



EUROPEAN COMMISSION

Annual Activity Report 2010

EXECUTIVE AGENCY FOR COMPETITIVENESS AND INNOVATION



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Introduction

Executive Agencies are established by the Commission in accordance with Council Regulation (EC) No 58/2003 for the purpose of delegating certain tasks relating to the management of EU programmes, including budget implementation. This enables the Commission to focus on its core activities and to dispose of sufficient technical expertise for the management of such programmes with the goal to achieve a more efficient programme implementation.

The Executive Agency for Competitiveness and Innovation (EACI) was set up by Commission Decision 2007/372/EC of 31st May 2007.¹ The Agency is responsible for the management of EU actions in the fields of energy, entrepreneurship and innovation (including eco-innovation), and sustainable freight transport under the following EU programmes:

- Intelligent Energy Europe programme I (2003-2006);
- Competitiveness and Innovation Framework Programme – Intelligent Energy Europe IEE Programme II (2007-2013) and the Entrepreneurship and Innovation Programme (EIP)(2007-2013);
- Marco Polo I (2003-2006) and the Marco Polo II programmes (2007-2013).

The management tasks entrusted to the Agency are laid out in the EACI Act of Delegation adopted on 9th July 2007², and include:

- Management of the project cycle, in particular managing all the phases of the lifecycle of the projects and other implementing measures;
- Information to the public, such as planning and performing promotion actions, information and dissemination activities, including meetings, seminars or conferences, related to the programmes, their implementing measures and results;
- Preparing recommendations for the parent DGs on implementation of the programmes and their future development.

The Agency's mission is to implement these programmes efficiently, and, thus, to contribute to the achievement of the programmes' objectives including the promotion of energy efficiency and renewable energy sources, the competitiveness of enterprises, in particular SMEs, all forms of innovation, including eco-innovation and the environmental performance of the transport system.

The Agency aims in particular, to achieve tailor-made implementation procedures contributing to a faster programme implementation, close contact with final beneficiaries, a reinforced capacity of the members of the Enterprise Europe Network to provide effective services in support of business and innovation and a high visibility of the EU as promoter of the programmes concerned.

¹ OJ L 140, 1.6.2007, p.52. Following the establishment of the Intelligent Energy Executive Agency (IEEA) by Commission Decision 2004/20/EC of 23 December 2003, the Commission decided to transform the IEEA into the EACI (Commission Decision 2007/372/EC of 31 May 2007 amending Decision 2004/20/EC).

² Commission Decision C(2007) 3198 final of 9th July 2007.

Part 1. Implementation of the Agency's Annual Work Programme

1.1 Operational activities

1.1.1 Efficient implementation of delegated management tasks - 'added value of the EACI'

The following activities and results are highlighted regarding the efficient implementation of the tasks delegated to the EACI, as set out in the EACI Work Programme 2010 and the Agency's mission statement:

Tailor made implementation procedures contributing to faster programme implementation

In 2010, the Agency continued to speed up programme implementation, whilst being in full compliance with the principles of sound financial management. The average payment time (pre-financing, interim and final payments) of the Agency for all delegated programmes decreased further from 21 days in 2009 to 19 days in 2010.³ Hence, the Agency is in compliance with the targets set out in the Commission Communication on streamlining financial rules and accelerating budget implementation from 8th April 2009 (SEC(2009)477 final).

EACI operational budget			
	2008	2009	2010
Average time to pay (days)	34	21	19
Average time to contract (days)	358	315	300
Budget execution: commitment appropriations (%)	100	100	99,99
Budget execution: payment appropriations (%)	92	79	99,79
Late payments (%)	13	2,63	3,48

Closer contact with project promoters and partners

Proximity to the target groups is a vital element for the success of the delegated programmes. Keeping close contact with the project teams and their markets and environment is crucial to promote the call for proposals and steer projects in a way to optimise and exploit results.

The Agency reinforced its support to the new market actors involved in the most recent Intelligent Energy Europe projects. Most of the project kick-off meetings were attended by the EACI Project Officers and the Agency organised, for the first time, two contractors' meetings in order to train coordinators at the starting phase of their project. These meetings were attended by 57 coordinators and proved to be very effective. In addition, the Agency was also close to potential IEE beneficiaries. The Info Day on the 2010 call for proposals was a great success, with more than 500 participants, and the Agency participated in 27 other info days in the Member States.

³ For payments subject to the single time limit of 90 days for report approval and payment, the net payment delay (time needed to execute the payment, excluding time needed for report approval) is calculated.

In relation to Marco Polo, the European Info Day in February attracted 346 participants from 30 countries. 40 on site verification visits to current projects took place during the course of the year.

The eco-innovation call for proposals was launched in April at the occasion of a successful info day with around 360 participants. During this info day, a training of the existing informal national contact points took place. The training was intended to enable them to better promote the initiative and consult potential applicants. More than 1,100 persons attended the national info days.

	Number of proposals				
	Call 2008	Call 2009	Call 2009 / Call 2008	Call 2010	Call 2010 / Call 2009
Marco Polo	46	70	52%	101	44%
Eco-innovation	134	202	51%	287	42%
IEE	342	372	9%	348	-7%

High visibility of the European Union as promoter of the programmes

For the first time, the Agency was responsible for the organisation of the European Sustainable Energy week (EUSEW). EUSEW included 330 events, more than twice as many as in 2009. The number of EUSEW energy days organised outside Brussels increased 4-fold to reach 250 events. The media work carried out in relation to the EUSEW paid off with more than 200 media mentions. The Brussels events alone attracted more than 6,000 participants.

On behalf of the Commission, the Agency kicked off several EU communication initiatives to encourage stakeholders to adopt sustainable energy practices. The ManagEnergy initiative had its annual conference in March and a new website in September. An EU-wide school competition was launched in September in the presence of Commissioner Oettinger. A Clean Vehicle Portal was launched later in the year in the presence of Vice-President Kallas.

The EACI organised the Marco Polo conference in Vienna which attracted more than 180 participants and triggered 16 media mentions with an estimated readership of 1 million persons. Also, two new videos for the Marco Polo programme were produced (one dedicated to maritime transport and one on inland waterways).

A reinforced capacity of the partners of the Enterprise Europe Network to provide effective services in support of business and innovation

In 2010, considerable efforts have been made to the maintenance of the existing IT applications as well as the development of the future system (Merlin-project). The new public website, intranet and Network Directory were all launched during the year and the technology for the new 'Merlin' system was selected.

The Annual Conference in Antwerp, organised in association with the Belgian EU-Presidency, in order to promote with network partners events and policies at EU level of direct relevance to SMEs, attracted more than 900 participants and received a positive feedback (satisfaction rate more than 94%).

In total, more than 800 staff members of Network partners were trained in 2010⁴. Participants continue to be very satisfied with the quality of the training. The Agency's training offer has been extended by developing an e-learning programme for the Network with a second programme ready in 2011.

⁴ Situation on 18/1/2011. Final figures will only be available later.

In total, 50 success stories and 3 success story videos were produced to demonstrate the benefit of the Network's services. These videos have reached an audience of almost 4,7 million people so far.

Reference publications, such as the internal newsletter Netlife and a weekly news bulletin with information on EU policies and funding programmes of interest for SMEs have been continuously released in 2010. Important improvements have been achieved in the governance of Sector Groups, sector specific associations of Network Partners.

2010 was the third and last year of the Specific Grant Agreements (SGAs) of 92 project consortia with a total EU contribution of about 154 million euro. Following a consultation phase, around a half of the grant agreements for the new work programme 2011-2012 were signed before the end of the year.

Two and a half years of practical experience with the implementation of the Network project have already shown good results of the Agency's Network project management and animation activities. The experience also showed that there was room for improvement, especially in relation to the Agency's internal structure. Therefore, in order to fully support an effective and efficient implementation of the Network project, the Agency decided to optimize its organisational structure. This resulted in a new organigramme, approved by the EACI Steering Committee in October 2010. The new structure has a clearer division of tasks with one unit giving more individual support to partners in terms of network operations and one unit providing horizontal support to the Network as a whole (see also part 2.1.2).

Feedback to the European Commission

On numerous occasions, the EACI transmitted projects results to the Commission (e.g. project coordinators' meetings, liaison meetings with the parent DGs, presentations to programme committees etc.) as well as any information and recommendation required to further guide the development of the programmes.

The Agency fed back the results of its energy efficiency projects to DG ENER to assist them in assessing the results of the current Energy Efficiency Action Plan and in defining new measures to help the EU meet its energy efficiency target. Data from these energy efficiency projects and from the Concerted Actions managed by the EACI were also used to support the implementation of the Directives in the field of buildings, products and services. For instance a contractors' meeting on nearly-zero energy buildings was organised in February to assist DG ENER with the transposition of the recast of the Energy Performance in Buildings Directive.

The work done by the consortium of the OFFSHORE GRID project was fed into DG ENER to help with the preparation of the new Infra-structure package, and the work of the SEPOMO BUILD project was fed into DG ENER and DG ESTAT to support their work on heat pump performance and statistics.

Commissioners Oettinger (Energy) and Potocnik (Environment) and Directors-General Lowe (Energy) and Falkenberg (Environment) visited the EACI constituting an opportunity to inform them about programme and projects results.

1.1.2 Execution of the management tasks delegated to the Agency (operational activities)

The following section describes the main results from the operational activities carried out in 2010. These activities contribute to the achievement of the specific objectives and their related outputs and indicators, as laid down in the management plans of the parent DGs and the activity statements for the Union budget.

The following table shows the links between the objectives of the Agency (as defined in the EACI 2010 Work Programme) on one side and the ABB activities, as well as the relevant specific objectives of the parent DGs on the other side.

Agency's objective	ABB	Specific objective parent DG	Parent DG
To implement the IEE I and the CIP – IEE II programmes	06 04 Conventional and renewable energies	To promote renewables and to increase the energy efficiency in transport, residential/tertiary and industry, through addressing the non-technological barriers (IEE programme)	ENER
To implement activities of the CIP – Entrepreneurship and Innovation Programme (EIP) → Enterprise Europe Network → IPR Projects → Eco-innovation	02 02 Competitiveness, industrial policy, innovation and entrepreneurship	To promote favourable framework conditions for small and medium sized enterprises	ENTR
		To bring about synergies between environment policies and policies for growth and jobs and to support the development of a greener low carbon and resource efficient economy	ENV
To implement the Marco Polo I and II programmes	06 02 Inland, air and maritime transport	To improve the environmental performance of all modes of transport and where appropriate promote shift towards more environmental friendly modes of transport, including through the Marco Polo programme	MOVE

Objective 1: to implement the Intelligent Energy Europe I (2003-2006) and the CIP / Intelligent Energy Europe II (2007-2013) programmes

The Intelligent Energy – Europe Programme (2003-2006)⁵ and its successor Intelligent Energy – Europe II (2007-2013)⁶ (IEE II being part of the CIP 2007-2013) supports the European Union's energy policy and its ambitious "20-20-20" commitment: i.e. reducing greenhouse gas emissions by 20%, increasing the share of renewables in the energy consumption to 20%, and reducing primary energy use by 20%, all by 2020. The programme's aim is to support sustainable development in the energy field, making a balanced contribution to achieving the general objectives of security of energy supply, competitiveness and environmental protection.

The programme provides EU grants for projects in the areas of new and renewable energies (ALTENER), energy efficiency (SAVE) and energy use in transport (STEER), removing non-technological barriers and boosting market-uptake of proven processes, technologies and concepts.

The EACI manages most of the budget of the IEE II programme as well as the on-going projects of the IEE I programme.

Intelligent Energy Europe (IEE I and IEE II)			
Year	2008	2009	2010

⁵ OJ L 11, 16.1.2003, p.1.

⁶ OJ L 130, 9.11.2006, p.15.

Number of applications	342		372		348	
Average time to contract (days)	329		329		334	
Average time to pay (days) ⁷	IEE I	36	IEE I	22	IEE I	21
	IEE II	17	IEE II	14	IEE II	14

The main results from this operational activity carried out during 2010, including indicators and outputs are described in the following summary table:

To manage the lifecycle of the projects financed under the grants awarded under the IEE I programme and the IEE II programme	
<i>Performance indicators</i>	<i>Results</i>
Number of reports processed by the deadline set in the grant agreements (<i>target < 45 days</i>)	By end of December, 70 final reports and 59 interim reports were assessed and approved by the Agency (<i>processing time see payment delay</i>)
Number of project meetings attended (<i>target: at least 70 on going projects including all the ones with sensitive project implementation issues</i>)	97 project meetings were attended.
To manage the tenders of the IEE II work programme 2008: BUILD UP: the European portal for energy efficiency in buildings; Energy Agencies: evaluation of the relevance of Union funding of local and regional energy agencies; U4Energy: the European wide competition for the most Energy Efficient Schools; ManagEnergy: the EU tool for facilitating implementation of EU sustainable energy; Sustainable Energy Europe Campaign (including EU Sustainable Energy Week)	
<i>Performance indicators</i>	<i>Results</i>
All tenders implemented on time (in particular ensuring the kick-off of the ManagEnergy and the school competition tenders by the 1 st quarter 2010)	The portal for energy-efficiency in buildings (BUILD UP) was revamped in March 2010 with new functionalities (www.buildup.eu). A meeting of most EU building-related associations was organised in June 2010 to keep them informed and involved as "BUILD UP Stakeholders".
	The School Competition tender started on 1st January 2010 as foreseen. The launch event took place on 16 Sept. in the presence of Commissioner Oettinger. A website was created (www.u4energy.eu).
	ManagEnergy kick-off meeting was held with participation of DG ENER on 21st January. First Annual Conference including Awards Ceremony was attended by Commissioner Oettinger. The new website was launched in September 2010 and five workshops took place in September – October 2010.
	Energy agencies study final report was accepted on 1st June, and was passed to the Member States. The findings will be used to guide the future IEE work programmes.
	The Agency renewed the Sustainable Energy Europe Campaign website and the Campaign brochure, recruited 272 new projects, and organised the EUSEW 2010 and the Sustainable Energy Europe Award
To complete the negotiations relative to the 2009 IEE II call for proposals published in 2009	
<i>Performance indicators</i>	<i>Results</i>

⁷ The target was < 30 days. The legally binding deadline foreseen in the grant agreement and the EU financial regulation is 45 days.

Negotiations completed by 1st quarter 2010	Mid-March a first award decision was adopted for 58 proposals (out of the 59 projects recommended for funding and a reserve list of 6 proposals). The second and last award decision was taken in July.
All contracts signed by end of April 2010	49 contracts were signed by end of May (more than 80% of contracts to be signed). The last ones (reserve list proposals) could only be signed in the second semester when the Agency got assurance that enough savings would be available to support them.
List of grants awarded published in compliance with the Financial Regulation	Publication foreseen in the first half of 2011, in compliance with the Financial Regulation.
Advance payments executed by 31 st July 2010 (target: 100% of payments for which pre-conditions, as set out in the grant agreement, are met)	All advance payments were processed within 15 days from the reception of the required supporting documents.
To manage two tenders of the IEE II work programme 2009: (a) Clean vehicle portal and (b) Dissemination and support initiative in the field of energy aspects of urban transport;	
<i>Performance indicators</i>	<i>Results</i>
Both tenders of the 2009 IEE Work programme on transport kicked-off by the 1 st quarter 2010	<ul style="list-style-type: none"> ▪ The Clean Vehicle Portal tender was kicked-off in February 2010. The portal was officially launched on 3 December in presence of vice president Kallas (www.cleanvehicle.eu) ▪ The ELTISplus tender was signed on 12 April 2010 and three expert workshops were held on Sustainable Urban Mobility Plans (SUMPs).
Following the adoption of the 2010 IEE II work programme: to promote and implement the call for proposals and the Concerted Actions	
<i>Performance indicators</i>	<i>Results</i>
Publish the Call for proposals shortly (target: 5 days) after the adoption of the 2010 work programme by the Commission by first quarter 2010	<p>The Call for proposals was published the same day as the work programme adoption on 23 March 2010, with a deadline set on 24 June. It was translated in German and French. It was promoted at a very successful Info day in Brussels on 10 Feb. Project officers participated in 27 national info days, usually meeting with potential proposers as well as giving plenary presentations. National Contact Points were briefed at a workshop in Brussels on 26 March.</p> <p>More than 250 pre-proposal checks were answered, in less than a week on average.</p>
External experts selected on the basis of needs analysis – in batches – from June to August 2010	Expert selection began in May. 80 experts were selected and invited to a briefing on 7-8 September.
Approval of evaluation results by the Authorising Officer by 4 th quarter 2010	The evaluation results were approved by the Authorising Officer on 10 December and were communicated to the applicants on 15 December, as announced in the Call for proposals.
Contract for Concerted Actions on renewable energy Directive and EPBD Directive to be signed respectively by 3 rd and 4 th quarters of 2010.	The Concerted Action on the RES Directive was contracted in July. The kick-off meeting took place on 28-30 September with 170 participants from 30 countries, and inputs from DG ENER and the Agency. The final proposal for the EPBD Concerted Action was ready in December and is expected to be contracted in January 2011.
To manage the Concerted Actions supporting the implementation of the Energy Performance of Buildings Directive (EPBD II) and the Energy Services Directive (ESD)	

<i>Performance indicators</i>	<i>Results</i>
Agency delivers presentations at EBPD and ESD Concerted Actions meetings on time as set out in the grant agreement.	The two Concerted Actions were closely followed in collaboration with DG ENER. The Agency delivered presentations at all EPBD Concerted Action meetings (Jan, March, Sept 2010). It also contributed actively to all meetings of the ESD Concerted Action. The outcomes of the IEE projects were fed into these Concerted Actions to maximise their impact.
To generate and disseminate information about the IEE Programme, including the results and impacts, as set out in the Agency's Communication Work Plan	
<i>Performance indicators</i>	<i>Results</i>
Communication Work Plan 2010, covering all communication needs of the IEE programme, drawn up by 1st quarter 2010 and implemented by the 4th quarter of 2010	<p>The EACI Communication work plan was approved on 26 February 2010.</p> <ul style="list-style-type: none"> ▪ The Agency finalised and rolled out the new IEE visual identity and graphical charter; ▪ The IEE projects database included more than 500 projects and registered more than 1 million visitors and 1.5 million page views by the end of the year - almost three times as many as in 2009; ▪ 8 news alerts were sent out to more than 17,000 subscribers on the IEE mailing list; ▪ 80,000 hard copies of IEE information material (leaflet, project brochures, IEE news review, videos) were ordered and delivered; ▪ In addition, the Agency received orders for 35,000 copies of the new IEE magazine; ▪ The European and national info days attracted some 3500 participants; ▪ The Agency worked on a renewal of the IEE website – publication in early 2011
Publication of three issues of the intelligent Energy News Review in cooperation with DG ENER	<ul style="list-style-type: none"> ▪ News Review number 6 was published in March, 28,000 hard copies were ordered and distributed; ▪ IEE Mag N°1 (the News Review successor) was published in October) and more than 35,000 hard copies were ordered; ▪ Work on IEE Mag N°2 started in October but publication was postponed to February 2011 because of the EUSEW 2011.
Organisation of at least two IEE contractors' meetings	<ul style="list-style-type: none"> ▪ One contractor meeting was organised on 2 February on nearly-zero energy buildings. Another one was organised on 7 May with the contractors of sustainable energy community projects. In addition, two coordinators' training took place in May. They were attended by 57 coordinators.
To organise the EU Sustainable Energy Week 2010, including a greater number of decentralised, local events	
<i>Performance indicators</i>	<i>Results</i>
EUSEW 2010 includes at least 100 local energy days and attracts at least 50,000 participants altogether.	For the first time, the Agency was responsible for the organisation of the European Sustainable Energy week (EUSEW). EUSEW included 330 events, more than twice as many as in 2009. The number of EUSEW energy days organised outside Brussels increased 4-fold to reach 250 events. The media work carried out in relation to the EUSEW paid off with more than 200 media mentions. The Brussels events alone attracted

	more than 6,000 participants.
To make recommendations to guide the implementation and development of the IEE Programme and to provide the Commission with structured information about the results/impact of the IEE actions implemented by the Agency to contribute to the proper monitoring and reporting of the IEE Programme	
<i>Performance indicators</i>	<i>Results</i>
Most relevant results from IEE projects, in particular regarding the achievements of the programme objectives, and the outcomes of the tenders are channelled to Commission's policy-makers in a timely manner and appropriate format.	Regular meetings and exchanges were held between EACI project officers and DG ENER / MOVE policy officers in support of specific policies, in particular the RES Directive, the Energy Performance of Buildings Directive and the Energy Services Directive. Data from project results were fed back to DG ENER's Task Force on the revision of the EU energy efficiency action plan. They were used for the Impact Assessment and for proposing new policy initiatives. The Agency also helped in the assessment of the current Energy Efficiency Action Plan. Project results were also used to assist DG ENER in developing a concrete work programme for collaboration with the Chinese Ministry of Housing and Urban and Rural Development. They were also fed back to DG ENER for the preparation of a paper on "an energy policy for consumers" requested by the Belgian Presidency.
Timely contribution, as agreed with DG TREN, to the Commission's reporting on programme implementation (presentation of IEE programme's state-of-play at IEE management committee meetings, annual implementation report etc.).	Presentations of the programme state-of-play were given during all the IEE Programme Committee meetings. The Agency also had an active role during the Committee meetings which addressed the new initiative on qualifying the building workforce. Contributions to implementation reports and the various evaluations were provided in due time.
Timely and sound recommendations by 3 rd quarter 2010 to guide the implementation of the IEE programme, in particular as regards the future work programmes (written communication, minutes of liaison meetings etc.).	Several contributions were provided suggesting a new focus for some key actions for the 2011 Work Programme. An important effort was put into texts on the new initiatives on Qualifying the Building Workforce and on Mobilising Local Energy Investments. Also substantial efforts were made with DG ENER on revising the focus for local actions.
To implement the 2010 IEE market replication projects as defined in the 2010 IEE work programme	
<i>Performance indicators</i>	<i>Results</i>
The exact role of the EACI in project implementation, including a planning for the implementation of the projects, is agreed with the Parent DG by the 1st quarter 2010.	EACI was not scheduled to play a role in the implementation of market replication projects during 2010. The EIB works on technical aspects directly with DG ENER and on financial aspects via DG ECFIN.

Objective 2: to implement activities of the CIP – Entrepreneurship and Innovation Programme (EIP)

The Entrepreneurship and Innovation Programme (EIP) is one of the three specific programmes under the Competitiveness and Innovation Framework Programme (CIP). Through the EIP, the European Commission aims to support entrepreneurship and innovation and to promote the development and growth of SMEs across the EU. In 2010 EACI implemented on behalf of the Commission the following actions:

- Enterprise Europe Network:
 - Project management⁸
 - Network animation⁹
- IPeuropAware Project
- Eco-innovation first application and market replication projects

EIP – Enterprise Europe Network¹⁰

The main project of the EIP programme, for which management tasks are delegated to the EACI, is the Enterprise Europe Network. It is the largest Network of contact points providing information, service and advice to EU companies on EU matters and innovation, in particular to small and medium enterprises (SMEs). Launched at the beginning of 2008, the Enterprise Europe Network combines and builds on the former Innovation Relay Centres and Euro Info Centres (established in 1995 and 1987 respectively). The new integrated Network offers a “one-stop shop” to meet business and innovation needs of SMEs and companies in the EU. The Network is made up of more than 580 partner organisations in 47 countries, including the 27 EU member states. In addition to project management tasks of 92 contracts (specific grant agreements), the EACI is also responsible for the ‘animation’ of the Enterprise Europe Network. This includes support to the governance of the Network such as organising the Annual Conference, supporting Network communication activities and providing training. Finally, the EACI manages the IT tools and databases, essential for the interactive communication among the network partners, including technological cooperation.

Enterprise Europe Network (EEN)			
Year	2008	2009	2010
Average time to pay (days)	24	19	18
Average time to contract (days)	n.a.	n.a.	242

The main results from this operational activity carried out during 2010, including indicators and outputs are described in the following summary table:

Enterprise Europe Network – project management¹¹	
To manage efficiently the life cycle of the Specific Grant Agreements (SGA) with the partners in the Enterprise Europe Network	
<i>Performance indicators</i>	<i>Results</i>
Individual and average payment time (target < 30 days) ¹²	Average payment time: 18 days

⁸ Following the internal reorganisation of the Agency in October 2010, the term 'project management' has been replaced by the term 'network operations'.

⁹ Following the internal reorganisation of the Agency in October 2010, the term 'network animation' has been replaced by the term 'network support'.

¹⁰ OJ L 130, 9.11.2006, p.15, Article 10.2 (b) & Article 12, Article 21 & annex III

¹¹ Following the internal reorganisation of the Agency in October 2010, the term 'project management' has been replaced by the term 'network operations'.

Average time period for contracting (target: <8 months from the publication of the call)	By the end of the year, the contracting process was still underway. Forecast for the average contracting period is 8 months
Questions from beneficiaries on financial and contractual matters accurately answered on time (target: max. 5 working days)	Average response time: 5 days
Consult the Network partners to obtain a proposal for action in view of signing the next round of specific grant agreements (consultation published in the 2nd quarter of 2010).	The consultation was published on 12 March, deadline for submission was 10 May. The evaluation period extended until July, the refinement phase until October. A first batch of grant agreements were sent in November and December
To manage Co-operation Agreements with organisations from third countries which participate in the Network under the terms of Article 21(5) of the CIP Decision¹³. To register the agreements signed with associated members, affiliates and other organisations and liaise with other EACI services	
<i>Performance indicators</i>	<i>Results</i>
	<ul style="list-style-type: none"> ▪ A Consultation of the partners of the Art 21.5 countries was carried out in view of signing the next round of co-operation agreements (2011-2012). It was published on 12 July and the deadline for submission was 30 September. The evaluation procedure will be finalised and the agreements signed in February 2011. ▪ A special meeting was organised for Article 21.5 countries in the sidelines of the SAG meeting on 15th and 16th June in cooperation with DG ENTR.
To make sure that the Network partners implement their individual work programmes efficiently and effectively while encouraging Network partners to take on board the priorities set out in the Annual Guidance Note. This encompasses a range of activities such as desk monitoring, participation in national and project meetings, monitoring visits to the Network partners, setting up and operating a reporting system (the Performance Enhancement System) and analysing and evaluating the achievements and performance of the partners	
<i>Performance indicators</i>	<i>Results</i>
Questions from beneficiaries on work programme matters accurately answered in time (target: max. 5 working days)	Average response time: 4 days
Number of monitoring visits to Network partners carried out (target: up to 50 visits in 2010)	Monitoring visits encompassed 104 Network partners (29 consortia)
Analysis on the performance of the Network partners on the basis of the sets of 15 data items received by 31st January 2010 and by 31st July 2010. Network Activity Report submitted to DG ENTR one month after reception of data items of all Network partners	On the basis of the sets of 15 data items submitted by the Network partners, statistical overviews for DG ENTR were produced in February and October
A register of complaints is devised and set up (target: register operational in the 1 st quarter 2010).	The register of complaints was set up and has been operational since February

¹² The legally binding deadline foreseen in the grant agreement and the EU financial regulation is 45 days.

¹³ No Union financing is provided under these agreements.

To support Network partners in their activities aimed at fostering business partnerships. This includes the management of the BCD and BBS business cooperation databases and the management of partnership agreements	
<i>Performance indicators</i>	<i>Results</i>
Specifications of the future IT platform for business co-operation (target: specifications produced by the 2nd quarter 2010)	In consultation with DG ENTR, the architecture of the future 'Merlin' system was chosen in July. The agreement on the detailed data model was finalised by end of September and the 'POD XML' is in operational pilot
Timely checking of profiles in the co-operation databases BCD and BBS (target: max. 5 days)	The average time for checking is estimated at 5 to 10 days: in the first half of the year validation times were sometimes above the 10 days. Since the summer validation times speeded up and in November validation times were brought to normal proportions, around 5 days. In December it increased again given the amount of profiles submitted by the Network Partners in view of the end of the contract period (31 December).
To contribute to, and operate a system of reporting and evaluation at programme level. This includes a variety of surveys, analysis and reports for the use of the Network and the Commission such as client satisfaction surveys, benefits survey, annual feedback and recommendations for improvement	
<i>Performance indicators</i>	<i>Results</i>
Timely recommendations to guide the implementation of the EIP programme, in particular as regarding the Enterprise Europe Network by 2nd quarter 2010 (written communication, minutes of liaison meetings etc.)	These topics were discussed at monthly liaison meetings. Minutes are available
Annual feedback on the state of the Network and recommendations on possible future improvements (target : report submitted to DG ENTR in January 2011)	In May a report titled 'Network activity report – first conclusions' was submitted to DG ENTR. The report included an analysis of the strengths and weaknesses of the Network
Analysis of results of the benefits survey and report to Network and DG (target : report submitted in 3rd quarter 2010)	The benefits survey in collaboration with the Network partners was carried out in the period June to September. The report was submitted to DG ENTR and presented to the Network at the Annual Conference in October
Analysis and conclusions on 1st year of activity of 6 specific actions launched in 2009 (target: report provided to the relevant DGs and services one month after the collection of intermediate technical report)	A short report on the specific action 'Female Entrepreneurship Ambassadors' was submitted to DG ENTR in October. For the remaining specific actions, the technical progress reports to be submitted by beneficiaries after the 1 st year of activity are due from February 2011 onwards.
Timely contribution to the external evaluation of the CIP and of the EIP upon request from DG ENTR.	The EACI participated at the Steering Group of the CIP mid term evaluation. The Agency also contributed to the ex-ante impact assessment of the successor to the CIP
To draw and implement the draft annual work programme for quality in cooperation with the parent DG	
<i>Performance indicators</i>	<i>Results</i>
The draft annual work programme for quality management is drawn by 4th quarter of 2009 and fully implemented by the end of 2010	No formal work programme was drawn up. The main tools for assessment of quality in 2010 were agreed upon with DG ENTR (client satisfaction and benefits survey) and have been implemented

To manage the life cycle of six specific actions of the 2009 EIP work programme. In the case of four actions, the restricted Call for proposals was completed in 2009 and for 2 actions the call was published in 2009 and will be completed in 2010. For a seventh action included in the EIP work programme 2010 the Call was published in the 2nd quarter of 2010;	
<i>Performance indicators</i>	<i>Results</i>
Individual and average payment time (target < 30 days) ¹⁴	Average payment time: 18 days
Average time period for contracting (target : <8 months from the publication of the call)	Specific action Innovation Information: 8 months. Specific action for Public procurement: 7 months.
To manage the financial and contractual aspects of the animation activities of the Network (Unit 3 is responsible for managing the operational aspects).	
<i>Performance indicators</i>	<i>Results</i>
Individual and average payment time (target < 30 days)	Average payment time: 18 days
Percentage of budget committed by the end of the year (target: at least 90%)	100%

Enterprise Europe Network – network animation¹⁵	
To draw up and implement Network governance activities in cooperation with the parent DG, in particular the Annual Conference, Steering & Advisory Group meetings and taking into account the needs of specific groups like article 21.5 members, associates or affiliates	
<i>Performance indicators</i>	<i>Results</i>
<p>The Network governance activities are drawn up by the 4th quarter 2009 and implemented by the end of 2010. In particular:</p> <ul style="list-style-type: none"> ▪ organisation of at least 3 SAG meetings in 2010; ▪ setting-up of at least 3 working groups in 2010; <p>▪ organisation of the Annual Conference 2010;</p>	<ul style="list-style-type: none"> ▪ 3 SAG meetings have been organised (9-10 March, 15-16 June and 18-19 November); ▪ 6 working groups (WG) have been set up. They produced concrete deliverables for the benefit of the entire Network: <ul style="list-style-type: none"> ○ WG on Partnership Processes (14 members) (23-24 February, 23-24 March, 19-20 May); ○ WG on Code of Conduct (12 members) (18-19 March, 28-29 April, 28 September); ○ WG on SME Feedback (14 members) (16-17 March, 6-7 May); ○ WG on IPR (14 members) (9-10 February, 12-13 April); ○ WG on Internationalisation (15 members) (26-27 January); ○ WG on Public Procurement (11 members) (26-27 May, 30 September-1October, 14 December); ▪ Annual Conference was held from 13 to 15 October; ▪ Launch of a Staff exchange/mentoring scheme for the Network with more than 200 Network partners subscribing to the scheme;

¹⁴ The legally binding deadline foreseen in the grant agreement and the EU financial regulation is 45 days.

¹⁵ Following the internal reorganisation of the Agency in October 2010, the term 'network animation' has been replaced by the term 'network support'.

	<ul style="list-style-type: none"> A specific meeting for Article 21.5 partners was prepared and took place at the SAG meeting of 15-16 June.
Participation in national meetings of the Enterprise Europe Network (attendance of all partners of the Network located in one country)	
<i>Performance indicators</i>	<i>Results</i>
Number of national meetings attended (with a priority to countries with several consortia).	10 national meetings were attended by EACI representatives.
To draw up and implement the 2010 (internal and external) communication draft work programme for the Network, as part of the Agency's Communication Work Plan, in cooperation with the parent DG	
<i>Performance indicators</i>	<i>Results</i>
The 2010 (internal and external) communication work plan is drawn up by the end of the 4 th quarter 2009 and fully implemented by the end of 2010	<p>The EACI communication work plan was approved on 26 February 2010.</p> <ul style="list-style-type: none"> The Agency published 50 success stories online, 3 success stories videos, 1 success stories brochure, 7 editions of NetLife (internal bi-monthly newsletter), 1 edition of NetWorth (stakeholder-oriented magazine), a series of 4 posters (for internal and external use) and 1 Network map poster; The 'Network Stars' award ceremony was organised at the Annual Conference in October to recognise exceptional SME cooperation in the Network; A press conference to promote the Network in the European media was held at the Annual Conference, in close cooperation with DG ENTR. 12 journalists attended; The EACI organised or participated in 19 events, including two major international trade fairs, reaching almost 25 200 participants; The European SME Week 2010 was promoted among Network partners, which resulted in 277 events organised by the Network (56% more than in 2009); A centralised advanced training on web communication was organised for 21 Network partners; The Agency coordinated and chaired a working group to develop a branding toolbox for the Network. The toolbox will go live in February 2011; A new Content Management System (CMS) was implemented and a revamped public website was launched in it in February. The site now receives 16 500 unique visitors every month; The new intranet and an online directory of Network partners were launched in September (in the CMS); 290 communications-related queries from Network partners were answered, 90% were closed in 2 working days.
To draw up and implement the 2010 information and support work programme for the Network, in cooperation with the parent DG	
<i>Performance indicators</i>	<i>Results</i>
The 2010 information and support work programme is drawn up by the end of the 4 th	<p>The following activities were carried out:</p> <ul style="list-style-type: none"> Info Day on Innovation support services

quarter 2009 and fully implemented by the end of 2010	<p>organised for the Network partners with the participation of DG ENTR on 30-31 March</p> <ul style="list-style-type: none"> 2 meetings with the Sector Group Chairs (28-29 January and 10-11 November)
Publication of information on the intranet (number of pages, frequency of updates)	<ul style="list-style-type: none"> The Business Services part, which provides the technical knowledge base of the Network, comprises 16 sections; The Good Practices intranet page has been launched, including a subsection dedicated to the Best Practice Awards; The intranet pages related to the Working Groups (SME feedback, partnership process and public procurement) were launched and regularly updated; 41 issues of the EU&Services bulletin have been prepared; Most of the documents sent by the Network in the framework of the 'translations projects 2009 and 2010' were made available
Number of published good practices (target: 60)	<p>Out of 61 good practices evaluated in 2010, 21 were published. In addition, the 12 good practices shortlisted for the Best Practice Awards were rewritten and published. The target was not reached, given the heavy workload within the sector in 2010 (in particular the publication of the IPR-Helpdesk tender).</p> <p>Another 2 batches of good practices are being rewritten by a contractor and will be published at the beginning of 2011.</p>
To draw up and implement the annual work programme for training, including e-learning modules where appropriate, to raise awareness among the Network and increase their professional skills, in cooperation with the parent DG	
<i>Performance indicators</i>	<i>Results</i>
<p>The draft annual work programme for training is drawn up by 4th quarter 2009 and fully implemented by the end of 2010. In particular:</p> <ul style="list-style-type: none"> Organisation of at least 1 newcomers' training session in 2010; Organisation of at least 2 advanced training sessions in 2010; Organisation of at least 2 managers training sessions in 2010; Facilitation of at least 20 decentralised training sessions, organised by Network partners in 2010; 	<ul style="list-style-type: none"> Due to the high demand, 2 Newcomers training sessions with some 65 participants were organised (25-26 February and 17-19 November); 2 advanced training sessions on IPR (3-4 June) and on Communication (8-9 September) were organised; 1 managers training was organised (1-2 December). The second managers training was cancelled in favour of a second newcomers training and in support of the contractors' day; 12 decentralised training sessions have been supported by the Agency (no more offers were submitted by the Network); 1 contractor's day organised for 100 participants (13-14 April).
Client satisfaction of training sessions	For all training sessions, client satisfaction is above 80%.
To provide feedback on the animation of the Network and possible future improvements	
<i>Performance indicators</i>	<i>Results</i>
Feedback on the animation of the Network on possible future improvements are provided during the DG ENTR/EACI liaison meetings	Monthly meetings have taken place between EACI/Unit 3 and DG ENTR/E2 as well as additional meetings upon request.

(minutes of liaison meetings at HoU and Director level and any other written communication)	
Timely recommendations to guide the implementation of the EIP programme, in particular as regards the Enterprise Europe Network by 2 nd quarter 2010 (written communication, minutes of liaison meetings etc.)	Liaison meetings at Directors level (EACI/DG ENTR) were held on 4 February, 21 May, 24 June, 1 October and 9 December.
Initiatives undertaken by the Network partners in order to promote the programmes managed by the EACI among SMEs are reviewed by 4th quarter 2010.	No formal review has been organised. Nevertheless, a survey on the satisfaction with the services of the Agency showed that 30% of the Partners feel having a privileged access to information about the other programmes managed by EACI.
To improve the current IT tools for the Network: <ul style="list-style-type: none"> ▪ improve performance, quality and documentation ▪ guarantee an efficient and reliable service, without critical problems ▪ organise internally an efficient IT service ▪ suggest, analyse and implement improvements 	
<i>Performance indicators</i>	<i>Results</i>
No critical problems reported by the IT help desk.	IT helpdesk has a professional customised incident tracking tool (based on our own instance of JIRA at Data Centre DIGIT)
Reduction in the downtime of the applications; no critical downtime.	No critical downtime – apart from an external hacking attack on 2 April 2010. The security problem was fixed in a short time. DG ENTR was immediately informed about the incident. No further problem occurred since then. Performance is regularly monitored. The change control board has the responsibility to plan and follow the scope for system changes.
Requests (phone call, First Class conferences - at least with a holding reply) are answered by the IT Helpdesk within 5 working days.	Average time for reply, and delivering the solution, is 4.8 days
To develop a new generation of IT systems: <ul style="list-style-type: none"> ▪ involve a working group of Network Partners (IT contact group) ▪ cooperate with the parent DG ▪ incrementally deploy the new system building blocks 	
<i>Performance indicators</i>	<i>Results</i>
Organisation of 2 meetings of the IT Contact Group	The ITCG met on 8 June and provided continuous input and feedback to the EACI analysts. From that date ad-hoc collaboration is organised with members of ITCG depending on project needs.
First building block of the new system ("core" architecture and profiles unified database) operational by 31 st December 2010	The concept of "1.5" projects started to have first elements of the new features in place. The selection of technical solution was finalised in July. The revised road map for the delivery of the first building block (2 nd quarter 2011) was presented to the SAG meeting of November.
To develop and implement training on IT tools, in collaboration with Unit 3 training sector	
<i>Performance indicators</i>	<i>Results</i>
	The training "strategy" for the end-users in the network is under review between IT Tools sector (unit R) and training and governance sector (unit C).

EIP – Innovation activities¹⁶

The IPeuropAware Project was selected in the framework of the Call for proposals for "IPR Awareness and Enforcement project (including IPR Helpdesk)." It has a total budget of € 9,5 million (of which € 6,2 million EU grant) and a contract duration of 36 months starting from 1st November 2007.

The project implementation period was extended to February 2011, allowing a smooth transition between the current grant agreement and the future contract of the 'European IPR Helpdesk' (call for tender).

The main results from this operational activity carried out during 2010, including indicators and outputs are described in the following summary table:

IPeuropAware Project	
To manage the lifecycle of the project	
<i>Performance indicators</i>	<i>Results</i>
Number of interim reports processed by the deadline set in the grant agreement (<i>target < 45 days</i>)	The second annual technical interim report was processed and recommendations were provided 18 days after submission
Individual and average payment time (<i>target < 30 days</i>) ¹⁷	No payment was made in 2010. The final payment is due in the 2 nd quarter of 2011.
To generate and disseminate information about the IPeuropAware Project, including the results and impacts, as set out in the Agency's Communication Work Plan	
<i>Performance indicators</i>	<i>Results</i>
Communication activities for the project are implemented by the 3 rd quarter 2010;	Following activities can be pointed out: <ul style="list-style-type: none"> ▪ IPeuropeAware project was presented in relevant IP international events such as PATLIB, WIPO SME seminars for intermediaries, Enterprise Europe Network's annual conference and EACI IP trainings; ▪ The IPR Helpdesk was presented to the Research Executive Agency's relevant units; ▪ IPeuropAware web site page has been updated on the EACI homepage; ▪ IPeuropAware project has been updated on the IPR intranet page of the Enterprise Europe Network
Organisation of a number of joint activities with the Enterprise Europe Network on Intellectual Property Rights (IPR)	
<i>Performance indicators</i>	<i>Results</i>
At least 14 IP seminars are taking place with the Enterprise Europe Network by 3 rd quarter 2010	<ul style="list-style-type: none"> ▪ Co-organisation with Network partners of over 20 IP seminars on enforcement ▪ Co-organisation with Network partners of over 12 IP trainings for EU funded programmes' beneficiaries
To make recommendations to the Commission for a possible further project after the end of the lifecycle of IPeuropAware, in particular in view of enhancing synergies with the IPR dimension of the Enterprise Europe Network	
<i>Performance indicators</i>	<i>Results</i>
Discussions on recommendations to guide the implementation of the IPeuropAware Project, including synergies with the Enterprise Europe Network (Minutes of Liaison meetings, written	EACI has contributed to define the two EIP measures aimed to sustaining the IPeuropAware project's results: both the European IPR Helpdesk (2,5 million euro for 3 years) and the IPorta (1,5

¹⁶ OJ L 130, 9.11.2006, p.15, (Articles 10.2 (c) and Article 13(b)).

¹⁷ The legally binding deadline foreseen in the grant agreement and the EU financial regulation is 45 days.

communication etc.);	million euro). Synergies were developed in the IPEuropAware project, i.e.: Eco-Innovation Unit validated an IP guides for their program which was already published on the IPR Helpdesk website http://www.iprhelpdesk.org/documents/IP_rules_Eco-Innovation.xml.html and the one for IEE programme is being validated by the Intelligent Energy Units.
To launch, manage, promote and monitor the Call for tender related to the IPR Helpdesk (measure no. ENT/CIP/10/B/N02C00)	
<i>Performance indicators</i>	<i>Results</i>
Publication of the call (Q1/2010), Signature of Specific contract (Q4/2010)	The tender was published on 13 August with a deadline for submission on 30 September. The results were communicated to the three bidders on 7 December. The contract with the successful bidder was signed on 22 December 2010 and came into force the same day.

EIP – ‘eco-innovation’ first application and market replication projects¹⁸

Eco-innovation is the production, assimilation or exploitation of a novelty in products, production processes, services or in management and business methods, which aims, throughout its life cycle, to prevent or substantially reduce environmental risk, pollution and other negative impacts of resources use (including energy use).

Eco-innovation is supported via the CIP through several types of measures (financial instruments, networks of national and regional actors, first application and market replication projects). The Agency is entrusted with the management of the eco-innovation first application and market replication projects with an indicative budget of EUR 185 million for the period 2007-2013.

Eco-innovation pilot and market replication projects			
Year	2008	2009	2010
Number of applications	134	202	287
Average time to contract (days)	n.a.	283	309 (*)
Average time to pay (days) ¹⁹	n.a.	14	22 (*)

(*) contract and payment times increased in 2010 due to the higher number of negotiations per project officer and due to higher staff turnover for finance officers.

The main results from this operational activity carried out during 2010, including indicators and outputs are described in the following summary table:

Eco-innovation first application and market replication projects	
To manage the lifecycle of the projects financed under the grants awarded under the 2008 Call for proposals	
<i>Performance indicators</i>	<i>Results</i>
Number of interim reports processed by the deadline set in the grant agreement (target < 45 days)	5 (out of a total of 5)
Number of project meetings attended (target: one meeting within every project lifetime)	EACI representatives took part in ~30 project meetings.

¹⁸ OJ L 130, 9.11.2006, p.15, (Article 10.2 (f))

¹⁹ The target was < 30 days. The legally binding deadline foreseen in the grant agreement and the EU financial regulation is 45 days.

To complete the implementation of the 2009 Call for eco-innovation projects	
<i>Performance indicators</i>	<i>Results</i>
Final meeting of the evaluation committee held by the first quarter 2010 with a view to the approval of evaluations results by the Director at the latest by end of March 2010	For the evaluation of the 202 proposals, the evaluation committee met on 9 February. On 18 February, the Director approved the evaluation results with 43 projects for immediate negotiation and 13 projects on the reserve list. The first award decision was signed on 22 April by the Director (43 projects). A second award decision was signed on 18 June.
Negotiations completed by 2 nd quarter 2010	By end of June, 12 contracts were signed.
All contracts signed by the end of the 2 nd quarter 2010	By the end of the year, another 34 contracts were signed. In total (34 +12 contracts) 99% of the budget has been committed (1% failed due to internal disputes within the proposer's consortium).
Advance payments executed by 3 rd quarter 2010 (target: 100% of payments for which pre-conditions, as set out in the grant agreement, are met)	By the end of the year, around 45 partial pre-financements were paid on signed contracts.
List of grants awarded published in compliance with the Financial Regulation	List of grants was published on the eco-innovation website. A report has been sent to the EIP Management Committee.
Following the adoption of the 2010 EIP work programme, to promote and implement the 2010 Call for proposals	
<i>Performance indicators</i>	<i>Results</i>
Publication of the Call by 2 nd quarter 2010	The Call was launched on 13 April at a successful info day with around 400 participants. The call closed on 9 September.
External evaluators selected by 3 rd quarter 2010	51 external experts were selected and contracted.
Final meeting of the evaluation committee held by the 4 th quarter 2010 with a view to the approval of evaluations results by the Director at the latest by February 2011	Due to the high number of proposals, the central evaluation was extended to 3 weeks. The evaluation committee will meet in February 2011.
To generate and disseminate information about the EIP eco-innovation projects, as set out in the Agency's Communication Work Plan	
<i>Performance indicators</i>	<i>Results</i>
Communication Work Plan 2010, including a section dedicated to the CIP eco-innovation first application and market replication projects drawn up in the first quarter 2010 and implemented by the end of the year.	<p>The EACI Communication work plan was approved on 26 February 2010.</p> <ul style="list-style-type: none"> ▪ A searchable online database providing detailed information on all eco-innovation projects was launched in May. It registered 109,000 visitors and 121,000 page views to date; ▪ 5 news alerts were sent out to some 7,200 subscribers on the eco-innovation mailing list; ▪ The Agency served requests of 6,100 paper copies of the current eco-innovation projects brochure and of 8,000 paper copies of the flyer; ▪ The European Info Day on 13 April attracted 400 participants, including journalists visiting the media corner. 9 out of 10 visitors were fully satisfied with the event. In addition, the EACI took part in 11 national info days; ▪ EACI media activities triggered 40 press clippings on eco-innovation during the year; ▪ The Agency created a video news release on eco-innovation projects which will be published in early 2011;

	<ul style="list-style-type: none"> Development of a new brochure providing information on the most recent projects started in 2010.
To make recommendations to the Commission on the implementation of the CIP eco-innovation projects and their future development.	
<i>Performance indicators</i>	<i>Results</i>
Discussions on recommendations to guide the implementation of the CIP eco-innovation and their future development (Minutes of liaison meetings and dedicated meetings with parent DG, written communication).	Karl Falkenberg, Director General of DG ENV visited the Agency on 9 March, Commissioner Potocnik visited the Agency on 2 December. They were briefed on the activities of the Agency with special reference to the eco-innovation initiative.

Objective 3: to implement the Marco Polo I and II programmes

The Marco Polo programme II, successor of the Marco Polo I programme, was established for the period 2007-2013 with a total budget of 450 million EUR²⁰ in order to reduce congestion, to improve the environmental performance and to enhance intermodal transport, thereby contributing to an efficient and sustainable transport system which provides EU added value without having a negative impact on economic, social or territorial cohesion. In 2010, the EACI signed the contracts for the selected proposals of the Marco Polo II Call 2009. Moreover, the evaluation of the call 2010, which saw an increase of the number of applications by 44%, was completed. The award decision will be taken by the Commission after the negotiation phase in March 2011.

Marco Polo programme (MP I and MP II)						
Year	2008		2009		2010	
Number of applications	46		70		101	
Average time to contract (days)	461		338		328	
Average time to pay (days) ²¹	MP I	143 ²²	MP I	53	MP I	26
	MP II	25	MP II	16	MP II	24

The main results from this operational activity carried out during 2010, including indicators and outputs are described in the following summary table:

To manage the life cycle of the remaining grants awarded under the 2003-2006 Marco Polo Call for proposals and the contracts awarded under the Marco Polo II 2007, 2008 and 2009 Calls for proposals (20 + 28 + 22 contracts)	
<i>Performance indicators</i>	<i>Results</i>
Each project is followed-up, including on-site visits for each project, once a year.	40 on site verification visits took place.
To complete the implementation of the Marco Polo II call for proposals 2009	
<i>Performance indicators</i>	<i>Results</i>
Counting from the date of the adoption of the award decision by the Commission, average time spent before the signature of the contracts (<i>target: all contracts signed by 1st quarter 2010</i>)	The award decision for the call 2009 results (22 proposals) was adopted by the Commission on 27 January 2010. 17 proposals were on a reserve list. 21 contracts were signed by the 1st quarter. The 22nd selected project was not awarded a contract due to absence of compliance of the service with the grant agreement.

²⁰ OJ L 328, 24.11.2006, p.1 (budget modified from 400 to 450 Million EUR see OJ L65/12, 3.3.2007)

²¹ The target was < 30 days. The legally binding deadline foreseen in the grant agreement and the EU financial regulation is 45 days.

²² The EACI had for a long time no access to the commitment in ABAC for the MP files, which contributed to the backlog in terms of payment delays when the files were transferred by DG TREN (now DG MOVE) to the EACI.

To implement the Marco Polo II call for proposals 2010	
<i>Performance indicators</i>	<i>Results</i>
After publication by DG TREN of the call in January 2010, all received proposals are evaluated by the 2 nd quarter 2010	<ul style="list-style-type: none"> ▪ The 2010 work programme was adopted by the Commission on 15 February. The call was published on the Marco Polo website on 16 February with final deadline for applications of 18 May. 101 proposals were received. The opening committee took place on 26 May, 2 June and 10 June. ▪ The pre-evaluation by external experts took place for 3 weeks from 7 to 25 June. ▪ The evaluation committee met 4 times in September and October. ▪ Negotiations started mid-November and will last until end of February 2011.
Following the adoption of the award decision by DG TREN by the 3 rd quarter, a maximum of contracts is signed by the 4 th quarter (100% depending on the timing of the adoption of the award decision by the Commission)	The adoption of the award decision by DG MOVE is expected in March 2011, after finalisation of the negotiations. Contracts will be signed shortly afterwards.
To provide the Commission with operational information needed to monitor the legal implementation of the Marco Polo Programme and its future development and as well as feedback from projects in support of the Commission's needs to report about programme implementation, achievement of objectives and for future policy development	
<i>Performance indicators</i>	<i>Results</i>
At the request of DG TREN, relevant information including data on the execution of the projects funded is provided by EACI during liaison meetings held regularly between the responsible Heads of Units/Directors from EACI and DG TREN as well as through Marco Polo Committee meetings and/or in response to ad-hoc requests as needed for policy-making purposes of the parent DG	<ul style="list-style-type: none"> ▪ Liaison meetings took formally place at Head of unit level on 29 March and 2 December; ▪ High level meetings at Director's level took place on the 31 March and 14 July. At this occasion, all operational indicators were discussed.
Comprehensive updates on the achievements of the programme objectives as set out in the Marco Polo legal base (1692/2006 as amended by 923/2009) are provided by EACI to DG MOVE at least once a year, in particular for the measurement of the specific objective in the DG MOVE Management plan (billions of tonnes-kilometre shifted off the road)	The EACI participated at the MP committee meeting on 16 June. The results of the operations were presented at this occasion as well as the results of the tkm indicators and the individual projects status. Since there was no second formal meeting in 2010, a special report has been prepared by the Agency for the Committee members early December, in order to comply with the Commission's obligations to inform the Committee on a regular basis.
If need be, communications will be accompanied by explanatory notes on the reported operational figures for the given period	
To generate and disseminate information about the Marco Polo programmes, as set out in the Agency's Communication Work Plan	
<i>Performance indicators</i>	<i>Results</i>
	<p>The EACI Communication work plan was approved on 26 February 2010, including a chapter on Marco Polo.</p> <ul style="list-style-type: none"> ▪ The Agency organised the European Info Day on 10 February (350 participants) and a regional conference in Vienna on 5 October (180 participants). Both events entailed intensive media work.

	<ul style="list-style-type: none">▪ The EACI finalised the renewal of the Marco Polo website in July and regularly updates the new site since then. It registered 430,000 page views in 2010.▪ A new video news release on inland waterways was distributed to TV broadcasters and journalists in October.▪ The Agency distributed 3,200 hard copies of the projects brochure, 4,900 Marco Polo flyers, and 2,900 video DVDs during the year;▪ 9 news alerts were sent out to the 1,500 subscribers of the Marco Polo mailing list.▪ The media work on Marco Polo generated 81 press clippings – 25% more than in 2009 – and the Agency responded to 13 media enquiries.
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1.2 Administrative support

1.2.1 Autonomy of the Agency – Administrative Budget

The Agency has assumed full responsibility for its administrative budget since 1st January 2006.

At the end of each financial year, a special reporting on the implementation of the administrative budget applies resulting in the decision of the European Parliament regarding the discharge to the Director (standard financial regulation for executive agencies – Commission regulation 1653/2004 of 1st September 2004, Title VI as amended by Commission Regulation No 651/2008 of 9th July 2008).

Accordingly, the Agency draws up its annual financial report comprising the Agency's accounts (financial statements and reports on budget implementation) and a report on budgetary and financial management. For 2010, the draft report and the provisional accounts will be submitted to the Steering Committee in early February 2011 to be sent to the Commission and the Court of Auditors before 1st March 2011.

The final accounts of 2009, together with the financial report, were adopted by the Steering Committee on 13th July 2010. They were sent to the accounting officer of the Commission, the Court of Auditors, the European Parliament and the Council before the 1st July. The Court of Auditors' final report on the audit of the EACI's 2009 accounts was published in the Official Journal on 14th December 2010. As in previous years, it contains a positive statement of assurance (DAS).

The European Parliament is expected to give the discharge for the implementation of the administrative budget 2009 to the Director before 29th April 2011. Since the beginning of the Agency's autonomy, each year the European Parliament granted discharge to the Director and did not raise observations which directly concern the implementation of the Agency's administrative budget.

1.2.2 Accounting

From the first day of its autonomy (1st January 2006), the Agency had an accounting officer who was appointed by the Steering Committee. The only bank account is a EUR account which was opened in December 2005 under the same conditions which apply for the Commission.

Since its beginning, the Agency uses the accounting system SAP which is managed and hosted by the Commission, and all payments have been made through the Commission's SWIFT system. The Agency has no petty cash.

For its budgetary management (i.e. commitment and payment transactions), the Agency uses the ABAC system also managed and hosted by the Commission. From this system, reports on financial management and budget execution are compiled with the help of the data base software BO (Business Objects).

More detailed information is provided in the financial report for 2010 which the Agency compiles in accordance with Commission Regulation (EC) No 1653/2004, Title VI, as amended by Commission Regulation No 651/2008 of 9th July 2008.

1.2.3 Financial Resources

The first 2010 administrative budget of the EACI was adopted by the Steering Committee on 15th December 2009 for an amount of EUR 15,963 million. Since then, the Agency made three budget transfers which were adopted by the Steering Committee on 13th July 2010, 5 October 2010 (via written procedure) and 14th December 2010 respectively.

The Agency's administrative budget appropriations for 2010 were committed to 97% by the end of 2010; uncommitted amounts concern all titles.

Operating budget – Title	Commitments made in 2010 Million EUR	Budget 2010* Million EUR	Budget 2009 Million EUR	Increase in budget
Staff expenditure	9,113	9,255	9,074	6%
Operating expenditure	4,494	4,667	2,414	74%
Technical and administrative support costs	1,877	2,041	1,842	17%
Total	15,484	15,963	13,330	20%

Ad *: after budget transfers of July, October and December 2010

The high budget increase for operating expenditure is related to early reimbursements of the fitting out works of the Agency's new office building "Covent Garden" (see below).

Operating budget per programme	Budget 2010* Million EUR	Budget 2009* Million EUR	Increase in budget
IEE I and CIP IEE II	6,617	5,806	14%
CIP EIP eco-innovation	6,219	5,295	17%
CIP EIP Network and IPR project	1,636	0,974	68%
Marco Polo I and II	1,490	1,255	19%
Total	15,963	13,330	+ 20%

Ad *: initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

1.2.4 Human resources

Human resources on 31 st December 2010	2010 PLAN	2010 ACTUAL	2009 ACTUAL	In(de)crease 2009 to 2010
Number of staff				
Seconded officials	11	11	11	0%
Temporary Agents	26	22	17	+ 29%
Contract Agents	118	109	113	- 4%
Total	155	142	141	+ 1%

At the end 2010, the Agency numbered 142 staff members – one more than at the end of the previous year. While 22 staff members left the Agency, 23 were newly recruited and took up duty in the course of 2010. An additional five persons were recruited in 2010 who joined the Agency in January and February 2011.

In terms of target for 2010, the EACI work programme included an establishment plan of 155 posts, as set out in the financial statement attached to the Commission Decision establishing the EACI. Of these, the EACI planned to recruit at least 95% by 30th June 2010. However, the plan was achieved by only 92% (142 staff). One of the reasons was the relatively long delay in the allocation of additional posts to operational units for which three newly created AD posts were published in the beginning of July. Another reason was the relatively short time of notice in comparison to the time it takes for new staff members to take up duty that leads to inevitable gaps between two job holders. The recruitment process (from authorisation of the selection procedure to sending the offer) took on average 2,2 months which is below the set target of 3 months.

Staff turnover is monitored and considered not excessive. In 2010 it amounted to 13,5% (in 2009: 10%). The 22 staff members who left the Agency in 2010 had stayed on average about 2 years on their post and a significant number left the Agency to join the Commission.

Human resources on 31st December 2010	2010 PLAN	2010 Actual	%
Staff by activity			
Director and directly attached staff	7	7	100%
Administrative support (Parts of Units R and C)	23	23	100%
CIP IEE (Units 1, 2)	50	44	88%
CIP EIP eco-innovation (Unit 3)	10	10	100%
CIP EIP Network and IPR (Units 4 and partly Unit C and IT sector of Unit R)	53	48	91%
Marco Polo (Unit 5)	12	10	83%
Total	155	142	92%

The 2010 actual situation depicted in the table above is comparable to the 2010 plan given that the organisational change in October 2010 did not affect the distribution of posts per programme²³.

1.2.5 Office building

The Agency provided all staff members with suitable office infrastructure in time. Since its extension of tasks in 2007 until November 2010, the Agency was using offices in two buildings (Tour Madou and Urban 10). A negotiated procedure following the publication of a property prospecting notice for selecting the definitive building of the Agency was launched in June 2009 and concluded by signing the contract on 30th June 2010 for the "Covent Garden" building. Throughout the selection procedure, the Agency received substantial technical and procedural assistance from OIB²⁴.

The Agency moved its offices in November 2010 without any interruption of its services. It is expected that having its staff under one roof for the first time will increase overall efficiency and enhance team spirit.

²³ At its October 2010 meeting, the Steering Committee adopted the following changes to the Agency's organisation chart (see also part 2.1 below):

- A transfer of the sector "EIP Network project - services, quality and reporting" from the former Unit 3 to Unit 4,
- A combination of the Agency's two communication sectors in one newly formed horizontal Unit C together with the sector "EIP Network project - governance and training";
- A renaming of Unit 5 and 6 into Units 3 and 5 respectively.

²⁴ It is to be noted that despite the technical assistance from OIB, the Agency, with limited resources, was responsible for all aspects of the move.

Part 2: Management and internal control systems

2.1 Introduction to the Executive Agency for Competitiveness and Innovation (EACI)

The Executive Agency for Competitiveness and Innovation (EACI) was set up by Commission Decision 2007/372/EC of 31st May 2007.²⁵ The Agency is responsible for the management of EU actions in the fields of energy, entrepreneurship and innovation (including eco-innovation), and sustainable freight transport under the following EU programmes:

- Intelligent Energy Europe programme I (2003-2006);
- Competitiveness and Innovation Framework Programme – Intelligent Energy Europe IEE Programme II (2007-2013) and the Entrepreneurship and Innovation Programme (EIP)(2007-2013);
- Marco Polo I (2003-2006) and the Marco Polo II programmes (2007-2013).

The Agency's **mission is to implement these programmes efficiently**, and, thus, to contribute to the achievement of the programmes' objectives including the promotion of energy efficiency and renewable energy sources, the competitiveness of enterprises, in particular SMEs, all forms of innovation, including eco-innovation and the environmental performance of the transport system.

The Agency aims in particular, to achieve tailor-made implementation procedures contributing to a faster programme implementation, close contact with final beneficiaries, a reinforced capacity of the members of the Enterprise Europe Network to provide effective services in support of business and innovation and a high visibility of the EU as promoter of the programmes concerned.

2.1.1 Management modes

The EACI is entrusted with a number of objectives linked to the implementation of the Competitiveness and Innovation Framework Programme (CIP)²⁶, notably, the IEE programmes and the EIP, including eco-innovation, as well as the Marco Polo I and II programmes. Accordingly, the Agency's parent DGs are DG ENTR, DG ENV, DG ENER and DG MOVE²⁷.

The Agency's tasks are specified in the Act of Delegation²⁸. This means that the EACI implements the delegated programmes autonomously with the Director acting as authorising officer by delegation (**AOD**).

Accordingly, the Agency manages the **EU programme budgets** on an **indirect centralised basis** (Article 54(2) of the general financial regulation). To this end, the Agency mainly awards grants through open calls for proposals while a small share of the programmes' budgets was also implemented through procurement contracts. The Agency's management

²⁵ OJ L 140, 1.6.2007, p.52. Following the establishment of the Intelligent Energy Executive Agency (IEEA) by Commission Decision 2004/20/EC of 23 December 2003, the Commission decided to transform the IEEA into the EACI (Commission Decision 2007/372/EC of 31 May 2007 amending Decision 2004/20/EC).

²⁶ OJ L 310, 09.11.2006 p. 15.

²⁷ DG TREN was split into DG ENER and DG MOVE.

²⁸ Commission Decision C(2007) 3198 final of 9th July 2007.

and control system guiding the grant and contract management as well as the budget implementation is explained in Annexes 5.1 to 5.4 of the AAR.

As an autonomous EU body, the Agency has its own administrative budget for which it receives from the EU an annual subsidy (in 2010 € 15,963 million; for more detail see part 1.2 above). The **administrative budget** covers the running costs of the Agency, mainly staff expenditure, office related costs, IT and other services. The EACI's Director is the authorising officer (**AO**) for this budget. He implements it on a **direct centralised basis**.

The Agency's management and control system guiding the implementation of the administrative budget is explained in Annex 5.5 of the AAR.

2.1.2 Organisation, accountability chains and administrative structure

Organisation

On 31st December 2010, the Agency had **142 staff members** under contract, of which 11 seconded officials, 22 temporary agents and 109 contract agents. In comparison to its 141 staff members of last year, the Agency grew by 1%.

The EACI work programme 2010 included a target of 95% (147 out of a total planned staff of 155) to be recruited by 30th June 2010. By mid-year the plan was achieved by only 92% (142 staff). One of the reasons was the relatively long delay in the allocation of additional posts to operational units for which three newly created AD posts were published in the beginning of July. Another reason was the relatively short time of notice in comparison to the time it takes for new staff members to take up duty that leads to inevitable gaps between two job holders. The recruitment process (from authorisation of the selection procedure to sending the offer) took on average 2,2 months which is below the set target of 3 months.

Staff turnover is monitored and amounted to 13,5% in 2010 (in 2009: 10%). The 22 staff members who left the Agency in 2010 had stayed on average about 2 years on their post.

The Agency's current **organisational structure** was adopted by the Steering Committee on 12th July 2007 with the last amendment adopted on 26th October 2010. The latest changes in the organisation chart are mainly related to:

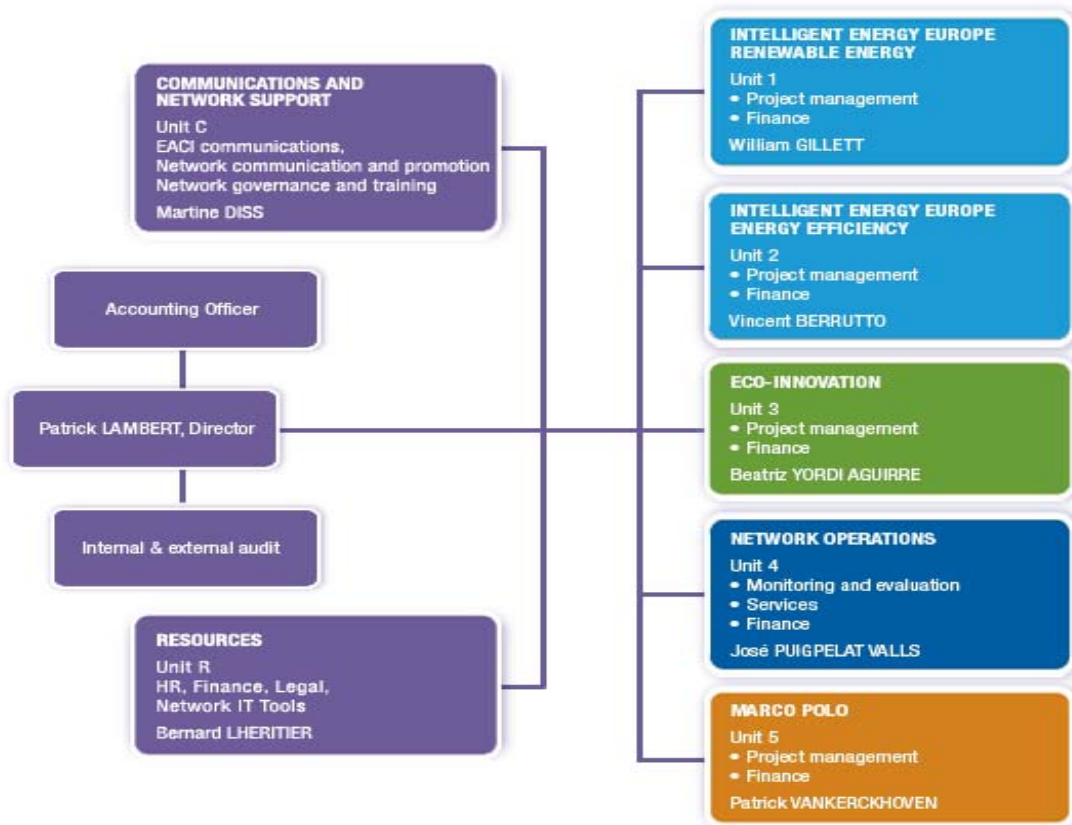
- the combination of the Agency's two communication sectors and the sector "EIP Network project - governance & training" in one new horizontal Unit C;
- the sector "services, quality and reporting" of the former unit "EIP Network – Animation" joined the "EIP Network - Project Management" unit to form a new unit called "Network Operations".

The current organisational structure follows the operational and horizontal objectives of the Agency:

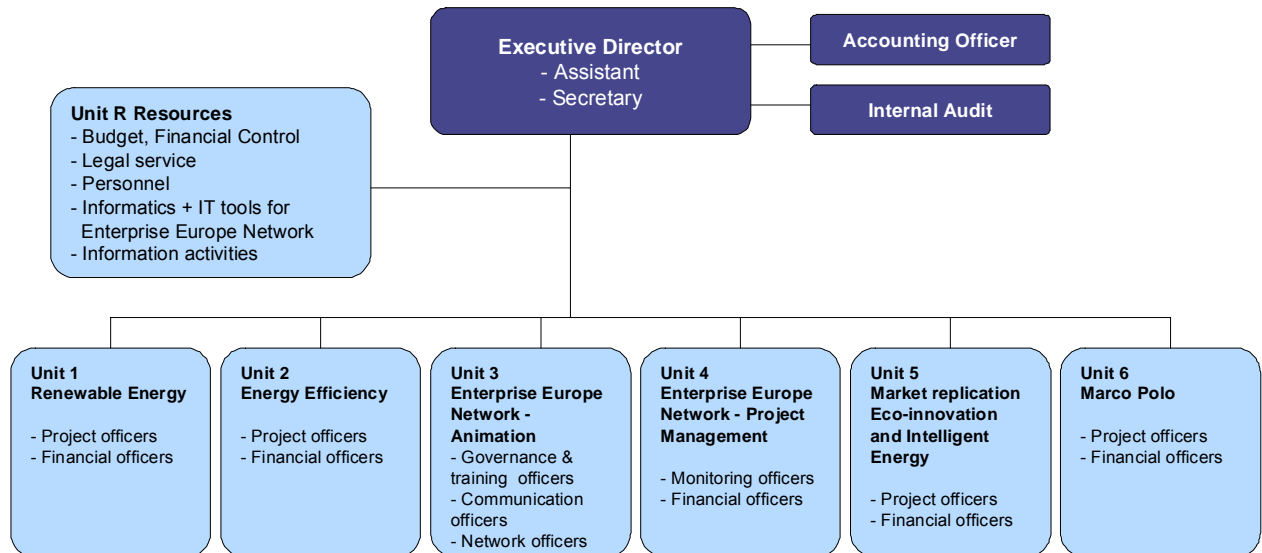
- 2 horizontal units: unit Resources (R) and unit Communications and Network Support (C)
- 5 operational units managing the programmes: IEE I and II (units 1 and 2); EIP Eco-Innovation (unit 3) and EIP Network Operations (unit 4); and Marco Polo I and II (unit 5).

Independently of the seven Heads of Unit, the accounting officer as well as the internal audit and ex-post control function are attached directly to the Director.

Organisation chart as from Oct 26th 2010



Organisation chart before Oct 26th 2010



Accountability chains and administrative structure

Since the Agency's autonomy on 1st January 2006, all financial operations have been based on a **decentralised financial circuit** with an additional and full central "counterweight" , respectively Models 1 and 3. The Director delegated powers of budget implementation to all Heads of Unit except for Unit C that implements only a marginal part of the budget. The Heads of Unit who act as authorising officers by subdelegation have signed the respective Commission charter.

The central "counterweight" in the financial circuits of Model 1 and 3 is attached to Unit R and encompasses:

- a financial ex-ante control of financial transactions:
 - 100% first level control for the units using Model 3;
 - 2nd level control in addition to the 1st level controls in the operational units, for units using Model 1; the 2nd level control is sample based, supported by the Commission's IT application MUS-DICE. Sample strategy and size are chosen on the basis of a risk analysis which is updated at least annually;
- an ex-ante legal control of a sample of legal commitments, i.e. grant agreements and contracts.

The Agency maintains close **working relations** with the parent DGs and other Commission services such as DG BUDG, PMO, DIGIT, Secretariat General, DG HR and OIB. To ensure that tasks and responsibilities are clearly assigned the Agency implements with the Parent DGs the so-called "Guidelines for effective exchange of information" and "Guidelines on budgetary and financial relations"; with the horizontal Commission services the Agency signed Service Level Agreements. Moreover, for other services or supplies related to the administration of the Agency, framework contracts of the Commission are used to the largest extent possible. Furthermore the communication between the Agency and the parent DG' s is assured through quarterly Steering Committee's, regular liaison meetings at the level of Directors and Heads of Unit and ad-hoc meetings in-between.

With regard to its **IT environment**, the Agency has updated in 2010 its IT "schéma directeur", describing its information and communication technology used at the Agency.

For informatics services, the Agency signed both a Service Level Agreement with DIGIT and a service contract with a private consortium managing – inter alia – the IT helpdesk to ensure continuity of operations at any moment.

- The Agency uses IT software solutions of, for example, DG BUDG and DG HR:
 - (i) for financial transactions, the Agency uses all relevant modules of ABAC for its financial transactions of both the operational and the administrative budget as well as SAP for accounting pertaining to the administrative budget; (ii) for mail registration, ADONIS is used and will be replaced by ARES as from February 2011; (iii) staff administration is supported by Syslog, Sysper 2 and MIPS.
- With regard to the management of Calls for Proposals, since 2008, the Agency applies for most of its programmes DG RTD's software EPSS and RIVET for administering the electronic submission, opening and evaluation of proposals. Online registration for external experts and selection of experts by the Agency is supported by the ERS tool (Expert Registration System).
- Furthermore, in 2011 the online web interface URF (Unique Registration Service / Facility) will be used by the Agency for several programmes. URF allows unique

registration by participants avoids redundant requests for information and facilitates the update of participant information.

- The follow up and daily management of signed grant agreements is supported mainly by the IT tool ePMS managed by DG ENER/MOVE. It is progressively used for most of the programmes.
- For the Enterprise Europe Network project, the development of a new IT tool "Merlin" has been launched with a view to implement and release its first modules by mid-2011. The tool offers various services to the Network to support the dissemination of information to partners and SMEs, the organisation of events and the matchmaking between SMEs. The new system will progressively replace the previous tool with a "phased releases" approach.

2.1.3 Major events of the reporting year having an impact on reputation

In 2010, no significant reputational events occurred that would have an impact on the Director's Declaration to the AAR. Neither do closed or on-going OLAF cases that the EACI is aware of effect the Declaration in a consequential way.

2.2 The functioning of the entire internal control system

2.2.1 Reporting on compliance with the requirements

In early 2011, the EACI assessed its compliance with the requirements on the basis of the following information available to management: (i) daily supervision, monitoring and reporting activities, including verification and project visits at the beneficiaries' sites, (ii) annual risk assessment exercise to compile the EACI's work programme²⁹, (iii) annual self-assessment on the effectiveness of the Agency's internal control system³⁰, and (iv) results from ex-post controls, internal audits by the IAC and the IAS, as well as audits of the Court of Auditors (see part 3.1.2 below).

Of the set of 16 standards, only number 14 "evaluation of activities" is not applicable, as evaluations of EU programmes and legislation remain the responsibility of the parent DGs. According to its Act of Delegation, Article 4 (c), the Agency contributes to these evaluations of the parent DGs.

As 2010 was only the fifth year of the Agency's autonomy, mandatory staff mobility in relation to sensitive functions will not become relevant for the Agency before 2011.

The EACI believes it fully complies with the requirements of the Internal Control Standards which are applicable to the Agency, except for certain aspects of standards 8, 10, 11 and 12:

- The Agency's main operational and financial **processes and procedures** are documented. However the Manual of Procedures was being updated in 2010 in order to reflect the current working methods applied by all programmes. A complete update will be finalised by June 2011;

²⁹ Last update of risk assessment realised in November 2010

³⁰ Internal Control self assessment performed by management early January 2011

- Already in June 2007, a disaster recovery plan (DRP) and a **business continuity** plan (BCP) were established aligned with the Commission's business continuity policy. In 2010, the BCP has been updated, followed by testing basic scenarios like a simplified financial circuit and a telephone cascade. Practical arrangements to fine tune, implement and communicate the BCP are elaborated with the support of the Secretariat General and the parent DGs. The EACI plans to reach full compliance by April 2011 (see also part 3.1.3.3 on audit recommendations). Furthermore, Business Continuity has been prioritized as internal control standard for effective management in the Agency's 2011 work programme.
- In October 2010, the EACI participated again in the self assessment exercise organised by the Secretariat General to estimate compliance with the rules and procedures of document management in the Commission (**e-Domec**). The EACI's average compliance rate increased with 9% compared to 2009 and achieved 83% in 2010, just under the compliance rate of 85% for the Commission and the Executive Agencies as a whole. A general improvement was noted in almost all areas, especially in registration, filing and appraisal. Strong points are the compulsory e-Domec training for a number of staff and the multiple training actions to prepare the ARES migration of February 2011. To achieve fully compliance, measures will be reinforced to find a permanent deputy Document Management Officer (DMO) and to obtain a systematic documentation of the implementation of the e-domec rules.
- "Information and communication" was prioritised in the EACI's 2010 Work Programme to ensure a high degree of effectiveness of this standard especially for the internal and external communication aspects. Since communication represents one of the most important tasks of the Agency and considerable improvement has been achieved in 2010 (see 2.2.2), it has not been prioritized anymore in the Work Programme 2011. However with regard to **IT systems**, the Agency will work further on proper segregation of duties and improve the documentation on IT security and IT systems policy.

2.2.2 Reporting on effectiveness of the implementation of the Internal Control Standards for Effective Management

In the EACI work programme for 2010, management had prioritised two standards "objectives and performance indicators" (standard 5) and "information and communication" (standard 12) given their outstanding importance for both the Agency and the programmes it manages.

Objectives and performance indicators

Since the extension of the Agency in mid 2007, the operational activities had tripled; staff was also almost tripled. The major changes to the Agency's structure and systems were completed by the end of 2008. In 2010, the Agency continued its efforts to define SMART objectives and to establish adequate indicators in its 2011 work programme. Moreover, with a view to improving the degree of understanding and ownership of the newly set objectives by all staff, the Agency implemented a set of complementary communication measures:

- In accordance with the objectives and indicators of the delegated EU programmes, the Agency decreased the number of (sub)objectives compared to 2010 to focus more on strategic objectives and less on operational recurrent activities. Indicators have been further improved to measure results and performance in addition to output. Description of tasks and indicators have been replaced by a clear reporting standard template used for all programmes, linking the Agency's objectives to parent DG's objectives, and by assigning per objective, and per individual task, specific targets

and indicators. To this end, the Agency actively participated in the working group "executive agencies" chaired by DG BUDG.

- The compilation of the 2011 EACI work programme started already in early September 2010 based on input from and consultations with all units and all parent DGs to improve its quality and foster ownership in the Agency.
- In 2010 objectives and indicators continued to be monitored through (a) weekly unit meetings; (b) weekly Heads of Unit meetings; (c) monthly programme meetings with the Director; (d) quarterly reports that are sent to the parent DGs and the Steering Committee; and (e) annual mid-term reviews of its achievement of objectives presented to the Steering Committee each July.
- For all staff, the EACI's annual work programmes are available on the Intranet. In addition values and identity are shared through teambuilding exercises on both Agency's and unit's level.

Management considers that the operational objectives are in line with the Agency's general objectives and its mission and that key risks are addressed. The defined indicators are monitored to ensure the timely achievement of the objectives.

Since the definition of appropriate objectives and indicators is an ongoing process with continuous room for improvement, and due to its overarching nature and the ongoing discussions regarding its effectiveness in the Commission³¹, this standard is being emphasised again in the Agency's work programme 2011.

Information and Communication

Keeping up an efficient and effective **internal communication** is one of the Agency's most important tasks. Effective internal communication is crucial for ensuring that the Agency's corporate identity and common goals are shared by all staff members.

- The Agency launched its new Intranet in September 2010. Staff was involved in the definition of the site's structure, content and functionalities. The management of the site has been decentralised and contributors from the different unit/sectors received training to update their respective sections, ensuring quicker updates and shared ownership of the new site.
- Since spring 2010 – the publication of the "EACI info kit" – the Agency has a new, common visual identity. The info kit explains the Agency and its portfolio to staff and external contacts in a consistent manner.
- The Agency continued to take initiatives to foster corporate identity and sharing of common goals like; teambuilding exercises and their follow-up; training surveys and distributing a Human Resources Newsletter.
- The monthly financial scoreboards include the indicators listed in the Act of Delegation and in the ICS requirements. They are regularly discussed in the monthly programme meetings with the Director and build the basis for the quarterly reports to the parent DGs and the Steering Committee.

An adequate and effective **external communication** is equally of the utmost importance given its immediate impact on the Agency's general objectives. Therefore, in 2010 continued priority was given to adapting the existing external communication work plan and to properly integrate the new projects and programmes as well as the support for synergies between them.

³¹ Commission's/executive agencies' working group chaired by DG BUDG.

- The Agency created in November 2010 a new horizontal "Communications and Network Support unit" to enhance the visibility and position of, and synergies between, the two communication sectors.
- During 2010, the communications team responsible for the IEE programme was increasingly involved in the communications work carried out within the various IEE tenders (ManagEnergy, ELTIS, Build up, U4Energy...). The Communication Work Plan 2011 will include, for the first time, the planned communications activities of all these initiatives, resulting in a more integrated, linked-up and coherent strategy and work plan.
- The Agency converted the Intelligent Energy News Review into the IEE Magazine, moving it from the previous reporting style to a fully journalistic publication which brings out the story and appeals to a wider audience. The demand for this publication has increased by more than 100%.
- Anticipating DG COMM requirements to reduce and unify the multitude of logos currently used by Commission services and initiatives, the Agency drew up a new graphical charter for the IEE programme, which includes the possibility to apply a common visual identity for all initiatives of this programme. Its full application would give the programme a significantly higher visibility at a much lower cost.
- For the first time, the Agency was responsible for organising the EU Sustainable Energy Week. Organised with a 30% lower budget compared to last year this year's EUSEW included more than twice as many events –328 in total. The EUSEW 2010 has also generated 203 media mentions. This is 7 times the number of pure EUSEW mentions achieved in 2009.
- The Agency's communications team has increased its media work and introduced a media enquiries log. These activities generated more than 120 media mentions related to EACI-managed programmes in 2010.
- A large-scale survey on the impact of the IEE project brochures (290,000 hard copies were ordered to date) showed that these brochures reached their target group, had a real impact on the readers, and were an effective mechanism to spread best practice and encourage innovation.
- The EACI organised the Marco Polo conference in Vienna which attracted more than 180 participants and triggered 16 media mentions with an estimated readership of 1 million persons. Also, two new videos for the Marco Polo programme were produced (one dedicated to maritime transport and one on inland waterways).

Following substantial improvements in internal and external communication over the last 2 years:

- The Agency is sharing corporate identity, common goals and objectives;
- the external communication strategy is implemented, integrates the 3 new programmes and supports synergies between them;

Therefore the control standard "information and communication" is no longer prioritized in the annual work programme 2011.

2.2.3 Conclusion on the effectiveness of the internal control system

The EACI has put in place monitoring measures to ensure that the internal control system is working effectively. While the EACI has established adequate control over all its activities, it focuses its control resources on those areas where risks are perceived as highest. On the basis of the information available (see parts 2.1 to 2.2 above), management judges that the Agency has an effective internal control system at its disposal to mitigate the main risks to the achievement of the Agency's key objectives.

The identified needs for improvement of the partially compliant internal control standards and the re-prioritisation of the standard "objectives and performance indicators" did not affect sound financial management or the legality and regularity of the Agency's actions in 2010. Therefore, it is deemed adequate that the identified needs for improvement do not translate into a reservation in the Director's Declaration to the 2010 AAR.

2.3 Information to the Commissioners

The main elements of this report and assurance declaration have been brought to the attention of the Agency's Steering Committee and to the parent DG's Directors General, who have taken these into consideration in their reporting to Commissioners Mr. Siim Kallas (Transport), Mr. Günther Oettinger (Energy), Mr. Janez Potocnik (Environment) and Mr. Antonio Tajani (Industry and Entrepreneurship).

Part 3: Building blocks towards the declaration of assurance

3.1 Building blocks towards reasonable assurance

3.1.1 Building block 1: Assessment by management

3.1.1.1 Operational budget

The following tables show the key indicators supporting reasonable assurance for the Agency's centralised indirect management of EU funds related to the EU programmes the Agency manages. The principal implementation mode is awarding grants through calls for proposals. Annexes 5.1 to 5.4 give a detailed overview per programme on both the internal control environment and the control system put in place.

The most important outputs of the internal controls are the following:

- The project officers closely monitor the on-going projects. The control strategy includes on-the-spot verification and project visits for all four programmes the EACI manages. It is adapted to the monitoring needs of the projects/programmes.
- All financial transactions, namely commitments, payments and recovery orders are subject to a 100% ex-ante control. The most risky transactions also undergo a second ex-ante control conducted by the horizontal unit.
- Ex-post controls are carried out on a sample of beneficiaries selected on the basis of a risk analysis. The on-the-spot audits are mainly carried out by an external audit firm.

The most important results of the desk and field controls can be summarised as follows.

- The negative opinions given during the second level ex-ante controls amounted to 3 % which was well below the target of 6%. All errors are corrected prior to the authorisation of the relevant transaction.
- No cases of overriding of controls with regard to the implementation of the operational budget were observed. Seven exception reports were approved by the authorising officer of which three exceptions entail a breach of the financial regulation for grants related to the operational budget: (i) legal commitments were made prior to the budgetary commitments; (ii) the de-commitment of a grant was made too early, that means prior to a necessary additional final payment. These cases did not represent material errors and thus, had no negative impact on the Directors declaration of assurance.
- The ex-post control strategy was implemented to 90% compared to its 2010 target. This is considered a very good implementation rate as almost twice as many final audit reports were issued than in 2009. The average detected ex-post control error rate related to overpayments of the EACI did not exceed the materiality level of 2%, save in one exceptional and not representative case of the Marco Polo programme where an error rate of 20% was found. Detected errors were corrected in the same year by a recovery order leading to a residual error rate of 0%.
- No significant repetitive errors or significant deficiencies in one of the control systems in the design or operation of internal controls were detected.
- No application of contractual penalties were warranted in 2010.

- In 2010, the EACI did not lodge any application before the European Courts. The EACI was not defendant either. One application concerning the annulment of a Commission Decision related to the Marco Polo II programme was lodged before the General Court and is currently pending. The EACI did not lodge an application to directly intervene in the proceedings, but it co-operates internally with DG MOVE in the defence.
- No significant reputational event was experienced.
- There were no counter indications from the AOSD (authorising officer by sub delegation) reports.

Table a) Input indicator: resources devoted to ex ante and ex post controls to ensure legality and regularity of underlying transactions

Input indicators	Actual 2010	Targets 2010	Actual 2009
Verification and project visits to monitor on-going projects by the EACI's project/financial officers ⁽¹⁾	196	210	167
Staff devoted to financial ex-ante control (head count) - first level control - second level control	7 persons 4 persons	7 persons 4 persons	7 persons 4 persons
Staff devoted to internal audit (full-time post equivalent)	1 person	1 person	1 person
Staff devoted to financial ex-post control (full-time post equivalent)	1 person	1 person	1 person
Financial resources (budgetary commitment) for outsourced ex-post controls (Number of on-spot audits)	K€361 (19 audits)	K€ 421 (20 audits)	K€ 230 (12 audits)
Costs of ex-post controls in relation to programme budget (average per year) ⁽²⁾ (staff costs plus costs for external service providers)	0,1%	0,2%	0,2%

⁽¹⁾ 93% of the targeted visits have been carried out, representing an increase of 17% vs 2009

⁽²⁾ The target for the ex-post control costs derives from Commission decision 2007/372/EC of 31st May 2007, transforming the IEEA into the EACI and detailing the administrative budget of the Agency from 2007 to 2015.

Table b) Output indicator: controls during budget implementation

Output indicators ex-ante control	Actual 2010	Targets 2010	Actual 2009
% of transactions subject to 2nd level ex-ante financial verification ⁽¹⁾	23%	23%	46%
% of financial transactions being subject to a non favourable opinion during the 2 nd level ex-ante financial verification	3%	6%	6%
Number of opinions given by the EACI's Advisory Committee for Procurement Contracts (ACPC) ⁽²⁾	3 (=100%)	100%	4
% of negative opinions of the ACPC	0%	0%	0%
Number of registered exception reports pertaining to the operational budget ⁽³⁾	7	n/a	10
Number of instances of overriding controls	0	0	0

(1) In the financial circuits of Model 1, the sample for second-level ex-ante controls was chosen with the IT application MUS-DICE according to both the sample strategy and the sample size defined for 2010.

- (2) Compliant with its mandate, the ACPC (advisory committee on procurement contracts) has given an opinion on all procurement procedures to the Director as foreseen.
- (3) Three exceptions pertaining to grants of the operational budget entail a breach of the financial regulation: (i) legal commitments were made prior to the budgetary commitments; (ii) a de-commitment of a grant was made prior to a necessary additional final payment.

Table c) Output indicators: controls carried out in the ex-post phase of projects

Number and amount of on-the-spot controls carried out per year

Ex-post controls <u>per year</u>	Actual 2010	Target 2010	Actual 2009
1. Number of ex-post controls at the beneficiaries sites:	Final audit reports #	Final audit reports	Final audit reports
IEE I and CIP IEE II	12	12	9
CIP EIP Network and IPR projects	3	5	-
CIP EIP eco-innovation	-	-	-
Marco Polo I and II	1	1	-
TOTAL	16	18	9
2. Amount of claimed EU funds actually audited (final audit report)	EUR million	EUR million	EUR million
IEE I	1,2	1,2	1,3
CIP EIP Network and IPR projects	1,1	4,3	-
CIP EIP eco-innovation	-	-	-
Marco Polo I	2,1	2,1	-
TOTAL	4,4	7,6	1,3

The indicator "final audit report" is chosen as it marks the end of an audit assignment and is the basis for calculating audit adjustments and error rates.

Audits were carried out according to the ex-post control strategy for 2010 to 2013. The strategy defines the year 2010 as a transitional period for the EU programmes the Agency manages since 2008. Therefore, in 2010 only one audit on a Marco Polo project was planned to be finalised; audits on CIP eco-innovation projects were planned to start in 2011 when the first final payments will become due.

For the EIP, one audit on the IPR project was planned and finalised. For the EIP Network project, the Agency received two audit reports from DG ENTR who accompanied the Court of Auditors on the spot. These audits were not planned by the Agency but came in addition to its audit strategy. The latter foresaw four audits on the Network partners with the highest grants for which all four preliminary draft audit reports were received by December 2010. Due to the heavy work load of EACI's ex-post control function, they will only be finalised in the first quarter 2011.

Audit coverage – cumulative per programme

The output indicators above show absolute figures of EACI's on-the-spot control activities. To depict the relative size of the controls, the coverage of the on-the-spot audits is calculated in the two tables below

- firstly, in comparison to the overall budget of the grant agreements the Agency manages, and
- secondly, in comparison to the number of beneficiaries receiving grants.

I. Audit budget coverage cumulative per programme

Audit budget coverage Cumulative per programme		Actual cumulative 2007 to 2010			Target* Until 2013
EUR amount actually audited in comparison to total auditable budget of the programme		N° of final audit reports	EUR million	%	At least %
IEE I	199,3 million € budget	37	5,8	2,9%	5%
CIP IEE II and 3 CA	189,5 million € budget	(a)			
EIP Network and IPR project	171,5 million € budget	3	3,6	2,1%	5%
CIP EIP eco- innovation	59,2 million € budget	-	-	-	5%
Marco Polo I	73,8 million € budget	2	2,3	3,1%	5%
Marco Polo II	133,2 million € budget	(b)			

Ad * Target according to the mid-term ex-post control strategy (2010 to 2013).

- (a) From the 37 beneficiaries audited on an IEE I project, 35 (95%) also participate in the IEE II programme a/or in the Concerted Actions (CA); extrapolation of the systematic audit findings applies to these beneficiaries.
- (b) From the 2 beneficiaries audited on Marco Polo I project, 100% also participate in the Marco Polo II programme, i.e. extrapolation of the systematic audit findings applies.

II. Beneficiaries' audit coverage cumulative per programme

Beneficiaries' audit coverage Cumulative per programme		Actually audited	2013 Target*	Actually audited	2013 Target*
Number of beneficiaries actually audited in comparison to the audit population		Total 2007-2010 %	Total auditees	Top 20 2007-2010 %	Top 20 auditees
IEE I	1.666 beneficiaries (different entities)	2,2%	3%	70%	100%
CIP IEE II and 2 CA	894 new different beneficiaries	(a)			
EIP Network and IPR project	560 beneficiaries	0,5%	5%	-	100%
CIP EIP eco- innovation	355 beneficiaries (different entities)	-	3%	-	70%
Marco Polo I	50 beneficiaries (different entities)	4%	10%	5%	70%
Marco Polo II	54 new different beneficiaries	(b)			

Ad * Target according to the mid-term ex-post control strategy (2010 to 2013).

- (a) About 50% of the beneficiaries participate in both programmes, IEE I and II, and in the Concerted Actions (CA) with one or more projects.
- (b) About 20% of the beneficiaries participate in both programmes, Marco Polo I and II with one or more projects.

Table d) Results of controls: error rates of on-the-spot controls

The ex-post control error rates are calculated as the actual overpayment made by the EACI in comparison to the audited EU funded share of the beneficiaries' cost claims. Negative audit adjustments are not compensated by positive adjustments. For the latter, an error rate of 0% is applied (for more details see annex 4)

I. Result indicators ex-post control: calculation of the ex-post control error rate per year

IEE programme I: 12 audits finalised	Actual 2010	Target*	Actual 2009
1. Amount of EU funded share of costs claimed by beneficiaries audited during ex-post controls in year n	K€ 1.181	<i>n/a</i>	K€ 1.287
2. Amount of actual overpayments detected by ex-post controls completed in year n leading to recovery orders	K€ 24	<i>n/a</i>	K€ 8
3. Gross detected error rate : overpayments compared with audited EU funded share of costs claimed: (2)/(1)	2,0%	≤ 2,0%	0,6%
4. Recovery orders issued linked to ex-post controls completed in year n #	K€19,3	<i>n/a</i>	K€ 8
5. Residual error rate (after correction by recovery orders) : ((2) – (4))/(1)	0,4%	≤ 2,0%	0%

Ad * Target according to the mid-term ex-post control strategy (2010 to 2013).

Ad # The 2010 finalised audits are leading to seven recovery orders of which six were already issued and one cashed-in by the end of December 2010 which amounts to 2% of all issued recovery orders . The other recovery orders are expected to be issued and cashed-in in the course of 2011.

Due to simplifications in the reimbursement scheme of IEE II (fixed overhead rate for all beneficiaries), future error rates are expected to drop considerably.

EIP Network and IPR project: 3 audits finalised	Actual 2010	Target*	Actual 2009
1a. Amount of EU funded share of costs claimed by beneficiaries audited during ex-post controls in year n	K€ 1.094	<i>n/a</i>	-
2. Amount of actual overpayments detected by ex-post controls completed in year n leading to recovery orders	K€ 0	<i>n/a</i>	-
3. Gross detected error rate: overpayments compared with audited EU funded share of costs claimed: (2)/(1)	0%	≤ 2,0%	-
4. Recovery orders issued linked to ex-post controls completed in year n	0	<i>n/a</i>	-
5. Residual error rate (after correction by recovery orders): ((2) – (4))/(1)	0%	≤ 2,0%	-

Ad * Target according to the mid-term ex-post control strategy (2010 to 2013).

In three audited EIP projects an average audit adjustment of 1,9% was calculated; however, no overpayment occurred as the adjustment concerned a project for which only a second-pre-financing payment had been made at the time of the audit. The EACI's payment transaction was not erroneous, hence a residual error rate of 0%.

Marco Polo I programme: 1 audit finalised	Actual 2010	Target*	Actual 2009
1. Amount of EU funded share of costs claimed by the beneficiaries audited during ex-post controls in year n	K€ 2.090	<i>n/a</i>	K€ 216
2. Amount of actual overpayments detected by ex-post controls completed in year n leading to recovery orders	K€ 422	<i>n/a</i>	K€ 0
3. Gross detected error rate: actual overpayments compared with audited EU funded share of costs claimed: (2)/(1)	20,2%	≤ 2,0%	0%
4. Recovery orders issued linked to ex-post controls completed in year n	K€422	<i>n/a</i>	K€ 0
5. 5. Residual error rate (after correction by recovery orders) : ((2) – (4))/(1)	0%	≤ 2,0%	0%

Ad * Target according to the mid-term ex-post control strategy (2010 to 2013).

The audit finalised in 2010 led to one recovery order which was issued in the 4th quarter but not yet cashed-in in 2010.

The detected error rate found in this audit amounts to 20% and is by far higher than the target of 2%. However, the EACI does not make a reservation to the Director's declaration to the Annual Activity Report. This is due to the fact that the audit was targeted at one beneficiary with a unique risk exposure noticed by the operational unit during field and desk checks. So far, during the field and desk checks of the past two years (40 verification visits in 2010 and 52 in 2009), in none of the other Marco Polo projects was a comparable case found by the EACI that would give rise to similar concerns and error rates.

That is why the ex-post controls of this unique case are not representative and consequently, the error rate cannot be extrapolated to all payments the Agency made in 2010 for the Marco Polo programme. The EACI had already taken mitigating actions to reduce the risk of error in other on-going and future grant agreements with the same beneficiary, for example by (i) bilaterally clarifying reporting issues with the beneficiary; (ii) following up on the correct implementation of the audit findings and (iii) extrapolating the systematic audit findings to other projects of the same beneficiary.

For all beneficiaries, a measure to reduce the risk of error was introduced in the Marco Polo II grant agreements as of 2009: for most of the grants, a contract provision was introduced requesting the beneficiaries to provide audit certificates on both their reporting system of tonne-kilometres shifted and their reported tonne-kilometres shifted.

II. Result indicators ex-post control: calculation of the ex-post control error rate cumulative per programme

So far, the Agency's on-spot audits covered mainly the IEE I programme that was delegated to the Agency in July 2005. The other EU programmes were delegated to the Agency in March/April 2008, and audits started in 2010.

For IEE, the number of audits launched each year corresponded to the mid-term ex-post control strategy (12 per year). Given the results of the ex-post control activities since 2008 (36 audits), the EACI calculated an average error rate (before recovery orders) of 1,5% in audits mainly covering the high risk areas of the IEE programme. Due to the heterogeneity of the audit population and the risk based audit sample, the error rates can not be extrapolated to all projects the Agency manages. However, with a detected error rate from a risk-based audit sample already below the materiality level of 2%, then no reservation to the Director's declaration to the Annual Activity Report is warranted.

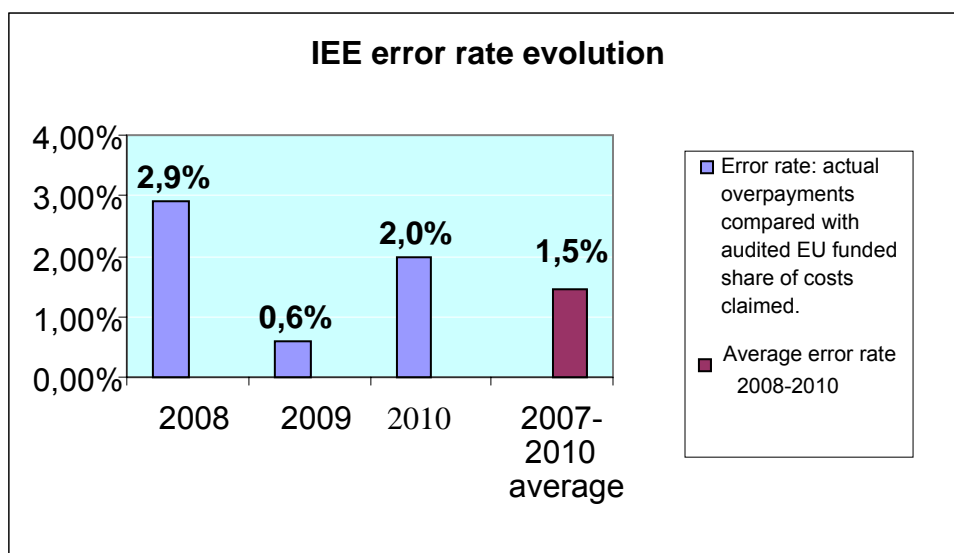


Table e) Impact of controls: OLAF cases

OLAF cases <u>per year</u>	Actual 2010	Actual 2009
Reported cases to OLAF in year n	0	0
OLAF cases closed in year n	0	0
OLAF cases with need for follow-up (e.g. financial corrections)	0	0

3.1.1.2 Administrative budget

The following table shows the Agency's key indicators supporting reasonable assurance for the implementation of the administrative budget for which the Director is the Authorising Officer.

Input: Resources devoted to ex ante and ex post controls to ensure legality and regularity of underlying transactions:	
<ul style="list-style-type: none"> Staff devoted to ex-ante/ex-post control: Financial resources: 	<p>2,5 full-time post equivalences on 31/12/2010</p> <p>None in addition to staff costs.</p>
Output: Level and nature of controls carried out	
<ul style="list-style-type: none"> Coverage of 1st level ex-ante control: Coverage of 2nd level ex-ante control: Coverage of ACPC Coverage of audit/ex-post control 	<p>100 % (1% error rate; 3% in 2009) All errors corrected prior to authorisation of the transaction</p> <p>Not applicable for the financial circuit in place</p> <p>No procurement procedure was subject to an adverse opinion of the Advisory Committee for Procurement Contracts in 2010 (same in 2009)</p> <p>Positive DAS of Court of Auditors of the Agency's 2009 accounts and implementation of its administrative budget (All DAS received since the Agency's autonomy in 2006 have been positive).</p>
Results of controls: What the controls allowed to discover/remedy	
<ul style="list-style-type: none"> All financial transactions, namely commitments, payments and recovery orders are subject to a 100% central ex-ante control. The negative opinions amounted to 1 % of all transactions (3% in 2009). Ex-post transactional checks of the implementation of the administrative budget are carried out annually by the Court of Auditors in the framework of the DAS. No error was found in payment transactions relative to the 2009 administrative budget, and a positive DAS was received (see 3.1.2 below). No cases of overriding of controls with regard to the implementation of the administrative budget was observed so far. Four exception reports were approved by the authorising officer (three in 2009). These cases do not represent a material weakness. No application of contractual penalties necessary since the Agency's autonomy. No complaints received from unsuccessful economic providers. No cases received by the Ombudsman relating to procurement procedures. No proceedings initiated by contractors or economic providers against the Agency before the Court since the Agency's autonomy. 	

3.1.2 Building block 2: Results from audits during the reporting year

3.1.2.1 European Court of Auditors

- In late 2009 and early 2010, the Court's sample of transactions for the 2009 DAS of the operational budget included two payments made for grants of the IEE programme, one payment for an EIP eco-innovation project and two payments for the Enterprise Europe Network project. Two observations were made, for which the Agency had already taken adequate action or discussed possible actions with the Court. These issues are not negatively impacting on the Director's Declaration to the AAR.

For one observation, related to controls performed on 2nd pre-financing payments, the EACI agreed with the Court's finding on errors in the beneficiary's mid-term financial report. However, the EACI disagreed with the Court that these errors affected the legality and regularity of the payment which the EACI correctly calculated as a lump sum as opposed to a reimbursement of declared costs. As the Court's criticism affects all on-going grant agreements with 2nd pre-financing payments, the EACI discussed with the Court possible changes to future grant agreements to avoid different interpretations of the payment provisions.

- In the first quarter 2010, the Court's audit fieldwork on the Agency's 2010 cut-off procedure pertaining to the operational budget was finalised. The Court did not make an observation.
- With regard to the EACI's administrative budget for which it receives a subsidy from the EU budget, the Court examines the EACI's accounts and financial transactions in accordance with Article 248 of the Treaty on an annual basis.
 - DAS 2009: in May 2010, the Court audited the EACI's 2009 accounts and published the final audit report in December 2010. The Court had given a positive Declaration of Assurance (DAS) to both the Agency's 2009 accounts and its 2009 budget implementation.
 - DAS 2010: in October 2010, the Court audited the EACI's 2010 transactions as a first part of the 2010 DAS procedure. The previous recommendation to improve formal aspects of the recruitment procedures was kept. In addition it was recommended to formalise the validation of the accounting system. No observation was made on the financial transactions of the Agency.

3.1.2.2 Internal Audit Service (IAS) of the Commission

Two audits of the IAS had started in late 2010: one IT audit and one financial audit on bank guarantees. The fieldworks are still on-going and no audit results were issued by the IAS in 2010.

3.1.2.3 EACI's Internal Audit Capability (IAC)

- In 2010, the IAC conducted an audit on the EACI's management of user access rights granted in ABAC. The final audit report was issued on 19th January 2011. No critical or very important observation was made.
- In November 2010, the fieldwork of an internal audit on the EACI's recovery procedure was finalised and the draft audit report issued in late December. The IAC made no critical or very important observation that would warrant a reservation to the Director's Declaration.
- In the second half of 2010, the IAC audited some operational aspects of the EACI's implementation of the EIP Network project. The preliminary draft audit report was issued on 7th December 2010. As this was a non-financial audit and since no critical and only four very important observations were made, it has no negative impact on the Director's Declaration.

Based on the results of the IAC's audits as described in the objectives and scope of the engagements carried out in 2010, the Agency's internal control system provides reasonable assurance³² regarding the achievement of the business objectives set up for the processes audited.³³

³² Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only

This opinion which is part of the IAC's annual report for the year 2010, covers the audited parts of the internal control systems in place in the Agency. The IAC's opinion on the state of control is based upon the audit work performed in 2010 following a mid-term audit work plan coordinated with the IAS, which was established with the objective to cover the main processes and risks of the Agency within a three year period. Due to the substantial extension of the Agency's tasks and budget in the course of 2008, the IAC was not yet in a position to express an audit opinion on the effectiveness of internal control in all of the new processes. The lack of an overall audit opinion from IAC does not have a negative impact on the declaration of assurance given that for the new processes, the IAS finalised an audit in 2009 with the conclusion that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for grants managed by EACI except for three very important issues which did not affect the new processes (see part 3.1.3.3 below)

3.1.3 Building block 3: Follow-up of previous year's reservations and action plans for audits from previous years

3.1.3.1 Previous year's reservations

In previous years, the Director did not make any reservation to his Declaration.

3.1.3.2. Follow-up on European Court of Auditors' recommendations

a) The Court's audits on the operational budget

The Court's performance audit on the executive agencies with the Special Report N° 13/2009 published on 19th November 2009, included a recommendation to improve the executive agencies' objective setting and choice of indicators. To this end, in 2010, the EACI actively participated in the working group "executive agencies" chaired by DG BUDG. Most of the recommendations of the working group were implemented in the EACI's 2011 work programme. As further improvement is sought, the EACI again prioritised the related internal control standard in 2011.

In the fourth quarter of 2009, the Court audited the EACI's implementation of the operational budget for the Enterprise Europe Network. Two issues were addressed for which actions of the Agency were warranted: to implement the ex-post control strategy and to update the manual of procedures. The Court's findings coincide with previous audit observations of the IAS described under point 3.1.3.3 below.

b) The Court's audits on the administrative budget

In May and October 2010, the Court examined the Agency's transactions related to the administrative budgets of 2009 and 2010 respectively. A recommendation was made to improve formal aspects of the Agency's recruitment procedures. The Agency already finalised some of the planned actions, others will be implemented in the course of 2011.

The Court also recommended to improve the budget planning, namely the forecasting methods for staff needs. The 2010 and 2011 budgets of the Agency respond to this recommendation.

With regard to the formalisation of the EACI's validation of the accounting system, necessary actions were already taken in late 2010 and will be finalised in the first quarter of 2011.

reasonable assurance to management regarding the achievement of the business objectives and not *absolute assurance*.

³³ note to the Director D (2011)36067 "2010 report of the IAC activities with IAC audit opinion"

3.1.3.3. Follow-up on IAS audit recommendations

The IAS made three "very important" observations in its final audit report dated 19th November 2009 on the Agency's implementation of the operational budget. Since late 2009, the Agency is implementing its action plan and has well advanced throughout 2010. Two of the three very important recommendations are considered implemented: (i) the new ex-post control strategy (2010 to 2013) includes all programmes and projects; in 2010 the ex-post control strategy was implemented to 90% compared to its 2010 target; almost twice as many final ex-post audit reports were issued compared to 2009; (ii) the 2010 IT Strategy was updated and the Agency discussed actively its IT needs in working groups. On this basis, the Agency decided to implement new IT applications of the Commission such as ARES and URF (Unique Registration Facility). A third very important recommendation related to BCP is outstanding and will be finalised in April 2011. In 2010, first actions to test and improve the EACI's Business Continuity Plan have been taken.

Furthermore the Agency made good progress throughout 2010 in updating the Manual of Procedures, which addresses three "important" outstanding observations of the IAS. The Manual will be completely revised and updated by June 2011.

In 2009 the IAS carried out an audit on the Agency's local IT systems for financial management pertaining to its operational budget. For the Agency, the IAS made one recommendation (neither critical nor very important) that was fully implemented in April 2010.

3.1.3.4. Follow-up on audit recommendations of the Agency's IAC

The IAC closed the last open audit in August 2010 as the recommendations were either adequately implemented (80%), coincided with a later IAS audit recommendation, such as the update of the manual of procedures, or were integrated into other open actions that the Agency planned during its risk assessment exercise.

3.1.3.5 Investigations by OLAF

No open cases exist since 2009.

3.1.3.6.DG BUDG – unit C.4. validation of local systems

In the second half of 2009, DG BUDG performed a validation of local accounting systems in the EACI. DG BUDG issued its final report on 26th February 2010 with the opinion that nothing came to DG BUDG' attention to indicate that the financial management systems in EACI did not meet the validation criteria.

Two very important observations were made relative to the Agency's practice of encoding invoices and registering payment delays. In the course of 2010, the Agency fully implemented its actions related to payment delays. Substantial improvements were also made to encode invoices in a timely manner; actions are ongoing to further reduce the delays in 2011.

3.1.4 Building block 4: Assurance received from other Authorising Officers in cases of cross delegation

Not applicable in 2010.

3.1.5 Completeness and reliability of the information reported in the building blocks

In Parts 2 and 3.1 above, the EACI has provided accurate and exhaustive information to the best of its knowledge.

3.2 Reservations

As already stated in parts 2 and 3.1 above, the identified weaknesses in the implementation of the internal control standards do not fulfil any of the materiality criteria laid down in Annex 4 to the AAR.

The lessons learned from the indicators of ex-ante controls (technical and financial) together with the strengths and weaknesses highlighted in the seven audits conducted in 2010 (see part 3.1.2 above), the Agency has reasonable assurance³⁴ that its internal control system is adequately designed and that it works as intended.

Results from on-the-spot financial audits (see part 3.1.1 above) do not warrant a reservation to the Director's declaration of assurance for the following reasons:

- (i) For IEE I projects, the detected error rate (before recovery orders) in 2010 does not exceed 2%. Cumulative since 2008 it amounts on average to 1,5%. Taking into account the recovery orders issued, the residual error rate is 0,4%.
- (ii) In three audited EIP projects an average audit adjustment of 1,9% was calculated. As no overpayment occurred, the residual error rate amounts to 0%.
- (iii) For the EIP eco-innovation projects, in 2010 no audits were planned or carried out as until now only pre-financing payments were made. First final payments will become due in 2011.
- (iv) For the Marco Polo programme, in 2010, one project was audited and a detected error rate of 20% found (before recovery orders). This is by far higher than the target of 2%. However, the EACI does not make a reservation to the Director's declaration. This is due to the fact that the audit was targeted at one beneficiary with a unique risk exposure noticed by the operational unit during field and desk checks. So far, in none of the other Marco Polo projects was a comparable case found by the EACI that would give rise to similar concerns and error rates. That is why the error rate of this unique case is not representative and cannot be extrapolated to all payments the Agency made in 2010 for the Marco Polo programme. Furthermore, given that this error has been corrected by issuing a recovery order, the residual error rate is merely 0%.

The EACI had already taken mitigating actions to reduce the risk of error in other on-going or future grant agreements with the same beneficiary, for example, by (i) bilaterally clarifying reporting issues with the beneficiary; (ii) following up on the correct implementation of the audit findings and (iii) extrapolating the systematic audit findings to other projects of the same beneficiary.

3.3 Overall conclusions on the combined impact of the reservations on the declaration as a whole

As no reservation is made, this part is not applicable in 2010.

³⁴ Even an effective internal control system, no matter how well designed and operated, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only *reasonable assurance* to management regarding the achievement of the business objectives and not *absolute assurance*.

Part 4: Declaration of assurance

I, the undersigned,

Director of the Executive Agency for Competitiveness and Innovation
In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view³⁵.

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 learned from the reports of the Court of Auditors.

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

Place: Brussels, date: 25 March 2011.

(signed)

Patrick Lambert

³⁵ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.