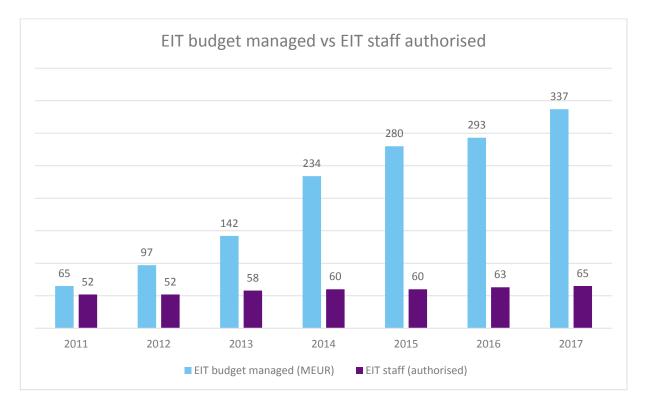
In the area of learning and development, in order to offer benefits to the individuals and the organisation as a whole, in-house training sessions on Ethics & Integrity, Fraud prevention and detection, Project management, Key Performance Indicators, Horizon 2020 on Financial Management and Audit, Data protection and Hungarian language courses were organised, in addition to a team building activity and courses attended individually by staff members on external locations.

The positive developments in 2016 concerning staff turnover (2015: 17%, 2016: 13%) and vacancy rates (2015: 17%, 2016: 6%) do not negate the fact that EIT is structurally understaffed. As confirmed by the European Court of Auditors in their 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 was 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.

While the EIT managed three Knowledge and Innovation Communities (KICs) from 2010 to 2014, two new KICs started their operations in 2014 and a further one has been designated in 2016. The amount of grant managed by the EIT has increased from 16 million euros (2010) to 300 million euros (2017), while the number of beneficiaries (KIC Partners) has increased from 73 (2010) to more than 900 (2016). Furthermore, the EIT's budget will increase to more than 400 million euros in 2018, which will naturally lead to additional work to ensure legality and regularity of transactions and compliance with the principles of sound financial management. In addition, the EIT has taken on board new activities to develop its strong innovation potential, related to the preparation for an Impact Fund to support KICs' Financial Sustainability and attract funding for the EIT and its KICs under the European Fund for Strategic Investments (EFSI) and invest further into innovative companies, the EIT Regional Innovation Scheme for areas in Europe with lower innovation capacity and outreach and synergies with other programmes such as the EIT's cooperation with the Joint Research Centre and Copernicus programme. Following its education review, the EIT also has identified further potential for it to lead the transformation of human capital in Europe and contribute to the skills agenda in the areas of entrepreneurship and innovation. The EIT will not be able to take these new tasks, which were not foreseen in the initial establishment plan of the EIT, further without additional resources.

The number of posts available to the EIT has not followed the significant growth of budget and 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 all KIC grant transactions and also of high-value procurements carried out by the EIT 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 2016, numerous guidelines were made available providing detailed instructions to KICs, for example Guidelines on the preparation of KIC Business Plans and Budgets (Grant Agreements 2017), Guidelines for the preparation of KIC Reports (Grant Agreements 2015) and guidelines for the EIT funded part of KIC management costs. The 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. The methodology for certificates on financial statements is fully aligned with H2020 and it is stipulated in annex of the Grant Agreement.

In 2016, final balance payments were executed thereby closing grant agreements for 2015. 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 revised and improved 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. Starting from the 2016 EIT-KIC Grant Agreements, EIT will procure the CFSs centrally instead of obtaining them through KIC Partners, thereby reducing the "auditing and administrative burden" on KICs, while increasing the level of assurance obtained at the same time

Furthermore, the EIT carried out a pilot monitoring activity on the procurement procedures of EIT InnoEnergy and made targeted recommendations for improvement in this historically error-prone area. EIT InnoEnergy implemented the recommendations in 2016, revised its procurement policies and procedures and provided training to its staff in charge of procurement, which will lead to an increased assurance starting from 2017. Similar monitoring activities will be conducted for all other KICs in 2017. Finally, the EIT introduced principles of good governance in the new Framework Partnership Agreements signed in 2016. Compliance with these principles is monitored on a continuous basis.

	EIT Digital	EIT InnoEnergy	EIT Climate KIC	Total
EIT grant request (EUR)	66,791,565	67,987,470	87,181,133	221,960,168
EIT grant approved and paid (EUR)	66,757,297	67,295,082	85,084,502	219,136,881
EIT grant approved and paid (% of grant requested)	99.9%	99.0%	97.4%	98.7%
EIT grant covered by CFS (EUR)	58,162,777	54,728,205	74,408,584	187,299,566
EIT grant covered by CFS (%)	87.1%	80.5%	85.3%	84.4%
Number of partners / linked third parties claiming EIT grant	100	202	162	464
Number of partners / linked third parties covered by CFS	41	29	41	111
% of partners / linked third parties covered by CFS	41.0%	14.4%	25.3%	23.9%

Details of the expenditure/partner coverage for first-wave KICs 2015 grant are shown in the following table:

Details of the expenditure/partner coverage for second-wave KICs' start-up grants are shown in the following table:

	EIT Health	EIT Raw Materials	Total
EIT grant request (EUR)	3,298,985.75	3,822,040.00	7,121,025.75
EIT grant approved and paid (EUR)	3,298,912.14	3,815,420.83	7,114,332.97
EIT grant approved and paid (% of grant	100.0%	99.8%	99.9%
requested)			
EIT grant covered by CFS (EUR)	1,398,174.66	2,465,201.00	3,863,375.66
EIT grant covered by CFS (%)	42.4%	64.5%	54.3%
Number of partners / linked third	23	23	46
parties claiming EIT grant			
Number of partners / linked third	2	3	5
parties covered by CFS			
% of partners / linked third parties	8.7%	13.0%	10.9%
covered by CFS			

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.

Ex-post audits of cost reports related to Grant Agreements 2015 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 (11 for EIT Climate KIC, 11 for EIT InnoEnergy and 6 for EIT Digital) were selected by the EIT primarily on the basis of a risk assessment in order to maximise the efficiency of the resources spent on expost 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 2017. The audited grant covered 17% of the total grant paid for the Grant Agreements 2015. As a result of the ex-post audits, the detected error rate equals to 1.18%. The residual error rate after ex-ante and ex-post controls is 0.98%.

As the residual error rate of 0.98% is below the materiality level of 2% established in the EIT's control strategy, the EIT considers that grants paid as part of 2015 Grant Agreements are free from material errors.

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

In 2016, 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 2016, three exception reports and twelve non-compliance events were recorded. The total value of the exception and non-compliance events amounted to EUR 5,654,245 (2015: EUR 7,140,586). However, EUR 5,500,000 representing 99.7% of the total value, related to a single event. This particular event relates to an administrative delay of the legal basis that has been corrected in 2016⁹.

The exception reports for 2016 addressed administrative delays occurred for grant agreement amendments, FDI extensions and procedures regarding simplified costs used by KICs. The non-compliance events for 2016 mainly concerned administrative errors for budgetary and legal commitments.

⁹ The exception report refers to the application of simplified cost for Grant Agreements 2015, while the approval of the related EC decision was yet ongoing. The related decision was approved in December 2016.

Mitigating measures have been put in place to address the internal control weaknesses identified in the exception reports and non-compliance events registered during 2016. For instance, the EIT continuously updates and improves its financial circuits, workflows, checklists and routing slips.

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.

As part of the activities to implement the EIT's Anti-Fraud Strategy, an internal survey on antifraud knowledge among the EIT staff was launched in November 2016, benchmarking the antifraud awareness; a mandatory in-house training anti-fraud was organised for all staff in December 2016. In this regard, basic training sessions in the field of fraud prevention and detection for newcomers (EIT staff, trainees, interim staff, members of the Governing Board of the EIT and KICs representatives) were also organised in 2016; an annual assessment on conflict of interest situations for members of the EIT Governing Board was performed at the beginning of 2016 and related mitigating measures were identified and implemented when required. Furthermore, an assessment on the conflict of interest exercise 2016 regarding the members of the EIT Governing Board for the Business Plan 2017 and KIC Call 2016 was conducted in September-November 2016. Different in-built mitigating measures for risks related to the financial allocation to the KICs for 2017 were identified and implemented.

2.6 Assessment of audit results during 2016

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 recommended some improvements for the selection procedure to be used in the 2016 Call for KIC proposals. The EIT set up an action plan that was accepted by IAS as appropriate. Throughout 2016, the EIT has implemented all of the actions as part of the process of the 2016 Call for KIC proposals.

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. During 2016, the EIT has implemented the remaining three actions as well. Therefore, EIT has implemented all 25 actions based on recommendations from the Internal Audit Service, thereby improving the grant management procedures significantly.

Furthermore, IAS carried out an audit in April 2016 on "Transition to Horizon 2020". The audit covered the legal transition to the Horizon 2020 rules and regulations as well as the Start-up Grants provided to the two second-wave KICs designated in 2014. The final audit report was issued in December 2016 with three recommendations (none of them being critical). The EIT has accepted the recommendations and set up an action plan that has been accepted by IAS as appropriate. The EIT will implement the actions in 2017.

2.6.2 Internal Audit Capability (IAC)

Annual Audit Plan 2016

The IAC sent its draft 2016 Annual Audit Plan, prepared on the basis of a risk assessment update, to the EIT Audit Committee and EIT Interim Director for comments on 16 December 2015. The EIT Governing Board approved the plan on 17 February 2016.

Execution of the plan

In line with its Annual Audit Plan, the IAC carried out three assignments in 2016, including an Audit on Information Technology (IT), a consultancy on potential efficiency gains in the field of Human Resources Management (HRM) and a follow-up to past consultancy assignments. During its assignments, the IAC issued 41 new recommendations in 2016, including 8 rated as very important, 11 as important and 22 as desirable. The EIT's management has accepted all recommendations resulting from the 2016 IAC assignments.

The Audit on IT was finalised on 15 December 2016. The scope included IT governance, IT security, IT services, IT project management and data management. The audit concluded that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for IT, except for the following very important issues: 1. Disaster Recovery Plan; 2. IT security; 3. Dependence on supplier; 4. User account management; 5. IT project management and 6. Data management. Management accepted all recommendations and drew up an action plan to address the above weaknesses.

The consultancy on efficiency gains in HRM was finalised on 1 September 2016 and contained twenty recommendations. Two that were rated as very important concern the documentation of HR procedures and overview of applicable rules as well as the HRM strategy. Management accepted all recommendations and drew up an action plan to address the above weaknesses.

The scope of the 2016 follow-up included 43 recommendations stemming from the following six IAC assignments: 2014 consulting on Vacancy Management, 2014 consulting on Procurement, 2014 letter to management on Treasury Function, 2014 letter to management on Management of Sensitive Functions, 2014 consulting on the Management of the risk of Conflict of Interests and a 2015 letter to management. Out of 43, the IAC closed twelve recommendations, including four rated as very important. Furthermore, taking into account the reduced risk, a critical recommendation has been downgraded to very important.

Key Performance Indicators (KPIs)

The KPIs for the Internal Audit Capability were set by the decision of the EIT GB adopting the 2016 Annual Work Program for the EIT as follows:

Indicator (as per AWP)	Target (as per AWP)	Comment
Timely preparation of the IAC audit plan	Audit plan adopted by the EIT GB by March 2016	Target achieved.
Timely production and transmission of the IAC audit reports	Submission of the reports to the Director and to the Governing Board by end-2016	Target achieved.

2.6.3 European Court of Auditors (ECA)

Financial (discharge) audit on year 2015

The ECA issued a qualified opinion on the EIT's 2015 accounts on the basis that all the transactions underlying the annual accounts are legal and regular 'in all material respects', except for one specific issue relating to the use of indirect cost rates for universities, research organisations and SMEs in the 2014 grant agreements. The ECA was of the opinion that EIT was not allowed to reimburse indirect costs of these organisations based on a 40% flat rate, as was the rule and practice from 2010 to 2013, but should have used a 25% flat rate starting from 2014, as established in the new rules approved in December 2013.

The EIT and European Commission disagreed with the Court's interpretation of the applicable legal basis and did not accept that the EIT had made irregular payments to KICs. The Horizon 2020 legal basis explicitly provides for transitional measures, which were fully applicable to the EIT as of 1 January 2014, since the EIT is an integral part of Horizon 2020. Consequently, in the opinion of the EIT, payments based on a 40% flat rate to reimburse the indirect costs of universities, research organisations and SMEs were legal and regular under the 2014 grant agreements. The ECA considered that the EIT should not have applied transitional arrangements as these arrangements did not apply to the Institute. However, the EIT launched the 2014 grant allocation process in spring 2013, when the new rules were not yet known. Therefore, the EIT considered it necessary and justified to apply the transitional provisions provided for. It is also important to note that this was a one-off issue applicable for the transitional year of 2014 only (transition to Horizon 2020). Starting from 2015, the EIT has used the 25% flat-rate for indirect costs as stipulated in the Horizon 2020 regulation.

The EIT and DG Education and Culture requested formally the legal opinion of the Legal Service of the Commission and the Budgetary Control Committee of the European Parliament asked for the legal opinion of the European Parliament's Legal Service as well. Both legal opinions supported the interpretation of the EIT as regards 2014 grant agreements. Based on the positive legal opinions, the Budgetary Control Committee voted in favour of granting discharge to the EIT in respect of the implementation of the 2015 budget in March 2017. Finally, the European Parliament granted discharge following a vote in the plenary session on 27 April 2017.

Financial (discharge) audit on year 2016

The European Court of Auditors carried out two audit missions at the EIT in the context of auditing the EIT's annual accounts for the financial year 2016. The second audit mission took place in April 2017 and the final audit report is not available as of finalising the present Annual Activity Report. The European Court of Auditors preliminarily reported certain irregular payments related to procurement procedures carried out by KIC Legal Entities in 2015. The preliminary observations of the European Court of Auditors may have an impact on the final error rate reported by the Court for year 2016 but are subject to a legal analysis and a contradictory procedure at the time of writing this report.

Performance audits

In 2016, the European Court of Auditors published two Special Reports affecting the EIT.

Special Report No 4/2016 titled "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 EIT, KICs and Commission agreed on a detailed action plan to address the Court's recommendations and this action plan was endorsed by the EIT Governing Board in its meeting on 2 June 2016.

The EIT has already implemented more than 50% of the actions stemming from the recommendations of the ECA Special Report and is on track to implement the rest by the deadlines set. The key actions implemented are as follows:

- Amendment of the EIT Regulation removing the 25% funding condition: The EIT Governing Board agreed on the main changes in the EIT Regulation and the EIT sent its formal request to Commissioner Navracsics in February 2017. The Commission has launched the legislative procedure accordingly.
- Measuring leverage: A new KPI system focussing on results and impact, including investment attracted by ventures that have received KIC support, was introduced in 2016 and is used as from Business Plans 2017. KICs' financial sustainability reporting has been mainstreamed in the grant reporting process as from the 2016 grant agreements.
- Early signature of Grant Agreements: As a result of a simplified process and efforts by both EIT and KICs, Grant Agreements 2017 were signed and a 70% pre-financing was paid by EIT in February 2017, thereby reducing significantly the time-to-grant.
- **EIT financial autonomy**: The EIT completed its self-assessment in 2016 and a Commission fact-finding visit took place in January 2017. The decision of the European Commission is foreseen for 2017.
- Rules tailored to the KICs' needs: Special IPR and liability rules have been included in the new Framework Partnership Agreements signed in 2016. Eligibility of capital expenditure for KIC Legal Entities and Co-location Centres has been included in the 2017 grant agreements. Simplified costs have been developed and adopted by the Commission for the KICs' education activities.
- Multi-annual Grant Agreements: Following a detailed legal and technical analysis, involving the Commission (DG Education and Culture and DG Budget), the EIT and KICs decided jointly that introduction is not feasible in 2018 due to major operational constraints and lack of real added value. However, a pilot for 2019-2020 will be further explored. Pre-condition for a genuine multiannual cycle is the possibility of committing grants which could cover costs of activities for multiple years. This is not possible under the current EU multiannual financial framework; however, it should be possible to implement for the post-2020 period, provided that commitment appropriations for the EIT budget can be allocated in multi-annual tranches accordingly.

- **EIT staffing**: The EIT has essentially reached full staffing (59/63 at year-end 2016) following a series of measures taken to reduce staff turnover (e.g. appraisal and reclassification system in place) and to improve the efficiency of selection/recruitment procedures.
- Single audit approach: Under the 2016 grant agreements, EIT procured the Certificates on Financial Statements (CFS) instead of KIC Partners, thereby reducing the "auditing and administrative burden" on KICs, while increasing the level of assurance obtained at the same time.
- The remaining actions all on track and are being implemented jointly by EIT and KICs.

Special Report No 12/2016 "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 has implemented them as follows.

- Simplified costs have been established and adopted by the Commission in 2016 for the KICs' education activities.
- The EIT has included in its Single Programming Document 2017-2019, containing the Annual Work Programme 2017, information on the KICs' objectives and expected results for 2017.
- The EIT has established formal internal procedures for the selection and designation of KICs as well as for the annual allocation of EIT contribution to established KICs respecting the principles of transparency and equal treatment and safeguarding against potential conflicts of interest.
- The EIT has strengthened its ex-ante verifications on grant implementation (e.g. centralised procurement of Certificates on Financial Statements, etc).
- The EIT has introduced a new set of results-oriented KPIs.

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

The IAC issued eight very important recommendations in 2016, six resulting from the audit on IT and two from the consulting assignment on human resources management. All eight recommendations have been accepted by the EIT Management and are being implemented in 2017. No critical recommendations have been issued in 2016.

As regards the status of implementation of critical and important recommendations from IAC audit reports issued in previous years, seven critical and eight very important recommendations are in progress to be implemented by the end of 2017. The open recommendations relate to the risk management process, document management and monitoring of activities.

2.8 Follow up of observations from the Discharge authority

In response to the European Parliament decision of 28 April 2016 on discharge in respect of the implementation of the budget of the EIT for the financial year 2014, the EIT informed the Discharge Authority of follow-up actions taken

and progress made in respect of observations made by the European Parliament on 14 October 2016. In particular, the following actions have been taken in order to address the observations of the European Parliament.

Concerning the emphasis of matter paragraph in the Court's audit report on the EIT's accounts for 2014, 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.

As regards budgetary and financial management, the EIT has reduced its carry-overs to a minimum (EUR 350k in 2015) and to planned carry-overs only (i.e. invoices received in January for services provided in December Year N-1). As regards grants, the EIT is actively using its derogation to optimise the implementation of the EIT budget. The operational activities of the KICs, such as Masters and Doctoral education programmes or long-term research and innovation support projects, are by nature multiannual and this is reflected by a derogation specific to the EIT. This allows the EIT to re-enter any cancelled appropriations into its budget in the following three years. This derogation is designed to optimise the implementation of the EIT's budget, which is mainly used for grants provided to the Knowledge and Innovation Communities. This provision also reflects that support for innovative actions can by nature not be linearly planned, i.e. there has to be flexibility to stop innovative projects that do not work or to redirect them. Innovation activities carried out by the KICs are dynamic and fast-reacting in nature. Certain innovation projects or plans that are included in the KICs' Business Plans, and therefore in the grant agreements, may turn out to have less potential than expected and have to be cancelled during the implementation of the grant agreements.

The EIT can also report an advanced stage of implementation of performance based and result-oriented budgeting as well as the use of key performance indicators in performance measurement. A major part of the EIT budget, around 95%, is implemented by the KICs through grants. Up to 50% of the grants are allocated performance-based as a result of a competitive funding allocation process, and one of the two pillars of the funding allocation process measures the past performance of the KICs using key performance indicators. This methodology will be maintained and further improved in the coming years and the EIT will allocate an increasing share of its budget to KICs fully based on performance via the competitive funding allocation process.

In respect of the recommendation of the European Parliament to "consider a tighter schedule of reductions in the maximum of the Institute's contribution to a KIC", the following is worth noting. While the EIT Regulation allows the EIT contribution to cover up to 100 % of the total eligible costs of KIC added-value activities, and the Principles on KICs' Financial Sustainability, adopted by the EIT Governing Board, foresee a reduction in this maximum rate only after 10 years from a KIC's designation, KICs already provide substantial co-funding to finance their KIC added-value activities. As regards the EIT-KIC Grant Agreements 2015, i.e. in the sixth year of their operations, the three first-wave KICs (Climate-KIC, EIT Digital and KIC InnoEnergy) provided a co-funding of almost 24 million euro, which covered approximately 10% of the costs of their KIC added-value activities. This co-funding rate has been on an increasing trend and it is expected to achieve 20% earlier than year 10 of the operations of the first-wave KICs. Furthermore, the EIT continues to monitor the KICs' progress towards financial sustainability and held a workshop with KIC CEOs in June 2016. As a result of the workshop, targeted recommendations were made to KICs in order to strengthen their financial sustainability strategies and actions. In addition, the EIT will carry out a 7-year review with a particular focus on the implementation of the first-wave KICs' financial sustainability strategies in 2017.

As regards the EIT's procurements, in addition to the reinforcement of the procurement team, the EIT has developed a comprehensive Vade-mecum on procurement including checklists for different procurement procedures and specific contracts under framework contracts.

In line with the Code of Conduct adopted for EIT Governing Board members, the annual declarations of interests and independence of EIT Governing Board members have been published on the EIT website. The EIT has also published on its website the declaration of interests of the EIT Interim Director and Heads of Unit (i.e. senior manager and middle managers).

The level of detail in the technical assessment of the implementation of KIC activities has already improved significantly in comparison with previous years. As a result of improved guidance provided by the EIT to the KICs, Business Plans for 2014 and onwards provide significantly more details on each planned KIC added value activity. Moreover, a more robust methodology is now in place to assess the KICs' performance based on the reporting. The European Court of Auditors has accepted this action as completed during their audit of the EIT's accounts for the financial year 2015.

The EIT has continued to work towards realising efficiency gains with other institutions. In addition to the existing cooperation with CEPOL, another EU agency based in Budapest, the EIT has signed a Memorandum of Understanding with ERCEA, the European Research Council Executive Agency, in order to share the use of their budget planning tool and paperless payment workflow system. In order to reduce costs in the area of public procurement, the EIT participates in a number of inter-institutional procurement procedures of the European Commission and of other agencies. Furthermore, the EIT uses several of the Commission's framework contracts for ordering services in order to achieve efficiency gains in its procurement activities.

The follow-up to other observations of the Discharge authority, such as on EIT staffing and implementation of internal audit recommendations, are reported in Part II of this report above.

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 EIT revised and updated its Standard Operating Procedure on Risk Management, which is now fully in line with the applicable guidance of the European Commission.

The 2015 risk register review identifying the most significant risks in the EIT's register was followed up in 2016. 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 2016 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. The revised EIT grant assurance strategy in particular contributes to the improved assurance in this critical area (see more details in Section 1.1.1.1).

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 and in the new Framework Partnership Agreements 2016;
- Preparations of a new Framework Partnership Agreement with KICs.

For further details on risk mitigating actions implemented in 2016, 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 assurance and EIT staff resources	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 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 and 2015. Despite various measures taken to improve the management and control systems of KICs, error rates have remained at a level close to 2%. In this context, the EIT will not be able to significantly reduce the level of error rates in the future for the following reason: - New KICs are being created and although they take on board lessons learnt, at least during the early stages of a KIC life cycle when it is being set up and until it reaches full maturity, errors due to learning processes and time required to set up control systems are likely to occur.	The three risk factors mentioned taken together (KIC management and control systems, inherent risk in innovative activities and EIT staffing constraints) will mean that there is a high likelihood of qualified opinions by the European Court of Auditors in the future. This can in turn lead to the fact that the European Parliament may not grant the discharge to the EIT and reputational damage occurs, which prevents the EU from supporting the EIT with the necessary resources to reach its ambitions and objectives. With the same number of resources and in the light of an increase in its budget and number of KICs, the EIT cannot increase its checks and controls and maintain low error rates without reducing other operational activities.	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 audit opinion of the European Court of Auditors for the financial year 2014 and the discharge granted by the European Parliament in 2015 and 2016. The revision of the EIT grant assurance strategy, the implementation of the good governance principles for KICs and implementation of the recommendations of a targeted review of KICs' procurement procedures in 2017 and various other measures leading to efficiency gains have further contributed to reach and maintain a relatively high level of assurance and low error rate. With the support of the Commission and the EIT Governing Board, the European Court of Auditors will be requested to compare the error rates and work of the EIT with other Research and Innovation programmes of Horizon 2020 rather than with other EU Agencies that may have a different onerational risk profiles (o g
		inherently risky and have an in-built		operational risk profiles (e.g. due to not managing grants)

· · · · · · · · · · · · · · · · · · ·		T	
	likelihood of failure and		and consequently lower error
	require flexibility. They		rates.
	cannot be planned and		.
	delivered with the same		The European Commission
	level of risk as other		will be asked to address the
	programmes. A higher		structural understaffing of
	level of errors and		the EIT and provide for more
	exceptions is therefore		resources in the
	part of the operations		establishment plan. Without
	and has to be accepted.		adequate resources, the EIT
-	EIT staff capacity		may not be in a position to
	remains limited due to		deliver fully on some
	the structural		operational activities, as it
	understaffing of the EIT,		will have to focus ever more
	which is recognised by		resources on grant assurance
	its Governing Board, the		considering that the EIT faces
	Commission and the		an increasing budget and
	Court of Auditors.		number of KICs to manage.
	However, requests for		
	the EIT to significantly		The EIT will take a series of
	increase its staff		measures to further increase
	capacity beyond the		its capacity outside of the
	foreseen posts allocated		establishment plan, for
	in the current financial		example through an
	perspective have been		increased use of interimaire
	declined. This means		staff, trainees and external
	that the level of control		experts.
	and checks, and		
	subsequent assurance		
	that can be reached		
	may be lower than that		
	of other EU		
	programmes and		
	Agencies, which have		
	more adequate staffing		
	compared to the		
	budgetary amounts and		
	operational complexity		
	of programmes		
	managed.		

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 an inherently higher risk level of the EIT that can only be addressed through the full implementation of mitigation measures. As some of these measures are under the control of other institutions than the EIT, the EIT Interim Director cannot reduce these risks to an acceptable level and fully ensure that the EIT reaches its objectives without the indicated measures being implemented by these institutions.

Furthermore, as reported in section 2.6.3 above, the preliminary observations of the European Court of Auditors may have an impact on the final error rate reported by the Court for year 2016 but are subject to a legal analysis and a contradictory procedure at the time of writing this report.

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, 27.06..... 2017

signed

Martin Kern

ANNEXES

Annex I: Validated EIT core KPIs (Grant Agreements 2015)

EIT co	re KPI	EIT Digital	Climate-KIC	EIT InnoEnergy
1	Attractiveness of the education programs: EIT Labelled	Ratio: 4.08 1630 applications for 400 seats	Ratio: 3.89 549 applications for 141 seats	Ratio: 6.09 1578 applications for 259 seats
2	Number of graduates: EIT labelled degrees	146	117	132
3	Business ideas incubated	174	276	91
4	Start-ups/Spin-offs created	3 start-ups and 5 spin-offs	37 start-ups and 1 spin-offs	23 start-ups and 0 spin-offs
5	Knowledge Transfer and Adoption	57 transfer and 136 adoption	57 transfer and 25 adoption	5 transfer and 48 adoption
6	New or Improved Products/Services/Processes	18 new and 6 improved	38 new and 14 improved	14 new and 2 improved

Annex II: Statistics on financial management

Breakdown and changes in commitment and payment appropriations per chapter:

		COMMITMENT APPROPRIATIONS					
	Chapter	Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR	
11	Staff in active employment	3,843,060.00	-428,000.00			3,415,060.00	
12	Recruitment expenses	45,000.00	0.00			45,000.00	
13	Mission	250,000.00	-52,000.00			198,000.00	
14	Socio-medical infrastructure	102,800.00	-16,000.00			86,800.00	
15	Training	90,000.00	-20,000.00			70,000.00	
16	External staff and linguistic support	777,302.00	-273,500.00			503,802.00	
17	Representation	4,000.00	-2,000.00			2,000.00	
	Title 1 - Total	5,112,162.00	-791,500.00	0.00	0.00	4,320,662.00	
20	Building and associated costs	128,000.00	-79,065.00			48,935.00	
21	Information and communication technology	465,000.00	-67,450.00			397,550.00	
22	Moveable property and associated costs	62,750.00	-36,050.00			26,700.00	
23	Current administrative expenditure	356,750.00	-69,850.00			286,900.00	
24	Publications, information, studies and surveys	44,000.00	-29,000.00			15,000.00	
25	Meeting expenses	431,780.00	-113,000.00			318,780.00	
	Title 2 - Total	1,488,280.00	-394,415.00	0.00	0.00	1,093,865.00	
30	Grants	253,634,936.00	532,248.70	21,101,824.84	695,066.58	275,964,076.12	
31	Knowledge and Innovation Communities	1,375,000.00	433,010.00			1,808,010.00	
32	EIT's impact	1,660,000.00	-498,560.00			1,161,440.00	
33	Simplification, monitoring and evaluation	397,000.00	38,600.00			435,600.00	
	Title 3 - Total	257,066,936.00	505,298.70	21,101,824.84	695,066.58	279,369,126.12	
	TOTAL	263,667,378.00	-680,616.30	21,101,824.84	695,066.58	284,783,653.12	
40	Cancelled appropriations not used in year n	0.00	9,012,879.42			9,012,879.42	
	Title 4 - Total	0.00	9,012,879.42	0.00	0.00	9,012,879.42	

GRAND TOTAL

263,667,378.00 8,332,263.12 21,101,824.84 695,066.58 293,796,532.54

		PAYMENT APPROPRIATIONS					
	Chapter	Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR	
11	Staff in active employment	3,843,060.00	-428,000.00			3,415,060.00	
12	Recruitment expenses	45,000.00	0.00			45,000.00	
13	Mission	250,000.00	-52,000.00			198,000.00	
14	Socio-medical infrastructure	102,800.00	-16,000.00			86,800.00	
15	Training	90,000.00	-20,000.00			70,000.00	
16	External staff and linguistic support	777,302.00	-273,500.00			503,802.00	
17	Representation	4,000.00	-2,000.00			2,000.00	
	Title 1 - Total	5,112,162.00	-791,500.00	0.00	0.00	4,320,662.00	
20	Building and associated costs	128,000.00	-79,065.00			48,935.00	
21	Information and communication technology	465,000.00	-67,450.00			397,550.00	
22	Moveable property and associated costs	62,750.00	-36,050.00			26,700.00	
23	Current administrative expenditure	356,750.00	-69,850.00			286,900.00	
24	Publications, information, studies and surveys	44,000.00	-29,000.00			15,000.00	
25	Meeting expenses	431,780.00	-113,000.00			318,780.00	
	Title 2 - Total	1,488,280.00	-394,415.00	0.00	0.00	1,093,865.00	
30	Grants	271,019,742.92	-16,090,203.26	2,545,368.92	695,066.58	258,169,975.16	
31	Knowledge and Innovation Communities	999,000.00	421,500.00			1,420,500.00	
32	EIT's impact	1,092,500.00	513,000.00			1,605,500.00	
33	Simplification, monitoring and evaluation	587,000.00	-398,400.00			188,600.00	
	Title 3 - Total	273,698,242.92	-15,554,103.26	2,545,368.92	695,066.58	261,384,575.16	
	TOTAL	280,298,684.92	-16,740,018.26	2,545,368.92	695,066.58	266,799,102.16	
40	Cancelled appropriations not used in year n	0.00	4,520,339.39			4,520,339.39	
	Title 4 - Total	0.00	4,520,339.39	0.00	0.00	4,520,339.39	

280,298,684.92 -12,219,678.87 2,545,368.92

695,066.58 271,319,441.55

GRAND TOTAL

EIT revenue collected, EUR

Income line header	2016	2015	2014	Var. 2016/2015, %
European Union subsidy, EFTA and third party contribution	263,554,082.96	227,017,581.00	164,850,050.00	16.1%
Contribution by the Host Member State	0.00	1,560,000.00	1,560,000.00	-100.0%
Other revenue from administrative operations	4,583.70	7,547.64	31,614.04	-39.3%
Surplus, balances	7,065,708.31	1,564,522.98		351.6%
Repayment of KICs grants incurred as a result of an ex-post audit	431,827.42	263,239.16	712,431.44	64.0%
TOTAL	271,056,202.39	230,412,890.78	167,154,095.48	17.6%

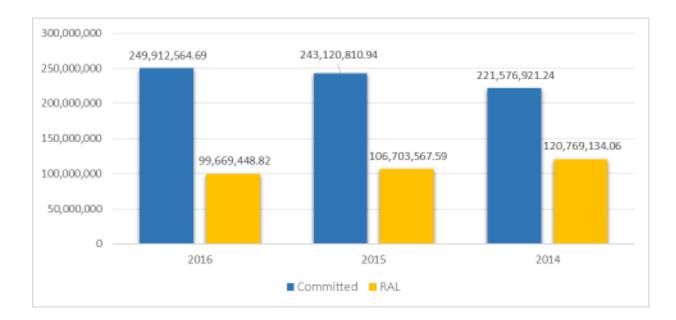
Comparison of budget execution for commitments, EUR

Budget Title	2016	2015	2014
1 Staff expenditure	4,164,316.62	3,776,915.96	3,760,695.52
2 Infrastructure and operating expenditure	973,458.87	807,497.27	1,051,002.24
3 Operational expenditure	244,774,789.20	238,536,397.71	216,765,223.48
TOTAL	249,912,564.69	243,120,810.94	221,576,921.24

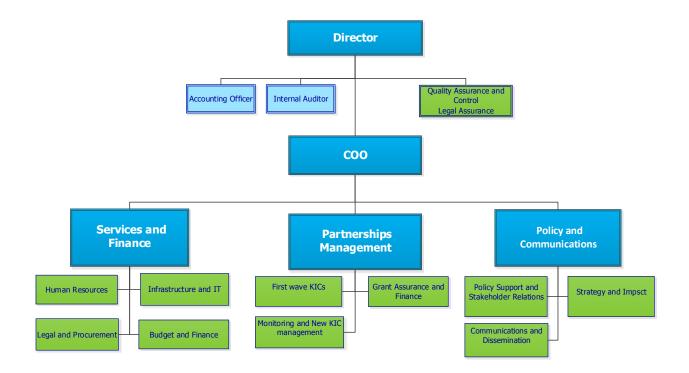
Comparison of budget execution for payments, EUR

Budget Title	2016	2015	2014
1 Staff expenditure	3,968,571.84	3,634,394.83	3,337,077.26
2 Infrastructure and operating expenditure	580,353.18	453,778.62	594,512.95
3 Operational expenditure	256,803,096.75	218,206,460.23	159,927,251.04
TOTAL	261,352,021.77	222,294,633.68	163,858,841.25

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



Annex III: Organisational chart in 2016



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

Establishment Plan:

Category and grade	Establishm	ent plan 2016	Actually filled as of 31 December 2016
0.000	Off: sists	T	
	Officials	Temporary	Temporary staff (TA)
	(n/a)	staff (TA)	
AD 16			
AD 15			
AD 14		1	
AD 13			
AD 12			
AD 11		1	1
AD 10			
AD 9		7	5
AD 8		6	5
AD 7		9	8
AD 6		10	13
AD 5			
Total AD		34	32
AST 11			
AST 10			
AST 9			
AST 8			
AST 7			
AST 6			
AST 5		1	1
AST 4		3	2
AST 3		1	1
AST 2			
AST 1			
Total AST		5	4
AST/SC 6			
AST/SC5			
AST/SC4			
AST/SC3			
AST/SC2			
AST/SC1			
Total ST/SC		0	0
TOTAL		39	36

External personnel:

Category	Authorised 2016	Actually filled as of 31 December 2016
Contract staff (CA)		
FG IV	8	3
FG III	8	13
FG II	6	5
FGI		
TOTAL	22	21
Seconded national Experts (SNE)		
TOTAL	2	2

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
CORE FUNCTIONS			
Director (level 1)	ΤΑ	AD 14	Management (both administration and operational)
Chief Operating Officer (level 2)	ΤΑ	AD 11	Management (both administration and operational)
Head of Unit	ΤΑ	AD9	Management (both administration and operational)
Senior Officer	ТА	AD8	operational
Officer (Programme)	TA/CA	AD6/FGIV	operational
SUPPORT FUNCTIONS			
Head of Unit Services and Finance	ТА	AD9	administration
Head of Section Human Resources	ТА	AD6	administration
Head of Section Budget and Finance	ТА	AD6	administration
Head of Section Legal and Procurement	ТА	AD6	administration and operational
Corporate Communications Officer	ТА	AD5	administration and operational
Head of Section IT and Infrastructure	ТА	AD 9	administration
Officer (Policy)	TA	AD6	administration
Officer (Folicy)			

Data Protection Officer (Legal Advisor appointed, not a separate function)	ΤΑ	AD6	administration
Corporate Legal Officer	ТА	AD8	administration
Accounting Officer	ТА	AD8	administration
Internal Auditor	ТА	AD7	Administration

b) Result of the job screening exercise (31/12/2016)

Job Type and Category	Year 2015	Year 2016
ADMINISTRATIVE SUPPORT AND COORDINATION	32%	30%
Administrative Support	11	11
Coordination	8	8
OPERATIONAL	57%	59%
Top-Level Operational Coordination	4	4
Programme Management & Implementation	18	19
Evaluation & Impact Assessment	6	7
General Operational	6	7
NEUTRAL	11%	11%
Finance	6	6
Control	1	1

Annex V: Human and Financial resources by activity

Activity	ТА	CA	SNE	Operational HR ¹	Operational exp., EUR ²	Overheads, EUR ³	Total cost (operational exp. and overheads), EUR
Consolidating, fostering growth and impact of the KICs	10,5	5	0	15,5	243 361 612,15	1 349 754,58	244 711 366,73
Start up and new KICs	3	0	0	3	98 273,05	261 242,82	359 515,87
Simplification	0,5	0	0	0,5	0,00	43 540,47	43 540,47
Monitoring, impact analysis and evaluation	3	2	1	6	303 853,90	522 485,64	826 339,54
Fostering knowledge exchange trough dissemination and outreach	3	1	0	4	782 618,34	348 323,76	1 130 942,10
Fostering and attracting talent	1	0	0	1	101 939,48	87 080,94	189 020,42
Enhancing stakeholder engagement	2	1	1	4	126 492,28	348 323,76	474 816,04
Strategy: Coordination and implementation	4	1	0	5	0,00	435 404,70	435 404,70
Administrative support	9	11	0	20	0,00	1 741 618,81	1 741 618,81
TOTAL	36	21	2	59	244 774 789,20	5 137 775,49	249 912 564,69

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

2 The operational expenditure is the costs directly involved in the implementation of the projects of the AWP.

3 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

a) Budget implementation

Revenue

Income line	Income line header	Income appropriation, EUR	Entitlements established in 2015, EUR (1)	Entitlements established in 2016, EUR (2)	Revenue carried over from 2015, EUR (3)	Revenue received, EUR (4)	Outstanding amounts, EUR (1+2-3-4)
200	European Union subsidy	252,158,953.03		252,158,953.03		252,158,953.03	0.00
300	Contributions by the EFTA member states	6,875,046.93		6,875,046.93		6,875,046.93	0.00
310	Contributions by third countries	4,520,083.00		4,520,083.00		4,520,083.00	0.00
570	Revenue arising from repayment of amounts wrongly paid	4,583.70	4,583.70			4,583.70	0.00
590	Other revenue from administrative operations	0.00		329.57		0.00	329.57
600	Surplus, balances	7,065,708.31					0.00
701	Repayment of KICs grants incurred as a result of an ex-post audit (assigned revenue)	695,066.58	263,239.16	431,827.42	263,239.16	431,827.42	0.00
	TOTAL	271,319,441.55	267,822.86	263,986,239.95	263,239.16	263,990,494.08	329.57

Expenditure

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committe d (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	1,659,038.00	1,642,937.24	99.03%	1,659,038.00	1,642,937.24	99.03%	-
A-1101	Allowances	587,425.00	582,045.70	99.08%	587,425.00	582,045.70	99.08%	-
A-1102	Employers charges	130,597.00	127,165.19	97.37%	130,597.00	127,165.19	97.37%	-
A-1110	Remuneration and allowances of contract agents	728,000.00	722,723.18	99.28%	728,000.00	722,723.18	99.28%	-
A-1120	Termination of service	20,000.00	-	0.00%	20,000.00	-	0.00%	-
A-1121	Entitlements related to entering the service	100,000.00	81,661.87	81.66%	100,000.00	81,661.87	81.66%	-
A-1130	Schooling	190,000.00	188,671.75	99.30%	190,000.00	188,661.94	99.30%	9.81
	Total	3,415,060.00	3,345,204.93	97.95%	3,415,060.00	3,345,195.12	97.95%	9.81
A-1200	Recruitment expenses	45,000.00	37,960.50	84.36%	45,000.00	37,960.50	84.36%	-
	Total	45,000.00	37,960.50	84.36%	45,000.00	37,960.50	84.36%	-
A-1300	Mission expenses	198,000.00	198,000.00	100.00%	198,000.00	177,216.87	89.50%	20,783.13
	Total	198,000.00	198,000.00	100.00%	198,000.00	177,216.87	89.50%	20,783.13
A-1400	Restaurants and canteens	500.00	418.48	83.70%	500.00	418.48	83.70%	-
A-1410	Medical expenses	5,000.00	2,564.72	51.29%	5,000.00	2,564.72	51.29%	-
A-1420	Early childhood centre and approved day nurseries	75,000.00	75,000.00	100.00%	75,000.00	69,027.72	92.04%	5,972.28
A-1430	Social contacts among staff members	6,300.00	5,266.06	83.59%	6,300.00	2,537.06	40.27%	2,729.00
	Total	86,800.00	83,249.26	95.91%	86,800.00	74,547.98	85.88%	8,701.28
A-1500	Training	70,000.00	31,033.39	44.33%	70,000.00	10,517.99	15.03%	20,515.40
	Total	70,000.00	31,033.39	44.33%	70,000.00	10,517.99	15.03%	20,515.40
A-1600	Agency staff	81,802.00	73,854.54	90.28%	81,802.00	5,960.08	7.29%	67,894.46
A-1601	Seconded National Expert	55,000.00	51,697.98	94.00%	55,000.00	51,697.98	94.00%	-
A-1602	Trainees	39,000.00	33,564.12	86.06%	39,000.00	33,564.12	86.06%	-
A-1603	IT support	171,000.00	160,269.00	93.72%	171,000.00	99,900.00	58.42%	60,369.00
A-1604	Administrative assistance	70,000.00	64,520.00	92.17%	70,000.00	47,048.30	67.21%	17,471.70
A-1611	Translation	87,000.00	84,585.65	97.22%	87,000.00	84,585.65	97.22%	-
	Total	503,802.00	468,491.29	92.99%	503,802.00	322,756.13	64.06%	145,735.16
A-1700	Representation expenses	2,000.00	377.25	18.86%	2,000.00	377.25	18.86%	-
	Total	2,000.00	377.25	18.86%	2,000.00	377.25	18.86%	-
	TOTAL - Title 1	4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%	195,744.78

Implementation of the commitment and payment appropriations per budget item (C1)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committe d (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2000	Renting	6,000.00	6,000.00	100.00%	6,000.00	5,700.00	95.00%	300.00
A-2003	Water gas electricity and heating	20,000.00	20,000.00	100.00%	20,000.00		0.00%	20,000.00
A-2004	Cleaning and maintenance	16,400.00	13,833.34	84.35%	16,400.00	8,113.34	49.47%	5,720.00
A-2005	Security and surveillance	4,535.00	4,376.18	96.50%	4,535.00	806.18	17.78%	3,570.00
A-2006	Fitting out of premises	2,000.00	709.97	35.50%	2,000.00	709.97	35.50%	-
	Total	48,935.00	44,919.49	91.79%	48,935.00	15,329.49	31.33%	29,590.00
A-2100	Acquisition renting of equipments and software	221,500.00	218,572.35	98.68%	221,500.00	115,497.45	52.14%	103,074.90
A-2101	Maintenance and repair of equipments	176,050.00	175,671.62	99.79%	176,050.00	116,937.62	66.42%	58,734.00
	Total	397,550.00	394,243.97	99.17%	397,550.00	232,435.07	58.47%	161,808.90
A-2200	Acquisition general, technical equipment	3,700.00	3,568.90	96.46%	3,700.00	472.90	12.78%	3,096.00
A-2212	Transport cost	1,000.00	4.50	0.45%	1,000.00	4.50	0.45%	-
A-2220	Acquisition of furniture	22,000.00	21,878.08	99.45%	22,000.00	21,878.08	99.45%	-
	Total	26,700.00	25,451.48	95.32%	26,700.00	22,355.48	83.73%	3,096.00
A-2300	Stationery and office supplies	9,900.00	9,887.77	99.88%	9,900.00	239.87	2.42%	9,647.90
A-2301	Postage and delivery charges	2,500.00	2,500.00	100.00%	2,500.00	2,376.05	95.04%	123.95
A-2302	Telecommunication charges	41,000.00	41,000.00	100.00%	41,000.00	22,847.67	55.73%	18,152.33
A-2303	Legal expenses and damages	25,000.00	24,020.00	96.08%	25,000.00	17,772.13	71.09%	6,247.87
A-2305	Bank charges	3,000.00	2,000.00	66.67%	3,000.00	924.17	30.81%	1,075.83
A-2306	Honoraria for Governing Board Members	200,500.00	161,500.00	80.55%	200,500.00	157,500.00	78.55%	4,000.00
A-2309	Other administrative expenses	5,000.00	930.80	18.62%	5,000.00	930.80	18.62%	-
	Total	286,900.00	241,838.57	84.29%	286,900.00	202,590.69	70.61%	39,247.88
A-2400	Official Journal	2,000.00	908.40	45.42%	2,000.00	388.40	19.42%	520.00
A-2401	EIT publications	3,000.00	257.63	8.59%	3,000.00	257.63	8.59%	-
A-2403	Studies and surveys	10,000.00	8,905.00	89.05%	10,000.00		0.00%	8,905.00
	Total	15,000.00	10,071.03	67.14%	15,000.00	646.03	4.31%	9,425.00
A-2500	Organisation and travel expenses of Governing Board meetings	310,780.00	254,147.04	81.78%	310,780.00	104,209.13	33.53%	149,937.91
A-2520	Internal meetings	8,000.00	2,787.29	34.84%	8,000.00	2,787.29	34.84%	-
	Total	318,780.00	256,934.33	80.60%	318,780.00	106,996.42	33.56%	149,937.91
	TOTAL - Title 2	1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%	393,105.69
-	TOTAL - Title 1 and Title 2	5,414,527.00	5,137,775.49	94.89%	5,414,527.00	4,548,925.02	84.01%	588,850.47

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committe d (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	254,167,184.70	241,878,980.43	95.17%	254,929,539.66	254,145,577.62	99.69%	
	Total	254,167,184.70	241,878,980.43	95.17%	254,929,539.66	254,145,577.62	99.69%	
B3-111	Planning, reporting and audits	1,537,010.00	1,482,631.68	96.46%	1,013,000.00	867,559.48	85.64%	
B3-112	Knowledge Triangle Integration	71,000.00	70,188.28	98.86%	71,000.00	48,939.29	68.93%	
B3-114	New KICs	200,000.00	98,273.05	49.14%	336,500.00	226,080.07	67.19%	
	Total	1,808,010.00	1,651,093.01	91.32%	1,420,500.00	1,142,578.84	80.43%	
B3-202	Communications and Dissemination	811,000.00	782,618.34	96.50%	803,500.00	757,938.15	94.33%	
B3-203	Alumni	250,000.00	101,939.48	40.78%	150,000.00	99,689.83	66.46%	
B3-204	Stakeholder relations	85,440.00	3,315.00	3.88%	591,000.00	475,037.03	80.38%	
B3-205	Awards	15,000.00	15,000.00	100.00%	61,000.00	59,889.69	98.18%	
	Total	1,161,440.00	902,872.82	77.74%	1,605,500.00	1,392,554.70	86.74%	
B3-301	EIT-KIC relations	100,000.00	37,989.00	37.99%	89,600.00	51,923.65	57.95%	
B3-303	Monitoring and evaluation	335,600.00	303,853.94	90.54%	99,000.00	70,461.94	71.17%	
	Total	435,600.00	341,842.94	78.48%	188,600.00	122,385.59	64.89%	
	Total - Title 3	257,572,234.70	244,774,789.20	95.03%	258,144,139.66	256,803,096.75	99.48%	
	TOTAL	262,986,761.70	249,912,564.69	95.03%	263,558,666.66	261,352,021.77	99.16%	588,850.47

Implementation of the commitment appropriations (C3) and payment appropriations per budget item (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	21,101,824.84	21,101,824.84	100.00%	2,545,368.92	2,545,368.92	100.00%
	Total	21,101,824.84	21,101,824.84	100.00%	2,545,368.92	2,545,368.92	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	9,012,879.42	-	0.00%	4,520,339.39		0.00%
	Total	9,012,879.42	-	0.00%	4,520,339.39	-	0.00%
	GRAND TOTAL	30,114,704.26	21,101,824.84	70.07%	7,065,708.31	2,545,368.92	36.02%

Implementation of the commitment and payment appropriations per budget item (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)
B3-000	KIC Grants	431,827.42		0,00 %	431,827.42		0	,00 %
	Total	431,827.42	-	0,00 %	431,827.42	-	0	,00 %

Implementation of the commitment and payment appropriations per budget item (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	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%
	Total	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%

Implementation of the commitment and payment appropriations per budget item (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-1300	Mission expenses	9,128.55	9,128.55	100.00%	9,128.55	9,128.55	100.00%	-
	Total	9,128.55	9,128.55	100.00%	9,128.55	9,128.55	100.00%	-
A-1401	Medical expenses	564.32	564.32	100.00%	564.32	564.32	100.00%	=
A-1402	Childhood centre	11,008.34	11,008.34	100.00%	11,008.34	11,008.34	100.00%	-
A-1403	Social contacts	394.26	394.26	100.00%	394.26	394.26	100.00%	-
	Total	11,966.92	11,966.92	100.00%	11,966.92	11,966.92	100.00%	-
A-1500	Training	33,117.81	15,227.44	45.98%	33,117.81	15,227.44	45.98%	-
	Total	33,117.81	15,227.44	45.98%	33,117.81	15,227.44	45.98%	-
A-1603	IT support	14,604.00	14,285.00	97.82%	14,604.00	14,285.00	97.82%	-
A-1604	Administrative assistance	59,263.00	59,082.37	99.70%	59,263.00	59,082.37	99.70%	-
A-1611	Translation	14,440.85	14,126.60	97.82%	14,440.85	14,126.60	97.82%	-
	Total	88,307.85	87,493.97	99.08%	88,307.85	87,493.97	99.08%	-
	TOTAL - Title 1	142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%	-
A-2020	Water gas electricity and heating	20,000.00	18,520.83	92.60%	20,000.00	18,520.83	92.60%	-
A-2030	Cleaning and maintenance	6,061.60	5,520.00	91.07%	6,061.60	5,520.00	91.07%	-
A-2040	Security and surveillance	500.00	180.00	36.00%	500.00	180.00	36.00%	-
A-2006	Fitting out of premises	2,260.40	2,036.34	90.09%	2,260.40	2,036.34	90.09%	-
	Total	28,822.00	26,257.17	91.10%	28,822.00	26,257.17	91.10%	-
A-2100	Acquisition renting of equipments and software	206,423.95	197,092.39	95.48%	206,423.95	197,092.39	95.48%	-
A-2101	Maintenance and repair of equipments	28,817.23	28,817.23	100.00%	28,817.23	28,817.23	100.00%	-
	Total	235,241.18	225,909.62	96.03%	235,241.18	225,909.62	96.03%	-
A-2300	Stationery	591.58	205.00	34.65%	591.58	205.00	34.65%	-
A-2301	Postage and delivery charges	465.21	212.31	45.64%	465.21	212.31	45.64%	-
A-2302	Telecommunication charges	13,985.48	9,464.50	67.67%	13,985.48	9,464.50	67.67%	-
A-2303	Legal expenses and damages	15,180.00	9,900.00	65.22%	15,180.00	9,900.00	65.22%	-
A-2305	Bank charges	294.87	294.87	100.00%	294.87	294.87	100.00%	-
A-2309	Other administrative expense	281.13	33.57	11.94%	281.13	33.57	11.94%	-
	Total	30,798.27	20,110.25	65.30%	30,798.27	20,110.25	65.30%	-
A-2400	Official Journal	500.00	499.18	99.84%	500.00	499.18	99.84%	-
	Total	500.00	499.18	99.84%	500.00	499.18	99.84%	-
A-2500	Organisation and travel expense of Governing Board meetings	58,357.20	45,423.52	77.84%	58,357.20	45,423.52	77.84%	-
	Total	58,357.20	45,423.52	77.84%	58,357.20	45,423.52	77.84%	-
	Total - Title 2	353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%	-
TOTAL - 1	Title 1 and Title 2	496,239.78	442,016.62	89.07%	496,239.78	442,016.62	89.07%	-

b) List of contracts, external experts and grants awarded in 2016

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
01/2016/NP/EIT PROC	Framework Contract	Acquisition of office supplies and stationary to the European Institute of Innovation and Technology	Iroda Magyarország Kft.	53,000.00	EUR
02/2016/EITPR OC	Framework Contract	Provision of provision of landline telecommunication services	Magyar Telekom Plc.	57,000.00	EUR
03/2016/EITPR OC	Framework Contract	Provision of mobile telephony services	Magyar Telekom Plc.	59,200.00	EUR
04/2016/NP/EIT PROC	Direct Service Contract	Provision of legal advice related to the establishment of a Multi- Compartment Investment Fund	P+P PÖLLATH + PARTNERS Rechtsanwälte und Steuerberater mbB	37,125.00	EUR

2) Contracts (direct contracts, framework contracts, purchase orders) awarded by the EIT for a value between EUR 60 000 and more (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
07/2015/OC/EIT PROC	Framework Contract	Provision of interim staff services	Starjobs Hungary Ltd.	360,000.00	EUR
16/2016/NP/EIT PROC	Direct Service Contract	Provision of Services concerning a Study and an Analysis on the Global and European Impact of the EIT	Pricewaterhou seCoopers EU Services EESV	133,060.00	EUR

	and its KICs from 2010 to		
	2016		

3) 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	Currenc y
EAC/23/2011/ Lot1EAC/23/2 011/Lot1	Specific Contract under FWC	Amendment no 1 to SC 835/2015/EIT (revised price)	ECORYS UK LIMITED	731,329.75	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of the Exco-GB meeting March 2016	Team Work SAS	38,368.49	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of the 40th GB and ExCo meeting` on 01-02 June 2016	Team Work SAS	39,295.4	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of EIT Alumni Community Board mtgs 2016- 2017	Team Work SAS	47,491.45	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of 41th GB and ExCo meeting_21-22 Sept 2016	Team Work SAS	39,070.86	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of 42nd GB meeting on 16-17th November	Team Work SAS	39,176.98	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of 43-44 GB and ExCo meeting in Dec 6-8 2016	Team Work SAS	49,149.04	EUR
EAC/23/2011/ Lot2	Specific Contract under FWC	Organisation of GB and ExCo meeting in Mar 22-23 2017	Team Work SAS	35,301.43	EUR

BUDG 15 PO 03 / 30-CE- 0756483	Specific Contract under FWC	Issuing certificates on financial statements batch 3	Ernst&Young Bedrijfsrevisoren BCVBA	191,999.50	EUR
BUDG 15 PO 03 / 30-CE- 0756483	Specific Contract under FWC	Issuing certificates on financial statements batch 4	Ernst&Young Bedrijfsrevisoren BCVBA	155,990.00	EUR
BUDG 15 PO 03 / 30-CE- 0756492	Specific Contract under FWC	Issuing certificates on Financial Statement batch 1	Moore Stephens LLP	161,750.00	EUR
BUDG 15 PO 03 / 30-CE- 0756492	Specific Contract under FWC	Issuing certificates of accounts on financial statements batch 2	Moore Stephens LLP	208,015.00	EUR
BUDG 15 PO 03 / 30-CE- 0756492	Specific Contract under FWC	Ex-post control of 2015 Grant Agreements	Moore Stephens LLP	147,697.50	EUR
BUDG 15 PO 03 / 30-CE- 0756444/00- 28	Specific Contract under FWC	Certification of annual accounts	Mazars SA	24,200.00	EUR
38/2013/OP/E ITPROC	Specific Contract under FWC	SC NO.15_IT 2nd level support	Grape Solutions Zrt	82,477.00	EUR
38/2013/OP/E ITPROC	Specific Contract under FWC	SC NO.17_Provision of KM consultant	Grape Solutions Zrt	49,010.00	EUR
38/2013/OP/E ITPROC	Specific Contract under FWC	SC NO.18_Provision of KM consultant	Grape Solutions Zrt	40,898.00	EUR
38/2013/OP/E ITPROC	Specific Contract under FWC	SC NO.19_IT 1st level support	Grape Solutions Zrt	43,896.00	EUR

3) List of exceptional negotiated procedures in 2016:

N/A

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 2016:

Name of expert	Area		
Angelo Bianchi	ngelo Bianchi ASSESMENT AND FURTHER DEVELOPMENT OF PROCUREMENT PROCEDURES OF KIC INNOENERGY		
Laszlo Velikovszki	zlo Velikovszki ASSESMENT AND FURTHER DEVELOPMENT OF PROCUREMENT PROCEDURES OF KIC INNOENERGY		
Richard Tunstall	EVALUATION OF THE KIC'S SELF-ASSESSMENTS FOR THE AWARD OF THE EIT LABEL FOR NEW MASTER AND DOCTOR PROGRAMMES	20,578.00	
Klaus Holmsberg	EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	18,709.00	
Mihai Marius Voronca	EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	8,806.50	
Christopher Sear	Christopher Sear RAPPORTEUR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		
Munoz Lescano EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		8,806.50	
Kiki Aikaterini ASSESSMENT OF THE IMPLEMENTATION OF THE EIT KICS EDUCATIONAL PROGRAMMES 2016		20,578.00	
Nicola Ciulli RAPPORTEUR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		11,940.31	
Volodymyr Shatokha	Volodymyr Shatokha EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		
Oriol Alcoba Malaspina	EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	18,934.00	
Philippe Vanrie	Philippe Vanrie EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		
Jan Miller	ASSESSMENT OF THE EIT'S EDUCATIONAL AGENDA	20,578.00	
Hans Karlsen	EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	8,806.50	

Andreas Engel	EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	
Edwin Janssen	ASSESSMENT OF THE GRANT AGREEMENT 2015 REPORTING OF THE KICS AND ASSESSMENT OF THE 2017 BUSINESS PLANS	
Liana Maria Ranga	EVALUATION OF THE KIC'S SELF-ASSESSMENTS FOR THE AWARD OF THE EIT LABEL FOR NEW MASTER AND DOCTOR PROGRAMMES	13,534.00
Richard Tunstall	EVALUATION OF THE KIC'S SELF-ASSESSMENTS FOR THE AWARD OF THE EIT LABEL FOR NEW MASTER AND DOCTOR PROGRAMMES	13,620.28
A.P.C. Faij	EXPERT, MONITORING 2016	3,042.00
Costis Kompis	EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	18,934.00
Marc Rosen	VALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	23,034.00
D. De Keukeleere	D. De Keukeleere EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	
Edwin Janssen RAPPORTEUR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		11,884.30
Yves Boisselier	Ves Boisselier EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	
Massimo Mecella EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		18,934.00
Lorenzo Di Gregorio EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION		18,934.00
Margareth Gfrerer	EVALUATOR, EIT KICS GA 2015 REPORTING ASSESSMENT AND KICS 2017 BP EVALUATION	18,934.00
Corina Pascu	RAPPORTEUR SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	15,302.00
Heikki Malinen	eikki Malinen EDU EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	
Thomas Ohlsson	FOOD EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
Rossitza Setchi	VAM EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00

Guus Keder	BC EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
Rui Costa FOOD EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016		12,826.00
Iordanis Arzimanoglou	RAPPORTEUR SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	15,302.00
Camilla Sorensen	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Riika Irmeli Paasikivi	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Olinto Vieira	BC EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
Standford Blade	FOOD EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	15,426.00
Raymond Winger	FOOD EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
Andy Bleaden	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, RAPPORTEUR	6,784.00
Mervin Levin	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Frank Peck	VAM EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
David Tormey VAM EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016		12,826.00
Fredrick Boer	EVALUATION OF THE KIC'S SELF-ASSESSMENTS FOR THE AWARD OF THE EIT LABEL FOR NEW MASTER AND DOCTOR PROGRAMMES	13,534.00
Chiotan Cristina	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Casper Van Der Eijk	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Jean-Mark Steiler	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, RAPORTEUR	6,784.00
Alexandros Chatzipetros	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Jean-Luc Bessede	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Mika Aalto	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00

Peter Spark	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	
Henning Alexander Kroll	Henning Alexander Kroll ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE WITHIN THE EIT & KICS	
Sussane Durst	Sussane Durst ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE WITHIN THE EIT & KICS	
Horvat Manfred	ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE WITHIN THE EIT & KICS	17,604.00
Barend Van Den Meulen	ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE WITHIN THE EIT & KICS	23,180.00
Javad Zarbakhsh	VAM EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
Jacob Edler	ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE INTEGRATION WITHIN THE EIT AND ITS KICS	5,568.00
Elzbieta Uzunow	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Sandra Herron-Marx	Sandra Herron-Marx BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	
Lena Tsipouri ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE INTEGRATION WITHIN THE EIT AND ITS KICS		5,568.00
Stefan Kuhlmann ASSESSMENT OF THE IMPLEMENTATION OF KNOWLEDGE TRIANGLE INTEGRATION WITHIN THE EIT AND ITS KICS		5,568.00
Laszlo Velikovszki	REVIEW OF KICS COMPLIANCE WITH THE EU PROCUREMENT DIRECTIVES AND REVISIONOF THEIR PROCUREMENT PROCEDURES	8,584.00
Karsen Wambach	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,834.00
Graciela Padoani	EDU EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	12,826.00
Peter Van Der Hijden	Peter Van Der Hijden ASSESSMENT OF THE IMPLEMENTATION OF THE EIT KICS' EDUCATIONAL PROGRAMMES	
Peter Lund	IO EXPERT SUPPORTING THE EIT IN THE SELECTION OF THE NEW KICS IN 2016	9,452.00
Colette Andree	BUSINESS PLAN 2017 ASSESSMENT EXERCISE, EVALUATOR	10,384.00

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	89.97%	74,450,000.00	Support the implementation of KIC added value activities (GA 2016)
Knowledge and Innovation Community EIT DIGITAL	Gent	Belgium	77.54%	71,591,357.00	Support the implementation of KIC added value activities (GA 2016)
Knowledge and Innovation Community KIC InnoEnergy SE	Eindhoven	The Netherlands	89.31%	75,952,688.00	Support the implementation of KIC added value activities (GA 2016)
Knowledge and Innovation Community EIT Raw Materials	Berlin	Germany	78.27%	20,543,064.06	Support the implementation of KIC added value activities (GA 2016)
Knowledge and Innovation Community EIT HEALTH	München	Germany	79.05%	20,706,935.00	Support the implementation of KIC added value activities (GA 2016)

Annex VII: Specific annexes related to part III

a) Risk mitigating actions undertaken in 2016

Description of the risk	Proposed mitigating actions	Accomplished risk mitigation actions
Budget cuts or legal changes beyond the EIT's control Causes: changes in political priorities by the Council, EP or Commission Consequences: insufficient budget available for the EIT to implement its objectives or adverse legal changes jeopardising the operations	Continued stakeholder management to influence decisions potentially affecting the EIT.	Continuous dialogue was maintained with key political decision makers (Council, EP, Commission) to have timely information about potential changes in the legal basis or in the multi-annual budget.
Non-implementation of core elements of EIT Annual Work Programme 2016 due to insufficient human resources or high turnover of staff <u>Causes:</u> lack of resources <u>Consequences:</u> reputational loss, potential legal/financial implications	The current staff attempts to ensure mutual back-up of all strategically important tasks. Recruitment in the HR plan for 2016 to ensure reserve lists are available. Use of interim staff and trainees.	The EIT has recruited 16 new staff in 2016 thereby increasing the staff size to 59 by end-2016. Framework contract for interim staff services was concluded. Interimaires and trainees were used to bridge temporary gaps in HR capacity.

Improper implementation of EIT-KICs agreements given the complexity of the KIC concept <u>Causes:</u> new Framework Partnership Agreements, complex KIC governance, activities and evolving partnerships <u>Consequences:</u> irregularities, recovery of EIT funds; delays in implementing KICs' activities; negative reactions from EC, ECA, OLAF, KICs; damage reputation/credibility of the EIT	 Improve the procedures (SOPs) on KIC grant management. Implement revised grant assurance strategy and EIT anti- fraud strategy. Review of implementation of good governance principles. Internal detailed assessments of Performance and Cost reports for the GA 2015. Assessment of certificates on the Financial Statements that are required by the EIT. 	Improved SOPs for grant management procedures adopted. Revised grant assurance strategy approved and in place. Implementation of good governance principles by KICs monitored in 2016. Detailed assessment of cost and performance reports by the EIT performed, CFSs obtained. Ex-post audits carried out.
Unexpected/unforeseen legal and procedural aspects delaying successful completion of the 2016 KIC call <u>Causes:</u> unexpected formal or legal obstacles may arise <u>Consequences:</u> delay of call preparation, launch and implementation; damage to the EIT's credibility	Risk based ex-post audits to be performed on GA 2015. Lessons learnt and IAS audit recommendations concerning 2014 KIC call have been addressed. Planning of the process assuming two weeks contingency in case of some unexpected legal and procurement problems. Adequate operational and legal resources and external expertise allocated to the KIC call, including an independent observer.	All lessons learned and IAS recommendations implemented in the 2016 Call for KIC Proposals. Prudent planning of the timeline and process led to timely completion of the evaluation of proposals. Adequate resources were available throughout the evaluation process.

Insufficient interest from potential bidders to participate in the 2016 KIC call <u>Causes:</u> too tough requirements presented in the call, no understanding of the KIC concept among potential participants, economic crisis in the EU - reduced R&D expenditures/industrial participation <u>Consequences</u> : delay/cancellation of the call - need to re-publish a call, damage to the EIT's credibility	To prepare and carry out a dissemination plan together with the EIT Communications Team. Preparation of dissemination package (including guidance) well in advance, use of multiplier organisations.	Communication and dissemination activities carried out according to plans.
IT hardware or software failure <u>Causes:</u> Hardware devices or software failure <u>Consequences:</u> Systems and services could be stopped for different periods of time	Off-site back-up system in co- operation with CEPOL. IT software security review. External support for IT section. Address recommendations of the document management audit in the area of IT.	Off-site back-up system set up. IT security improved by acquisition of new software. External IT support (1 st and 2 nd level) available throughout 2016. Audit recommendations addressed continuously.
Revise planning and organisation of the administrative and operational processes <u>Causes:</u> inappropriate time management, insufficient and inefficient processes <u>Consequences:</u> non-achievement of objectives or delay in the achievement, waste of time and resources	Start the 2018-2020 budgetary planning in September 2016, monthly monitoring of the budget and procurement implementation, review of the budget and procurement implementation twice per year.	 Planning for 2018-2020 started in August 2016. Monthly budget monitoring reports issued. Monthly procurement monitoring meetings held. Quarterly review meetings of the implementation of the AWP 2016 held.

Title: 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 <u>Causes:</u> staff involved in procurement process have no financial training and expertise, no follow-up of the changes in the rules, guidance <u>Consequences:</u> non-compliance with the legal and regulatory requirements, waste of time and resources	Expenditure Life Cycle training for newcomers and staff, training on procurement, regular workshop and guidance on financial and procurement practicalities	 Trainings have been organised by HR. Participation in the trainings are mandatory and monitored. Feedback mechanism put in place on procurement performance. Additional capacity provided to the Procurement and Contracts section in 2016. 	
---	---	---	--

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

Standard	Brief description of the action	Status as of 31.12.2016
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.	 Conflict of interest regarding the staff members: Two trainings were provided by the EIT to the EIT staff members regarding conflict of interests. The first training was focused on Ethics & 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. 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. Several requests on prior permission for external activities have been submitted to the Appointing Authority during 2016. 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.
		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 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. 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

Conflict of interest regarding the Members of the EIT Governing Board:

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.

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 the beginning of 2016. The ADoI for 2016 submitted by the members of the EIT Governing Board were published on the EIT website. During the 2016 ADoI 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 ADoI was finally produced by the EIT together with the assessment on the absence of conflict of interest of the EIT GB Members on the evaluation of the 2016 KIC proposals and 2017 KIC Business plans, completed on 3 November 2016. Members of the Governing Board were informed individually of the outcome of this ADoI assessment and of the mitigation measures adopted in case an actual or potential conflict of interest was identified.

Furthermore, the EIT conducted a detailed conflict of interest verification regarding members of the EIT Governing Board for the 2017 financial allocation and for the 2016 Call for KIC proposals. Governing Board members were requested to submit their Declarations of Interest in view of the organisations that were either Partners in established KICs (and therefore subject to the 2017 financial allocation) or were participating entities in consortia applying for the 2016 Call for KIC proposals. The conflict of interest verification exercise was finalised on 3 November 2016 and appropriate mitigating measures were taken as a result of the assessment.

Finally, during the EIT Governing Board meetings held in 2016, members of the Governing Board were asked to declare interests which can could be considered prejudicial to their independence with respect to the items on the agenda at the beginning of each Governing Board meeting.

ICS 4 – Staff evaluation and development	Implement staff performance evaluation based on annual objectives.	The second appraisal and reclassification exercise for the EIT was conducted in 2016. Individual objectives of all staff members were revised and training maps for each staff member were created.
	Introduce career development with reclassification system.	
ICS 5 - Objective and performance indicators	Continue development of the EIT's performance indicators in line with the KIC's performance indicators.	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.
ICS 8 – Processes and procedures	Complete the assessment and revision of the processes, procedures and workflows based on the covering operative and administrative activities.	Several Standard Operating Procedures (SOPs) were revised and updated in 2016, including on grant management, risk management and procurement.
ICS 9 – Management Supervision	Implement via SharePoint a consolidated action plan covering recommendations emerging from audits, risk assessments and consultations in order to facilitate management supervision.	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. A consolidated register of strategic recommendations stemming from various evaluations and reviews will be set up in 2017.
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. DG EAC officially launched the process in June 2016 by requesting the EIT to complete a self-assessment. The EIT submitted the completed self-assessment to the Commission in October 2016. Granting full financial autonomy by the Commission is foreseen for Q2 2017.
ICS 16 – Internal audit capability	Coordinate and agree with the IAS the multi-annual strategic audit plan.	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. As a result, the Governing Board endorsed the IAC and IAS Strategic Internal Audit Plans on 5 March 2015.

Annex VIII: Final annual accounts 2016



DECISION 12/2017

OF THE GOVERNING BOARD OF

THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE OPINION OF THE GOVERNING BOARD ON THE FINAL ACCOUNTS 2016

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 Technology¹, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013², (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 99.2³;

Having regard to Decision⁴ of the Governing Board of the EIT of 27 December 2013 on adopting the Financial Regulation of the European Institute of Innovation and Technology (hereinafter the 'Financial Regulation of the EIT') as amended by Decision 6/2015⁵ of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the Governing Board of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision 11/2016 of the EIT of 5 March 2015, and by Decision

Having regard to the preliminary observations of the European Court of Auditors on the provisional annual accounts 2016 of the EIT, forwarded to the EIT Interim Director by the President of the Court of Auditors on 23 May 2017;

Having regard to the final accounts drawn up by the Accounting Officer on 29 May 2017 and submitted by the EIT Interim Director to the EIT Governing Board on 8 June 2017;

WHEREAS

- (1) The final accounts of the EIT shall be sent by 1 July 2017 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:



¹ OJ L97 of 09.04.2008, p. 1.

² OJ L347 of 20.12.2013, p. 174.

³ OJ L 328, 7.12.2013, p. 42–68

⁴ 01364.EIT.2014.I

⁵ 00101.EIT.2015.I.GB34

⁶ 00673.EIT.GB.2016.WP



STATEMENTS OF FINANCIAL PERFORMANCE 31.12.2016

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Subsidy of the Commission	264.437.708,42	220.602.473,77
Host state contribution	0,00	1.560.000,00
Revenues from admin operations - fixed asset income	6.849,73	0,00
Other operating revenue	617.558,17	456.339,37
TOTAL OPERATING REVENUE	265.062.116,32	222.618.813,14
Staff expenses	3.530.404,56	3.197.247,44
Fixed asset related expenses	169.484,25	72.975,50
Other administrative expenses	1.409.426,22	1.130.139,76
Operational expenses	244.876.808,06	226.902.884,34
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	249.986.123,09	231.303.247,04
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	15.075.993,23	(8.684.433,90)
Financial operations revenues	0,00	214,48
Financial operations expenses	3.060,87	20.194,96
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	(3.060,87)	(19.980,48)
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	15.072.932,36	(8.704.414,38)
Extraordinary gains	0,00	0,00
Extraordinary losses	0,00	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0,00	0,00
ECONOMIC RESULT OF THE YEAR	15.072.932,36	(8.704.414,38)



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 2016.

Done in Berlin on 15 June 2017

Signed

Peter Olesen

Chairman of the EIT Governing Board

Annex 1: Final Accounts 2016 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

01.01.2016 - 31.12.2016

European Institute of Innovation and Technology (EIT)

www.eit.europa.eu



The EIT is a body of the European Union

Budapest | 29 May 2017

Contents

INTRODUCTION
PART I: - FINANCIAL STATEMENTS6
STATEMENTS OF FINANCIAL PERFORMANCE7
BALANCE SHEET
CAPITAL AND LIABILITIES9
CASH FLOW STATEMENT 10
STATEMENT OF CHANGES IN CAPITAL 11
NOTES TO THE GENERAL ACCOUNTS 12
STATEMENTS OF FINANCIAL PERFORMANCES 16
BALANCE SHEET 19
EQUITY AND LIABILITIES 23
CONTINGENT LIABILITIES 26
CONTINGENT ASSETS
CHANGES IN ACCOUNTING POLICIES 28
1. Budget result
2. Reconciliation of the budget and economic result
3. Revenue
4. Expenditure
5. Explanatory notes to the report on the implementation of the budget 41
ANNEX TO THE ANNUAL ACCOUNTS 45

CERTIFICATE

The annual accounts of the EIT for the year 2016 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 the EIT in accordance with Article 68 of the Financial Regulation.

9

10

I have obtained from the authorising officer, who certified its reliability, all the information necessary for the production of the accounts that show the 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 aspect, the financial position, the results of the operations and the cash-flow of the EIT.

signed

Davide Mola

Account ng Off cer

.

100

EIT Final Accounts 2016

2

PART I – Financial statements

Financial year: 2016



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 amended with Regulation No 1292/2013 of 11 December 2013 establishing the European Institute of Innovation and Technology (hereinafter referred to as "EIT Regulation") and Article 98 of the EIT Financial Regulation.

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.

The EIT's expenditures are financed by an annual subsidy from the general budget of the European Union and by a EFTA and third countries contributions.

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 composed of high-level members experienced in higher education, research, innovation and business. It shall be responsible for steering the activities of the EIT, for the selection, designation and evaluation of the KICs, and for all other strategic decisions. It consists of 12 Appointed Members.

The Chairman of the Governing Board for 2016 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 Regulation, the Director is the authorising officer for the EIT budget.

In accordance with Article 50 (1) of the EIT Financial Regulation 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 01.01.2016 - 31.12.2016

STATEMENTS OF FINANCIAL PERFORMANCE 31.12.2016

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Subsidy of the Commission	264.437.708,42	220.602.473,77
Host state contribution	0,00	1.560.000,00
Revenues from admin operations - fixed asset income	6.849,73	0,00
Other operating revenue	617.558,17	456.339,37
TOTAL OPERATING REVENUE	265.062.116,32	222.618.813,14
Staff expenses	3.530.404,56	3.197.247,44
Fixed asset related expenses	169.484,25	72.975,50
Other administrative expenses	1.409.426,22	1.130.139,76
Operational expenses	244.876.808,06	226.902.884,34
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	249.986.123,09	231.303.247,04
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	15.075.993,23	(8.684.433,90)
Financial operations revenues	0,00	214,48
Financial operations expenses	3.060,87	20.194,96
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	(3.060,87)	(19.980,48)
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	15.072.932,36	(8.704.414,38)
Extraordinary gains	0,00	0,00
Extraordinary losses	0,00	0,00
SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS	0,00	0,00
ECONOMIC RESULT OF THE YEAR	15.072.932,36	(8.704.414,38)

BALANCE SHEET

31.12.2016

ASSETS

	31.12.2016	31.12.2015
A. NON CURRENT ASSETS		
Intangible fixed assets	333.830,65	250.022,28
Tangible fixed assets	231.233,00	177.999,00
Land and buildings	0,00	0,00
Plant and equipment	0,00	0,00
Computer hardware	165.385,00	133.492,00
Furniture and vehicles	40.869,00	43.411,00
Other fixtures and fittings	24.979,00	1.096,00
Tangible fixed assets under construction	0,00	0,00
Long-term receivables	1.135,14	1.135,14
Long-term pre-financing	1.135,14	1.135,14
Long-term receivables with consolidated EC entities	0,00	0,00
TOTAL NON CURRENT ASSETS	566.198,79	429.156,42
	· · · ·	
B. CURRENT ASSETS		

0,00	0,00
731.834,67	527.442,07
0,00	0,00
746.970,27	556.767,75
0,00	0,00
(15.135,60)	(35.993,46)
0,00	6.667,78
7.071.921,26	7.756.960,45
7.803.755,93	8.284.402,52
-	731.834,67 0,00 746.970,27 0,00 (15.135,60) 0,00 7.071.921,26

TOTAL 8.369.954,72 8.713.558,94

CAPITAL AND LIABILITIES 31.12.2016

	31.12.2016	31.12.2015
A. CAPITAL		
Accumulated surplus/deficit	(89.207.253,89)	(80.502.839,51)
Economic result of the year	15.072.932,36	(8.704.414,38)
TOTAL CAPITAL	(74.134.321,53)	(89.207.253,89)
B. NON CURRENT LIABILITIES Provisions for risks and liabilities	0.00	0.00
	0,00	0,00
Long-term liabilities with consolidated entities	0,00	0,00
TOTAL NON CURRENT LIABILITIES	0,00	0,00
C. CURRENT LIABILITIES		
Provisions for risks and liabilities	50.000,00	50.000,00
Accounts payable	82.454.276,25	97.870.812,83
Current payables	(28.028,47)	(3.437,31)
Long-term liabilities falling due within the year	0,00	0,00
Sundry payables	22.190,38	25.781,62
Accrued expenses and deferred income	75.355.734,13	89.866.676,05
Accounts payable with consolidated EC entities	7.104.380,21	7.981.792,47
TOTAL CURRENT LIABILITIES	82.504.276,25	97.920.812,83
TOTAL	8.369.954,72	8.713.558,94

CASH FLOW STATEMENT

31.12.2016

	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	15.072.932,36	-8.704.414,38
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	82.731,97	5.494,00
Depreciation (tangible fixed assets) +	78.587,91	67.481,50
Increase/(decrease) in Provisions for risks and liabilities	0,00	0,00
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	0,00
(Increase)/decrease in Long term Receivables	0,00	0,00
(Increase)/decrease in Short term Receivables	-204.392,60	-163.270,95
(Increase)/decrease in Receivables related to consolidated EU entities	0,00	0,00
Increase/(decrease) in Other Long term liabilities	0,00	0,00
Increase/(decrease) in Accounts payable	-14.539.124,32	11.560.915,97
Increase/(decrease) in Liabilities related to consolidated EU entities	-877.412,26	0,00
Other non-cash movements	0,00	0,00
Net cash Flow from operating activities	-386.676,94	2.766.206,14

Cash Flows from investing activities		
Increase of tangible and intangible fixed assets (-)	-298.362,25	-182.229,50
Proceeds from tangible and intangible fixed assets (+)		
Net cash flow from investing activities	-298.362,25	-182.229,50

Net increase/(decrease) in cash and cash equivalents	-685.039,19	2.583.976,64
Cash and cash equivalents at the beginning of the period	7.756.960,45	5.172.983,81
Cash and cash equivalents at the end of the period	7.071.921,26	7.756.960,45

STATEMENT OF CHANGES IN CAPITAL

Capital	Reserves	Accumulated Surplus / Deficit	Economic result of the year	Capital (total)
Balance as of 31 December 2015	0,00	(80.502.839,51)	(8.704.414,38)	(89.207.253,89)
Changes in accounting policies	0,00	(00.502.057,51)	(0.701.111,30)	0,00
Balance as of 1 January 2016	0,00	(80.502.839,51)	(8.704.414,38)	(89.207.253,89)
Allocation of the Economic Result of Previous Year		(8.704.414,38)	8.704.414,38	0,00
Economic result of the year			15.072.932,36	15.072.932,36
Balance as of 31 December 2016	0,00	(89.207.253,89)	15.072.932,36	(74.134.321,53)

NOTES TO THE GENERAL ACCOUNTS 01.01.2016 – 31.12.2016

ACCOUNTING POLICIES AND PRINCIPLES

In accordance with Article 21 (3) of Regulation (EC) No 1292/2013 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 Regulation of 27 December 2013, the following final accounts together with a report on budgetary and financial management have been drawn up. These financial statements for the financial year 2016 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 1268/2012 (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.1 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 Regulation sets out the accounting principles to be applied in drawing up the financial statements:

¹

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; Financial Regulation, Article 143).

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; Financial Regulation, Article 143).

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; Financial Regulation, Article 143).

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; Financial Regulation, Article 143).

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; Financial Regulation, Article 143).

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; Financial Regulation, Article 143).

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; Financial Regulation, Article 143).

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 Rules, Article 79 (1.); Financial Regulation, Article 143).

Reporting period

The EIT reporting period is from 1 January to 31 December 2016.

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 Regulation, 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 5).

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 2016 consist of the subsidy and other operational revenue received from the European Commission.

	2016	2015
EC subsidy	264 437 708,42	220 602 473,77
Host state contribution	0,00	1 560 000,00
Recoveries of GA	600 688,48	431 827,42
Miscellaneous income	7 197,30	11 261,60
Exchange rate gains	16 540,12	13 250,35
Total	265 062 116,32	222 618 813,14

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. After the final payment by EIT, an ex-post audit on sample transactions take place.

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 170 449 255,34 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 EU budget period, from 1 January 2014 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 proportion of the EIT funding in the KICs' overall budget for 2016 is not known at the date of the accounts and no financial impact was recorded for the financial year.

	2016	2015
Staff expenses	3 530 404,56	3 197 274,44
Fixed asset related expenses	169 484,25	72 975,50
Other administrative expenses	1 409 426,22	1 130 139,76
Operational expenses	244 876 808,06	226 902 884,34
Total	249 986 123,09	231 303 247,04

Average number of employees

	2016	2015
Temporary agents	33	30
Contract agents	19	19
Total	52	49

Note related to Payroll charges

All salary calculations giving the total staff expenses included in the Statement of financial performance of EIT 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.

EIT 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 Regulation 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. 58). No interest were collected in 2016.

	2016	2015
Bank interest	0,00	214,48

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%

		Internally generated Computer Software	Computer software	Plant and Equipment	Computer hardware	Furniture and vehicles	Other Fixtures and Fittings	Total
Gross carrying amounts 01.01.2016	+	36.197,00	270.209,43	1.235,76	359.933,70	93.181,79	50.093,60	810.851,28
Additions	+		166.540,34		92.585,90	7.683,90	31.552,11	298.362,25
Gross carrying amounts 31.12.2016		36.197,00	436.749,77	1.235,76	452.519,60	100.865,69	81.645,71	1.109.213,53
								0,00
Accumulated amortization and impairment 01.01.2016	-		-56.384,15	-1.235,76	-226.441,70	-49.770,79	-48.997,60	-382.830,00
Depreciation	-		-82.732,34	0,00	-60.692,90	-10.225,90	-7.669,11	-161.320,25
Accumulated amortization and impairment 31.12.2016		0,00	-139.116,49	-1.235,76	-287.134,60	-59.996,69	-56.666,71	-544.150,25
Net carrying amounts 31.12.2016		36.197,00	297.633,28	0,00	165.385,00	40.869,00	24.979,00	565.063,28

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

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:

	2016	2015
Fee paid to supplier	1135,44	1 135,44
Total	1135,44	1 135,44

Short-term:

	2016	2015
Receivable from customers	0,00	5 250,74
Recoveries grant	600 688,48	431 827,42
Receivables from consolidated entities	0,00	85,84
Recoverable VAT from host state	146 281,79	119 603,75
Accrued income/deferred charges	0,00	6 667,78
Sundry receivables	-15 135,60	-35 993,46
Total	731 834,67	527 442,07

The prepayments consist of prepaid maintenance fees.

Cash and cash equivalents

	2016	2015
Bank accounts	7 071 921,26	7 756 960,45
Total	7 071 921,26	7 756 960,45

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

Provision

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

2016 2015 50 000,00 50 000,00 The accounts payable as at 31 December 2016 comprise outstanding unpaid invoices and claims from the suppliers, beneficiaries and other public bodies.

	2016	2015
Accounts payable	139 642,33	14 149,25
Total	139 642,33	14 149,25

Accrued expenses and deferred income

	2016	2015
Accrued expenses	75 355 734,13	89 866 676,05
Deferred income	0,00	0,00
Total	75 355 734,13	89 866 676,05

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 74 003 442,52). The other expenses are related to operational and, for a residual part, administrative/staff expenses.

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

	2016	2015
Open pre-financing 2016	1661743,46	-
Open pre-financing 2015	4 539 755,39	7 979 629,89
Other payables to consolidated EU entities	902 881,36	2 162,58
Total	7 104 380,21	7 981 792,47

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.

Article 58 of the EIT Financial Rules 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.

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.

	2016	2015
Automatic carryovers (C8)	1 020 677,89	759 47 ⁸ ,94
Accrued expenses	(75 355 734,13)	(89 866 676,05)
Contingent liabilities for carryovers	(74 335 056,24)	(89 107 197,11)

Amounts relating to legal cases

EIT has a provision of EUR 50 000,00 related to a procurement procedure launched in 2015.

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.

	2016	2015
Operational leases	-	-
Carryovers	1 020 677,89	759 478,94
Legal case	-	-
Multi-annual contractual commitments	-	-
Contingent liabilities	1 020 677,89	759 478,94

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 124 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 prefinancing.

EIT is part of the H2020 Guarantee Fund, set up under Regulation (EC) No 1906/2006 of the European Parliament and of the Council, to cover the risk associated with non-recovery of sums due to EIT under actions financed through grants.

RELATED PARTIES

The table below shows the highest staff grade of the entity, the number of persons in this grade and the loans at preferential rates received by these persons from your entity or any other EU consolidated entity. This doesn't include advances on salaries or the repayment of sickness fund overpayments.

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

There have been no changes in accounting policies for the financial year 2016.

PART II - Report on the implementation of the budget

Financial year: 2016

1. Budget result

EUR

		2016	2015
Revenue for the financial year	+	263,990,494.08	228,848,153.12
Payments against current year appropriations (C1, C4, C5, R0)	-	261,615,260.93	223,016,442.62
Payment appropriations carried over to year N+1	-	1,020,677.89	759,478.94
Cancellation of unused payment appropriations carried over from year N-1 (C2,C8)	+	54,223.16	635,963.98
Adjustment for carry-over from previous year of appropriations available at 31.12 arising from assigned revenue (C5)	+	263,239.16	725,281.44
Exchange differences for the year (gain+/loss-)	+/-	-10,274.12	-18,369.75
Budget result		1,661,743.46	6,415,107.23
Balance year N-1	+	7,979,629.89	4,291,706.65
Positive balance from year N-1 reimbursed in year N to the Commission	-		2,727,183.99
Positive balance from year N-1 reimbursed in year N+1 to the Commission	-	894,505.58	
Payments on re-entered appropriations cancelled in year N-1 and N-2	-	2,545,368.92	
Balance year N		6,201,498.85	7,979,629.89
		1	

2. Reconciliation of the budget and economic result

EUR

Table 2 - Reconciliation of the budgetary and		
economic outturn	2016	2015
ECONOMIC RESULT	15.072.932,36	-8.704.414,38
Adjustments for accrual cut off reversal 31.12.N-1	-89.866.676,05	-82.016.338,73
Adjustments for accrual cut off reversal 31.12.N	75.355.734,13	89.866.676,05
Unpaid invoices at year end but booked in charges	0,00	0,00
Depreciation of intangible and tangible assets	161.320,25	72.975,50
Provisions	0,00	0,00
Payments made from carry over of payment		
appropriations	442.016,62	525.642,64
Other revenue	0,00	-214,48
Asset acquisitions	-298.362,25	-182.229,50
Recovery orders (grants) not yet cashed	-600.688,48	-431.827,42
Recovery orders (grants) from previous years cashed in		
2016	4.583,70	263.239,16
Recovery orders (others) not yet cashed	0,00	0,00
Pre-financing open at the end of 2015 and paid in 2016	0,00	0,00
Payment appropriations carried over	-588.850,47	-759.478,94
Cancellation of unused carried over payment		
appropriations from previous year	54.223,16	635.963,98
Carry-over from previous year of appropriations available		
at 31.12 arising from assigned revenue	263.239,16	725.281,44
Accrued income/ Deferred Charges	0,00	6.667,78
Release of provision against unrealized gain/losses	0,00	0,00
Pre-financing open with the Commission	1.661.743,46	6.415.107,23
Others	527,87	-1.943,10
Total	1.661.743,46	6.415.107,23
BUDGETARY RESULT	1.661.743,46	6.415.107,23

3. Revenue

Income line	Income line header	Income appropriation, EUR	Entitlements established in 2015, EUR (1)	Entitlements established in 2016, EUR (2)	Revenue carried over from 2015, EUR (3)	Revenue received, EUR (4)	Outstanding amounts, EUR (1+2-3-4)
200	European Union subsidy	252,158,953.03		252,158,953.03		252,158,953.03	0.00
300	Contributions by the EFTA member states	6,875,046.93		6,875,046.93		6,875,046.93	0.00
310	Contributions by third countries	4,520,083.00		4,520,083.00		4,520,083.00	0.00
570	Revenue arising from repayment of amounts wrongly paid	4,583.70	4,583.70			4,583.70	0.00
590	Other revenue from administrative operations	0.00		329.57		0.00	329.57
600	Surplus, balances	7,065,708.31					0.00
701	Repayment of KICs grants incurred as a result of an ex-post audit (assigned revenue)	695,066.58	263,239.16	431,827.42	263,239.16	431,827.42	0.00
	TOTAL	271,319,441.55	267,822.86	263,986,239.95	263,239.16	263,990,494.08	329.57

4. Expenditure

a. Breakdown and changes in commitment and payment appropriations per chapter

		COMMITMENT APPROPRIATIONS					
	Chapter	Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR	
11	Staff in active employment	3,843,060.00	-428,000.00			3,415,060.00	
12	Recruitment expenses	45,000.00	0.00			45,000.00	
13	Mission	250,000.00	-52,000.00			198,000.00	
14	Socio-medical infrastructure	102,800.00	-16,000.00			86,800.00	
15	Training	90,000.00	-20,000.00			70,000.00	
16	External staff and linguistic support	777,302.00	-273,500.00			503,802.00	
17	Representation	4,000.00	-2,000.00			2,000.00	
	Title 1 - Total	5,112,162.00	-791,500.00	0.00	0.00	4,320,662.00	
20	Building and associated costs	128,000.00	-79,065.00			48,935.00	
21	Information and communication technology	465,000.00	-67,450.00			397,550.00	
22	Moveable property and associated costs	62,750.00	-36,050.00			26,700.00	
23	Current administrative expenditure	356,750.00	-69,850.00			286,900.00	
24	Publications, information, studies and surveys	44,000.00	-29,000.00			15,000.00	
25	Meeting expenses	431,780.00	-113,000.00			318,780.00	
	Title 2 - Total	1,488,280.00	-394,415.00	0.00	0.00	1,093,865.00	
30	Grants	253,634,936.00	532,248.70	21,101,824.84	695,066.58	275,964,076.12	
31	Knowledge and Innovation Communities	1,375,000.00	433,010.00			1,808,010.00	
32	EIT's impact	1,660,000.00	-498,560.00			1,161,440.00	
33	Simplification, monitoring and evaluation	397,000.00	38,600.00			435,600.00	
	Title 3 - Total	257,066,936.00	505,298.70			279,369,126.12	
	TOTAL	263,667,378.00	-680,616.30	21,101,824.84	695,066.58	284,783,653.12	
40	Cancelled appropriations	0.00	9,012,879.42			9,012,879.42	
	not used in year n	0.00		0.00	0.00		
	Title 4 - Total	0.00	9,012,879.42	0.00	0.00	9,012,879.42	
	GRAND TOTAL	263,667,378.00	8,332,263.12	21,101,824.84	695,066.58	293,796,532.54	

		PAYMENT APPROPRIATIONS				
	Chapter	Appropriations adopted, EUR	Modifications (transfers and AB), EUR	Re-entered, EUR	Assigned revenue, EUR	Total, EUR
11	Staff in active employment	3,843,060.00	-428,000.00			3,415,060.00
12	Recruitment expenses	45,000.00	0.00			45,000.00
13	Mission	250,000.00	-52,000.00			198,000.00
14	Socio-medical infrastructure	102,800.00	-16,000.00			86,800.00
15	Training	90,000.00	-20,000.00			70,000.00
16	External staff and linguistic support	777,302.00	-273,500.00			503,802.00
17	Representation	4,000.00	-2,000.00			2,000.00
	Title 1 - Total	5,112,162.00	-791,500.00	0.00	0.00	4,320,662.00
20	Building and associated costs	128,000.00	-79,065.00			48,935.00
	Information and communication technology	465,000.00	-67,450.00			397,550.00
22	Moveable property and associated costs	62,750.00	-36,050.00			26,700.00
23	Current administrative expenditure	356,750.00	-69,850.00			286,900.00
24	Publications, information, studies and surveys	44,000.00	-29,000.00			15,000.00
25	Meeting expenses	431,780.00	-113,000.00			318,780.00
	Title 2 - Total	1,488,280.00	-394,415.00	0.00	0.00	1,093,865.00
30	Grants	271,019,742.92	-16,090,203.26	2,545,368.92	695,066.58	258,169,975.16
31	Knowledge and Innovation Communities	999,000.00	421,500.00			1,420,500.00
32	EIT's impact	1,092,500.00	513,000.00			1,605,500.00
33	Simplification, monitoring and evaluation	587,000.00	-398,400.00			188,600.00
	Title 3 - Total	273,698,242.92	-15,554,103.26	2,545,368.92	695,066.58	261,384,575.16
	TOTAL	280,298,684.92	-16,740,018.26	2,545,368.92	695,066.58	266,799,102.16
40	Cancelled appropriations not used in year n	0.00	4,520,339.39			4,520,339.39
	Title 4 - Total	0.00	4,520,339.39	0.00	0.00	4,520,339.39
	GRAND TOTAL	280,298,684.92	-12,219,678.87	2,545,368.92	695,066.58	271,319,441.55

4.2. Implementation of voted commitment and payment appropriations per Title (C1 and C4)

			Commitment			Payment	
Budget Title	Fund Source	Appropriations, EUR	Commitments made, EUR	%	Appropriations, EUR	Payments made, EUR	%
	C1	4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%
1 Staff expenditure		4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%
2 Infrastructure	C1	1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%
and operating expenditure		1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%
	C1	257,572,234.70	244,774,789.20	95.03%	258,144,139.66	256,803,096.75	99.48%
3 Operational expenditure	C4	431,827.42		0.00%	431,827.42		0.00%
		258,004,062.12	244,774,789.20	94.87%	258,575,967.08	256,803,096.75	99.31%
		·					
TOTAL		263,418,589.12	249,912,564.69	94.87%	263,990,494.08	261,352,021.77	99.00%

4.3. Implementation of carried-over and re-entered commitment and payment appropriations per Title (C3, C5 and C8)

			Commitment			Payment	
Budget Title	Fund Source	Appropriations, EUR	Commitments made, EUR	%	Appropriations, EUR	Payments made, EUR	%
	C8	142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%
1 Staff expenditure		142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%
2 Infrastructure	C8	353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%
and operating expenditure		353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%
	C2				2,545,368.92	2,545,368.92	100.00%
	C3	21,101,824.84	21,101,824.84	100.00%			
3 Operational expenditure	C5	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%
	C8	106,207,327.81	92,552,449.98	87.14%			
		127,572,391.81	113,917,513.98	89.30%	2,808,608.08	2,808,608.08	100.00%

TOTAL		128,068,631.59	114,359,530.60	89.30%	3,304,847.86	3,250,624.70	98.36%
-------	--	----------------	----------------	--------	--------------	--------------	--------

4.4 Implementation of the commitment and payment appropriations

per budget item (C1)

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committe d (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	1,659,038.00	1,642,937.24	99.03%	1,659,038.00	1,642,937.24	99.03%	-
A-1101	Allowances	587,425.00	582,045.70	99.08%	587,425.00	582,045.70	99.08%	-
A-1102	Employers charges	130,597.00	127,165.19	97.37%	130,597.00	127,165.19	97.37%	-
A-1110	Remuneration and allowances of contract agents	728,000.00	722,723.18	99.28%	728,000.00	722,723.18	99.28%	-
A-1120	Termination of service	20,000.00	-	0.00%	20,000.00	-	0.00%	-
A-1121	Entitlements related to entering the service	100,000.00	81,661.87	81.66%	100,000.00	81,661.87	81.66%	-
A-1130	Schooling	190,000.00	188,671.75	99.30%	190,000.00	188,661.94	99.30%	9.81
	Total	3,415,060.00	3,345,204.93	97.95%	3,415,060.00	3,345,195.12	97.95%	9.81
A-1200	Recruitment expenses	45,000.00	37,960.50	84.36%	45,000.00	37,960.50	84.36%	-
	Total	45,000.00	37,960.50	84.36%	45,000.00	37,960.50	84.36%	-
A-1300	Mission expenses	198,000.00	198,000.00	100.00%	198,000.00	177,216.87	89.50%	20,783.13
	Total	198,000.00	198,000.00	100.00%	198,000.00	177,216.87	89.50%	20,783.13
A-1400	Restaurants and canteens	500.00	418.48	83.70%	500.00	418.48	83.70%	-
A-1410	Medical expenses	5,000.00	2,564.72	51.29%	5,000.00	2,564.72	51.29%	-
A-1420	Early childhood centre and approved day nurseries	75,000.00	75,000.00	100.00%	75,000.00	69,027.72	92.04%	5,972.28
A-1430	Social contacts among staff members	6,300.00	5,266.06	83.59%	6,300.00	2,537.06	40.27%	2,729.00
	Total	86,800.00	83,249.26	95.91%	86,800.00	74,547.98	85.88%	8,701.28
A-1500	Training	70,000.00	31,033.39	44.33%	70,000.00	10,517.99	15.03%	20,515.40
	Total	70,000.00	31,033.39	44.33%	70,000.00	10,517.99	15.03%	20,515.40
A-1600	Agency staff	81,802.00	73,854.54	90.28%	81,802.00	5,960.08	7.29%	67,894.46
A-1601	Seconded National Expert	55,000.00	51,697.98	94.00%	55,000.00	51,697.98	94.00%	-
A-1602	Trainees	39,000.00	33,564.12	86.06%	39,000.00	33,564.12	86.06%	-
A-1603	IT support	171,000.00	160,269.00	93.72%	171,000.00	99,900.00	58.42%	60,369.00
A-1604	Administrative assistance	70,000.00	64,520.00	92.17%	70,000.00	47,048.30	67.21%	17,471.70
A-1611	Translation	87,000.00	84,585.65	97.22%	87,000.00	84,585.65	97.22%	-
	Total	503,802.00	468,491.29	92.99%	503,802.00	322,756.13	64.06%	145,735.16
A-1700	Representation expenses	2,000.00	377.25	18.86%	2,000.00	377.25	18.86%	-
	Total	2,000.00	377.25	18.86%	2,000.00	377.25	18.86%	-
	TOTAL - Title 1	4,320,662.00	4,164,316.62	96.38%	4,320,662.00	3,968,571.84	91.85%	195,744.78

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committe d (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2000	Renting	6,000.00	6,000.00	100.00%	6,000.00	5,700.00	95.00%	300.00
A-2003	Water gas electricity and heating	20,000.00	20,000.00	100.00%	20,000.00		0.00%	20,000.00
A-2004	Cleaning and maintenance	16,400.00	13,833.34	84.35%	16,400.00	8,113.34	49.47%	5,720.00
A-2005	Security and surveillance	4,535.00	4,376.18	96.50%	4,535.00	806.18	17.78%	3,570.00
A-2006	Fitting out of premises	2,000.00	709.97	35.50%	2,000.00	709.97	35.50%	-
	Total	48,935.00	44,919.49	91.79%	48,935.00	15,329.49	31.33%	29,590.00
A-2100	Acquisition renting of equipments and software	221,500.00	218,572.35	98.68%	221,500.00	115,497.45	52.14%	103,074.90
A-2101	Maintenance and repair of equipments	176,050.00	175,671.62	99.79%	176,050.00	116,937.62	66.42%	58,734.00
	Total	397,550.00	394,243.97	99.17%	397,550.00	232,435.07	58.47%	161,808.90
A-2200	Acquisition general, technical equipment	3,700.00	3,568.90	96.46%	3,700.00	472.90	12.78%	3,096.00
A-2212	Transport cost	1,000.00	4.50	0.45%	1,000.00	4.50	0.45%	-
A-2220	Acquisition of furniture	22,000.00	21,878.08	99.45%	22,000.00	21,878.08	99.45%	-
	Total	26,700.00	25,451.48	95.32%	26,700.00	22,355.48	83.73%	3,096.00
A-2300	Stationery and office supplies	9,900.00	9,887.77	99.88%	9,900.00	239.87	2.42%	9,647.90
A-2301	Postage and delivery charges	2,500.00	2,500.00	100.00%	2,500.00	2,376.05	95.04%	123.95
A-2302	Telecommunication charges	41,000.00	41,000.00	100.00%	41,000.00	22,847.67	55.73%	18,152.33
A-2303	Legal expenses and damages	25,000.00	24,020.00	96.08%	25,000.00	17,772.13	71.09%	6,247.87
A-2305	Bank charges	3,000.00	2,000.00	66.67%	3,000.00	924.17	30.81%	1,075.83
A-2306	Honoraria for Governing Board Members	200,500.00	161,500.00	80.55%	200,500.00	157,500.00	78.55%	4,000.00
A-2309	Other administrative expenses	5,000.00	930.80	18.62%	5,000.00	930.80	18.62%	-
	Total	286,900.00	241,838.57	84.29%	286,900.00	202,590.69	70.61%	39,247.88
A-2400	Official Journal	2,000.00	908.40	45.42%	2,000.00	388.40	19.42%	520.00
A-2401	EIT publications	3,000.00	257.63	8.59%	3,000.00	257.63	8.59%	-
A-2403	Studies and surveys	10,000.00	8,905.00	89.05%	10,000.00		0.00%	8,905.00
	Total	15,000.00	10,071.03	67.14%	15,000.00	646.03	4.31%	9,425.00
A-2500	Organisation and travel expenses of Governing Board meetings	310,780.00	254,147.04	81.78%	310,780.00	104,209.13	33.53%	149,937.91
A-2520	Internal meetings	8,000.00	2,787.29	34.84%	8,000.00	2,787.29	34.84%	-
	Total	318,780.00	256,934.33	80.60%	318,780.00	106,996.42	33.56%	149,937.91
	TOTAL - Title 2	1,093,865.00	973,458.87	88.99%	1,093,865.00	580,353.18	53.06%	393,105.69
	TOTAL - Title 1 and Title 2	5,414,527.00	5,137,775.49	94.89%	5,414,527.00	4,548,925.02	84.01%	588,850.47

Budget line	Budget Item Description	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committe d (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	254,167,184.70	241,878,980.43	95.17%	254,929,539.66	254,145,577.62	99.69%	
	Total	254,167,184.70	241,878,980.43	95.17%	254,929,539.66	254,145,577.62	99.69%	
B3-111	Planning, reporting and audits	1,537,010.00	1,482,631.68	96.46%	1,013,000.00	867,559.48	85.64%	
B3-112	Knowledge Triangle Integration	71,000.00	70,188.28	98.86%	71,000.00	48,939.29	68.93%	
B3-114	New KICs	200,000.00	98,273.05	49.14%	336,500.00	226,080.07	67.19%	
	Total	1,808,010.00	1,651,093.01	91.32%	1,420,500.00	1,142,578.84	80.43%	
B3-202	Communications and Dissemination	811,000.00	782,618.34	96.50%	803,500.00	757,938.15	94.33%	
B3-203	Alumni	250,000.00	101,939.48	40.78%	150,000.00	99,689.83	66.46%	
B3-204	Stakeholder relations	85,440.00	3,315.00	3.88%	591,000.00	475,037.03	80.38%	
B3-205	Awards	15,000.00	15,000.00	100.00%	61,000.00	59,889.69	98.18%	
	Total	1,161,440.00	902,872.82	77.74%	1,605,500.00	1,392,554.70	86.74%	
B3-301	EIT-KIC relations	100,000.00	37,989.00	37.99%	89,600.00	51,923.65	57.95%	
B3-303	Monitoring and evaluation	335,600.00	303,853.94	90.54%	99,000.00	70,461.94	71.17%	
	Total	435,600.00	341,842.94	78.48%	188,600.00	122,385.59	64.89%	
	Total - Title 3	257,572,234.70	244,774,789.20	95.03%	258,144,139.66	256,803,096.75	99.48%	
	TOTAL	262,986,761.70	249,912,564.69	95.03%	263,558,666.66	261,352,021.77	99.16%	588,850.47

4.5. Implementation of the commitment appropriations (C3) and payment appropriations per budget item (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	21,101,824.84	21,101,824.84	100.00%	2,545,368.92	2,545,368.92	100.00%
	Total	21,101,824.84	21,101,824.84	100.00%	2,545,368.92	2,545,368.92	100.00%
B4-001	Cancelled appropriations for year n-1 not used in year n	9,012,879.42	-	0.00%	4,520,339.39		0.00%
	Total	9,012,879.42	-	0.00%	4,520,339.39	-	0.00%
	GRAND TOTAL	30,114,704.26	21,101,824.84	70.07%	7,065,708.31	2,545,368.92	36.02%

4.6. Implementation of the commitment and payment appropriations per budget item (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)
B3-000	KIC Grants	431,827.42		0,00 %	431,827.42		0,00 %
	Total	431,827.42	-	0,00 %	431,827.42	-	0,00 %

4.7. Implementation of the commitment and payment appropriations per budget item (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	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%
	Total	263,239.16	263,239.16	100.00%	263,239.16	263,239.16	100.00%

4.8. Implementation of the commitment and payment appropriations per budget item (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-1300	Mission expenses	9,128.55	9,128.55	100.00%	9,128.55	9,128.55	100.00%	-
	Total	9,128.55	9,128.55	100.00%	9,128.55	9,128.55	100.00%	-
A-1401	Medical expenses	564.32	564.32	100.00%	564.32	564.32	100.00%	-
A-1402	Childhood centre	11,008.34	11,008.34	100.00%	11,008.34	11,008.34	100.00%	-
A-1403	Social contacts	394.26	394.26	100.00%	394.26	394.26	100.00%	-
	Total	11,966.92	11,966.92	100.00%	11,966.92	11,966.92	100.00%	-
A-1500	Training	33,117.81	15,227.44	45.98%	33,117.81	15,227.44	45.98%	-
	Total	33,117.81	15,227.44	45.98%	33,117.81	15,227.44	45.98%	-
A-1603	IT support	14,604.00	14,285.00	97.82%	14,604.00	14,285.00	97.82%	-
A-1604	Administrative assistance	59,263.00	59,082.37	99.70%	59,263.00	59,082.37	99.70%	-
A-1611	Translation	14,440.85	14,126.60	97.82%	14,440.85	14,126.60	97.82%	-
	Total	88,307.85	87,493.97	99.08%	88,307.85	87,493.97	99.08%	-
	TOTAL - Title 1	142,521.13	123,816.88	86.88%	142,521.13	123,816.88	86.88%	-
A-2020	Water gas electricity and heating	20,000.00	18,520.83	92.60%	20,000.00	18,520.83	92.60%	-
A-2030	Cleaning and maintenance	6,061.60	5,520.00	91.07%	6,061.60	5,520.00	91.07%	-
A-2040	Security and surveillance	500.00	180.00	36.00%	500.00	180.00	36.00%	-
A-2006	Fitting out of premises	2,260.40	2,036.34	90.09%	2,260.40	2,036.34	90.09%	-
	Total	28,822.00	26,257.17	91.10%	28,822.00	26,257.17	91.10%	-
A-2100	Acquisition renting of equipments and software	206,423.95	197,092.39	95.48%	206,423.95	197,092.39	95.48%	-
A-2101	Maintenance and repair of equipments	28,817.23	28,817.23	100.00%	28,817.23	28,817.23	100.00%	-
	Total	235,241.18	225,909.62	96.03%	235,241.18	225,909.62	96.03%	-
A-2300	Stationery	591.58	205.00	34.65%	591.58	205.00	34.65%	-
A-2301	Postage and delivery charges	465.21	212.31	45.64%	465.21	212.31	45.64%	-
A-2302	Telecommunication charges	13,985.48	9,464.50	67.67%	13,985.48	9,464.50	67.67%	-
A-2303	Legal expenses and damages	15,180.00	9,900.00	65.22%	15,180.00	9,900.00	65.22%	-
A-2305	Bank charges	294.87	294.87	100.00%	294.87	294.87	100.00%	-
A-2309	Other administrative expense	281.13	33.57	11.94%	281.13	33.57	11.94%	-
	Total	30,798.27	20,110.25	65.30%	30,798.27	20,110.25	65.30%	-
A-2400	Official Journal	500.00	499.18	99.84%	500.00	499.18	99.84%	-
	Total	500.00	499.18	99.84%	500.00	499.18	99.84%	-
A-2500	Organisation and travel expense of Governing Board meetings	58,357.20	45,423.52	77.84%	58,357.20	45,423.52	77.84%	-
	Total	58,357.20	45,423.52	77.84%	58,357.20	45,423.52	77.84%	-
	Total - Title 2	353,718.65	318,199.74	89.96%	353,718.65	318,199.74	89.96%	-
TOTAL - 1	Title 1 and Title 2	496,239.78	442,016.62	89.07%	496,239.78	442,016.62	89.07%	-

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 Regulation² 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.

² EIT Governing Board Decision of 27 December 2013 29/05/2017

The budget consists of a statement of revenue and expenditure.

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.
- Appropriations re-entered from previous years also supplement the current budget. These are
 - Differentiated commitment appropriations not used and available at 31 December of the financial year and re-entered by decision of the EIT Governing Board
 - Payment appropriations not used and available at 31 December of the financial year and reentered by decision of the EIT Governing Board
- Assigned revenue which is made up of
 - 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 (Table 1)

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 and/or re-entered.

The difference referred to above is increased or decreased

- by the net amount of appropriations carried over and re-entered from previous financial years which have been cancelled and,
- by the balance resulting from exchange gains and losses during the financial year, both realised and non-realised.

The payment appropriations carried over and re-entered include: automatic carryovers and carryovers and/or re-entering 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 as well as the re-entered by decision. It also includes the assigned revenue appropriations carried over.

5.3. Explanation of the reconciliation of the budget and economic result (Table 2)

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 XX 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 prefinancing 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 2016

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 12 high-calibre members balancing prominent expertise from the higher education, research, business and innovation fields.

Name	Function
NAGEL Rolf P.	Appointed GB Member
VAN DEN BERG Dirk Jan	Appointed GB Member
GARANA María	Appointed GB Member
TRBOVIĆ Ana S.	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
LAKATOS Péter	Appointed GB Member
NILSSON Björn O.	Appointed GB Member

EIT INTERIM DIRECTOR: Martin Kern

ESTABLISHMENT PLAN 2016

		20	16	•		20)15	•
Function group and grade	Authorised Communi	l under the ty Budget	Filled as of	f 31/12/2016	Authorised under the Community Budget		f 31/12/2015	
	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts	Permanent posts	Temporary Posts
AD 16								
AD 15								
AD 14		1				1		
AD 13								
AD 12								
AD 11		1		1		1		1
AD 10								
AD 9		7		5		5		4
AD 8		6		5		8		5
AD 7		9		8		5		5
AD 6		10		13		14		11
AD 5								
AD total		34		32		34		26
AST 11								
AST 10								
AST 9								
AST 8								
AST 7								
AST 6								
AST 5		1		1		1		1
AST 4		3		2		2		
AST 3		1		1		2		3
AST 2								
AST 1								
AST total		5		4		5		4
GRAND TOTAL		39		36		39		30