

DECISION 15/2015
OF THE GOVERNING BOARD OF
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE ADOPTION OF THE ANNUAL ACTIVITY REPORT 2014

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 Technology¹, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013² (hereinafter "EIT Regulation"), in particular, Section 2 (a) of the Statutes annexed to the EIT Regulation (hereinafter the "Statutes");

Having regard to Decision³ of the Governing Board of the EIT of 27 December 2013 adopting the Financial Regulation for the European Institute of Innovation and Technology (hereinafter "EIT Financial Regulation") as amended by Decision 6/2015 of the Governing Board of the EIT of 5 March 2015⁴, and in particular Article 47 (1) thereof;

WHEREAS

- (1) The Director shall prepare the draft annual activity report;
- (2) The Governing Board shall adopt the annual activity report of the European Institute of Innovation and Technology on the basis of a proposal from the Director.

HAS DECIDED AS FOLLOWS:

Article 1

The annual activity report 2014 is adopted as set out in Annex 1 of this decision.

¹ OJ L97 of 09.04.2008, p. 1.

² OJ L347 of 20.12.2013, p. 174.

³ 01364.EIT.2014.I.

⁴ 00101.EIT.2015.I.GB34

Article 2

The annual activity report will be published on the website of the European Institute of Innovation & Technology.

Article 3

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

Done at Budapest on 03 June 2015

Signed

Peter Olesen

Chairman of the EIT Governing Board



European Institute of
Innovation & Technology

Annual Activity Report

Financial year 2014

The EIT – Making Innovation Happen

European Institute of Innovation and Technology (EIT)

Budapest | 3 June 2015

www.eit.europa.eu



The EIT is a body of the European Union



Foreword

During 2014, the EIT made important progress in all areas of its operations while some challenges remained and were addressed as a matter of priority and with a sense of urgency. The first wave of the EIT's Knowledge and Innovation Communities (KICs) have steadily grown both in terms of budget, activities, and results. The EIT Community was further enlarged through the creation of two new KICs in the areas of healthy living and active ageing (EIT Health) and sustainable exploration, extraction, processing, recycling and substitution of raw materials (EIT Raw Materials), creating a new momentum and scaling up of the EIT's contributions to Europe's innovation landscape, sustainable growth and global competitiveness. The EIT has grown as an institute and laid the basis for the implementation of its ambitions towards further impact, financial sustainability of the KICs' activities and outreach across Europe and beyond. This provides the basis for a successful future of the EIT fulfilling its vision to become the leading driving force of innovation in Europe in areas of major societal challenges.

Martin Kern, EIT Interim Director

Contents

INTRODUCTION	4
The EIT in brief.....	5
The year in brief.....	5
Executive Summary	6
Highlights of the year (executive summary of part 1).....	6
Key conclusions on the effectiveness of the internal control system and financial management (executive summary on part 2 and 3).....	6
1. ACHIEVEMENTS	9
1.1 Consolidating and fostering growth and impact of the existing KICs.....	9
1.1.1 Consolidating and streamlining the grant cycle.....	9
1.1.2 Fostering collaboration, outreach and impact.....	11
1.1.3 Investing in KICs: EIT-KICs relations.....	13
1.2 Creating new KICs.....	14
1.2.1 Designation of the new KICs.....	14
1.2.2 Communication activities relating to the new KIC Call.....	16
1.3 Enhancing the EIT's impact.....	17
1.3.1 Encourage participation in outreach activities – the EIT Regional Innovation Scheme (EIT RIS).....	17
1.3.2 Knowledge sharing through communications and dissemination.....	17
1.3.3 EIT Alumni Community.....	18
1.3.4 EIT Awards.....	19
1.4 New delivery mechanism and results-oriented monitoring.....	20
1.4.1 Simplification.....	20
1.4.2 Results-oriented monitoring.....	21
1.5 Engaging with stakeholders.....	22
1.5.1 Relations with institutional and Knowledge Triangles stakeholders.....	22
1.5.2 EIT Stakeholder Forum.....	23
1.5.3 EIT Roundtable of Entrepreneurs.....	24
1.5.4 Third countries and international organisations.....	24
1.5.5 EIT Foundation.....	25
1.6 Specific efforts to improve 'economy' and 'efficiency' of financial and non-financial activities.....	26

2. MANAGEMENT OF RESOURCES	27
2.1 Management of human and financial resources	28
2.1.1 Human resources	28
2.1.2 Budgetary and financial management	29
2.1.3 Control effectiveness and efficiency	30
2.1.4 Fraud prevention and detection	34
2.2 Assessment of audit results and follow up of audit recommendations	34
2.2.1 European Court of Auditors (ECA) audits	34
2.2.2 Internal Audit Service (IAS)	37
2.2.3 Internal Audit Capability (IAC)	37
3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS.....	39
4. MANAGEMENT ASSURANCE.....	41
4.1 Review of the elements supporting assurance and possible reservations	41
4.2 Overall conclusion on assurance and reservation.....	41
DECLARATION OF ASSURANCE	42
ANNEXES	43
ANNEX 1: Human and Financial resources.....	43
ANNEX 2: Draft annual accounts and financial reports	44
ANNEX 3: Materiality criteria	55
ANNEX 4: Information on members of the EIT Governing Board and of the Executive Committee	56
ANNEX 5: List of contracts, external experts and grants awarded in 2014.....	58
ANNEX 6: Performance measurement system – Scoreboard*	63
ANNEX 7: Risk mitigating actions undertaken in 2014	64
ANNEX 8: Specific annex on the "Assessment of the effectiveness of the internal control systems"	66

INTRODUCTION

The EIT's Annual Activity Report 2014 is a report of the EIT Director. It is a key component of the strategic planning and programming cycle: it is the basis on which the EIT Director takes its responsibility for the management of resources and the achievement of objectives. It also allows the EIT Director to decide on the necessary measures to address any serious management and control weaknesses identified. It is in compliance with Article 47 of the EIT Financial Regulation, adopted by the Governing Board on 27 December 2013.

The Annual Activity Report 2014 comprises four parts and annexes:

Part 1 provides the EIT's operational achievements during 2014. It reviews these in comparison with the objectives set out in the Work Programme for 2014, describing the main actions undertaken towards consolidating and fostering the growth and impact of the existing KICs, creating new KICs, enhancing EIT's impact, and delivering a result-oriented monitoring mechanism and engaging with stakeholders.

Part 2 outlines the EIT's human and financial resources management and the assessment of audit results and recommendations follow-up.

Part 3 addresses the implementation and the assessment of the effectiveness of the internal control systems.

Part 4, on management assurance, concludes with a declaration of assurance in which the Interim Director, in his role as Authorising Officer, assures the legality and regularity of all financial transactions under his responsibility.

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 (EU). 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' – that is, higher education, research and business – in Knowledge and Innovation Communities (KICs). By bringing together major players from all 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 so as to turn major societal challenges into future economic opportunities realising growth and jobs. The EIT will contribute to Europe 2020, the 'Innovation Union', Horizon 2020 and the European Commission's objectives by continuing to integrate the three sides of the knowledge triangle. This integration takes place primarily via the KICs, which bring together excellent organisations on a long-term basis to work on societal challenges. Based on existing European excellence, the KICs will continue to build upon and create new ecosystems tackling 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 top talent from all over the world.

To date, the EIT has established a total of five KICs: Climate-KIC, EIT ICT Labs and KIC InnoEnergy are now fully operational and deliver outputs and results measured by the EIT's key performance indicators (KPIs); EIT Health and EIT Raw Materials were designated in December 2014.

The year in brief

In 2014, the first three KICs significantly expanded their portfolio of activities and two new KICs were designated in December. With the amendments of both the EIT Regulation and EIT Financial Regulation, the EIT was fully integrated into Horizon 2020: the EU Framework Programme for Research and Innovation. In 2014, the EIT also launched its Regional Innovation Scheme (EIT RIS) to enable EIT activities to reach out to regions in Europe with weaker innovation capacity. The EIT's budget was increased to EUR 2.7 billion for the period 2014–2020. For 2014, the EIT budget amounted to EUR 235.4 million in authorised commitment appropriations.

Executive Summary

Highlights of the year (executive summary of part 1)

In 2014, the financial support from the EIT to the first wave of Knowledge and Innovation Communities (KICs) amounted to approximately EUR 214 million. The KICs submitted reports on their 2013 activities by the end of March and, after being assessed by the EIT, these reports resulted in approved amounts of approximately EUR 122 million. By the last quarter of 2014, the KICs' 2015 business plans had been analysed, resulting in commitments totalling EUR 260 million allocated to the first wave of KICs.

A call for two new KICs was launched in February, with a deadline for application on 10 September. The themes covered by that call were: (i) Innovation for healthy living and active ageing; and (ii) Raw materials: sustainable exploration, extraction, processing, recycling and substitution. Proposals were evaluated in the last quarter of the year and the designation of the two successful bids was announced on 9 December, thus creating EIT Health and EIT Raw Materials.

During 2014, the EIT Regional Innovation Scheme was introduced and piloted as a new element of the EIT outreach strategy. Furthermore, a new EIT website and EIT community brand identity were launched, including brand architecture, community values, brand tone and a new visual identity, as well as a naming convention for the EIT KICs.

Key conclusions on the effectiveness of the internal control system and financial management (executive summary on part 2 and 3)

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

Implementation of the budget

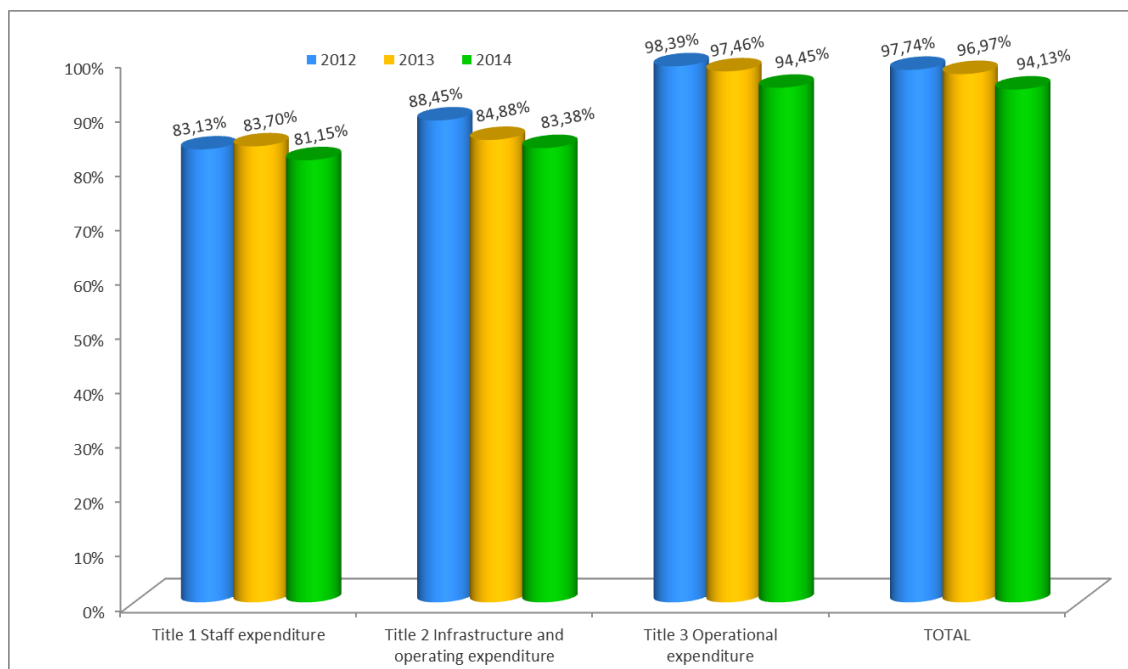


Figure 1: Budget execution of commitment appropriations.

For commitments, the authorised budget was implemented at 94,13%. The implementation rate compared to 2013 was slightly lower (2013: 96,97%) due to slightly lower committed grant amount than expected while **authorised commitment appropriations almost doubled**, namely increased by 65,5% from 2013 to 2014 (2014: EUR 235,4 million, 2013: EUR 142,2 million).

The total implementation of payment appropriations, EUR 163,9 million, represents an implementation rate of 92,47% (or 98,03% if the comparison base is the cashed payment appropriations¹). The implementation rate compared to 2013 was lower (2014: 92,47%, 2013: 96,86%) at the level of authorised appropriations but almost same high like in 2013 at the level of cashed appropriations (2014: 98,03%, 2013: 98,42%).

The cashed amount of payment appropriations is EUR 10 mio less than the authorized one (cashed: EUR 167,2 mio, authorised: EUR 177,2 mio). According to EIT's rigorous treasury management, EIT requested less EU subsidy than it was authorised in the European Union's budget.

¹ The cashed amount of payment appropriations is EUR 10 mio less than the authorized one (cashed: EUR 167,2 mio, authorised: EUR 177,2 mio). According to EIT's rigorous treasury management, EIT requested less EU subsidy than it was authorised in the European Union's budget. Article 14 of the EIT Financial Regulation allows flexible management of the funds allowing cancelled appropriations to be re-entered in the estimate of revenue and expenditure up to the following three financial years.

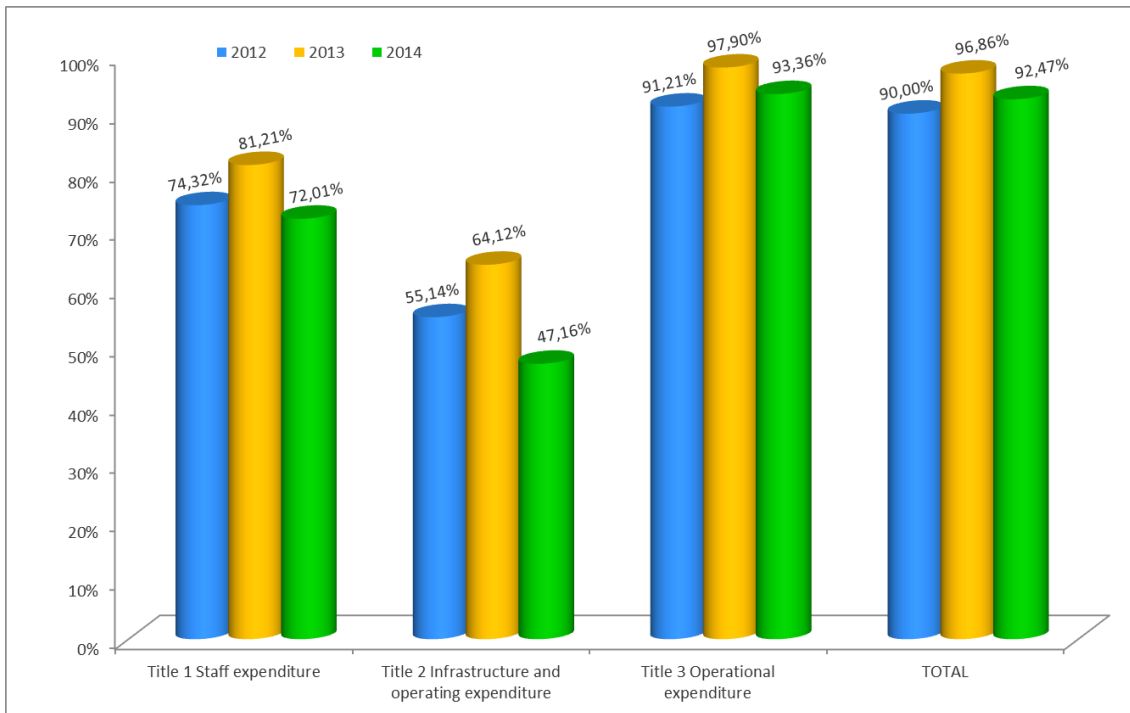


Figure 2: Budget execution of payment appropriations.

Internal control system

The EIT applies the internal control standards set by the Commission, aimed to ensure the achievement of operational objectives. As required by the EIT Financial Regulation, the EIT Director 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.

EIT has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented. Furthermore, EIT has taken measures to further improve the efficiency of its internal control systems in the areas of ICS 8: Processes and Procedures and ICS 10: Business Continuity, as reported in Part 2.

In addition, EIT has systematically followed up the observations and recommendations issued by the Internal Audit Service of the European Commission, its own Internal Audit Capability and the European Court of Auditors. The recommendations have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives and action plans to implement them have been put in place. Please refer to Part 2 for further details.

In conclusion, management has reasonable assurance that, overall, adequate controls are in place and working as intended; risks are being appropriately monitored and mitigated. Although weaknesses remain in a number of areas and further improvements are necessary, the necessary steps and corrective actions are under implementation to address them. The EIT Interim Director, in his capacity as Authorising Officer has signed the Declaration of Assurance.

1. ACHIEVEMENTS

1.1 Consolidating and fostering growth and impact of the existing KICs

1.1.1 Consolidating and streamlining the grant cycle

Grant allocation 2014 and Business Planning 2015

Following the decision of 5 December 2013 of the EIT Governing Board about the allocation of the financial contribution to the KICs for 2014, the Grant Agreements between the EIT and the KICs were signed in February 2014 for the following amounts:

- Climate-KIC : EUR 63 528 000
- EIT ICT Labs : EUR 60 077 000
- KIC InnoEnergy : EUR 56 395 000

The EIT Governing Board decided on certain requirements in view of the allocation of a second tranche of the 2014 financial allocation to the KICs, grant amendments were signed during the first half of the year between EIT and the KICs, leading to a maximum financial contribution of EUR 75 390 000 to Climate-KIC, EUR 73 400 000 to EIT ICT Labs, and EUR 69 695 000 to KIC InnoEnergy. Additional amendments were signed leading to a final EIT contribution of EUR 71 845 805 EUR to EIT ICT Labs and 66 560 974 EUR to KIC InnoEnergy for 2014. Thus, the total EIT financial contribution to the KICs in 2014 amounted to EUR 213 796 779.

In the first quarter of 2014 the EIT Governing Board defined the principles and criteria for the allocation of the annual EIT financial contribution to the KICs in 2015, fine-tuning a performance based competition based on an open and transparent procedure. The EIT subsequently issued updated Guidelines to the KICs on the preparation of their business plans and reports.

In the second quarter of the year the EIT analysed the reports about the activities of the KICs in 2013 from the operational and financial point of view. The internal procedures and modalities of the EIT ex-ante

operational verification were optimised and strengthened. The ex-ante assessment of KIC reports resulted in final grant amounts approved for GA 2013 of 42,096,006.57 EUR for Climate KIC, for 39,241,064.71 EUR EIT ICT Labs and 40,517,539.64 EUR for KIC InnoEnergy. The EIT's ex-ante verification resulted in a deduction of 1,028,285 EUR, corresponding to 0.84% of the grant amount claimed. The payment of the GA 2013 final balance to the KICs have been executed in August 2014. On the basis of the assessment of KIC reports and results in 2013, the EIT finalised the evaluation of the past performance of the KIC that represented one of the three pillar of the allocation of competitive funding to the KICs for 2015.

Following the submission of the KICs' Business Plans for 2015, the EIT was supported by panels of external experts for the assessment activities planned by the KICs. The EIT revised the methodology and the specific guidance notes for independent experts in order to reinforce the quality of the ex-ante assessment of Business Plans. The experts drafted their consolidated assessment report including a list of main strengths and weaknesses for each KIC's. Subsequently the KICs were invited to a Hearing to the EIT Governing Board on 10 December 2014 during which there was an assessment of the implementation and the developments of the multi-annual strategy of the KICs. The assessment was also supported by a multiannual overview of the evolution of the KICs in the years 2010-2014 and the contribution of 2015 KIC Business Plan to the 7-year strategy.

As results of the whole competitive funding process, the following amounts were allocated to the KICs for 2015: EUR 91 181 664 to Climate-KIC, EUR 83 824 033 to EIT ICT Labs, and EUR 84 994 302 to KIC InnoEnergy. Therefore the total EIT financial contribution to the KICs for 2015 amounted to EUR 260 000 000. The EIT also issued tailor-made strategic recommendations to each KIC in order to strengthen key areas as well as requirements for the revision of the Business Plans prior to the signature of the Grant Agreements with the KICs.

During 2014, further steps were also taken by the EIT to align its implementing provisions with Horizon 2020 Rules for Participation. The whole process conducive to the allocation of EIT contribution to the KICs for 2015 and the signature of the contracts was simplified and substantially improved gaining both in efficiency and effectiveness, while at the same time addressing audit recommendations.

Ex-post audits:

Ex-post audits of cost reports related to grant agreements 2012 were performed by an external service provider on the basis of the Framework Contract of the European Commission. They were completed in May 2014. In accordance with the audit methodology devised by the EIT, the KIC Partners to be audited were selected by the EIT on the basis of a risk assessment in order to maximise the efficiency of the resources spent on ex-post audits. 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. As a result of the audits, the EIT has recovered from the KICs all ineligible amounts identified by the auditors.

Development of IT tools to support the grant management systems:

The EIT in 2014 continued to develop its Grant Management Platform for KIC business plans and reporting. During 2014, EIT finalised the module for the submission of KICs Business Plans and started to develop the

module for the submission and assessment of the reporting. The Grant Management platform now also integrates a Business Intelligence platform that provides reports on the activities of the KICs based on data derived from KICs' Business Planning and Reporting.

Performance indicator	Target	Results/Current situation (as achieved)
Signature of GA 2014	By end January 2014	Signed annual grant agreements with three KICs in February 2014
Timely processing and finalisation of ex-ante verification of GA 2013 performance and cost reports	By end July 2014	Three Assessment reports on GA 2013 performance and cost reports completed by July 2014 Three final balance payments executed by August 2014
Timely processing and finalisation of ex-post audits GA 2012 and selection of service provider for ex-post audits GA 2013	By end September 2014	Ex-post audit reports on GA 2012 finalised and recoveries executed by May 2014 Contract for ex-post audits on GA 2013 signed on 8 October 2014
Timely processing and finalisation of assessment of business plans relating to GA 2015	By end October 2014	GB decision on the allocation of 2015 funds to KICs in December Guidance documents for preparation of the Business Plans for 2015 completed and submitted to the KICs in April
Simple, user-friendly and efficient IT tools for supporting grant management	By end 2014	IT platform for 2015 business plans completed and operational IT platform for GA 2013 and GA 2014 reporting developed and operational Electronic workflow for entry and exit of KIC partners delayed

1.1.2 Fostering collaboration, outreach and impact

Education agenda

In 2014 the EIT and its KICs continued to collaborate on the education agenda through the structured dialogue of the previous years, focusing on strengthening the cooperation across-KICs in certain strategic activities:

- In 2014 the EIT and its KICs started the revision of the EIT Label handbook that was initially approved in 2012 and which sets up the basis for the EIT Label implementation. As a result, at the end of 2014 a revised framework of the EIT Label was created with a, describing the objectives and overarching quality criteria that will ensure that EIT labelled courses will achieve the desired learning outcomes. The specific application of this framework to full degree masters, to doctoral programmes, and to other training courses will be completed in 2015.

- Regarding the implementation of the EIT Label, which recognises master and doctoral programmes that successfully train students and doctoral candidates on skills and competences leading to more entrepreneurial and innovative mind-sets, at the end of 2014 a total of 136 master degrees and three doctoral programmes were awarded this label. This objective was achieved thanks to the effort of the KICs to promote the inclusion of specific training on relevant competences for this purpose.
- In 2014 all the KICs devoted efforts to work on the Massive Open-Online Programme initiative, later renamed as Online Education Initiative. Each KIC worked on different yet complementary areas in accordance with the cross-KIC approach to the MOOP initiative. The distinctive pedagogical approach to online education proposed by this cross-KIC initiative is based on the methodology of intended and achieved learning outcomes, in accordance with the experience gathered after the Bologna Process in Europe. The three KICs developed different parts of the online platform to host the online courses and programmes.

Business Creation

In 2014, the Entrepreneurship group designed the Business Creation Review, which will be completed in 2015. As part of the EIT's action plan to develop a comprehensive monitoring strategy, this review will review the results of the KIC's business creation activities to draw up lessons learnt.

Research based innovation

No specific activities in this area took place under the auspices of the EIT. However, the exchange of best practices across KICs was encouraged.

Knowledge Triangle Integration

Based on initial work in this field, the EIT has set up a strategic working group on knowledge triangle integration, which is expected to become fully operational in 2015.

Performance indicator	Target	Results/Current situation (as achieved)
Timely delivery of the Massive Open Online Programmes (MOOP)	By end 2014	The platform has been created as a prototype; platform launched for wider public is planned for 2015.
Timely and effective implementation of the EIT guidelines for the labelling of KIC Masters and PhD programmes	By end 2014	136 Master programmes and 3 doctoral programmes from KICs were successfully awarded with the EIT Label.
Organisation of a workshop with KIC Entrepreneurship Directors	By end 2014	The EIT Working Group with the KIC Business Creation Directors met three times in 2014 – face-to-face in

		February and June, by video conference in September.
Organisation of workshops with KIC Research/ Innovation Directors	By end 2014	This workshop did not take place (due to lack of available human resources).
<p>Identification and formation of an expert group supported by outstanding scholars to further elaborate the Knowledge Triangle Integration concept;</p> <p>Timely completion of a paper clarifying the Knowledge Triangle and its integration concept.</p>	<p>Expert group and group of outstanding scholars established by Q1/2014</p> <p>Two successful meetings with invited experts held in Q2/2014</p> <p>Draft Knowledge Triangle Integration concept by Q3/2014</p>	<p>Clarification of the concept of the Knowledge Triangle through the establishment of a strategic working group.</p> <p>Presentation of the first results and initial discussions about the Knowledge Triangle and its integration at an expert conference.</p>
Timely preparation of a strategy identifying good practices and areas from the first three KICs regarding the integration of the Knowledge Triangle.	Good practices emerging from the first three KICs regarding the integration of the Knowledge Triangle.	This activity was postponed to early 2015 and integrated into the deliverables of the EIT Working Group on Knowledge Triangle Integration.

1.1.3 Investing in KICs: EIT-KICs relations

Four EIT-KIC Forum meetings were held in the course of 2014 chaired by the EIT Director and with the participation of KIC CEOs, as well as European Commission staff members in their role as observer. The decisions and action points are set out in details in the minutes of each meeting.

The main topics covered were as follows:

9th EIT-KIC Forum meeting, 19 February:

- Development of concept paper for EIT monitoring strategy;
- Rules for entry of entities from third countries in line with H2020;
- EIT Community brand identity review.

10th EIT-KIC Forum meeting, 8 July:

- Preparation of the KIC Business Plan 2015, modalities of Hearings at the EIT Governing Board;
- Revision of Framework Partnership Agreement and Specific Grant Agreements;
- Principles of good governance.

11th EIT-KIC Forum meeting, 4 September:

- 2015 funding allocation, EIT Regional Innovation Scheme concept;
- Revision of Framework Partnership Agreement and Specific Grant Agreements;
- Education agenda: revision of the EIT handbook.

12th EIT-KIC Forum meeting, 13 November:

- Revision of Framework Partnership Agreement and Specific Grant Agreements;
- Principles of good governance;
- EIT monitoring strategy: terms of reference for the Monitoring Working Group;
- Financial Sustainability: consultation on draft concept note;
- European Court of Auditors performance audit.

Performance indicator	Target	Results/Current situation (as achieved)
Number of meetings of EIT-KIC Forum and of Partnership Management Task Forces	4	EIT-KIC Forum meetings held: 19/02/, through videoconference 08/07/, London 04/09/, Barcelona 13/11/, Eindhoven
Number of meetings of EIT-KIC Education and Innovation working groups	3	Meetings of EIT-KIC Education Directors held: 11/03/, Brussels 15/05/, Brussels 13/10/, Stockholm 17/11/, video conference

1.2 Creating new KICs

1.2.1 Designation of the new KICs

To further enhance its impact and to incentivise the innovations needed to meet new societal challenges, the EIT, as established in the EIT Regulation and Strategic Innovation Agenda (SIA), is gradually expanding its portfolio of Knowledge and Innovation Communities (KICs).

On 14 February 2014, the EIT launched the selection process for two new KICs in the thematic areas of: 1) Innovation for healthy living and active ageing (“EIT Health”); and 2) Raw materials: sustainable exploration, extraction, processing, recycling and substitution (“EIT Raw Materials”).

Prior to publication of the call, the EIT published on its web site the following documents:

- 2014 KIC’s Call Selection Criteria (on 13 December 2013)
- EIT Principles for financing, monitoring and evaluating KIC activities (on 20 January 2014)
- Framework of Guidance for the 2014 Call for KIC proposals (on 27 January 2014)

The text of the EIT Call for KIC proposals was published in the Official Journal² and on the EIT website³ on 14 February 2014.

The electronic proposal submission system was opened for proposals registration on 28 February 2014. The registration of the proposals was done through the Horizon 2020 Submission and Evaluation Portal accessible through the EIT’s web page.

The EIT organised an Information Day on the 2014 Call for Knowledge and Innovation Communities (KICs) Proposals on 14 March 2014 in Budapest. The main objectives of the event were to provide participants with information on the Call and guidance to potential applicants in submitting high quality and successful applications. Over 350 participants attended the conference who were provided with an opportunity to network and engage with the EIT. Attendance of this event was open to all interested innovation stakeholders and registration was on a first come first served basis. The information about the event is presented at the EIT’s web site <http://eit.europa.eu/interact/events/information-day-eit-2014-call-knowledge-and-innovation-communities-kics-proposals>

During the submission period the applicants were encouraged to submit questions via the Contact Page on the EIT website. Replies were given until 31 July 2014. All questions together with their answers were published on the EIT’s website (<http://eit.europa.eu/collaborate/2014-call-kics/faq>).

The call was closed on 10 September 2014. In total seven eligible proposals were received for evaluation. The proposals were evaluated by a panel of independent, external experts. Experts were briefed in Budapest on 29 September 2014, and consensus meetings were held in Budapest on 28-29 of October. The highest-ranked proposals from each theme were invited to the GB hearings. The EIT appointed a high-level Independent Observer (IO) who gave an opinion on the conduct and fairness of the evaluation process carried out by the Panels of Experts. The IO confirmed a proper conduct of the evaluation process. The selected proposals for the GB hearings were also assessed by the Final Recommendation Panel. The Panel’s goals were: to identify strengths and weaknesses of each of the analysed proposal and to present recommendations concerning the way in which each of these proposals may need to be improved and/or strengthened. The EIT GB held hearings with representatives of 5 partnerships selected by the Panels of Experts. Hearings took place at the EIT in Budapest on 9 December 2014. Immediately following the hearings the EIT Governing Board designated the two new KICs, EIT Health and EIT Raw Materials.

² (2014/C 43/11) on 14 February 2014. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2014:043:0010:0010:EN:PDF>

³ <http://eit.europa.eu/collaborate/2014-call-for-kics>

On 15 December 2014 the EIT sent to the selected partnerships designation package to structure the start-up process of the new KICs.

Performance indicator	Target	Results/Current situation (as achieved)
Timely launch of the Call for Proposals, including comprehensive Framework Guidance document setting out relevant information for applicants	14 February 2014	Call published in the OJ on 14 February Framework Guidance published on the EIT website
Timely designation of two new KICs	December 2014	Designation of new KICs on 9 December

1.2.2 Communication activities relating to the new KIC Call

The EIT prepared a number of communication activities to promote and disseminate information relating to the 2014 Call for KICs Proposals. The main element of the EIT's communications activities linked to the 2014 call was the successful organisation of an Information Day in Budapest on 14 March 2014 where more than 340 stakeholders took part. In addition, all sessions were streamed live on the EIT website and all sessions were uploaded to the EIT website and YouTube channel to ensure access to these after the event.

Moreover, the EIT produced and disseminated appropriate information material and developed a dedicated sub-site as part of the EIT website for the 2014 Call. Through this sub-site, the EIT ensured equal access to information by publishing all the latest information and documents relating to the call and by actively maintaining a dedicated 2014 Call for KICs FAQ page.

Performance indicator	Target	Results/Current situation (as achieved)
Successful organisation of an event	300 participants with 95% satisfied or fully satisfied with the delivered content of the event (to be measured using a questionnaire to participants)	Stakeholders attended the EIT Information Day and addressed questions relating to the 2014 KIC Call directly to the EIT. In total 346 participants took part in the Information Day. Based on responses to an online questionnaire 95.4% of participants were satisfied or fully satisfied with the EIT Information Day

1.3 Enhancing the EIT's impact

1.3.1 Encourage participation in outreach activities – the EIT Regional Innovation Scheme (EIT RIS)

In 2014, the EIT Regional Innovation Scheme (RIS) was introduced as a new element of the EIT and the KICs outreach strategy. With a view to ensure a common understanding and coherent implementation of the overarching principles of this new structured outreach scheme as set out in the Amended EIT Regulation and Strategic Innovation Agenda, a guidance note had been prepared by the EIT supporting the KICs in the conceptualisation of this (voluntary) scheme. Guidance provided included further elaboration of the objectives, main principles and characteristics including examples of potential activities to be carried out under the scheme.

The development and implementation of a fully-fledged EIT RIS by the EIT and its KICs has been designed as a gradual process, which will be based on lessons learnt from the implementation of 2014 outreach activities. In 2014, the EIT supported the KICs in the implementation of the EIT RIS by organising two dedicated workshops with nominated KIC co-ordinators to add clarifications concerning the key principles, to share experiences and early lessons learnt, as well as future plans for implementation of targeted activities in priority areas.

Performance indicator	Target	Results/Current situation (as achieved)
Timely preparation of strategic guidance	Strategic guidance approved by the EIT by Q2/2014 at the latest (allowing for pilot implementation in 2015)	Strategic guidance for the implementation of the EIT RIS was provided to the KICs as an integral part of the EIT Guidelines for the 2015 Business Plan development issued on 30 April 2014

1.3.2 Knowledge sharing through communications and dissemination

In the course of 2014, the EIT continued to focus its communications activities on one overarching objective, namely to increase the level of awareness, visibility and understanding of the EIT and its KICs across the European innovation landscape.

To achieve this, the EIT began implementing recommendations put forward in its revised 2013 Communications Strategy and conducted a brand review exercise of its community consisting of the EIT and its KICs (existing and future). The overall purpose of the brand review was to develop a coherent branding strategy for the growing EIT Community. The updated EIT Community brand identity was launched by the EIT on 01 December 2014. It aims to facilitate communications about the EIT and the KICs as well as help stakeholders understand the EIT and its KICs.

As recommended in its integrated Communications Strategy, additional EIT communications and dissemination activities focused on strengthening its collaboration with the first three KICs, on consolidating its digital communications portfolio, and on engaging more pro-actively with the media.

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

Performance indicator	Target	Results/ Current situation (as achieved)
Timely development of the brand strategy	Brand strategy adopted by the EIT Governing Board by end 2014	The EIT Community brand identity was adopted by the EIT Governing Board in September 2014 and was successfully launched by the EIT on 01 December 2014
Timely launch of the new website	New website launched by March 2014	A new modern website with a new look and new functionalities for improved content, structure, and navigation established was launched (due to internal priorities) on 29 May 2014
Quantitative increase in visits to EIT website	10% increase in visitors to the EIT website thereafter, based on 2013 visitor statistics	Compared to 2013, there was a 16.3% increase in unique visitors
Feedback from stakeholders	Positive, above average feedback received (as measured by a satisfaction survey conducted in Q4/2014)	Due to internal change of priorities a satisfaction survey was not conducted in 2014 and is now foreseen for 2015

1.3.3 EIT Alumni Community

Based on the outcomes of the EIT Alumni Connect event organised in November 2013, the EIT identified key stakeholders from KICs and their alumni associations to support building the EIT Alumni Community. In 2014, two EIT Alumni working group meetings were held to drive the further development of the EIT Alumni Community as a joint EIT-KIC activity. As a result of this co-operation, the EIT strategy for the development of the EIT Alumni Community was finalised and a draft outline for its implementation was agreed. In addition, the EIT developed in close co-operation with all three KICs and their alumni representatives a concept for the second EIT Alumni Connect event to be held in May 2015.

The EIT Alumni Community development process did not progress as expected in 2014. The EIT Alumni working group resumed its activities at the end of 2014 in a new, reinforced composition. Due to these challenges the implementation plan was only partially developed.

Performance indicator	Target	Results/Current situation (as achieved)
Timely identification of relevant stakeholders by Q1/2014	Refined strategy and implementation plan defined and adopted by Q3/2014	The core team comprising relevant stakeholders was established to define the portfolio of activities and to support its implementation
Timely production of a refined strategy and implementation plan for an EIT Alumni Community, including mission, vision, goals, governance and management structure and portfolio of activities		Refined strategy and next steps for the implementation of the EIT Alumni Community were defined. The implementation plan was only partially developed and will be finalised in Q2/2015, based on the outcome and as a follow-up to the EIT Alumni Connect event in May 2015

1.3.4 EIT Awards

In 2014, the awards for all three EIT CHANGE Award winners were elaborated and implemented. For the EIT Venture Award winners one tailor-made package was developed and implemented. Despite huge efforts and flexibility as regards timing and opportunities offered, no tailor-made packages could be devised for the other two EIT Venture Award winners owing to lack of responsiveness of the ventures.

Furthermore, in 2014, a new award category, the EIT Innovators Award, was conceptualised and developed in consultation with the first three KICs. This award will be given for the first time on the occasion of the EIT Innovation Forum 2015 INNOVEIT event. The EIT Innovators Award recognises KIC innovation teams composed of individuals from across the Knowledge Triangle that have developed a product, service or process with a high potential for societal and economic impact.

Performance indicator	Target	Results/Current situation (as achieved)
Attractiveness of the scheme and level of satisfaction with awards package	Positive feedback received from the KICs on the attractiveness of the scheme.	EIT Awards packages were implemented in a timely manner for all three EIT CHANGE Award winners and for one EIT venture Award winner.
Timely implementation of award packages	Above-average feedback received from beneficiaries on	Two award packages could not be devised despite an extended deadline to Q4/2014.

	satisfaction with awards package. EIT Awards packages for all six 2013 Award winners implemented by Q2/2014	The contents of the EIT Awards packages devised were appreciated highly as proven by feedback received from winners.
New EIT Award category conceptualised and made public on the occasion of the next EIT Awards event.	Concept for at least one new Award category developed and internally agreed with a view to implementation in spring 2015.	A new category, the EIT Innovators Award, was conceptualised and agreed internally for introduction at the EIT INNOVEIT 2015 event on 05-07 May 2015.

1.4 New delivery mechanism and results-oriented monitoring

1.4.1 Simplification

Striking a balance between accountability and flexibility is key to the EIT, particularly with regard to its unique ‘living partnership’ with its KICs. Monitoring and simplification are dynamic processes embedded in the EIT’s strategy and operations – as set out in the Strategic Innovation Agenda. Some of the activities that contribute to the simplification goal of the EIT nevertheless had to be postponed due to conflicting priorities or due to external factors beyond the EIT’s control. The revision of the grant assurance strategy was postponed to Q1 2015 and was successfully finalized by the 15 April 2015. As regards the Framework Partnership Agreement (FPA) revision exercise, the finalization of the templates has been postponed to Q2 2015. The concept of ‘trusted partner’ was reviewed and was transformed into another process with similar objectives, called standards for the management and control systems of the KICs. The implementation of these systems is planned for the fourth quarter of 2015.

Finally, the EIT funding model, including the KIC Added Value Activities / KIC Complementary Activities (KAVA /KCA) concept was further developed in line with the Amended EIT Regulation. Moreover, the Principles of Financing Evaluation and Monitoring of the KICs were improved and approved by the EIT Governing Board.

Performance indicator	Target	Results/Current situation (as achieved)
Timely delivery of simplification measures	By end 2014	Revised Grant Assurance Strategy and updated guidelines postponed to Q1 2015.

		Trusted Partner concept was in the 2014 replaced by development of good governance principles for the KIC's management and control systems.
--	--	---

1.4.2 Results-oriented monitoring

Together with excellence, impact has been one of the guiding principles of the EIT since its creation. In a context of economic frailty, demonstrating a tangible and measurable impact is essential. The EIT and the KICs are characterised by a focus on results and an ambition to achieve long-lasting impact in the way the EU approaches and manages innovation. Results-oriented monitoring in the EIT context requires not only measuring the number of created start-ups but also assessing their long-term success, economic impact or associated job creation. For example, an appropriate follow-up of students is needed to not only know their numbers but also their career prospects and progress, success and achievements in their respective fields. In this context, the EIT set itself the ambition to develop a comprehensive monitoring strategy by end of 2015.

With the aim to respond to the challenge of setting up the basis for this process, a Working Group on Monitoring Strategy was launched in September 2014. Initially the focus was on clarifying the terminology, followed by a discussion linking the area of monitoring with aspects of outreach and financial sustainability. The EIT concluded that the EIT's evaluation strategy should monitor comprehensively the relevance, efficiency, effectiveness, utility/ sustainability and impact of EIT funds to demonstrate that funds maximise outcomes and results and create impact. And after analysing existing monitoring practices it was concluded that some of these criteria need further analysis (notably the ones on impact, outcomes, relevance and effectiveness at outcome level) and that the internal analysis undertaken at the EIT should be complemented by opinions/recommendations of the EIT Governing Board, the KICs and the European Commission.

In this context, the EIT approved an action plan for 2015 addressing the most critical areas in evaluation and monitoring. In 2014, the Business Creation review started, as planned, and it was decided that the EIT Performance Management System and its Key Performance Indicators would be revised only after finalising an analysis of the EIT impact model. Furthermore, the action plan includes in 2015 a number of reviews to complement the Business Creation one launched in 2014, which will cover the pillars on education and innovation.

Performance indicator	Target	Results/Current situation (as achieved)
Knowledge triangle integration	By end 2014	The launch of studies to analyse how KICs are developing knowledge triangle integration and on results-oriented monitoring approach for innovation in KICs have been postponed for 2015 and integrated in the action plan for the development of a comprehensive monitoring strategy
	By Q3/2014	

Monitoring of innovation in KICs		
Review and revision of EIT performance monitoring system	By Q3/2014	The review of Key Performance Indicators has been postponed for a deeper KPI review planned in 2015, in line with the revision of the EIT's impact model. In 2014 existing KPIs were revised only to seek coherence and robustness, which resulted in some adjustments in some formulas.

1.5 Engaging with stakeholders

1.5.1 Relations with institutional and Knowledge Triangles stakeholders

Throughout the year, the EIT continued to directly engage with institutional stakeholders, including the European Parliament, European Commission services and EU Member States as well as other key stakeholders from across the Knowledge Triangle thereby further reinforcing engagement in a structured, targeted and tailored manner. Regular informal exchanges took place at all levels including EIT Governing Board Members, the EIT Interim Director and his staff and on numerous occasions at the EIT Headquarters in Budapest, in Brussels and several Member States. For example, the Chairman of the EIT Governing Board participated in a debate at the European Parliament on open innovation and the EIT Interim Director held a presentation at the League of European Research Universities (LERU), focussing on the integration of the Knowledge Triangle.

Performance indicator	Target	Results/Current situation (as achieved)
Regular exchange with institutional stakeholders (based on joint meetings held and/or events attended)	Informal exchanges with key institutional stakeholders (including at least one high-level meeting including EIT management and GB)	Two high-level meetings: visit of Commission President Barroso in September and of Commissioner Navracsics in October to EIT HQ
Regular exchange with representatives of Knowledge Triangle stakeholders (based on joint meetings held and/or events attended)	Quarterly engagement with multiplier organisations of Knowledge Triangle stakeholders through EIT permanent support group	Dialogues have taken place with key Knowledge Triangle stakeholders (among others the Russell Group, Slovenian stakeholders at the Innovation Day, European Forum for Entrepreneurship Research) with a view to ensuring that the EIT's mission, concept and main activities are understood and supported

1.5.2 EIT Stakeholder Forum

In 2014, a new platform for interaction with stakeholders was introduced with the entering into force of the Amended EIT Regulation and the EIT Strategic Innovation Agenda 2014-2020. The EIT conceptualised and subsequently implemented the first edition of the EIT Stakeholder Forum including the special configuration of Member State representatives in Brussels on 11 June 2014. The aim of this pilot edition was to hold a first structured dialogue with EIT key stakeholders and to provide in timely manner information on pertinent issues. It was held in form of two separate half-day meetings with EU Member States and EU level umbrella organisations from the Knowledge Triangle meeting separately as set out in the Amended EIT Regulation.

Performance indicator	Target	Results/Current situation (as achieved)
Coverage of targeted stakeholder categories (types of stakeholders and geographical coverage)	Introduction of a new tool for enhanced engagement with the wider EIT community	First EIT Stakeholder Forum and Member State configuration meeting held on 11 June 2014.
	Balanced representation of targeted stakeholder categories, including institutional and Knowledge Triangle stakeholders	18 European umbrella organisations representing all three sides of the Knowledge Triangle participated in the EIT Stakeholder Forum.
	Positive, above-average feedback received from participants	88% of participants provided positive, above-average feedback
	Introduction of a new tool for enhanced engagement with the EU28.	First EIT Stakeholder Forum including the specific Member State configuration took place in June 2014.
	Participation of at least two thirds of all EU Member States	A total of 23 Member States participated in the first edition, i.e. 82 % of all EU Member States
	Positive, above-average feedback received from participants as measured by a dedicated survey	A majority of respondents stated that the overall organisation of the meeting was good, very good or excellent only 12% stated that it was satisfactory. In the responses, it was specified several times that the EIT Stakeholder Forum is indeed a useful format and gives the possibility to interact directly with the EIT

		Lessons learnt from the first edition were analysed thoroughly and fed into the refined concept of future meetings
--	--	--

1.5.3 EIT Roundtable of Entrepreneurs

The initial concept of the EIT Roundtable was reviewed subsequent to two editions and feedback received from stakeholders on both occasions. In conclusion, a refined concept was developed and agreed internally with a view to ensure a more targeted format addressing an expert audience on pertinent EIT topics and resulting in concrete recommendations for follow-up by the EIT and its KICs. The refined concept was translated by a dedicated project team into a new format for EIT Roundtables which have been integrated as specific thematic sessions into the EIT INNOVEIT 2015 event to be held on 05-07 May 2015. During this event, EIT Roundtables will be organised aimed at investors, education experts and stakeholders from the Knowledge Triangle discussing of the integration thereof.

Performance indicator	Target	Results/Current situation (as achieved)
Timely preparation of and internal agreement on a draft refined concept for the next EIT Roundtable	Internal agreement on a draft concept and theme for the next EIT Roundtable by Q3/2014	A refined concept paper was prepared forming the basis to pilot three targeted, expert audience specific EIT Roundtables at the EIT INNOVEIT 2015 conference
Timely initiation of the implementation phase, including setting up a project team, an agreed project plan, milestones and deliverables	Project team established by Q3/2014	A project team was established and three session owners identified to ensure timely preparation of implementation of the refined concept by May 2015

1.5.4 Third countries and international organisations

In 2014, the EIT continued in close co-operation with the EIT KICs to identify potential collaboration opportunities in prioritised Third Countries (including the US and BRIC countries). To further reinforce co-ordination between EIT, its KICs and targeted countries, KIC co-ordinators for engagement with non-EU countries had been appointed.

A number of high-level engagements took place at strategic level including EIT Governing Board members. In 2014, the EIT directly engaged with China (participation of a GB Member 'Strategic Growth Forum' in Shanghai) and with Japan (participation of a GB Member in the EU-Japan Science Policy Forum in Kyoto).

Due to an internal shift in priorities and re-assignment of resources the envisaged pro-active engagement with targeted Third Countries and in particular International Organisations had to be limited to a minimum becoming more reactive in nature than initially planned.

Performance indicator	Target	Results/Current situation (as achieved)
<p>Identification of relevant stakeholders and agreement on suitable channels to establish initial contacts in KIC prioritised Third Countries</p> <p>Coverage of targeted countries</p>	Initial engagement with at least two thirds of the targeted countries	Identification of relevant stakeholders from the Knowledge Triangle and initial engagement established with key stakeholders in prioritised Third Countries, incl. China
<p>Identification of relevant stakeholders and agreement on suitable channels with targeted International Organisations</p>	Initial engagement with at least two thirds of the targeted International Organisations	Identification of relevant International Organisations and monitoring of relevant developments. Reinforced engagement postponed to 2015

1.5.5 EIT Foundation

In 2014, the EIT continued to support the EIT Foundation (EITF) activities through active engagements. Two members of the EIT Governing Board followed closely the strategic development as members of the EIT Foundation Board. Furthermore, the EIT Director attended as observer some EITF board meetings. Participation of the Chairman of the EIT Foundation Board in an ordinary EIT Governing Board meeting had been foreseen, which however did not materialise due to the EITF developments during the year.

The EIT was very committed to work together with the EIT Foundation and Commission services on sustainable solutions that would keep the EITF model viable. However, given the lack of progress and overall financial and operational situation of the EITF, a discussion on the future of the EITF was initiated. Following intense discussions with the European Commission and the EIT Foundation, the EIT Governing Board decided in December 2014 to recommend to the EITF Board to proceed with the winding up of the EIT Foundation.

Performance indicator	Target	Results/Current situation (as achieved)
<p>Number of EITF Board and working group meetings attended</p> <p>Timely preparation and hosting of an EITF Board in Budapest in Q1, presentation of EIT and follow-up.</p>	Attendance at all EITF Board meetings and at least two thirds of all relevant meetings to which the EIT is invited	In 2014, 4 EITF Board meetings have taken place; all with EIT presence

Regular informal exchange on issues at stake – both strategic and operational	At least one exchange among EIT and EITF Board Members including the Chair of the EIT Governing Board on strategic issues at stake	In December 2014, the EITF Foundation Board decided to proceed with the winding up of the EIT Foundation in light of sound financial management and appointed the EIT as custodian of the EIT Foundation
---	--	--

1.6 Specific efforts to improve 'economy' and 'efficiency' of financial and non-financial activities

According to the Amended EIT Financial Regulation (Art 29), the principle of economy required that the resources used by the EIT in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units, etc...) and according to the principle of economy.

EIT is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations. The following three initiatives show how these principles are implemented in the EIT:

- An EIT internal working group on Financial Procedures has been created to review and revise where needed the internal workflows related to key administrative processes such as procurements to identify potential improvements to optimise the resource usage in the different phases to shorten the overall duration of the processes by introducing the best practices that can be implemented at the EIT.
- The EIT also continues to add functionality to the SharePoint IT environment for interaction with its stakeholders. This platform is used to maintain contacts with the Governing Board members and for the KICs' annual reporting cycle to facilitate more efficient analysis of the results by the KIC Project Officers. This allows more extensive and additional support to the KIC project officers so that they can obtain information on the performance of the KICs on an annual basis, and possibly also extract longer-term progress information for impact analysis purposes. The result is a saving in resources but also less burdensome for the staff members.
- In 2012, EIT introduced an eHR tool for EIT staff missions (MiMa) and for leave management (LeaMa). This tool was further developed to add new features to provide e-tools for manual administrative tasks. The future development of these platforms will be assessed in 2015 depending on the possibility to adopt Sysper for HR related IT system needs to avoid continued investment in the eHR tool.

2. MANAGEMENT OF RESOURCES

The EIT is an independent EU body and has its own legal personality. Its activities are steered by its Governing Board, which is the principal governing body of the EIT entrusted with the role of strategic leadership and the overall direction of the activities implemented by the EIT. It is independent and autonomous in its decision-making and is responsible for the selection, designation, evaluation and support of the KICs. The EIT Governing Board brings together 15 high calibre members balancing prominent expertise from the fields of higher education, research, business and innovation. The European Commission participates as observer in the Governing Board meetings. The Governing Board strategically steers EIT activities and adopts the EIT's Rolling Triennial Work Programme, the budget and establishment plan, the Annual Work Programme/ Financing decision and the subsequent Annual Activity Report and the Annual Accounts. The EIT Governing Board generally meets four times a year to provide strategic guidance and makes key decisions in line with the Amended EIT Regulation, including on annual financial allocations to the KICs.

In 2014, the EIT Governing Board met five times in Budapest and adopted 30 decisions (compared to 21 decisions in 2013).

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 Executive Committee met four times in Budapest in 2014 to prepare for Governing Board meetings. Additional extraordinary Executive Committee meetings were organised six times. In addition, on 10 December a hearing with the KICs was held to assist the Governing Board in reaching a decision on the annual financial allocation to the KICs for the financial year 2015. EIT Governing Board members met with KIC representatives for a spring workshop in Budapest in June 2014. In accordance with the transparency principle, the list of all relevant decisions taken by the EIT Governing Board is made publicly available on the EIT website (<http://eit.europa.eu/about-us/governing-board/board-decisions/>).

The EIT's parent Commission Directorate-General is the Directorate-General for Education and Culture of the European Commission (DG EAC), which provides the observer on the EIT Governing Board. The EIT maintains close working relations with its parent DG. Cooperation with other Commission services is in several cases governed by Service Level Agreements.

The EIT is managed by a Director who is the Authorising Officer and Appointing Authority for the staff. Two operational units and one administrative unit help the EIT achieve its objectives.

In December 2013, the European Parliament and the Council adopted the Horizon 2020 Framework Programme for Research and Innovation. EIT forms a part of this while at the same time preserving its identity and autonomy. EIT's activities will expand over the 2014 to 2020 period as part of the Horizon 2020 Framework Programme and its budget will increase significantly to EUR 2,7 billion.

In 2014, the following changes and developments took place concerning key EIT positions:

- Director: Based on a decision by the EIT's Governing Board, as of 1 August, the EIT Director became a visiting fellow at the European University Institute's (EUI) Robert Schuman Centre furthering the cooperation between the EIT and EUI and to conduct research related to the EIT.
- Interim Director / Chief Operating Officer: As of 1 August, the Chief Operating Officer took up duties and assumed the role of Interim Director of the EIT.
- As of 1 January 2014, the new Internal Audit Capability of the EIT took up duties.

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the EIT Director. The reports produced are: i) monthly reports on budget implementation; ii) quarterly workshops; iii) the reports of the ex-post audits; iv) the observations and the recommendations reported by the Internal Audit Service (IAS); v) the observations and the recommendations reported by the European Court of Auditors (ECA).

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives. It is structured in two separate sections: (1) the EIT's assessment of its own activities for the management of its resources; and (2) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

2.1 Management of human and financial resources

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁴. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

2.1.1 Human resources

In 2014, the EIT recruited 13 staff members, which brought the number of staff to 48 on 31/12/2014. This means an increase of 17 % (from 41 at 31/12/2013). At the end of the year a total of 12 posts (7 Temporary Agents and 5 Contractual Agents) were vacant. In the second half of 2014 in particular, the EIT has reversed the previous trends of stagnating total staff numbers and high turnover. This positive trend is expected to continue in 2015 with the remaining vacancies being filled. The recruitment of the EIT staff was in line with the EIT's objectives and priorities, as outlined in the Multi-annual Staff Policy of the Institute.

As for the implementing rules giving effect to the Staff Regulations, the Governing Board adopted the provisions for the appraisal and reclassification of contract staff. Also, derogations were requested with regard to the application of certain implementing provisions in order to ensure that the legal basis applied at the EIT reflects the specificities of the Institute. The implementing rules on the prevention of harassment

⁴ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art. 32).

were submitted to the EC services. Moreover, the contract renewal procedure and the rules governing traineeship at the EIT were put in place.

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 Selection interviewing, Appraisal, Ethics and Integrity, Clear writing, Improving collaboration by managing yourself and Hungarian language courses were organised, in addition to courses attended individually by staff members on external locations.

2.1.2 Budgetary and financial management

Planning

The EIT's medium-term priorities are specified out in its rolling Triennial Work Programme (for 2014: TWP 2013-2015 and TWP 2014–2016) which are translated into annual work programmes/financing decisions. Both Triennial and annual working programmes are endorsed by the EIT Governing Board on the basis of proposals by the Director. The units establish their unit work programme on the bases of the objectives and main activities set out in the Annual Work Programme (AWP) adopted by the Governing Board.

Additional measures have been taken to increase the implementation rate of the budget by critically reviewing the proposals for activities or investments above EUR 50 000: all proposals describe the planned activity and justifications for the budgeted activity and expected impact so that the management can better form an informed decision on individual activities to take into account also the resources available to implement them.

Implementation

Since June 2011 the EIT has been partially financially autonomous, which means that in 2014 the EIT's parent Directorate-General at the European Commission (DG-EAC) continued to provide ex-ante verification of contracts in two areas: 1) each step of KIC grant management and 2) procurement procedures above the threshold of EUR 60 000. The EIT is undertaking preparatory actions to request full financial autonomy in the future.

The total implementation of payment appropriations, EUR 163,9 million, represents an implementation rate of 92,47% (or 98,03% if the comparison base is the cashed payment appropriations⁵). The implementation rate compared to 2013 was lower (2014: 92,47%, 2013: 96,86%) at the level of authorised appropriations but almost same high like in 2013 at the level of cashed appropriations (2014: 98,03%, 2013: 98,42%). A detailed breakdown of payment appropriations is available in Annex 2.

For commitments, the authorised budget was implemented at 94,13%. The implementation rate compared to 2013 was slightly lower (2013: 96,97%) due to slightly lower committed grant amount than expected

⁵ The cashed amount of payment appropriations is EUR 10 mio less than the authorized one (cashed: EUR 167,2 mio, authorised: EUR 177,2 mio). According to EIT's rigorous treasury management, EIT requested less EU subsidy than it was authorised in the European Union's budget. Article 14 of the EIT Financial Regulation allows flexible management of the funds allowing cancelled appropriations to be re-entered in the estimate of revenue and expenditure up to the following three financial years.

while authorised commitment appropriations almost doubled, namely increased by 65,5% from 2013 to 2014 (2014: EUR 235,4 million, 2013: EUR 142,2 million).

In 2015, the EIT intends to further improve and make its planning, monitoring and implementation processes more effective and efficient by simplifying the existing procedures and systems making them more appropriate to the needs of management and staff and providing more guidance for staff, etc. (Detailed figures are presented in Annex 2)

The EIT used the following financial information systems in 2014:

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

Reporting

Budget execution was reported to the management team on a monthly basis with deviations from budget execution targets by budget chapters, thereby identifying mitigating actions if needed. In addition the implementation of the EIT Annual Work Programme was monitored at quarterly workshops. These allow 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 SharePoint. The allocation of financial resources was reviewed once in July and re-allocations were formulated, where required.

2.1.3 Control effectiveness and efficiency

The 2012 review of the financial circuit, taking into consideration the level of delegation, the nature of expenditures, the number of transactions, the level of available skills and elements of cost efficiency has been maintained in 2014.

The segregation of the initiation and verification of an operation, meaning that the members of staff responsible for verification must be different from those performing the initiation, is ensured by set delegations as well as by established electronic (ABAC) and paper workflows. The initiation and verification functions are split for the majority of financial transactions between an operational initiation or verification subfunction and a financial initiation or verification subfunction.

EIT has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are largely effectively implemented. However, based on own analysis and internal audit findings, further improvements are needed in a number of areas such as grant management, procurement and IT. The EIT has set up a comprehensive register of audit and other recommendations requiring further action. In particular, in 2014, the EIT has taken measures to further improve the efficiency of its internal control systems in the areas of ICS 8: Processes and Procedures and ICS 10: Business Continuity.

In the area of ICS 8: Processes and Procedures, a working group has been created to review and revise where needed the internal workflows related to key administrative processes such as procurements to identify potential improvements to optimise the resource usage in the different phases to shorten the overall duration of the processes by introducing the best practices that can be implemented at the EIT. Moreover, the routing slips and checklists used are being improved and additional staff training is provided.

In the area of ICS 10: Business Continuity, policies for Business Continuity and Disaster Recovery have been revised and measures taken to increase the availability of in-house IT services in case of abnormal events.

Ex-ante verification

In compliance with the EIT Financial Regulation, ex-ante financial verification was carried out on all financial transactions (commitments, payments, recoveries, etc.) by the EIT member of staff designated to perform this task. Errors detected during these checks were documented on the check list 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 parent Directorate-General at the European Commission (DG-EAC) continued supporting the EIT, by way of ex-ante verification of KIC grant transactions and high-value procurements exceeding EUR 60 000. These prior consultations provided a second level of assurance for the Authorising Officer.

Ex-ante measures applied to grant transactions

The EIT consistently carries out ex-ante verification of both commitment and payment transactions. In 2014 numerous guidelines were made available providing detailed instructions to KICs, namely, Guidelines on the preparation of KIC Business Plans and Budgets (GA 2015), Guidelines for the preparation of KIC Reports (GA 2015), EIT Financial Guide (GA 2014) and EIT methodology for certificates on financial statements (GA 2014). 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. A number of procedures such as standard contracts in use were adjusted to Horizon 2020 templates. In 2015, the EIT plans to fully update the Framework Partnership Agreements with KICs to align them with Horizon 2020 provisions.

In 2014, final balance payments were effected thereby closing grant agreements for 2013. The EIT performed the technical and financial assessment of all final reports to assess the adequacy of the implementation of the Business Plans and to identify the final balances due.

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

requests for supporting documentation were sent to the KICs in the framework of the ex-ante assessment process.

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

	EIT ICT Labs	KIC InnoEnergy	Climate KIC
EIT grant request (EUR)	39,247,052	41,199,072	42,436,772
EIT grant approved and paid (EUR)	39,241,065	40,517,541	42,096,007
EIT grant approved and paid (% of grant requested)	99.98	98.35	99.20
EIT grant covered by CFS (EUR)	33,681,055	34,257,784	35,351,444
EIT grant covered by CFS (%)	85.8	83.2	83.3
Number of partners claiming EIT grant	94	137	140
Number of partners covered by CFS	37	21	29
% of partners covered by CFS	39	15	21

As a result of the ex-ante verification procedures described above, necessary preventive actions were taken to reduce the risk of undue amounts being paid to the KICs. Taking into consideration the high coverage and the improving quality of CFS, 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 to with a view to detecting and correcting errors, the EIT has developed and implemented an ex-post audit strategy. This complements ex-ante controls embedded in the KICs grant management processes.

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

As regards 2013 Grant Agreements, the EIT selected 14 KIC Partners purely on a random basis in addition to 16 Partners selected based on risk assessment. The total EIT grant audited in the risk-based and random samples were EUR 24,341,487.40 and EUR 4,821,784.97, respectively. All final audit reports were received by the EIT by 15 May 2015. On the basis of the audit results, the EIT initiated the recovery of EUR 263,239.16. As the total amount of grant audited under 2013 Grant Agreements was EUR 29,163,272.37 for the 30 KIC Partners selected, the detected error rate in the audited sample is 0.90%. As the detected error rate of 0.90%, as well as the residual error rate of 0.69%, is well below the materiality level of 2% established in the EIT's control strategy and used by the European Court of Auditors, the EIT considers that grants paid as part of 2013 Grant Agreements are free from material errors.

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

In 2014, the EIT followed its standard operating procedure (SOP) 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 2014 one exception and six non-compliance events were recorded. The total value of the exception and non-compliance events amounted to EUR 12 603,09 (2013: EUR 5 914,63), which represents 0,0077% of the total payments executed in 2014. The exception event concerned extension of the final date of implementation of a service contract. The non-compliance events concerned the reimbursement of minor costs such as meals and travel costs without prior authorisation, late issue of the final invoice, delayed award decision and a non-budgetary commitment before entering into a legal commitment with third parties. The register for exceptions and non-compliance events is updated and maintained centrally.

Mitigating measures have been put in place to address the internal control weakness. For example, internal control weaknesses led to contracts related to low value procurements on IT issues and catering being discontinued as issues related to legality and regularity were identified through external audits. In addition, reports by the Internal Audit Capability identified weaknesses in the areas of vacancy management, treasury management and procurement. Action plans were put in place and are under implementation to address these weaknesses. The EIT also identified the need to update and improve its financial circuits, workflows, checklists and routing slips.

Risk assessment exercise

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

The risk mitigating actions for 2014 follow the risk register review launched in 2013, identifying the most significant risks for the EIT. 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 2014 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.

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

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 legal entity 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 are not yet fully known.

At the level of the EIT:

- Risks related to the reliability of the KICs internal control systems has not yet been fully explored;
- Risks related to the limited staff capacity at the EIT and relatively high vacancy rate.

These risks are mitigated by:

- Guarantees built into Grant Agreements provisions;
- Continuous guidance provided to KICs in terms of performance and financial matters;
- 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 and reviews on priority issues

Increase of EIT staff capacity

Establishment of a working group to review all financial procedures

Development of principles of good governance

Preparations of a new Framework Partnership Agreement with KICs

For further details on risk mitigating actions implemented in 2014 please refer to Annex 7.

2.1.4 Fraud prevention and detection

In accordance with the Common Approach on EU decentralised agencies, the EIT intends to develop a fraud prevention strategy based on the guidance issued by OLAF in 2015.

2.2 Assessment of audit results and follow up of audit recommendations

2.2.1 European Court of Auditors (ECA) audits

The European Court of Auditors published its final audit report on the annual accounts of the EIT for the financial year 2013 on 16 September 2014. In the statement of assurance section of the report, the Court of Auditors expressed its opinion on the reliability of the accounts and on the legality and regularity of

transactions underlying the accounts. The Court expressed a qualified opinion due to the following issues identified:

- Although the quality of the audit certificates on grants is improving, in part due to better guidance, there is room for further improvement in the work of the independent audit firms, in general.
- On the basis of the errors detected by the ex post verifications, EIT decided in 2014 to recover a total amount of 575 593 euro, corresponding to 3 % of the audited 2012 grants.
- Payments amounting to some 665 000 euro and 105 000 euro, in respect of two framework contracts which had been concluded in 2010 and 2012 using a negotiated procedure, were made in 2013. From the audit it emerged that the use of a negotiated procedure was not justified, the resulting payments are therefore irregular.
- The combined error rate of the matters explained above is between 2 % and 3 % of total 2013 expenditure.

On the other hand, the Court also stated that “the transactions underlying the annual accounts for the year ended 31 December 2013 are legal and regular in all material respects” except for the possible effects of the matters described above.

In addition to the qualified opinion, the Court of Auditors made the following comments on legality and regularity and budgetary management:

- The Framework Partnership Agreements (FPA) with the three KICs stipulate that the EIT financial contribution may cover up to 25 % of the KIC’s global expenditure over the first four years, from 1 January 2010 to December 2013. According to the figures reported by the KICs, this ceiling was respected by all three KICs. However, as these figures will not be audited before 2015, there is no appropriate audit evidence that the EIT funding did not exceed this 25 % ceiling
- In 2013 the overall level of committed appropriations was 97 %, indicating that overall commitments were made in a timely manner. The budget implementation rate was low, however, at 74 % of the EU contributions for title I (staff expenditure), which is mainly related to the high turnover of staff and the outstanding adoption of the regulations on salary adjustments.
- The Institute carried over committed appropriations under title II (administrative expenditure) amounting to 193 420 euro (24 %). Carry-overs mainly concerned invoices not yet received and ongoing IT projects. It did not implement 91 918 euro (29 %) of the committed appropriations carried over from 2012 to 2013 under this title, which were largely due to overestimated costs for a Governing Board meeting.
- The Institute had budgeted 34 078 025 euro under title III (operational expenditure) for KIC grants. The relatively low execution rate of 82 % is due to the fact that the KICs did not fully absorb the available funding for 2012 activities (2012 grants).

The EIT took action on the qualified opinion and the above comments as follows:

In order to address the specific weaknesses identified by the Court of Auditors, the EIT improved the instructions provided to certifying auditors and communicated the updated instructions to the Knowledge and Innovation Communities on 4 June 2013. This has resulted in an increase in the level of assurance obtained from audit certificates. More precisely, the audit certificates from year 2013 onwards always indicate the cost claim audited and the auditors are required to stamp the audited cost claims. All cost

categories have to be audited in sufficient detail and, in case of sampling, the auditors have to provide information on the coverage and the items selected in the audit sample. The procedures for auditing equipment have been improved to ensure that the risk of double funding is verified. Finally, all auditors are required to provide information on the coverage of costs actually audited and the EIT identifies the overall error rates in cost claims.

As regards ex-post audits, KIC Partners to be audited are selected primarily on the basis of a risk assessment for maximum efficiency of limited resources. However, in order to be in a position to provide a representative error rate, the EIT selects part of the sample on a random basis. This ensures a more balanced coverage of KIC Partners over the duration of the Framework Partnership Agreements. As regards Grant Agreements 2012, while the overall error rate was indeed 3 % of the audited grants, as reported by the Court of Auditors, the detected error rate in the random sample was only 1,37 %. The detected error rate of 3,29 % in the risk-based sample is by definition not representative for the overall population. As the error rate of 1,37 % remained below the materiality threshold of 2 %, the EIT did not make a reservation in the Annual Activity Report 2013 and considers that grants paid under Grant Agreements 2012 are free from material errors.

The EIT has taken a proactive approach in order to launch immediate mitigating actions in the area of procurement as follows:

- Extensive revision of the internal procedures, circuits and templates to fully comply with the respective public procurement rules, with special attention to the sound planning and estimation of needs.
- In order to ensure the provision of the necessary services, the EIT has started to use the available Commission framework contracts and has launched procurement procedures to award new service contracts.
- The EIT has planned a series of trainings for EIT staff on procurement.

The EIT is committed to further improve its procurement procedures in 2015 in order to remedy the weaknesses identified by the Court of Auditors and to avoid material procurement errors in the future.

Furthermore, the EIT has obtained audit certificates for the costs of KIC complementary activities to 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 in the first half of 2015. As the 25 % ceiling has been met by all three KICs, the EIT does not have to recover any funding paid to KICs.

The Court of Auditors carried out an audit mission from 17 to 21 November 2014 in respect of the financial year 2014 and issued a letter summarising the preliminary findings on 18 February 2015. The EIT formally replied to the preliminary findings of the ECA by letter on 27 March 2015. The final audit mission took place between 20 and 24 April 2014. The EIT has not yet received the final audit report for 2014.

On the basis of the qualified opinion issued by the European Court of Auditors, the European Parliament postponed the decision on granting discharge to the Director of the EIT in respect of the implementation of the EIT budget for the financial year 2013. The decision of the European Parliament requests the EIT to report on remedial actions taken in respect of the above mentioned audit findings of the ECA by 1 September 2015. The European Parliament is expected to vote on this follow-up report in the plenary

session in October 2015. Furthermore, the EIT Interim Director has been invited to the meeting of the Budgetary Control Committee of the European Parliament on 17 June 2015 to discuss progress made since the plenary voted on the postponement on 29 April 2015.

Finally, the European Court of Auditors launched a performance audit on the EIT in November 2014. The performance audit is ongoing as of May 2015.

2.2.2 Internal Audit Service (IAS)

The IAS carried out a follow-up audit from 17 to 21 February 2014 to review the implementation of actions stemming from the “limited review” performed by IAS in 2012. As a result, the IAS issued a final follow-up report in June 2014, in which it acknowledged progress made by the EIT. As a result, IAS closed two recommendations out of the original six and one recommendation was downgraded from “critical” to “very important”. Nevertheless, a number of actions were considered by the IAS to still be open, as further improvements are deemed necessary.

IAS carried out a fact-finding visit at the EIT in December 2014 in order to review the progress made in the implementation of open recommendations. The IAS acknowledged, after the fact-finding visit, that further improvements had been made in the annual grant allocation process. Furthermore, IAS concluded that *“the EIT is better aware of the risks highlighted in the IAS limited review, as all detailed actions presented to the IAS during the mission whether completed, ongoing or planned, are adequately addressing those risks”*.

As of today, 17 out of the 25 original actions have already been implemented and the implementation of the remaining 8 actions are ongoing. Most of the open actions, such as obliging the KICs to adopt codes of good conduct or to set up appropriate governance and operational structures, will be implemented when the EIT and the KICs sign the amended Framework Partnership Agreements, which is foreseen to take place by September 2015. The EIT is committed to implement the any remaining actions as soon as possible.

2.2.3 Internal Audit Capability (IAC)

The IAC carried out a total of seven assignments, in accordance with its risk-based annual audit plan. The IAC assignments included two follow-up audits in the area of Risk Management and Monitoring of Activities. Furthermore, five consultancy assignments were conducted in the following areas: Human Resources/Vacancy Management, Procurement, Treasury, Management of Sensitive Functions and Management of the Risk of Conflict of Interests.

As an audit opinion is only required for audit assignments and not for follow-ups and consultancy assignments, the IAC did not express opinions on the internal control system in place.

As a result of consultancy assignments, the IAC issued 39 recommendations, including one rated as critical (concerning EIT policy on conflict of interests), 23 as very important (concerning principally vacancy management, procurement, management of conflict of interests and sensitive posts), 13 as important and two as desirable.

Management has accepted all the IAC recommendations and the various management measures included in action plans have been or are being implemented as foreseen.

As regards the implementation of recommendations issued in previous years, the relevant action plans are being implemented and the following critical (“C”) or very important (“VI”) recommendations are “overdue” for more than 6 months, (stemming from the audit on Risk Management (“RM”) and the audit on Monitoring of Activities (“MO”)).

Reference	Recommendation title	Original rating	Current rating	Original deadline	Revised deadline
RM N°1	Implement the risk management process throughout the EIT	C	VI	End-2012	End-2015
RM N°2	Develop a comprehensive risk register for KIC Grant Management	C	C	End-2012	Q1 2015
RM N°3	Develop and implement a risk management action plan for grant management	C	C	January 2013	End-2015
RM N°4	Develop a comprehensive risk register for the procurement process	C	VI	End-2012	Q1 2015
RM N°5	Develop a comprehensive risk register for information technology	C	VI	End-2012	Q1 2015
RM N°6	Implement a management and internal control system for the prevention and detection of fraud	C	C	Q1 2013	Q1 2015
RM N°7	Annual Work Program	C	VI	Q1 2013	Q1 2015
MO N°1	Implement a continuous and systematic monitoring process for the KICs	C	C	November 2013	Q1 2016
MO N°3	Information needs analysis	C	C	April 2013	Mid-2015
MO N°4	Single IT system or database providing reliable and complete information on KICs, KIC grants and KICs’ projects	C	C	End-2013	End-2015

One “critical” recommendation has been issued by the IAC in 2014 and six recommendations issued in previous years and currently rated as critical are overdue. As these recommendations may have assurance implications, the consequences of these related findings have been carefully considered by the AOD (see below in internal control effectiveness). These critical recommendations are being implemented with senior management monitoring more regularly the implementation progress made and the state-of-play of the action plan.

3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

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 a number of areas where further improvements are under way as outlined above. These concern in particular the further improvements needed in the areas of grant management, internal procedures (including procurement), and staff vacancies in order to increase the capacity and quality of management and control systems of the EIT 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 assurance.

No	Title	Description of weakness and risk	Potential impact	Mitigating action under way
1	Grant management	Grant management at the level of KICs is controlled by the EIT’s grant assurance strategy. However, in the past a number of weaknesses and errors have been	Until all improvements are fully implemented at the level of the EIT and KICs and the EIT’s grant assurance strategy is fully updated, the risk of significant errors or	Significant steps have been taken by the EIT to address the errors and identified weaknesses and the

		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	ineligible expenditure at the level of the KIC Legal Entities and KIC partners remains, in particular as KICs continue to expand, adding new partners and as two new KICs start operations in 2015	control systems are improving
2	EIT staff capacity	The EIT encountered significant staff turnover at all levels, including management and a series of vacancies remained open at the end of 2014. Moreover, the overall staffing allocated to the EIT is not fully sufficient to carry out all responsibilities assigned to it, in particular the significant growth of budget and number of KICs under way	Given the remaining vacancies at the EIT, growing number of KICs and budget, there remains a risk that despite the various financial and operational improvements under way, the EIT will have difficulties to fully implement its Triannual Work Programme and Annual Work Plans	The vacancy rate is now gradually decreasing and concrete actions are under way to fill remaining vacancies in a timely manner and to reduce staff turnover. If in addition, the EIT is granted to additional positions requested from the European Commission, the identified weakness can be controlled
3	Internal procedures	The EIT's management and control system is being improved and all key building blocks are in place. However, a number of procedures are not fully updated based on audit findings and lessons learnt	While improvements to internal procedures are under way, a risk remains that weaknesses lead to isolated errors that could affect legality and regularity of transactions	A comprehensive audit register has been put in place which includes action plans for all remaining procedural weaknesses identified. Its implementation is under way and will ensure that remaining procedural weaknesses are addressed

4. MANAGEMENT ASSURANCE

4.1 Review of the elements supporting assurance and possible reservations

The information reported in Parts 2 and 3 derives from the results of the management and auditor monitoring contained in the 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, taking into account the main weaknesses and risks identified in the previous chapter, 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.

4.2 Overall conclusion on assurance and reservation

The information reported in Part 2 and 3 does not result in any major issues meriting a reservation. The main 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 self-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, 03 June 2015

(signed)

Martin Kern

ANNEXES

ANNEX 1: Human and Financial resources

Human Resources by activity			
Activity	Establishment Plan posts (AD and AST)	External Personnel (CA and SNE)	Total
Operational activities (PAM, PAC)	16 AD + 1 AST	8 CA + 1 SNE	26
Horizontal activities (SAF, DIR)	11 AD + 4 AST	7 CA	22
Total	27 AD + 5 AST	15 CA + 1 SNE	48*

*plus 1 AD and 1 CA where a letter of offer had already been accepted by 31/12/2014

General remark: the above data rely on the snapshot of EIT personnel actually employed as of 31 December of the reporting year. These staff members do not necessarily constitute full-time equivalents throughout the year.

Financial Resources by activity (EUR) implementation of Commitment Appropriations (CA)			
Activity	Operational expenditure	Administrative expenditure	Total
Operational activities	216 765 223,48		216 765 223,48
Horizontal activities		4 811 697,76	4 811 697,76
TOTAL	216 765 223,48	4 811 697,76	221 576 921,24

Result of the job screening exercise (31/12/2014)

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

ANNEX 2: Draft annual accounts and financial reports

STATEMENTS OF FINANCIAL PERFORMANCE

31.12.2014

	01.01.2014 31.12.2014	01.01.2013 31.12.2013
Subsidy of the Commission	160.558.343,35	93.462.181,00
Host state contribution	1.560.000,00	1.560.000,00
Revenues from admin operations - fixed asset income	0,00	0,00
Other operating revenue	635.840,72	1.598.561,45

TOTAL OPERATING REVENUE	162.754.184,07	96.620.742,45
Staff expenses	2.958.994,29	2.986.838,65
Fixed asset related expenses	56.785,00	81.060,23
Other administrative expenses	1.213.269,58	1.288.183,16
Operational expenses	186.431.597,46	124.375.776,40
TOTAL ADMINISTRATIVE AND OPERATIONAL EXPENSES	190.660.646,33	128.731.858,44
SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES	(27.906.462,26)	(32.111.115,99)
Financial operations revenues	8.600,95	10.568,65
Financial operations expenses	649,12	207,51
SURPLUS/ (DEFICIT) FROM FINANCIAL ACTIVITIES	7.951,83	10.361,14
SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES	(27.898.510,43)	(32.100.754,85)
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	(27.898.510,43)	(32.100.754,85)

BALANCE SHEETS

31.12.2014

ASSETS

	31.12.2014	31.12.2013
A. NON CURRENT ASSETS		
Intangible fixed assets	219.319,28	16.138,00
Tangible fixed assets	99.448,00	145.589,00
Land and buildings	0,00	0,00
Plant and equipment	0,00	50,00
Computer hardware	41.803,00	72.529,00
Furniture and vehicles	53.307,00	63.282,00
Other fixtures and fittings	4.338,00	9.728,00
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	319.902,42	162.862,14
B. CURRENT ASSETS		
Stock	0,00	0,00
Short-term receivables	364.171,12	783.489,26
Short term prefinancing	0,00	62.150,00
Current receivables	319.341,45	651.287,71
Long term receivables falling due within a year	0,00	0,00
Sundry receivables	43.877,67	59.482,90
Prepaid expenses and accrued income	952,00	10.568,65
Cash and cash equivalents	5.172.983,81	3.117.696,94
TOTAL CURRENT ASSETS	5.537.154,93	3.901.186,20
TOTAL	5.857.057,35	4.064.048,34

CAPITAL AND LIABILITIES

	31.12.2014	31.12.2013
A. CAPITAL		
Accumulated surplus/deficit	(52.604.329,08)	(20.503.574,23)
Economic result of the year	(27.898.510,43)	(32.100.754,85)
TOTAL CAPITAL	(80.502.839,51)	(52.604.329,08)
B. NON CURRENT LIABILITIES		
Provisions for risks and liabilities	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	102.789,31
Accounts payable	86.309.896,86	56.565.588,11
Current payables	(2.303,23)	(0,00)
Long-term liabilities falling due within the year	0,00	0,00
Sundry payables	1.992,13	5.028,23
Accrued expenses and deferred income	82.016.338,73	56.560.559,88
Accounts payable with consolidated EC entities	4.293.869,23	0,00
TOTAL CURRENT LIABILITIES	86.359.896,86	56.668.377,42
TOTAL	5.857.057,35	4.064.048,34

BUDGET OUTTURN

	2014	2013
REVENUE		
Balancing Commission subsidy	+ 164.850.050,00	93.462.181,00
Other subsidy from Commission (Phare, IPA,...)	+ 0,00	0,00
Host Member State Contribution	+ 1.560.000,00	1.560.000,00
Other income	+ 744.045,48	2.174.397,66
TOTAL REVENUE (a)	167.154.095,48	97.196.578,66
EXPENDITURE		
<i>Title I: Staff</i>		
Payments	- 3.337.077,26	3.450.021,83
Appropriations carried over	- 168.549,16	105.872,20
<i>Title II: Administrative Expenses</i>		
Payments	- 594.512,95	597.255,92
Appropriations carried over	- 456.489,29	193.420,05
<i>Title III: Operating Expenditure</i>		
Payments	- 160.942.762,52	91.615.737,59
Appropriations carried over	- 1.261.849,61	1.843.377,43
TOTAL EXPENDITURE (b)	166.761.240,79	97.805.685,02
OUTTURN FOR THE FINANCIAL YEAR (a-b)	392.854,69	-609.106,36
Cancellation of unused payment appropriations carried over from previous year	+ 531.028,99	474.365,97
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+ 1.015.511,48	1.635,00
Exchange differences for the year (gain +/loss -)	+/- 156.156,81	32.628,66
BALANCE OF THE OUTTURN ACCOUNT FOR THE FINANCIAL YEAR	2.095.551,97	2.196.154,68
Balance year N-1	+/- 2.196.154,68	
Positive balance from year N-1 reimbursed in year N to the Commission	-	
Result used for determining amounts in general accounting	2.095.551,97	2.196.154,68
Commission subsidy - agency registers accrued revenue and Commission accrued expense	162.754.498,03	
Pre-financing remaining open to be reimbursed by agency to Commission in year N+1 (outturn 2011-2013)	2.196.154,68	
Pre-financing remaining open to be reimbursed by agency to Commission in year N+1 (art. 20 EIT FR)	2.095.551,97	
Not included in the budget outturn:		
Interest generated by 31/12/N on the Commission balancing subsidy funds and to be entered in the EIT budget of year N+1	+ 8.600,95	

The amount of 2.095.551,97 is budget outturn related to the year 2014.

During the year 2014 it was done a review of the budget outturn from 2011 to 2013.

In the light of this review the amount of the budgetary outturn (reimbursed on 24th April 2015) related to the period 2011-2013 was agreed with DG EAC to be 2.196.154,68 EUR.

RECONCILIATION BETWEEN BUDGETARY AND ECONOMIC OUTTURN

ECONOMIC RESULT	-27.898.510,43
Adjustments for accrual cut off reversal 31.12.N-1	-56.560.559,88
Adjustments for accrual cut off reversal 31.12.N	82.016.338,73
Unpaid invoices at year end but booked in charges	0,00
Depreciation of intangible and tangible assets	56.785,00
Provisions	-52.789,31
Payments made from carry over of payment appropriations	284.915,46
Other revenue	12.850,00
Asset acquisitions	-213.825,28
Recovery orders (grants) not yet cashed	-263.239,16
Recovery orders (grants) from previous years cashed in 2014	575.593,59
Recovery orders (others) not yet cashed	
Pre-financing open at the end of 2013 and paid in 2014	62.150,00
Payment appropriations carried over	-1.886.888,06
Cancellation of unused carried over payment appropriations from previous year	531.028,99
Carry-over from previous year of appropriations available at 31.12 arising from assigned revenue	1.015.511,48
Accrued income/ Deferred Charges	952,00
Release of provision against unrealized gain/losses	123.330,53
Pre-financing to be reimbursed to the Commission	4.291.706,65
Others	201,66
Total	2.095.551,97
BUDGETARY RESULT	2.095.551,97

Revenue

EIT's revenues collected in 2014

Income line	Income line header	Income appropriations, EUR	Entitlements established in 2013, EUR	Entitlements established in 2014, EUR	Revenue received, EUR	Receipts as % of the budget
200	European Union subsidy	169 807 303,00	0,00	159 952 039,28	159 952 039,28	94,20%
300	Contributions by the EFTA member states	4 992 335,00	0,00	4 898 010,72	4 898 010,72	98,11%
410	Contribution by the Host Member State	1 560 000,00	0,00	1 560 000,00	1 560 000,00	100,00%
520	Revenue from investments, or loans granted, bank and other interest on the institution's	23 418,65	12 850,00	10 568,65	23 418,65	100,00%
590	Other revenue from administrative operations	7 434,39	0,00	8 195,39	8 195,39	110,24%
701	Repayment of KICs grants incurred as a result of an ex-post audit	712 431,44	0,00	712 431,44	712 431,44	100,00%
	TOTAL	177 102 922,48	12 850,00	167 141 245,48	167 154 095,48	94,38%

Expenditure

Budget implementation broken down by budget items and fund sources

Budget line	Budget Item Description	Fund source	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-1100	Basic salaries including weightings	C1	1 110 000,00	660 000,00	59,46 %	1 110 000,00	636 134,74	57,31 %	23 865,26
		RO	900 000,00	900 000,00	100,00 %	900 000,00	900 000,00	100,00 %	0,00
			2 010 000,00	1 560 000,00	77,61%	2 010 000,00	1 536 134,74	76,42%	23 865,26
A-1101	Allowances	C1	365 000,00	280 000,00	76,71 %	365 000,00	268 300,64	73,51 %	11 699,36
		RO	250 000,00	250 000,00	100,00 %	250 000,00	250 000,00	100,00 %	0,00
			615 000,00	530 000,00	86,18%	615 000,00	518 300,64	84,28%	11 699,36
A-1102	Employers charges	C1	115 000,00	70 000,00	60,87 %	115 000,00	63 005,91	54,79 %	6 994,09
		RO	50 000,00	50 000,00	100,00 %	50 000,00	50 000,00	100,00 %	0,00
			165 000,00	120 000,00	72,73%	165 000,00	113 005,91	68,49%	6 994,09
A-1110	Remuneration and allowances of contract agents	C1	260 000,00	260 000,00	100,00 %	260 000,00	173 831,56	66,86 %	86 168,44
		RO	360 000,00	360 000,00	100,00 %	360 000,00	360 000,00	100,00 %	0,00
			620 000,00	620 000,00	100,00%	620 000,00	533 831,56	86,10%	86 168,44
A-1120	Termination of service	C1	30 000,00	8 475,45	28,25 %	30 000,00	8 475,45	28,25 %	0,00
			30 000,00	8 475,45	28,25%	30 000,00	8 475,45	28,25%	0,00
A-1121	Entitlements related to entering the	C1	215 000,00	215 000,00	100,00 %	215 000,00	88 658,05	41,24 %	126 341,95
			215 000,00	215 000,00	100,00%	215 000,00	88 658,05	41,24%	126 341,95
			215 000,00	215 000,00	100,00%	215 000,00	88 658,05	41,24%	126 341,95
A-1130	Schooling	C1	110 000,00	91 124,91	82,84 %	110 000,00	77 124,91	70,11 %	14 000,00
			110 000,00	91 124,91	82,84%	110 000,00	77 124,91	70,11%	14 000,00
			110 000,00	91 124,91	82,84%	110 000,00	77 124,91	70,11%	14 000,00
A-1200	Recruitment expenses	C1	51 600,00	35 000,00	67,83 %	51 600,00	25 583,95	49,58 %	9 416,05
		C8	5 000,00	4 595,07	91,90 %	5 000,00	4 595,07	91,90 %	0,00
			56 600,00	39 595,07	69,96%	56 600,00	30 179,02	53,32%	9 416,05
A-1300	Mission expenses	C1	307 000,00	229 988,88	74,91 %	307 000,00	206 988,88	67,42 %	23 000,00
		C8	14 132,33	12 567,75	88,93 %	14 132,33	12 567,75	88,93 %	0,00
			321 132,33	242 556,63	75,53%	321 132,33	219 556,63	68,37%	23 000,00
A-1400	Restaurants and canteens	C1	0,00	0,00	0,00 %	0,00	0,00	0,00 %	0,00
		C8	465,00	438,03	94,20 %	465,00	438,03	94,20 %	0,00
			465,00	438,03	94,20%	465,00	438,03	94,20%	0,00
A-1410	Medical expenses	C1	8 000,00	8 000,00	100,00 %	8 000,00	1 142,57	14,28 %	6 857,43
		C8	700,00	0,00	0,00 %	700,00	0,00	0,00 %	0,00
			8 700,00	8 000,00	91,95%	8 700,00	1 142,57	13,13%	6 857,43
A-1420	Early childhood centre and approved day	C1	72 500,00	55 730,48	76,87 %	72 500,00	55 730,48	76,87 %	0,00
			72 500,00	55 730,48	76,87%	72 500,00	55 730,48	76,87%	0,00
			72 500,00	55 730,48	76,87%	72 500,00	55 730,48	76,87%	0,00
A-1430	Social contacts among staff members	C1	3 000,00	3 000,00	100,00 %	3 000,00	0,00	0,00 %	3 000,00
		C8	5 400,00	4 517,05	83,65 %	5 400,00	4 517,05	83,65 %	0,00
			8 400,00	7 517,05	89,49%	8 400,00	4 517,05	53,77%	3 000,00
A-1500	Training	C1	100 400,00	66 084,80	65,82 %	100 400,00	23 435,35	23,34 %	42 649,45
		C8	45 431,69	36 646,07	80,66 %	45 431,69	36 646,07	80,66 %	0,00
			145 831,69	102 730,87	70,44%	145 831,69	60 081,42	41,20%	42 649,45
A-1601	Seconded National Expert	C1	45 000,00	41 291,71	91,76 %	45 000,00	41 291,71	91,76 %	0,00
		45 000,00	41 291,71	91,76%	45 000,00	41 291,71	91,76%	0,00	
A-1603	IT support	C1	138 000,00	116 823,23	84,65 %	138 000,00	58 057,00	42,07 %	58 766,23
		C8	23 268,00	18 250,38	78,44 %	23 268,00	18 250,38	78,44 %	0,00
			161 268,00	135 073,61	83,76%	161 268,00	76 307,38	47,32%	58 766,23
A-1604	Administrative assistance	C1	117 000,00	34 084,87	29,13 %	117 000,00	29 329,87	25,07 %	4 755,00
		C8	9 176,00	4 352,46	47,43 %	9 176,00	4 352,46	47,43 %	0,00
			126 176,00	38 437,33	30,46%	126 176,00	33 682,33	26,69%	4 755,00
A-1611	Translation	C1	25 000,00	24 133,20	96,53 %	25 000,00	18 028,20	72,11 %	6 105,00
		C8	2 000,00	1 315,00	65,75 %	2 000,00	1 315,00	65,75 %	0,00
			27 000,00	25 448,20	94,25%	27 000,00	19 343,20	71,64%	6 105,00
A-1700	Representation expenses	C1	2 000,00	1 957,99	97,90 %	2 000,00	1 957,99	97,90 %	0,00
		C8	299,18	0,00	0,00 %	299,18	0,00	0,00 %	0,00
			2 299,18	1 957,99	85,16%	2 299,18	1 957,99	85,16%	0,00
Total - Title 1		C1	3 074 500,00	2 200 695,52	71,58%	3 074 500,00	1 777 077,26	57,80%	423 618,26
		RO	1 560 000,00	1 560 000,00	100,00%	1 560 000,00	1 560 000,00	100,00%	0,00
		C8	105 872,20	82 681,81	78,10 %	105 872,20	82 681,81	78,10 %	0,00
			4 740 372,20	3 843 377,33	81,08 %	4 740 372,20	3 419 759,07	72,14 %	423 618,26

Budget line	Budget Item Description	Fund source	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
A-2000	Renting	C1	3 600,00	0,00	0,00 %	3 600,00	0,00	0,00 %	0,00
			3 600,00	0,00	0,00 %	3 600,00	0,00	0,00 %	0,00
A-2010	Building insurance	C1	0,00			0,00			0,00
			0,00			0,00			0,00
A-2020	Water gas electricity and heating	C1	20 000,00	20 000,00	100,00 %	20 000,00	0,00	0,00 %	20 000,00
		C8	20 000,00	17 471,05	87,36 %	20 000,00	17 471,05	87,36 %	0,00
			40 000,00	37 471,05	93,68 %	40 000,00	17 471,05	43,68 %	20 000,00
A-2030	Cleaning and maintenance	C1	12 500,00	10 445,00	83,56 %	12 500,00	4 754,84	38,04 %	5 690,16
		C8	5 684,02	4 831,50	85,00 %	5 684,02	4 831,50	85,00 %	0,00
			18 184,02	15 276,50	84,01 %	18 184,02	9 586,34	52,72 %	5 690,16
A-2040	Security and surveillance	C1	1 300,00	1 000,00	76,92 %	1 300,00	231,11	17,78 %	768,89
			1 300,00	1 000,00	76,92 %	1 300,00	231,11	17,78 %	768,89
A-2050	Fitting out of premises	C1	500,00	222,99	44,60 %	500,00	222,99	44,60 %	0,00
			500,00	222,99	44,60 %	500,00	222,99	44,60 %	0,00
A-2090	Other expenditure related to the	C1	1 000,00	0,00	0,00 %	1 000,00	0,00	0,00 %	0,00
			1 000,00	0,00	0,00 %	1 000,00	0,00	0,00 %	0,00
A-2100	Acquisition renting of equipments and software	C1	274 000,00	261 680,42	95,50 %	274 000,00	22 762,64	8,31 %	238 917,78
		C8	81 532,71	79 173,44	97,11 %	81 532,71	74 673,44	91,59 %	4 500,00
			355 532,71	340 853,86	95,87 %	355 532,71	97 436,08	27,41 %	243 417,78
A-2101	Maintenance and repair of equipments	C1	94 000,00	75 062,61	79,85 %	94 000,00	47 526,86	50,56 %	27 535,75
		C8	23 626,20	23 626,20	100,00 %	23 626,20	10 463,10	44,29 %	13 163,10
		C9	10 463,10	0,00	0,00 %	0,00			
			128 089,30	98 688,81	77,05 %	117 626,20	57 989,96	49,30 %	40 698,85
A-2200	Acquisition rental of general and technical equipments	C1	0,00			0,00			0,00
		C8	383,86	243,81	63,52 %	383,86	243,81	63,52 %	0,00
			383,86	243,81	63,52 %	383,86	243,81	63,52 %	0,00
A-2201	Maintenance and repair of general and technical	C1	1 000,00	0,00	0,00 %	1 000,00	0,00	0,00 %	0,00
			1 000,00	0,00	0,00 %	1 000,00	0,00	0,00 %	0,00
A-2212	Transport cost	C1	300,00	292,64	97,55 %	300,00	292,64	97,55 %	0,00
		C8	50,00	50,00	100,00 %	50,00	50,00	100,00 %	0,00
			350,00	342,64	97,90 %	350,00	342,64	97,90 %	0,00
A-2220	Acquisition rental of furniture	C1	10 000,00	0,00	0,00 %	10 000,00	0,00	0,00 %	0,00
			10 000,00	0,00	0,00 %	10 000,00	0,00	0,00 %	0,00
A-2221	Repair of furniture	C1	200,00	0,00	0,00 %	200,00	0,00	0,00 %	0,00
			200,00	0,00	0,00 %	200,00	0,00	0,00 %	0,00
A-2300	Stationery and office supplies	C1	3 700,00	3 693,42	99,82 %	3 700,00	3 693,42	99,82 %	0,00
		C8	2 002,83	1 274,15	63,62 %	2 002,83	1 274,15	63,62 %	0,00
			5 702,83	4 967,57	87,11 %	5 702,83	4 967,57	87,11 %	0,00
A-2310	Postage and delivery charges	C1	6 000,00	4 939,73	82,33 %	6 000,00	3 939,73	65,66 %	1 000,00
		C8	475,55	91,84	19,31 %	475,55	91,84	19,31 %	0,00
			6 475,55	5 031,57	77,70 %	6 475,55	4 031,57	62,26 %	1 000,00
A-2320	Telecommunication charges	C1	40 500,00	39 995,80	98,76 %	40 500,00	31 170,38	76,96 %	8 825,42
		C8	3 742,70	2 569,94	68,67 %	3 742,70	2 569,94	68,67 %	0,00
			44 242,70	42 565,74	96,21 %	44 242,70	33 740,32	76,26 %	8 825,42
A-2330	Legal expenses and damages	C1	35 000,00	34 500,00	98,57 %	35 000,00	0,00	0,00 %	34 500,00
		C9	12 723,80	0,00	0,00 %	0,00			0,00
			47 723,80	34 500,00	72,29 %	35 000,00	0,00	0,00 %	34 500,00
A-2340	Handling and moving	C1	500,00	328,35	65,67 %	500,00	328,35	65,67 %	0,00
			500,00	328,35	65,67 %	500,00	328,35	65,67 %	0,00
A-2350	Bank charges	C1	500,00	289,74	57,95 %	500,00	151,95	30,39 %	137,79
		C8	100,00	100,00	100,00 %	100,00	100,00	100,00 %	0,00
			600,00	389,74	64,96 %	600,00	251,95	41,99 %	137,79
A-2360	Honoraria for Governing and Executive	C1	226 000,00	196 930,00	87,14 %	226 000,00	196 930,00	87,14 %	0,00
			226 000,00	196 930,00	87,14 %	226 000,00	196 930,00	87,14 %	0,00
A-2390	Other administrative expenses	C1	500,00	0,00	0,00 %	500,00	0,00	0,00 %	0,00
			500,00	0,00	0,00 %	500,00	0,00	0,00 %	0,00

Budget line	Budget Item Description	Fund source	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-2400	Official Journal	C1	9 000,00	3 000,00	33,33 %	9 000,00	2 076,42	23,07 %	923,58
		C8	1 400,00	740,13	52,87 %	1 400,00	740,13	52,87 %	0,00
			10 400,00	3 740,13	35,96%	10 400,00	2 816,55	27,08%	923,58
A-2401	EIT publications	C1	15 000,00	8 482,51	56,55 %	15 000,00	8 482,51	56,55 %	0,00
		C8	2 000,00	2 000,00	100,00 %	2 000,00	2 000,00	100,00 %	0,00
			17 000,00	10 482,51	61,66%	17 000,00	10 482,51	61,66%	0,00
A-2410	Purchase information	C1	0,00			0,00			0,00
			0,00			0,00			0,00
A-2420	Studies and surveys	C1	37 400,00	23 193,51	62,01 %	37 400,00	21 993,51	58,81 %	1 200,00
			37 400,00	23 193,51	62,01%	37 400,00	21 993,51	58,81%	1 200,00
A-2500	Organisation of Governing Board and Executive Committee	C1	143 000,00	119 646,62	83,67 %	143 000,00	62 659,72	43,82 %	56 986,90
		C8	10 764,13	7 989,50	74,22 %	10 764,13	7 989,50	74,22 %	0,00
			153 764,13	127 636,12	83,01%	153 764,13	70 649,22	45,95%	56 986,90
A-2501	Main expenses of Governing Board and Executive Committee	C1	320 000,00	242 704,71	75,85 %	320 000,00	183 974,44	57,49 %	58 730,27
		C8	41 408,05	18 290,25	44,17 %	41 408,05	18 290,25	44,17 %	0,00
			361 408,05	260 994,96	72,22%	361 408,05	202 264,69	55,97%	58 730,27
A-2520	Internal meetings	C1	5 000,00	4 594,19	91,88 %	5 000,00	3 321,44	66,43 %	1 272,75
		C8	250,00	0,00	0,00 %	250,00	0,00	0,00 %	0,00
			5 250,00	4 594,19	87,51%	5 250,00	3 321,44	63,27%	1 272,75
Total - Title 2		C1	1 260 500,00	1 051 002,24	83,38 %	1 260 500,00	594 512,95	47,16 %	456 489,29
		C8	193 420,05	158 451,81	81,92 %	193 420,05	140 788,71	72,79 %	17 663,10
		C9	23 186,90	0,00	0,00 %	0,00	0,00	#DIV/0!	0,00
			1 477 106,95	1 209 454,05	81,88 %	1 453 920,05	735 301,66	50,57 %	474 152,39

Budget line	Budget Item Description	Fund source	Commitment appropriations, EUR (1)	Commitments made, EUR (2)	% Committed (2/1)	Payment appropriations, EUR (3)	Payments made, EUR (4)	% Paid (4/3)	R A L (2-4)
B3-000	KIC Grants	C1	225,395,437.04	213,982,609.00	94.94 %	168,865,117.77	158,573,810.91	93.91 %	107,472,529.00
		C4	712,431.44		0.00 %	712,431.44		0.00 %	0.00
		C5	0.00			1,015,511.48	1,015,511.48	100.00 %	0.00
		C8	62,736,043.25	62,736,043.25	100.00 %	0.00			9,656,800.86
			288,843,911.73	276,718,652.25	95.80 %	170,593,060.69	159,589,322.39	93.55 %	117,129,329.86
B3-110	KIC monitoring and performance measurement	C1	888,000.00	568,386.72	64.01 %	300,000.00	300,000.00	100.00 %	391,277.48
		C2	0.00			39,889.00	26,109.24	65.45 %	0.00
		C8	149,000.00	149,000.00	100.00 %	0.00			0.00
					1,037,000.00	717,386.72	69.18 %	339,889.00	326,109.24
B3-120	Entrepreneurship activities	C1	402,000.00	377,456.44	93.89 %	120,000.00	98,686.64	82.24 %	350,375.34
		C2	0.00			72,747.20		0.00 %	0.00
		C8	83,696.50	71,995.54	86.02 %	0.00			390.00
					485,696.50	449,451.98	92.54 %	192,747.20	98,686.64
B3-130	Educational activities	C1	260,000.00	203,655.20	78.33 %	95,000.00	9,183.24	9.67 %	194,471.96
					260,000.00	203,655.20	78.33 %	95,000.00	9,183.24
B3-140	EIT Foundation	C4	12,850.00	0.00	0.00 %	12,850.00	0.00	0.00 %	0.00
					12,850.00	0.00	0.00 %	12,850.00	0.00
B3-150	Experts	C1	325,000.00	207,757.29	63.93 %	255,000.00	188,077.78	73.76 %	23,913.51
		C2	0.00			11,439.00	0.00	0.00 %	0.00
		C8	11,439.90	4,234.00	37.01 %	0.00			0.00
					336,439.90	211,991.29	63.01 %	266,439.00	188,077.78
B3-151	Legal assistance	C1	0.00			20,000.00	13,500.00	67.50 %	0.00
		C2	0.00			20,542.00	0.00	0.00 %	0.00
		C8	91,462.00	91,462.00	100.00 %	0.00			77,962.00
					91,462.00	91,462.00	100.00 %	40,542.00	13,500.00
B3-190	Other communication activities	C1	95,000.00	19,844.78	20.89 %	50,000.00	14,205.32	28.41 %	8,808.56
		C2	0.00			3,910.00	0.00	0.00 %	0.00
		C8	3,910.00	3,169.10	81.05 %	0.00			0.00
					98,910.00	23,013.88	23.27 %	53,910.00	14,205.32
B3-200	Communication tools	C1	815,000.00	806,645.70	98.97 %	380,000.00	344,164.53	90.57 %	776,126.25
		C2	0.00			168,261.00	0.00	0.00 %	0.00
		C8	554,887.20	524,055.90	94.44 %	0.00			210,410.82
					1,369,887.20	1,330,701.60	97.14 %	548,261.00	344,164.53
B3-201	Media affairs	C2	0.00			15,000.00	15,000.00	100.00 %	0.00
		C8	15,000.00	15,000.00	100.00 %	0.00			0.00
B3-202	Communication strategy and corporate identity	C1	15,000.00	15,000.00	100.00 %	15,000.00	15,000.00	100.00 %	0.00
		C2	265,000.00	264,838.03	99.94 %	260,000.00	152,622.62	58.70 %	166,623.11
		C8	166,985.44	165,148.66	98.90 %	0.00			110,740.96
					431,985.44	429,986.69	99.54 %	260,000.00	152,622.62
B3-203	EIT brand events conferences	C1	315,000.00	314,030.32	99.69 %	230,000.00	230,000.00	100.00 %	292,938.31
		C2	0.00			146,461.00	6,235.70	4.26 %	0.00
		C8	384,950.60	350,802.04	91.13 %	0.00			135,658.35
					699,950.60	664,832.36	94.98 %	376,461.00	236,235.70
B3-209	Other communication activities	C1	0.00			0.00			0.00
					0.00				0.00
B3-300	Strategy development	C1	10,000.00	10,000.00	100.00 %	3,000.00	3,000.00	100.00 %	10,000.00
		C2	0.00			38,403.00	14,100.00	36.72 %	0.00
		C8	38,403.16	17,100.00	44.53 %	0.00			0.00
					48,403.16	27,100.00	55.99 %	41,403.00	17,100.00
B3-301	Stakeholder relations	C1	10,000.00	10,000.00	100.00 %	5,000.00	0.00	0.00 %	10,000.00
					10,000.00	10,000.00	100.00 %	5,000.00	0.00
Total - Title 3		C1	228,780,437.04	216,765,223.48	94.75 %	170,583,117.77	159,927,251.04	93.75 %	109,697,063.52
		C2	0.00	0.00	0.00 %	516,652.20	61,444.94	11.89 %	0.00
		C4	725,281.44	0.00	0.00 %	725,281.44	0.00	0.00 %	0.00
		C5	0.00	0.00	0.00 %	1,015,511.48	1,015,511.48	100.00 %	0.00
		C8	64,235,778.05	64,128,010.49	99.83 %	0.00	0.00	0.00 %	10,191,962.99
					293,741,496.53	280,893,233.97	95.63 %	172,840,562.89	161,004,207.46
TOTAL		C1	233,115,437.04	220,016,921.24	94.38 %	174,918,117.77	162,298,841.25	92.79 %	110,577,171.07
		C2	0.00	0.00	0.00 %	516,652.20	61,444.94	11.89 %	0.00
		C4	725,281.44	0.00	0.00 %	725,281.44	0.00	0.00 %	0.00
		C5	0.00	0.00	0.00 %	1,015,511.48	1,015,511.48	100.00 %	0.00
		C8	64,535,070.30	64,369,144.11	99.74 %	299,292.25	223,470.52	74.67 %	10,209,626.09
		C9	23,186.90	0.00	0.00 %	0.00	0.00	0.00 %	0.00
			1,560,000.00	1,560,000.00	100.00 %	1,560,000.00	1,560,000.00	100.00 %	0.00
			299,958,975.68	285,946,065.35	95.33 %	179,034,855.14	165,159,268.19	92.25 %	120,786,797.16

ANNEX 3: Materiality criteria

Materiality is the basis for defining significant deficiencies in both qualitative and quantitative terms. The materiality criteria used by the EIT and the way of assessing their significance is presented below.

Qualitative criteria are linked to failure in achieving the EIT's short-term objectives, reputational risks of the EIT, significant deficiencies in the EIT's control systems and repetitive errors. These involve use of resources, sound financial management, and legality and regularity of the transactions. Their significance is judged on the basis of their nature, scope, duration, existence of compensatory measures, existence of effective corrective actions.

In quantitative terms a deficiency is considered material in cases where the financial impact or risk of loss is greater than 2% of the EIT's budget or if the weakness implies a significant reputational risk.

ANNEX 4: Information on members of the EIT Governing Board and of the Executive Committee

According to EIT Governing Board Decision of 17 October 2008 the honoraria of the members of the Governing Board, its chairperson and the members of the Executive Committee is

- 2,000 EUR per Governing Board meeting for each Board member
- 1,500 EUR per Executive Committee meeting and 2,000 EUR per Governing Board Meeting for the Executive Committee Members
- 2,000 EUR per Executive Committee meeting and 3,000 EUR per Governing Board meeting for the Chairperson

Name	Function	ExCo meetings	GB meetings
		Total number of meetings in 2014: 10	Total number of meetings in 2014: 5
BOJAR Gabor	Appointed GB Member		3
GARANA María	Appointed GB Member		3
JOHANSSON Ulf	Appointed GB Member		4
KERAVNOU-PAPAILIOU Elpida	Appointed GB Member and Executive Committee Member	5	5
KOLAR Jana	Appointed GB Member and Executive Committee Member	3	5
MAKAROW Marja	Appointed GB Member	1	5
OLESEN Peter	Appointed GB Member and Chairman of the GB as of August 2014	8	4
PRENDERGAST Patrick	Appointed GB Member	1	4
REVELLIN-FALCOZ Bruno	Appointed GB Member and Executive Committee Member	10	5
ROCCA Gianfelice	Appointed GB Member		3
THRIFT Nigel	Appointed GB Member	1	4

VAN DER VEER Jeroen	Appointed GB Member and Executive Committee Member	4	5
GOLEBIEWSKA-TATAJ Daria	Appointed GB Member and Executive Committee Member till June 2014	6	2
HERRMANN Wolfgang	Appointed GB Member till June 2014		2
MAEX Karen	Appointed GB Member & and Executive Committee Member till June 2014	1	2
TROPSCHUH Peter F.	Appointed GB Member till June 2014		2
VIK Linnar	Appointed GB Member till June 2014		2
VON GABAIN Alexander	Chairman of GB, appointed GB Member and Executive Committee Member till August 2014	7	2
ABRAMATIC Jean-Francois	Representative GB Member – <i>elected in September 2014</i>		1
FRIIS Lykke	Representative GB Member – <i>elected in September 2014</i>		1
HUBSCHNEIDER Hans	Representative GB Member – <i>elected in September 2014</i>		1
PATTE Christine	Representative GB Member till June 2014		2
SAUQUET Alfons	Representative GB Member till June 2014		2

ANNEX 5: List of contracts, external experts and grants awarded in 2014

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): None

2) Aggregate amount of specific contracts and order forms based on framework contracts exceeding EUR 134 000, if their volume is above EUR 15 000 (see Article 124 (4) of the Rules of Application to the Financial Regulation):

Number of contract	Contract type	Supplies/services	Name of the contractor	Value of the contract	Currency
FWC EAC/23/2011 - Lot 2	Specific contract under FWC	Organisation of the Chairmen Summit (26 May 2014), Berlin	Teamwork	15,771.00	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Executive Committee meeting (10 July 2014), Budapest	Teamwork	16,499.70	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the extraordinary Executive Committee meeting (08 May 2014), Budapest	Teamwork	17,743.95	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the EIT Stakeholder Forum (11 June 2014), Brussels	Teamwork	21,090.30	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Ernst & Young Pilot mentoring programme (3 October and 6 November 2014), Budapest	Teamwork	22,944.60	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Executive Committee meeting and Governing Board meeting (24-25 September, 2014), Budapest	Teamwork	54,496.05	EUR

FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Reservation of the venue of the EIT event in May 2015	Teamwork	54,995.82	EUR
EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Executive Committee meeting and the Governing Board meeting (08-11 December 2014), Budapest	Teamwork	58,734.90	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the Spring Review, Executive Committee meeting and Governing Board meeting (04-5 June 2014), Budapest	Teamwork	96,611.55	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Design of the EIT Innovation and Entrepreneurship Event in May 2015	Teamwork	155,182.13	EUR
FWC EAC/23/2011 – Lot 2	Specific contract under FWC	Organisation of the INNOVEIT Event in May 2015, Budapest	Teamwork	614,663.06	EUR
FWC EAC/23/2011 – Lot 4	Specific contract under FWC	Editing, design and printing of the 2013 Annual Report	Ecorys	29,993.75	EUR
FWC EAC/23/2011 – Lot 1	Specific contract under FWC	Communication services for EIT Health and EIT Raw Materials	Ecorys	149,990.00	EUR
FWC EAC/23/2011 – Lot 4	Specific contract under FWC	Development of the EIT's Community Brand Identity	Ecorys	249,838.03	EUR
FWC EAC/23/2011 – Lot 1	Specific contract under FWC	EIT Communications Campaign 2015	Ecorys	554 951.25	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	IT First Level support 2014	Grape Solutions Zrt.	21,948.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Analysis of requirements	Grape Solutions Zrt.	43,896.00	EUR

FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	IT Second level support 2014	Grape Solutions Zrt.	67,722.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Reporting platform 2014	Grape Solutions Zrt.	75,459.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	Upgrade of Business Plan 2015 submission platform	Grape Solutions Zrt.	78,054.00	EUR
FWC 38/2013/EITP ROC – Lot 2	Specific contract under FWC	KICs' Intelligence Set-up	Grape Solutions Zrt.	84,060.00	EUR
FWC BUDG/11/PO/003	Specific contract under FWC	Provision of ex-post audit services	Moore Stephens LLP	153,000.00	EUR
FWC DI/07190	Order form under FWC	Acquisition of 3 IBM serves and equipment for IT infrastructure	Bechtle AG	111,851.25	EUR
FWC DI/07190	Order form under FWC	Acquisition of notebooks and accessories	Bechtle AG	26,076.25	EUR

3) List of exceptional negotiated procedures in 2014:

Number of contract	Type of procurement procedure and legal basis	Legal basis	Contract type	Supplies/ services	Value of the procurement procedure / contract	Name of the contractor
01/2014/NP/EITPROC	Negotiated procedure following the publication of a contract notice	Article 135(1)(e) RAP	Direct service contract	Catering services for the European Institute of Innovation and Technology in Budapest	EUR 200 000	The service contract was not awarded
09/2014/NP/EITPROC	Negotiated procedure without the publication of a contract notice	Article 134(1)(i) RAP	Direct service contract	Legal support in litigation – Court case T-481/14	EUR 34,500.00	Stibbe CVBA

List of experts contracted in 2014

In accordance with Article 40(5) of the Rules for Participation and Article 287(5) of the Rules of Application of the Financial Regulation.

Name of the expert	Amount (EUR)
HORVAT, Manfred	Below 15,000.00
NOLDUS, Lucas	Below 15,000.00
FENDT, Jacqueline	Below 15,000.00
KOZLOWSKI, Roland	Below 15,000.00
HAICK, Hossam	Below 15,000.00
DOMINKO, Tanja	Below 15,000.00
ROIJAKKERS, Nadine	Below 15,000.00
MURRAY, Gordon	Below 15,000.00
GARCIA MARTINEZ, Javier	Below 15,000.00
HÁMOR, Tamás	Below 15,000.00
ASHFORD, Nicholas	Below 15,000.00
VUORIO, Eero	Below 15,000.00
SALAS, Oscar	Below 15,000.00
REITBERGER, Christian	Below 15,000.00
BOISSELIER, Yves	Below 15,000.00
GAN, Joseph	Below 15,000.00
HANCOCK, Michael	Below 15,000.00
HULL, Christopher	Below 15,000.00
SEAR, Christopher	Below 15,000.00
GFRERER, Margareth	Below 15,000.00
FUSCHI, David Luigi	Below 15,000.00
NIELSON, Liese	Below 15,000.00
KOMPIS, Costis	Below 15,000.00
RADAUER, Alfred	Below 15,000.00
GIELEN, Frank	Below 15,000.00
BOISSELIER, Yves	Below 15,000.00
VANRIE, Philippe	Below 15,000.00
FERRAZ, Maria	Below 15,000.00
HOLMSBERG, Klaus	Below 15,000.00
JOHANSSON, Per	Below 15,000.00
LAKERVI, Erkki	Below 15,000.00
MORRISSEY, Coleman	Below 15,000.00
GOODSITE, Michael	Below 15,000.00
PADOANI, Graciela	Below 15,000.00
KOMPIS, Costis	Below 15,000.00

Grants awarded

Name of the beneficiary	city	Country/ territory	Co-financing rate	Amount (EUR)	Subject of grant
Climate-KIC	Utrecht	The Netherlands	100,00%	75,390,000	Support the implementation of KIC added value activities
EIT ICT Labs	Brussels	Belgium	100,00%	71,845,805	Support the implementation of KIC added value activities
KIC InnoEnergy	Eindhoven	The Netherlands	100,00%	66,560,974	Support the implementation of KIC added value activities

ANNEX 6: Performance measurement system – Scoreboard*

Enabling innovation/value creation (What we do)	Definition	2014 (forecasted)	2013 (verified)	2012 (declared)	2011 (declared)	2010 (declared)
Attractiveness of educational programs	Ratio of the number of eligible applicants divided by number of available seats for eligible EIT labelled Masters and PhDs degrees.	NA	5.68	1.42	1.65	1.16
Number of new graduates	Number of new graduates from EIT labelled PhD and Masters programs.	389	131	36	9	30
Number of business ideas incubated	Number of formalized commitments established between KICS and entrepreneurs.	316	207	101	79	0
Number of start-ups created	Number of Start-Ups or Spin-Offs that are direct output of a KIC Activity.	111	28	14	4	1
Knowledge Transfer/Adoption	Sum of the Knowledge Transfers (from one KIC partner to another KIC partner or to third parties) and Adoptions (by KIC partners) that are direct output of a KIC activity.	185	75	35	5	0
New or improved products/services/processes launched into the market	Number of new or improved products/services/processes that are direct output of a KIC Activity.	80	19	9	3	0

*A review of the KPIs is planned for 2015.

ANNEX 7: Risk mitigating actions undertaken in 2014

Description of the risk	Proposed mitigating actions	Accomplished risk mitigation actions
<p>Improper implementation of EIT-KICs agreements given the complexity and novelty of the KIC concept <u>Causes:</u> new concept, simplified rules <u>Consequences:</u> recovery of EIT funds; delays in implementing KICs' activities; negative reactions from EC, CoA, OLAF, KICs; damage reputation/credibility of the EIT</p>	<p>Ensure proper internal consultation and with relevant EU bodies (EC/DG EAC/DG BUDG)</p> <p>Improve the procedures (SOPs) on KIC grant management</p> <p>Finalise and finetune the EIT Grant handbook</p>	<p>Completed: Finalization of a note explaining all the processes that have led to the allocation of funds, including ex-ante assessment of BPs.</p> <p>Definition of new guidelines for ex-ante assessment of KIC reporting accomplished.</p> <p>Definition of updated Guidelines for Business plan and Reporting of the KICs completed.</p>
<p>Title: Improper implementation of EIT-KICs agreements - irregularities not detected during the ex-ante verification of performance and cost reports <u>Causes:</u> full verification by the EIT is not possible <u>Consequences:</u> non eligible activities and cost are funded by the EIT</p>	<p>Internal detailed assessments of Performance and Cost reports for the GA 2014</p> <p>Assessment of certificates on the Financial Statements that are required by the EIT</p> <p>Risk based ex-post audits to be performed on GA 2013 as well</p> <p>Potential external technical review of KIC added-value activities</p> <p>Establishment of a fraud prevention strategy</p>	<p>On track. Definition of new more structured guidelines for ex-ante assessment of KIC reporting has been completed.</p> <p>Grant assurance strategy reviewed by external expert (Mazaars) in February, 2015.</p> <p>Action plan is being drafted to implement recommendation in the second half of 2015.</p>
<p>Title: Unexpected/unforeseen legal and procedural aspects delaying preparation of the new KICs call <u>Causes:</u> the process is to a certain degree novel and unexpected formal obstacles may arise <u>Consequences:</u> delay of call preparation, launch and implementation; damage to the EIT's credibility</p>	<p>GB Working Group established to monitor progress..</p> <p>Inter-service consultations/ experience sharing process and training on legal aspects of procurement procedure</p> <p>Contracting external experts to eliminate knowledge gap in some specific legal and procurement issues</p> <p>Planning of the process assuming two weeks contingency in case of some unexpected legal and procurement problems</p>	<p>New KIC call has been successfully launched. The preparation of the KIC designation completed</p>

<p>Title: Difficulty to meet planned deadlines due to ad hoc priorities <u>Causes:</u> conflicting priorities and significantly increased workload <u>Consequences:</u> delays in the realisation of objectives</p>	<p>Efficient activity planning and monitoring, allocation of additional resources (leveraged) Regular reporting to Management</p>	<p>Priorities are regularly revised in accordance with the needs of the service. The HR Assistant position is filled. The recruitment procedure of two more HR positions is on-going</p>
<p>Title: IT hardware failure <u>Causes:</u> Hardware devices failure <u>Consequences:</u> Systems and services could be stopped for different periods of time</p>	<p>Disaster Recovery exercise to be performed as part of the DRP</p>	<p>Disaster Recovery exercise performed as part of the DRP. Formal documentation is expected to be ready in Q3</p>
<p>Title: Poor planning and organisation of the financial and procurement process, including the planning of supervision and monitoring <u>Causes:</u> improper time management, insufficient and inefficient processes <u>Consequences:</u> non-achievement of objectives or delay in the achievement, waste of time and resources</p>	<p>Start budgetary planning in Sept, monthly monitoring of the budget and procurement implementation, review of the budget and procurement implementation twice per year</p>	<p>Budget reports provided to MT and uploaded on SP. Quarterly workshops take place</p>
<p>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, guidances <u>Consequences:</u> non-compliance with the legal and regulatory requirements, waste of time and resources</p>	<p>Expenditure Life Cycle training for newcomers and staff, training on procurement, regular workshop and guidance on financial and procurement practicalities</p>	<p>Trainings have been organised by HR they have and will take place regularly in Q2 and Q3 and Q4. Participation in the trainings are mandatory and monitored.</p>
<p>Relations with EIT Foundation: Risk of non-fulfilment of financial obligation (i.e. repayment of loan) <u>Causes:</u> Inability to secure financial contributions from EITF members <u>Consequences:</u> financial harm / litigation</p>	<p>Decision to wind up the EIT Foundation, with its subsequent Dissolution and Liquidation, as there is no explicit legal basis, especially in light of the sound financial management principle, to maintain the EITF without any activities</p>	<p>The EIT with the support of DGEAC and EITF Secretariat has completed the Analysis of Options and Action Points for Winding Up the EITF</p>

ANNEX 8: Specific annex on the "Assessment of the effectiveness of the internal control systems"

Standard	Brief description of the action	Status as of 31.12.2014
ICS 2 – Ethical and Organisational Values	Establish an EIT ethical guidance (supported by training) including provisions on conflict of interests and anti-fraud.	New templates are in use for the declaration of newcomers (to be used as of 2014). An ethics contact point nominated and ethics training planned for 2015.
ICS 3 – Staff Allocation and Mobility	Establish adequate arrangements to ensure effective priorities planning and staff workloads in line with the available skills	The Interim Director introduced unit specific action plans, set up 4 strategic working groups and measures to fill vacancies in order to tackle high priority issues and improve effective use of available resources.
ICS 4 – Staff evaluation and development	Develop and implement a staff performance evaluation system based on individual annual objectives. Following the implementing rules regarding training of staff members approved by the Governing Board in June 2012, define the strategy and priority areas for training for 2013 including agreed individual training maps	Annual appraisal exercises were introduced for the first time in 2014. A promotion and reclassification system will be introduced in 2015. The training policy has been revised in 2014 to make it more effective.
ICS 5 - Objective and performance indicators	Implement a Quarterly Review in order to monitor and report on the AWP implementation/achievements thorough the year.	Continuously ongoing.
ICS 6 – Risk Management Process	Conduct a comprehensive risk assessment exercise including developing an EIT-wide risk management action plan for 2014	Partially completed, an audit and risk register has been refined in 2014 as basis for the comprehensive risk assessment to be conducted in 2015.
ICS 7 – Operational Structure	Monitor the implementation of the annual IT master plan and adjust it if deemed necessary	In 2014, the IT action plan has been developed at a detailed level and is now under implementation.