

## REPORT

**on the annual accounts of the Executive Agency for Competitiveness and Innovation for the financial year 2011, together with the Agency's replies**

(2012/C 388/08)

## INTRODUCTION

1. The Executive Agency for Competitiveness and Innovation ("the Agency"), located in Brussels, is the former Intelligent Energy Executive Agency (IEEA). Its mandate and duration were modified by Commission Decision 2007/372/EC <sup>(1)</sup> amending Decision 2004/20/EC <sup>(2)</sup>. The Agency was established for a limited period, beginning on 1 January 2004 and now ending on 31 December 2015, to manage EU actions in the field of energy, entrepreneurship and innovation, and sustainable freight transport <sup>(3)</sup>.

## INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Agency's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

## STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union, the Court has audited the annual accounts <sup>(4)</sup> of the Agency, which comprise the "financial statements" <sup>(5)</sup> and the "reports on implementation of the budget" <sup>(6)</sup> for the financial year ended 31 December 2011 and the legality and regularity of the transactions underlying those accounts.

## The Management's responsibility

4. As authorising officer, the Director implements the revenue and expenditure of the budget in accordance with the financial rules of the Agency, under his own responsibility and within the limits of the authorised appropriations <sup>(7)</sup>. The Director is responsible for putting

in place <sup>(8)</sup> the organisational structure and the internal management and control systems and procedures relevant for drawing up final accounts <sup>(9)</sup> that are free from material misstatement, whether due to fraud or error, and for ensuring that the transactions underlying those accounts are legal and regular.

## The Auditor's responsibility

5. The Court's responsibility is to provide, on the basis of its audit, the European Parliament and the Council <sup>(10)</sup> with a statement of assurance as to the reliability of the annual accounts of the Agency and the legality and regularity of the transactions underlying them.

6. The Court conducted its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require that the Court plans and performs the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free of material misstatement and the transactions underlying them are legal and regular.

7. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the transactions underlying them. The procedures are selected based on the auditor's judgement, including an assessment of the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the European Union, whether due to fraud or error. In assessing those risks, the auditor considers internal controls relevant to the preparation and fair presentation of the accounts and supervisory and control systems implemented to ensure legality and regularity of underlying transactions, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made, as well as evaluating the overall presentation of the accounts.

<sup>(1)</sup> OJ L 140, 1.6.2007, p. 52.

<sup>(2)</sup> OJ L 5, 9.1.2004, p. 85.

<sup>(3)</sup> The Annex summarises the Agency's competences and activities. It is presented for information purposes.

<sup>(4)</sup> These accounts are accompanied by a report on the budgetary and financial management during the year which gives further information on budget implementation and management.

<sup>(5)</sup> The financial statements include the balance sheet and the economic outturn account, the cash-flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

<sup>(6)</sup> The budget implementation reports comprise the budget outturn account and its annex.

<sup>(7)</sup> Article 25 of Commission Regulation (EC) No 1653/2004 (OJ L 297, 22.9.2004, p. 10).

<sup>(8)</sup> Article 29 of Regulation (EC) No 1653/2004.

<sup>(9)</sup> The rules concerning the presentation of the accounts and accounting by the Agencies are laid down in Chapter 1 of Title VI of Regulation (EC) No 1653/2004 as last amended by Regulation (EC) No 651/2008 (OJ L 181, 10.7.2008, p. 15).

<sup>(10)</sup> Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

8. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

***Opinion on the reliability of the accounts***

9. In the Court's opinion, the Agency's Annual Accounts <sup>(11)</sup> present fairly, in all material respects, its financial position as of 31 December 2011 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the Accounting Rules adopted by the Commission's Accounting Officer <sup>(12)</sup>.

***Opinion on the legality and the regularity of the transactions underlying the accounts***

10. In the Court's opinion, the transactions underlying the annual accounts of the Agency for the financial year ended 31 December 2011 are legal and regular in all material respects.

11. The comments which follow do not call the Court's opinions into question.

**BUDGETARY AND FINANCIAL MANAGEMENT**

12. The Agency's initial 2011 budget of 16,2 million euro included 10,7 million euro for staff costs. Actual staff expenditure was 10 million euro. While the budget was overestimated by 0,7 million euro, the underutilisation was less than in previous years (for example 1,5 million euro in 2010 <sup>(13)</sup>).

**KEY CONTROLS OF THE AGENCY'S SUPERVISORY AND CONTROL SYSTEMS**

13. Under the rental agreement concluded in 2010 for its new premises, the Agency has to pay a total amount of 2,4 million euro in respect of refurbishment of the offices by the landlord. The Agency made an initial payment of 2 million euro in 2010. The remaining amount was to be paid in three further instalments in 2011, 2012 and 2013.

14. The Agency incorrectly calculated the amount to be paid in 2011 and, as a consequence, made an overpayment of 108 287 euro. The landlord reimbursed the overpaid amount in January 2012. However, the incorrect payment by the Agency indicates the need to reinforce its controls in order to prevent such overpayments.

This report was adopted by Chamber II, headed by Mr Harald NOACK, Member of the Court of Auditors, in Luxembourg at its meeting of 10 October 2012.

*For the Court of Auditors*  
Vitor Manuel da SILVA CALDEIRA  
*President*

<sup>(11)</sup> The Final Annual Accounts were drawn up on 28 June 2012 and received by the Court on 28 June 2012. The Final Annual Accounts can be found on the following website [http://ec.europa.eu/eaci/docs\\_en.htm](http://ec.europa.eu/eaci/docs_en.htm).

<sup>(12)</sup> The Accounting Rules adopted by the Commission's Accounting Officer are derived from International Public Sector Accounting Standards (IPSAS) or, by default, by International Financial Reporting Standards (IFRS).

<sup>(13)</sup> See paragraph 13 of the Report on the annual accounts 2010 (OJ C 366, 15.12.2011, p. 81).

## ANNEX

**Executive Agency for Competitiveness and Innovation (Brussels)**  
**Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty on the Functioning of the European Union (TFEU)</b></p>	<ol style="list-style-type: none"> <li>1. The Union policy on the environment shall contribute to preserving, protecting and improving the quality of the environment; protecting human health; prudent and rational utilisation of natural resources; and promoting measures at international level to deal with regional or worldwide environmental problems.  (Article 191 of the TFEU)</li> <li>2. The Union policy on industry shall ensure that the conditions necessary for the competitiveness of the Union's industry exist by speeding up the adjustment of industry to structural changes, encouraging an environment favourable to initiative and to the development of and cooperation between undertakings, fostering better exploitation of the industrial potential of policies of innovation, research and technological development. The Member States shall consult each other in liaison with the Commission and, where necessary, shall coordinate their action. The Commission may take any useful initiative to promote such coordination.  (Article 173 of the TFEU)</li> <li>3. The common transport policy shall lay down common rules applicable to international transport to or from the territory of a Member State or passing across the territory of one or more Member States. It shall also set out the conditions under which non-resident carriers may operate transport services within a Member State, and lay down measures to improve transport safety.  (Articles 91(1) and 100(2) of the TFEU)</li> </ol>
<p><b>Competences of the Agency</b></p> <p>(as defined in Commission Decision 2004/20/EC amended by Decision 2007/372/EC)</p>	<p><b>Objectives</b></p> <p>Within the framework of the Lisbon strategy for growth and jobs, the European Union has taken measures to promote and develop competitiveness and innovation. These measures include the establishment of the Competitiveness and Innovation Framework Programme (CIP) 2007-2013 (Decision No 1639/2006/EC), notably with the programmes Intelligent Energy - Europe (IEE) and Entrepreneurship and Innovation (EIP). The measures also include the Marco Polo (MP) programme (Regulation (EC) No 1692/2006). The main objectives are to foster competitiveness of enterprises, in particular SMEs; to promote all forms of innovation, as well as eco-innovation; to promote energy efficiency and new and renewable energy sources in all sectors, including transport. Under these EU programmes, the Agency is responsible for all implementing tasks concerning EU aid, except for programme evaluation, monitoring of legislation and strategic studies, or any other action which comes under the exclusive competence of the European Commission.</p> <p><b>Tasks</b></p> <p>Implementing the EU programmes according to the delegations received from the Commission:</p> <ul style="list-style-type: none"> <li>— to manage all phases in the lifetime of specific projects;</li> <li>— to carry out all operations necessary to manage the EU programmes, in particular budget implementation with awarding contracts and grants;</li> <li>— to gather, analyse and pass on to the Commission all the information needed to guide the implementation of the programmes as well as to promote coordination and synergy among the programmes;</li> <li>— as regards the EIP, to be in charge of project management and network animation of the Enterprise Europe Network, eco-innovation pilot and market replication projects, and innovation actions with a high degree of standardisation (IP Base project).</li> </ul>

<b>Governance</b>	<p><b>Steering Committee</b></p> <p>Comprises five members appointed by the European Commission. It adopts the Agency's annual work programme after approval by the European Commission. In addition, it adopts the administrative budget of the Agency and its annual activity report.</p> <p><b>Director</b></p> <p>Appointed by the European Commission.</p> <p><b>External Audit</b></p> <p>The Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>Parliament, acting on a recommendation by the Council.</p>
<b>Resources made available to the Agency in 2011 (2010)</b>	<p><b>Budget</b></p> <p><i>A) Operational budget</i></p> <p>229,6 (249,8) million euro planned (100 % general budget of the EU). The EACI implements the operational budget under the responsibility of the Commission:</p> <ul style="list-style-type: none"> <li>— for IEE 83,8 (71,0) million euro;</li> <li>— for EIP-eco-innovation 38 (35,2) million euro;</li> <li>— for EIP-Networks 50,9 (79,7) million euro,</li> <li>— for MP 56,8 (63,8) million euro.</li> </ul> <p><i>B) Administrative budget</i></p> <p>15,6 million euro (100 % EU subsidy) for the administrative budget for which the EACI is autonomous.</p> <p><b>Staff at 31 December 2011</b></p> <ul style="list-style-type: none"> <li>— Total staff: 159 (155) planned, of which 156 (142) occupied;</li> <li>— TA posts: 37 (37) planned, of which 33 (33) occupied;</li> <li>— Contract staff: 122 (118) posts planned, of which 123 (109) occupied.</li> </ul>
<b>Products and services 2011</b>	<p><b>For the Intelligent Energy Europe (IEE)</b>, 384 applications were received in the call for proposals and more than 100 project meetings were attended. By the end of March 2011, the Agency completed most contract negotiations for the 44 proposals selected under the Call 2010. The majority of contracts were signed by the end of April 2011.</p> <p>The EACI participated in more than 20 national info days. It also answered to about 200 pre-proposal check requests, in less than a week on average. Special efforts were dedicated to the promotion of the new 'Build Up Skills' initiative to train and qualify the building workforce. A stakeholder's workshop was organised by the EACI on 16 March to inform building, training and institutional actors about the initiative.</p> <p><b>EIP programme - Enterprise Europe Network</b></p> <p>The programme is made up of more than 580 partner organisations in 47 countries, including the 27 EU member states. In addition to project management tasks of 92 contracts (specific grant agreements) and the IPEuropAware project, the EACI is also responsible for the 'animation' of the Enterprise Europe Network and for managing the IT tools and databases for the interactive communication among the network partners. In 2011, EACI implemented on behalf of the Commission the following actions:</p> <ul style="list-style-type: none"> <li>— Enterprise Europe Network: <ul style="list-style-type: none"> <li>— Network operations;</li> </ul> </li> </ul>

- Network support (animation);
- IT-tools for the Network.
- IPR-projects and Your Europe Business portal;
- Eco-innovation first application and market replication projects.

#### **Eco-innovation**

Eco-innovation is supported via the CIP through several types of measures (financial instruments, networks of national and regional actors, first application and market replication projects). The Agency is entrusted with the management of the eco-innovation first application and market replication projects with an indicative budget of EUR 185 million for the period 2008-2013.

The efforts in 2011 concentrated on:

- Completion of the implementation of call for proposals 2010: negotiations were completed by end of November 2011, all contracts (47) were signed by end of November.
- New call for proposals 2011. The 2011 call was launched in April 2011 and attracted 280 proposals. Central evaluation took place from 21 November to 9 December. Final meeting was scheduled for 14 February 2012.
- Generation and dissemination of information about the EIP eco-innovation projects, as set out in the Agency's Communication Work Plan (electronic news alerts, regular updates of the Eco-innovation website; transfer of Eco-innovation projects database to a new server, new hosting and maintenance contract in place; organization of the European Info Day 2011 organised in April 2011.
- Management of ongoing projects.

#### **Marco Polo programme**

Key activities:

- Completion of the implementation of call for proposals 2010 (101 applications were received).
- Following the adoption of the 2011 MP Work Programme, to promote and implement the 2011 Call for proposals - the call was published on 21 October with a deadline for the submission of proposals of 16 January 2012.
- To generate and disseminate information about the Marco Polo programme, as set out in the Agency's Communication Work Plan.
- To make recommendations to parent DG MOVE on the implementation of the Marco Polo programme and its future development.
- Management of ongoing projects.

Source: Information supplied by the Agency.

### THE AGENCY'S REPLIES

12. In line with previous recommendations from the Court, the Agency has improved its forecasting on Title 1 (Staff expenditure). There was indeed a small overestimation in 2011, due to factors external to the Agency or difficult to predict when the initial budget was adopted, such as: absence of decision on salary indexation, staff requesting parental or unpaid leave, higher staff turnover than anticipated, and recruitment for specific functions taking longer than expected. The 2012 budget continues a stricter forecasting approach. The budget implementation in 2012 shows that the estimates of staff expenditure are more accurate than in previous years. The Agency considers that it is unlikely to have a significant surplus in the future.

13-14. The overpayment in question was acknowledged by the Agency. As noted by the Court, it was immediately reimbursed by the landlord. The case has been documented and the fitting out works related to this contract have now been fully reimbursed. The Agency will take the necessary measures to avoid a similar situation for future contracts with early reimbursements.

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