



European Research Council
Executive Agency

Established by the European Commission



2013

Annual Activity Report

**European Research Council
Executive Agency**

Figures related to the financial statements are based on provisional accounts,
as final accounts are to be adopted by July 1st, 2014.

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INTRODUCTION

The ERCEA in brief

The European Research Council (ERC) is organised along a two-tier structure, composed of an independent Scientific Council and a dedicated implementation structure, the European Research Council Executive Agency (ERCEA), which handles autonomously the operational management of the "Ideas" programme¹. The ERC marks a new approach to investing in frontier research in Europe, aiming at reinforcing excellence, dynamism and creativity in European research by funding investigator-driven projects of the highest quality at the frontiers of knowledge. Such EU-funded research responds to the needs of improving the attractiveness of Europe for the best researchers worldwide and strengthening the EU capacity to generate new knowledge back into the economy and the society. In addition, the ERC frontier research funding benefits the scientific community in Europe by providing researchers in Europe with the means to conduct their research independently and by offering them attractive perspectives for a career in science. These objectives are fully in line with the aims of the Europe 2020 strategy designed to deliver smart, sustainable and inclusive growth through the strengthening of every link in the innovation chain, from 'blue sky' research to commercialization.

The Scientific Council², representing collectively the European scientific community, sets the ERC scientific strategy, having full authority on the type of research to be funded. It further monitors the scientific management and quality performance of the programme implementation, and establishes the external communication strategy.

In turn, the ERCEA executes the scientific strategy established by the ERC Scientific Council and supports the latter in fulfilling its tasks by providing advice and analysis, organising and running its plenary meetings as well as the regular meetings of the Scientific Council's members with ERC stakeholders, thus guiding the implementation of the "Ideas" programme. Furthermore, being accountable to the European Commission, the ERCEA is supervised by its Steering Committee³, which overlooks the Agency's operations and adopts the Annual Work Programme (AWP), administrative budget and annual reports.

Through the management of ERC funding instruments⁴, from the call for proposals to

¹ Council Decision 2006/972/EC, of 19 December 2006, OJ L54, 22/2/2008.

² Composed of 22 members.

³ The Steering Committee is composed of five members, appointed by the European Commission: the Director-General of DG Research and Innovation, as Chairperson of the Committee, the Resources Director of DG Research and Innovation, as Vice-chairperson of the Committee, the Director of DG HR, responsible for Organisation and Executive Staff, and two members of the ERC Scientific Council. The ERC Secretary General has observer status.

⁴ ERC funding instruments are the Starting Grant, the Consolidator Grant, the Advanced Grant – the 3 core schemes – the Synergy Grant and the Proof of Concept Grant. For more details, please refer to Annex 6.1.

final payments and closure of projects, the ERCEA enables to finance investigator-driven research of the highest quality and favours innovative ideas and inter-disciplinary research, along with its mission statement: *“The European Research Council Executive Agency is dedicated to selecting and funding the excellent ideas that have not happened yet and the scientists that are dreaming them up.”*

2013 being the last year of the "Ideas" programme, the overall budget of € 7,5 billion for the period 2009 – 2013 has been fully implemented in accordance with the indirect centralised management mode⁵. In addition, throughout that period the ERCEA proved to be an efficient, effective and cost-effective tool for the management of the "Ideas" Specific Programme, earning an enhanced recognition as a world-class research funding agency for the quality of its operations. Indeed, its administrative budget, managed under the direct centralised management mode, was kept in 2013 to 2,27%⁶ of the operational budget. At the end of 2013, the ERCEA employed a total of 379 agents, resulting in 70% of total staff being allocated to ERCEA's operational activities, the Scientific Management Department and the Grant Management Department accounting for respectively 40% and 30% of total staff. Contract agents represented 71% of total ERCEA staff members.

The year in brief

ERCEA's main challenge during 2013 was to cope, in a context of staff restrictions and payment credits shortage, with the execution of the annual operational budget, which increased by 12,2% in 2013 and with the increased number of transactions, i.e. proposals submitted, experts appointed, contracts signed or payments made, while not compromising either the quality of provided services or the effectiveness and efficiency of processes and meeting its performance targets.

Indeed, considering all calls together, the number of submitted proposals (10.151⁷) exceeded the target set in the 2013 AWP of the Agency by 17%, which already forecast a 10% increase compared to actual 2012 submissions (7.899). Despite this rise, targets related to the scientific management were successfully met.

In order to address this increased volume of demand the evaluation system has been revised in the 2013 "Ideas" Work Programme⁸ splitting one of its core funding

⁵ As of 1st of January 2014 Article 58 of the new FR enters into force, establishing one management mode for Executive Agencies, direct management. Following DG BUDGET's advice, the Agency is already applying the Direct Management instructions and templates published in BUDGWEB.

⁶ Refer to Annex 6.6 for the administrative budget (€ 40 Mio) and Annex 6.2 for the operational budget (€ 1.762 Mio).

⁷ Representing almost a 30% increase compared to the number of proposals submitted in 2012.

⁸ Commission Decision C(2012) 4562 of 09/07/2012 adopting the 2013 Work Programme in the framework of the Specific Programme "Ideas" implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013), pp. 19-20.

instrument, the "Starting Grant", into two schemes: the "ERC Starting Grant" for starters with at least two years but not more than seven years' experience after their PhD and the "ERC Consolidator Grant" for scientists who completed their PhD at least seven, but no longer than 12 years ago.

Additionally, the number of payment transactions processed throughout the year increased by 31% compared to 2012. The overall implementation of the "Ideas" programme matured from the call for proposals, evaluation and granting stages towards grant implementation process stage as shown by the increasing share of payments against cost declarations (70% in 2013 against 55% of all payments), triggering a raise in scientific projects' follow up⁹. Thanks to continuous and prudent budget forecasting, adequate allocation of resources and well-designed processes, ERCEA financial management targets were also met. Furthermore, looking ahead to 2014, the Grant Management Department prepared its major reorganization, whereby the organisation along the various phases of the project life-cycle will be replaced by a structure based on the type of grants as of 1st January 2014.

Furthermore, this year was the crucial year for the preparation for Horizon 2020 and the finalisation of the relevant legislation and guidance documents. The ERCEA significantly contributed, together with DG Research and Innovation, other Executive Agencies and DGs to the launch of Horizon 2020, leading to the adoption of the ERC establishing acts, the ERCEA Delegation Act, as well as the adoption of the ERC Work Programme, the ERC Model Grant Agreements and the H2020 model expert contract, thus allowing the first ERC 2014 calls to be timely published in December. In this context, the renewal of the membership of the ERC's Scientific Council, including a new full-time President in Brussels was announced at year end.

Finally, to attract proposals from excellent researchers from all over the world, the ERCEA continued implementing its external communication strategy, inside and outside Europe, as reflected in the results shown in the first line of the table above regarding the number of website visitors and the ERC press coverage, as well as in the increased submitted applications. For example, ERC Scientific Council members or ERCEA representatives organised or attended key-events, including scientific congresses¹⁰, meetings gathering young talents¹¹ or the well-known American Association for the Advancement of Science (AAAS) held each year in the US, all attended by research talents. In addition, to promote and widen participation in ERC calls in specific countries, targeted visits and meetings were organized (or co-organized with national authorities, NCPs or with DG RTD) like in Poland and in Lithuania. Outside Europe¹², the ERC Secretary General and together with ERCEA staff presented the ERC schemes to local audiences in carefully selected institutions, known to be centres of excellence for research, in the framework of the "ERC goes global" awareness raising campaign.

⁹ 228 scientific reports in 2012 compared to 787 in 2013.

¹⁰ "European society for Cognitive Psychology", "EMBO" and "European Sociological Association".

¹¹ "Lindau Nobel laureate meeting" and the "Young Academy of Europe".

¹² Argentina, Canada, Chile, Brazil, Mexico, India, China, Japan, Hong Kong, South Korea, Taiwan, Australia, Russia, South Africa and New Zealand.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director of the ERCEA 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 towards the Budgetary Authority for the management of resources and the achievement of objectives.

Key Performance Indicators

	AWP 2013 target	31.12.2013	Reference for detailed information
Average time to inform applicants¹³ (days)	StG, CoG, AdG 2013: 160 days SyG 2013: 180 days PoC 2013: 60 days	StG, CoG, AdG 2013: 163 SyG 2013: 113 PoC-1 2013: 96 PoC-2 2013: 77	1.1.2; 2.1.1, stage 1
Time to contract from invitation to signature of grant (days)	90 days / 105 days ¹⁴	StG 2012: 105 StG 2013: 104 AdG 2012: 119 AdG 2013: 140 SyG 2012: 197 PoC 2012: 109	1.2.1; 2.1.1, stage 2
Budget execution (Commitments and Payment Credits)¹⁵	100%	100%	1.2.2
Average time to pay	<30/90 days ¹⁶	15,1	2.1.1
Ex-post control residual error	-	1,23% ¹⁷	2.1.1, stage 4

¹³ As stated in FR Art. 128: "The authorising officer by delegation shall report in his or her annual activity report on the average time taken to inform applicants, sign grant agreements or notify grant decisions."

¹⁴ Last year's target of 105 days has been reduced to 90 days for the time to contract from invitation to signature of grants, in order to comply with the new FR which entered into force on 1 January 2013 (cf. OJ L298 of 26/10/2012 p. 61). However, this target is only binding for calls launched in 2013 under the new FR and therefore not applicable to calls reported in the present AAR, which were launched in 2012.

As a consequence, the target of "time to grant (from invitation to signature)" is 105 days, like in 2012, for all calls reported in the present AAR.

¹⁵ It concerns L1 Commitment and payments appropriations (C1 credits).

¹⁶ These targets result from the FR; ERCEA AWP 2013 related targets are 20 days for pre-financing and 90 days for interim and final payments.

Implementation of the Agency's Annual Work programme - Highlights of the year

The performance objective of the evaluation process is to strike the right balance between the quality of evaluation (time needed for experts to properly review an increasing number of proposals) and the timeliness of communication of the results to an increasing number of applicants. The historic increasing number of submitted proposals (25% increase on average since 2010) keeps challenging this delicate balance.

Despite a yearly increase of 28,5% of all submitted proposals, reaching more than 10.000 proposals received and the running of 5 calls for proposals for the first time in 2013, the core schemes' "time to inform applicants" has remained well below the Financial Regulation (FR) target of 180 days and remarkably stable at around 160 days (+/- 3%) since 2011, year in which the ERCEA departed from the 2 calls per year scheme. In particular, this deviation versus the AWP target represents only 1,8% (i.e. 3 days) to be considered in the perspective of the 2013 number of submitted proposals of 9.410, in line with 2012 results.¹⁸

As an exception, the "time to inform" of the 2013 Proof of Concept call shows a deviation from the target, due to the high number of submitted proposals in response to the call (PoC-1 and PoC-2¹⁹). Corrective measures implemented for the second deadline of the call (PoC-2) have proved to be effective, as the "time to inform" dropped from 96 to 77 days between the first and second deadline.

Considering the high increase of submitted proposals, the efficiency of the process has actually improved in 2013 as demonstrated by the stable "average time to inform applicants" over the years for all types of schemes (around 160 days). Consequently, management considers that the achieved results fulfilled ERCEA's mission statement and its operational objectives, thus positively impacting the assurance.

In the AWP 2013, the "time to contract" target (from invitation to signature) has been reduced from 105 days in 2012 to 90 in 2013, as to comply with article 128 of the new FR²⁰. However, this target is only binding for calls launched in 2013 under the new FR and therefore not applicable to calls reported in the present AAR, which were launched in 2012 (except for PoC 2013). Furthermore, looking ahead, article 20.3 of the Horizon 2020 Rules of Participation²¹ grants a derogation for actions of the ERC, as the common

¹⁷ Drawn on the basis of the ERCEA MUS sample as shown in Part 2.1.1 stage 4.

¹⁸ The related 2012 average "time to inform" was 155 days (7.045 submitted proposals).

¹⁹ The Proof of Concept call has 2 deadlines per year (in spring and autumn).

²⁰ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council, of 25 October 2012, on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002, OJ L 298, 26.10.2012, p. 1.

²¹ Regulation (EU) No 1290/2013 of the of the European Parliament and of the Council, of 11 December 2013, laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" and repealing Regulation (EC) No 1906/2006, OJ L 347, 20.12.2013, p 81.

"time to grant" of 90 days referred to in article 20.2 *"... may be exceeded for actions of the European Research Council and in exceptional, duly justified cases, in particular for complex actions, where there is a large number of proposals or where requested by the applicants"*. As a consequence, the target to be retained as the "time to grant (from invitation to signature)" is 105 days, like in 2012, for all calls reported in the present AAR.

The "time to contract" deviation from the 105 days target related to the Advanced Grants 2012 and 2013 is due to their evaluation schedule, whilst the deviations of the Synergy Grants are due to the complexity of this scheme (2 to 4 Principal Investigators).

The other performance indicators (budget execution, "average time to pay" and ex-post control residual error rate), meeting the targets, do support the declaration of assurance.

Key conclusions on resource management and internal control effectiveness

In accordance with the governance statement of the European Commission, the ERCEA 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 standards, based on international good practice, aimed to ensure the achievement of the operational objectives related to programme implementation. As required by the FR, the Director has put in place the organisational structure and the internal control systems suited for the achievement of the implementation of the "Ideas" programme's and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The ERCEA has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented²².

In addition, the ERCEA has systematically examined the available control results and indicators, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives²³.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and

²² Please refer to Part 3 for further details.

²³ Please refer to Part 2 for further details.

mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer by Delegation for the operational budget and as Authorising Officer for the administrative budget has signed the Declaration of Assurance.

Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of the ERCEA's Steering Committee and to the parent DG Director General, who has integrated these in his reporting to Commissioner Máire Geoghegan-Quinn, responsible for Research and Innovation.

1. IMPLEMENTATION OF THE AGENCY'S ANNUAL WORK PROGRAMME

Reflecting the two tier-structure of the European Research Council, the “Ideas” Work Programme, annually established by the ERC Scientific Council and adopted by the Commission, defines the specific objectives and result indicators disclosed below. These derive from the general targets of the FP7 as a whole and from Commission’s policy objectives in the area of research which may be found in the FP7 legal basis and in the Annual Management Plan of DG Research and Innovation. In addition, these objectives and indicators are reflected in the ERCEA Annual Work Programme, as to bridge the ERC policy and corresponding ERCEA implementation objectives, the latter being reported in detail below.

Specific objective 1	Indicators [source: AWP 2013]	Target (result)	31.12.2013
To enhance the generation of excellent, innovative ideas in frontier research in Europe	Number of international prizes and awards by grant holders	200 by 2020	ERCEA has recorded 134 ²⁴ ERC grantees who won prestigious research prizes. (For this indicator, only prizes awarded after the ERC Grant are taken into consideration. Also noteworthy is the fact that ERC counts among its grantees 8 Nobel prize winners and 3 Field Medallists).
	Number of scientific publications by grant holders	~40-60.000 by 2020	ERCEA has collected more than 20.000 ²⁵ journal articles from ERC funded projects from Thomson Reuters' Web of Knowledge. Thomson Reuters' Web of Knowledge is a bibliographic system which indexes about 23.000 peer-reviewed and high impact scholarly journals. Articles from ERC funded projects are identified as those which explicitly acknowledge ERC funding.

The fundamental activity of the ERC is to provide attractive, long-term funding to support excellent investigators and their research teams to pursue ground-breaking, high-gain/high-risk research. One indicator of whether the ERC is funding excellent investigators is the number and quality of the international scientific prizes and awards

²⁴ As of end July 2013.

²⁵ As of end October 2013.

received by ERC grant holders. An indicator of whether they are producing ground-breaking research is the number of scientific publications appearing in high impact journals. Based on the number of prizes and publications so far (see above) the ERC is well on track to meet its targets. The ERC is also developing a range of other indicators and studies to measure the impact of the research it funds.

Evidence suggests that there is already intensifying competition between Europe's universities and other research organisations to offer the most attractive conditions for ERC grant holders. Furthermore, the number of ERC grants awarded to researchers based in the different Member States has set a benchmark which has led some Member States to assess their relative strengths and weaknesses and reform their policies and practices accordingly.

Two exploratory studies looking at ways in which bibliometrics could be used to measure the extent to which ERC is reaching its mission in funding frontier research and addressing emerging research areas were completed in 2013. These studies revealed some of the difficulties with this approach but also produced some practical recommendations for the ERC to consider.

The ERCEA will be fully involved in contributing to the ex-post evaluation of FP7 to be completed by 31 December 2015.

The ERCEA Annual Work Programme, adopted by its Steering Committee further to the approval of the Commission, defines objectives and indicators related to the implementation of the scientific and financial management of the "Ideas" programme²⁶, as well as to the implementation of its administrative budget.

Scientific management of the "Ideas" Programme

The main 2013 activity of the ERCEA with regard to the scientific management of the "Ideas" programme was to successfully deliver on the 2013 ERC Calls for Proposals, and the follow-up of implementation from calls launched in earlier years. During 2013, all targets related to the Scientific management were fully achieved.

²⁶ Respectively under section 1.1 "Scientific Management of the "Ideas" Programme", section 1.2 "Financial Management of the "Ideas" Programme" and section 1.3 'Implementation of ERCEA administrative budget'.

Objectives	Performance indicators (source: AWP 2013)	Targets	31.12.2013	Reference for detailed information
To raise visibility and awareness of the European and worldwide scientific community on ERC and Its funding opportunities, key developments and results as to attract the best applications from excellent researchers.	Number of ERC website visitors	440.000	461.657	1.1.1
	ERC press coverage (number of articles or interviews mentioning ERC)	Over 2.400	4.350	
<u>Call management:</u> To provide researchers with high scientific level peer reviewed funding opportunities by implementing clear, simple, and stable application procedures and guidance allowing to attract top researchers in the world to develop high risk/high gain research in Europe.	Number of proposals submitted per call ²⁷	StG2013: 2.360 CoG2013: 3.130 AdG2013: 2.420 SyG2013: 400 PoC2013: 75	StG2013: 3.329 CoG2013: 3.673 AdG2013: 2.408 SyG2013: 449 PoC2013-1: 145 PoC2013-2: 147	1.1.1
	% of ineligible proposals/total proposals submitted	All other calls: 1,3% PoC: 13%	StG, CoG, AdG: 1,4% SyG: 4,2% PoC: 4,5%	
<u>Evaluations:</u> To provide applicants with high quality and timely evaluation results and feedback after each evaluation step by implementing and monitoring a high scientific level peer reviewed process.	Time to inform applicants ²⁸	StG, CoG, ADG 2013: 160 days SyG 2013: 180 days PoC 2013: 60 days	StG, CoG, AdG: 163 SyG: 113 PoC-1: 96 PoC-2: 77	1.1.2; 2.1.1
	% of re-evaluations out of the overall proposals submitted and following requests for redress	All calls: 0,5%	0,07%	

²⁷ This indicator serves also to measure the impact of the targeted communication activities.

²⁸ "Average time in days for informing all applicants of the outcome of the evaluation of their application from the final date for submission of complete proposals".

Objectives	Performance indicators (source: AWP 2013)	Targets	31.12.2013	Reference for detailed information
	Overall average number of remote referee reviews per proposal	StG, CoG, & AdG 2013: 2 SyG2013: 4 PoC 2013: n/a	StG2013: 2,4 CoG2013:2,9 AdG2013: 2,6 SyG2013: 4,4 PoC 2013: n/a	2.1.1
Ethical review: To efficiently ensure that the research funded by ERC grants is compliant with the provisions on ethics of the Framework Programme.	Time to ethics clearance ²⁹	66 days	52 days	2.1.1
Scientific follow up: To provide Principal Investigators with timely communication on approval of mid-term and final scientific reports by implementing economic, effective and efficient scientific follow up procedures using if necessary risk based technical audits.	% of reports which exceeded 60 days	All calls: 0%	0%	1.1.3

1.1.1 Calls for proposals

During 2013 one ERC call for proposal was launched and concluded as per the 2013 "Ideas" Work Programme³⁰ and reflected in the ERCEA 2013³¹ Annual Work Programme. In addition, 2 calls launched in 2012, based on the 2012 "Ideas" Work Programme, were concluded in 2013³².

²⁹ Data related to the pre-granting ethics review. This time span runs in parallel to the granting process.

³⁰ C(2012) 4562 of 09 July 2012.

³¹ C(2013) 1637 of 03 March 2013.

³² Please refer to table shown under 1.1.2, which shows the calls launched and concluded in 2013.

Research Family harmonised indicator	2013 Target	31.12.2013
% of calls for proposals successfully concluded / planned	3	100%

In addition, 3 calls were published mid-December 2013 (Starting Grant, Consolidators Grant and Proof of Concept Grant), further to the adoption of the H2020 legal basis, in accordance with the ERC 2014 Annual Work Programme. These are planned to be concluded throughout 2014.

1.1.2 Evaluation of proposals

During the period under review, five calls for proposals were evaluated.

A total of 10.151 proposals were submitted in response to 2013 calls, illustrating the success of the ERC funding schemes. Overall, the number of proposals submitted in 2013 represents a steady increase of more than 20%, similar to year end 2012, and a 17% above the 2013 target set in the 2013 AWP. In particular, the combined increase of Starting and Consolidator Grant schemes represents 47,7% compared to the 2012 Starting Grant.

However, despite this 2013 remarkable but unpredictable increase of the demand for ERC funding, the “time to inform” remained stable since 2011 compared to management’s target of 160 days (+/- 3%) and well below the target deriving from the FR (180 days), thanks in particular to the split of its core funding instrument, the "Starting Grant", into two schemes: the "ERC Starting Grant" and the "ERC Consolidator Grant".

From 2012 to 2013, there has been a doubling of the number of submitted proposals in response to the Proof of Concept call (PoC-1 and PoC-2). For PoC-1, the “time to inform” has gone up from 68 days (for 75 proposals submitted) to 96 days (for 145 proposals) due to this doubling of the number of proposals received and to the fact that a second reading of the proposals was needed in order to rank the successful proposals. For PoC-2, the “time to inform” has gone up from 65 days in 2012 (for 69 proposals) to 77 days (for 147 proposals) due to efficiency measures reducing by 2 weeks the allocation of proposals to experts before launching the evaluation and by reducing the time to process the final information to applicants. Even though the number of days to inform has increased in comparison to 2012, they have decreased by around 10% in comparison to 2011, considering the number of submitted proposals which was half the one of 2013.

The following table shows the results of the evaluation of the 2013 calls, including the grants signed and the pre-financing paid.

Results of the evaluation of the 2013 calls										
2013 calls	Call deadlines		Number of proposals				Grants signed		Preparation failed	Of which pre-financing paid € Mio
	Opening dates	Closing dates	Submitted proposals	Ineligible (% of submitted proposals)	Main list – invited (not reserve)	Success rate	Number	€ Mio		
			(a)	(b)	(c)	(c)/(a)				
ERC-2013-StG – Starting Grant	10/07/2012	17/10/2012	3329	1,9%	274	8,2%	247	355	n/a	121,6
ERC-2013-AdG – Advanced Grant	10/07/2012	22/11/2012	2408	0,7%	284	11,8%	156	355,6	1	72,6
ERC-2013-SyG – Synergy Grant	10/10/2012	10/01/2013	449	4,2%	13	2,9%	n/a	n/a	n/a	n/a
ERC-2013-CoG – Consolidator Grant	07/11/2012	21/02/2013	3673	1,6%	283	7,7%	28	52,6	n/a	2,4
ERC-2013-PoC - Proof of Concept	10/01/2013	1) 24/04/2013 2) 03/10/2013	1) 145 2) 147	1) 4,1% 2) 4,8%	1) 33 2) 34	1) 22,7% 2) 23,1%	15	2.2	n/a	1,3

The 2013 evaluation process resulted overall in 921 (plus 70 reserve list) proposals retained for funding within the call budget and in line with the 2013 AWP target of 966. Following the split in 2013 of the Starting Grant scheme into 2 schemes (Starting and Consolidator Grants) and their cumulated significant increase by 47,7% of submitted proposals, the cumulated success rate of the 3 core ERC calls³³ has fallen from 12,1% in 2012 to 9,8% in 2013.

The increase in proposals submitted under the Proof of concept scheme by 103% compared to 2012, resulted in a success rate of 22,9% in 2013 against 41,6% in 2012 on average (for the 2 deadlines).

The Synergy Grant scheme shows an increasing success rate from 1,5% in 2012 to 2,9% in 2013, along with a significant decrease of 36% in submitted proposals.

1.1.3 Scientific follow-up

In 2013, the target of no scientific follow up report exceeding 60 review days has been achieved mainly thanks to the reorganisation of the Scientific Management Department that took place in October 2012. The latter resulted in entrusting the scientific follow-up to the "Project Follow-up Team", as part of the "Call and Project Follow-up Coordination" Unit. In addition, the introduction of the new reporting application "Sesam" also contributed achieving the target by performing the whole scientific review process electronically.

Throughout the reporting year a total of 787 scientific monitoring reports were performed, representing an increase of 53% compared to 2012.

Finally, one technical review was carried out in 2013 which resulted in a grant suspension.

Financial management of the "Ideas" Work Programme

1.1.4 Overview of the achievement of the 2013 key targets

The following results were achieved in the light of the key performance objectives and indicators of the Annual Work Programme 2013:

³³ Starting Grant, Consolidator Grant and Advanced Grant. Proof of Concept and Synergy Grant success rates are presented separately due to their different structure.

Operational budget				
Objective	Performance indicator	2013 Target	31/12/2013	References for detailed information
<p>To maximise execution of the operational commitment credits delegated to ERCEA by the European Commission.</p> <p>To ensure full yearly execution of payments credits (operational budget) through careful planning and monitoring.</p>	% execution of L1 commitment	100%	100%	1.2.2
	% execution of L2/L1 commitment ³⁴	40%	42,7%	1.2.2
	% execution of payment credits	100%	100%	1.2.2
	Accounting errors % of all transactions	<2%	1,5%	Annex 7.4
<p>Minimise financial and legal transaction time for ERC beneficiaries and ensure legality and regularity of underlying transactions to support ERCEA's positive Declaration of Assurance.</p>	a) time to invoice (% within 5 days)	90%	98,4%	-
	b) time to pay (% according to milestones and budget table specified in the Description of Work ³⁵ and processing payments, i.e. economic target days)	<p>Pre-financing: 100% within 20 days</p> <p>Interim payment: 100% within 90 days</p> <p>Final payment: 100% within 90 days</p>	<p>93,1%³⁶ within 20 days with an average TTP of 10,5 days</p> <p>100% within 90 days with an average TTP of 16,2 days</p> <p>100% within 90 days with an average TTP of 30,9 days</p>	1.2.2

³⁴ The indicator for the percentage execution L2/L1 is dependent on the timing of the evaluation process.

³⁵ Description of Work is Annex 1 to the grant agreement which describes activities to be carried out as well as the budget allocation per cost category and per reporting period.

³⁶ The reason for a few late pre-financings occurred at the beginning of the reporting year lies on the late information received (only in January) that all Grant agreements had to be amended by Decision to follow the new FR and therefore the new time-limits were to be applied in line with the new FR. Certain payments were delayed to early January due to a lack of payment credits at the end of 2012 and the start-up of payment transactions in ABAC occurred only after mid-January 2013, which caused few cases of pre-financings due for more than 30 days.

Time to contract: To minimise the duration of the granting process aiming at ensuring a prompt implementation of the Grant Agreements through a simple and transparent grant preparation process.	c) time to amend (% approved or rejected within 45 days upon receipt of valid request)	100%	98,2% ³⁷ with an average TTA of 18,9 days	1.2.2
	Time to contract measured (median values) from call deadline to signature of grants³⁸	270 days / 365 days ³⁹	StG 2012: 351 StG 2013: 363 AdG 2012: 359 AdG 2013: 390 SyG 2012: 550 PoC 2012: 194	1.2.1
	Time to contract measured (median values) from invitation to signature of grants	90 days / 105 days ³⁹	StG 2012: 105 StG 2013: 104 AdG 2012: 119 AdG 2013: 140 SyG 2012: 197 PoC 2012: 109	1.2.1
Expert management: To promote experts satisfaction by ensuring a fast and easy appointment and a fair, timely and accurate payment processes.	a) time to appoint⁴⁰	30 days	16 days	2.1.1, stage 1
	b) time to pay	21 days	16,7 days	2.1.1, stage 1
	c) % of experts payments budget execution	100%	100%	1.2.2

The "time to grant" target introduced by the new FR applies to calls launched in 2013. Grants signed in 2013 refer to calls launched in 2012, therefore the new FR target does not apply for the calls reported in this AAR. Instead, the 2012 target should be retained: target of 365 days for the "time to contract from call deadline to signature of grants" and target of 105 days for the "time to contract from invitation to signature of grants". The

³⁷ The number of amendments signed in 2013 increased by 159% compared to 2012; the overall TTA did not increase in analogy and was kept well below the contractual limit.

³⁸ The indicator for the TTG from call deadline to signature of grants is dependent on the timeline of the evaluation process.

³⁹ Last year's target of 365 days has been reduced to 270 days for the time to contract from call deadline to signature of grants) and from 105 to 90 days as regards the time to contract from invitation to signature of grants, in order to comply with the new FR which entered into force on 1 January 2013 (cf. OJ L298 of 26/10/2012 p. 61). However, this target is only binding for calls launched in 2013 under the new FR and therefore not applicable to calls reported in the present AAR, which were launched in 2012. As a consequence, the target of the "time to grant from call deadline to signature" is 365 and the target of "time to grant from invitation to signature" is 105 days, like in 2012, for all calls reported in the present AAR.

⁴⁰ From sending the appointment letter to signature of the contract by the Authorising Officer by Delegation.

preparation of the Synergy grant agreements, which were introduced this year, revealed to be very demanding in terms of the coordination of 2 to 4 different Principal Investigators, located in sometimes many different Host Institutions, and reflected in the corresponding "time to contract from invitation to signature" results.

The "time to grant" for Advanced Grants was slightly longer (by 2 to 4 weeks) than for Starting Grants due to the scheduling of the evaluation. Indeed, as the evaluation results of the Advanced Grant 2012 call were only available in December 2013, additional time over the year-end break was given to the beneficiaries to submit the documents necessary for the grant preparation process. A similar scenario was observed for the Advanced Grant 2013 call, with evaluation results available only shortly before the summer break. However, the grant preparation time has remained broadly stable over the last years despite the significant growth in number of grants and the increase in complexity due to the introduction of new instruments (Proof of concept and Synergy grants).

As regards "time to pay" and "time to amend", excellent results have been achieved despite the significant rise in number of both financial transactions and amendments in 2013 thanks to the well trained staff, a strict use and verification of the applicable legal framework, the open and timely communication to the Unit of new developments (financial rules, guidelines from the parent DG and IT tools) as well as a regular review and update – where necessary – of internal model documents, procedures and checklists. Moreover, thanks to a close supervision and a performing follow-up system by the hierarchy – also supported by IT tools – financial transactions and amendments to grant agreements were processed within a "time to pay" and a "time to amend" which are significantly lower than the contractual limits.

1.1.5 Implementation of the 2013 operational budget appropriations

The ERCEA managed in 2013 one of the biggest operational budgets of the Research family. The commitment credits for 2013 amounted to € 1,8 billion and the payment credits to € 1,02 billion. The draft amending budget and the later Global transfer increased the payment credits by € 76,8 Mio. A further increase of € 2,3 Mio in payment credits resulted from the Croatian accession and a transfer from DG RTD. Consequently, the total amount of payment credits was € 1,1 billion. Both payment and commitment credits were fully consumed at the end of 2013.

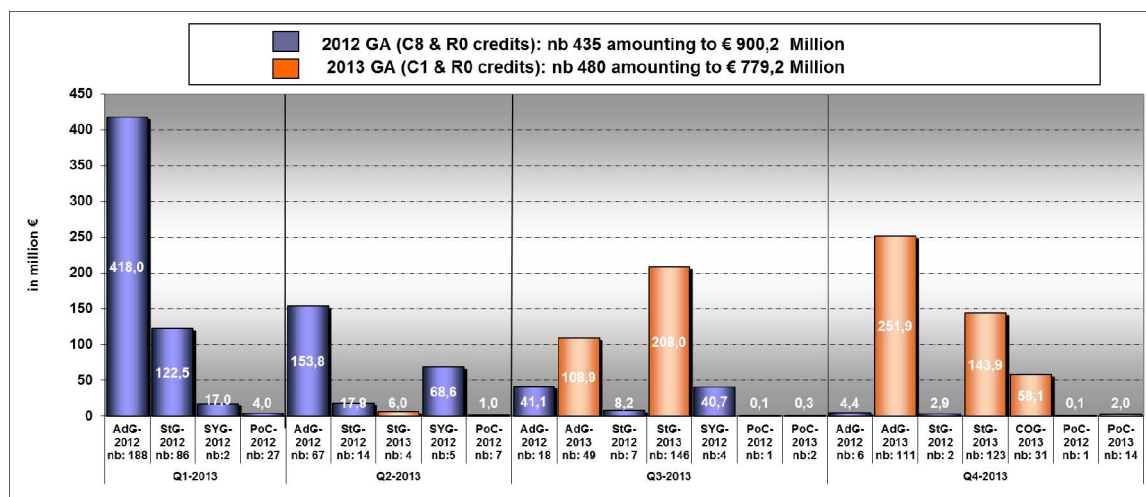
Commitment appropriations execution

As shown in Annex 6.2, the commitment credits (C1) voted for 2013 amounting to € 1,8 billion have been implemented through global commitments⁴¹ created after the end of

⁴¹ The global commitments correspond to L1 commitments created at the end of each call, while L2

the evaluation of each call on the basis of ranked lists of proposals positively evaluated, and resulted in the full execution of the 2013 voted credits.

Also, the execution of commitment credits for C1 (current year credits) and C8 (credits transferred from previous years) reached 100%, the majority relating to ERC Grants, and some 0,5% to experts management. The execution of C8 credits linked to L1 (global) commitments for 2012 calls reached 100%, by means of L2 (individual) commitments.



Overall, 875 Grant Agreements were signed throughout the year, totalling € 1,7 billion, out of which 446⁴² resulted from 2013 calls and 429 from 2012 calls. In line with the timing for the call for proposals which is "bridging" 2 calendar years, the commitment activity focused during the first semester on finalising the 2012 calls, whereas in the second semester mainly 2013 calls were processed.

At 2013 year end, 4.024 grant agreements were signed cumulatively since the start of FP7.

Payment appropriations execution

The total voted payment credits for the operational budget amounted to € 1,1 billion, of which € 9,2 million were made available for the payments of the experts management, as shown in Annex 6.3.

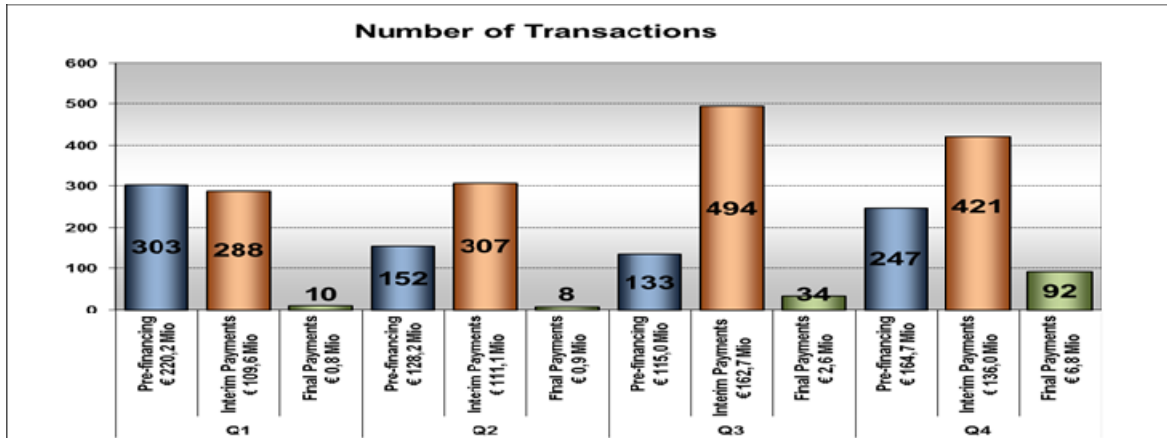
Payments and time to pay related to Grants

At the end of 2013, the target of 100% payment credits (C1) execution was achieved⁴³.

commitments correspond to individual commitment created for the maximal EC contribution in view of the signature of the individual grant agreement.

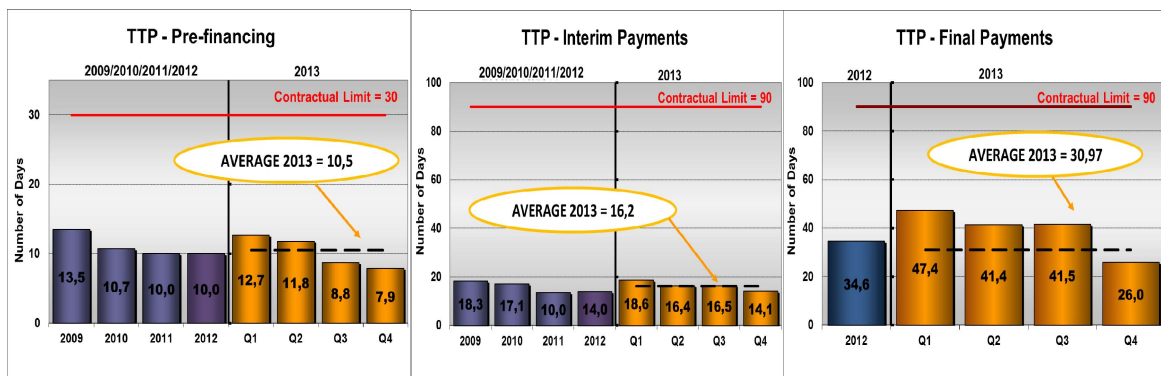
⁴² According to the FR the budgetary commitment precedes the signature of the contract. Therefore, it is inherent to the business that the number of GA signed does not reconcile the number of L2 commitments done within one budget year.

⁴³ For details on the execution per quarter, see Annex 6.3.



A total of 2.489 transactions related to ERC Grants were carried out in 2013 (versus 1.903 in 2012), representing an increase of 31% compared to 2012. Out of these transactions, 835 related to pre-financings (882 in 2012), representing € 628,2 million, 1.510 to interim payments (1.004 in 2012) for € 517,5 million and 144 to final payments (17 in 2012), worth a total of € 11,1 million.

Despite the overall significant 31% rise in the number of transactions processed in 2013 as compared to 2012, the Agency managed to keep its very good performance to a comparable level against 2012, as shown by its **time to pay** indicators with an average time to pay of 10,5 days for pre-financing (10 days in 2012) and 16,2 days for interim payments (14 days in 2012). Final payments were paid on average within 30,9 days. The average time to pay for interim and final payments is 17,5 days was significantly below the corresponding AWP targets and contractual time limit of 90 days.



In addition, Interim and final payments were all executed on time, when compared to ERCEA AWP target of 90 days, which is aligned with the contractual time limits⁴⁴ of the ERC Grant Agreements. As to pre-financing, 95,8% were executed on time, when compared with the 30 days contractual time limit and 93,1% were executed in time when compared to ERCEA target of 20 days. The slight deviation observed in regard to the 2013 ERCEA AWP target (100% payments in 20 days) was caused by few payments being delayed to early January 2013 due to a lack of payment credits at the end of 2012 and by

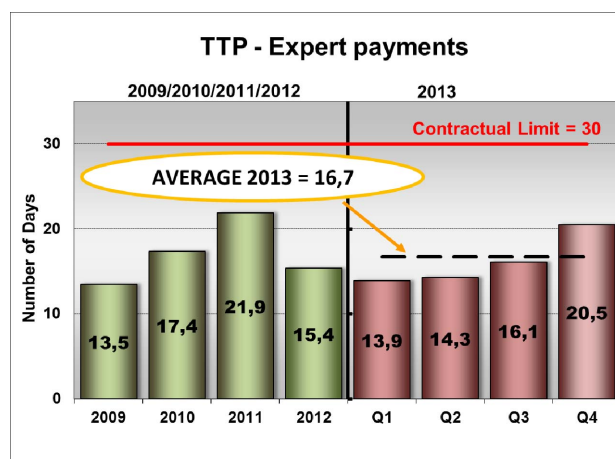
⁴⁴ As defined in art. II.6.1.a and art. II.5.1 of the General Conditions.

the delay of the start-up of payment transactions in ABAC beyond mid-January 2013.

These results were achieved thanks to a careful planning (based on the screened “behaviour” of the grant implementation in the years before) and the consequent correct allocation of resources where required, a well-designed workflow and procedures and tailor made or hands-on training sessions without compromising the necessary level and/or number of controls. This resulted in ensuring a high level of coordination among control actors as regards processing time and parallelism of controls carried out by FIA and OIA.

Payments and time to pay related to experts

Throughout 2013, 5.608 expert payments were processed (versus 3.996 in 2012), totalling to € 10,1 million and representing an increase in volume of 40,3% compared to 2012. The 2013 yearly time to pay is on average 16,7 days, consistent with the 2012 result of 15,4 days. The figure below shows the average time to pay for experts for each quarter of the reporting period, indicating the contractual limit of 30 days:

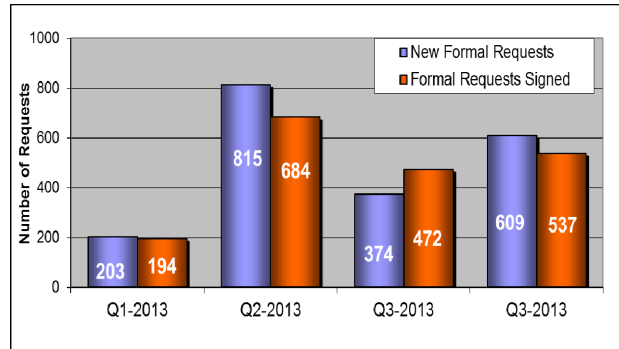
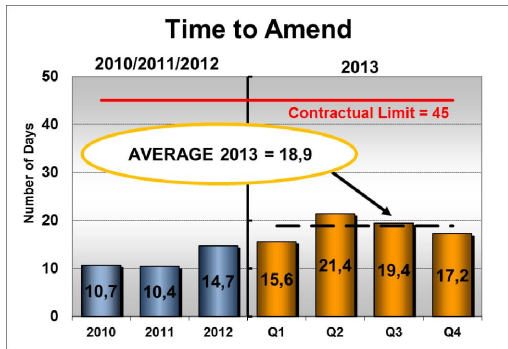


Recovery Orders

A total of 59 recovery orders were issued during the reporting period, amounting to € 3,1 million and 45 recovery orders for an amount of € 2,7 million have been cashed. 50% of the recovery orders were due to external audit outcomes (22 cases) and 15,2% to early terminations (7 cases). For 10 external audits outcomes liquidated damages were applied. For further details please see Annex 6.4.

Grant amendments and termination – De commitments

During 2013, 2.001 new requests for amendments by beneficiaries were received and 1.887 signed. So far, half of the grant portfolio has been amended at least once, out of which 72% were amended in 2013. In 2013, the average time to amend was 18,9 days, which is significantly lower than the time limit of 45 days contractually foreseen.



Whereas the number of amendments signed in 2013 increased by 159% compared to 2012, the overall time to amend was safeguarded (2013: 18,9 versus 14,7 days in 2012) thanks in particular to the regular and close monitoring by management of the incoming informal and formal amendment requests and of swift processing of the outgoing replies. Also thanks to the regular review and reshuffling of assigned staff's responsibilities as necessary which ensured an adequate workload distribution and the timely conclusion of the amendment process.

As in the previous budget year, amendments remained also in 2013 more common for Starting Grants, due to the fact that beneficiaries for Starting Grants form young/new teams⁴⁵.

A large share of amendments were due to the transition of on-going grant agreements to electronic submission of financial reports (35,6%), whilst changes of Host Institutions and modification of the Annex I of the grant agreement (Description of Work) represented only 6,3% of the amendment cases, a 50% decrease compared to 2012 (for further details, refer to related table in Annex 6.4).

Finally, in 2013, three grant agreements were terminated upon the request of the beneficiary for a cumulative amount of € 3,8 million EC contribution. One of the three grantees decided to accept a position at a private company requiring his full attention which prevented him from complying with the minimum commitment required by the relevant ERC Work Programme. The other two grantees moved to a non-EU country.

⁴⁵ For further details, refer to related graph in Annex 6.5.

Implementation of ERCEA administrative budget

Objective	Performance indicator	2013 Target	Latest known results 31/12/2013
To maintain a high level of credibility in the eyes of the budgetary authority, Steering Committee and parent DG by establishing a realistic yearly budget proposals which is line with the administrative costs < 5% of the operational budget, and continuously monitoring and reporting on its execution (commitments and payments) in line with sound financial management principles.	% budget execution commitments	100%	96,6%
	% budget execution payments	90%	91,35%
	Number of accounting adjustments (exceptions)	<5 adjustments	0
	Number (and % of total) of late payments for the administrative budget	<80 (<3%)	19 (0,9%)
	Accounting errors % of transactions	<2%	1,45%

At year end, the commitment execution rate related to the administrative budget reached 96,6%, slightly below the target of 100%. However, without considering the provision for the salary adjustment of € 1 Mio related to the 2011 adjustment, representing 2,5% of the budget, as recommended by DG BUDG⁴⁶, the commitment execution rate would have reached 99,1%.

For the remaining 0,9%, the main not committed amounts related to unspent "External meetings" (€ 43.109), due to less experts having attended an ERCEA workshop than expected and to participants to an event in China in the context of the "ERC goes global" strategy who did not introduced any cost claim, "staff intérimaires" (€ 42.022) and building charges (€ 36.147; SLA with the Commission).

The payment rate is of 91,3% (€ 36.623.256), to be compared to 93,5% in 2012 and 92,5% in 2011.

The main appropriations that have been carried forward to 2014 (€ 2.091.333 or 5,2% of the budget) concern mainly building charges (€ 618.168), IT services (€ 560.613), communication (€ 255.721) and external audits (€ 224.299).

During the period under review, the ERCEA launched a number of public procurements, including 61 "negotiated procedures" for low value contracts (max € 15.000 - 1 candidate), 1 open procedure resulting in a service contract (operational credit) and 4 Service Level Agreements/Memorandum of Understanding and addendum were signed by the ERCEA with Commission services.

⁴⁶ Ref. Ares(2013)2579252, of 05/07/2013.

ERCEA applies several Inter-institutional framework contracts, in particular with DIGIT, HR, OIB and signed 184 specific contracts/order forms under these inter-institutional Framework Contracts.

Finally, the error rate calculated in terms of relevant accounting observations is kept below the limit of 2%, at 1,45%. The slight increase of the rate in comparison to last year (<1%) is mainly due to some supporting documents available in the local system MIPS for management and mission monitoring, without being attached at a later stage to the payment transaction in the accounting system (ABAC). The controls carried out did not spot errors of a sufficient materiality to impair the true and fair view of the accounts.

Specific efforts to improve 'economy' and 'efficiency' of spending and non-spending activities.

According to the FR (art 30), the principle of economy requires 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).

The ERCEA 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 were implemented in our Agency:

1.1.6 Example 1

In view of the further increasing workload and the restrictions in recruiting staff, the Grant Management Department has put a lot of emphasis on steadily improving its efficiency, for example, by partially performing the financial, legal and administrative analysis before the invitation to grant is sent out. Also, the time to pay indicator could be maintained or even improved thanks to the revision of workflows and partial integration into a local IT system and the further development of local IT tools allowing the continuous monitoring of the transactions' status by different internal actors (project officer, managers) and the automatic processing of some repetitive operations. The IT tool also contains a "back up functionality", which enables users backing up absent colleagues to ensure a proper follow-up of payments and amendments, aiming at maintaining a high level of performance without any disruption.

1.1.7 Example 2

Finally, a number of training sessions given to stakeholders (Principal Investigators, Host Institutions and National Contact Points) to increase their understanding of ERC procedures and requirements resulting in a higher quality of documents and responses submitted to the Agency, thus favourably impacting the processing time.

2. MANAGEMENT OF RESOURCES

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 Director. The reports produced in 2013 are:

- o Management reports on control results;
- o The contribution of the Internal Control Coordinator, including the results of internal control monitoring at the Agency level⁴⁷;
- o The opinion and the observations of the Internal Audit Office (IAO);
- o The observations and the recommendations reported by the European Court of Auditors (ECA).

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives⁴⁸. It is structured in two separate sections: (1) the ERCEA's assessment of its own activities for the management of its resources and (2) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

In 2013, the ERCEA managed an operational budget for the implementation of the Seventh Framework Programme and an operating (administrative) budget for the functioning of the Agency. Following Article 53 of the former FR⁴⁹ (still applicable as to the EU management modes), the ERCEA currently executes its operational budget under the indirect centralised management mode and its operating (administrative) budget under the direct centralised management mode⁵⁰.

⁴⁷ For further details, please refer to Part 3.

⁴⁸ 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).

⁴⁹ Council Regulation (EC, Euratom) No 1605/2002, of 25 June 2002, on the FR applicable to the general budget of the European Communities, as amended by Regulation (EU, Euratom) No 1081/2010 of the European Parliament and of the Council of 24 November 2010.

⁵⁰ As per 1st of January 2014 Article 58 of the new FR enters into force, establishing one management mode for Executive Agencies, direct management. Following DG BUDGET's advice, the Agency is already applying the Direct Management instructions and templates published in BUDGWEB.

Operational and administrative expenditure						
	Operational expenditure ⁵¹				Total administrative expenditure	% of total (administrative / operational)
	Pre-financing	Payments against cost statements	Experts' payments	Total operational expenditure		
2013	628.160.217,84	530.580.507,28	10.078.449,78	1.168.819.174,90	36.623.256	3%
2009 - 2013	1.734.299.990,11	707.751.553,57	15.285.725,02	2.457.337.268,70	144.192.459	

The operational appropriations are dissociated appropriations, meaning that the ERCEA manages a budget for commitment and a separate one for payment. In 2013, the commitment budget of € 1.753.940.754,52⁵² was fully committed. The payment budget of € 1.087.289.932,89⁵³ was fully paid. Transactions for operational expenditures have to be distinguished between pre-financings, interim and final payments. After signing the grant agreement a pre-financing is paid to the beneficiary at the start of the project. This is followed on average by 3 interim payments and 1 final payment.

The administrative budget is managed with non-dissociated appropriations, meaning that there is only one budget that has to be committed during the year and the same budget must be paid during the current year (C1) and the following one (C8). In 2013, the administrative budget of the ERCEA was of € 40.092.000⁵⁴ and it was committed at 96,56% and paid at 91,35%. The difference between the commitments and the payments (€ 2.091.332) represent the carry-forward in C8 to be paid by 31/12/2014.

The ERCEA relies for the purpose of its declaration of assurance essentially on the results of its ex-ante and ex-post controls and defines its materiality threshold at 2% of the ABB activity line, in line with Annex 4. Consequently, ERCEA declaration of assurance should be qualified in the event an amount at risk would exceed the materiality threshold of € 23 million⁵⁵, the latter representing 4,5% of 2013 payments against cost statements. Similarly, a materiality threshold of 2% is applied for the administrative budget, representing € 0,732⁵⁶ million.

⁵¹ The figures in this table include all types of credits (fund sources), like the voted credits and assigned revenue – refer to Annex 6.3.

⁵² Referring only to 2013 C1 grant payments committed - refer to Annex 6.2.

⁵³ Referring only to 2013 C1 grant payments executed – refer to Annex 6.3.

⁵⁴ Refer to Annex 6.6.

⁵⁵ Representing 2% of the 2013 total operational expenditure, i.e. € 1.168,8 Mio - refer to above table.

⁵⁶ Representing 2% of € 36,6 Mio- refer to above table.

Management of human and financial resources by ERCEA

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. More specifically, this section covers the AOD's obligation to include in the AAR information on "the efficiency and effectiveness of the internal control systems, including an overall assessment of the costs and benefits of controls" (FR art. 66.9). 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.

The ERCEA 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. The control objective is to ensure that the ERCEA specific residual error rate does not exceed 2% on a cumulative basis by the end of the programme implementation.

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires 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 at the best price.

The following sub-sections outline, per stage of the "Ideas" programme implementation, the indicators used to monitor the effectiveness as regards legality and regularity and efficiency of the internal control systems, including an overall assessment of the costs and benefits of controls.

2.1.1 Operational budget's underlying transactions

The implementation of the "Ideas" programme is organised along 4 distinct stages, with specific control mechanisms in place. Detailed descriptions of the controls in place are shown in the Internal Control template related to the operational budget (Annex 5.1)

Stage one: Scientific management processes

The scientific management processes encompass the implementation of the peer review process for the selection of ERC grants, the management of calls for proposals, the evaluation and selection of proposals as well as the scientific follow up of grants.

Control effectiveness as regards legality and regularity:

The legality and regularity of transactions related to the scientific management process is underpinned by the following 2013 results of related key controls:

ERCEA specific control indicators– Source: AWP 2013		
Ineligible proposals (not withdrawn)		
Call	Target	31/12/2013
ERC-2013StG – Starting Grant ERC-2013AdG – Advanced Grant ERC-2013-CoG – Consolidator Grant	1,3%	1,4%
ERC-2013-SyG – Synergy Grant	1,3% (target will be revisited when SyG Calls resume in the future)	4,2%
ERC-2013-PoC - Proof of Concept	13% ⁵⁷	4,5%

The ambitious target for SyG of 1,3% was set in 2013 based on 2012 results (1,1%) compared to a target of 5%. It should be noted that this target will be revisited when SyG call will resume in future⁵⁸.

Redress procedure⁵⁹	31/12/2013
Redress requests % of the proposals received	2,6%
Redress cases which led to re-evaluation (% of proposals received)	0,07%
Number of re-evaluations being successful	2

The percentage of redress cases number compared to submitted proposals introduced in 2013 remained stable compared to 2012 (2,58%). Although 2 redress cases were successfully re-evaluated in 2013, these do not reveal any systemic weakness of the evaluation process, thus do not have any bearing on the assurance.

Ethics review – Source: AWP 2013		
Indicator	Target	31/12/2013
% of proposals not granted compliance with ethical rules / proposals invited to the granting process ⁶⁰	0%	0%

⁵⁷ This target has been revised in the Annual Work Programme 2013 following a high result of ineligible proposals experienced in 2012 (20% for PoC 1 and 11,6% for PoC 2). Further to the related 2013, this target has been revised in the AWP 2014 to 6%.

⁵⁸ The draft AWP 2014 does not foresee a Synergy Grant call.

⁵⁹ Please refer to Annex 7.1.

⁶⁰ For details related to the ethics review, please refer to Annex 7.2.

Research Family harmonised KPIs	31/12/2013
% of number of calls successfully concluded / number of calls planned in MP/WP	100%
% of budget value implemented / budget allocated (commitments from calls) ⁶¹	100%
% of number of successful redress challenges / total number of evaluated proposals ⁶²	0,02%

Overall, the control results shown above do not reveal any systemic weakness of the process, thus positively support the declaration of assurance.

Control efficiency and cost-effectiveness of controls:

The efficiency and cost-effectiveness of transactions related to the scientific management process is underpinned by the following 2013 results of related key controls:

ERCEA specific control indicators	Target (AWP 2013)	31.12.2013
Average time to inform applicants (FR 128.2)	160 days (AWP) <180 days (FR)	163 days
Time to appoint experts	30 days	16 days
Time to pay experts	21 days	16,7 days
Time to ethics clearance	66 days	2012 calls: 52 days 2013 calls: on-going (23 days)
Overall average number of remote referee reviews per proposal	StG, CoG, & AdG 2013: 2 SyG2013: 4 PoC 2013: n/a	StG2013: 2,4 CoG2013:2,9 AdG2013: 2,6 SyG2013:4,4 PoC 2013: n/a

The above shown “average time to inform” covers the 3 core calls⁶³ as they have a similar scheme, characterised by a 2 step evaluation, a remote phase and panel meetings, whilst the PoC call has a very different scheme structure with 2 deadlines, 1 remote step and no panel meeting. Finally, the Synergy call presents also a different scheme structure (2

⁶¹ Defined as the % of execution of L1 commitments (see Annex 6.1: indirect L2 (B) + direct L2 (G)/ Total credits (A)).

⁶² For further details please refer to Annex 7.1.

⁶³ Core calls are the Starting, Consolidator and Advanced Grant.

steps with 2 sub-steps); furthermore, this call will be discontinued in H2020 until further decision of the Scientific Council.

As explained above in the executive summary⁶⁴, the “average time to inform” slight deviation does not adversely impact the declaration of assurance, as it represents only 1,8% (i.e. 3 days) to be considered in the perspective of the 2013 number of submitted proposals of 9.410, which increased by 33,5% in 2013 compared to 2012.

Research Family harmonised KPI	31/12/2013
Average evaluation cost per proposal (external experts paid/ total number of proposals evaluated)	€ 994,97

Overall, the control results shown above do not reveal any systemic weakness of the process, thus positively support the declaration of assurance.

Average evaluation benefit per proposal:

In terms of costs/benefits analysis of certain controls, it has to be kept in mind that while most costs of controls are quantifiable in monetary terms, most of their undeniable benefits are not. The controls related to the scientific evaluation ensure that the most meriting projects are funded, following the sole criterion of “excellence” and allowing ERCEA to fulfil its mission statement and operational objectives.

Stage two: Grant preparation and signature

Stage two encompasses the preparation of grant agreements up till the time of signature of those agreements. In addition to the Internal Control and Management Control Systems in place for the entire Framework Programme 7, controls are implemented by the ERCEA taking into account the specificity of the "Ideas" Specific Programme, namely the fact that the projects are driven by Principal Investigators, in the majority of cases mono-beneficiary grants. Moreover, it should be underlined that the grant preparation and signature process does not entail any negotiation on the maximum financial contribution, as this is part of the grant award decision. Starting Grants may be awarded up to € 2,0 Mio per grant (normally up to € 1,5 Mio per grant) and Advanced Grants up to a maximum of € 3,5 Mio per grant (normally up to € 2,5 Mio).

Control effectiveness as regards legality and regularity:

The legality and regularity of transactions related to the grant preparation and signature process is underpinned by the following 2013 results of related key controls:

ERCEA specific control indicators	31/12/2013
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⁶⁴ Refer to p. 8.

% of exclusion from granting process following financial viability checks	0,0%
% of weak financial viability checks / total financial viability checks	9,1%

The financial viability of beneficiaries (Host Institutions which are non-public bodies and non-higher education establishments, as well as any such other beneficiary which applies for a financial contribution in excess of € 500.000) is checked according to the common FP7 procedure.

In 2013, 110 financial viability checks were performed which concerned 55 beneficiaries, none of which resulted in an exclusion from the granting process. In five cases, the result was "weak" and these were flagged for an ex-post control audit.

Furthermore, the EWS check is formally signed off during the preparation of the individual commitment, in accordance with Art. 77.1 FR. In case of warning, the individual commitment file includes due justification. One beneficiary was flagged in the EW, but not at a level deemed to suspend commitments.

Control efficiency and cost-effectiveness of controls:

The efficiency and cost-effectiveness of transactions related to the grant preparation and signature process is underpinned by the following 2013 results of related key controls:

Research Family harmonised KPIs⁶⁵	31/12/2013
Average "time to grant" (FR 128.2: <90 / AWP 2013: 105 days)	117 days

The "time to grant" targets introduced by the new FR only apply to calls launched in 2013. Grants signed in 2013 refer to calls launched in 2012, therefore the new FR target does not apply for the calls reported in this AAR. Instead the 2012 target should be retained: target of 365 days for the "time to contract from call deadline to signature of grants" and target of 105 days for the "time to contract from invitation to signature of grants". "Time to grant" results are explained above under Part 1.2.1.

The above reported average "time to grant" covers the stages of negotiation to grant signature, as defined in the Research family system CPM. Considering the time from call deadline to signature of grants, the overall average "time to grant" is 348 days on a multiannual basis and 358 days on a yearly basis (2013), benchmarked against a target of 365 days.

Benefits of controls embedded in ERCEA grant preparation and signature process are not

⁶⁵ As a specificity of the "Ideas" Programme, the level of the maximum EU contribution is set as a result of the evaluation process and proposals retained for funding do not subsequently go through a negotiation process. Therefore, the % of reduction in the EU contribution as a result of a negotiation process is not retained by the ERC as a meaningful indicator.

quantifiable, as the latter does not entail any negotiation on the EU contribution to the contrary of other Research family entities. However, it is undeniable that these controls are necessary to ensure the process complies with rules and regulations and that researchers are provided on time with a sound legal framework to conduct their research projects.

Stage three: Grant implementation

Key Controls are in place to ensure sound financial management of the grant implementation from pre-financing, subsequent interim payments through the life-time of the projects, to the final payment, follow-up of ex-post control audits and the implementation of audit results including extrapolation cases. The controls performed under this stage are carried out at the level of each operation and are described in more detail as follows:

Control effectiveness as regards legality and regularity:

The legality and regularity of transactions related to the Grant implementation process is underpinned by the following 2013 results of related key controls:

ERCEA specific control indicators			
Rejection of interim and final payment costs	Number of Invoices	Amount	% of ineligible costs on total declared costs⁶⁶
Total declared cost	1.761 ⁶⁷	705.366.296,24	n/a
Of which Ineligible costs declared⁶⁸	245 ⁶⁹	4.642.541,34 ⁷⁰	0,7%

The volume of the Certificate on Financial Statements (CFS) submitted in 2013 reached a coverage of 53% (968) on the total number of transactions (1.833)⁷¹ and covering 67% of the accepted amount.

⁶⁶ Covering ex-ante rejections by Financial Officers and independent certified auditors (CFS).

⁶⁷ The number of invoices refers to the invoices validated in step 2 (Fin100). As not all of them have been paid in 2013, this number cannot be directly compared with the 1654 payments done as shown in Part 1.2.2.

⁶⁸ Ineligible costs as identified in the recovery context of the respective cost claim (e.g. independent controls, community controls/desk checks and on the spot).

⁶⁹ Including 13 cost claims received in 2013, but not yet paid declaring in total ineligible costs of € 1.330.523,02.

⁷⁰ 4.638.470,94 € (242 invoices) according to table 8 of the Annex 3: the difference is due to corrections on three invoices done in January 2014 and taken into account in the table 8.

⁷¹ The coverage provided by the CFS refers to Interim and Final payments paid in 2013, including the payments, which have been cleared (zero-payments) and therefore it deviates neither from the total transactions reported nor with number of invoices reported.

The ERCEA applies as all other FP7 DGs **liquidated damages** on detected overstatements in paid cost claims. This practice has a dissuasive effect on the beneficiaries and contributes to more care put into the preparation of Financial Statements. In 2013, for 10 projects liquidated damages amounting to € 48.318,07 have been imposed.

By the end of December 2013, 2 pre-financings, showing a low EWS warning level, were executed as indicated in the notes to the accounting officer of DG BUDG.

In addition to the above controls, the local IT tool (CPAY), which is “managing” the Grant Implementation process, is providing additional controls in line with the established checklists for each type of transaction. Furthermore, the application is synchronised with the ABAC workflow and thus provides a reliable database, allowing for comparable and monitoring reports to be drawn.

Research Family harmonised KPIs	31/12/2013
% and value of errors detected through the ex-ante desk checks ⁷² / total value of cost claims	0,12% (€ 867.059,89)

Control efficiency and cost-effectiveness of controls:

The efficiency and cost-effectiveness of transactions related to the Grant implementation process is underpinned by the following 2013 results of related key controls:

ERCEA specific indicators – Source: AWP 2013	Target	31.12.2013
Time to pay Pre-financing	100% within 20 days	93,1%
Time to pay interim payments	100% within 90 days	100%
Time to pay final payments	100% within 90 days	100%

As explained under Part 1.2.1 above, the slight deviation of the "time to pay" regarding pre-financing concerned only few transactions and did not result from inefficiencies in the related payment process. Therefore, the deviation has no adverse impact on the declaration of assurance.

Research Family harmonised KPIs	31/12/2013
Average time to pay (% on time) (FR 92.1) ⁷³	15,1 days (98,6% on time [<30/90])
Average project mnegt cost per running* project (staff FTE * standard staff cost) ⁷⁴	2.003,96

⁷² Resulting from ex-ante checks performed by Financial Officers (in-house) only.

⁷³ Average time to pay for pre-financings, interim and final payments. For details per payment type, please refer to section 1.2.2 above.

(ALL projects - Range of € 5.000 – 10.000)	
Average number (Range of 15 – 35) & value of running projects managed 'per' staff FTE⁷⁴ (Range of € 1 Mio – 50 Mio)	56,86 € 98,89 Mio

Average project management benefit per project:

As stated above, the main aim of this stage is to ensure the sound financial management of the grant implementation throughout the life-time of the projects, as well as to monitor their scientific progress. Although some benefits are quantifiable (as shown by the low error rate presented in the table above), these are affected by the deliberate limitation of the depth of the ex-ante controls as part of the overall control framework, as established by FP7, as well as by efforts to simplify and minimise the administrative burden on beneficiaries. Finally, the necessity of these controls is undeniable as they provide assurance as regards the sound financial management of the operational budget and the timely provision of financial means to beneficiaries allowing them to conduct their research in line with the grant agreements' provisions.

Stage four: Ex-post controls⁷⁵

Control effectiveness as regards legality and regularity:

The ERCEA implements and reports on both its own ex-post control approach and on the FP7 Common Representative audit Sample (CRaS), in line with the FP7 Common Audit strategy.

The ERCEA implements its own ex-post controls approach – so-called “corrective strand” – as to provide assurance to the Authorising Officer by Delegation on the ERC specific population on the legality and regularity of underlying transactions. The FP7 CRaS serves a different purpose and is designed to give assurance at the level of the whole FP7.

ERCEA specific ex-post control approach: “Corrective strand”

The ERCEA specific error rate resulting from the “corrective strand” derives from the results of two ERCEA specific samples. First, the MUS sample (former representative sample) is selected on the basis of a statistical sampling method (Monetary Unit Sampling) and consists on auditing 162 sampled items.

Second, the risk based sample derives from Top 100 beneficiaries (representing around 70% of the contracted budget so far) and a risk analysis considering beneficiaries with a higher risk profile⁷⁶.

⁷⁴ FTE's accounted for are the staff intervening in the grant execution and monitoring process taking into account their contribution to the process and their work pattern. Running projects are those related to commitments with completion flag set to “no” in ABAC.

⁷⁵ Details on the ex-post controls audit plan execution are shown in Annex 7.3.

⁷⁶ Targeting the financial management of the Host Institutions and their management of EU grants.

Indicators related to ERCEA specific ex-post control strategy "Corrective strand"				
Financial Statements audited⁷⁷	2013		2009-2013	
	Amount in €	Number	Amount in €	Number
Total cost accepted by Financial officers (€) on audited FS – Audited amount	€ 68.714.586,02	189	€ 144.627.228,13	429
Thereof audited as part of the representative MUS sample (MUS)	€ 5.988.308,94	17	€ 37.348.944,23	96
Thereof audited as part of the risk based sample	€ 62.726.277,08	172	€ 107.432.485,34	333
Total adjustments⁷⁸ in favour of the ERCEA (€, only negative)	€ 574.345,78	56	€ 1.981.911,49	141
On the representative MUS sample	€ 27.459,78	2	€ 478.875,03	28
On the risk based sample	€ 546.886,20	54	€ 1.503.036,45	113
ERCEA Specific Error rate⁷⁹ (%)	1,16%	189	1,83%	429
Of the MUS sample ⁸⁰	0,54%	17	1,35%	96
Of the Risk based sample	1,22%	172	1,96%	333
ERCEA Specific Residual Error rate (%)⁸¹	-	-	1,23%	-

The most common errors are usually found in personnel costs, namely incorrect methodology used to calculate the hourly rate and incorrect productive hours or incorrect reported hours devoted to ERC projects. Other common errors include lack of supporting documents (invoices, timesheets...), costs claimed outside of the eligibility period, VAT included, costs not relevant to the project and non-compliance with EU public procurement principles.

FP7 Common Representative audit Sample (CRaS)

Since the adoption of the Common Representative audit sample (CRaS) by the

⁷⁷ One audit can consist of one or several financial statements, depending on different audit strategies and samples (based on cost-effectiveness and risk). As we report on the basis of those audit strategies & samples, we have to report on the basis of the number of financial statements audited.

⁷⁸ Adjustments correspond to findings from auditors against costs accepted by the financial officers. Implementation of these findings may lead to different figures (offsetting, extrapolation, materiality threshold...).

⁷⁹ Defined as the sum of all negative detected error rates of closed corrective audited financial statements, divided by the number of closed corrective audited financial statements.

⁸⁰ This MUS sample consists of 162 items of the ERCEA population. We have closed 96 items by 31/12/2013. It is defined as the sum of all negative detected error rates of closed MUS sample audited financial statements divided by the number of closed MUS sample audited financial statements.

⁸¹ This error rate is calculated on the basis of the formula detailed in Annex 4.

Commission's ABM Steering Committee in 2012, the sampling and co-ordination of results is done under the control of DG R&I and related audits are performed by the various FP7 managing bodies, including the ERCEA.

As well as giving a harmonised picture across the services, this Research family strategy has allowed the services to avoid repeat visits to the same beneficiary, meaning a significant reduction in the audit burden, especially for large beneficiaries.

The FP7 Common Representative Error Rate drawn at the level of the FP7 programme for all financial statements submitted until 31/10/2011 included 5 ERC financial statements out of 162 sampled items:

Research Family harmonised indicators	31/12/2013
Detected error rate from a representative sample (CRaS) ⁸²	4,14%
Residual error rate (CRaS) ⁸³ – (including 5 ERC Financial statement)	2,52%
Value of corrections 'made', by implementing and extending audit results, by recoveries (ABAC) or offsetting (local PM system)	€ 1.751.633,44
Value of recoveries as per the "Comm. on the Protection of EU financial interests"	€ 4.638.470,94

Overall, on a cumulative basis until 31/12/2013, audit findings resulting from in-house and external ex-post controls have been implemented to 96,6%, either by offsetting or recovery orders.

ERCEA specific representative MUS Sample

To conclude on the legality and regularity of transactions, ERCEA cannot rely only on the common approach of the CRaS, since our share of 5 items in this common representative sample of 162 represents 3%. Thus, ERCEA has implemented its own ex-post controls representative indicators to provide assurance to the Authorising Officer by Delegation on the ERC specific population, using a ERCEA specific MUS sample.

Although the completion of this specific ERCEA MUS sample is not yet fully statistically representative to draw the final conclusion, because only 96 out of 162 items of ERCEA

⁸² The FP7 Common Representative audit sample Error Rate (CRaS Error rate) is the sum of all negative detected error rates of closed representative audited financial statements in the Common sample drawn from the whole FP7 population amongst the Research family (162 items in total, only 5 from ERC), divided by the number of closed representative audited financial statements (156 results by the end of December 2013).

⁸³ The FP7 Residual error rate, specific to each DG/EA, is calculated on the basis of the Common Representative audit Sample error rate (CRaS Error rate) and it is defined as the level of errors which remain undetected and uncorrected at the end of the FP7. Please refer to Annex 4 for formulas and explanations.

population only are closed as of 31/12/2013 (with a representative error rate of 1,35%), it is nevertheless reasonable to expect that the final residual error rate based on ERCEA MUS sampling would stay below the 2% materiality threshold. As of 31/12/2013, this ERCEA-MUS-based residual error rate amounts to 1,23%⁸⁴.

Moreover, ERCEA specific error rate is lower than the FP7 Common Representative Error Rate. This confirms the lower inherent risk profile of ERC grants, as compared to the rest of the FP7. This is due to some specificities in the "Ideas" programme, such as ERC grants being mono-beneficiary, beneficiaries being mostly large research institutes with well-established internal controls on financial reporting (e.g. no SMEs, few newcomers to the programme, mostly public bodies), and simplification inherent in the programme design (e.g. flat-rate overheads), as well as reinforced ex-ante controls. Moreover, an analysis of 10 most recurring errors identified for mainstream FP7 spending demonstrates that many of them have no relevance to the ERC grants which are subject to different financing modalities (e.g. use of flat rate of 20% for indirect costs, which contribute to 31,7% of errors found in FP7). In addition, the analysis on FP7 errors by beneficiaries shows that financial statements from SMEs and newcomers (the number of which is very limited in the ERC population) are more error-prone with an error rate more than double compared with other categories of beneficiaries.

Control efficiency and cost-effectiveness of controls:

The efficiency and cost-effectiveness of transactions related to ex-post control is underpinned by the following 2013 results of related key controls:

Research Family harmonised indicators	31/12/2013
Number of audits performed⁸⁵ (+ % of beneficiaries & value coverage⁸⁶ – cumulative figures)	- 72 - So far, 31,68% of our beneficiaries have been audited at least once for a value coverage of 8,77% ⁸⁷ .
Total & Average ex-post audit cost in-house (FTE * standard staff cost) and/or outsourced (audit fees paid)	€ 1.574.177,07 - total € 21.863,57 - average

The non-quantifiable benefit of ex-post control auditing is its inherent deterrent effect, as beneficiaries will take extra care over the preparation of their cost claims knowing that

⁸⁴ We use the formula described in Annex 4 to calculate this residual error rate, based on our specific representative MUS sample error rate of 1,35%.

⁸⁵ This number refers to the total number of audits closed in 2013 by the ERCEA Ex-Post Controls Unit, steaming from the corrective strand (ERCEA "CRaS" audits were closed at the end of 2012).

⁸⁶ Only on the basis of the financial statements submitted by the Host Institutions and accepted by ERCEA.

⁸⁷ Closed audited amount out of the total submitted amount (€ 144.627.228,13/€ 1.647.983.023,97).

on the spot audits may follow. Ex-post control audits also result in reducing the exposure to future errors, thanks to guidance provided to audited beneficiaries. Furthermore, results of ex-post control provide a valuable feedback regarding the effectiveness of ex-ante controls. Finally, the experience of ex-post control auditors on the ground has been important in many improvements proposed in the legislation and rules for Horizon 2020. For example, one of the drivers for a flat rate of indirect costs was the regular identification of errors in the use of real indirect costs, and the understanding of the complexities of real indirect costs for participants.

Overall conclusion on the cost-effectiveness of controls

Research Family harmonised indicators (all stages combined)	31/12/2013
Total cost of fin. management & control⁸⁸ / total value of operational payments made	3%

Based on the analysis of the controls' cost-effectiveness an overall positive conclusion can be reached.

Indeed, during the reporting year, the total cost of financial management and control (i.e. operating budget) compared to the operational cost represented 3%, which is very low.

However it is more accurate to consider administrative and operational commitments rather than payments, which results in a **2.27%**, as the administrative budget is executed over two years. Moreover operational payments appropriations were not made available up to the level of what the ERCEA could have spent and some provisions needed to be taken in order to report year end operational payments to the following years⁸⁹.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated during the each of the control stages. As regards the scientific evaluation (stage 1), the controls ensure that the most meriting projects are funded, following the sole criterion of "excellence" and allowing, together with the 3 further stages ERCEA to fulfil its mission statement and operational objectives. The controls of the grant preparation and signature (stage 2) and of the grant implementation (stage 3) ensure the full budget execution as well as the legality and regularity of transactions of respectively grants and payments. Also, ex-post controls (stage 4) measure the effectiveness of ex-ante controls, provide the highest level of assurance regarding the legality and regularity of payments and has an inherent deterrent effect, as beneficiaries will take extra care over the preparation of their cost claims knowing that on the spot audits may follow.

To further support the efficiency of its internal control system ERCEA has defined efficiency indicators for the controls associated with the main core processes, which all

⁸⁸ For a nearly 'pure' grant management DG/EA, this is approximated by comparing the administrative/operating budget (€ 40.092.000, see Annex 6.6) to the total operational budget (€ 1.762.521.533, see Annex 6.2).

⁸⁹ Refer to Annex 6.7

ensure that applicants benefit of being swiftly informed about the outcome of their submitted proposal and grantees of being rapidly provided with the legal and financial means to conduct their research project.

Finally, ERCEA considers that the necessity of all these controls is undeniable, as the totality of the appropriations would be at risk in case they would not be in place.

2.1.2 Administrative budget's underlying transactions

All transactions on the administrative budget are verified by a financial verifying agent and all errors detected are corrected. In 2013, 3,5% of the payments and 4,9% of the commitments have been rejected for correction (SC – Refusal for correction' visa in ABAC).

The errors were mainly of three types: calculation mistake (mainly due to exchange rates), user reference or message to beneficiary not precise enough (transaction correct but insufficiently explained) and incorrect bank account (mostly when the supplier has several bank accounts).

Financial errors: only exchange rate errors on experts or candidates cost claims: + or -, only € cents. No reputational errors. Even though the impact of the errors detected is very limited, the control is imposed by the FR for payments where we have only the two actors (IA+VA/AO) for most of the transactions.

The ERCEA has issued 29 recovery orders in 2013, for a total amount of € 40,4 Mio⁹⁰, all of them except 3 have been cashed. Out of these 29 RO, 3 were for the cash paid by the EC, 4 for interests paid by the bank and 16 for salary regularization with other EU institutions. In 2013, 2.175 payments were made on the administrative budget (compared to 2.647 in 2012), out of which 19 were paid late (24 in 2012). This represents a rate of 0,9% as in 2012 (2,2% in 2011). The "average time to pay" was of 11,3 days (13,3 days in 2012).

As regards procurement, the files initiated in 2013 by operational and horizontal units, representing 519 "transactions", were all verified by the ERCEA procurement cell which gives ex-ante VISA for the main transactions related to public procurement procedures in order to provide the necessary guarantees regarding their legality and regularity.

Although a number of compliance errors (estimated to 144) were identified during the ex-ante checks (such as erroneous templates used, missing supporting documents, errors in contracts and annexes not in line with tender specifications, etc.), all were corrected during the ex-ante verification phase. No reputational issue- the materialization thereof would have seriously impaired the application of the principles of "open, fair, transparent competition" and "award to the best qualified bidder"⁹¹ – was identified. The correction

⁹⁰ 40,3 Mio according to table 7 of the Annex 3: the difference (0,1 Mio) is due to the 'hors' budget recovery orders (salary regularization) not taken into account in this budgetary table.

⁹¹ Serious infringements, considered by ECA as 100% errors, are: (i) no or restricted tendering for main or

of these errors allowed ensuring the legality and regularity of procurement operations. Finally, it should be noted that so far no complaint, or litigation case was received by the ERCEA and no tender cancellations were recorded.

In order to avoid the recurrence of such mistakes, corrective actions have been implemented, including the close cooperation with and assistance to operational and horizontal units for the preparation of the tender documents, the provision of legal and financial advice in the preparation of tender specifications.

The results of the accounting quality checks showing an error rate of 1,45%⁹² in 2013, which is immaterial considering their nature, thus does not impair the true and fair view of the accounts⁹³.

2.1.3 Fraud prevention and detection

ERCEA has developed in 2011 its anti-fraud strategy as foreseen in the Commission's overall anti-fraud strategy⁹⁴, which has been revised in 2013 as to align to OLAF methodology. Resulting measures with year-end 2013 as target date have been implemented, but one.

The revised strategy provides a framework for addressing fraud and defines key objectives, reflecting the priorities established by the ERCEA and complemented by an action plan. To establish its revised strategy, the ERCEA has implemented OLAF's "Methodology and guidance for DGs' anti-fraud strategies"⁹⁵, thus covering all stages of the anti-fraud cycle (prevention, detection, investigation and corrective measures), and all ERCEA operations related to its operational and operating budgets, including operations without any direct financial impact. Furthermore, the revised strategy reflects the results of ERCEA's fraud risk analysis⁹⁶ which resulted in the identification of specific ERCEA fraud patterns and of mitigating measures in place, allowing drawing five objectives to focus on as to mitigate ERCEA exposure to fraud.

Further to the revision of the strategy, 4 resulting measures with target date year end 2013 have been implemented, including the setup of a fraud reporting channel on the ERC website. The planned measure regarding the design of an ERCEA comprehensive fraud and irregularities register has been postponed to 2014. However, various

supplementary contracts (except where explicitly allowed by the legal framework); (ii) inappropriate assessment of bids affecting the outcome of the tender; (iii) substantial change of the contract scope; (iv) splitting of contracts in order to bring projects below the thresholds although they are related to the same economical objective(s).

⁹² Please refer to Part 1.3.

⁹³ Please refer to Annex 7.4.

⁹⁴ COM(2011) 376 24.06.2011.

⁹⁵ Ref. Ares(2013)859571 – 13/07/2012, see [Methodology and guidance for DGs' anti-fraud strategies](#).

⁹⁶ Embedded in ERCEA risk management process.

alternative mechanisms are in place to report and monitor potential fraud and irregularities, as to support the declaration of assurance. Finally, no case was reported to and from OLAF/IDOC during this reporting year.

Budget implementation tasks entrusted to other services and entities

Not applicable to the ERCEA in 2013.

Assessment of audit results and follow up of audit recommendations

This section reports and assesses the observations and conclusions reported by auditors 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.

The **European Court of Auditors** performed an audit on the ERCEA's 2012 accounts in February 2013. The final report of the auditors was received in November 2013 giving a favourable opinion on the legality and regularity of transactions and on the true and fair view of the accounts. In the same report, ECA challenged the low number of ex-post control audits closed under the "common ex-post audit strategy". This was due to the fact that audit campaigns for agencies started a little later than foreseen in the audit strategy and resulted in targets for closing audits not being met at the end of 2012. However, as the number of audits launched is in line with the targets, ERCEA is confident that those related to the closure of audits will be met by the end of FP7.

IAO issued a **final audit report on the FP7 payments** on 18th December 2013 concluding that the internal control system in place allows giving reasonable assurance. Ten audit recommendations were issued, three of which assessed as "very important"⁹⁷ but requiring only actions for improvements. Moreover, these do not raise any assurance implication, as related risks have not materialised during the reporting year. The ERCEA has finalised the action plan end of January 2014. Moreover, a **final audit report on the business continuity planning** was issued on 30th January 2014.

As to recommendations resulting from IAO audits performed in 2012, significant progress has been made, as the **follow-up of audits on the assurance process, the grant management, the ethical review management and the administrative budget were considered closed by IAO at year end 2013**. In addition, the follow-up of the

⁹⁷ Concerning the ex-post control strategy – corrective strand 2010, the scientific follow up objectives' clarification and improvements to strengthen the anti-fraud strategy.

communications audit assessed all recommendations as completed, except one “important” audit recommendation related to the improvement of the reporting on communication’s objectives and KPIs in the AAR. According to management, the recommendation has been addressed at year end. The follow-up audit performed in 2013 **on the evaluation of proposals audit of 2012** is considered closed except for two recommendations (out of 12 issued), including one “very important”. The latter concerns the controls of the panel’s work (e.g. IT checks) and it is expected to be fully implemented by the second quarter of 2014.

The **IT governance** (2011) audit was subject to a follow-up audit in 2013. In its conclusions issued on 12 December 2013, IAO confirmed the three audit recommendations previously classified as “very important” as open while downgrading two out of three recommendations to “important”. The open audit recommendation rated as “very important” relates to the IT project management methodology (e.g. the RUP@methodology). Regarding this last recommendation, it should be noted that diverging views arose between ERCEA management and the auditors about the level of detail with which the project management methodology should be implemented. The auditors and ERCEA IT Department will work together closely in 2014 to reach an agreement on the appropriate level of implementation of the recommendation.

Overall, based on the above reported 2013 internal audit results, no serious weakness has been identified which would adversely impact the 2013 declaration of assurance.

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.

ERCEA has put in place the organisational structure and the internal control systems suited to the achievement of its operational and its control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The 2013 management assessment of the effectiveness of the internal control systems has been performed early 2014 using a questionnaire covering all internal control standards. Furthermore, the assessment questionnaire also required management's confirmation of the completeness of the register of exceptions and non-compliance events, of the reporting on internal control weakness register and of unreported potential irregularities or fraud. Management assessed ERCEA internal control systems to be highly effective and the registers of exceptions & non-compliance and of internal control weaknesses did not reveal anything impairing the assurance.

In addition, the effectiveness of the internal control system's was monitored throughout the year by the monthly internal scorecard, the risk management process – including the bi-update of the related action plan and the quarterly monitoring of the implementation of audit recommendations. To note that full compliance was achieved thanks to the adoption in December 2013 of ERCEA Guidelines on Sensitive functions, as reflected in the latest quarterly update of the Internal Control Standards action plan.

In 2013, the ERCEA continued his efforts to reinforce its internal control system in place, in line with its 2013 prioritised ICS, which targeted the strengthening of ERCEA internal control environment⁹⁸, which sets the “tone” for an organisation, thus being the foundation of any internal control system.

In this respect, the ERCEA organisational values (ICS 2) have been identified⁹⁹, reflecting the results of the ERCEA-wide survey launched in September (participation rate of 77%), the discussions of dedicated staff members¹⁰⁰ from all Departments and Management team votes. Further to these inputs, the ERCEA organisational values are: Commitment,

⁹⁸ The internal control environment reflects management's attitude, awareness and actions as regards the importance given to risk management, internal control and governance. Control environment factors include ethical and organisational values (ICS 2), competence and development of personnel (ICS 4), management's risk management philosophy (ICS 6) and the way management assigns authority and responsibility (ICS 7).

⁹⁹ In line with ERCEA AWP 2013 prioritised ICS 2.

¹⁰⁰ About 70 staff members participated.

Continuous Improvement and Integrity. It should be noted that, as voiced by staff, “Continuous Improvement” encompasses the additional dimensions of Efficiency & Creativity and “Integrity” includes those of Honesty & Respect. Looking ahead, actions to bring these core values alive will be designed together with all staff.

Also, the ERCEA Inventory of the sensitive functions (ICS 7) has been established in compliance with ERCEA Guidelines on sensitive functions and both were adopted on 19 December 2013, thus lifting the outstanding partial compliance of ICS 7 “operational structure”. Furthermore, the inventory describes for each function the risk of staff misusing its power for personal gains due to a high degree of autonomy and/or decision-making influence. It also reflects for each function measures in place to mitigate the risk, thus ensuring the effective management of sensitive functions identified. This analysis resulted in qualifying as sensitive the functions of ERCEA Director and Heads of Department.

Finally, awareness raising actions targeting ERCEA’s internal control correspondents’ network and management were performed as to further clarify the reporting of internal control weaknesses (ICS 12).

In conclusion, the internal control standards were effectively implemented in 2013. Despite the level of compliance and effective implementation achieved in 2013, management takes the view that additional measures are necessary as to complement the focused progress made to date. This includes the strengthening of deputising and back up arrangements in certain areas as to ensure the continuous effectiveness of the decision making process and of the internal control system (ICS 7 "Operational structure") and where appropriate the revision of processes and procedures in the light of the implementation of Horizon 2020, of process simplification required by the new FR and the reorganisation of Departments and workflows (ICS 8 "Processes and procedures").

4. MANAGEMENT ASSURANCE

This section reviews the assessment of the elements reported in Parts 1, 2 and 3 and draw conclusions supporting of the Declaration of Assurance and namely, whether it should be qualified with reservations.

Review of the elements supporting assurance

The information reported in Part 1, 2 and 3 above covers both the operational and operating budgets managed by the ERCEA in 2013 and supports the five statements of the Declaration of Assurance.

Indeed, management's assessment provides the results of key indicators related to the budget execution addressing the statement on the "use of resources for the intended purpose"¹⁰¹. It further assesses using control indicators the "sound financial management" and the "legality and regularity of underlying transactions" per process stages¹⁰² and reports on measures implemented to prevent, detect and correct fraud¹⁰³.

As demonstrated throughout the report, the results of performance and control indicators positively support the 5 statements of the declaration of assurance. Although few indicators¹⁰⁴, relating to the efficiency component of the sound financial management¹⁰⁵ and to the legality and regularity of underlying transactions¹⁰⁶, show slight deviations from targets, these do not impair the declaration of assurance. Indeed, the observed deviations, caused by few occurrences, are mainly explained by the very high increase in volume of transactions. Also, the assessment of the internal control system, as well as the overall assessment of the cost benefit of controls, resulted both in a positive conclusion. Last but not least, fraud prevention and detection mechanisms in place did not reveal anything that would adversely impair the declaration of assurance.

In addition, the report has been prepared with the objective of providing the reader with reliable, complete and correct information on ERCEA state of affairs for the reporting period ("true and fair view"). Finally, it does not knowingly contain any material inaccuracy or omit any significant information. Management confirms the non-occurrence in 2013 of any significant weakness or reputational event that would have adversely impacted the assurance provided below.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated;

¹⁰¹ Part 1.2 and 1.3.

¹⁰² Part 2.1.1 and 2.1.2.

¹⁰³ Part 2.1.3.

¹⁰⁴ Out of the 34 performance and control indicators reported, only 5 slightly deviated from related targets.

¹⁰⁵ Refer to Part 1 for details on following indicators: time to inform, time to contract, time to pay and time to amend.

¹⁰⁶ Refer to Part 2 for the "ineligible proposals" indicator.

and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer by Delegation for the operational budget and as Authorising Officer for the operating budget, has signed the Declaration of Assurance.

Reservations and overall conclusion on assurance (if applicable)

None.

Declaration of Assurance

I, the undersigned,

Director of the European Research Council 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 view¹⁰⁷.

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the internal audit capability for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the European Research Council Executive Agency or those of the Commission.

Brussels, 28 March 2014

[Signed in ARES]

Pablo Amor

¹⁰⁷ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.

ERCEA AAR 2014 – ANNEXES

ANNEX 1: Statement of the Head of Resources and Support

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission¹, I have reported my advice and recommendations to the Director on the overall state of internal control in the ERC Executive Agency.

I hereby certify that the information provided in Parts 2 and 3 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.

Date , 28 March 2014

[signed in ARES]

Georges Eric Te Kolste

Head of Department D Resources and Support

Internal Control Coordinator

¹ SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and Financial resources

2.1. Human resources by ABB activity

Human Resources by ABB activity				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
08.10	Management of the Ideas Programme	99	280	379

2.2. Financial resources – Implementation of the ERCEA's operating (administrative) budget

Budget line	Budget line description	APPROPRIATIONS 2013 (C1)			APPROPRIATIONS carried forward (C8)	
		Available appropriations 2013	Commitments 2013	Payments 2013	Amount of appropriations carried forward from 2012	% implementation on appropriations carried forward from 2012
Title 1	Staff expenditure	26.474.660,00	25.304.197,37	25.011.765,80	245.526,68	90,17 %
Title 2	Infrastructure and operating expenditure	13.617.640,00	13.410.390,94	11.611.489,77	1.965.772,98	93,93 %
	TOTAL	40.092.000,00	38.714.588,31	36.623.255,57	2.211.299,66	93,51 %

ANNEX 3: Draft annual accounts and financial reports

3.1. Financial reports – Operational Budget

Annex 3 Financial Reports - DG ERC - Financial Year 2013

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Economic Outturn Account

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Contracts (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

TABLE 1 : OUTTURN ON COMMITMENT APPROPRIATIONS IN 2013 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 08 Research					
08	08 10	Ideas	1.766,85	1.766,68	99,99 %
	08 22	Completion of previous framework programmes and other activities	93,85	93,85	100,00 %
Total Title 08			1.860,70	1.860,53	99,99%
Total DG ERC			1.860,70	1.860,53	99,99 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

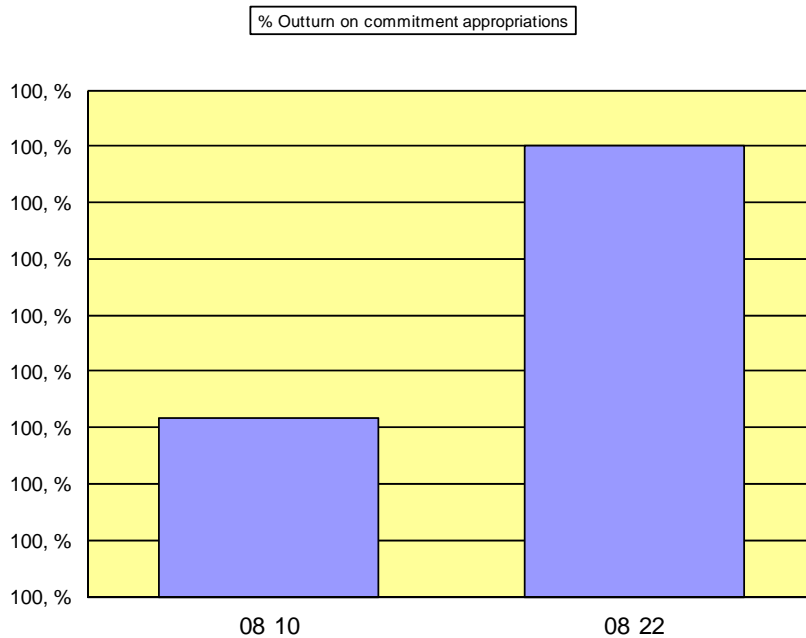


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2013 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 08 Research					
08	08 10	Ideas	1.100,61	1.100,42	99,98 %
	08 22	Completion of previous framework programmes and other activities	257,14	68,40	26,60 %
Total Title 08			1.357,75	1.168,82	86,08%
Total DG ERC			1.357,75	1.168,82	86,08 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

= "% Outturn on payment appropriations"

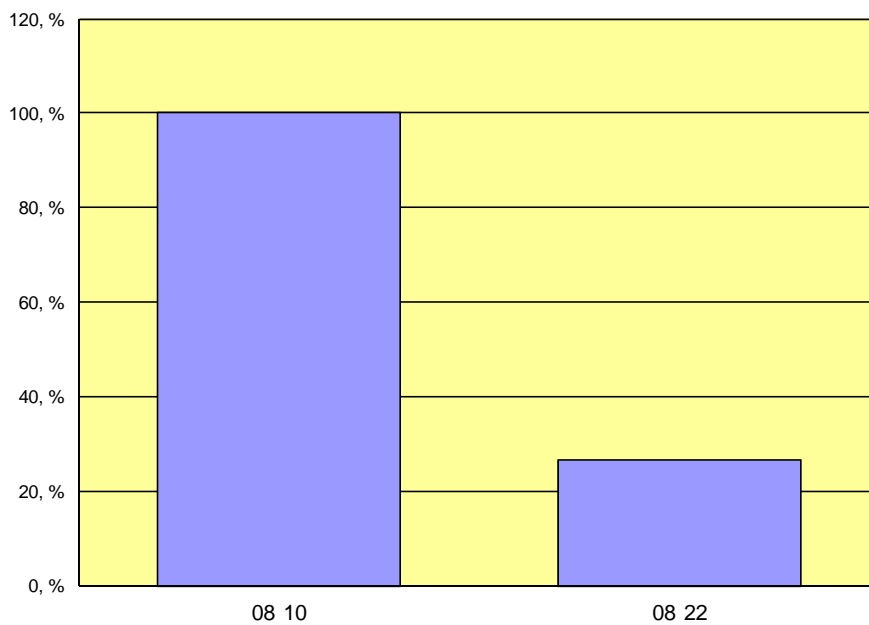


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2013 (in Mio €)									
Chapter			2013 Commitments to be settled				Commitments to be settled from financial years previous to 2013	Total of commitments to be settled at end of financial year 2013 (incl corrections)	Total of commitments to be settled at end of financial year 2012 (incl. corrections)
			Commitments 2013	Payments 2013	RAL 2013	% to be settled			
			1	2	3=12	4=12/1	5	6=3+5	7
Title 08 : Research									
08	08 10	Ideas	1.766,68	193,05	1.573,63	89,07 %	2.157,27	3.730,90	3.064,88
	08 22	Completion of previous framework programmes and other activities	93,85	17,80	76,05	81,03 %	112,69	188,74	163,84
Total Title 08			1.860,53	210,85	1.649,68	88,67%	2.269,96	3.919,64	3.228,73
Total DG ERC			1.860,53	210,85	1.649,68	88,67 %	2.269,96	3.919,64	3.228,73

"Breakdown of Commitments remaining to be settled (in Mio EUR)"

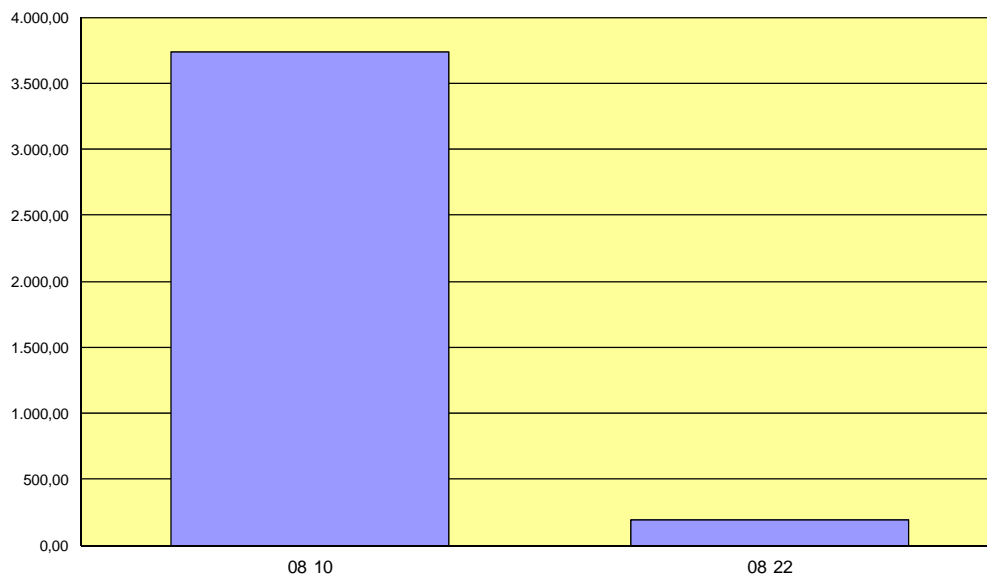


TABLE 4 : BALANCE SHEET

BALANCE SHEET	2013	2012
A.I. NON CURRENT ASSETS	22.129.288,05	294.340.370,82
A.I.5. LT Pre-Financing	22.129.288,05	294.340.370,82
A.II. CURRENT ASSETS	1.301.991.989,06	804.856.370,23
A.II.2. Short-term Pre-Financing	1.301.430.543,41	802.785.048,81
A.II.3.2. Current Receivables and Recove	561.445,65	2.071.321,42
ASSETS	1.324.121.277,11	1.099.196.741,05
P.III. CURRENT LIABILITIES	-132.020.658,00	-38.608.208,03
P.III.4. Accounts Payable	-132.020.658,00	-38.608.208,03
LIABILITIES	-132.020.658,00	-38.608.208,03
NET ASSETS (ASSETS less LIABILITIES)	1.192.100.619,11	1.060.588.533,02

P.I.2. Accumulated Surplus / Deficit		0
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Non-allocated central (surplus)/deficit*	-1.192.100.619,11	-1.060.588.533,02
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TOTAL	0,00	0,00
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It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 5 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT	2013	2012
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVIT	1.033.409.980,91	551.902.612,09
II.1.1. OPERATING REVENUES	-712.470,24	-718.758,96
II.1.1.2. Other operating revenue	-712.470,24	-718.758,96
II.1.2. OPERATING EXPENSES	1.034.122.451,15	552.621.371,05
II.1.2.1. Administrative Expenses	0,00	0,00
II.1.2.2. Operating Expenses	1.034.122.451,15	552.621.371,05
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	-263.871,68	-3.778.512,15
II.2.1. FINANCIAL OPERATIONS	-263.871,68	-3.778.512,15
II.2.1.1. Financial revenue	-264.360,72	-3.778.512,15
II.2.1.2. Financial expenses	489,04	
ECONOMIC OUTTURN ACCOUNT	1.033.146.109,23	548.124.099,94

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIMES FOR 2013 - DG ERC

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	6447	6072	94,18 %	14,14	375	5,82 %	44,352
45	3	3	100,00 %	23			
90	1637	1636	99,94 %	17,26	1	0,06 %	194
105	6	6	100,00 %	28,17			

Total Number of Payments	8093	7717	95,35 %		376	4,65 %	
Average Payment Time	16,21			14,81			44,75

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	829	772	93,12 %	8,88	57	6,88 %	29,61
30	4145	3900	94,09 %	14,97	245	5,91 %	45,27
90	6	6	100,00 %	28,17			

Total Number of Payments	4980	4678	93,94 %		302	6,06 %	
Average Payment Time	15,70			13,98			42,31

Suspensions							
Average Report Approval Suspension	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	30	1566	19,35 %	8093	351.189.967,06	32,38 %	1.084.622.309,01

Late Interest paid in 2013

DG	GL Account	Description	Amount (Eur)
ERCEA	65010000	Interest expense on late payment of charges	489,04
			489,04

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2013

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	2.156.717,93	0,00	2.156.717,93	2.147.950,98	0,00	2.147.950,98	8.766,95
66	OTHER CONTRIBUTIONS AND REFUNDS	2.988.005,81	186.417,05	3.174.422,86	2.449.403,54	186.417,05	2.635.820,59	538.602,27
90	MISCELLANEOUS REVENUE	62.394,50	0,00	62.394,50	48.318,07	0,00	48.318,07	14.076,43
Total DG ERC		5.207.118,24	186.417,05	5.393.535,29	4.645.672,59	186.417,05	4.832.089,64	561.445,65

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2013 Year of Origin (commitment)	Error		Irregularity		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
	2008	11	138.306,62	16	345.584,16	27	483.890,78	37	950.812,55	72,97%
2009	4	76.277,66	9	146.022,22	13	222.299,88	17	860.365,28	76,47%	25,84%
2010	3	40.174,14	5	50.493,87	8	90.668,01	8	90.668,01	100,00%	100,00%
2011			1	3.248,00	1	3.248,00	3	326.933,53	33,33%	0,99%
No Link			2	17.435,52	2	17.435,52	2	17.435,52	100,00%	100,00%
Sub-Total	18	254.758,42	33	562.783,77	51	817.542,19	72	3.081.720,51	70,83%	26,53%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS	108	752.471,02	51	408.190,98			159	1.160.662,00	242	4.638.470,94	65,70%	25,02%
CREDIT NOTES												
Sub-Total	108	752.471,02	51	408.190,98			159	1.160.662,00	242	4.638.470,94	65,70%	25,02%
GRAND TOTAL	126	1.007.229,44	84	970.974,75			210	1.978.204,19	314	7.720.191,45	66,88%	15,03%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2013 FOR ERC

	Number at 01/01/2013	Number at 31/12/2013	Evolution	Open Amount (Eur) at 01/01/2013	Open Amount (Eur) at 31/12/2013	Evolution
2012	3		-100,00 %	186.417,05		-100,00 %
2013		12			561.445,65	
	3	12	300,00 %	186.417,05	561.445,65	201,18 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2013 >= EUR 100.000

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

Total DG

Number of RO waivers

No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG ERC - 2013

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Total		

No data to be reported

TABLE 12 : SUMMARY OF PROCEDURES OF DG ERC EXCLUDING BUILDING CONTRACTS

Internal Procedures > €60,000		
Procedure Type	Count	Amount (€)
Open Procedure (Art. 127.2 RAP)	1	195.000,00
TOTAL	1	195.000,00

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)

No data to be reported

3.2. Financial Reports – Administrative Budget

Annex 3 Financial Reports - ERCEA - Financial Year 2013

Administrative Budget

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

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Table 14 : Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2013 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title A-1 FRAIS DE PERSONNEL				
A-11	Personnel en activité	24,80	23,71	95,57 %
A-12	Frais divers de recrutement, de prise de fonction	0,13	0,11	85,23 %
A-13	Frais de missions, de déplacements et autres dépen	0,39	0,38	96,84 %
A-14	Infrastructure à caractère socio-médical	0,59	0,56	94,74 %
A-16	Service Social, autres interventions	0,56	0,55	98,29 %
A-17	Frais de réception et de représentation	0,00	0,00	95,97 %
Total Title A-1		26,47	25,30	95,58%
Title A-2 FRAIS DE FONCTIONNEMENT				
A-20	Immeubles et frais accessoires	4,38	4,35	99,18 %
A-21	Traitement des données	6,54	6,50	99,47 %
A-22	Biens, meubles et frais accessoires	0,08	0,08	94,97 %
A-23	Dépenses de fonctionnement administratif courant	0,08	0,07	79,28 %
A-24	Affranchissement et Télécommunications	0,79	0,79	99,97 %
A-25	Frais de réunions internes	0,01	0,01	75,02 %
A-26	Frais administratifs liés aux activités opérationn	1,43	1,35	94,26 %
A-27	Dépenses avec les entités consolidées	0,29	0,26	90,10 %
Total Title A-2		13,62	13,41	98,48%
TOTAL ERC		40,09	38,71	96,56 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

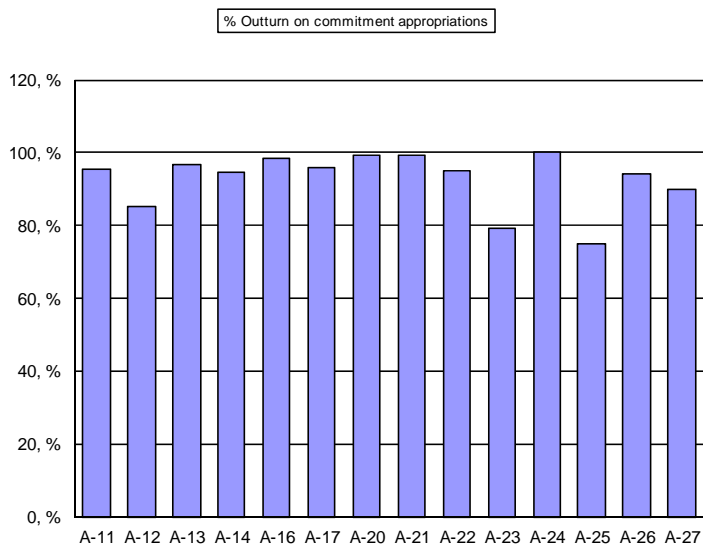


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2013 (in Mio €)

Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title A-1 FRAIS DE PERSONNEL				
A-11	Personnel en activité	24,85	23,71	95,39 %
A-12	Frais divers de recrutement, de prise de fonction	0,13	0,07	56,12 %
A-13	Frais de missions, de déplacements et autres dépen	0,42	0,36	85,66 %
A-14	Infrastructure à caractère socio-médical	0,75	0,54	71,31 %
A-16	Service Social, autres interventions	0,56	0,56	98,31 %
A-17	Frais de réception et de représentation	0,01	0,01	87,52 %
Total A-1		26,72	25,23	94,43%
Title A-2 FRAIS DE FONCTIONNEMENT				
A-20	Immeubles et frais accessoires	4,65	3,94	84,85 %
A-21	Traitement des données	7,49	6,81	90,90 %
A-22	Biens, meubles et frais accessoires	0,09	0,06	70,02 %
A-23	Dépenses de fonctionnement administratif courant	0,09	0,07	77,23 %
A-24	Affranchissement et Télécommunications	0,80	0,79	98,91 %
A-25	Frais de réunions internes	0,01	0,01	65,96 %
A-26	Frais administratifs liés aux activités opérationn	2,14	1,50	70,32 %
A-27	Dépenses avec les entités consolidées	0,31	0,27	85,97 %
Total A-2		15,58	13,46	86,36%
TOTAL ERC		42,30	38,69	91,46 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

=% Outturn on payment appropriations*

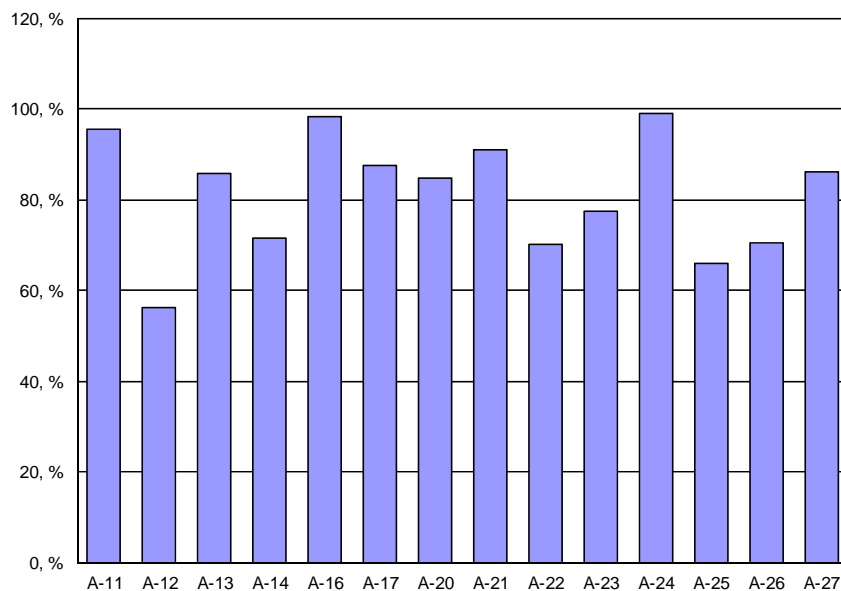


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2013 (in Mio €)					
Chapter		2013 Commitments to be settled			
		Commitments 2013	Payments 2013	RAL 2013	% to be settled
		1	2	3=1-2	4=1-2/1
Title A-1 FRAIS DE PERSONNEL					
A-11	Personnel en activité	23,71	-23,66	0,04	0,17 %
A-12	Frais divers de recrutement, de prise de fonction	0,11	-0,07	0,04	34,14 %
A-13	Frais de missions, de déplacements et autres dépen	0,38	-0,34	0,04	10,93 %
A-14	Infrastructure à caractère socio-médical	0,56	-0,39	0,17	30,82 %
A-16	Service Social, autres interventions	0,55	-0,55	0,00	0,00 %
A-17	Frais de réception et de représentation	0,00	0,00	0,00	3,12 %
Total A-1		25,30	-25,01	0,29	1,16%
Title A-2 FRAIS DE FONCTIONNEMENT					
A-20	Immeubles et frais accessoires	4,35	-3,73	0,62	14,22 %
A-21	Traitement des données	6,50	-5,88	0,63	9,63 %
A-22	Biens, meubles et frais accessoires	0,08	-0,06	0,02	28,87 %
A-23	Dépenses de fonctionnement administratif courant	0,07	-0,06	0,00	4,37 %
A-24	Affranchissement et Télécommunications	0,79	-0,79	0,01	1,02 %
A-25	Frais de réunions internes	0,01	-0,01	0,00	11,56 %
A-26	Frais administratifs liés aux activités opérationn	1,35	-0,84	0,51	37,55 %
A-27	Dépenses avec les entités consolidées	0,26	-0,25	0,01	4,92 %
Total A-2		13,41	-11,61	1,80	13,41%
TOTAL ERC		38,71	-36,62	2,09	5,40 %

"Breakdown of Commitments remaining to be settled (in Mio EUR)"

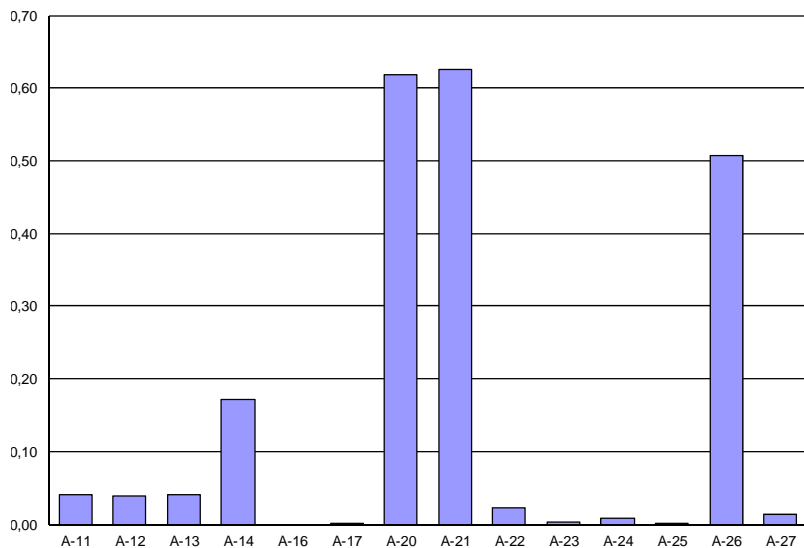


TABLE 4 : BALANCE SHEET ERCEA

BALANCE SHEET	2013	2012
A.I. NON CURRENT ASSETS	8.995.736,59	8.617.704,08
A.I.1. Intangible Assets	4.728.797,55	3.615.223,18
A.I.2. Property, plant and equipment	4.266.939,04	5.002.480,90
A.II. CURRENT ASSETS	5.925.337,10	4.905.222,05
A.II.2. Short-term Pre-Financing	0,00	0,00
A.II.3.2. Current Receivables and Recove	2.394.561,50	2.260.165,43
A.II.5. Cash and Cash Equivalents	3.530.775,60	2.645.056,62
ASSETS	14.921.073,69	13.522.926,13
P.II. NON CURRENT LIABILITIES	0,00	
P.II.2. Long-term provisions	0,00	
P.III. CURRENT LIABILITIES	-4.620.430,28	-3.023.152,99
P.III.2. Short-term provisions	-803.513,44	-709.038,29
P.III.4. Accounts Payable	-3.816.916,84	-2.314.114,70
LIABILITIES	-4.620.430,28	-3.023.152,99
NET ASSETS (ASSETS less LIABILITIES)	10.300.643,41	10.499.773,14
Non-allocated central (surplus)/deficit*	199.129,73	-815.134,01
P.I.2. Accumulated Surplus / Deficit	-10.499.773,14	-9.684.639,13
TOTAL	0,00	0,00

* This figure is a balancing amount presented here so as to reflect the fact that the accumulated result of the Commission is not attributed to each DG

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 & 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 5 : ECONOMIC OUTTURN ACCOUNT ERCEA

ECONOMIC OUTTURN ACCOUNT	2013	2012
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	199.129,73	-815.164,26
II.1.1. OPERATING REVENUES	-39.096.826,43	-38.332.678,45
II.1.1.2. Other operating revenue	-39.096.826,43	-38.332.678,45
II.1.2. OPERATING EXPENSES	39.295.956,16	37.517.514,19
II.1.2.1. Administrative Expenses	38.878.019,44	36.978.041,08
II.1.2.2. Operating Expenses	417.936,72	539.473,11
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT		30,25
II.2.1. FINANCIAL OPERATIONS		30,25
II.2.1.2. Financial expenses		30,25
III.2. Extraordinary Gains	0,00	
III.2. Extraordinary Gains	0,00	
III.2. Extraordinary Gains	0,00	
III.3. Extraordinary Losses	0,00	
III.3. Extraordinary Losses	0,00	
III.3. Extraordinary Losses	0,00	
ECONOMIC OUTTURN ACCOUNT	199.129,73	-815.134,01

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 & 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIMES FOR 2013 - ERCEA

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	2031	2012	99,06 %	10,85	19	0,94 %	50,26
45	65	65	100,00 %	15,66			
60	79	79	100,00 %	9,65			

Total Number of Payments	2175	2156	99,13 %		19	0,87 %	
Average Payment Time	11,30			10,96			50,26

Target Times

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	486	476	97,94 %	13,04	10	2,06 %	50,1

Total Number of Payments	486	476	97,94 %		10	2,06 %	
Average Payment Time	13,80			13,04			50,1

Suspensions

Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	34	28,	1,29 %	2.175,	213.299,08	1,32 %	16.141.089,49

Late Interest paid in 2013

Agency	GL Account	Description	Amount (Eur)

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2013

Title	Description	Year of Origin	Revenue and Income recognized	Revenue and Income cashed	Outstanding Balance
20-0	Subsidy from the Commission	2013	40.131.814,25	40.131.814,25	0,00
91-0	Recuperation of expenses	2012	66,02	0,00	66,02
91-0	Recuperation of expenses	2013	133.577,81	132.828,48	749,33
TOTAL ERC			40.265.458,08	40.264.642,73	815,35

TABLE 8 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2013 Year of Origin (commitment)	Follow Up		No error / irregularity		Not specified		TOTAL Qualified		TOTAL RC (incl. non- qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2012			1,	4.129,95			1,	4.129,95	1	4.129,95	1	
2013	1,	550,00					1,	550,00	1	550,00	1	
No Link			28,	8.723.898,12	9,	26.637,39	37,	8.750.535,51	37	8.750.535,51	1	
Sub-Total	1,	550,00	29,	8.728.028,07	9,	26.637,39	39,	8.755.215,46	39	8.755.215,46	1	

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC(incl. non- qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS												
CREDIT NOTES												
Sub-Total												
GRAND TOTAL									39	8.755.215,46		

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2013 FOR ERCEA

Year of Origin	Number at 01/01/2013	Number at 31/12/2013	Evolution	Open Amount (Eur) at 01/01/2013	Open Amount (Eur) at 31/12/2013	Evolution
2012	5	1	-80,00 %	40.844,62	66,02	-99,84 %
2013		3			1.444,16	
Totals	5	4	-20,00 %	40.844,62	1.510,18	-96,30 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2013 >= EUR 100.000

	Waiver Central Key	Linked RO Central Key	RO Accepted amount (Eur)	LE Account Group	Commission Decision	Comments
1,						

Total ERCEA

Number of RO waivers

No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG - YEAR 2012

Contracts > 60.000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Total		0,00

No data to be reported

TABLE 12 : SUMMARY OF PROCEDURES OF DG EXCLUDING BUILDING CONTRACTS

Internal Procedures > €60,000		
Procedure Type	Count	Amount (€)
TOTAL		

No data to be reported

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)

No data to be reported

ANNEX 4: Materiality criteria

The Standing Instructions for the preparation of Annual Activity Reports stipulate that the quantitative materiality threshold **must not exceed 2% of the authorised payments of the for the reporting year ABB expenditure**. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas (e.g. programmes) for which a multi-annual control system is more effective. In such cases, the calculation of errors, corrections and materiality of the residual amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

Because of its multiannual nature, the effectiveness of the Research services' control strategy can only be fully measured and assessed at the final stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

In addition, basing materiality solely on ABB expenditure for one year may not provide the most appropriate basis for judgements, as ABB expenditure often includes significant levels of pre-financing expenditure (e.g. during the initial years of a new generation of programmes), as well as reimbursements (interim and final payments) based on cost claims that 'clear' those pre-financings. Pre-financing expenditure is very low risk, being paid automatically after the signing of the contract with the beneficiary.

The general control objective for the Research services, following the standard quantitative materiality threshold proposed in the Standing Instructions is to ensure for each FP (and the Coal and Steel Research Fund for DG RTD), that **the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of the FP's management cycle**. The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

Notwithstanding the multiannual span of their control strategy, the Director Generals of the Research DGs (and the Directors of ERCEA and REA) are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen. In view of the crucial role of ex-post audits defined in the common FP7 audit strategy, this assessment needs to check in particular whether the scope and results of the ex-post audits carried out until the end of the reporting period are sufficient and adequate to meet the multiannual control strategy goals.

The criteria for making a decision on whether there is material error in the expenditure of the DG or service, and so on whether to make a reservation in the AAR, will therefore be principally, though not necessarily exclusively, based on the level of error identified in ex-post audits of cost claims on a multi-annual basis.

Effectiveness of controls

The starting point to determine the effectiveness of the controls in place is the cumulative level of error expressed as the percentage of errors in favour of the EC, detected by ex-post audits, measured with respect to the amounts accepted after ex-ante controls.

However, to take into account the impact of the ex-post controls, this error level is to be adjusted by subtracting:

- Errors detected corrected as a result of the implementation of audit conclusions.
- Errors corrected as a result of the extrapolation of audit results to non-audited contracts with the same beneficiary.

This results in a residual error rate, which is calculated in accordance with the following formula:

$$\text{ResER}\% = \frac{(\text{RepER}\% * (P - A)) - (\text{RepERsys}\% * E)}{P}$$

where:

ResER%	residual error rate, expressed as a percentage.
RepER%	representative error rate, or error rate detected in the common representative sample, expressed as a percentage. For FP7 this rate is the same for all Research services.
RepERsys%	portion of the RepER% representing (negative) systematic errors, expressed as a percentage. The RepER% is composed of two complementary portions reflecting the proportion of negative systematic and non-systematic errors detected.
P	total aggregated amount in € of EC share of funding in the auditable population. In FP7, the population is that of all received cost statements, and the € amounts those that reflect the EC share included in the costs claimed in each cost statement.
A	total EC share of all audited amounts, expressed in €. This will be collected from audit results.
E	total non-audited amounts of all audited beneficiaries. In FP7, this consists of the total EC share, expressed in €, of all non-audited received cost statements for all audited beneficiaries (whether extrapolation has been launched or not).

If the residual error rate is not (yet) below 2% at the end of a reporting year within the FP's management lifecycle, a reservation must be considered.

The Common Representative audit Sample (CRaS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of FP7 as a whole. Nevertheless, the Director-General (or Director for the Executive Agencies) must also take into account other information when considering if the overall residual error rate is a sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of FP7. This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

If the CRaS results are not used as the basis for calculating the residual error rate this must be clearly disclosed in the AAR, along with details of why and how the final judgement was made.

In case a calculation of the residual error rate based on a representative sample is not possible for a FP for reasons not involving control deficiencies,² the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

Adequacy of the audit scope

The quantity of the (cumulative) audit effort carried out until the end of each year is to be measured by the actual volume of audits completed. The data is to be shown per year and cumulated, in line with the current AAR presentation of error rates. The multiannual planning and results should be reported in sufficient detail to allow the reader to form an opinion on whether the strategy is on course as foreseen.

The Director-General (or Director for the Executive Agencies) should form a qualitative opinion to determine whether deviations from the multiannual plan are of such significance that they seriously endanger the achievement of the internal control objective. In such case, she or he would be expected to qualify his annual statement of assurance with a reservation.

Materiality is assessed for each Framework Programme

In 2013, the Research services managed financial operations under the sixth and seventh framework programmes, and the Coal and Steel Research Fund. Each is managed under different sets of regulatory and contractual provisions. Therefore, the assessment of the performance of the internal controls has to take into account these differences.

However, given that the expenditure for the 6th Framework Programme is now a very small part of operations, and given the full disclosure on the results for this FP in the AAR 2012, information on the 6th FP should only be reported if there are exceptional elements, the non-disclosure of which would result in the reader being misled.

² Such as, for instance, when the number of results from a statistically-representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

ANNEX 5: Internal Control Template(s) for budget implementation (ICTs)

5.1. ERCEA operational budget

The ICT relates to the implementation by the ERCEA of the operational budget, which is implemented according to Article 53 the 2002 FR by “grant indirect management” mode. However, Article 58 of the revised FR of 2012, provides that as from 01.01.2014 the ERCEA will implement its operational budget in line with the “direct management” mode.

Stage 1: Programming, evaluation and selection of proposals

A. Preparation, adoption and publication of Calls of proposals aligned to the ERC / "Ideas" Work Programme.

Main control objectives: Ensure that the ERCEA calls for proposals are effectively launched and concluded according "Ideas"/ERC Programme objectives' effectiveness, in compliance with rules and regulations.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
WP and subsequent calls for proposals are inadequate to ensure the evaluation of proposals	Hierarchy of legal texts (legal basis, decisions, rules...) Scientific Council (ScC) support and Call Coordination	All calls	Cost: FTEs involved Benefit: total WP budget	Effectiveness: % of planned Calls successfully concluded Efficiency: FTEs standard costs / operational budget

B. Evaluation, ranking and selection of proposals

Main control objectives: Ensure that only proposals meeting the "Ideas" Work Programme objectives' are selected for funding, while complying with rules and regulation and preventing / deterring fraud.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
Eligible proposals are excluded from the evaluation or ineligible proposals are proposed for funding	<p>Automatic IT-based eligibility checks</p> <p>Eligibility checks and decision for clear cut cases by scientific officers and call coordinators</p> <p>In depth double-check of special cases at Step 2 by call coordinators</p> <p>Eligibility decision for pending cases (not clear cut) by Eligibility Committee</p>	100% applicants and all aspects of eligibility criteria	<p>Cost: FTEs involved</p> <p>Benefit: % ineligible proposal x average awarded grant</p>	<p>Effectiveness: % of ineligible proposals over total proposals submitted per call</p> <p>% of redress cases concerning eligibility issues</p> <p>Efficiency: FTEs standard costs / operational budget</p>
The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures	<p>ScC selection and appointment of panel members</p> <p>Panel coordination by scientific officers making sure procedures are followed (panel checklists</p>	<p>100% of panel members and experts</p> <p>100% of proposals</p> <p>100% of complaints received are analysed by</p>	<p>Cost: FTEs involved + expert budget</p> <p>Benefit: Compliant, fair and reliable evaluation based on sole criterion of excellence</p>	<p>Effectiveness:</p> <p>Number of experts participated/invited</p> <p>% of expert payment execution</p> <p>Number of experts (remote</p>

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
	<p>and standard deliverables)</p> <p>Assignment of proposals to panel members by panel chairs</p> <p>Conflict of interest procedure</p> <p>Selection of experts (remote referees) by panel chairs</p> <p>Assessment of proposals by panel members and experts (remote referees)</p> <p>ScC President's approval and ERCEA Director's final adoption of ranking lists.</p> <p>Redress procedure</p>	<p>the Redress Committee.</p> <p>100% exclusion from evaluation of experts having a conflict of interest</p>		<p>referees) reviews per proposals</p> <p>Time to appoint experts</p> <p>Time to pay experts</p> <p>% of successful redress cases</p> <p>Expert budget / number of evaluated proposals</p> <p>Efficiency: FTEs standard costs + expert budget / operational budget</p>

Stage 3: Title Grant implementation

Main control objectives: To ensure the financial and legal transaction time is minimised for ERC beneficiaries and underlying transactions are legal and regular.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The grant agreement is not or partially carried out in compliance with the Description of Work and/or amounts claimed by beneficiaries are not complying with the contractual and regulatory framework.</p>	<p>Financial Officers perform check-list-based financial controls based on the Periodic Financial Management Report, which provides an explanation of financial resources claimed versus the Description of Work, in particular its budgetary annex.</p> <p>Certificate on the Financial Statements delivered by an independent qualified auditor.</p> <p>EWS screening</p> <p>Final payments are subject to the approval of the Scientific reports.</p>	<p>100% of transactions</p> <p>100% of transactions with cumulative costs claims exceeding € 350.000.</p> <p>100% of transactions</p> <p>100% of transactions</p>	<p>Cost/benefit:</p> <p>Average project management cost/running grant agreement</p> <p>Average number & value of running grant agreement managed/staff FTE.</p> <p>Detected error rate ex-ante desk checks</p>	<p><u>Effectiveness:</u></p> <p>% of payment credit execution.</p> <p>% of ineligible costs identified by Financial Officers</p> <p>% of total number of financial transactions and accepted costs covered by Certificate on Financial Statements (CFS).</p> <p>Research Family indicator:</p> <p>% and values of errors detected through ex-ante desk checks / total value of cost claims.</p> <p>% of final payments suspended due to results of Scientific reports</p> <p><u>Efficiency:</u></p> <p>Time to pay (pre-financing / interim and final payments)</p> <p>Research Family indicator:</p> <p>Average time to pay (% on time)</p>

Stage 4: Ex-post controls

Main control objectives: Measuring the effectiveness of ex-ante controls by performing on-the spot ex-post controls aiming at detecting errors, irregularities or fraud in cost statements.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
Ex-ante controls fail to prevent, detect and correct erroneous, irregular or fraudulent payments.	<p>Common and multi-annual FP7 ex-post control strategy - representative sample of transactions (CRaS)</p> <p>ERCEA specific ex-post control strategy (2007-2013) – representative sample (MUS) and risk-based audits.</p>	<p>Representative sample allows drawing conclusions on the effectiveness of ex-ante controls.</p> <p>The FP7 audit strategy sets the audit method for the Research Family.</p>	<p>Cost:</p> <p>Total & average ex-post audit cost in –house (FTE*standard staff cost) and outsourced (audit fees paid).</p> <p>Non-monetary benefits: To be aligned with text provided by RTD mid-January</p>	<p><u>Effectiveness:</u></p> <p>ERCEA specific error rate (global activity)</p> <p>ERCEA residual error rate (drawn from ERCEA MUS sample)</p> <p>FP7 - CRaS error rate (representative sample)</p> <p>FP7 – CRaS residual error rate</p> <p><u>Efficiency:</u></p> <p>Number of audits performed (+% of beneficiaries & value coverage?)</p>

5.2. ERCEA Operating budget

Name the type of expenditure to which the ICT applies³ (procurement direct management).

Stage 1: Administrative budget

Main control objectives: To ensure compliance with financial and accounting rules as well as regularity, effectiveness, efficiency and cost benefit of financial transactions processed and monitor the quality of budget planning and of payment workflows.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
Credibility of the draft budget (= request for EC contribution in N+1) is questioned by the Budget authority against the ERCEA ability to reach a high level of execution	Monitoring of the quality of the budget planning	100% of operating budget	Cost: FTE Benefit: respect of commitment towards the budgetary authority to limit administrative costs	<u>Effectiveness:</u> % Commitment rate % Payment rate
Late payments give a negative image of the Agency (reputational risk) and may lead to the payment of late interests	Monitoring of the quality of payment workflows	100% of operating budget	Cost: FTE Benefit: Respect of the payment target imposed by budgetary authority	<u>Effectiveness:</u> % of late payments <u>Efficiency:</u> Time to pay

³ One ICT is required per type of expenditure managed by the DG. As regards cost benefits indicators for the external aid policy area, the aid delivery methods (procurement and grants, contribution agreements, budget support etc.), the management modes or distinct internal control systems or alternatively the different cooperation instruments could be used, as long as the relevant indicators are reported accordingly in the AAR under sections 2.1 and 2.2.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
A high rate of errors in the transactions on the administrative budget lead to remarks in the final report of the court of auditors	Compliance & regularity checks of financial transactions	100% of transactions	Cost: FTE Benefit: optimisation of budget execution in line with financial and accounting rules.	<u>Effectiveness:</u> % Residual number of accounting errors/total number of transactions (<2%) % Residual accounting errors (<2% of total balance sheet or economic outturn account)

Stage 2: Procurement: The procurement cell provides financial and procedural information to the management on the public procurement procedures. It further assists operational units with advising on compliance with the FR and its Rules of application concerning public procurement procedures of the Agency, sharing best practices/problems detected; launching centralized initiatives (e.g. workshop) concerning the management of public procurement within the Agency and disseminating regularly all related information to the units and especially to staff members involved in public procurement, assisting and supporting the operational units in the choice of the correct procedure; and in the preparation of the tender documents and providing an ex-ante verification on all public procurement procedures of the Agency, including low value contracts (above € 1.000).

Main control objectives: To ensure the legality & regularity of procurement operations

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
A lack of competition amongst tenderers may lead to restriction of market	Regular follow-up and update of the contract register	100% checked	Costs: estimation of cost of staff involved Benefits: widest competition (increase the choice of potential	Effectiveness: Reduced n° of splitting of a purchase

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
	step", guidelines)			
Due conflict of interest during the award process, contract awarded may be contested	Members of the evaluation committee sign a declaration of absence of conflict of interest and of confidentiality Tenderers sign declaration of honour on exclusion criteria and on absence of conflict of interest	100% checked	Benefits: - awarded contract are awarded and services/goods delivered (needs satisfied) - limit number of litigations & complaints - fair competition	Effectiveness: - reduced n° of errors detected - n° of complaints or litigation cases filed

ANNEX 6: Implementation of the ERCEA AWP 2013

6.1. ERC funding instruments

Two grant schemes designed by the Scientific Council form the core of the ERC activities: Starting Grants (StG) support researchers at the early stage of their careers, with the aim of providing working conditions that enable them to become independent research leaders. Since 2013, this scheme is split in two: the "ERC Starting Grant" for starters with at least two years but not more than seven years' experience after their PhD and the "ERC Consolidator Grant" for scientists who completed their PhD at least seven, but no longer than 12 years before the cut date.

The Advanced Grants (AdG) are designed to support outstanding and established research leaders by providing the resources necessary to enable them to continue the work of their teams in expanding the frontiers of scientific knowledge.

In addition, since 2011 a funding opportunity, the Proof of Concept, is offered to existing ERC grant holders the possibility to establish the innovation potential of ideas stemming from their existing ERC grants. This funding instrument is aimed at covering the funding gap known as "the valley of death" which occurs in the very early stages of the commercialisation process of potentially innovative ideas.

Finally, the ERC Synergy, introduced in 2012, aims at groups of 2-4 exceptional researchers combining their expertise, knowledge and resources to make scientific breakthroughs that would not be possible for any of them working alone.

6.2. Details of the 2013 commitments execution by main fund sources

Operational Budget: Commitments execution		Commitments - Fund Source ⁴				
		C1	C8	C4	C5	R0
	TOTAL Credits (€)	1.762.521.533,00	3.064.883.359,30	3.822.909,44 ⁵	508.931,89	257.144.054,20
Available Commitment Appropriations 2013						
A	Grants	1.753.940.754,52	878.508.968,04	3.642.974,64	508.931,89	102.820.718,46
	Experts	8.580.778,48	N/A	0,00	0,00	829.313,00
B	L1 Commitments (C1)	1.753.724.193,59	878.508.968,04	3.204.907,85	118.446,89	102.620.718,46
C	Indirect L2 Commitments	748.167.209,77	878.508.968,04	1.758.973,47	118.446,89	50.892.613,88
D	Available for Indirect L2 Commitments (Grants) For C1, C4 and R0 = (B-C) For C8= (C/A)	1.005.556.983,82	0,00	1.445.934,38	0,00	51.728.104,58
E	% Consumption of L2 Indirect against the L1 Commitments (Grants) For C1, C4 and R0 = $R0 = (C/B)$ For C8 = (C/A)	42,66%	100,00%	54,88%	100,00%	49,59%
F	Available Commitment appropriations = A – B – G	0,00	N/A	26.080,13	0,00	N/A
G	Direct L2 Commitments Grants	216.560,93	N/A	411.986,66	390.485,00	200.000,00
	Direct L2 Commitments Experts	8.580.778,48	N/A	0,00	0,00	829.313,00

⁴ Explanation of Fund Sources: C1 = voted credits of the current year; C8 = carried-forward credits of last year C1 credits; R0 = contribution from Third Countries; C4 = credits of income generated mainly from interest on pre-financing; C5 = carried-forward of C4 credits of last year.

⁵ Including € 179.934,80 on the mother line.

Operational Budget: Commitments execution		Commitments - Fund Source ⁶				
		C1	C8	C4	C5	R0
H	% consumption of L1 and L2 Direct against the Commitment Appropriations = (G+B) / A	100,00%	N/A	99,28%	100,00%	100,00%

The granting process of the 2013 Synergy Grants Call was launched towards the end of the year. Consequently, the corresponding L1 commitments were made during the fourth quarter of 2013, leading at year end to 100% execution of voted credits for 2013.

⁶ Explanation of Fund Sources: C1 = voted credits of the current year; C8 = carried-forward credits of last year C1 credits; RO = contribution from Third Countries; C4 = credits of income generated mainly from interest on pre-financing; C5 = carried-forward of C4 credits of last year.

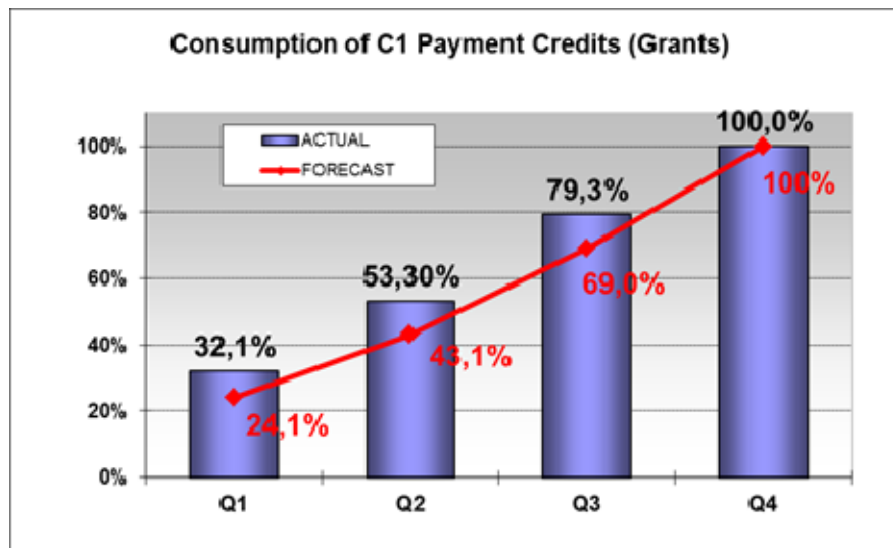
6.3. Payment appropriation execution

The table shows the consumption of the year per fund source, including the revenue assigned from third countries (R0):

Operational Budget: Payments execution	Payment Execution – Fund Source					
		C1	C4	C5	R0 ⁷	TOTAL
Payments Appropriations 2013	Appropriations main line (€)	0,00	179.934,80	0,00	0,00	179.934,80
	Grants (€)	1.087.289.932,89	3.642.974,64	246.385,59	256.314.927,26	1.347.494.220,38
	Experts (€)	9.249.322,86	0,00	0,00	829.126,92	10.078.449,78
	Total	1.096.539.255,75	3.822.909,44	246.385,59	257.144.054,18	1.357.752.604,96
Payments in 2013	Appropriations main line (€)	0,00	14.206,55	0,00	0,00	14.206,55
	Grants (€)	1.087.289.932,89	3.616.894,51	246.385,59	67.573.305,58	1.158.726.518,57
	Experts (€)	9.249.322,86	0,00	0,00	829.126,92	10.078.449,78
	Total	1.096.539.255,75	3.631.101,06	246.385,59	68.402.432,50	1.168.819.174,90
% Payment Consumption	Appropriations main line	N/A	7,90%	N/A	N/A	N/A
	Grants	100,00%	99,28%	100,00%	26,36%	N/A
	Experts	100,00%	N/A	N/A	100,00%	N/A
	Total	100,00%	94,98%	100,00%	26,60%	N/A

⁷ For Assigned Revenue 100% yearly consumption is not obligatory.

The graph below illustrates the evolution of the payment activity per quarter against forecast:



The graph reflects the overconsumption observed throughout the 3 quarters that proved the need for additional funds. This overconsumption was the result of the budget cut received in the initial foreseen payment appropriations. With the transfers occurred during the Global Transfer and the Amending budget, the situation towards of the year since most obligations for payments were met.

6.4. Recovery orders

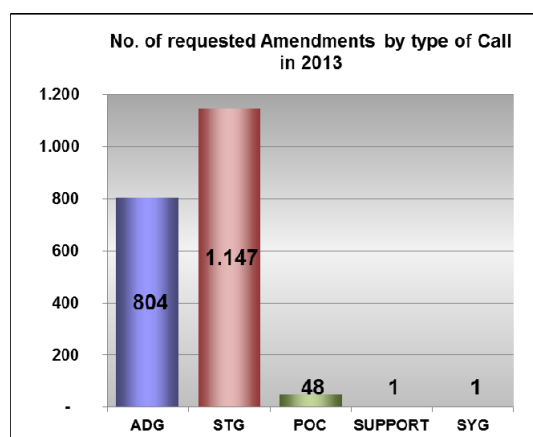
Reason for recovery	Number of recoveries cashed in 2013	Amount recovered €
Recovery due to termination by beneficiary	7	1.692.885,68
Recovery due to results of external audits	22	592.783,96
out of which included recovery due to liquidated damages	10	48.318,07
Other (recovery of pre-financing payments and experts) ⁸	16	405.669,36
Total RO cashed/offset in 2013⁹	45	2.691.339,00
Total RO cancelled in 2013	1	40.539,58
Total RO issued 2013	59	3.066.367,60
Total RO open on 31/12/2013	15	561.445,65

⁸ Income generated from pre-financing above € 750.000 is offset via the budget line BGUE-B2012-08.100100-C4-ERC.

⁹ Including 3 RO issued in 2012, but only cashed in 2013. Recovery order SI2.440627 due to external audits and including liquidated damages has been cancelled by RO SI2.441040 and not been included in the count.

6.5. Grant amendments

The below table shows 2013 requested grant amendments per types of call:



The table below shows the distribution of amendment requests by type (one amendment may include more than one reason):

Reason for Amendment	Number of cases	As a % of Total
Electronic submission SINGLE + MULTI	941	35,58%
Change Authorised Representative (INFO)+(AMDT)	612	23,14%
Change Contact details (Art 8)	331	12,51%
Modification duration	216	8,17%
Change banking details	140	5,29%
Modification Annex I	88	3,33%
Others	317	11,99%
TOTAL	2645	100%

6.6. Administrative budget

Administrative budget	31/12/2013
Final adopted budget	€ 40.092.000,00
Committed amount	€ 38.714.588,31
Paid amount	€ 36.623.255,57

6.7. Administrative budget versus operational budget

	Administrative budget	Operational Commitment	%	Operational Payment	%
Final appropriation	40.092.000,00	1.762.521.533,00	2,27%	1.357.752.604	2,95%
Total committed	38.714.588,31	1.762.521.533,00	2,20%	-	-
Total paid	36.623.255,57	-	-	1.168.804.966	3,13%

ANNEX 7: Specific annexes related to "Management of Resources" (Part 2)

7.1. Redress procedure

Redress procedure	31/12/2013
Total number of grant proposals received (eligible and non-eligible)	10.171
Number of redress requests received	261
Redress requests % of the proposals received	2,6%
Number of redress requests treated	254
Number of redress requests pending	7
Number of redress cases which led to re-evaluation	7
Redress cases which led to re-evaluation (% of proposals received)	0,07%
Number of re-evaluations being successful	2
Number of re-evaluations pending	0

7.2. Ethics review

The screening and ethics review of retained proposals aims at ensuring compliance with ethical principles and relevant legislation. In 2013, only 4 proposals (2 StG 2012 and 2 AdG 2012) involving research on Human Embryonic Stem Cells were cleared following the ethics review and the regulatory comitology executed by DG RTD.

In addition, one proposal (AdG 2013) involving research on Human Embryonic Stem Cells (HESC) underwent the Ethics Review by DG RTD and the related dossiers are being prepared for comitology and another one (AdG 2008) involving research on HESC¹⁰ underwent the ethics review following the introduction by the Principal Investigator of an amendment to insert one new HESC line in the experiments and their dossier.

As regards the monitoring of ethics aspects in running grants, the internal control system has been reinforced in 2013 by a procedure which is implemented in collaboration between the scientific and grant management departments and results in Ethic Monitoring Clearance. It ensures that the proposed research complies with the ethical principles referred to in the rules for submission and that the number of errors in the ethics review process is kept very low. Around 270 Ethic Monitoring Clearance Notes were issued in 2013.

¹⁰ Which underwent ethics review by DG RTD in 2008.

7.3. Ex-post controls – Use of resources and execution of ex-post control audit plan

Use of resources on implementing the ex-post control strategy (input indicator)	2013	2012
Internal resources– own resources audits	8,5 FTE ¹¹	7 FTE
Cost of outsourced audits (€) – representative sample	€ 517.217,00 (37 audits)	€ 452.500,00 (31 audits)

Execution of the ex-post control strategy (output indicator) - AUDIT PROGRAMME 2013			
Status	By own resources	By framework contractor	Total
TOTAL Audits foreseen (AWP 2013)	30	35	65
Identified (officially entrusted to contractor or in-house)	2	0	2
Launched in 2013 (Letter of Announcement sent)	24	12	36
Launched in previous years	7	0	7
TOTAL On-going as of end of 2013	31	12	43
Closed in 2013 from audits launched in 2013 (Letter of Conclusion sent)	5	25	30
Closed in 2013 from audits launched in previous years	16	26	42
TOTAL Closed in 2013	21	51	72
TOTAL Closed in previous years (2009-2013)	80	112	192

¹¹ In 2012, long leaves were taken into account.

7.4. Results of accounting quality controls

Following the EC Accounting Rule 14 “Economic result of the year, fundamental errors and changes in accounting policies”, “Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements”. However, according to the same rule, “Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue”.

Operational budget

In line with this principle, the accounting quality programme of the Agency aims to proceed over the last quarter 2013 and at the time of the cut-off, with a certain number of checks (19) performed on mass accounting figures. Those bulk checks are complemented by checks on files selected randomly throughout the year (14,5% of the total number of transactions in grant interim and final payments and recoveries). The controls aim to spot the possible errors or malpractices that may impair the reliability of the accounts, if material. Due to the very low number of accounting errors on expert payments, random selection was not supposed to be part of the accounting quality programme for 2013, only bulk checks.

The question of materiality is addressed in Accounting Rule 14, whereas, “Material Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor”.

The result of all the checks performed in 2013 did not lead to material errors. The rate calculated in terms of relevant accounting observations is 1,5% at end 2013 for the operational budget.

Operating budget

In line with the above mentioned principle, the accounting quality programme of the Agency for the administrative budget in 2013 was established in threefold

- revising on a full population basis all transaction files in commitments, recoveries and non-recurrent payments;
- revising on a statistical sample basis payments of a recurrent nature and of small amounts (experts, missions, etc);
- revising the accounts through financial and accounting reports on which are performed bulk checks (contracts, assets).

The controls aim to spot the possible errors or malpractices that may impair the reliability of the accounts, if material.

The question of materiality is addressed in Accounting Rule 14, whereas, “Material Omissions or misstatements of items are material if they could, individually or

collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor”.

The result of the checks performed is the corner stone for the certification of the accounts and the validation of the financial processes by the accounting officer. It is also the base for the signature of the Representation Management Letter that accompanies the Financial Statements and Budgetary Implementation reports addressed to the Court of Auditors. The Letter is signed by the Director for the aspects of Legality and Regularity of transactions and by the accounting officer for the Reliability and True and Fair view of the accounts.