2015

Annual Activity Report

Innovation and Networks Executive Agency
2015 was our second year as the Innovation and Networks Executive Agency (INEA) following the Commission Decision\(^1\) to extend the mandate of the highly performant Trans-European Transport Network Agency (TEN-T EA) from 2014 to 2020 under the new name of INEA. Our core tasks remain programme and project implementation and ‘making implementation happen.’

2015 has been a consolidation year for INEA following a transitional phase in 2014, and the final completion of the transfer of the Agency’s new programmes in early 2015. We have continued to dedicate our efforts towards enhancing partnerships with our stakeholders, in particular our beneficiaries and Commission parent DGs, whilst efficiently and effectively taking over and managing the new programmes.

Notable achievements have been the establishing of fully operational business processes for the CEF and Horizon 2020 programmes. Strong efforts have been needed throughout the year in order to implement all tasks related to the activities now fully under INEA’s responsibility: publication of 21 Calls for Proposals and evaluation of 19 Calls managed by INEA, ensuring that the necessary tools and support services were in place; developing and continuing to adapt our processes, procedures and working methodologies for an active management of all steps in the workflow from call preparation to Grant Agreement signature and pre-financing payment; signing 536 Grant Agreements for the selected projects; ensuring the technical and financial management of the increased project portfolio; providing reporting and statistical feedback to the Commission.

At the end of 2015 INEA has established the necessary processes to support all four programmes (CEF, Horizon 2020, TEN-T and Marco Polo) and more than 500 projects are now being actively managed under the CEF and Horizon 2020 programmes from a starting point of zero in mid-2014.

Our main challenge in 2015 has been continuing the management of the legacy Programmes which we inherited from both TEN-T EA and the Executive Agency for Small and Medium Enterprises (EASME), in parallel to completing the transfer of the new Programmes: Parts of the Connecting Europe Facility (CEF) and the Part III Societal Challenges Specific Programme of the Horizon 2020 Research and Innovation Programme.

New activities and sectors have been fully introduced into the Agency, where there was no pre-existing research, energy or telecommunications base. Our focus has therefore also been on the continued recruitment of project and financial management professionals and other specialised profiles, in order to integrate the new tasks and to acquire the necessary specialised knowledge and expertise.

In this context, we have established seven specific objectives in the INEA Work Programme for 2015 related to the management of the successor and legacy Programmes. In addition, a horizontal objective on the efficient use of resources was also included in order to ensure that we have the right staff in the right place, and that they have the right skills and the necessary infrastructure to perform their tasks.

\(^1\) Commission Implementing Decision of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC.
INEA’s Annual Work Programme 2015, C (2015) 3233, adopted by the Commission and the INEA Steering Committee on 20.05.2015, serves as a reference for this report.

Dirk Beckers

Executive Director of INEA
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INTRODUCTION

The Executive Agency in brief

From 1 January 2014, the Innovation and Networks Executive Agency (INEA) was delegated responsibilities by the Commission that cover the management of the following Programmes:

- **2014-2020 Programmes**
  - CEF programme
  - H2020 programme

- **2007-2013 Programmes**
  - Marco Polo programme 2007-2013
  - TEN-T programme 2007-2013

The **CEF** is a key EU instrument to promote growth, jobs and competitiveness by investing in European infrastructure. It supports the development of high-performing, sustainable and interconnected Trans-European Networks in the fields of transport, energy and telecommunications.

**Horizon 2020** is the EU’s biggest ever programme for research and innovation that aims to ensure Europe produces world-class science and technology that drives economic growth. INEA manages parts of the programme related to transport and energy research: ‘Smart green and integrated transport’, and ‘Secure, clean and efficient energy.’

The indicative budget to be managed by INEA for these two Programmes amounts to €34 billion with the overwhelming part allocated to CEF Transport.

The **TEN-T and Marco Polo II Programmes** are the predecessors of CEF Transport. The TEN-T Programme supports the development of European transport infrastructure with high added value for improving European mobility as a whole. The Marco Polo Programme aims to ease road congestion and the pollution it causes by promoting a switch to greener transport modes for European freight traffic. The implementation of these legacies contributes to the preparation of the CEF project pipeline for 2014-2020.

**Graph 1** Overview of the budget per programme managed by INEA for the period 2014-2020

<table>
<thead>
<tr>
<th>Programme</th>
<th>Budget (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecting Europe Facility</td>
<td>€22.4</td>
</tr>
<tr>
<td>Energy</td>
<td>€4.7</td>
</tr>
<tr>
<td>Digital</td>
<td>€0.3</td>
</tr>
<tr>
<td>Transport</td>
<td>€2.9</td>
</tr>
<tr>
<td>Energy</td>
<td>€3.8</td>
</tr>
</tbody>
</table>
The Agency's mission is to support the Commission, project promoters and stakeholders by providing expertise and high quality of programme management to infrastructure, research and innovation projects and to promote synergies between these activities, to benefit economic growth and EU citizens.

The Commission, and in particular INEA's four parent Directorates General (DG)\(^2\), define the policy, strategy, objectives and priorities of the programmes, and together with a Steering Committee are also responsible for supervising and monitoring the Agency's implementation activities. INEA is responsible for monitoring the projects benefitting from TEN-T, Marco Polo, CEF and Horizon 2020 funding, for making the necessary checks (including ex-post audits for CEF, TEN-T and Marco Polo) and recovery procedures, for performing budget implementation tasks covering revenue and expenditure within the meaning of Regulation (EU, Euratom) No 966/2012, and for assisting the Commission in certain programme- and project-related tasks which are reserved for the Commission under Decision C(2013)9235 final\(^3\) and as set by the Memorandum of Understanding (MoU) between INEA and its four parent DGs, as appropriate.

INEA's status as an Executive Agency (EA) means it has two fundamental features: 'autonomy' because it has its own legal personality and can adopt legal acts, and it has its own operating budget for operating costs; and 'dependence' because it can only perform tasks delegated by the Commission, and all financial operations must comply with the General Financial Regulation (FR) and its Rules of Application as well as the Standard Financial Regulation. The Agency’s Executive Director has a delegation from the Commission to act as Authorising Officer by Delegation to implement the operational budget directly. INEA’s operating budget is governed by a specific regulation for executive agencies, which closely follows the FR whilst allowing for any specific requirements. The Executive Director acts as Authorising Officer for the operating budget - and accounting for the operating expenses is the responsibility of the Agency's own Accountant.

INEA is based in Brussels and at the end of 2015 had a multi-national team of 186 staff representing 26 EU nationalities. They include specialists in finance, project management, transport, energy, ICT, engineering and legal affairs.

\(^2\) DG Mobility and Transport (MOVE), DG Research and Innovation (DG RTD), DG Communications Network, Content and Technology (DG CONNECT) and DG Energy (DG ENER).

\(^3\) Decision C(2013) 9235 of 23 December 2013 delegating powers to the Innovation and Networks Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of transport, energy and telecommunications infrastructure and in the field of transport and energy research and innovation comprising, in particular, implementation of appropriations entered in the general budget of the Union.
EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Executive Director of INEA to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

Implementation of the Agency's Annual Work programme - Highlights of the year (executive summary of section 1)

INEA's second year of operation represents the consolidation and full takeover of its mandate following the completion of the programme transfer in January 2015. For Horizon 2020, this meant the transfer of the remaining 2014 Calls for Proposal at the Grant Agreement (GA) preparation stage under the two societal challenges Energy and Transport. The telecommunications part of the Connecting Europe Facility (CEF) was also transferred early in the year at the GA stage of the 2014 Safer Internet Call, thereby making the handover of the CEF complete.

In 2015 the Agency has demonstrated its readiness to perform its delegated tasks and have in place the necessary arrangements to accommodate the new programmes. In this respect, the main successes have been the full launch of Horizon 2020 activities in an environment where there was no pre-existing research expertise or base, and the management of the first CEF Transport Call 2014 with an unprecedented budget of €11.9 billion.

For the first time the Agency had full responsibility for the management of the new programmes starting with the launch and organisation of the evaluations of several parallel Calls for proposals. INEA has since launched a total of 21 Calls for Proposals in 2015 - 8 under the Horizon 2020 Programme Societal Challenges for Transport and Energy, and 13 under CEF. A total of 19 evaluations were undertaken in the course of the year – 8 in CEF and 11 in Horizon 2020. As a consequence, a total of 1,582 eligible proposals with a requested budget of €38,489.7 million were evaluated. This included 681 proposals submitted related to the first and biggest ever CEF Transport Call 2014 with a total requested budget of €32,656.6 million that mobilised an important part of the Agency’s resources for several months. This continued with the evaluation of the 23 proposals (€216.9 million requested) submitted in response to the first 2015 CEF Energy call followed by the 22 proposals (€6.5 million requested) submitted to the second 2014 CEF Telecom call.

In parallel, in Horizon 2020 Energy, 487 proposals were evaluated with a total requested budget of €3,771.6 million, whilst in the Transport sector 338 proposals amounting to €1,825.7 million of requested budget were evaluated. This included Calls in the fields of Competitive Low Carbon Efficiency, Smart Cities and Communities, Mobility for Growth, Green Vehicles and one joint Call on Blue Growth together with relevant Executive Agencies (EAs) and parent DGs. For the first time, a full remote Horizon 2020 evaluation including the consensus panels took place in the Agency following the high level security threat in Brussels in November. The exercise was a success and based on the experience may also be considered for future evaluations.

The experience gained in managing the new programmes in 2014 has allowed the Agency to draw lessons learned on their management, in particular in the call and evaluation phases, which has been fed into the evaluation exercises in 2015. In addition, the experience gained in managing the TEN-T programme has served as a sound basis to further develop the management of the successor infrastructure programme.
It is worth mentioning that all CEF evaluations in 2015 have been carried out via the electronic submission module developed in TENtec, in-house. This allowed a smooth management of the Calls and centralisation of data storage. In addition, all external evaluation exercises for CEF Calls were carried out using INEA's in-house dedicated evaluation space, which ensured excellent logistical and administrative support throughout the evaluation phase. In parallel to the regular evaluation, 225 proposals were also screened for their potential for financial instrument suitability.

For 2015 Horizon 2020 workflows were established for each project management phase. For each business process the relevant actors and authorising officers were established and trained. The Agency's staff became fully operational with the centralised IT systems supported by the Common Support services such as COMPASS, SYGMA and SEP. These systems have operated well in the Agency in support of Horizon 2020 throughout 2015 and their use is now well established.

As a consequence of the successful completion of the evaluations, the Agency timely informed the applicants within 130 (CEF) and 139 days (Horizon 2020), well below the target deadlines. The Grant Agreement (GA) preparation phase posed another challenge for the Agency with 536 GAs to be timely prepared and signed by the end of the year. In particular for CEF Transport, the Agency had to dedicate additional efforts to familiarise the beneficiaries with the new CEF Grant Agreement model, developed by the Agency in close collaboration with the Commission. As a result, the average time to grant was 264 days for the 362 GAs for the CEF Programme and 224 for the 174 GA for Horizon 2020, both below the targets. Horizon 2020 improved further its performance from 2014 when it recorded 238 days on average.

In terms of operational financial management, 100% execution of commitments and payments was achieved for the year for all Programmes and sectors. This represents a total of €2,021.1 million executed with an average net time to pay (including pre-financings) below 30 days – except for TEN-T as a consequence of the mitigating measures in place in 2014 in order to address the payment credits shortage encountered by the Commission. The lowest time to pay was for CEF Energy and Telecommunications with 9.4 days on average for the pre-financings.

In addition, business continuity had to be ensured for the legacy programmes (439 projects on-going for TEN-T and 80 for Marco Polo II at the beginning of the year) and for the first projects financed under the new programmes for which monitoring activities were required. Programme support services were provided and further developed to assist programme execution throughout the project lifecycle. In the area of IT development, this included the implementation of the CEF GA model in the TENtec GA module, the production of map data for the 750 CEF Transport proposals received as well as the automated production of 681 project fiches following the selection of projects. In the communication area assisting the Programmes implementation, the first INEA multi-annual Communication Strategy was developed to support the annual communication activities which included among others the organisation or support to 37 different events which registered around 8,500 participants and around 24,500 web streaming connections to Info Days and workshops, with 80.5% average event satisfaction. A total of estimated 240,288 people were reached through all Communication activities around the year. In financial terms, the Agency pro-actively prepared the ground for processing the future costs claims of the on-going projects for the new Programmes by revising the financial controls and conceptualising a Multi-Annual Audit Strategy. In this extremely busy year, the Agency proved its flexibility in particular when due to security measures undertaken by the Commission, some of the planned Info Days and evaluation exercises had to be transformed into virtual events at short notice.

The Agency has dedicated special efforts to building trust and developing collaborative relationships with its new stakeholders so as to ensure fruitful and durable cooperation with them. This has included participation in coordination meetings, the establishment of two-way information flows and communication channels with the parent DGs, attendance to events, conferences, workshops, National Info Days, working groups and networks.
Other highlights have been INEA's participation in important policy events. For CEF Transport this included the TEN-T Days in Riga on 22 and 23 June. Over 1,000 visitors attended this policy event organised by DG MOVE, and INEA contributed by organising an exhibition of more than 45 TEN-T projects by the beneficiaries, and producing the exhibition guide and a specific brochure on flagship cross-border projects. For Horizon 2020 INEA took part in the Aerodays conference in September 2015, the flagship research conference for EC related aviation research activities, highlighting the portfolio of projects being prepared for signature in 2015.

On 17 April, INEA had the honour to welcome for the first time to its premises the Transport Commissioner, Violeta Bulc, together with the Director-General of DG MOVE, João Aguiar Machado, for presentations on the Agency's role and to meet its staff. INEA also welcomed Dominique Ristori, the Director-General of DG ENER in December and a visit by the newly appointed Director-General of DG MOVE, Henrik Hololei, was scheduled for early 2016.

With a view to filling more than 50 available INEA posts in 2016, particularly for project staff, INEA organised its first Job Campaign. The objective was to promote the Agency as an attractive workplace and give visibility to the future job opportunities. It culminated in a Job Fair on 9 June. The great success of the event can be measured by the more than 900 participants, the positive feedback received and the increase by 20% of applications received for the posts published following the event.

With 186 staff in place at the end of the year, the Agency took measures to ensure office space in order to accommodate future newcomers following the intense recruitment exercises in the second half of the year, as part of the semi-permanent EPSO CAST that the Executive Agency participated in. These measures have also included the extension of the building contract for three additional years.

**Key Performance Indicators (5 most relevant)**

The Agency identified five key performance indicator targets for 2015:

- The rate of execution of commitment appropriations
  - Execution of C1 commitment appropriation
  - Individualisation of the remaining global commitment of 2014
- The rate of execution of payment appropriations
- Time to grant (TTG)$^4$
- The net time to pay
- The residual multi-annual error rate identified at ex-post control

The results are presented graphically in the following section, showing that almost all of the targets were achieved.

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$^4$ The time to grant includes also the time to inform (TTI) which is also reported on in the present report for completeness.
Graph 2: Overview table on KPI graphics per Programme and sector

<table>
<thead>
<tr>
<th>Result indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Execution of commitment appropriation</strong></td>
<td></td>
</tr>
<tr>
<td>2015 commitment appropriation</td>
<td></td>
</tr>
<tr>
<td>TEN-T Programme 2007-2013</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Marco Polo II</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Connecting Europe Facility</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Remaining 2014 global commitment</td>
<td></td>
</tr>
<tr>
<td>TEN-T Programme 2007-2013</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Marco Polo II</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Connecting Europe Facility</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td><strong>Execution of payment appropriation</strong></td>
<td></td>
</tr>
<tr>
<td>% of executed C1 commitment appropriation</td>
<td></td>
</tr>
<tr>
<td>TEN-T Programme 2007-2013</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Marco Polo II</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Connecting Europe Facility</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>% of individualisation of remaining 2014 global commitment</td>
<td></td>
</tr>
<tr>
<td>TEN-T Programme 2007-2013</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Marco Polo II</td>
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<tr>
<td>TEN-T Programme 2007-2013</td>
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<tr>
<td>Connecting Europe Facility</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td><strong>Time to inform</strong></td>
<td></td>
</tr>
<tr>
<td>Time to inform and time to grant</td>
<td></td>
</tr>
<tr>
<td>Average time-to-inform in days (for applicants informed in 2014)</td>
<td></td>
</tr>
<tr>
<td>TEN-T Programme 2007-2013</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Marco Polo II</td>
<td>Not applicable anymore</td>
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<td>Connecting Europe Facility</td>
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<tr>
<td>Horizon 2020</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Average time-to-grant in days (for grants signed/Decisions adopted in 2014)</td>
<td></td>
</tr>
<tr>
<td>TEN-T Programme 2007-2013</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Marco Polo II</td>
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<td>Connecting Europe Facility</td>
<td>Not applicable anymore</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>Not applicable anymore</td>
</tr>
</tbody>
</table>
Key conclusions on Management and Internal control (executive summary of section 2)

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

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. As required by the Financial Regulation the Executive Director has put in place the organisational structure and the internal control systems suited to the achievement of the objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

INEA has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented. Furthermore INEA has taken measures to further improve the efficiency of its internal control system in the area of staff allocation & mobility (ICS3), operational structure (ICS7) and information & communication (ICS12). In addition the Risk management exercise has been improved by establishing base-line Unit Risk Registers building up to the INEA Risk Registers. Please see Part 2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Executive Director, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.
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 DGs Directors-General, who have taken these into consideration in their reporting to the responsible Commissioners.
1. IMPLEMENTATION OF THE ANNUAL WORK PROGRAMME

1.1 Achievement of general and specific objectives

INEA’s contribution to the parent DGs’ general objectives has been broken down in 7 different specific objectives related to the different programmes and sectors under its management. These specific objectives are grouped in two main blocks, the Connecting Europe Facility and its legacy programmes (TEN-T and Marco Polo) and Horizon 2020 including its specific sectors Energy and Transport within the Societal Challenges Specific Programme. The following are the achievements of the year for each specific objective in relation to the targets defined in the Annual Work Programme 2015.

Horizontal Activities

Feedback as input to policy-making, follow-up of programme implementation and to corrective measures

INEA supported the evaluation of the CEF Calls that took place in 2015 by producing weekly or daily information on the state of play on the proposal submission. During this period, validation and dissemination of the data of the proposals involved in each of the evaluation phases was undertaken. In the preparation for the admissibility and eligibility committees as well as for external and internal evaluations, various tables and detailed statistics (per country, corridor, funding objective or priority level) were developed. In addition, coordination meetings with the parent DGs were organised to discuss and keep both the Agency and the Commission updated on the execution of the programme concerned, and the evolution of the evaluation and GA preparation phases, among other issues.

INEA has developed a pilot performance framework for CEF Transport that fulfils the Commissioner’s request to regularly report on the impact of the co-funded projects on the CEF Transport objectives as set out in the CEF Regulation (art.4). These objectives have been introduced in the e-submission module in TENtec in the form of questions for the applicants to the CEF Transport Calls 2015 to provide structured data on the contribution of their proposals to transport policy. The results of this pilot will be evaluated at the time of the Call closure in mid-February 2016, in order to adjust the questions if necessary and produce the first reports on CEF Transport performance.

In order to create a framework for feedback to the Commission on Horizon 2020, the network of INEA and parent DG correspondents - which had been created at sector level during the early stages of the delegation process - continued to meet frequently to discuss the state of play of the implementation of the programmes. Cooperation between the Agency and the parent DGs in some steps of the operational implementation of the programme of specific topics was enhanced when appropriate, in particular during the evaluations of the International Co-operation activities in the field of Aeronautics Call. The support of the parent DGs was decisive for the timely conclusion of the evaluations of the above mentioned activities.

Assistance in the management of Financial Instruments for CEF

The Agency has contributed to an ex-ante assessment of specific financial instruments to support the greening of the maritime and inland navigation sectors, including development of a needs assessment questionnaire. During 2015, the Agency participated in working groups related to developing innovative financial models for financing the European Railway Traffic Management System (ERTMS) and for the liquefied natural gas (LNG) supply chain in the maritime sector. It served on a steering group for a study of the financing capacity of electricity and gas Transmission System Operators (TSOs), at the invitation of DG ENER.
In addition, the proposals received under the 2014 CEF Transport Calls for Proposals were analysed to determine their potential for use of financial instruments, on request of DG MOVE. Further support to the INEA CEF Transport project portfolio will be integrated into awareness-raising activities. Guidance regarding the required CBA for works proposals was developed for the 2015 CEF Transport call and preparations are underway to embed specific analysis of the CBAs into the external evaluation exercise scheduled in the first half of 2016.

**Communication**

INEA has continued to put emphasis on communication in 2015 by developing a Multi-Annual Communication Strategy with three strategic pillars, as defined in Annex 5 of the 2015 Annual Work Programme: Promoting to advance the Programmes; Engaging with and supporting beneficiaries; Innovating to develop synergies and economies of scale between the Programmes.

**CEF Communication**

Communication for CEF in 2015 focussed mainly around the Calls for Proposals. INEA has used its website to publish information and documentation on funding opportunities, submission data and project selection results, and individual website pages and maps for selected projects as appropriate. It has also produced and disseminated information about applicable rules and procedures during Info Days, and via the website.

In addition to the website, the Agency has been promoting the CEF funding opportunities using press releases, mailings, social media, events, and publications in order to publicise the availability of EU support for projects within all three CEF sectors and ensure all relevant stakeholders were informed of the possibility to apply for EU funding. Publications were prepared on the CEF Transport calls, on the statistics for the call results, and a huge compendium of all the 2014 Call project proposals was published. There was also a leaflet on CEF Telecom calls. A special brochure on cross-border project successes was also produced. Two brochures were produced for CEF Energy on the PCIs and the selected projects.

INEA has organised Info Days linked to the Call for Proposals as appropriate, together with the concerned parent DG, and participated in national Info Days and other events to raise awareness and provide information about on-going Calls and the rules of participation for the Calls and/or project implementation.

**Horizon 2020 Communication**

In the first half of 2015 INEA mainly focused on consolidating the relationship with its key Horizon 2020 stakeholders - potential applicants and beneficiaries - to promote funding opportunities and to facilitate and prepare the communication aspects of project management. Meetings were held with the parent DGs and EASME to discuss the division of roles for Horizon 2020 communication.

The second semester was extremely busy and activities were in particular focused on events. INEA coordinated various task forces with representatives from the parent DGs in order to organise the Programme Info Days. The various demands were very challenging given the priorities of four different DGs. This resulted in five different Info Days (including one for CEF Transport on 30 November) being planned between mid-September and early November - which put a significant demand on INEA's resources. INEA also participated in other info days such as Energy Efficiency, SME Transport Innovation and Blue Growth – and some policy events such as the Aerodays 2015, and the Civitas Forum.

Communication activities have also included new Horizon 2020 funding opportunity web pages that introduce the societal challenges – with links to the Calls under these challenges. There are pages for the six Horizon 2020 thematic areas managed by INEA,
with information on the Calls regularly updated. A new version of the Horizon 2020 pages was launched in December, including a new section on all 150 on-going Horizon 2020 projects in INEA's portfolio.

**Financial Management and Audit**

For all the CEF Calls, INEA proceeded with the verification of the financial capacity of the private applicants to check whether they satisfy the selection criteria on the financial capacity. Mitigating measures, such as no pre-financing payment or a request for a guarantee to authorise the payment, have been taken into a consideration for the private applicants with a weak financial capacity.

A revision of the ex-ante control guidelines is foreseen in INEA's 2015 AWP for the CEF Programme. The Agency performed a detailed analysis of the existing ex-ante controls on the TEN-T Programme with the aim to adapt this strategy to CEF. The overall conclusion of this assessment was that the existing controls are fair and reliable providing the Executive Director with a reasonable assurance on the legality and regularity of the financial transactions.

It was further concluded that INEA will transpose the existing coverage and methodology of ex-ante controls to the CEF programme. The methodology will provide a higher level of assurance under the CEF programme as the Certified Financial Statements (CFS) will also be used for this programme.

Throughout 2015 Horizon 2020 financial activity has focussed on pre-financing payments and work has been carried out in order to establish the procedures and workflows for intermediate payment which will start to be processed in 2016.

In the reporting period a concept paper was prepared in order to set out the main parameters of the Multi-Annual Audit strategy for INEA covering both the remainder of the legacy programmes and CEF. The Multi-Annual Audit Strategy will be finalised in 2016 and implemented from 2017.

Ex-post control for Horizon 2020 will be managed by the Horizon 2020 Common Audit Service and is not under the remit of INEA.

**Legal affairs**

During the reporting period, one of the main focuses was the finalisation of the annexes to the CEF model GA.

The draft Commission Decision on unit costs was prepared by INEA and the preparation of various guidelines and templates for financial guarantees and grant management (amendment, suspension, etc.) has started.

The follow-up of the recommendations of the European Court of Auditors (ECA) and the analysis of compliance with EU Public Procurement law by beneficiaries during the implementation of TEN-T Commission Decisions required significant efforts and resources.

INEA participated consistently in the regular meetings of the working groups on Horizon 2020 Legal Mechanisms and the Horizon 2020 Network of lawyers. During the reporting period, around 200 GAs were legally validated. A number of legal aspects of GAs managed by the Agency were also reviewed and a considerable number of legal consultations were provided on grant amendments.

The Agency provided a contribution on legal aspects to DG RTD's Horizon 2020 Compendium of Internal Procedures.
IT tool development

The Agency and the CEF parent DGs agreed that the TENtec interactive beneficiary platform, enabling the exchange of information with beneficiaries, would be upgraded and extended to all CEF sectors. The Agency therefore started an ambitious plan to adapt the TENtec functions to the specificities of the new CEF Programme. A new governance model was set up involving key stakeholders from the CEF parent DGs and the Agency providing an effective framework for the decision making process regarding the evolution of TENtec.

All 2015 CEF Calls were managed using TENtec. INEA successfully implemented a new eSubmission module with a modern user interface and a user friendly approach.

The TENtec Evaluation module was further enhanced with new functions enabling a paperless eligibility workflow, remote evaluation and improved monitoring capabilities whilst also allowing simultaneous evaluation exercises for Transport, Energy or Telecommunications Calls.

The Agency invested a considerable effort in reviewing and redeveloping the new Action Status Report (ASR) module for the first CEF ASR reporting exercise to start in January 2016. The aim is to simplify and improve the submission and approval workflow of ASRs.

In the GIS area, the effort was much higher than ever before. The Agency prepared map data for over 750 proposals from 2014 CEF-Transport and 2015 CEF-Energy Calls as well as fiche maps and overview maps summarizing the Call results. Moreover, 681 project fiches were created for the CEF-Transport 2014 Call brochure using a new automation tool developed by the in-house GIS service.

1.1.1 The Connecting Europe Facility (CEF) and Transport Legacy

The Connecting Europe Facility (CEF) finances infrastructure projects in the transport, energy and telecommunication sectors. The projects will contribute to making Europe smarter, cleaner, and more competitive by promoting sustainable transport solutions, high speed broadband connections and facilitating the use of renewable energies. By focussing on smart, sustainable, innovative and fully inter-connected transport, energy and digital networks, the CEF will help to implement the Single European Market. INEA manages the EU-supported projects under CEF, in total €27.4 billion under the current financial perspectives. In addition to the implementation of the CEF Programme, INEA is completing the operational and financial management of two transport legacy Programmes which are its predecessors: TEN-T and Marco Polo II. The implementation of the legacies will contribute to the completion of the TEN-T network.

Specific Operational Objective 1 - Legacy of the TEN-T Programme

Support for the development and implementation of a performing Trans-European Transport Network, through the effective and efficient technical and financial management of the TEN-T Programme 2007-2013 legacy – continuing the added value and expertise of the Agency.

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Technical and Financial Management

The Agency has continued with the successful approach followed in the past years to manage the TEN-T project portfolio and closely monitor the Programme with a view to achieving adequate budgetary execution and fulfilling the planned objectives and implementation.

At the beginning of 2015, only one project was still open under the 2000-2006 Programme. This remaining project is being managed by the Commission in the light of a dispute, and INEA provides legal, technical and administrative support to the Commission. It is expected that the project will be closed in the first semester of 2016.

TEN-T Programme 2007-2013

After 7 years of executing the TEN-T 2007-2013, the project portfolio development can be summarised as follows:


![Graph](image)

Table 1 Overview of TEN-T project management

<table>
<thead>
<tr>
<th>Ongoing projects at 01/01/15</th>
<th>Projects closed in 2015</th>
<th>Final cost claims received in 2015</th>
<th>Total nbr Payments executed</th>
<th>ASRs received</th>
<th>Average time to approve ASR (in days)</th>
<th>Amendment requests received in 2015</th>
<th>Amendment requests adopted/ap proved</th>
</tr>
</thead>
<tbody>
<tr>
<td>439</td>
<td>62</td>
<td>40</td>
<td>164</td>
<td>277</td>
<td>66</td>
<td>27(^6)</td>
<td>26(^7)</td>
</tr>
</tbody>
</table>

For the 2013 Actions the Strategic Action Plan (SAP) was due in early 2015, the Agency therefore introduced a simplified procedure to reduce the administrative burden by incorporating the SAP into the ASR.

\(^6\) At 01/01/2015 there were also 19 amendments under preparation received in 2014.
\(^7\) 10 requests were refused and 10 more are under preparation at the end of 2015.
Requests from beneficiaries for amendments to funding decisions concerned the end date of the Action and/or the budget where the maximum EU contribution was no longer needed, and 10 requests were rejected due to maximum end date and no possibility to re-use budget.

The Agency continued to operate a ‘Reminders policy’ to inform beneficiaries in advance of approaching deadlines of their various obligations, which has helped to speed up the processing of final payments.

Some ad hoc as well as portfolio review meetings took place with Member States during the year. In particular, regular annual portfolio review meetings have proven useful to address problems which are common to national projects, and to receive an updated overview of the national portfolio. As a consequence, the current project portfolio for TEN-T can be summarised in the graphic below:

**Graph 4** TEN-T: EC contribution of projects per mode of transport at the end of 2015 (amounts in million €)

In terms of financial management, the total payment execution (€ 344.8 million) was below the initial forecast foreseen for 2015 (€ 480 million) since the payment of the balance of some projects resulted in a recovery order. The excess of payment appropriations has been fully absorbed by initial pre-financings of the 2014 CEF Transport Calls projects made later in 2015.

The average time to pay for the pre-financing payments exceeds the time limit of 30 as a consequence of the mitigating measures put in place at the end of 2014 in order to address the payment credits shortage encountered by the Commission, including the Agency. Some mitigating measures were taken in line with the instruction of Directorate-
General for Budget (DG BUDG) such as putting on hold all pre-financing payments to public entities as to allow INEA to pay at least all of its private beneficiaries without incurring interest on late payments.

**Table 2** Overview of TEN-T financial management

<table>
<thead>
<tr>
<th>Payment appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>Average time to pay PFs</th>
<th>% of PF payments on time</th>
<th>Number of IP/FPs</th>
<th>Average time to pay IP/FPs (in days)</th>
<th>% of IP/FP payments on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>344.8</td>
<td>61</td>
<td>43.8</td>
<td>42.6</td>
<td>103</td>
<td>23.1</td>
<td>96.1</td>
</tr>
</tbody>
</table>

At the end of the implementation period for the last 2007-2013 TEN-T projects it can be concluded that the close monitoring of the projects and the programme carried out by the Agency together with the Commission’s decision not to allow implementation beyond 2015 has led to the re-injection of EU financial aid of more than €2 billion that could not be spent by the initially selected Actions within this period. It can also be concluded that the ‘use it or lose’ principle should be applied even more rigorously within the CEF in combination with more focus on selecting only mature Actions in order to improve further the financial absorption rate.

**Specific Operational Objective 2 - Legacy of the Marco Polo II Programme**

**Promote greater use of low-carbon transport modes and promote multi-modality via the efficient and effective technical and financial management of the Marco Polo legacy programme and projects.**

**Technical and financial management**

The streamlined procedures and a Marco Polo-specific follow-up tool allowed processing swiftly 97% of the amendment requests received and most of the progress reports due during the year.

Amendment requests to Marco Polo projects mostly concern administrative aspects (payment options, change of legal representative, starting date of the Action, name or address of a beneficiary, extension of the duration or suspension of the Action, withdrawal of co-beneficiaries or adding of new co-beneficiaries). Four of these requests were refused in 2015. In one of these cases the request was not justified (not substantiating a second extension of the duration). In a second case the request was submitted too late and not within the contractual deadline of at least one month before the closing date of the action. The remaining two requests were not necessary (budgetary re-allocations within one cost category do not require an amendment to the GAs).

The project management activities in 2015 can be summarised as follows:
### Table 3 Overview of Marco Polo project management

<table>
<thead>
<tr>
<th>Ongoing projects at 01/01/15</th>
<th>Projects closed in 2015</th>
<th>Reports pending at 31/12/14</th>
<th>Reports received in 2015</th>
<th>Reports approved</th>
<th>Amendment requests received in 2015</th>
<th>Amendment requests adopted/approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>23(^8)</td>
<td>8</td>
<td>58(^9)</td>
<td>60(^{10})</td>
<td>24(^{11})</td>
<td>27(^{12})</td>
</tr>
</tbody>
</table>

The current project portfolio is allocated as follows:

**Graph 5** Marco Polo II. EC contribution of projects per mode of transport at the end of 2015 (amounts in million €), excluding Common learning actions

As regards financial management, the payment execution (second pre-financements, interim payments and payments of the balance) represents 53% of the initial forecasted amount of €16.6 million. This is primarily due to the payments of the balance of projects resulting frequently in a recovery order instead of a payment as a consequence of underperformance of some projects in terms of modal shift.

Overall the management of the programme is achieving its goals in terms of keeping a healthy portfolio of projects, which deliver results according to the objectives for the programme, and optimising as far as possible the available budgetary resources. This

\(^8\) Out of the 25 projects ending by mid-2015, 23 projects have been closed, taking into account the contractual deadline of 3 months to submit their final reports, while the remaining 2 are under contestation procedure.

\(^9\) 28 progress reports, 11 interim reports and 19 final reports were received in 2015. Additional 8 were pending from 2014 for a total of 66 reports.

\(^{10}\) 27 progress reports, 12 interim reports and 21 final reports. Interim payments do not necessary lead to an interim payment. Final payments may result in a recovery order.

\(^{11}\) At 01/01/2015 there were also 8 amendments under preparation received in 2014.

\(^{12}\) 4 amendment requests were refused and 1 is under preparation at the end of 2015.
entails close contacts with beneficiaries to detect and solve any implementing problems and take any necessary remedies, including project terminations when necessary.

Table 4 Overview of Marco Polo financial management

<table>
<thead>
<tr>
<th>Payment appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>% of PF payments on time</th>
<th>Average time to pay for further PFs</th>
<th>Number of IP/FPs</th>
<th>Average time to pay for IP/FPs (in days)</th>
<th>% of PF payments on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.8</td>
<td>3</td>
<td>100</td>
<td>30.7</td>
<td>18</td>
<td>26.1</td>
<td>100</td>
</tr>
</tbody>
</table>

Performance measurement of the programme

The Marco Polo II Regulation (1692/2006) estimates that the expected growth of freight transport by road will be 20.5 billion tons-kilometres (tkm) per year. The objective of the Programme is to shift the expected increase of annual freight transport by road to other more environmentally friendly transport modes. Therefore, the actions of the Programme should lead to an annual reduction of a total of 20.5 billion tkm of road, which should either be shifted or avoided. This would add up to a total of 143.5 billion tkm over the entire duration of the Programme. As a result of the 168 Marco Polo contracts initially awarded, a reduction of 112.9 billion tkm is expected to be achieved - this is due to the rather low number of proposals received and awarded. At the end of 2015, the Marco Polo II Programme has shifted a total of 35 billion tkm which means 1.18 million of full trucks avoided between Rotterdam and Genoa for instance. The final effectiveness of the Programme can only be established after the final completion of all on-going projects by 2019-2020.

Specific Operational Objective 3 - CEF Transport

Support to the development of a core European Transport network by 2030, through the effective and efficient technical and financial management of the CEF Transport Programme and projects - demonstrating the added value and expertise of the Agency.

Technical and Financial Management

Following the adoption of the Commission Selection Decisions on 31 July 2015, INEA organised a dedicated Workshop on 17 September 2015 with all beneficiaries in order to clarify aspects relating to the preparation of the GA. In parallel, bilateral meetings were held with all individual beneficiaries. However, a number of issues arose recurrently and were discussed with Member States’ representatives at the CEF Transport Committee on 30 September 2015. Subsequently, INEA in cooperation with DG MOVE held on 12 October 2015 a technical discussion with Member States’ representatives for providing further clarifications to beneficiaries in connection with the GA provisions. As a result INEA published a list with Frequently Asked Questions14 on its website. These efforts finally led all stakeholders to accept the model GA and proceed with the conclusion of their individual GAs within the time-to-grant deadline and the budgetary year.

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13 Unlike first pre-financings, further pre-financings have a time limit of 90 days.
Table 5 Overview of CEF Transport project management

<table>
<thead>
<tr>
<th>Selected proposals under 2015 CEF Transport Call</th>
<th>Total awarded funding (in € million)\textsuperscript{15}</th>
<th>Signed GAs</th>
<th>Total final awarded funding (in € million)\textsuperscript{16}</th>
<th>Average Time-to-grant (in days)\textsuperscript{17}</th>
<th>Amendment requests received/approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>276</td>
<td>13,017</td>
<td>263</td>
<td>12,770\textsuperscript{18}</td>
<td>264</td>
<td>0</td>
</tr>
</tbody>
</table>

During the preparation period activities were identified in some Actions with problems such as unrealistic time plans, ineligible parts, double funding. The corresponding costs as well as CEF contribution were reduced accordingly. Furthermore, 3 applicants cancelled their Action. As a consequence, the total CEF contribution of prepared GAs amounts to €12,770 million\textsuperscript{19}.

The projects selected are primarily located on the core trans-European transport network and will significantly contribute to the decarbonisation of the transport sector through a strong focus on environmentally-friendly mobility. Supporting the use of greener fuels and digital integration are additional key highlights. 93% of the funding will support works proposals or mixed proposals (work +studies), thus showing the strong commitment to invest in works in line with CEF priorities.

Additionally, two clusters were created incorporating 6 actions in each cluster (Fairway Danube for the cohesion countries and SESAR Deployment Manager). In both cases, clustering is expected to improve the implementation of the Actions and the associated follow-up by beneficiaries and INEA. This was the first experience for INEA of concluding GAs under CEF-Transport. The size and complexity of this exercise produced valuable knowledge in areas such as legal aspects, environmental issues, technical, financial and operational issues. It was a landmark exercise to serve as reference in the future.

Following the conclusion of the GA signature of the projects selected under the CEF Transport Calls 2015, the current CEF Transport portfolio is allocated as follows:

\textsuperscript{15} According to Award Decision.
\textsuperscript{16} Following the successful conclusion of the GA preparation and signature.
\textsuperscript{17} Average time-to-grant was 264 days (deadline is 276 days after the call closure, i.e. 4 December 2015).
\textsuperscript{18} Including an amount of €4,739 million from the Cohesion envelope.
\textsuperscript{19} Including an amount of €4,558 million from the Cohesion envelope.
Graph 6 CEF Transport. EC contribution of projects per mode of transport at the end of 2015 (amounts in million €)

<table>
<thead>
<tr>
<th>Mode of Transport</th>
<th>Amount (€ million)</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail</td>
<td>€9,342 (94)</td>
<td></td>
</tr>
<tr>
<td>Inland waterways</td>
<td>€1,328 (22)</td>
<td></td>
</tr>
<tr>
<td>Road</td>
<td>€618 (28)</td>
<td></td>
</tr>
<tr>
<td>Multimodal</td>
<td>€471 (26)</td>
<td></td>
</tr>
<tr>
<td>Port</td>
<td>€311 (19)</td>
<td></td>
</tr>
<tr>
<td>MoS</td>
<td>€282 (30)</td>
<td></td>
</tr>
<tr>
<td>ERTMS</td>
<td>€251 (18)</td>
<td></td>
</tr>
<tr>
<td>ITS</td>
<td>€110 (13)</td>
<td></td>
</tr>
<tr>
<td>Airport</td>
<td>€30 (6)</td>
<td></td>
</tr>
<tr>
<td>ATM</td>
<td>€16 (4)</td>
<td></td>
</tr>
<tr>
<td>RIS</td>
<td>€12 (3)</td>
<td></td>
</tr>
</tbody>
</table>

( ) = Number of projects

A total of €1.188 billion payment appropriations has been executed with the pre-financing of the first 255 GAs out of the 263 signed under the 2014 Calls and with the evaluation costs of the 2014 Calls (296 payments for nearly €1 million).

Table 6 Overview of CEF Transport financial management

<table>
<thead>
<tr>
<th>Individualisation of the 2014 global commitments</th>
<th>Individualisation of the 2015 global commitment</th>
<th>Payments appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>Average time to pay PFs (in days)</th>
<th>% of PF payments made on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>32%</td>
<td>1.188(^{20})</td>
<td>396(^{21})</td>
<td>9.6</td>
<td>100</td>
</tr>
</tbody>
</table>

\(^{20}\) Including €1.167 billion C1 fully executed.

\(^{21}\) The number of pre-financings (396) is higher than the number of projects for which pre-financings have been paid (255) as for some multi-beneficiaries projects, more than one pre-financing has been made.
Call Management

The evaluation of the CEF Transport 2014 Calls for Proposals was the biggest evaluation exercise ever undertaken by the Agency. Published on 11 September 2014 with an initial deadline on 26 February 2015 (which was extended due to technical problems until 3 March 2015), the five Calls were structured in line with the funding objectives defined in the respective Work Programmes. The external evaluation was carried out first remotely, followed by on site consensus meetings in the Agency’s premises rolled out over 7 consecutive weeks from March 23 to May 8. 132 experts participated in the evaluation and two independent observers assisted INEA in the evaluation.

The external evaluation was followed by a very intensive internal evaluation panel in late May-early June which mobilised Agency staff over three additional weeks. Chaired by DG MOVE and with representatives of DG ENV, DG REGIO and the Agency, the internal panel reviewed the proposals on the basis of the policy-related criteria.

Table 7 Overview of CEF Transport Calls for Proposals

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Indicative budget (in € billion)</th>
<th>Received proposals</th>
<th>Total requested funding (in € billion)</th>
<th>Admissible and eligible proposals</th>
<th>Recommended/selected proposals</th>
<th>Total recommended/awarded funding (in € billion)</th>
<th>Average time to inform (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEF-T 2014</td>
<td>11.93</td>
<td>735</td>
<td>32.66</td>
<td>681</td>
<td>452/276</td>
<td>24.07/12.77</td>
<td>134</td>
</tr>
</tbody>
</table>

The budget of the Calls was increased using the flexibility to adjust the indicative budget by up to 20% provided for in the respective Work Programmes. The Member States in the CEF Coordination Committee approved unanimously the list of recommended proposals in its meeting on 10 July.

The two independent observers appointed to observe and verify the conduct and fairness of the external evaluation phase concluded that the exercise itself and the risks associated with it were well managed through design and careful planning and that the process was conducted according to plan and extremely efficiently.

CEF Transport 2015 Calls for Proposals were published on 3 November 2015, with a deadline on 16 February 2016 and an overall indicative budget of €7.6 billion. The two Calls – one under the Cohesion envelope and one under General envelope – address priorities of all three funding objectives defined in the amended Multi-annual Work Programme.

Dialogue with stakeholders

The Agency has continued its permanent dialogue with the EU Member States and its TEN-T transport stakeholders, including through its participation in events such as the TEN-T Days in Riga in June 2015, the Seminar for European Coordinators in Innsbruck in March 2015, and organising its own CEF Transport Project Management Workshop in September 2015.

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22 Out of which 8 came from other EU Agencies.
23 The CEF Transports Calls 2014 represented 5 different Calls including MAP, AP and Cohesion Funds envelope.
24 Additional funding came from future years of the Programme as well as transfers between over- and under-subscribed funding objectives of the Calls.
INEA participated in 13 national Info Days organised by the Member States following the launch of the CEF Transport 2015 Calls for Proposals, with two more Info Days scheduled for January 2016.

The INEA CEF Transport Advisory Group is an informal group composed of representatives of the Member States, implementing bodies and INEA to advise on the procedures related to the implementation of the CEF Transport programme. In 2015 they met in November 2015 to discuss issues related to communication, the Action Status Report (ASR) and the performance framework.

**Specific Operational Objective 4 - CEF Energy**

**Support for the strengthening of EU energy infrastructure, through the effective and efficient technical and financial management of the CEF Energy Programme.**

**Technical and financial management**

The GA preparation phase following the CEF Energy Calls 2014 and first 2015 Call are summarised in the table below:

**Table 8 Overview of CEF Energy project management**

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Selected proposals</th>
<th>Total awarded funding (in € million)²⁵</th>
<th>Signed GAs</th>
<th>Total final awarded funding (in € million)²⁶</th>
<th>Average Time-to-grant (in days)</th>
<th>Amendment requests received/approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEF Energy 2014</td>
<td>34</td>
<td>647.3</td>
<td>33</td>
<td>615.5</td>
<td>254</td>
<td>5/5</td>
</tr>
<tr>
<td>CEF Energy 2015/1</td>
<td>20</td>
<td>149.3</td>
<td>18</td>
<td>83.3</td>
<td>187</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>796.6</td>
<td>51²⁷</td>
<td>698.8</td>
<td>230</td>
<td>5/5</td>
</tr>
</tbody>
</table>

Out of the 51 GAs signed in 2015, one could not be signed within the 9 months' time to grant due to lengthy discussions on the financing structure of the project among beneficiaries and at political level. This related to the largest grant for works awarded to a very important PCI and entailed particularly complex financial and regulatory discussions. INEA closely cooperated with DG ENER to unblock the situation and the GA was signed on 15 October 2015 (TTG: 422 days) in the presence of the concerned four Heads of States or Government, European Commission President Jean-Claude Juncker and Commissioner Miguel Arias Cañete.

For each signed GA, key information has been made publicly available on INEA's website, accessible per Project of Common Interest (PCI), per sector or per Member State concerned and summarised in a downloadable Info Sheet for each action.

Five amendments were processed and signed. Out of these, two amendments related to end date extension, one to a change of beneficiary and two regarding administrative aspects.

As a result of the GA signature of the projects selected under the CEF Energy Calls 2014 and 2015/1, the current CEF Energy project portfolio is allocated as follows:

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²⁵ According to Award Decision.

²⁶ Following the successful conclusion of the GA preparation and signature.

²⁷ Two actions were cancelled by the beneficiaries and the signature of the last GA resulting from the Call 2015-1 call was postponed to 2016 at the request of the beneficiaries.
Overall, in terms of policy implementation, the awarded grants produced a decisive effect on investment decisions concerning several gas infrastructure projects with a key energy security dimension (about half of the grant amount was focused on gas security of supply in the Baltic Sea and Central European regions). At the same time, very important studies were launched concerning future electricity interconnectors that will increase interconnection capacities and enable the integration of large-scale renewable energy sources.

In terms of financial management, the remaining amount to individualise on the 2014 global commitment has been fully executed (€367.4 million). The 2015 voted commitment appropriations have been globally committed (€346.6 million): the individualisation of the commitments started in 2015 with the signature of the first grants and will continue in 2016 with the second Call 2015.

The 57 pre-financing payments relating to the GAs signed in 2015 were made on time with an average time to pay of 9.4 days\textsuperscript{28}.

\textbf{Table 9} Overview of CEF Energy financial management

<table>
<thead>
<tr>
<th>Individualisation of 2014 global commitments</th>
<th>Individualisation of 2015 global commitments</th>
<th>Payments appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>Average time to pay PFs (in days)</th>
<th>% of PF payments on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>15.7%</td>
<td>54.119</td>
<td>57</td>
<td>9.4</td>
<td>100</td>
</tr>
</tbody>
</table>

\textbf{Call Management}

The provisional arrangements regarding the moderation of consensus meetings by DG ENER staff and approval of Frequently Asked Questions (FAQs) remained in place, in line with the MoU.

The MAP planned two Calls for Proposals in 2015, with the priority under both Calls given to PCIs and related actions aiming at ending energy isolation, eliminating energy bottlenecks and completing the internal energy market.

\textsuperscript{28} With the exception of one partial pre-financing payment executed in January 2016, all pre-financing payments were made in 2015.
Table 10 Overview of CEF Energy Call for proposals

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Indicative budget (in € million)</th>
<th>Received proposals</th>
<th>Total requested funding (in € million)</th>
<th>Admissible and eligible proposals</th>
<th>Recommended/selected proposals</th>
<th>Total recommended/awarded funding (in € million)</th>
<th>Average time-to-inform (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEF Energy – 2015-1</td>
<td>100</td>
<td>26</td>
<td>216.9</td>
<td>23</td>
<td>20/20</td>
<td>214.9/149.3²⁹</td>
<td>76</td>
</tr>
<tr>
<td>CEF Energy – 2015-2</td>
<td>550</td>
<td>29</td>
<td>910.9</td>
<td>26</td>
<td>15²⁰</td>
<td>217.4</td>
<td></td>
</tr>
</tbody>
</table>

The first CEF Energy Call for Proposals was launched on 4 March 2015 and closed on 29 April 2015, with an indicative budget of €100 million.

The external evaluation took place at INEA premises in Brussels from 18-22 May, with participation of 12 external experts and one independent observer. The Evaluation Committee, chaired by DG Energy, convened on 9 June 2015 to evaluate two policy-related criteria. The CEF Energy Committee unanimously approved the list of selected proposals on 14 July and the applicants were subsequently informed.

The second CEF Energy 2015 Call for Proposals was launched on 30 June 2015, with an initial deadline of 30 September, which was extended to 14 October 2015. Both the external and internal phases of the evaluation were completed before the end of 2015.

The external evaluation took place at INEA premises in Brussels from 9-13 November, with the participation of 15 external experts and one independent observer. The Evaluation Committee, chaired by DG Energy, convened on 3 December 2015 to evaluate two policy-related criteria and the approval of Member States on the list of selected proposals and the adoption of the Commission Decision is scheduled for early 2016.

The Info Day for the 2015 Work Programme took place on 16 March 2015, attracting 160 participants.

The evaluation procedures were also improved stemming both from the implementation of the lessons learnt identified in 2014 and experience of the CEF Transport 2014 Calls, for example regarding a fully electronic management of expert contracts. In addition, almost half of the contracted experts had not previously participated in CEF evaluations, and were there as a result of successful efforts by the Agency to widen the pool of available experts.

One independent observer was contracted for each call to verify the conduct and fairness of the external evaluation phase. This was the first opportunity to receive input on the evaluation procedures introduced for CEF Energy as an observer was not used in 2014. The observer’s report for the first Call concluded that the evaluation was well-organised and transparently conducted without serious problems or deviations and no evidence of conflicts of interest.

²⁹ 20 proposals with a budget of €149.3 million were recommended for funding by the Committee, following a reduction of the recommended funding for two works proposals based on the assessment of the financial gap, the extent of externalities and the maximum affordable tariff increase.

³⁰ The external experts recommended initially 17 proposals for funding, amounting to €300.4 million requested funding, however 2 proposals were withdrawn by the applicants ahead of the Evaluation Committee.
Dialogue with the stakeholders

The Agency further developed a dialogue with Transmission Service Operators (TSOs) both in the context of the preparation of the GAs and through its participation in various meetings organised by DG ENER, such as regional group meetings for the preparation of the second PCIs list. Meetings with the Agency for the Cooperation of Energy Regulators (ACER) and DG ENER took place with a view to examining ways to cooperate, notably as regards the monitoring of PCIs. With regard to INEA's support to DG ENER in monitoring PCIs, a common concept note was developed. INEA also established contacts with the European Network of Transmission System Operators for Gas (ENTSOG) on matters of mutual interest such as assessment of maturity of projects and actions at the evaluation and implementation stages, potential use of ENTSOG TYNDP (Ten-Year Network Development Plan) for monitoring purposes, and project-specific Cost-Benefit Analysis (CBAs) and Cross-Border Cost Allocations (CBCAs). Finally, the Info Day in the context of the 2015 Calls also allowed the Agency to reach audiences beyond project promoters of the PCIs.

Specific Operational Objective 5 - CEF Digital – telecommunications

Support for the deployment and promotion of interconnected and interoperable Digital Service Infrastructure Generic Services through the effective and efficient technical and financial management of the relevant part of the CEF Telecom Programme - demonstrating the added value and expertise of the Agency.

Technical and financial management

The GA preparation phase following the CEF Telecommunications Calls 2014 are summarised in the table below:

**Table 11 Overview of CEF Telecom project management**

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Selected proposals</th>
<th>Total awarded funding (in € million)(^{31})</th>
<th>Signed GAs</th>
<th>Total awarded final funding (in € million)(^{32})</th>
<th>Average Time-to-grant (in days)(^{33})</th>
<th>Amendment requests received/ap proved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safer Internet</td>
<td>29</td>
<td>12.0</td>
<td>29</td>
<td>11.9</td>
<td>262</td>
<td>1/1</td>
</tr>
<tr>
<td>eID (2014-TC-2014-3)</td>
<td>20</td>
<td>5.5</td>
<td>19(^{34})</td>
<td>5.30</td>
<td>182</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>17.5</td>
<td>48</td>
<td>17.2</td>
<td>231</td>
<td>1/1</td>
</tr>
</tbody>
</table>

In addition, one amendment related to the withdrawal of one beneficiary in a Safer Internet action was processed and signed. As a result of the GA signature, the current CEF Telecommunications project portfolio is allocated as follows:

---

\(^{31}\) According to the Award Decision.

\(^{32}\) Following the successful conclusion of the GA preparation and signature.

\(^{33}\) Only one of the GAs was signed slightly later (2 weeks) than the 9 months' time-to-grant due to lengthy ministerial procedures on the beneficiaries' side.

\(^{34}\) The beneficiary of one selected eID proposal decided not to sign the GA.
As regards financial management, the 46 pre-financing payments relating to the GAs signed in 2015 were made with an average time-to-pay of 9.4 days. The individualisation of the 2014 global commitments reached only an execution rate of 83.4% due to the under subscription of the 2014 eID Call. All the 2015 commitment appropriations have been globally executed for €46.1 million. The individualisation will start after the signature of the GAs.

### Table 12 Overview of CEF Telecoms financial management

<table>
<thead>
<tr>
<th>Individualisation of 2014 global commitments</th>
<th>Individualisation of 2015 global commitments</th>
<th>Payments appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>Average time to pay PFs (in days)</th>
<th>% of PF payments on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>83.4%</td>
<td>0%</td>
<td>6.75</td>
<td>46</td>
<td>9.4</td>
<td>100</td>
</tr>
</tbody>
</table>

### Call Management

The first Call for Proposals under the direct responsibility of INEA was the 2014 eID Call (2014-TC-2014-3), announced in the Official Journal on 23 December 2014, with a submission deadline of 2 June 2015.

### Table 13 Overview of CEF Telecoms Call for proposals

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Indicative budget (in € million)</th>
<th>Received proposals</th>
<th>Total requested funding (in € million)</th>
<th>Admissible and eligible proposals</th>
<th>Recommended/selected proposals</th>
<th>Total recommended/awarded funding (in € million)</th>
<th>Time-to-inform (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>eID (2014-TC-2014-3)</td>
<td>8.7</td>
<td>22</td>
<td>6.5</td>
<td>22</td>
<td>20/20</td>
<td>5.54/5.54</td>
<td>103</td>
</tr>
</tbody>
</table>

The external evaluation was organised at INEA premises for the period 29 June - 3 July 2015. Six experts and one independent observer were contracted for this phase of the evaluation, all new to the evaluations organised by INEA. Following consultation with the Member States, which took place by written procedure between 7 August 2015 and 1 September 2015, the Commission Selection Decision was adopted on 9 September 2015, confirming the results of the evaluation.

INEA was fully responsible for the launch of this Call and preparation of the Call-related documents, taking into account both experience in other CEF sectors and in CEF Telecom and predecessor Programmes.

The experience of this Call has already proved valuable in terms of identifying areas for
improvement for the first batch of the CEF Telecom 2015 Calls (CEF-TC-2015-1), as far as formal requirements, eligibility criteria and guidance for applicants are concerned. Some of these initial findings were already incorporated into the text of the 2015 Work Programme amendment, to which the Agency contributed.

An independent observer was contracted to observe and verify the conduct and fairness of the external evaluation phase of the 2014 eID Call for Proposals, providing an opportunity to receive input on the newly introduced evaluation procedures. The observer indicated general satisfaction with the organisation and fairness of procedures and contained recommendations on further guidance to applicants, outreach to potential applicants in view of the undersubscription of the Call, as well as suggestions for further improvements in logistical organisation and handling/preventing potential conflicts in consensus meetings.

Due to a late adoption of the amendment of the 2015 Work Programme, the launch of the 2015 Calls was significantly delayed. The first set of calls (CEF-TC-2015-1) encompassing four areas, was published on 30 October 2015, while the second set of calls (CEF-TC-2015-2) also addressing four areas was published on 17 November 2015, both with deadlines in 2016.

A combined Info Day for the two sets of calls was held as a first ever virtual Info Day event on 23 November 2015. There were 1920 connections to the webstreaming on the day itself.

The Helpdesk has been operational from the launch of the first set of calls. As a result of inquiries received, a total of 126 FAQs were prepared and published on the Call webpages before the end of the year.

**Dialogue with stakeholders**

INEA's efforts in 2015 concentrated on establishing relationships with the internal Commission stakeholders, given the numerous DSI owners within DG CNECT and in other DGs. INEA was invited and participated in DG CNECT-led meetings on the preparation of the Work Programme 2016, DSI coordination meetings, as well as technical expert groups where requested. INEA also assisted DG CNECT in providing information to Member States, in order to further inform them about the funding opportunities available. INEA's participation in the technical expert groups for various DSIs increased significantly in the second semester, with a view to increase visibility of the funding opportunities provided under the Calls.
1.1.2 Horizon 2020 – the Framework Programme for Research and Innovation 2014-2020

Horizon 2020 is the EU’s biggest ever Programme for research and innovation that aims to ensure Europe produces world-class science and technology that drives economic growth. INEA manages significant parts of the Programme related to transport and energy research: ‘Smart green and integrated transport’, and ‘Secure, clean and efficient energy.

One of the main achievements of 2015 has been the establishment of all GA preparation procedures and processes which resulted in the successful completion of four large waves of GA preparation. Three waves were handed over by parent DG’s at the start of 2015 at the launch of grant preparation. Since then evaluations and grant preparations have continued throughout 2015 with very good results. The Agency is now managing a portfolio of 203 signed Horizon 2020 grants representing more than € 880 million for the Energy societal challenge and €510 million for the Transport societal challenge. From a position in mid-2014 where no projects and no operational budget were implemented by the Agency to a point at the end of 2015 where the total value of the grants managed reaches €1.4 billion is a significant achievement for INEA.

Specific Operational Objective 6 - Horizon 2020 Energy

**Support for secure, clean and efficient energy by the effective and efficient implementation of the Horizon 2020 Specific Programme Societal challenge related to energy demonstrating the added value and expertise of the Agency.**

**Handover**

The final parts of the Horizon 2020 Energy 2014 and 2015 Calls were handed to the Agency on 15.1.2015. In this context, INEA was responsible for informing the successful applicants and led the preparation of the GAs, in collaboration with the Administrative and Logistical Support Services (financial verification and legal validation) provided by the Research Executive Agency (REA) and DIGIT (set-up of ‘information letters' and 'grant preparation' workflows).

**Technical and financial management**

The overview of the number of signed GAs at the end of 2015 and their associated budgets managed by INEA are presented in the graphic below, which also give project distribution per technology/thematic areas.

---


**Graph 9** INEA Horizon 2020 Energy. EC contribution of projects per topic at the end of 2015 (amounts in million €)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Contribution (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart Cities</td>
<td>€174 M (7)</td>
</tr>
<tr>
<td>Grids</td>
<td>€139 M (13)</td>
</tr>
<tr>
<td>Energy Storage</td>
<td>€98 M (9)</td>
</tr>
<tr>
<td>Geothermal</td>
<td>€70 M (9)</td>
</tr>
<tr>
<td>Power Plants/CC Storage and Usage</td>
<td>€68 M (9)</td>
</tr>
<tr>
<td>Biofuels and alternative fuels</td>
<td>€62 M (8)</td>
</tr>
<tr>
<td>Ocean</td>
<td>€58 M (5)</td>
</tr>
<tr>
<td>Solar</td>
<td>€57 M (9)</td>
</tr>
<tr>
<td>Wind</td>
<td>€55 M (6)</td>
</tr>
<tr>
<td>Biofuels Market Uptake</td>
<td>€25 M (14)</td>
</tr>
<tr>
<td>Social Sciences and Humanities</td>
<td>€21 M (6)</td>
</tr>
<tr>
<td>New knowledge technologies</td>
<td>€18 M (5)</td>
</tr>
<tr>
<td>Combined Heating and Power</td>
<td>€17 M (3)</td>
</tr>
<tr>
<td>Renewables Market Uptake</td>
<td>€14 M (8)</td>
</tr>
<tr>
<td>Renewable Heating and Cooling</td>
<td>€8 M (2)</td>
</tr>
</tbody>
</table>

( ) = Number of projects

**Table 14** Overview of Horizon 2020 Energy project management

<table>
<thead>
<tr>
<th>Average Time-to-grant (in days)</th>
<th>Number of new GAs signed by 31/12/15</th>
<th>Running projects at 31/12/15</th>
<th>Amendment requests received/approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>216</td>
<td>85&lt;sup&gt;37&lt;/sup&gt;</td>
<td>113</td>
<td>13/11&lt;sup&gt;38&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

For the projects financed under the 2014 Calls<sup>39</sup>, some of the kick-off meetings were attended during 2015 and general project management began (reception of deliverables, queries from coordinators, amendment requests).

In addition, 3 proposals from the reserve list Horizon 2020-LCE-2014-3 Call were invited for GA Preparation. Only one of these exceeded the total of 8-months' time-to-grant because a major partner decided to pull out of the project after the Programme Committee had been consulted, but before the GA was signed. As a result, significant time was lost, first due to the coordinator having to find another partner and then due to the Programme Committee having to be consulted again.

---

<sup>37</sup> Three additional GA are under preparation.

<sup>38</sup> 1 amendment refused and 1 under preparation.

<sup>39</sup> Horizon 2020-LCE-2014-3 and the Horizon 2020 Smart Cities and Communities (SCC)-2014.
By the end of 2015, 66 projects were already running and had kick-off meetings; most of these have established a project website and have submitted deliverables. The other 47 projects with GAs signed in 2015 will start in early 2016.

INEA has also worked closely together with DG ENER and DG CNECT in organising a workshop for representatives of the grids and storage projects (16 in total) stemming from the 2014 LCE3 Calls. The workshop took place in May and focused on the technical aspects of the projects and the market and legal barriers to their deployment. The workshop resulted in the establishment of four working groups that started their work and reported on progress to a meeting in November.

Table 15 Overview of Horizon 2020 Energy financial management

<table>
<thead>
<tr>
<th></th>
<th>Individualisation of the 2014 global commitments</th>
<th>Individualisation of the 2015 global commitments</th>
<th>Payment appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>Average time to pay PFs (in days)</th>
<th>% of PF payments on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>99.8%(^{40})</td>
<td>96.3%(^{41})</td>
<td>198(^{42})</td>
<td>77</td>
<td>17</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

**Call Management**

In 2015 INEA took over responsibility for organising and managing evaluations under the Energy Societal Challenge. This consisted of three Low Carbon Energy Calls (LCE) and one Smart Cities and Communities Call (SCC), all parts of the Horizon 2020 2015 Work Programme were fully managed by INEA during last year. Among the activities covered by the Calls were renewable energy sources, biofuels, decarbonisation of fossil fuels, grids and storage as well as lighthouse projects for solutions integrating energy, transport, and ICT sectors in cities. A common deadline of 5 May 2015 was applied to all Calls.

\(^{40}\) The small left-over amount is due to minor reductions of the EU requested contribution occurred during the grant preparation on the LCE-14 Calls.

\(^{41}\) The individualisation will be finalised early 2016 with the signature of the remaining 3 projects financed from the reserve list from the LCE-2015 and SCC-2015 calls.

\(^{42}\) Initial amount was € 183 million. Additional payment appropriations were transferred by DG RTD following the decision taken in July to transfer 29 million commitment appropriations to the Agency for financing additional projects.
Table 16 Overview of Horizon 2020 Energy Call for Proposals

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Indicative budget (in € million)</th>
<th>Received proposals</th>
<th>Total requested funding (in € million)</th>
<th>Admissible and eligible proposals</th>
<th>Selected proposals</th>
<th>Total awarded funding (in € million)</th>
<th>Average time to inform (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizon 2020-LCE-2015-1(2 Stage Call)</td>
<td>101</td>
<td>68⁴³</td>
<td>416</td>
<td>68</td>
<td>19</td>
<td>114</td>
<td>113</td>
</tr>
<tr>
<td>Horizon 2020-LCE-2015-2</td>
<td>93⁴⁴</td>
<td>117</td>
<td>1,076</td>
<td>113</td>
<td>11⁴⁵</td>
<td>111.79</td>
<td>133</td>
</tr>
<tr>
<td>Horizon 2020-LCE-2015-3</td>
<td>189.57⁴⁶</td>
<td>88</td>
<td>643</td>
<td>84</td>
<td>17⁴⁷</td>
<td>127.17</td>
<td>126</td>
</tr>
<tr>
<td>Horizon 2020-SCC-2015</td>
<td>107.18⁴⁸</td>
<td>42</td>
<td>911</td>
<td>37</td>
<td>4</td>
<td>103.06</td>
<td>134</td>
</tr>
<tr>
<td>Total</td>
<td>490.75</td>
<td>315</td>
<td>2,630</td>
<td>302</td>
<td>51</td>
<td>456.02</td>
<td>127⁴⁹</td>
</tr>
</tbody>
</table>

Specific Operational Objective 7 - Horizon 2020 Transport

Support for smart, green and integrated transport through the effective and efficient implementation of the Horizon 2020 Specific Programme Societal challenge related to transport demonstrating the added value and expertise of the Agency.

Handover

The Horizon 2020 Transport 2014 Calls falling within INEA’s delegated mandate were handed to the Agency at the launch of the GA preparation phase. In this context, and similar to the Horizon 2020 Energy Calls, INEA was then responsible for informing the successful applicants and for the preparation of the GAs that was launched on 28 January, in collaboration with REA and DIGIT. As a result of these grant preparations, 75 contracts were signed.

Technical and financial management

For the Transport domain of Horizon 2020, activities for INEA related to the management of the 2015 Calls (Mobility for Growth and Blue Growth). The overview of the number of signed GA at the end of 2015 and their associated budgets managed by INEA are presented in the graphic below.

---

⁴³ At second stage.
⁴⁴ €90 million managed by INEA.
⁴⁵ Out of which 2 proposals (€6.78 million) were included from the reserve list following additional budget availability at the end of November.
⁴⁶ Out of which €127.82 million managed by INEA.
⁴⁷ Out of which 1 proposal (€2 million) was included from the reserve list following additional budget availability.
⁴⁸ €106.18 managed by INEA.
⁴⁹ Excluding the time to inform of the 2014 Calls handed over to INEA.
Graph 10  INEA Horizon 2020 Transport. EC contribution of projects per topic at the end of 2015 (amounts in million €)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Contribution (in million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Vehicles</td>
<td>€134 M (15)</td>
</tr>
<tr>
<td>Aviation</td>
<td>€77 M (13)</td>
</tr>
<tr>
<td>Waterborne</td>
<td>€73 M (6)</td>
</tr>
<tr>
<td>Road</td>
<td>€68 M (11)</td>
</tr>
<tr>
<td>Urban Mobility</td>
<td>€39 M (10)</td>
</tr>
<tr>
<td>ITS</td>
<td>€30 M (8)</td>
</tr>
<tr>
<td>Logistics</td>
<td>€25 M (2)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>€19 M (8)</td>
</tr>
<tr>
<td>Aviation International Cooperation</td>
<td>€19 M (11)</td>
</tr>
<tr>
<td>Rail</td>
<td>€15 M (3)</td>
</tr>
<tr>
<td>Blue Growth</td>
<td>€14 M (3)</td>
</tr>
</tbody>
</table>

( ) = Number of projects

Table 17  Horizon 2020 Transport (including Blue Growth) project management

<table>
<thead>
<tr>
<th>Average Time-to-grant (in days)</th>
<th>Number of new GAs signed by 31/12/15</th>
<th>Running projects at 31/12/15</th>
<th>Amendment requests received/approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>232</td>
<td>89</td>
<td>90</td>
<td>7/5(^{50})</td>
</tr>
</tbody>
</table>

Out of the GA signed in 2015, it should be noted that contrary to the general position of the Commission, this includes 6 Coordination and Support Actions (CSAs) that have been externalised to the Agency.

To facilitate the Grant preparation, a 'Co-ordinators' workshop was organised by the Agency for the proposals selected. For this, the Co-ordinators of successful proposals were invited to a 'hands-on' session to explain the procedures leading to the successful conclusion of the process. This was extremely effective in ensuring that issues related to the roles and responsibilities for Co-ordinators were communicated. The majority of the Co-ordinators welcomed the initiative and were present at the meeting.

The kick-off meetings for the projects took place in May and the associated DGs were informed and in some cases, colleagues from associated DGs also participated.

\(^{50}\) 1 amendment refused and 1 under preparation.
Table 18 Overview of Horizon 2020 Transport financial management

<table>
<thead>
<tr>
<th>Individualisation of the 2014 global commitments</th>
<th>Individualisation of the 2015 global commitments</th>
<th>Payments appropriations executed (in € million)</th>
<th>Number of PFs</th>
<th>Average time to pay PF (in days)</th>
<th>% of PF payments on time</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>N/A</td>
<td>219.7</td>
<td>81</td>
<td>13.8</td>
<td>100</td>
</tr>
</tbody>
</table>

**Call management**

In 2015 INEA took the responsibility for organising and conducting the evaluations under the Horizon 2020 Transport Societal Challenge. This applied notably to two waves of 2015 transport Calls comprising three Mobility for Growth calls (MG) and one Green Vehicles call (GV). The deadline of the first wave of Transport calls was set for 23 April and referred only to activities in the context of Mobility for Growth, including international cooperation in the field of aviation, automated road transport, optimised waterborne transport, better urban transport and mobility as well as logistics and transport infrastructure. The second wave had its deadline on 15 October 2015 and referred to activities both in the context of Mobility for Growth and Green Vehicles.

Table 19 Overview of Horizon 2020 Transport Call for proposals

<table>
<thead>
<tr>
<th>Call reference</th>
<th>Indicative budget (in € million)</th>
<th>Received proposals</th>
<th>Admissible and eligible proposals</th>
<th>Total requested funding (in € million)</th>
<th>Selected proposals</th>
<th>Total awarded funding (in € million)</th>
<th>Average time to inform (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizon 2020-MG-2015-SingleStage-A</td>
<td>2151</td>
<td>18</td>
<td>18</td>
<td>30</td>
<td>11</td>
<td>24.7</td>
<td>147</td>
</tr>
<tr>
<td>Horizon 2020-MG-2015-Two Stages</td>
<td>144.5</td>
<td>Est. 18</td>
<td></td>
<td>Est. 180</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Horizon 2020-MG-2015-SingleStage-B</td>
<td>18.52</td>
<td>2253</td>
<td>39.5</td>
<td>Est. 2</td>
<td>Est. 4.5</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Horizon 2020-GV-2015</td>
<td>30</td>
<td>46</td>
<td>312</td>
<td>Est. 5</td>
<td>Est. 33.3</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Horizon 2020-BG-2015-2 (second stage)</td>
<td>3654</td>
<td>5</td>
<td>5</td>
<td>29</td>
<td>1</td>
<td>5.3</td>
<td>148</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>Est. 109</td>
<td>23</td>
<td>Est. 590.5</td>
<td>Est. 19</td>
<td>Est. 67.8</td>
<td>14755</td>
</tr>
</tbody>
</table>

In addition, INEA also actively contributed to the implementation of the Blue Growth Focus Area (BG) with a joint Call with DG RTD, REA and EASME. The activities of INEA in this Call refer to the response capacity to oil spills and marine pollutions. The deadline for the second stage was 3 February 2015.

It should be noted that for one sector of MG-2015-SingleStage-A re-evaluation of the proposals had to be commissioned to verify that the evaluations were not influenced by any conflict of interest. All 11 Grants (EU contribution €24.7 million) were signed in 2015. Also for one topic of MG-2015-SingleStage-B (Public Procurement for Innovative

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51 Out of which €16 million managed by INEA.
52 Out of which €17.5 million managed by INEA.
53 17 were submitted under the topics managed by INEA.
54 Out of which 6 are managed by the INEA.
55 Excluding the time to inform of the 2014 Calls handed over to INEA.
Solutions under the Infrastructure Activity) no proposals were received. The budget allocated to the topic will be reallocated to other activities under the same call, with the agreement of the relevant Parent DG.

1.1.3 Specific Horizontal Objective

As indicated in the INEA Annual Work Programme 2015, the Agency’s Horizontal priority is to maximise the efficiency of the Agency's resources, providing programme support and administrative support so as to help the Agency achieve its objectives. The following actions have been flagged as main contributors to the achievement of this objective.

Strategic Planning and Programming

INEA is part of the SPP cycle of the Commission, and in 2015 followed the changes towards a focus on performance and accountability. INEA has continued to develop contacts and coordination with the parent DGs and other EAs on SPP as well as reviewing the internal workflows and procedures in light of the Agency’s evolving organisational set up. This has included the establishment of a network of SPP contributors and the revision of reports to accommodate the parent DGs' reporting needs - in line with the Guidelines on the Executive Agencies.

Communication

In the framework of contributing to the efficiency of INEA's resources, as well as Programme support, INEA has been active in some specific Horizon communication activities:

Revamp and re-launch of the INEA website under the European Commission's web services on Europa

INEA's website was transferred to the Commission's data centre during the last two weeks of May, as planned. From 1 June 2015 it is hosted on Europa. It is has been continuously updated and developed to take into account new information and the needs of the new programmes. It will be more completely revamped in 2016.

Internal communication

INEA organised quarterly staff assemblies with the Agency Executive Director to keep staff informed of main issues. The internal newsletter was published quarterly along with a fortnightly e-Newsletter, and a weekly message from the Executive Director on the intranet. The intranet was updated with news of new staff, new procedures and new templates. During the year 193 individual news items were published on the INEAnet to keep staff updated on important information and developments.

A presentation of the communication strategy, including the 'bigger picture' was given to each department's management team, and in the case of Horizon 2020 – also to all staff. A presentation on the strategy and the services provided is given during the regular newcomer 'Welcome Days'. INEA's communication strategy was discussed with the management team of each department to take into account their needs for specific services that support the achievement of their objectives.

Teambuilding events and Away days organised during the year focused on raising awareness on the objectives and tasks of each department and unit, and improving collaboration and the flow of information to improve efficiency and team spirit. Regular features in the internal newsletter provide information on the specific tasks, challenges and achievements of the different departments, units and sectors.

The use of SharePoint as a collaborative working space was piloted during the preparation of INEA's strategic documents. A library of all presentations given externally...
by INEA staff has been created and shared. This includes a standard presentation that can be adapted as needed by colleagues. A library of photos was also established to be used for communication purposes by all staff.

Legal affairs

In order to update the Agency's Anti-Fraud Strategy (AFS) to take into account the implementation of the new Programmes, the AFS was revised and finalised at the end of December 2015, and submitted to the INEA Management for approval (see below section 2.1 Fraud Prevention). The process for the revision of INEA's Manual of Procedures was launched.

Human Resources Management

All of the following policies, actions and activities are valid for the entire Agency with no differences between the Programmes. With the support of DG HR, an HR Strategy paper for INEA has been drafted and will be adopted by the management early 2016.

Staffing and Recruitment

At the end of the reporting period, INEA had 186 active staff - representing 26 different EU nationalities. The Agency also had 24 external staff members, including interim staff, trainees and consultants.

58% of the active population is female and 42% male. Regarding age, the Agency has a population in which the majority (85%) is aged between 31 and 50 years old.

The 2015 staffing plan is almost covered. Eleven vacant positions remained to be filled by the end of 2015 as per the Recruitment Plan of which for 2 it was agreed with the parent DGs not to fill them in 2015. For the remaining 9, recruitments were confirmed for January 2016. A workload analysis was prepared and is revised each time the estimated figures on the number of projects managed are updated. When necessary, the recruitment and staffing plans are revised in order to balance the workload and temporary support can be given from one unit to another.

The Recruitment Plan for 2016 was established in March 2015 with an identification of the recruitment priorities, and an analysis of the existing reserve lists compared to new posts needed. All of the new 2016 posts were presented at an all-staff assembly in May and an internal mobility exercise was launched to give the opportunity to staff to reorient their career. Following the results, the recruitment plan was updated and the remaining vacant posts presented to the external public on the 9 June during the Job Fair organised by INEA to promote the Agency and future job opportunities. In cooperation with EPSO, DG HR and the other EAs, the Agency has worked on the development of the new Permanent CAST restricted to EAs which has been launched end of July. The Agency has taken the lead for the six EAs and has tested the recruitment portal in collaboration with DG HR and EPSO.

Career Development and Training

The CDR exercise of this year was based on the new Implementing Rules (IR) for CAs and TAs adopted by the Agency in March, accompanied by the appraisal module in Sysper. This has been followed by the Reclassification exercise for which the IR have been adopted in August. An information session has been organised in September just

56 Missing only two EU Member States - Croatia and Estonia.
before the launch of the exercise. Both exercises ran smoothly and no appeals were registered.

As regards training, INEA continues to ensure access to specialised courses on demand, coaching for managers, specific management courses, and individual advice and guidance on learning needs and opportunities. A learning needs analysis has been held and a Learning and Development Strategy has been developed and should be adopted by the management early 2016. A teambuilding for the whole Agency was organised in January this year in order to strengthen the relations and ensure better integration of staff at all levels. Away Days per Department have been organised for staff to get to know each other, and find common values and ways of working. A specific Away Day for the management has been organised in October to strengthen, collaboration between the departments and improve information flows. An action plan is being drafted.

**Staff Administration**

Regarding staff administration, INEA underwent an extensive exercise of verification of Sysper individual personnel rights and entitlements of all staff in order to cope with the PMO new payroll system which will be linked to Sysper (TRANSCODE). The Agency has also launched a pilot exercise in March setting up a teleworking scheme (structural and occasional) supported by internal guidelines with a view to evaluating this pilot phase early 2016. New implementing rules on teleworking and part-time work have been analysed and will be adopted during the first quarter 2016.

**Well-being**

INEA has included in its preventive framework, the prevention and management of burn-out and any other psycho-socio risks at work by training all staff, in collaboration with the medical services of the Commission, and more particularly the management - in order to identify factors and people at risk. INEA is part of the Fit@work network and actions to be developed in the field have been identified in the HR Strategy.

INEA took part in the Commission's *Job Satisfaction Survey* launched by DG HR at the end of 2014 with the second highest response rate (94%). An analysis of the results was presented to the staff and some areas of improvement identified (wellbeing/work-life balance, learning and development, career progression and mobility and feedback from managers). Remedial actions have been proposed and a follow-up questionnaire launched on proposed actions. A final action plan will be adopted by the management early 2016.

**Financial Management**

INEA in close cooperation with its operational units and its counterparts units in the parent DGs provided support and advice on the best use of the available credits in particular for the budget optimisation under Horizon 2020. For CEF Transport and CEF Energy INEA provided an up-date on the multi-annual commitment planning 2014 – 2020 ensuring an optimal use of commitment appropriations and identification of available budgets for future calls.

As regards the operating budget management, the Agency's operating budget for 2015 amounted initially to € 19,916,000. The Steering Committee approved an amending budget in September 2015 reducing the operating budget to €18,376,000. It was committed at 98.9 %, with 90.6% paid (i.e. €16,639,643) within the year.

At the same time, INEA executed the remaining payments (€1,247,557) on the 2014 budget which reached an outturn of 96.2%.

In total in 2015, 875 payments were made for an amount of €17,887,200. The average time to pay was of 13.4 days and 99.4% of the payments have been made on time with respect to the time limits set out by the Financial Regulation.
As shown in graphic 11 below the highest share of the Agency's operating budget is the staff expenditure, followed by the costs linked to the building and the IT infrastructure.

Regarding procurement, the Agency uses services from the Commission notably for questions related to the building, IT tools and translation. Alternatively, the Agency uses framework contracts negotiated by the Commission services. The value of own procurement is very low and limited to low value procurement or a negotiated procedure with three bidders57.

**IT, logistics and document management**

Due to an appeal of the OIB tender (API 27000), the initial plan to house INEA in a Commission building as from 2016 was cancelled in July 2015. Following intense negotiations between OIB, the building owner and INEA the contract to rent an additional floor in its current building (W-910) was signed in November 2015. In view of this space extension, Management decided to regroup the Departments to facilitate their internal communication. To this end the necessary office repartition plans have been drafted and approved, which will be implemented in the beginning of 2016.

The necessary furniture to equip the new spaces and to replace the old furniture was ordered. Furthermore, a considerable effort was spent to prepare a redundant data centre outside the current Agency building. The redundant infrastructure takes over in case of unavailability of the main data centre. A new disaster and recovery plan was developed following the changes in the IT infrastructure that occurred in the past months, to guarantee the availability of IT services. Towards the end of the year a complete disaster and recovery test was successfully performed.

In the user support domain, the Helpdesk released a new ticketing system. A high number of tickets were handled with the new tool, ensuring efficiency and rapidity in the resolution of incidents and service requests.

Throughout the year several CEF evaluation exercises were supported by setting up and configuring IT facilities for the internal evaluation space.

**Internal control and risk management**

During the reporting period - and as indicated in the AWP 2015 - the Agency has, besides those elements already touched upon in the corresponding sections, continued its efforts to:

- Fine-tune/improve assessment of costs and benefits of controls;
- Overhauled its Risk management approach by setting up a Unit Risk Register base-line including an annual mid-term review;
- Improved the control framework by:
  - revising the exceptions, non-compliance and internal control weakness procedure;
  - installing the Inventory Committee by the Executive Director Decision including finalising the procedure on Assets management;
  - improving the Authorising Officer by Sub-Delegation (AOSD) reporting;

57 Refer to section 2.2 on page 59 for the observations of the Court and the related Commission's reply.
o revising the Business Continuity Plan following the increased security level.

For further details, please see Part 2 relevant sections.

1.2 Example of EU-added value and results/impact of projects or programme financed

The Horizon 2020 TILOS project (€11 million of EU funding) will test the integration of an innovative local-scale, energy-storage system on the island of Tilos (Greece). The prototype molten-salt, battery-storage system will improve micro-grid energy management and grid stability, increase renewable energy use and provide services to the main grid. If successful, this energy storage technology could be widely replicated on islands or other areas with isolated energy system. It will complement and encourage the use of variable renewable energy sources.

1.3 Economy and Efficiency of spending and non-spending activities

According to the financial regulation (art. 30), the principle of economy required that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

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

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

1.3.1 Example 1

The TENtec Evaluation module was further enhanced with new functions enabling paperless eligibility workflow, remote evaluation and improved monitoring capabilities. In parallel, some important technical modifications in the architecture were performed to allow simultaneous evaluation exercises for Transport, Energy or Telecommunications Calls. Thanks to the e-submission procedure, the time to complete the admissibility check for CEF Transport decreased from 9 working days in the 2014 Calls to 1.5 days in the 2015 Calls. In addition, it avoided clerical errors and the related administrative follow-up of the former paper supported applications.

1.3.2 Example 2

The Agency has tested as planned, Speedwell, a web-based tool developed by the European Research Council Executive Agency (ERCEA) for the paperless processing of payments on the operating budget. The use of Speedwell was tested as of May on reimbursement of missions’ expenses (based on payment requests issued by MIPS) and payment of the travel Agency (based on invoices). With the experience gained it was then extended in August to all possible transactions in view to involve as much actors as possible.

The payment of salaries was the last type of transaction to be tested and this was done for the payment of the October’s salaries. On the basis of the positive outcome of that
extensive testing phase the decision was taken to make Speedwell the standard tool to process payments on the operating budget. The deployment of that tool has greatly facilitated the processing of payments for the last part of the year and in particular in December. Indeed, despite the heavy workload at year end – i.e. preparing the carry forward, committing credits for opening of the 2016 budget and processing around 135 payments – the time to pay has continued to improve to reach an annual average of 13.4 days (the limit set by the Financial Regulation being 30 days). It has furthermore reduced the paper flow considerably.
2. MANAGEMENT AND INTERNAL CONTROL

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Executive Director. The reports produced are:

- The periodic reports submitted by the Heads of Department on implementation progress of their respective areas of responsibility including the AOSD reports on internal control and risk assessment of their department;

- The reports of the ex-post audit function;

- The observations and the recommendations reported by the Internal Audit Service (IAS);

- The observations and the recommendations reported by the European Court of Auditors (ECA) and recommendations made through the different mid-term or final evaluation reports on the specific programmes.

This section reports on the control results and other relevant elements that support management’s assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

The figures below present the operational payments made in 2015 by their respective Programme and type of payment. The payments on the operating budget are split over the three titles of the budget.

**Graph 11** Total payments made by INEA in 2015 (amounts in € million)
### 2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. The Executive Director's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

#### Table 20 Overall conclusion table

<table>
<thead>
<tr>
<th>Activities</th>
<th>Grants (e.g. actual costs based, or lump sums, or entitlements)</th>
<th>ICO indicators available at activity level</th>
<th>Independent info from auditors (IAS, ECA) on assurance or on new/overdue critical recommendations available?</th>
<th>Any reservation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN-T</td>
<td>344,758,587</td>
<td>RER = 0.77%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Marco Polo</td>
<td>8,811,680</td>
<td>RER = 0.97%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>CEF Transport</td>
<td>1,187,471,389</td>
<td>RER = est. 0%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>CEF Energy</td>
<td>54,027,301</td>
<td>RER = est. 0%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>CEF Telecom</td>
<td>6,722,291</td>
<td>RER = est. 0%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Horizon 2020 Transport</td>
<td>219,734,142</td>
<td>RER = est. 0%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Horizon 2020 Energy</td>
<td>198,214,538</td>
<td>RER = est. 0%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Operating budget</td>
<td>17,887,200</td>
<td>RER= est. &lt;2%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Support programme</td>
<td>1,316,110</td>
<td>RER= est. &lt;2%</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Totals (coverage)</td>
<td>2,038,943,238</td>
<td>N.A</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>ICO-related indicators available at the Agency level</td>
<td>CEC = €333.3 million (see table 29)</td>
<td>AER=0.17%-0.19% (see table 28)</td>
<td>ARC=3.10%</td>
<td>N</td>
</tr>
<tr>
<td>Links to AAR Annex 3</td>
<td>Overall total (see Table 2 in Annex 3 – payments made)</td>
<td>See table 4 in Annex 3 – assets</td>
<td>N.A</td>
<td>N.A</td>
</tr>
</tbody>
</table>

---

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

59 The error rate is estimated at 0% in 2015 as it only concerns PFs. Once audits are carried out in the future, a common RER for Horizon 2020 will be reported.

60 See footnote 59.

61 Programme support includes payments of experts, translations and IT consultants for the development of TENtec.
Operating budget

As detailed in section 1 and in graph 1 above, the total operating budget in 2015 amounted to €17.9 million. The controls in place to ensure the sound financial management and the legality and regularity all of the financial transactions related to the operating budget include the following procedures:

Before using the operating budget, Operational Initiating Agents need to obtain the Executive Director's written authorisation. In this respect, several notes on the main activities of the Agency have been prepared to describe how the operating budget will be consumed in 2016. The financial circuits for purchase orders include a check by the legal department, by an operational and a financial verifying agent and a formal signature by the Executive Director;

For every payment, the operational initiating agent prepares a note to the file including an opinion on the compliance of the service received with the order, and explaining the controls made to ascertain that the amount of the invoice is actually due;

Heads of Unit working on the operating budget have received a delegation to sign payments. An operational and a financial verification are required;

All payments on the operating budget are made by the Accountant. Two signatures are needed in case of a manual payment, that of the Accountant and that of the Head of the Legal Team;

The Accountant reconciles the bank statements on a monthly basis. A second independent control is carried out by the Internal Control Manager, who verifies the reconciliation.

Regarding the risks related to the legality and regularity of the underlying transactions, several layers of control are in place: an updated manual of procedures is the highest level, it is complemented with a series of models and templates and available on the Agency's intranet. The next level is the chain of controls for procurement and payments as explained above.

Control cost-effectiveness

The accounting quality programme of the Agency for the operating budget consists of revising all transaction files in invoices, payments and recoveries. The controls aim to spot ex-ante any possible errors that may impact on the reliability of the accounts.

The result of the checks performed is the basis for the certification of the annual accounts and the validation of the financial processes by the Accountant. It is also the basis for the signature of the Management Representation Letter that accompanies the Financial Statements and is addressed to the Court of Auditors. The letter is signed by the Executive Director for the aspects of legality and regularity of transactions and by the Accountant for the reliability and the true and fair view of the accounts.

The cost of control is difficult to measure and its quantification is not undertaken here. Logically, it includes a share of the costs of the Executive Director, the Internal Control Coordinator, the Head of Department Resources, the Financial Initiating and Verifying Agents, the Accounting team, the Operational Initiating and Verifying Agents and their management. The benefit is the sound control of the 875 payments done in 2015.

The net time to pay on the operating budget was 13.4 days (with 99.4% on time). Efficiency improvements have also been made for the operating expenditure on the operational budget (linked to paying experts, translation reimbursement, etc.) leading to a net time to pay of 19.6 days in 2015 (with 94.9% on time).
Grants under direct management

The control system is divided into four distinct stages - evaluation and selection of proposals, contracting, monitoring, and ex-post controls - each with specific control objectives. Key indicators have been defined for each stage including control effectiveness regarding legality and regularity and sound financial management (efficiency and cost-effectiveness). Additionally, the costs and benefits (quantifiable and non-quantifiable) of the internal control system will be outlined per stage and per Programme where applicable.

Given the diverse nature of the Programmes and tasks managed by INEA, the analysis of INEA control system will be done per Programme, the CEF including the legacy of TEN-T and Marco Polo, and Horizon 2020.

As regards the calculation of the costs and benefits of each stage, a methodology has been applied consistently throughout all Programmes and stages as follows:

Evaluation phase: only Calls for Proposals whose time-to-inform took place in 2015 have been taken into account, (including those which were handed over from the parent DGs). The reason for it is to be able to assess the success rate\(^ {62} \) of fully completed evaluations during 2015.

Contracting phase: only the Calls whose time-to-grant took place in 2015 have been included. The reason for it is to assess the rate of reduction of the funds following the full completion of the GA preparation that had to be concluded by the end of 2015.

Monitoring phase: while monitoring includes several activities, the focus has been put on the ex-ante controls as its related costs and controls can be quantified. Hence, this is only applicable to TEN-T and Marco Polo for 2015.

Ex-post controls: this only applies to the legacy Programmes, TEN-T and Marco Polo, for which audits have been carried out in 2015.

As a consequence, some of the figures regarding total number of selected proposals, GA signed, etc. might differ from the figures mentioned in part 1, as the objective in this part two is to assess the cost-benefit analysis of fully completed stages.

\(^ {62} \) Ratio selected/eligible proposals.
Stage 1 – Evaluation and selection of proposals

The first stage concerns the call for and evaluation of proposals. The overall control objective is to ensure that the most promising projects for meeting the policy objectives are among the selected proposals.

Control effectiveness as regards legality and regularity

Out of the 1,658 proposals submitted in 2015, a total of 1,582 proposals (1,610 declared admissible) were considered eligible under the Horizon 2020 and CEF calls organised by the Agency or handed over by the Commission in 2015 (see table below that includes the calls for which the time to inform was due in 2015). The oversubscription⁶³ rate for CEF Transport has been 2.7, for CEF Energy 2.1 and almost 1 for CEF Telecom. As per Horizon 2020, the oversubscription for single stage calls or the second stage of two stage calls has been of 3.6 for Horizon 2020 Transport and 5.1 for Horizon 2020 Energy. Following the evaluation of proposals against a block of award criteria, consisting of individual assessments and consensus meetings 521 out of 1,582 eligible proposals were recommended to receive funding.

Table 22 Result of the evaluations for calls for proposals organised in 2015 (amounts in €)⁶⁴

<table>
<thead>
<tr>
<th>Programme</th>
<th>CEF Transport</th>
<th>CEF Energy</th>
<th>CEF Telecom</th>
<th>Horizon 2020 Transport</th>
<th>Horizon 2020 Energy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted proposals</td>
<td>735</td>
<td>26</td>
<td>54</td>
<td>344</td>
<td>499</td>
<td>1,658</td>
</tr>
<tr>
<td>Admissible proposals</td>
<td>699</td>
<td>24</td>
<td>53</td>
<td>340</td>
<td>494</td>
<td>1,610</td>
</tr>
<tr>
<td>Eligible proposals</td>
<td>681</td>
<td>23</td>
<td>53</td>
<td>338</td>
<td>487</td>
<td>1,582</td>
</tr>
<tr>
<td>Selected proposals</td>
<td>276</td>
<td>20</td>
<td>49</td>
<td>93</td>
<td>83</td>
<td>521</td>
</tr>
<tr>
<td>Success rate</td>
<td>41%</td>
<td>87%</td>
<td>92%</td>
<td>28%</td>
<td>17%</td>
<td>33%</td>
</tr>
<tr>
<td>Indicative budget (€ M)</td>
<td>11,930.0</td>
<td>100.0</td>
<td>19.5</td>
<td>502.0</td>
<td>742.8</td>
<td>13,294.3</td>
</tr>
<tr>
<td>Requested funding (eligible)(€ M)</td>
<td>32,656.6</td>
<td>216.9</td>
<td>18.8</td>
<td>1,825.7</td>
<td>3,771.6</td>
<td>38,489.7</td>
</tr>
<tr>
<td>Requested funding (selected) (€ M)</td>
<td>13,016.6</td>
<td>149.3</td>
<td>17.5</td>
<td>549.3</td>
<td>664.8</td>
<td>14,397.6</td>
</tr>
<tr>
<td>Success rate</td>
<td>40%</td>
<td>69%</td>
<td>93%</td>
<td>30%</td>
<td>18%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Control efficiency

The evaluation exercises have been carried out in an efficient manner. The time-to-inform limit of six months for CEF programme and five months for Horizon 2020 has been respected. This includes all the transferred 2014 Calls whose time to inform deadline was in 2015.

---

⁶³ Oversubscription is calculated on the basis of the requested funding of eligible proposals divided by the indicative budget of the call.

⁶⁴ This table includes all 2014 Calls transferred to the Agency in 2015.
Graph 12 Average time to inform in 2015 per Programme and sector (in days)

The multi-annual evolution of the time-to-inform for the successor Programmes is presented in the following graphics:

Graph 13 Development of the time-to-inform per Programme

The evaluation exercise benefits are the selection of proposals that best address the objectives and priorities of the work programmes, that due to their high maturity have the best chances for successful completion within the eligibility period, and that provide the highest EU added value for the completion of the respective policy targets. However, these benefits cannot be quantified.

Nonetheless, a quantifiable benefit might be the detection of ineligible proposals. In case of non-detection, some of these proposals might have been selected. The avoided potential loss is therefore €1.1 billion (see table below). For the cost of control of this stage, see the overall analysis per stage presented at page 56.
Table 23 Benefits of stage 1 – evaluation and selection

<table>
<thead>
<tr>
<th>Programme</th>
<th>Success rate</th>
<th>Requested funding (ineligible proposals)</th>
<th>Benefit (success rate * requested funding)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN-T 2007-2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marco Polo II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEF - Transport</td>
<td>40.5%</td>
<td>2,674,411,981</td>
<td>1,083,902,653</td>
</tr>
<tr>
<td>CEF - Energy</td>
<td>87.0%</td>
<td>64,168,918</td>
<td>55,799,059</td>
</tr>
<tr>
<td>CEF - Telecom</td>
<td>92.5%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Horizon 2020 - Transport</td>
<td>27.5%</td>
<td>3,421,629</td>
<td>941,454</td>
</tr>
<tr>
<td>Horizon 2020 - Energy</td>
<td>17.0%</td>
<td>13,655,145</td>
<td>2,327,263</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,755,657,673</td>
<td>1,142,970,429</td>
</tr>
</tbody>
</table>

Stage 2 – Contracting

The overall control objective of this stage is translating each of the selected proposals into legally binding GAs in a way that ensures an optimal allocation of EU funds.

Control effectiveness as regards legality and regularity

As a result of the contracting process, the total funding recommended following the evaluation process was reduced by 2% for CEF Transport, 5% for CEF Energy and practically 0% for CEF Telecom during the contracting phase. In the case of Horizon 2020, given that no negotiation phase is foreseen for this Programme, the difference between the recommended funding and the final awarded grant is negligible with 0.6% for the Transport and 0.2% in case of Energy.

Table 24 Benefits of stage 2 – Contracting

<table>
<thead>
<tr>
<th>Programme</th>
<th>Number of selected proposals</th>
<th>Requested Funding</th>
<th>Number of adopted Decisions/Signed Grants</th>
<th>Funding to individual Decisions/Signed Grants</th>
<th>Rate of reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN-T 2007-2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marco Polo II</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEF - Transport</td>
<td>276</td>
<td>13,016,591,143</td>
<td>263</td>
<td>12,769,731,133</td>
<td>1.90%</td>
</tr>
<tr>
<td>CEF - Energy</td>
<td>34</td>
<td>647,267,080</td>
<td>33</td>
<td>615,531,154</td>
<td>4.90%</td>
</tr>
<tr>
<td>CEF - Telecom</td>
<td>29</td>
<td>11,998,325</td>
<td>29</td>
<td>11,993,248</td>
<td>0.04%</td>
</tr>
<tr>
<td>Horizon 2020 – Transport</td>
<td>89</td>
<td>502,463,302</td>
<td>89</td>
<td>499,613,413</td>
<td>0.57%</td>
</tr>
<tr>
<td>Horizon 2020 – Energy65</td>
<td>64</td>
<td>418,804,106</td>
<td>64</td>
<td>417,816,860</td>
<td>0.24%</td>
</tr>
<tr>
<td>Total</td>
<td>492</td>
<td>14,597,123,956</td>
<td>478</td>
<td>14,314,686,193</td>
<td>1.93%</td>
</tr>
</tbody>
</table>

65 For Horizon 2020 Energy, 3 proposals from the reserve list have been finally funded and are included in the number of selected proposals.
As a consequence of the grant preparation phase, in particular for CEF, a total of €282.4 million was reduced from the awarded funding. This can be considered a quantifiable benefit of the contracting phase for 2015.

**Control efficiency**

As result, the time-to-grant limit of 9 months for CEF programme and 8 months for Horizon 2020 has been respected. See graphic below for details on the time to grant per Programme and sector.

**Graph 14** Average time to grant in 2015 per Programme and sector (in days)

![Graph 14](image)

The multi-annual evolution of the time-to-grant for the successor Programmes is presented in the following graphics:

**Graph 15** Development of time-to-grant per Programme

![Graph 15](image)

For the cost of control of this stage, see the overall analysis per stage presented at page 56.

**Stage 3 - Monitoring the execution**

The overall control objective of this stage is ensuring that the projects are performing towards their implementation plans and that the financial operations comply with regulatory and contractual provisions.
Control effectiveness as regards legality and regularity

The execution of the projects is monitored through different tools, the ex-ante controls being one of the most important ones at the time of cost claims submitted by the beneficiaries. Other monitoring measures includes the assessment of the technical reports, which in some Programmes may have further pre-financing implications and commitments adjustments (only applicable to Multi-Annual Programmes), as well as direct and regular contacts with the beneficiaries and project promoters, technical site visits, project management workshops, among others.

In 2015, the ex-ante control measures were only applicable to the legacy programmes as the successor ones only processed pre-financings following the results of the first Calls for Proposals that took place between 2014 and 2015.

For the TEN-T Programme, the Agency applies a sampling policy: the costs claimed are analysed, risky items are identified first, and then a random selection is made on the remaining population. Evidence is requested for invoices or explanations of the calculation methods (for staff costs); procurement information is requested and one procedure is reviewed for compliance with the applicable procurement Directive.

The choice of this sampling method has proved to be quite effective in identifying ineligible costs, as shown by the residual error rate after ex-post controls, and the rate of error found by the Court of Auditors.

In 2015, €3,024,768,323 costs were submitted by the TEN-T beneficiaries and as a result of the ex-ante controls 271,692,615€ (8.9%) of the costs claimed were rejected. As a consequence, a reduction of total EU contribution of €50,601,663.45 was applied. As regards TEN-T, costs were rejected mainly for two reasons (accounting for 70% of all rejected costs):

- Shortcomings in the respect of the procurement Directive by beneficiaries were detected (42%).
- Objectives were not fully reached (28%).

The effectiveness of ex-ante control is demonstrated by the low residual rate of error for the TEN-T Programme 2007-2013 as shown in stage 4 (0.77%).

As regards Marco Polo, the ex-ante controls method is distinct from TEN-T due to the nature of the Programme. A simplified ex-ante control method for balance payments was put in place in 2014 and the efficiency of the payment process was increased. This simplified method establishes that if the 35% of total eligible costs are more than twice the grant amount based on modal shift\(^{66}\) volume, it is considered there is a safe margin ratio and a simplified analysis of the financial statements takes place. Any doubtful cost is declared non-eligible, reducing the risk of accepting non-eligible amounts, with no financial impact for the beneficiary, which is paid on the basis of the modal shift volume.

Control efficiency

The TEN-T sampling method has proved to be quite effective in identifying ineligible costs, as shown by the residual error rate after ex-post controls (see stage 4 below) and the rate of error found by the Court of Auditors. On the other side, this extensive ex-ante control may lead to lengthier gross time to pay for interim/final payments which in 2015

\(^{66}\) Modal shift means taking freight off the roads by other more environmentally friendly modes of transport. It is measured in tonnes per km shifted from the road.
were 104.6 days on average.

Following the revised methodology of existing ex-ante control mechanisms for Marco Polo in 2014, the net time to pay for interim/final payments for Marco Polo has been reduced by one third (26.1 days instead of 38.7 days) with a similar volume of payments (16 payments in 2014 and 18 payments in 2015).

For the cost of control of this stage, see the overall analysis per stage presented at page 56.

**Stage 4 – Ex-Post controls**

Ex-post controls are a key element of the control strategy of the Agency. The objectives of the ex post control function are to provide assurance to management on sound financial management and on the legality and regularity of operational expenditure as well as to contribute to the improvement of the financial control systems for operational expenditure.

**Control effectiveness as regards legality and regularity**

**TEN-T Programme**

The ex-post controls are carried out on the declared costs to the Agency and consist of verifying the legality and regularity of the underlying transactions, including public procurement controls to determine the amount of eligible declared costs (and consequently, the eligible EC contribution, comprised of cleared pre-financing and actual interim and final payment amounts). The controls are performed on a sample basis, according to a defined sampling methodology. When errors are detected, the audit sample is routinely extended or the finding extrapolated in order to ensure that similar errors are identified and corrected. When errors affecting the calculated EU contribution are identified, the ineligible amounts are notified to the AOSD for implementation of any required financial recovery or offsetting (against a following interim or final payment).

For the TEN-T programme, a selection of audits is made with a mixture of risk and representative sampling covering at least 20% of the authorised interim and final payments of N-1. The annual selection is based on a multi-year control strategy. This provides a selection that is whilst not statistically representative, it is as 'representative' as possible, in terms of the coverage of projects in financial and geographical terms, and also in the blend of beneficiaries.

With an audit coverage of over 22% of the 2007-2013 legacy programme\(^{67}\), allied with the limited number and homogeneity of TEN-T beneficiaries we are confident the selection of audits based on a blend of Monetary Unit and Risk-based criteria provide an audit sample that is as representative as possible and that the audit results give a good indication of the level of error in the non-audited population.

The detected error rate is considered to be applicable to the non-audited population as the best available estimate of the level of error remaining in population.

**Key Results 2015 TEN-T Ex-Post Control Audit Programme**

The 2015 TEN-T Audit workplan covered 18 audits. The field missions were performed for 100% of these audits by end of 2015 and of these, 12 (67%) of these audits were

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\(^{67}\) Based on completed audits at 31 December 2015. Audits which are not completed are not included in the error rate or financial coverage statistics. Only audits implemented by INEA are considered for the calculation of error rates.
closed. From the 12 closed audits, 2 audits had findings resulting in recommended financial adjustments in favour of INEA for a total of €253,000.

In some cases significant amounts of ineligible costs were noted during audits in 2015, however, these were compensated by a surplus of eligible costs declared (overbooking) and consequently, the ineligible costs detected had no EU budgetary impact.

The results of the 2015 ex-post audit programme show that the incidence of 'basic' errors such as the claiming of ineligible VAT, costs without sufficient supporting documents and costs outside of the eligible period are negligible in the context to the budget under management, which indicates that the ex-ante controls are operating effectively.

At the end of 2015, the multi-annual residual error rate for the TEN-T Programme 2007-2013 is calculated at 0.77%.

The low multi-annual detected error rate indicates that the ex-ante and ex-post controls have an effective learning and dissuasive effect, the true value of which cannot be quantified.

**Marco Polo II Programme**

The control strategy for the Marco Polo II programme was inherited from EACI (now called EASME) when the programme was delegated to INEA in 2014.

The Marco Polo ex-post control strategy uses value targeted sampling to maximise the value of transactions selected and the cost-effectiveness of controls. Such sampling is not fully statistical representative. However, given that this value targeted selection has no inherent risk-bias in either way, it can be considered as being at least random enough to enable drawing conclusions.

**Key Results 2015 Marco Polo Ex-Post Control Audit Programme**

As the Marco Polo payment conditions are not governed solely by the declaration of eligible costs\(^{68}\), detected ineligible costs do not automatically imply a financial adjustment. The audits for Marco Polo also have to consider the declared modal shift, and the declared loss of the project. These three factors influence the final grant contribution. In 2015, 5 Marco Polo audits were planned by INEA. All 5 assignments completed the audit fieldwork in 2015. From these, 1 audit was finalised with no findings.

According to the control strategy, the targeted audit coverage at programme level is 10% by 2015. With the 15 audits taken into account for the multi-annual error rate calculation, the audit coverage stands at 13.72%, exceeding the coverage target in the control strategy.

The multi-annual residual error rate, based on audits results known at the end of 2015 for Marco Polo is calculated as 0.97%.

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\(^{68}\) EU Contributions are determined taking into account the declared eligible costs limited to 35% of the Project budget, the Modal Shift or the total loss of the project.
Table 25 TEN-T and Marco Polo II Residual Error Rates

<table>
<thead>
<tr>
<th>Multi-Annual Residual Error Rates</th>
<th>TEN-T Programme 2007-2013</th>
<th>Marco Polo II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of audits</td>
<td>68</td>
<td>15</td>
</tr>
<tr>
<td>1. Audited EU Contribution</td>
<td>714,630,038</td>
<td>10,786,880</td>
</tr>
<tr>
<td>2. Detected error</td>
<td>7,116,777</td>
<td>121,648</td>
</tr>
<tr>
<td>3. Detected error rate</td>
<td>1.00%</td>
<td>1.13%</td>
</tr>
<tr>
<td>4. Total errors corrected</td>
<td>7,064,391</td>
<td>121,525</td>
</tr>
<tr>
<td>a) Errors corrected by 31/12/2015</td>
<td>7,064,391</td>
<td>121,525</td>
</tr>
<tr>
<td>b) Errors corrected 1/1/2016 - 31/03/2016</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5. Errors not corrected</td>
<td>52,386</td>
<td>123</td>
</tr>
<tr>
<td>6. Total EU Contribution accepted and paid</td>
<td>3,110,161,620</td>
<td>78,650,138</td>
</tr>
<tr>
<td>7. Audit coverage</td>
<td>22.98%</td>
<td>13.72%</td>
</tr>
<tr>
<td>8. Calculated multi-annual residual error = (5) + [(6)-(1)]*(3)</td>
<td>23,908,734</td>
<td>765,447</td>
</tr>
<tr>
<td>9. Multi-Annual residual error rate = (8)/(6)</td>
<td>0.77%</td>
<td>0.97%</td>
</tr>
</tbody>
</table>

Graph 16 Development of the multi-annual residual error rate per Programme

Control efficiency

Table 26 Number of audits

<table>
<thead>
<tr>
<th>Work programme</th>
<th>Nr Audits in work programme</th>
<th>Completed field mission</th>
<th>For beneficiary comment</th>
<th>Final Audit reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted proposals</td>
<td>735</td>
<td>26</td>
<td>54</td>
<td>344</td>
</tr>
<tr>
<td>2013 TEN-T</td>
<td>18</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>2014 TEN-T</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>2015 TEN-T</td>
<td>18</td>
<td>18</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>2015 Marco Polo</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

As noted above, for the 2015 External Audit plan, 100% of fieldwork was implemented in the year, for both TEN-T and Marco Polo programmes. Overall, 13 out of 23 planned ex-post audits (57%) of the 2015 Audit work programme were completed within the calendar year. Audits are executed throughout the year, up to and including December; therefore a completion rate of over 50% within the calendar year indicates that the audit process is working effectively.
Audit Cycle

The TEN-T audit cycle is calculated based on the results of closed audits up to the end 2015. The TEN-T audit cycle remains satisfactory, given the relatively high number of audits performed by the INEA external audit team and given the complexity of some of the audits, especially in terms of procurement issues.

Graph 16 TEN-T Audit Cycle Overview (number of days)

Graph 17 TEN-T Breakdown by audit completion phases

Table 27 Benefits of stage 4 – Ex-post controls

<table>
<thead>
<tr>
<th>Return per ex-post</th>
<th>Nr Audits</th>
<th>EC contribution Audited (€)</th>
<th>Corrected Errors (€)</th>
<th>Return per audit (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marco Polo II</td>
<td>15</td>
<td>10,786,880</td>
<td>121,525</td>
<td>8,102</td>
</tr>
<tr>
<td>TEN-T 2007-2013</td>
<td>68</td>
<td>714,630,038</td>
<td>7,064,391</td>
<td>103,888</td>
</tr>
</tbody>
</table>

The return per TEN-T audit demonstrates that the external audit team provides a positive benefit, as the return per audit clearly outweighs the cost per audit.

Regarding the Marco Polo programme, the return per audit is more limited, and justifies...
the lower intensity of audits compared to the TEN-T programme. This is in part due to the lower relative values per grant, but also due to the more complex system to determine the grant contribution, where financial issues are not always the most relevant to assess. For the cost of control of this stage, see the overall analysis per stage presented below.

**Overall control effectiveness as regards legality and regularity**

INEA has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

In the context of the protection of the EU budget, at the Commission's corporate level, the Agency's estimated overall amounts at risk and their estimated future corrections are consolidated.

For INEA, the estimated overall amount at risk\(^{69}\) for the 2015 payments made is between €3,547,158 and €3,931,224. This is the AOD's best, conservative estimation of the amount of expenditure\(^{70}\) authorised during the year (€2,038,943,238) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

The conservatively estimated future corrections\(^{71}\) for those 2015 payments made are €63,207,240.4. This is the amount of errors that the Agency conservatively estimates to identify and correct from controls that it will implement in successive years. The average corrective capacity rate is at 3.10% (covering 2009-2015). This is mainly due to the robust ex-ante controls in place which lead to low recoveries at the ex-post stage and to low residual error rate (see table 25). An adjusted corrective capacity is calculated on the basis of the ex-post controls conducted by the Agency on interim and final payments over the period 2009-2015, which results in an average of 0.19%. Applied to the operational payments made in 2015 (€2,021 million), this results in an indication about the expected ex-post corrections of €3.9 million.

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\(^{69}\) In order to calculate the weighted average error rate (AER) for the total annual expenditure in the reporting year, detected, estimated or proxy error rates have been used (not the RER).

\(^{70}\) For EAs, the weighted average error rate is based only on the operational expenditure without the subsidy from the parent DGs.

\(^{71}\) This estimate is based on past performance, namely on the average recoveries and financial corrections (ARC) implemented since 2009 and applied to the payments of the year. The future corrective capacity rate for INEA at 31/12/2015 is estimated at 3.10% and it is applied to all financial transactions executed in 2015 (€2,038,943,238). The average estimated future corrections rate is higher than last year (2.6%) because of the phasing out of the legacy programmes and the related recoveries.
**Table 28 Calculation of the weighted multi-annual detected error rate**

<table>
<thead>
<tr>
<th></th>
<th>Payments made (€)</th>
<th>Error rate (%)</th>
<th>Amount at risk (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN-T Programme</td>
<td>344,758,587</td>
<td>1.00%</td>
<td>3,447,586</td>
</tr>
<tr>
<td>Marco Polo II</td>
<td>8,811,680</td>
<td>1.13%</td>
<td>99,572</td>
</tr>
<tr>
<td>CEF</td>
<td>1,248,220,981</td>
<td>0% (est)</td>
<td>0</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>417,948,680</td>
<td>0% (est)</td>
<td>0</td>
</tr>
<tr>
<td>Programme support</td>
<td>1,316,110</td>
<td>0-2% (est)</td>
<td>0 - 26,322</td>
</tr>
<tr>
<td>Total operational budget</td>
<td>2,021,056,038</td>
<td>0.175-0.177%</td>
<td>3,547,158 - 3,573,480</td>
</tr>
<tr>
<td>Operating budget</td>
<td>17,887,200</td>
<td>0-2% (est)</td>
<td>0 - 357,744</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,038,943,238</strong></td>
<td><strong>0.174% - 0.193%</strong></td>
<td><strong>3,547,158 - 3,931,224</strong></td>
</tr>
</tbody>
</table>

Taking into account the conclusions of the review of the elements supporting assurance and the expected corrective capacity of the controls to be implemented in subsequent years, it is possible to conclude that the internal controls systems implemented by INEA provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

**Overall control Cost-effectiveness**

**Based on an assessment of the most relevant key indicators and control results, INEA has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.**

The Agency is managing 'purely' grants under direct management. The total costs of the overall control system (all stages combined) can therefore be approximated by the operating budget of the Agency (€17.9 million) and the operating payments made on the operational budget (€1.3 million). The total cost of the control system in 2015 can hence be quantified at €19.2 million. Therefore, the cost of controls correspond to 0.95% of the total operational payments made in 2015 (excl. the operating payments).

INEA estimated the costs of controls for each of the different stages in 2015. The result is shown in the table below.

The costs of the evaluation and selection of proposals (i.e. stage 1) corresponds to 0.05% of the amount recommended for funding following the evaluation of the CEF and Horizon 2020 Calls for Proposals in 2015.

Additionally, the cost of contracting and monitoring the execution of projects (i.e. stages 2 and 3) equals 0.6% of all the operational payments made in 2015.

Finally, 13 ex-post audit missions of the 2015 work plan were completed in 2015. The corresponding recommended financial adjustments from these audits were €0.3 million. Hence the cost of the ex-post controls (i.e. stage 4) equals 200% of this amount.

The benefits of the Agency’s controls can be indicatively calculated as the amount of errors and irregularities detected and corrected by these controls. Below, an overview of the estimated benefits of controls per stage:
Table 29 Costs and benefits of controls for each control stage (€ million)

<table>
<thead>
<tr>
<th>Stages</th>
<th>COSTS  (€ million)</th>
<th>BENEFITS (€ million)</th>
<th>DIFFERENCE (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1: Evaluation and selection</td>
<td>7.0</td>
<td>1,143.0</td>
<td>1,136.0</td>
</tr>
<tr>
<td>Stage 2: Contracting</td>
<td>5.5</td>
<td>282.4</td>
<td>276.9</td>
</tr>
<tr>
<td>Stage 3: Monitoring the execution</td>
<td>6.1</td>
<td>50.6</td>
<td>44.5</td>
</tr>
<tr>
<td>Stage 4: Ex-post controls 72</td>
<td>0.6</td>
<td>0.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>Total all stages included</td>
<td>19.2</td>
<td>1,476.3</td>
<td>1,456.7</td>
</tr>
<tr>
<td>Total stages 2 to 4</td>
<td>12.2</td>
<td>333.3</td>
<td>321.1</td>
</tr>
</tbody>
</table>

Stage 1 - Evaluation and selection: €2,756 million of requested EU contribution was detected as ineligible. Under the assumption that these proposals would have been financed according to the success rate of the Call, the detection of the ineligible proposals resulted in a quantifiable benefit of €1,143 million.

Stage 2 – Contracting: During the preparation of the GA the EU contribution has in some cases been adjusted (€282.4 million).

Stage 3 - Monitoring the execution: €271.692.615 million of ineligible costs were identified at the time of ex-ante controls that led to a reduction of €50.6 million of EU contribution.

Stage 4: Ex-post controls: Resulting from audits of the 2015 audit plan, financial adjustments of €0.3 million were recommended.

From the above it can be stated that even when not counting the benefits from stage one, the total benefits of controls from the three remaining stages (€333.3 million) clearly outweigh the overall costs of controls together (€19.2 million) in a proportion of 17.4:1. When comparing the operating costs incurred (€17.9 million) with the operational expenditure (€2,021 million), the resulting ratio is set at 0.9%, demonstrating the cost-effectiveness of the programmes execution.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated during the different control stages. Amongst the most important ones are that financed projects contributed to the achievement of the policy objectives (stage 1), and the deterrent effect of ex-post controls (stage 4). Furthermore, INEA considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk if they were not in place.

**Fraud prevention and detection**

INEA has developed and implemented its own anti-fraud strategy (AFS) since February 2013, elaborated on the basis of the methodology provided by the Commission. It has been updated in 2015.

72 In addition, the audits provided ex-post assurance to the AOD on over €67 million of audited EU contribution.

The update of the AFS of the Agency has been terminated during the reporting period with the support of a Working Group including colleagues from INEA's four parent DGs. The updated strategy is to be presented to INEA's management and then to be circulated to the parent-DGs for comments.

Legal input has been provided for on-going OLAF cases, especially as regards the two open cases under the Marco Polo Programme. One new case, under the TEN-T Programme is under OLAF assessment and is being followed up by INEA. Participation of the Agency has been ensured in the Fraud-Prevention and Detection Network (FPDNet) hosted by OLAF and the Fraud and Irregularity Committee of the Research Family (FAIR).

**Reliable Reporting**

According to Article 5 of its Establishing Act\(^{74}\), and article 19 of its Delegation Act\(^{75}\) INEA provides reports twice per year to the Commission and its Steering Committee on the tasks that it has been delegated. This reporting is based on the Agency's internal reporting procedure for monitoring its key areas of activity. The internal reports cover all key function areas and provide an updated picture of the Agency's activities to the management. They also ensure that the information is readily available if the Commission requires an on-the-spot check, as it is entitled to do according to Article 20\(^{76}\) of the Council Regulation on the statute of the Executive Agencies.

The Agency also reports to the Internal Audit Service on the follow-up of its audit recommendations. This is done twice a year (in January and July) by the Internal Control Manager via the IAS IT tool 'Issue Track'.

**Safe-guarding of assets**

The Agency protects its assets through a good internal control system which guards against loss because of theft or errors - and provides reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of its assets that could have a material financial effect. During 2015, the Executive Director has installed the Assets and Inventory Committee, appointed the chair and members and fixed the mandate of the Committee. In addition the INEA procedure on "Assets and Inventory Management" has been formalised. The Anti-fraud Strategy contains actions to cover all stages of the anti-fraud cycle. Assurance also exists that transactions related to assets have been properly processed and are appropriately controlled. In accordance with the Financial Regulation, the Agency uses the 'four-eyes' principle so that before an operation is authorised, all operational and financial aspects are verified by a staff member other than the one who initiated the operation.

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\(^{74}\) Commission Implementing Decision of 23 December 2013 establishing the Innovation and Networks Executive Agency and repealing Decision 2007/60/EC as amended by Decision 2008/593/EC.

\(^{75}\) Delegation Act: Decision C(2013) 9235 of 23 December 2013 delegating powers to the Innovation and Networks Executive Agency with a view to the performance of tasks linked to the implementation of Union programmes in the field of transport, energy and telecommunications infrastructure and in the field of transport and energy research and innovation comprising, in particular, implementation of appropriations entered in the general budget of the Union.

\(^{76}\) Council Regulation 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes.
2.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the opinion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

European Court of Auditors (ECA)

During the period of reference the Agency was audited by the European Court of Auditors (the Court) in three main areas: the operating budget and the preparation of the annual accounts; the Declarations of Assurance (DAS) for 2014 and 2015 and certain ongoing special audits.

The audit on the 2014 operating budget and annual accounts aimed to obtain reasonable assurance that the Agency’s annual accounts are free of material misstatement and that the underlying transactions are legal and regular.

The Court issued a positive opinion with no reservations on the operating budget and annual accounts of the Agency. The auditors made a comment on the management of the budget: the rate of the appropriations carried forward to year 2015 for title II was 25%, and for title III - 56%, which were above the recommended ceiling of 20% and 30% respectively.

The carry-overs to 2015 were justified as they concerned mainly services which could not be invoiced by the end of the year or postponed until the next year.

In the scope of the DAS 2014, four transactions on the operational budget were selected for review in 2014-2015.

According to the agreement between the Agency and the Court, staff from INEA accompanied the auditors on their visits to the beneficiaries. Five preliminary findings were issued and commented on by the Agency. For two of the selected transactions the Court did not issue preliminary findings.

The Court’s observations on the DAS 2014 audited transactions included ineligible expenditure, errors in public procurement and works classified as studies.

The Agency accepted the recommendations about the ineligible costs and the public procurement errors and disagreed with the observation for a wrong classification of works as studies. Regarding the preliminary finding which had been finalised, the Agency informed the beneficiary about the accepted observations and the resulting actions that will be taken. The other preliminary finding is still pending the final reply from the Court.

The Court reviewed the INEA AAR 2014 and made an observation related to its methodology for calculating the residual error rate for the TEN-T programme, to which INEA replied.

In the scope of the DAS 2015, four transactions were selected for review in the course of 2015. The Agency provided the requested documents and participated in all the Court’s visits to the beneficiaries. For one transaction of the audited projects the Court did not make any observations. The results for the other three will be received and dealt with by the Agency in 2016.

During the year the Agency finalised the follow up actions and issued recovery orders on two preliminary findings from previous years. There are no other pending actions resulting from previous years.
The Agency contributed with documentation or comments on the special audits on Maritime freight infrastructure, on Rail freight infrastructure, on Public Private Partnerships, on the management of financial instruments, and on the study for a potential audit on ERTMS. The Agency also reported on the DAS 2012 and 2013 follow up actions.

**Internal Audit Service (IAS)**

2015 has been a transitional year which can be summarised as follows:

- Following the European Commission Decision of 5 November 2014, the EA Internal Audit Capability (IAC) functions were to be integrated in the IAS by the end of February 2015 at the latest. INEA's handover meeting with the IAS was initiated on 16 January 2015 and completed by the formal handover note of the Executive Director on 19 March 2015.

- INEA contributed as such to the Risk Assessment and Draft Strategic Audit Plan of the IAS for 2016-2018.

- On 21 May the IAS launched the audit on "The Preparedness of the Management and Control System for CEF and Horizon 2020". The final report, issued on 29 January 2016, acknowledges the efforts made by INEA to define a controls strategy covering grant management process for CEF and Horizon 2020 in a relatively short timeframe and made one very important observation related to the completion of the overall control strategy. The proposed action plan in response to the recommendations has been accepted by the IAS on 12/2/2016.

- The IAS launched the Follow-up audit on IAC open audit recommendations related to "Procurement" and "Establishment of Rights" on 23 September 2015 and concluded that those recommendations ready for review have been adequately and effectively implemented.

For INEA, one audit recommendation (stemming from an open IAC recommendation related to the audit on procurement) is pending assessment from the IAS which will conduct the follow-up audit engagement in 2016.

**Conclusion**

As a result of the assessment of the risks underlying the auditor's observations together with the management measures taken or planned in response, the management of INEA believes that the recommendations issues do not raise any critical assurance implications and are being implemented as part of the on-going continuous efforts in terms of further improvements.

All recommendations issued by the European Court of Auditors and the Internal Audit Service are subject to a systematic follow-up and their status of implementation is closely monitored and reported to senior management.

**2.3 Assessment of the effectiveness of the internal control systems**

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

The Agency has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, integrating the ICS Standards and having due regard to the risks associated
with the environment in which it operates.

INEA annually assesses the effectiveness of its key control systems. The assessment relies on a number of monitoring measures and sources of information including management self-assessment, desk review by the Internal Control Manager (ICM) including updates/progress of related agreed actions through the Action Follow-up Tool; an analysis of the entries in the register of exceptions and non-compliance (ICS8) including detection of internal control weaknesses (ICS12), relevant audit findings and observations and the annual risk assessment process (ICS6).

To reinforce the assurance building process the Agency has created in 2015 the post of a dedicated Internal Control Manager (ICM) reporting to the Executive Director of the Agency that has been filled as of 16 June 2015. The ICM role is to contribute to the Agency’s horizontal objective to maximise the effectiveness and efficiency of INEA’s resources, Programme support and administrative support, conduct consultancy assignments on procedures used and the functioning of the Agency, act as liaison officer with the IAS.

**Effective implementation of the Internal Control Standards**

The Agency’s annual review of its implementation of the Internal Control Standards takes normally place between October and December and is conducted by a revision of the control inventory and assessment of the key controls identified involving a high number of staff members and management. In view of the very high workload of INEA staff including middle managers in Q4 with the aim to reach the policy objectives set (see part one), it was agreed that for 2015 the ICM would do a desk review of the key controls, targeted interviews with "key control holders" on compliance and effectiveness of implementation of the Internal Control Standards and sample testing of key controls.

Special attention was given to the three 2015 prioritised IC standards being: Staff Allocation and Mobility (ICS3), Operational Structure (ICS7) and Information and communication (ICS12), each having their respective action plans linked and monitored through the Action Follow-up Tool.

This led to a 'top-down' assessment of the Agency’s internal control status, with respect to both the ICS compliance and the effectiveness of the control arrangements in place to senior management. Furthermore, the 'bottom-up' information in internal control issues received through the AOSD Management reports complements the overall view.

This analysis enabled the Internal Control Manager to report the state of internal control and her recommendations to the Executive Director, including suggestions for the following ICS to be prioritised during 2016: (1) Staff Appraisal and Development (ICS4); (2) Processes and Procedures (ICS8) and (3) Document management (ICS11).

The effectiveness review carried out in 2015 concluded that all Internal Control Standards were effectively implemented in the Agency. The Internal Control Standards will be reviewed on a continuous basis and different initiatives will be taken with respect to different Internal Control Standards if and where needed.

**Deviation reporting: exceptions and non-compliance events including identification of internal control weaknesses.**

The functioning of the internal control systems can also be assessed throughout the year by means of a systematic registration of exceptions and non-compliance events (under ICS8) and internal control weaknesses (ICS12). The Agency has a system in place to ensure the recording of exceptions or non-compliance to procedures/rules through a process of justification by the initiating service, approval by the Executive Director and a central risk register maintained by the ICM. The INEA Manual of Procedures (MoP) explains the process in detail and is available on the Agency’s intranet.

During the reporting year the procedure for deviation reporting has been updated with
the aim to: (1) improve the control system; (2) empower INEA colleagues in applying ICS standards and (3) moving to a paperless procedure.

In 2015 four exceptions and one non-compliance event were registered. The underlying causes have been analysed and corrective and alternative mitigating controls have been implemented where and when necessary. The analysis of the underlying reasons of the reported deviations were not considered as material and thus not a reason for reservation in the Declaration of Assurance.

**Risk Management**

Each year, the Agency conducts a risk management exercise as part of the Annual Work Programme. The process is designed to alert managers to possible problems in delivering their mission and objectives and encourage early action in order to anticipate and overcome potential pitfalls. The outcome of this exercise is an obligatory risk register containing the most significant risks at INEA level. Senior management decided that "Insufficient staff and resources in light of the heavier workload than expected" should be considered critical for the Agency in 2015.

An action plan has been developed and following measures were taken to mitigate the risk identified and thus avoiding it to materialise:

- The update of the Agency’s workload analysis was done in March 2015;
- Collaboration and coordination meetings with the parent DGs: Monthly coordination meetings have been set up with all parent DGs, the pace of meetings is increased when the evaluation period is approaching;
- Internal cooperation between different departments of the Agency: An overall Call planning table has been created and made available on INEA’s common drive to ensure a collaborative and consistent approach to Call planning;
- Evaluation planning per Call is discussed and agreed internally when the deadline of the concerned Call is approaching.

During the IAS audit engagement on Preparedness of Management and Control system for CEF and Horizon 2020, the IAS assessed the workload analysis as a strength and in combination with the other actions taken, the Agency has been able to mitigate the critical level of the risk identified bringing it to the level of close monitoring at the end of 2015.

The close follow-up and monitoring of the other risks identified during the Risk Assessment revealed that the exposure remained under control. None of the reported risks (1) Insufficient payment credits may lead to an increased time to pay, payments of late interest and/or INEA not being able to pay (failure to fulfil its legal obligations), resulting in reputational risk for INEA; (2) decreased staff motivation due to lack of career perspectives and high workload which could lead to increased staff turnover, absenteeism, conflicts, and performance issues and (3) insufficient IT development resources for the development of the CEF related IT system could have a negative impact on the efficient implementation of the Programme) were considered to have scope for further risk mitigating actions. For all Risks reported, central monitoring during the year of the actions identified was considered to be sufficient.

In 2015 the Agency overhauled and reinforced the risk management exercise by issuing Risk management guidelines for all staff and establishing Unit level Risk Registers as a base line. The input gathered is fed through a bottom-up approach into the respective Department risk registers. Following management assessment, these building blocks form the basis of the overall INEA Risk Register.
Audit recommendations

After the hand-over of the Agency's IAC function to the IAS in early 2015, INEA continued its pro-active supervision and reporting, ensuring a timely implementation of all ECA and IAS audit recommendations. The state of implementation of audit recommendations is reported to senior management on a regular basis through the Action Follow-up Tool as well as through IAS feedback on GRC Issue Track status. This mechanism has allowed INEA to assure good performance in the implementation of audit Recommendations.

General Risk Environment

Following the mission statement to support the Commission, project promoters and stakeholders by providing expertise and high quality of programme management to infrastructure, research and innovation projects in the fields of transport, energy and telecommunications, and to promote synergies between these activities, to benefit economic growth and EU citizens, as a spending EA, the inherent risks of INEA are associated with sound financial management. The Agency is particularly concerned to keep error rates in spending programmes down to a tolerable level and to balance trust and control.

Conclusion

Concerning the overall state of the internal control system, generally INEA complies with the three assessment criteria of effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively and (c) no instance of ineffective controls that have exposed the Agency to its key risks.

Although in the audit on Preparedness of the Management and Control System for Connecting Europe Facility and Horizon 2020, the IAS acknowledges the efforts made by INEA to define a control strategy in a relatively short timeframe, the very important recommendation was issued for INEA to further develop an overarching control strategy for the implementation of CEF and Horizon 2020 in line with corporate guidance. The action plan responding to this observation was accepted by the IAS on 12/2/2016 (see IAS section above).

In this respect it is to be noted that for the roll-out of Horizon 2020 and CEF programmes the elements of the overall control strategy to be further developed (e.g. ex-post audit strategy) do not affect the 2015 internal control framework, but have led to identifying ICS 8 as a priority for 2016.

Further enhancing the effectiveness of the Agency's control arrangements in place, by inter alia taking into account any control weakness reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

In conclusion, the internal control standards are effectively implemented and functioning. Furthermore INEA has taken measures to further improve the efficiency of its internal control system in the area of staff allocation & mobility (ICS3), operational structure (ICS7) and information & communication (ICS12).
2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Part 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available and give a true and fair view. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Executive Director of INEA as Authorising Officer. This is confirmed by the statement of the Internal Control Coordinator in Annex 1. Further assurance is obtained by the risk management process put in place, and during the reporting year, no cases of significant conflicts of interest, misapplications of procedures or intentionally overridden controls came to the attention of the Agency's management. Management has therefore obtained satisfactory evidence that the internal control system in its entirety is implemented effectively in INEA.

Results from audits during the reporting year give an overall positive feedback and did not include any critical findings. The residual risk from audit recommendations remaining open from previous years is not considered to have a bearing on the declaration of assurance.

On the basis of the supervision and monitoring activities, the INEA management judges that resources are used for the intended purpose following sound financial management, legality and regularity and non-omission of significant information. Other internal control objectives (safeguarding of assets and information; and the prevention, detection and correction of fraud and irregularities) for both expenditure and/or revenue operations are achieved. There are no weaknesses identified that significantly affect operational management nor the legality and regularity of the Agency's actions in 2015. In the internal control assessment no critical observations were made that would affect the Executive Director's declaration. In conclusion, the Authorising Officer for INEA has obtained reasonable assurance for the budget delegated to him as well as for the Union's own resources.

Overall Conclusion

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

I, the undersigned,

Executive Director of Innovation and Networks Executive Agency

In my capacity as authorising officer for the operating (administrative) budget and authorising officer by delegation for the operational budget

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

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls and the opinion of the Internal Auditor on the state of control.

Confirm that I am not aware of anything not reported here which could harm the interests of the Innovation and Networks Executive Agency.

Brussels, 31 March 2016

(signed)

Dirk Beckers

AOD

77 True and fair in this context means a reliable, complete and correct view on the state of affairs in the Executive Agency.