European Research Council
Executive Agency

erc

Annual Activity Report
2009

European Research Council
Executive Agency

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INTRODUCTION

The European Research Council Executive Agency (the Agency) was set up by the Commission Decision of 14 December 2007 for the management of the specific Community programme 'Ideas' (the Ideas programme) in the field of frontier research in the application of Council Regulation (EC) no 58/2003[1]. The powers delegated to the Agency were established by the Commission Decision of 8 October 2008 delegating powers to the Agency with a view to performance of the tasks linked to implementation of the 'Ideas' Programme in the field of research comprising in particular implementation of appropriations entered in the Community budget[2].

The objective of the Ideas Programme is to reinforce excellence, dynamism and creativity in European frontier research and to improve the attractiveness of Europe for the best researchers from both the European and third countries. The programme supports frontier research carried out by individual teams, on the basis of open competition across the European Union and associated countries on the sole criterion of excellence. The overall aim of the Programme is to make a substantial contribution to the development of Europe's research capabilities. An amount of €7.5 billion was allocated for the period 2007-2013 to the Programme.

The Ideas Programme is implemented according to the principles of scientific excellence, autonomy, efficiency, transparency, and accountability. This is achieved by means of an independent Scientific Council, which is supported by a lean and cost-effective dedicated implementation structure that has been set up in the form of an Executive Agency of the Commission[3].

The Agency is the first European Agency to manage a funding scheme to support investigator-driven frontier research and to apply a "bottom-up" approach. ERC Grants under the Ideas Programme are awarded through open competition to projects led by starting or established researchers, irrespective of their origins, who are working or moving to work in European Union or in an associated country.

Since autonomy the Agency has managed the Ideas Programme's grants in accordance with the priorities of the Ideas Annual Work Programmes (2007, 2008 and 2009)[4], which were established by the Scientific Council and adopted by the Commission.

The Agency has developed the two 'core streams' of the Ideas Programme:

- <u>ERC Starting Grants</u>**:** Support to the independent researchers whatever their nationality and who are located in or moving to the Member States and/or associated countries. This concerns researchers, who are about to start or consolidate their own independent research team or, depending on the field, establish their independent research programme.

- <u>ERC Advanced Grants</u>: Support to excellent and innovative investigator-initiated research projects across the Member States and/or associated countries, directed by leading

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[1] Decision 2008/37/EC, OJ L 9 of 12.1.2008, p.15.
[2] COM/2008/5694/Final
[3] COM(2008) No 37 as above.
[4] See Commission Decisions C(2006)561 of 26 February 2007, C(2007)5746 of 29 November 2007 and C(2008)3673 of 23 July 2008.

'advanced' investigators of whatever age, who have already established themselves as being independent research leaders in their own field and whatever their nationality and who are located in or moving to the Member States and/or associated countries.

The Agency reached its autonomy on 15 July 2009. The report covers the period between 15 July and 31 December 2009.

PART 1. RESULTS – IMPLEMENTATION OF PROGRAMME MANAGEMENT TASKS

1.1 Transfer of the management tasks

The steps required to reach autonomy, in accordance with the Communication to the Commission[5] concerning the establishment and autonomy of the Executive Agencies, were taken as follows:

- ✓ Nomination of the Agency Director (ad interim) - 16 July 2008.
- ✓ Establishment of the Steering Committee of the Agency -10 October 2008.
- ✓ Appointment of the Accounting Officer - 15 May 2009.
- ✓ Opening of the Agency's own bank account – 9 June 2009.
- ✓ Final conclusions of RTD Agency Coordination Group meeting stating that the Agency had met the baseline requirements of the internal control framework, accounting systems and operational and administrative procedures – 25 June 2009.
- ✓ Adoption of the ERC Executive Agency administrative budget by the Steering Committee - 2 July 2009.

In agreement with the Director-General of DG RTD and acting on a proposal by the Agency Director, the Steering Committee decided to grant autonomy for the Agency as from 15 July 2009. From this date the Agency Director acted as an Authorising Officer by delegation as based on the Commission's Delegation Act. The Delegation Act was formally accepted in writing by the Director on behalf of the Agency on 14 July 2009.

During the first months following the autonomy the Agency's activities focused on setting up the appropriate operational structures, recruiting substantial number of staff and starting the implementation of the Ideas Programme. The number of staff increased from 182 to 265 between 15 July and 31 December 2009. During the reporting period the Agency made efforts to design the appropriate environment for the implementation of the Ideas Programme with a view to meeting the needs of the potential project beneficiaries, to speed up the grant preparation and implementation whilst being in full compliance with the principles of sound financial management and financial implementation rules.

1.2 Overview of the achievement of the key targets of 2009

The following results were achieved in the light of the key performance objectives and indicators of the Annual Work programme 2009:

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[5] Para 4.3 of the Guidelines for the establishment and operation of executive agencies financed by the general budget of the European Communities" SEC (2006) 662 final.

Objectives	Key performance indicator	2010 targets[6]	Results at the end of 2009
1. Full implementation of work programme tasks entrusted to the ERC Executive Agency	Budget implementation of 2009 appropriations	100%	100% (commitments and payments)
	Implementation of 2008 global commitments by signing grants before 31.12.2009	100%	100% (commitments)
2. Rapid conclusion of grant agreements ("time to sign grant agreement")	Time from call deadline to termination of preparation of 75% of grants	290 days	376 days
3. Short timescales for payment ("time to pay")	Time used by the ERC Executive Agency (i.e. excluding time for beneficiaries to react to Agency's queries) in approving project deliverables and processing payment	Pre-financing payments: 100% within 45 days (counted from signature of grant)	Pre-financing: 100% within 45 days
		Interim and final payments: 100% within 105 days	Interim payments: 100% within 105 days No final payments were done.
4. Timely organisation and administration of the calls for proposals for Ideas programme	Commitment rate of global budget	100%	100%
	Time to pay for peer reviewers	95% of the payments to be made within 20 days and 100% within 45 days	Time to pay since autonomy 17,4 days. 81% payments within 21 days; 95% payments within 30 days. 5% payments within 44 days

Of these four key targets one was not achieved. The Agency experienced difficulties in achieving the target of 290 days as regards the time needed to process the grants (from submission deadline to signature). For the call ERC-2009-StG, it took 376 days from call deadline to signature of grant, of which 114 days were needed to process the files from ranking to signature[7]. This was due to underestimated length of the evaluation procedures, which includes the time needed for the peer review evaluation process. In the Agency Work programme for 2010 the target has now been set at 300 days with a performance indicator measuring the time from call deadline to the signature of grants in at least 75% of grants.

1.3 Management of the Ideas programme

The FP7 "Ideas" Specific Programme is implemented via the publication of the annual calls for proposals, which is followed by an evaluation, negotiation and signing of grant agreements and finally the monitoring of the projects awarded. Each call for proposals results in a series of Grant Agreements with an expected project cycle of about 5 years. Currently four 'lots' are managed following the completion of various calls. The first reporting cycle started for Starting Grants 2007.

The Agency grants are carried out by individual research teams[8] headed by a single Principal Investigator with the support, when necessary, of additional team members. Beneficiaries or hosting institutions of the Principle Investigators are, in most cases, public bodies. Private entities account for approximately 15% of all beneficiaries of the Agency grants.

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[6]The Agency will seek to contribute to the Commission's effort to further shorten payment times as announced in the Communication SEC (2009) 477 of 09/04/2009.

[7] It should be noted here that a deviation from rules was detected by RTD during this particular evaluation and as a result the evaluation took 45 days longer than expected.

[8] In certain fields (e.g. in the humanities and mathematics), research is often performed individually, aside from guiding research students. The term "team" is therefore used in the broadest sense. It includes cases where an individual works independently.

The main objective of the Agency Work Programme 2009 was to successfully manage the 2009 ERC Grants as well as to monitor the progress made, in both financial and scientific terms. The following table lists the calls which were launched in accordance with the work programmes:

Call identifier	Description	Budget (€)	Opening date	Closing date
ERC-2009-StG_20081029	Starting Grant for Physical Sciences and Engineering	295.762.000[9]: 42% for PE 15% for SH 36% for LS 7% for inter-disciplinary projects	24/07/2008	29/10/2008
ERC-2009-StG_20081119	Starting Grant for Social Sciences and Humanities			19/11/2008
ERC-2009-StG_20081210	Starting Grant for Life Sciences			10/12/2008
Call identifier	**Description**	**Budget (€)**	**Opening date**	**Closing date**
ERC-2009-AdG_20090325	Advanced Grant for Physical Sciences and Engineering	495.732.450[10]: 42% for PE 15% for SH 36% for LS 7% for interdisciplinary projects	19/11/2008	25/03/2009
ERC-2009-AdG_20090415	Advanced Grant for Social Sciences and Humanities			15/04/2009
ERC-2009-AdG_20090506	Advanced Grant for Life Sciences			06/05/2009

Starting Grants Call ERC-2009-StG

A total of 2503 proposals were submitted to the Starting Grant call ERC-2009-StG. Of these 2392 were eligible and thus subsequently evaluated by the 25 ERC Starting Grant Review Panels. The panels provided a ranking list of 451 proposals, which have passed thresholds of all evaluation stages. On that basis, 219 proposals were put in the main list and were invited for the granting process. Current budgetary provisions and proposed amount in the grants indicate that approximately 238 grants could be finally awarded. They relate to host institutions in 19 countries involving principal investigators of 33 nationalities. As an additional piece of information, the average age of the principal investigators was 36 (23% of whom were women). The table below shows the breakdown of eligible proposals over the three submission domains.

Domain	Eligible	Top 238
Physical Sciences and Engineering (PE)	1069	107
Social Sciences and Humanities (SH)	440	51
Life Sciences (LS)	883	80
Total	**2392**	**238**

Advanced Grants Call ERC-2009-AdG

A total of 1583 proposals were submitted to the Advanced Grants call ERC-2009-AdG. Of these 1526 were eligible and evaluated by the 25 ERC Advanced Grant Review Panels. On

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[9] Appropriations from third countries receipts (countries associated to FP7) for which the amount was not known at the time of adoption of the work programme 2009, have also been added to the budget, up to a total not exceeding the initial budget by more than 10%.
[10] Credits transferred from the administrative budget (3.9M€) as well as leftovers from other activities (Support actions, evaluations) have been added to the indicative budget. Furthermore, appropriations from third countries receipts (countries associated to FP7), amount which was not known at the time of adoption of the work programme 2009, have also been topped-up to the budget, up to a total not exceeding the initial budget by more than 10%.

the basis of the available budget, 230 proposals were invited to the granting process. At the time of writing it looks as if it will be possible to include a small number of reserve list proposals in the granting list as well.

Domain	Eligible	Top 230
Physical Sciences and Engineering (PE)	707	103
Social Sciences and Humanities (SH)	325	40
Life Sciences (LS)	494	87
Total	**1526**	**230**

Other calls launched by the Agency

The table below provides information on the other calls launched in 2009 according to the Ideas Work Programme 2010[11]. The results of these calls are, at the time of writing, not available.

Call identifier	Description	Indicative budget (€)	Opening date	Closing date
ERC-2010-StG_20091028	Starting Grant for Physical Sciences and Engineering	528.237.600	30/07/2009	28/10/2009
ERC-2010-StG_20091118	Starting Grant for Life Sciences			18/11/2009
ERC-2010-StG_20091209	Starting Grant for Social Sciences and Humanities			09/12/2009
Call identifier	Description	Indicative budget (€)	Opening date	Closing date
ERC-2010-AdG_2010224	Advanced Grant for Physical Sciences and Engineering	590.052.000	29/10/2009	24/02/2010
ERC-2010-AdG_20100317	Advanced Grant for Life Sciences			17/03/2010
ERC-2010-AdG_20100407	Advanced Grant for Social Sciences and Humanities			07/04/2010

Redress cases

The Agency redress committee met four times to examine the redress complaints in relation to possible shortcomings in the evaluation process of grants. The Committee treated a total of 99 redress requests[12] during the reporting period, which corresponds to around 2% of the received total number of proposals.

➢ StG 2009: A total number of 30 redress cases of which two were sent back to be re-evaluated. One request concerning the evaluation was successful.
➢ AdG 2009: A total of 55 redress cases of which three were sent back to be re-evaluated. At the time of writing none were successful, but one case is pending before the Committee.

No redress complaints were brought to the attention of the EU Ombudsman.

The table below shows an outcome of the redress procedure in 2009:

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[11]Following the adoption of the "Ideas" work programme 2010 by the Commission on 29 July 2009 (C(2009)5928) and the adoption of the budget 2010 by the Budgetary Authority on 17 December 2009 and the availability of credits.
[12] Of this 14 concerned eligibility and 85 evaluation

Table: Redress procedure

	2009	**Since autonomy (15 July to 31 December 2009)**
Total number of grant proposals received (non-eligible and eligible)	4099[13]	
Number of redress requests treated	161	99
Redress requests % of the proposals	3,9%	2,4%
Number of redress cases, which led to re-evaluation	14[14]	6[15]
Redress cases which lead to a re-evaluation (% of proposals received)	0,34%	0,15%
Successful redress requests	1	0

Grant Amendments[16]

During the financial year 2009, the number of formal amendments requests received reached 78, out of which 43 were signed after the autonomy and 24 were in progress at the end of 2009, as presented in the table below:

State of play – Formal Amendments 2009		
On going		24
Signed	53	
	Before Autonomy 10	After Autonomy 43
Rejected		1
Total		**78**

In addition, there are 22 informal requests that are in the process of being analyzed and could become formal requests.

Scientific follow-up

Grants should deliver a scientific report at mid-term and another one at the conclusion of the grant agreement. The scientific reporting thereafter goes through an administrative and a financial cycle. Furthermore, the granting department, when making the intermediate payments, will consult the scientific department in cases where doubts about the quality or progress of the work are apparent from the administrative or financial reporting.

Following guidance given by the Scientific Council, the Agency is currently developing a policy on how to most effectively put into place a system of follow-up of the scientific reports and how to monitor the scientific results of "the portfolio of grants" as a whole, where the latter could also be eventually used for statistical reporting, programme monitoring, and public outreach.

The scientific reporting will largely depend on information coming from peer-reviewed publications in reputable scientific journals, monographs and peer-reviewed conference proceedings. This can be complemented by knowledge acquired though grant management and, where appropriate, through other elements such as prizes, expeditions.

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[13] Please note that this figure also includes 13 proposals of the Call CSA2009 (support) and that only Step 2 evaluation of the Call AdG2009 was carried out by the Agency.
[14] Figures not final.
[15] See above.
[16] 66 out of the 78 amendments have been initiated by the beneficiaries while the rest were made at the Agency's request.

At this stage of planning it is too early to anticipate a fixed approach since there is currently a lack in scientific indicators (citations, indices) that could be applied coherently and fairly across all disciplines.

More specifically, it has been suggested that each scientific report will be examined by at least two scientific officers against an assessment checklist. In cases of concerns regarding the quality of the scientific work, independent experts will be appointed to act as reviewers and give their opinions. The head of the scientific unit in question will make a decision on the subsequent course of action: to accept the report, or to request clarification, or he may indicate that the report is insufficient for execution of payment.

In order to implement this process, grant-holders are requested to maintain a list of their accomplishment (mainly publications) on a continuous basis. This repository will then also form the basis for analyses and reporting of the agglomerate output to the Scientific Council and for broader dissemination.

Summary overview of the main operational results

The main results stemming from the Agency operational activities carried out in 2009 can be summarised as below:

- ✓ Full implementation for both commitment (100%) and payment appropriations (99,99%) of the budget.

- ✓ Evaluations successfully completed for Calls ERC-2008-StG and ERC-2009-StG.

- ✓ 90% of the grant agreements for Call ERC-2008-AdG prepared.

- ✓ 10% of the grant agreements for Call ERC-2009-StG prepared[17].

- ✓ Timely processing of payments calculated from the signature of a grant: pre-financing within 45 days (99,4%) before autonomy and 100% thereafter; and interim payments within 105 days (100%).

- ✓ Efficient management of the "Ideas" Specific Programme complying with the agreed timetable of the Annual Work programme as regards the organisation of the calls for proposals.

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[17] 1st ranking list was available at the end of October 2009.

1.4 Performance on budget implementation

1.4.1 Implementation of the 2009 budget appropriations

	Adopted Work Programme 2009	Actual Implementation	Comments
Crédit initial de l'exercice (budget)	775.000.000,00	772.428.806,08	
Crédit supplémentaire (AELE 2,4%)	18.600.000,00	18.507.163,92	
Crédit supplémentaire (C5)		9.214,35	allocation from recovery orders
Crédit supplémentaire (transfert depuis budget de fonctionnement)		3.925.800,00	
Total du crédit	793.600.000,00	794.870.984,35	
Call ERC-2009-StG	295.762.000,00	295.762.000,00	NB: voted credits only, "recettes de tiers" do not appear in this table
Call ERC-2009-AdG	489.538.000,00	495.742.450,35	NB: voted credits only, "recettes de tiers" do not appear in this table
Coordination and Support actions (call CSA-2009-Support)	2.500.000,00	747.534,00	
Coordination and Support actions (expert group)	200.000,00		abandonned
Coordination and Support actions (Support Ch. and Vice-Ch. ScC)	300.000,00		implemented by RTD S for €296.006,00
Evaluations (*)	5.300.000,00	2.619.000,00	
Montant de l'action proposée	793.600.000,00	794.870.984,35	
2009 RO Credits ("recettes de tiers")		46.003.868,68	
C4 credits		11.822,74	allocation from recovery orders
Commitments appropriations Annex 3		840.886.675,77	See annex 3

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(*)	evaluation for AdG2	1.085.000,00	(decommitment 195.000,00 taken into account)	EVALUATIONS IMPLEMENTED BY RTDS	
	evaluation for StG3	680.000,00		overseas experts	272.321,00
	evaluation for StG3	854.000,00		ERC review	89.789,20
		2.619.000,00		evaluation for StG2	841.717,00
				evaluation for AdG2	1.023.986,00
					2.227.813,20

On 31 December 2009, the total execution of commitment appropriations for all funds sources is 100%. The majority of them relates to ERC Grants. 79% of the commitments were done after 15 July 2009. 2009 Commitments related to expert management amount to €2.619.000. See further details in the table below[18]:

As with the commitment appropriations, payment appropriations have been transferred to the ERC funds management centre for an amount of €217.506.818,75, increased at a later stage by a transfer from the administrative budget of €3.925.800.

On 31 December 2009, the total execution in payment appropriations on budget line 08.100100 was 99,99% of which 54,43% corresponding to the period post-autonomy. See further details in the table below:

	Payment Appropriations	Payment Consumptions		
		Pre-financing	Interim Payments	Expert Evaluator
Transfer at autonomy	212.409.002,68	RTD: 101.757.642,45	RTD: 0	RTD: 0
EFTA	5.097.816,07	EA: 116.113.324,10	EA: 2.493.987,70	EA: 1.057.377,25
Transfer from administrative budget	3.925.800,00	**TOTAL: 217.870.966,55**	**TOTAL: 2.493.987,70**	**TOTAL: 1.057.377,25**
Total C1 payment credits	**221.432.618,75**			
Assigned Revenue (R0 credits)	135.432.472,96	RTD: 25.304,50 EA: 1.928.439,00 **TOTAL: 1.953.743,50**	RTD: 0 EA: 121.730,91 **TOTAL: 121.730,91**	**TOTAL: 0**
TOTAL	**356.865.091,71**	**219.824.710,05**	**2.615.718,61**	**1.057.377,25**
GRAND TOTAL	**356.865.091,71**	**223.497.805,91**		

In 2009 pre-financing and interim payments represented respectively 98,36% and 1,17% of the total payment transactions, whereas the "Evaluation Experts transactions" amounted to 0,47% of the total expenditure. No final payment was due during the reporting period. All interim payments (29 in total) were processed after the autonomy of the Agency and related to calls of Starting Grants 2007 and Advanced Grants for 2008. These interim payments represented around 50% of the total number due in 2009. For the remainder of 50% of the reports a follow-up with beneficiaries through established procedures has been carried out (e.g. reminder letters and requests for additional information). A preliminary analysis of the reports available indicated a systematic delay in the start-up of the projects and an under consumption of budgetary resources (compared to forecast). The main reasons for this were the lengthy recruitment procedures for setting up the research teams and/or the time needed to purchase equipment in line with public procurement rules. The beneficiaries in question provided adequate explanations in this respect and had set-up measures to catch up with the delays.

However, it should be noted that the sample of 29 reports used for the analysis was very small and thus not representative. Therefore the findings cannot be extrapolated. Moreover, the sample only included projects with a reporting period of 9 months (instead of the standard 18 months).

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[18] The values in this table reflect the situation in 2009 as follows: efforts of RTD Dir S from beginning of 2009 until autonomy and of the ERC Executive Agency after 15 July 2009 and until the year end.

A further analysis of a much larger sample of interim payments, with a reporting period of 18 months, will be carried out in the first half of 2010. It is expected that the outcome will be more representative, and on that basis results will be presented to the management.

1.4.2 Time to pay[19]

As of 31 December 2009, the number of payment transactions related to Grants was 382; the table below illustrates the breakdown details in terms of time to pay. The figures bellow only cover the transactions related to Grant Implementation.

Payments	Before Autonomy			After Autonomy			Annual		
	Number of transactions	Average Time to Pay (in days)	On time	Number of transactions	Average Time to Pay (in days)	On time	Number of transactions	Average Time to Pay (in days)	On time
Pre-Financing	137	27.67	98.50%	216	13.51	100.00%	353	19.01	99.43%
Interim	0	N/A	N/A	29	18.34				

1.4.3 Recovery Orders

At end of year, a number of 2 recovery orders have been issued for a total of €13.580,02. None has been cashed so far[20]. The two recovery orders concerned the interest on the pre-financing of the grants.

PART 2. MANAGEMENT AND INTERNAL CONTROL SYSTEMS

2.1 INTRODUCTION TO THE ERC EXECUTIVE AGENCY

The Agency's tasks are specified in the Commission Delegation Act[21]. For the Ideas Programme the Agency manages autonomously, the Director acts as authorising officer by Delegation; accordingly the EU budget is implemented on an indirect centralised basis[22]. To this end, the Agency awards grants through open calls for proposals, a small share of the Programme is also implemented though procurement contracts. As an autonomous EU body since 15 July 2009, the Agency receives from the Commission an annual subsidy for its own administrative budget covering its running costs mainly staff costs and procurement. The Director of the Agency is the authorising officer implementing the Agency's operating budget on a direct centralised basis.

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[19] In conformity with the ERC work programme and the note of SEC(2009) 477 of 8 April 2009 on the financial crisis and delay of payment by the European Institutions, the ERC Executive Agency gave priority to the execution of transactions in the shortest possible delay.
[20] Interests generated related to pre-financing paid superior to €750.000 will be recovered as stipulated in article 3 and 4 of the General Implementing Rules.
[21] COM(2008) No 5694 of 8 of October 2008.
[22] Article 54(2) of the financial regulation.

2.1.1 Organisational chart and overview of staff

The Agency's organisational chart was adopted by the Steering Committee on 10 October 2008 (Annex 2). Two subsequent modifications were done in 9 June 2009 and 19 October 2009. The organisational structure follows the operational and horizontal objectives of the Agency. It shows six horizontal units (excluding the chief accountant) and six operational units managing the Ideas Programme. Independently the Accounting Officer, the Internal audit office, Communications Unit as well as a/the unit in charge of the relations with the Scientific Council report directly to the Director.

Since the Agency obtained its autonomy in July 2009 all financial operations of the administrative budget have been based on a centralised financial circuit. The Director delegated powers to the Heads of Departments, who act as Authorising officers by delegation when deputising the Director. The Heads of Departments acts as Verifying Agent for all financial transactions and the Heads of Units act as Initiating Agents. The Head of the Unit Human Resources, Budget and Infrastructure has acted as a centralised service for payment initiation of all financial transactions of the administrative budget.

For the operational budget of the Ideas Programme a Unit of payments and controls was established with the centralised responsibility for the financial management of the grant agreements (i.e. the operational budget appropriations).

As regards staffing, the 2009 budget provides in the establishment plan the recruitment of 100 temporary agents as well as a budget for 170 contract staff and for 30 SNEs. An overview of the numbers of the temporary staff, contract staff and Seconded National Experts (SNEs) at the end of 2009 were as follows:

ERC Executive Agency	Temporary Agents (seconded)	Temporary Agents (external)	Contract Agents	SNEs[23]	Total
31/12/2008	1	0	49	11	61
31/12/2009	**13**	**80**	**162**	**7**	**262**

As regards gender balance the statistics of December 2009 show that the Agency currently employs approximately 33% men and 67% women. At this stage of operation no specific analysis has yet been made as regards the level and grade of the staff vis-à-vis gender balance. It should be noted that nearly one third of management positions (31%) are occupied by women.

When analysing the geographical division vis-à-vis staff nationality, at the end of 2009 the ERC Executive Agency employed nationals from 20 Members states including seven EU-12.

2.1.2 Working relations with key stakeholders

The Agency performs the tasks entrusted to it under the control and supervision of the Commission. To ensure that tasks and responsibilities are clearly assigned and implemented, a Memorandum of Understanding with the parent DG was signed on 15 July 2009, outlining the relations between the Agency and the Commission.

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[23] A total of 15 SNE positions have been converted into CA positions and the total number of SNE positions has therefore been reduced from 30 to 15 as indicated in the 2010 Budget. It is foreseen to further convert 8 SNE positions into CAs to reach a final number of only 7 SNEs. This information will be duly indicated in the 2011 Preliminary Draft Budget.

The Agency maintains close working relations with other Commission services such as DG BUDG, PMO, DIGIT, DG HR (former DG ADMIN), EAS (EPSO) and OIB. During the reporting period the Agency has signed Service Level Agreements with these Commission services. Moreover, for other services or supplies related to the administration of the Agency, framework contracts of the Commission are used to the largest extent possible (e.g. insurances, moving services).

Due to the specific governance model, the Agency is also required to provide information to the Scientific Council enabling a further development of the scientific strategy of the "Ideas" Programme. The Secretary-General of the Scientific Council, administratively attached to the Commission, acts as a liaison between the Scientific Council, the Agency and the Commission.

Two Scientific Council plenary sessions were organised during the period between 15 July and 31 December 2009, one in October in Brussels and one in December in Rehovot (Israel). The Scientific Council, with the support of the Secretary General and the Agency, has carried out an analysis of the first three years of the Agency's operations.

In addition to plenary sessions, following the creation of three new ERC Working Groups at the Scientific Council plenary in July 2009, meetings of the Working Groups on "Relations with Industry", "Open Access", "Third Countries Participation" and "Gender Balance" (pre-existing) were organised by the Agency in the period between 15 July and 31 December 2009. A series of documents containing analysis and key messages on the specific issues dealt with by the Working Groups were prepared by the Agency, in conjunction with members of the groups.

The review of the European Research Council took place in July 2009 on the Agency's structures and mechanisms against the criteria of the scientific excellence, autonomy, efficiency and transparency, and with the full involvement of the Scientific Council. The review looked specifically at the advantages and disadvantages of the structure based on an Executive Agency and a structure based on Article 171 of the EU Treaty. The review was foreseen in the Ideas programme as part of the FP7 framework programme[24]. The independent experts of the review panel concluded that albeit the ERC had been highly successful, there were certain concerns particularly as regards:

- ✓ Actions needed to ensure a sustainable future;
- ✓ Better integration of scientific and administrative governance;
- ✓ Improved administrative procedures;
- ✓ Consolidation and further professionalization of activities at all levels;
- ✓ Improvement of the regulatory conditions and culture under which the Agency operates.

The Commission adopted a Communication to the Council and Parliament in October 2009 on the follow-up of actions it intends to take: "The European Research Council - meeting the challenge of world class excellence"[25] outlining a roadmap for short and long term actions, the former to be taken by the Commission and Agency respective competencies.

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[24] Council Decision 2006/972/Ec of 19 December 2006 concerning the specific Programme 'Ideas' implementing the seventh framework programme of the European Community for research, technological development and demonstration activities (2007-2013). OJ L 400, 30.12.2006. OJ L 11.
[25] COM (2009) 552 of 22 October 2009.

The Agency has put particular emphasis on simplification of the procedures concerning the external experts (reviewers and panellists). Furthermore, a series of other suggestions were made namely to achieve:

- ✓ A simplified procedure of appointment of experts by using among other things available IT-supported tools;
- ✓ To introduce an appointment letter in the form of a framework agreement to be signed in blue ink;
- ✓ To introduce electronic means for 'experts and referees' approval of the assignment of tasks as an individual commitment.

A working group chaired by RTD Directorate S is presently considering these suggestions, which could serve as a pilot for the entire FP7 expert management.

2.2 THE FUNCTIONING OF THE ENTIRE INTERNAL CONTROL SYSTEM

2.2.1 Compliance with the requirements of the control standards

The monitoring of the compliance of the internal control system is done by the Internal Control Coordinators (ICCs) network comprising of one representative of each Unit. In October 2009 the network agreed an action plan towards monitoring the compliance of internal control standards (see Annex 7). The action plan is reviewed on a regular basis in light of the framework of ICS 15 "Assessment of Internal Control Systems".

The analysis at the end of 2009 of the Agency's compliance with internal control requirements, show that 60% of the standards were at a very advanced stage of implementation, while the implementation of six standards is on-going (see Annex 6). Of the set of 16 standards, the ICS 14 "Evaluation of activities" is not applicable, as evaluations of the Community programmes and legislation remains the responsibility of the parent DG.

In the case of the standards which are partially implemented (ICS 3, ICS 6, ICS 7, ICS 8, ICS 9 and ICS 10) specific actions are already planned or underway in order to swiftly reach full compliance. As 2009 was the first year of the Agency's autonomy, mandatory staff mobility, including the sensitive functions, will only become relevant in the future. In November 2009 a risk management exercise and internal procedures inventory were completed. However, more detailed plans (risk management action plan as well as a review and streamlining of all procedures) are still required to fully implement the standards in question. Furthermore, in 2010 a pilot management supervision exercise will be organised once the risk management action plan has been agreed and put into practise.

It is expected that ongoing and planned actions by the Agency ensure the full implementation of all the standards by the end of 2010.

In addition, the Agency continues to strengthen the awareness of the importance of the internal control standards by ensuring that they are known by staff. Trainings on ICS are planned for 2010.

2.2.2 Effectiveness of implementation of the prioritised control standards

Taking into account the recent autonomy, the Agency management decided to complete as many as possible activities of the internal control standards action plan and particularly set up adequate procedures and controls to ensure efficient and effective implementation of the administrative and operational budget. Overall, the Agency's work during the reporting period was concerned with setting-up of the operations: the development of the framework of the Agency's operations (cooperation with stakeholders, work programmes, budgeting, mission plans, objectives etc.), putting in place controls and accountability systems as well as operational structures of various activities and units of the Agency.

In preparing for its autonomy, the Agency performed a risk assessment exercise, which indicated that many of the risks identified were inherent to setting up a start-up organisation and getting it operational (e.g. availability of qualified staff, documentation of business processes see further under point 3.1.1). The risks were, therefore, not considered critical in terms of likelihood and impact, also taking into account that sufficient risk mitigating actions had already been planned.

Management monitoring and supervision of the daily operations during 2009 indicate that no misapplications or intentionally overridden controls were observed. This was confirmed by the Internal Control Coordinators and the ex-ante and ex-post controls carried out under both the administrative and operational budgets. The management acknowledges, however, that more in-depth review of the effectiveness of the internal control standards system as a whole is required. While the formal requirements in setting up the control systems are complied with, no results of the internal or external audits were, for example, available during the reporting period.

More detailed information as regards the above observations is provided below.

2.2.2.1 The ERC Executive Agency's operational budget

No errors were detected in the budget execution during the reporting period but it is too early to assess the effectiveness of the overall budgetary control system. This is particularly due to the low number and homogeneous nature of transactions[26] to date. Also, the implementation of the "Ideas" Programme grants have only included similar types of transactions (pre-financing rather than interim and final payments) and the risk of making an accounting error has therefore, been low.

It is anticipated that the requirement to calculate and reimburse "actual" eligible costs of the grants may result in incomplete cost claims in the future. The Agency's view is that beneficiaries often receive funding from various donors, which do not use harmonised rules and define key concepts ("no profit", "no double financing", "non retro-activity", "cost shared versus co-financing") in a different way, which leads to a situation where there is room for interpretation as regards the meaning of eligible costs. Thus, the Agency plans to put an emphasis on controlling the eligibility of costs (ex-ante).

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[26] Less than 1000 contracts, 200 invoices (request for pre-financing included), 101 commitments.

2.2.2.2 The ERC Executive Agency's administrative budget

As for the administrative budget, the Agency uses the ABAC systems managed and hosted by the Commission. The Agency has an Accounting Officer appointed by the decision of the Steering Committee. In 2009 all payment and recovery files (423 and 17 respectively) were checked by the Accounting Officer, but no significant errors were detected. Similarly to the operational budget it is still too early to draw explicit conclusions of the effectiveness of the internal control system of the administrative budget.

2.2.2.3 Human Resources

The Agency's staff has quickly increased and while the pace of recruitment will slow down a little, it is anticipated that a high workload will continue in this area in 2010. In 2009 the priority has been to become fully compliant with the Agency's legal requirements: 'Six Implementing Rules', Staff Regulations of the European Community and the guidelines for the establishment and setting up of Executive Agencies[27]. Setting up appropriate structures and principles of the selection and recruitment staff, the working conditions (job descriptions, career development reviewing) and designing the internal procedures for an effective management have mostly been completed. Staff turnover, which is still very low, will be monitored in the future and common monitoring system for workload will be developed. It is necessary to motivate staff by provision of mandatory trainings and improved dialogue between management and staff. The elections for the Staff Committee are foreseen for the first quarter of 2010.

2.2.2.4 IT environment

One of the key areas of the operational structure of the Agency is IT governance due to the high dependency of the Agency's operations on IT systems. Apart from the standard preparatory work (IT procurement, acquisition of hardware and software, setting up network services) a Business Process Competence Centre (BPCC) was established in order to analyse and streamline the IT business processes in the future. The first activity of the BPCC was to analyse the payment and amendment business processes in order to improve the efficiency. The suggestions concerned process automation and workflows. A second analysis is currently underway. The objective is to analyse the administrative budget financial circuit processes.

2.2.2.5 Communication and Information

In the light of the Agency's increasing number of tasks and doubling its staff in 2009 setting up an efficient internal and external communication was one of the most urgent tasks.

- ✓ The Agency Inauguration took place on 24 September 2009 in which a number of representatives of various institutions and stakeholders were present.
- ✓ The Agency strategy on external communication published in September 2009 and actions have been implemented thereafter according to the strategy.
- ✓ Agency website and intranet were set up allowing more efficient dissemination of information to both internal and external stakeholders.
- ✓ An internal communications group was set up.
- ✓ A Team bonding event, with 205 participants, took place in December 2009.

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[27] SEC (2006) 662 of 31 May 2009.

Other communication related activities included issuing a number of information leaflets, flyers and promotional material as well as production of a video on the Agency, its mission and funding schemes. Finally, a procedure has been set up to regularly update the Agency's website particularly as regards the information concerning the results and evaluations of the grants and work of the review panels.

2.2.2.6 Document management

In the area of document management the main activity consisted of putting in place and maintaining an effective document management system of the Agency. To achieve this, a set of internal procedures were put in place as well as an E-Domec correspondent network set up to monitor the compliance of those procedures. In particular, rules were put in place among other things concerning the treatment of public procurement mail, outgoing mail quality control, registered letters procedure, procedures for handling mail.

Monitoring tools and statistics related to the Mail Service and the Adonis Support Service were put in place for quality check and coordination of the workload, with the aim of ensuring business continuity.

The ERC Executive Agency Filing Plan was adopted on 8th June 2009 and it is therefore fully implemented into the ERC Adonis Database. Central Archives are to be set up during the first semester 2010 (floor -3). The ECLAS book loan service is available to all ERC Executive Agency staff upon request.

2.2.2.7 Provision of legal advice

The main aim of the legal team is to improve the quality of the operational work and detect any legal misinterpretations namely on:

- ✓ the rules applicable to the Agency governance;
- ✓ the implementation of the Specific Programme Ideas;
- ✓ legal aspects of the Work Programme;
- ✓ the ERC rules for submission of proposals and the related evaluation, selection and award procedures;
- ✓ the appointment letters for remote referees and panel reviewers in the framework of simplification of procedures;
- ✓ the model grant agreements and amendments to such agreements;
- ✓ guidance for peer reviewers and applicants, public procurement, framework contracts, service level agreements;
- ✓ access to personal data, validation of procedures submitted for legal check in the framework of ICS 8 "Processes and Procedures", redress, eligibility and personnel issues as well as requests for access to documents;
- ✓ advice on ad-hoc basis on other procurement related issues.

During the reporting period the legal team has also dealt with two complaints before the European Ombudsman, and provided legal support to DG RTD on one complaint under Article 90 of the Staff Regulation.

<u>2.2.2.8 Personal Data Protection</u>

In compliance with Regulation 45/2001[28], the Agency has appointed a Data Protection Officer (DPO) and the European Data Protection Supervisor (EDPS) was notified accordingly. This allowed the Agency DPO to participate in the DPOs network composed of all EU institutions and bodies. During 2009 the following activities took place:

✓ A review of the work processes and workflows of the Agency to prepare an Inventory of the processing operations dealing with personal data.

✓ The key instruments, such as notification models and privacy statements, to ensure an efficient data protection, were prepared.

✓ The Agency replied to the request of notification by the EDPS regarding the processing of "Health data".

✓ Furthermore, two draft notifications on "Recruitment" and "Biometrics enrolment of experts" were prepared.

✓ The discussions to define the division of responsibilities between the Agency and the parent DG are underway.

Overall, the supervision of the implementation of the data protection rules has started and guidance on case-by-case basis is provided upon request or on DPO's own initiative. Next step will be to adopt the implementation rules on data protection in accordance with the relevant Regulation.

2.2.3 Conclusion

On the basis of the information given in parts 2.2.1 and 2.2.2 as above, the management judges that the satisfactory compliance with the internal controls standards has been achieved during the first six months of operation of the Agency. This is shown by a good implementation rate of the internal controls standards action plan.

However, it is too premature to assess how effective the control system is as a whole. There is little information available concerning detected errors, audit findings or results of self-assessments. Furthermore, the management of grants of the "Ideas Programme" is still at an early stage of implementation and the control systems have not yet been fully tested.

Meanwhile, the Agency's management is aware that a better risk management (for both operational and administrative areas), further streamlining and review of the internal rules and procedures, as well as better management supervision by peer-review exercise, will allow further strengthening of the internal control systems in place and provide valuable information of the operational performance of the Agency.

Based on the above observations, and taking into consideration that the identified weaknesses have been acknowledged and necessary fine-tuning to improve the effectiveness of the internal control standards system is taking place, the management considers that no critical or very important observations exist to affect the assessment as a whole. Thus, they do not translate into any material reservations in the Director's declaration.

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[28] Regulation (EC) 45/2001of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data is applicable, OJ L8 of 12.01.2001.

PART 3. BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE

3.1 BUILDING BLOCKS TOWARDS REASONABLE ASSURANCE

3.1.1. Building block 1: Assessment by management

The Agency finances its actions under the legal and regulatory frameworks of the EU which are uniform as to allow identical implementation modalities which, consequently, can be subject to the same control mechanism. The Agency's modus operandi is underpinned by a robust segregation of duties between financial and operational activities and between initiation and verification tasks as well as between management of the operational and administrative budgets.

The Agency management is aware of the key research family performance indicators[29], which have been designed to support the analysis by the Director when given a reasonable assurance of the Agency's operations. However, during the reporting period, no information was yet available on these indicators, which closely relate to ex-post audits (both internal and external), their error rates and overall assessment of supervisory and control systems.

Nevertheless, the Agency management considers that the supervisory and control systems that have been put in place have kept the level of risks to a level that is considered to be reasonable from the point of view of regularity, legality and sound financial management. This assessment is based on the recognition and awareness of the risks (see below), the observations made during the setting up the operations and the regular daily monitoring of the activities.

The risks below were identified in October 2009 for the start-up phase of the Agency:

1.   The ability of the Agency to efficiently manage its information systems and dedicate resources to provide adequate systems, data and reports to support operations.
2.   Experience, expertise and status of the Agency's personnel and high dependence on the human capital in the light of the ability to perform and implement the Work Programme and its activities.
3.   Potential failure to protect and preserve the continuity of the critical functions of the Agency. The Agency is dependent on the quality of work provided by external panellists and it is crucial that a good relationship is maintained with the scientific community to be able to obtain continuously excellent results and feedback from the evaluators.
4.   External perception and environment of the Agency to efficiently and effectively deal with its stakeholders and manage business in order to achieve tangible results.
5.   Unclear mission (or operations) and lack of clear rules of procedures, which prevent achievement of objectives and mission of the Agency.

This assessment is subject to the recognition of risks that are inherent in the implementation of the Ideas Programme grants, notably: (a) the difficult and complex management governance environment, which involves many stakeholders and various outside actors, where the Agency has very limited or remote control, (b) the fact that the operations target a new area of 'frontier' research where EU has no previous experience and (c) the obligation and necessity to respond rapidly to changed policy priorities set outside the Agency.

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[29] Please see Budgweg http://www.cc.cec/budg/man/icrm/_doc/ic/reporting/aar/instructions/guidances/doc_091030_keyindicators-research_en.pdf table on "key indicators supporting reasonable assurance for the research family – direct centralised management".

Measures taken to mitigate the above risks have included the advancement in the implementation of the Internal Control Standards (see further details under point 2.2) and setting up various mechanisms and controls set up in implementation of both administrative and operational budgets (concerning the operational budget see further details in Annex 5).

As part of the measures taken to mitigate risks the implementation of the Ideas Programme is ensured through several layers of checks and controls at various stages of the project cycle of the grants. These controls should not be seen in isolation, as each of them is required to contribute to providing a reasonable assurance on the legality and regularity of the transactions. The main aspects of the control strategy developed by the Agency, its supervision and monitoring procedures and the ex-ante and ex-post controls are described below:

Inputs: *Resources devoted to ex-ante and ex-post controls*	• Staff involved in financial management: 1AOD and 3 AOS with general sub-delegations. • 15 project officers and 5 financial officers in Unit C2 are performing ex-ante verification and the Head of Unit C2 is carrying out full operational and financial verification. • Operational ex-ante controls (of the periodical financial management reports) are performed by the staff in Unit C2.
Outputs: *Level and nature of controls carried out*	• Every transaction is subject to ex-ante controls in accordance with the financial circuits (for both administrative and operational budgets). • All payments are subject to thorough analysis of technical reports and cost statements (operational budget). • Five pilot audits designed jointly with DG RTD on common beneficiaries were launched in 2009. In addition three own resource audits targeting the ERC Executive Agency own expenditure took place (operational budget). • All grant agreements include the possibility for on-the-spot controls. • Special attention is made to monitor payment delays.
Results: *What the controls have allowed to discover so far*	• The above described controls allow, in principle, to discover and rectify errors and mistakes immediately. • Increased attention to the payment process has already allowed to reduce the average time to pay from 28 days before autonomy to 19 days at the end of 2009 (operational budget).

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

The ERC Executive Agency IAO (Internal Audit Office) became fully functional in May 2009 when its charter was signed. During 2009 the IAO has worked on one operational audit covering the human resources management process. This audit has not yet been finalised.

In view of the limited scope of the audit work which has been carried out to date, the IAO is not yet in a position to give an overall opinion on the state of internal control across the Agency as a whole.

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

Non applicable

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

The Agency has put in place a large majority of the internal control standards, with particular emphasis on the requirements set for an Executive Agency towards an effective implementation of the internal control framework. Regular management control and internal procedures are fully in place and functioning,

A full level of implementation of the internal control standards has not yet been achieved, but this as a whole does not affect sound financial management or the legality and regularity of the Agency's actions in 2009.

Therefore and on the basis of the above information, the Agency management considers that the main risks as regards the achievement of the Agency's key objectives are currently being sufficiently addressed.

Therefore, a reservation is not warranted.

3.2 RESERVATIONS

None

3.3 OVERALL CONCLUSIONS ON THE COMBINED IMPACT OF THE RESERVATIONS ON THE DECLARATION AS A WHOLE

Non applicable

PART 4. DECLARATION OF ASSURANCE

I, the undersigned,

Director ad Interim of the European Research Council Executive
Agency

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view[30].

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

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

Confirm that I am not aware of anything not reported here which could harm the interests of the Commission.

Brussels, 19 March 2010

(Signed)

Jack Metthey

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

ANNEX 1 - Statement of the Head of Resources and Support Department

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 Commission [31], 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 3.1 of the present AAR and in its annexes 2 to 5 is, to the best of my knowledge, accurate and exhaustive.

(Signed)

Yves Paternoster

Head of Department D Resources and Support

Internal Control Coordinator

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[31] SEC(2003)59 of 21.01.2003.

ANNEX 2 - Human and Financial resources by ABB Activity

2.1 Human Resources by ABB activity

The table listed below details the total staff employed within the ERCEA as of 31.12.2009. These data do not constitute full-time-equivalent units throughout the year.

Code ABB Activity	ABB Activity	Human Resources by ABB activity		
		Establishment Plan posts	External Personnel	Total
08.10	Management of the Ideas Programme	93	169	262

Following the 2008 recruitment campaign for both temporary and contractual agents the recruitment has continued on a steady pace and recruitment targets of the Annual Work programme were close to be achieved: at the end of 2009 a total of 262 new staff had been recruited, which corresponds to 97% (270) of the target of the Annual Work Programme 2009 and 87% of the maximum number of staff allowed in the Budget 2009 of the Agency.

The recruitment target of the TAs (external) was nearly achieved following a recruitment of four TAs corresponding to 99% of the 2009 target. As regards the remainder positions reserved for the Commission officials (TA seconded), a total of five were recruited following the selection procedure in 2009. Five procedures were not successful and are due to be launched again in early 2010. Moreover, the vacancy notice for the post of Director was published for a second time in December 2009 with the deadline for applications in the beginning of March 2010.

The contract agents (CA) were recruited on a steady pace: on average 12 CAs were recruited on a monthly basis. However, there have been some delays in the recruitment. This is due to unavailability of candidates for certain job profiles in the CAST lists. Also, the Agency is experiencing a quick exhaustion of the candidates from the Agency's own reserve lists following the competition between different Executive Agencies and private sector for some profiles (namely IT).

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

Budget line	Budget line description	APPROPRIATIONS 2009 (C1)			APPROPRIATIONS carried over (C8)	
		Available appropriations 2009	Commitments 2009	Payments 2009	Amounts of appropriations carried over from 2008	% implementation on appropriations carried over from 2008
Title 1	Staff expenditure	7.322.050	6.680.308	6.398.657	14.571	0,0%
Title 2	Infrastructure and operating expenditure	7.131.500	6.691.323	4.479.440	6.611.154	93,7%
	TOTAL	**14.453.550**	**13.371.631**	**10.878.097**	**6.625.725**	**93,5%**

ANNEX 3 - Draft annual accounts and financial reports (to be submitted later)

Financial Reports - DG EU/AGENCIES/ERCEA - Financial Year 2009

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 Time Limits

Table 7 : Income

Table 8 : Forecasts of Revenue

Table 9 : Recovery of undue Payments

Table 10 : Ageing Balance of Recovery Orders

Table 11 : Waivers of Recovery Orders

Table 12 : Negotiated Procedures (excluding Building Contracts)

Table 13 : Summary of Contracts (excluding Building Contracts)

Table 14 : Building Contracts

Table 15 : Contracts declared Secret

Additional comments

The financial reports concern the operational budget.
The budgetary tables concern the full year 2009 (tables 1, 2, 3, 6, 7, 8, 9,10,11).
The tables 4. Balance sheet and 5. Profit and losses correspond to the activity since the Autonomy of the Agency.

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2009 (in Mio €)			
Chapter	Commitment appropriations authorised *	Commitments made	%
	1	2	3=2/1
Title 08 : Research			
08 10 Ideas	840,89	840,87	100,00 %
Total Title 08	840,89	840,87	100,00 %
Total DG ERC	840,89	840,87	100,00 %

* 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).

% Outturn on commitment appropriations

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2009 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title 08 : Research				
08 10	Ideas	356,88	223,50	62,63 %
Total Title 08		356,88	223,50	62,63 %
Total DG ERC		356,88	223,50	62,63 %

* 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
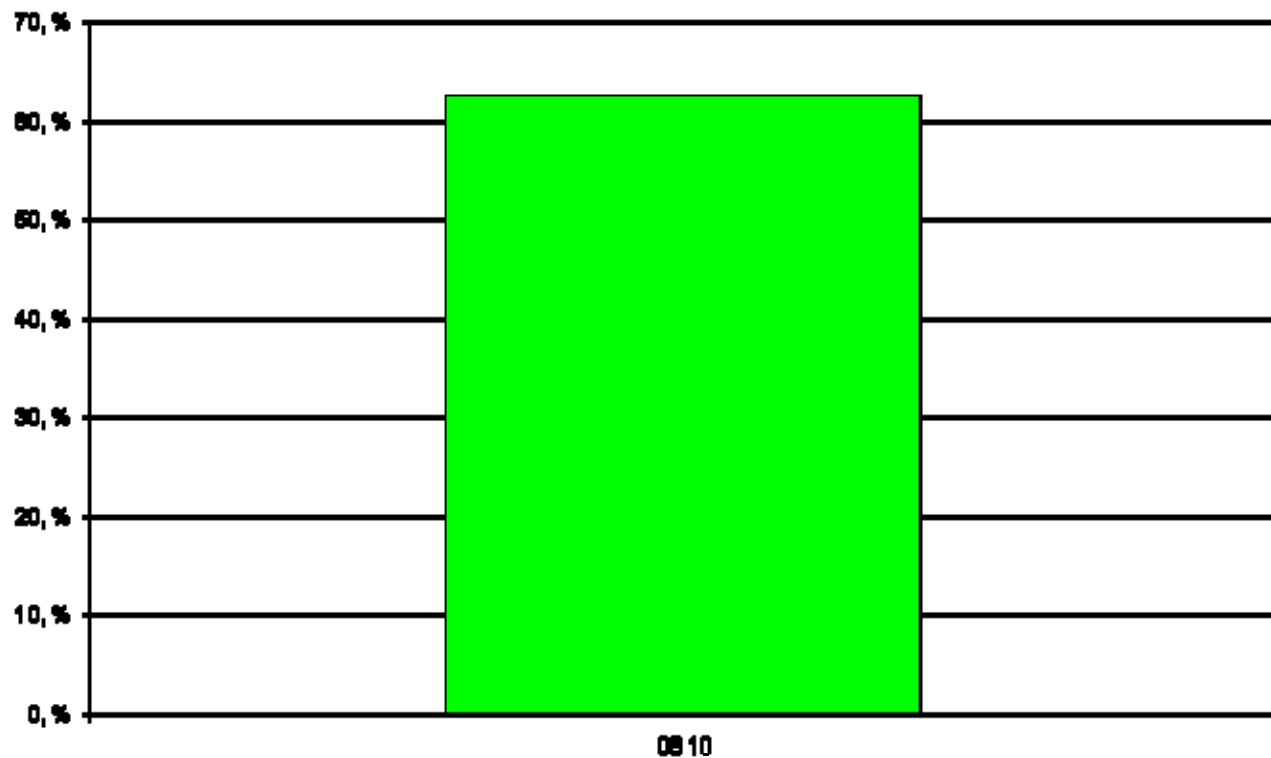
	Chapter	2009 Commitments to be settled				Commitments to be settled from	Total of Commitments to be settled at end of financial year 2009 (incl.corrections)	Total of Commitments to be settled at end of financial year 2008 (incl.corrections)
		Commitments 2009	Payments 2009	RAL 2009	% to be settled	financial years previous to 2009		
		1	2	3=1-2	4=1-2//1	5	6=3+5	7
Title 08 : Research								
08 10	Ideas	840,87	100,12	740,75	88,09 %	527,49	1.268,24	650,87
Total Title 08		840,87	100,12	740,75	88,09 %	527,49	1.268,24	650,87
Total DG ERC		840,87	100,12	740,75	88,09 %	527,49	1.268,24	650,87

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2009 (in Mio €)

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

v RAL C6
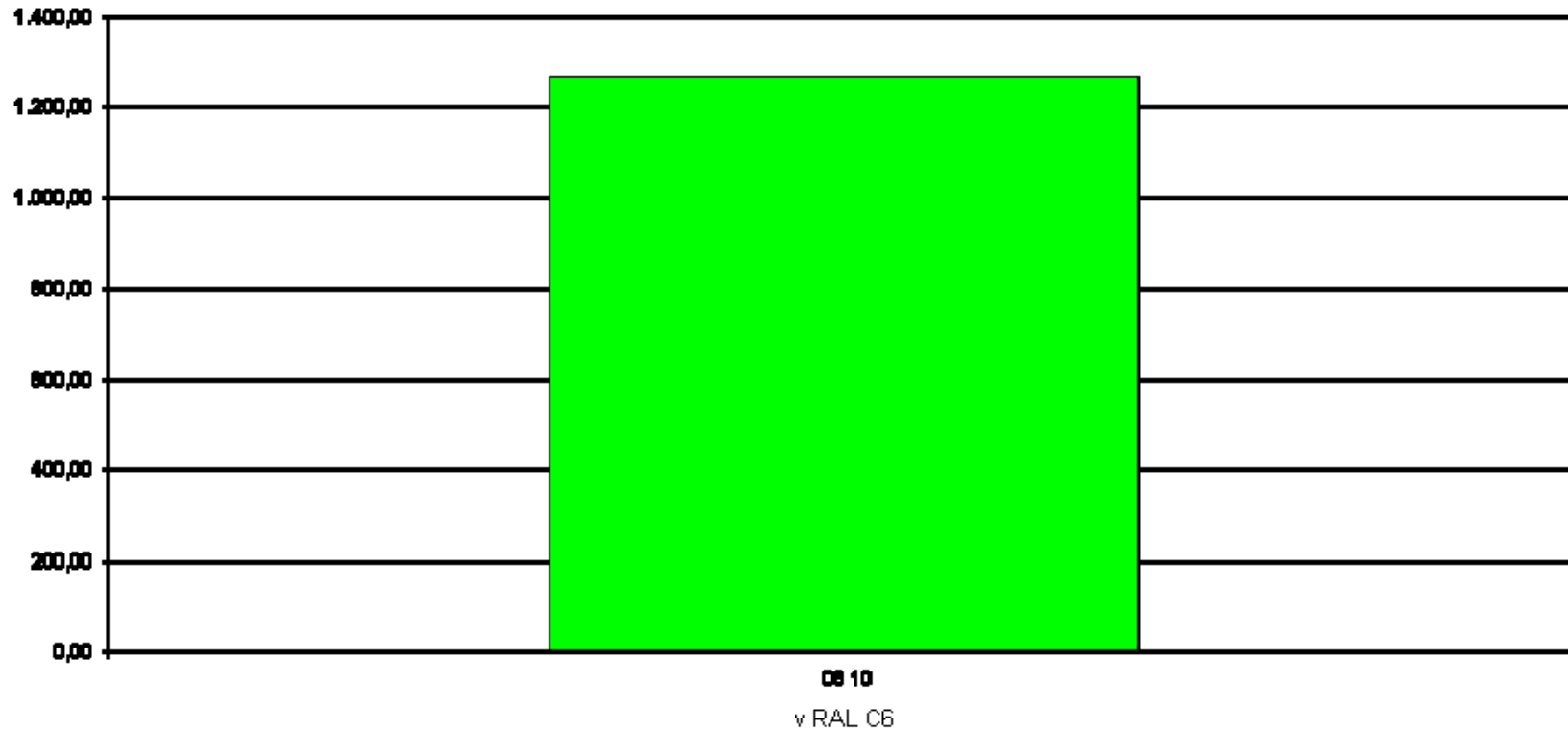
TABLE 4 : BALANCE SHEET		

BALANCE SHEET		
ERC	2009	2008
NON CURRENT ASSETS	*62.919.519,25*	
LT Pre-Financing	62.919.519,25	
CURRENT ASSETS	*182.789.821,82*	
Short-term Pre-Financing	182.329.477,80	
Short-term Receivables	460.344,02	
ASSETS	**245.709.341,07**	
CURRENT LIABILITIES	*-3.960.122,73*	
Accounts Payable	-3.960.122,73	
LIABILITIES	**-3.960.122,73**	

NET ASSETS (ASSETS less LIABILITIES)	241.749.218,34	

Non-allocated central (surplus)/deficit*	-241.749.218,34	

NET ASSETS	-241.749.218,34	

* 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

TABLE 5 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT		
ERC	**2009**	**2008**
FROM OPERATING ACTIVT	**209.295.993,06**	
OPERATING EXPENSES	*209.295.993,06*	
Administrative Expenses	0,00	
Operating Expenses	209.295.993,06	
SURPLUS/DEF. NON OPERATING ACTIVIT	**-472.166,76**	
FINANCIAL OPERATIONS	*-472.166,76*	
Financial revenue	-472.166,76	
ECONOMIC OUTTURN ACCOUNT	**208.823.826,30**	

It should be noted that the balance sheet and economic outturn account of Directorate General, 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 the ERCEA (operational budget). 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 the 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 TIME LIMITS FOR 2009 - DG EU/AGENCIES/ERCEA

Full Year 2009

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)
45	599	593	99,00 %	15,56	6	1,00 %	62,33
105	32	32	100,00 %	18,31			

Total Number of Payments	631	625	99,05 %		6	0,95 %	
Average Payment Time	16,15			15,70			62,33

Q4 2009

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	148	140	94,59 %	10,78	8	5,41 %	29,50
30	304	286	94,08 %	16,24	18	5,92 %	46,83

Q4 Total Number of Payments	452	426	94,25 %		26	5,75 %	
Q4 Average Payment Time	16,00			14,44			41,50

Late Interest paid in 2009			
DG	GL Account	Description	Amount (Eur)

		Revenue and income recognized			Revenue and income cashed from			Outstanding
	Chapter	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	balance
		1	2	3=1+2	4	5	6=4+5	7=3-6
**TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2009**

		Revenue and income recognized			Revenue and income cashed from			Outstanding
**Title 5: REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTIONS**
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	25.402,76	0,00	25.402,76	11.822,74	0,00	11.822,74	13.580,02
	Total Title 5	**25.402,76**	**0,00**	**25.402,76**	**11.822,74**	**0,00**	**11.822,74**	**13.580,02**
	Total DG ERC	**25.402,76**	**0,00**	**25.402,76**	**11.822,74**	**0,00**	**11.822,74**	**13.580,02**

TABLE 8: FORECASTS OF REVENUE FOR DG EU/AGENCIES/ERCEA

No data to be reported

Year of Origin	
TOTAL	

TABLE 9 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

RECOVERY ORDERS ISSUED IN 2009	TOTALS	
Year of Origin (commitment)	Nbr	RO Amount

EXPENSES

	Nbr	Amount
INCOME LINES IN INVOICES	0	

	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	0	

	Nbr	Credit Note Amount
CREDIT NOTES	0	

TABLE 10: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2009						
Year of Origin	Number at 01/01/2009	Number at 31/12/2009	Evolution	Open Amount (Eur) at 01/01/2009	Open Amount (Eur) at 31/12/2009	Evolution
2009		2			13.580,02	
Totals		**2**			**13.580,02**	

TABLE 11 : RECOVERY ORDER WAIVERS IN 2009 >= EUR 100.000					
Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Official Name	Commission Decision	Comments

Total DG EU/AGENCIES/ERCEA	

Number of RO waivers	0

Justifications:

No data to be reported

TABLE 12 : CENSUS OF NEGOTIATED PROCEDURES - DG EU/AGENCIES/ERCEA - YEAR 2009

Count :

Total amount :

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

No data to be reported

TABLE 13 : SUMMARY OF PROCEDURES OF DG EU/AGENCIES/ERCEA EXCLUDING BUILDING CONTRACTS

Internal procedures > €60,000
Procedures and types of contracts
TOTAL

Procedures and types of contracts
TOTAL

External procedures > €10,000
Procedures and types of contracts
TOTAL

Procedures and types of contracts
TOTAL

Additional comments

No data to be reported

		TABLE 14 : BUILDING CONTRACTS				

Count :	0
Total amount :	

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

No data to be reported

TABLE 15 : CONTRACTS DECLARED SECRET

No data to be reported

Count :	0
Total amount :	

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

Financial Reports - ERC - Financial Year 2009

Administrative Budget

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 Time Limits

Table 7 : Income

Table 8 : Forecasts of Revenue

Table 10 : Ageing Balance of Recovery Orders

Table 11 : Census of Negociated Procedures

Table 12 : Summary of Procedures

Additional comments

The financial reports cover the activities on the ERCEA's administrative budget from the Autonomy of the Executive Agency (16/07/2009) to the end of the year (31/12/2009).

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2009 (in Mio €)			
Chapter	Commitment appropriations authorised *	Commitments made	%
	1	2	3=2/1
Title A-1 FRAIS DE PERSONNEL			
A-11 Personnel en activité	6,29	5,94	94,54 %
A-12 Frais divers de recrutement, de prise de fonction	0,42	0,30	71,33 %
A-13 Frais de missions, de déplacements et autres dépen	0,11	0,07	64,91 %
A-14 Infrastructure à caractère socio-médical	0,34	0,23	68,75 %
A-16 Service Social, autres interventions	0,07	0,05	73,32 %
A-17 Frais de réception et de représentation	0,10	0,08	83,57 %
Total Title A-1	7,32	6,68	91,24 %
Title A-2 FRAIS DE FONCTIONNEMENT			
A-20 Immeubles et frais accessoires	3,13	3,03	96,57 %
A-21 Traitement des données	1,65	1,51	91,56 %
A-22 Biens, meubles et frais accessoires	0,96	0,95	98,26 %
A-23 Dépenses de fonctionnement administratif courant	0,14	0,12	84,33 %
A-24 Affranchissement et Télécommunications	0,06	0,06	97,63 %
A-25 Frais de réunions internes	0,02	0,01	29,89 %
A-26 Frais administratifs liés aux activités opérationn	0,42	0,29	69,48 %
A-27 Dépenses avec les entités consolidées	0,74	0,73	98,47 %

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Total Title A-2	**7,13**	**6,69**	**93,83 %**
TOTAL ERC%	**14,45**	**13,37**	**92,51 %**

* 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).

% Outturn on commitment appropriations

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2009 (in Mio €)			
Chapter	**Payment appropriations authorised ***	**Payments made**	**%**
	1	**2**	**3=2/1**
TITLE A-1 FRAIS DE PERSONNEL			
A-11 Personnel en activité	6,29	5,94	94,49 %
A-12 Frais divers de recrutement, de prise de fonction	0,42	0,27	63,21 %
A-13 Frais de missions, de déplacements et autres dépen	0,11	0,02	20,72 %
A-14 Infrastructure à caractère socio-médical	0,34	0,10	30,00 %
A-16 Service Social, autres interventions	0,09	0,04	47,86 %
A-17 Frais de réception et de représentation	0,10	0,03	27,05 %
TOTAL A-1	**7,34**	**6,40**	**87,22 %**

TITLE A-2 FRAIS DE FONCTIONNEMENT			
A-20 Immeubles et frais accessoires	9,44	8,69	92,04 %
A-21 Traitement des données	1,93	0,47	24,55 %
A-22 Biens, meubles et frais accessoires	0,96	0,69	71,83 %
A-23 Dépenses de fonctionnement administratif courant	0,14	0,04	29,36 %
A-24 Affranchissement et Télécommunications	0,06	0,02	32,96 %
A-25 Frais de réunions internes	0,02	0,00	21,95 %
A-26 Frais administratifs liés aux activités opérationn	0,42	0,17	39,59 %
A-27 Dépenses avec les entités consolidées	0,77	0,58	76,03

			%
TOTAL A-2	**13,74**	**10,67**	**77,67 %**

TOTAL ERC%	**21,08**	**17,07**	**80,99 %**

* 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).

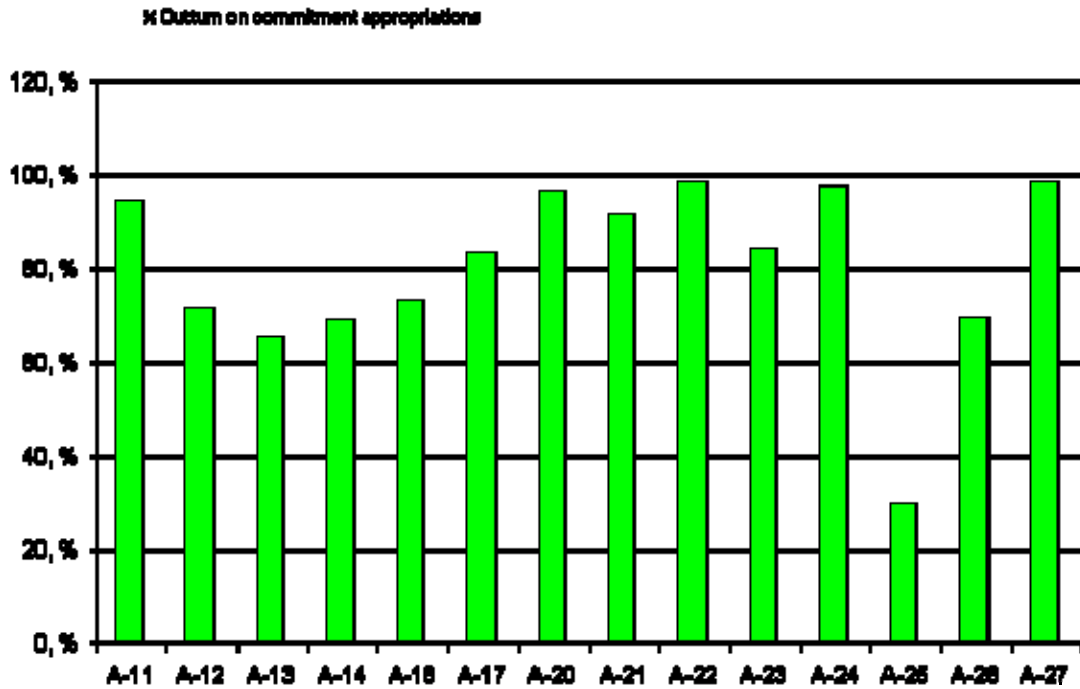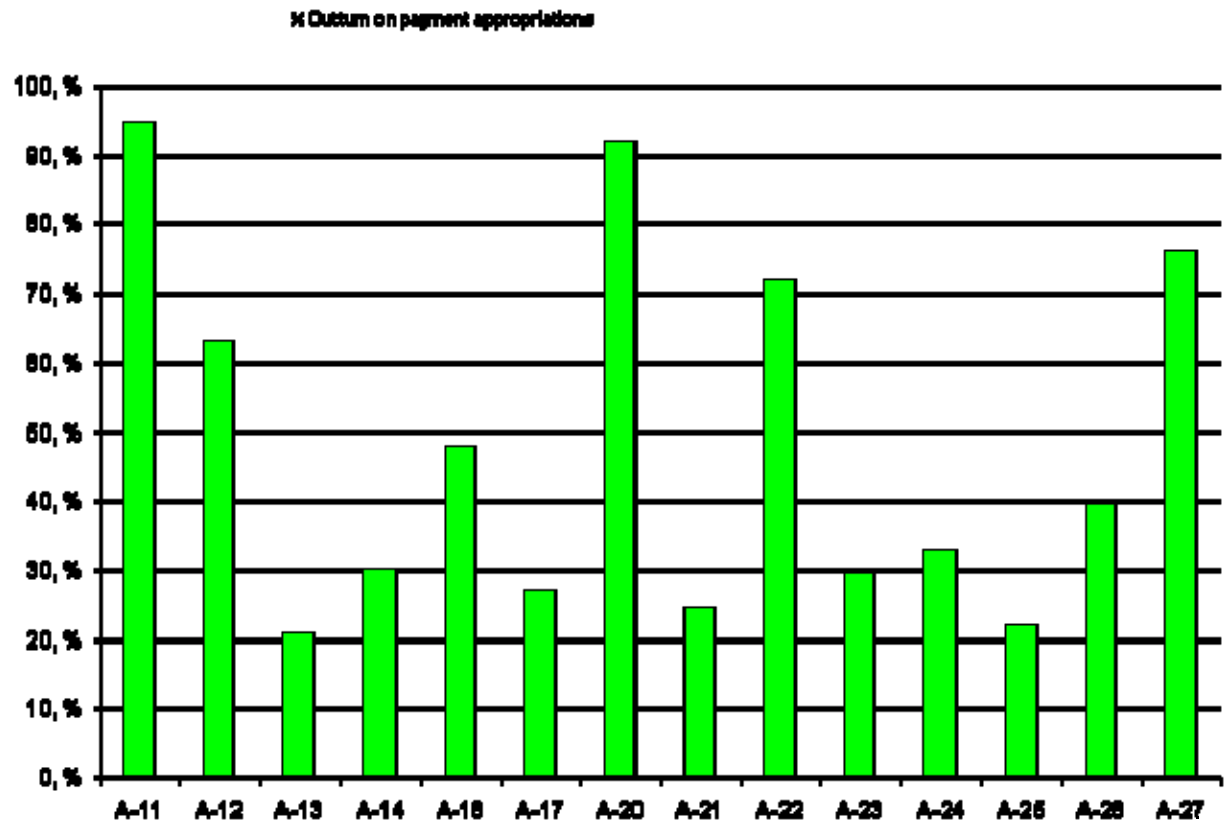% Outturn on payment appropriations

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2009 (in Mio €)[32]				
	2009 Commitments to be settled			
Chapter	Commitments 2009	Payments 2009	RAL 2009	% to be settled
	1	2	3=1-2	4=1-2//1
Title A-1 FRAIS DE PERSONNEL				
A-11 Personnel en activité	5,94	-5,94	0,00	0,05 %
A-12 Frais divers de recrutement, de prise de fonction	0,30	-0,27	0,03	11,39 %
A-13 Frais de missions, de déplacements et autres dépen	0,07	-0,02	0,05	68,08 %
A-14 Infrastructure à caractère socio-médical	0,23	-0,10	0,13	56,36 %
A-16 Service Social, autres interventions	0,05	-0,04	0,01	21,25 %
A-17 Frais de réception et de représentation	0,08	-0,03	0,06	67,63 %
Total Title A-1	**6,68**	**-6,40**	**0,28**	**4,22 %**

Title A-2 FRAIS DE FONCTIONNEMENT				
A-20 Immeubles et frais accessoires	3,03	-2,69	0,34	11,08 %
A-21 Traitement des données	1,51	-0,30	1,22	80,51 %
A-22 Biens, meubles et frais accessoires	0,95	-0,69	0,25	26,87 %
A-23 Dépenses de fonctionnement administratif courant	0,12	-0,04	0,08	65,18 %

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[32] Based on the application of Art. 9 of the Financial Regulation applicable to the general budget of the European Communities.

A-24	Affranchissement et Télécommunications	0,06	-0,02	0,04	66,24 %
A-25	Frais de réunions internes	0,01	0,00	0,00	26,55 %
A-26	Frais administratifs liés aux activités opérationn	0,29	-0,17	0,13	43,03 %
A-27	Dépenses avec les entités consolidées	0,73	-0,57	0,16	22,11 %
Total Title A-2		**6,69**	**-4,48**	**2,21**	**33,06 %**

TOTAL ERC%		**13,37**	**-10,88**	**2,49**	**18,65 %**

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

v_ral
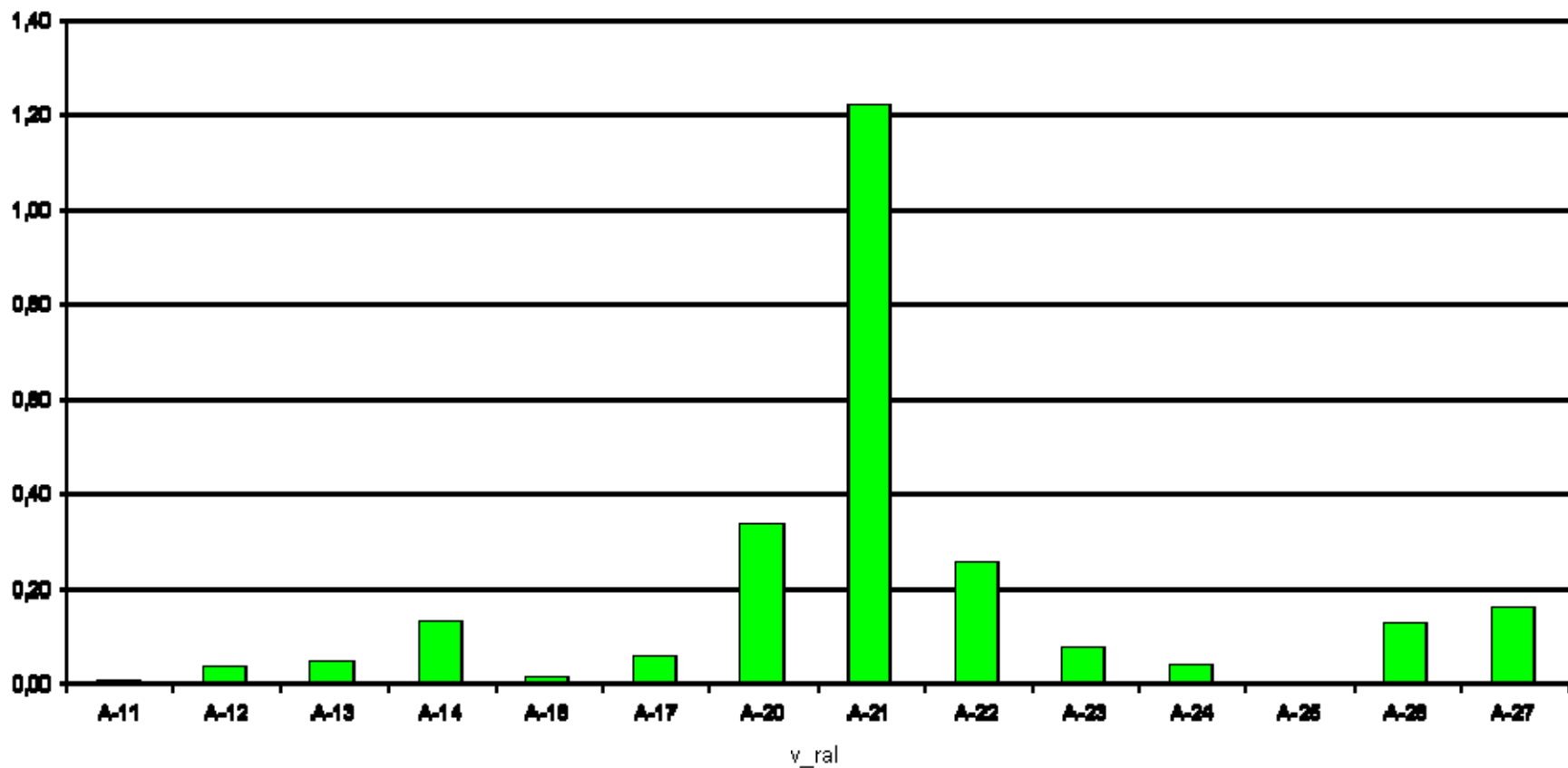
TABLE 4 : BALANCE SHEET

BALANCE SHEET		
European Research Co	**2009**	**2008**
NON CURRENT ASSETS	*5.687.317,98*	
Intangible Assets	37.618,00	
Property, plant and equipment	5.649.699,98	
CURRENT ASSETS	*4.268.740,92*	
Short-term Receivables	2.092.561,34	
Cash and Cash Equivalents	2.176.179,58	
ASSETS	**9.956.058,90**	
CAPITAL	*-8.095.709,69*	
Economic result of the year	-8.095.709,69	
NON CURRENT LIABILITIES	*-169.027,24*	
Long-term Provisions	-169.027,24	
CURRENT LIABILITIES	*-1.691.321,97*	
Accounts Payable	-1.691.321,97	
LIABILITIES	**-9.956.058,90**	

NET ASSETS (ASSETS less LIABILITIES)	0,00	

TABLE 5 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT		
European Research Co	**2009**	**2008**
FROM OPERATING ACTIVT	**8.097.015,71**	
OPERATING REVENUES	*-19.576.065,05*	
Other operating revenue	-19.576.065,05	
OPERATING EXPENSES	*16.647.160,32*	
Administrative Expenses	11.309.394,41	
Operating Expenses	169.654,93	
SURPLUS/DEF. NON OPERATING ACTIVIT	**1.306,02**	
FINANCIAL OPERATIONS	*1.306,02*	
Financial expenses	1.306,02	
Extraordinary Gains	**0,00**	
Extraordinary Gains	*0,00*	
Extraordinary Gains	0,00	
ECONOMIC OUTTURN ACCOUNT	**8.095.709,69**	

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2009 - ERC

Full Year 2009

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)
8	1				1	100,00 %	36,00
21	2				2	100,00 %	35,50
30	104	49	47,12 %	18,02	55	52,88 %	46,33
45	210	143	68,10 %	13,34	67	31,90 %	67,03
60	29	22	75,86 %	33,23	7	24,14 %	63,14

Total Number of Payments	**346**	**214**	**61,85 %**		**132**	**38,15 %**	
Average Payment Time	**32,11**			**16,46**			**57,48**

Q4 2009

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)
8	1				1	100,00 %	36,00
21	2				2	100,00 %	35,50

30	333	190	57,06 %	13,77	143	42,94 %	56,04

Q4 Total Number of Payments	**336**	**190**	**56,55 %**		**146**	**43,45 %**	
Q4 Average Payment Time	**31,96**			**13,77**			**55,62**

Late Interest paid in 2009			
DG	**GL Account**	**Description**	**Amount (Eur)**
European Research Co	65010000	Interest expense on late payment of charges	1 215,00
			1 215,00

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2009					
Title	Description	Year of Origin	Revenue and Income recognized	Revenue and Income cashed	Oustanding Balance
20-0	Subsidy from the Commission	2009	19.375.970,86	19.217.457,50	158.513,36
TOTALERC			**19.375.970,86**	**19.217.457,50**	**158.513,36**

TABLE 8: FORECASTS OF REVENUE FOR ERC

Year of Origin
TOTAL

TABLE 10: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2009 FOR ERC

Year of Origin	Number at 01/01/2009	Number at 31/12/2009	Evolution	Open Amount (Eur) at 01/01/2009	Open Amount (Eur) at 31/12/2009	Evolution
2009		3			161.259,97	
Totals		3			161.259,97	

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG EU/AGENCIES/ERCEA - YEAR 2009

Count :

Total amount :

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

No data to be reported

TABLE 12 : SUMMARY OF PROCEDURES OF DG EU/AGENCIES/ERCEA EXCLUDING BUILDING CONTRACTS

Internal procedures > €60,000
Procedures and types of contracts
TOTAL
Procedures and types of contracts
TOTAL

External procedures > €10,000
Procedures and types of contracts
TOTAL
Procedures and types of contracts
TOTAL

Additional comments

No data to be reported

ANNEX 4 - Materiality criteria

The concept of materiality refers to the level of formal reservation to be done by the Agency Director derived from significant weaknesses or risks in the operation of the Agency. It should be noted that the Director's declaration covers a narrower area than the entire scope of the AAR. The AAR is designed to include an assessment of all results achieved by the Agency in the light of its Annual Work Programme 2009. The materiality declaration, on the other hand, only refers to the Director's responsibilities vis-à-vis the operational activities, which in the reporting period were quite limited due to recent autonomy and carry-over of the responsibilities from DG RTD.

Overall, the Director remains responsible for the declaration of assurance, including making a judgement of any reservations to be done based on the overall impact of the identified weaknesses and their impact in the operating environment. In making this judgement the Agency Director has decided to use the following two-fold criteria in determining the materiality level in 2009:

a) Qualitative dimension

Types of possible weaknesses	Observations between 15 July and 31 December
Detected occurrence of errors in the underlying transactions (legality and regularity)	None. No significant errors caused by weaknesses in key controls or intentional misstatements were detected, which could expose the Agency to potential financial loss.
Significant control system weaknesses	The Agency overall control system has been put into place and the majority of the internal control standards are applied. No particular weaknesses have been detected during operations.
Insufficient audit coverage and/or inadequate information from internal control systems	No recommendations from internal audits were available during the reporting period. Some minor errors were detected and corrected following ex-ante controls of financial transactions. The implementation of the ex-ante controls has been the primary means of ensuring the sound financial management, legality and regularity of the transactions. Ex-ante controls have not identified any systematic errors. The identified weaknesses following ex-ante controls of payments do not have any significant influence to the appreciation of the Directors' declaration. This could be the case, however, if any significant conflict of interests existed, if personnel were clearly unqualified or if the established systems would fail to provide accurate information due to critical design flaws of misapplication of rules or if appropriate verifications or procedures were not in place. Although no ex-post controls (carried out after the payment was made) were carried out in the reporting period of the financial management system and weaknesses of the operational management aspects it does not justify a reservation to be made since (1) the risk identified were not material (2) the exposure for risks was very low in 2009 mainly due to the low number of transactions and operational activities (3) management is not aware of any significant issues which could pose a risk in the system.
Critical issues reported by the ECA, the IAS, the IAC or OLAF	None Any critical observation made by these external bodies could lead to a reservation if the issue is not immediately resolved and the impact is clearly material.
Significant reputational events	None The impact of the reputation risk on the declaration of assurance is assessed mainly on the basis of the qualitative criteria such as high public interest towards the Ideas Programme.

b) Quantitative dimension

The quantitative analysis is to estimate the financial impact resulting from errors detected. The Agency Director has decided that the standard materiality threshold of 2%, where the value of the transactions affected by weaknesses represents more than 2% (at risk/exposure) of the

Agency budget line, will be implemented. The objective of the analysis is, therefore, to ensure that for the Ideas Programme the residual error rate, i.e. the level of errors which remain undetected and uncorrected, did not exceed 2%. The quantitative materiality threshold used in expressing reasonable assurance on the Agency's implementation of the Commission's operational budget is identical to that applied by all Commission DGs/services which are part of the Research family.

It should, however, be noted that the effectiveness of the Agency's internal control strategy can only be fully assessed when the grant life cycle is close to its final stages and once a systematic ex-post audit strategy has been put in place to identify and correct the weaknesses.

The control objective is to be assessed also on an annual basis in support of the statement of assurance of the Director for each financial year. Such assessment will focus on the multi-annual perspective (since the start of the Ideas Programme to date) and will build strongly on the scope and results of the ex-post audits carried out. The 2009 reference amount on which a 2% materiality threshold will be calculated is defined as follows:

Table: Details of financial spending operations with a view to define materiality[33]

	€million	% of the budget
Total pre-financing payments made	219,824,766.87	61.60%
-/- Clearing of previous pre-financing upon processing of interim/final cost claims	100,140.94	0.03%
Subtotal of 2009 budget not subject to risk of overcharging	219,724,625.93	61.57 %
+ Total of EU funding accepted upon processing of interim/final cost claims	2,615,718.61	0.73 %
Total of 2009 budget spending (payments)	222,440,485.48	62.33 %*
Materiality threshold	4,448,809.71	2.0%

The Agency considers that the identified erroneous transactions, which expose the Agency to actual financial loss, could have lead to a reservation to the Director's declaration only under the following conditions:

- ✓ significant weaknesses in the internal control system were identified
- ✓ the weaknesses identified which have a directly effect on (a) control systems or (b) sound financial management as a whole
- ✓ financial loss above the materiality level occurred or was likely to occur

c) Overall conclusion

The identified weaknesses in the internal control system arrangement of the Agency do not fulfil any of the materiality criteria (a) or (b) as discussed above. A reservation is, therefore, not warranted.

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[33] The reported percentage is calculated against the total 2009 Budget for C1 (221,432,618.75) and R0 (135,432,472.96) payment credits. It should be noted that the consumption for C1 was 100% and for R0 1.5%. C1 payment credits refer to credits voted for the 2009 budget. R0 payment credits refer to "other external assigned revenue".

ANNEX 5 - Internal Control Template for budget implementation

Centralised indirect management of the Ideas Programme

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1. The control environment

Summary: Research Projects co-financed through the reimbursement of eligible costs

The control environment is characterised by a large number and wide range of projects in the area of 'frontier' research. Grant evaluation is based on the sole criteria of 'excellence', which as a concept differs from time and place.

Key inherent control risks in this environment:

(1) Risk of selection of grants, which do not meet the objectives of the Ideas Programme

The procedure for evaluating grants is quite complex taking into account the grant management structure and actors involved (hosting institution, principal investigator, project team, co-investigators). The aim for selecting only projects of 'excellence' and the multi-disciplinary character (frontier research) of the ideas Programme can increase risks because of their complexity as concepts on their own right.

(2) Risk of poor technical and scientific implementation of the project and communication of the project results

The beneficiaries' technical implementation of the grant agreements, including communication of the project results is monitored by the Agency. While monitoring the compliance with the relevant EU grant implementing rules is mostly a straightforward task, monitoring of the effectiveness of the projects in terms of achieving results and making a difference in the scientific world is a challenge in itself.

Accountability structures:

The Director is responsible for the management of the Agency. He is appointed by the Commission as Authorising Officer by Delegation for the implementation of part of the Union's operational budget delegated by the Commission to the Agency.

The Director reports to the parent DG (through the Steering Committee) on the management of the Agency by means of the Quarterly Report, Annual Activity Report and an annual declaration of assurance. The Agency also contributes to the quarterly briefing of the parent DG to the Commissioner on the use of resources, audit follow-up and internal control issues, including an update on OLAF inquiries.

The administrative budget is adopted by the Steering Committee in full compliance with the operating grant and establishment plan listed in the Union's general budget and approved by the Budgetary Authority. The Director of the Agency is the Authorising Officer for the administrative budget. Delegation of powers for authorisation of commitments has been rather limited while authorisation of payments is delegated to the Head of the Unit Human resources, Budget and Infrastructure (centralised circuit). The Director reports on the performance of his duties to the Steering Committee and receives discharge for the implementation of the administrative budget from the Budgetary Authority.

The Internal Control Coordinator certifies the accuracy and exhaustiveness of the information on management and internal control systems as well as its annexes.

The Head of the Support Services Department coordinates the use of resources throughout the Agency. In this capacity, he certifies the accuracy and exhaustiveness of the information as regards the use of resources.

Finally, the Internal Audit Capability provides the Director with independent, objective assurance services. The recommendations from the internal audits are discussed internally and followed-up.

Management mode:

Indirect centralised management in accordance with Articles 54.2(a) and 55 of the Financial Regulation applicable to the Union's general budget.

Grants of the Ideas Programme are awarded to the Host Institutions which conclude a supplementary agreement with the Principal Investigators, who works independently or as part of a research group.

Beneficiaries are reimbursed up to 100% of the total eligible direct costs of their research, including a contribution towards the indirect costs of a flat rate of 20% on the direct costs.

The figures below refer to the budget execution of 2009 including all the Agency's projects currently running and signed until 31/12/2009.

Grant period: Between 24 and 60 months	58 (average period)
Average value (EUR)	**€1.487.298,86**
Median value (EUR)	**€1.450.825,00**
Range of grants (EUR)	**300.380,00 - 3.460.000,00**
Percentage of grants under EUR 1 million.	**25,51%**
Number of coordinators/beneficiaries: - Mono-beneficiary grants - Multi-beneficiary grants	**94,01%** **5,99%**
Volume of transactions per year (number): - project payments - expert payments	**382** **388**

2. Stages and actors and main issues addressed at each stage	
The **planning, programming, monitoring and reporting** processes in place	The Annual Work programme is submitted to the Commission for approval before formal adoption by the Steering Committee. Monitoring of progress towards the achievement of the objectives of the Annual Work programme is done through the quarterly reporting to the parent DGs and through the Agency's Annual Activity Report (AAR), which is annexed to the AAR of the parent DG.
Selection process (of beneficiaries, intermediaries, agencies etc.), including **preventive** measures	**The evaluation of proposals** The Ideas Calls for Proposals are based on the Ideas Work Programme, developed by the ERC Scientific Council (ScC) and adopted by the Commission. The Work Programme sets out the criteria for eligibility and evaluation, and provides an overview of the evaluation process. The eligibility check is carried out by the Eligibility Committee set-up by the Agency. The evaluation of proposals (two-step approach) is carried out by independent scientific experts identified by the ERC Scientific Council (ScC) and appointed by the Agency. For each Call, experts are grouped into 25 review panels, each consisting of about 10 "eminent scientific experts". The Panels assess and rank the proposal against the criteria of the WP with the support, when necessary, of the remote referees, who are not members of the Panel itself. As a result of the "step-2 review" a ranking list is decided, which is subject to approval by the ScC. A "consolidation exercise" is then conducted, to coordinate the work of all panels, in order to draw up a ranking list to be recommended for funding from the interdisciplinary budget and to draw up the reserve lists for each domain. All ranking lists are sent to the ScC for approval after which the Agency adopts the final list of approved proposals and proceeds to negotiate the grant agreements with the successful applicants. The Agency provides regular reports to the ScC as regards the progress made during the evaluation process. Members of the ScC may attend panel meetings as observers, but they have no powers to influence the decision-making. **Control mechanisms in place to ensure among other things** (1) the authenticity of the independent experts, the absence of any prior-known conflict of interest and the registration of the expert in the Commission's common database of independent experts. (2) that each proposal is individually assessed by three or more independent experts prior to being discussed in any meeting. (3) that the remote assessments received via the secure Internet tool do not include offensive or misleading language or erroneous assessment. Any such problems will be brought to the attention of the subsequent meeting of the review panel, in order to ensure moderation. (4) that panels conform to the budgetary principles, i.e. the indicative budgets of scientific domains and the proportional budget allocation to panels as specified in the Ideas work-programme. (5) correction of any errors in the requested budgets of proposals which could bias the allocation of indicative budget by panel. Overall, the importance of carrying out the evaluation against, and only against, the criteria set out in the Ideas Work Programme is consistently underlined. (6) a quality control to ensure that the most appropriate feedback is provided to applicants.

	(7) that the order of the ranking of proposals is not changed with respect to the order recommended by the independent experts. In very exceptional cases a change of ranking is possible following approval of the ScC and DG RTD. **Conflict of interest** The Agency has established controls to ensure that the experts involved in the evaluations have no direct or indirect links with the proposals, which could pose a potential risk of a conflict of interest. In conformity with the existing Rules, all experts work under the provisions of an Appointment letter, which obliges them to disclose any conflict of interest and to abstain from any evaluation work that would engender a conflict of interest. To enforce these provisions, controls and checks are carried out by the Agency scientific staff as defined in the Rules. Briefings to experts on the importance attached to the conflict of interest issue and the obligation on experts to disclose any conflicts.

Preventive and directive measures to improve the quality of financial management and provision of supporting data by beneficiaries, contractors and intermediaries	**Communication strategy with proposals and beneficiaries**
	
	- Publications in the Official Journal of the EU and on the website of the programme;
	
	- Guidelines for applicants and financial guidelines for applicants help to prepare the proposals;
	
	- Network and info services: meetings of the ERC national contact point, provision of FAQ on website;
	
	- Project information services which include databases providing information on project beneficiaries, objectives, results.
	
	Internal procedures
	
	- Use of model grant agreements of the FP7 Programme adapted to the requirements of the Ideas Programme
	
	- Training is given to all staff involved in financial transactions.
	
	- Detailed procedures for the Agency's financial and operational activities are documented on the Agency's intranet in accordance with the ICS 8 "Processes and Procedures".
	
	- Checklists have been developed in order to support the correct application of the rules and procedures and encourage ownership for better control.
	
	- All staff sign a declaration of the Code of Good Conduct. Any staff who are involved in the grant selection processes also sign a declaration of no conflict of interest. Mandatory training on ethics and integrity is organised by the Agency.
	
	- Internal coordination of activities is reinforced by horizontal working groups.
	
	- In the context of grant management and control, various measures are in place such as:
	
	   ✓ Grant agreements include provisions (1) to recover ineligible payments by the Agency, (2) to apply sanctions and/or penalties and (3) the obligation by the beneficiaries to provide certificates on financial statements if certain thresholds are reached.
	   ✓ Interim and final payments are only made after thorough analysis of available periodic financial management reports (including the cost statement) submitted by the beneficiaries.
	   ✓ Grant agreements foresee the possibility to conduct on-the-spot controls by the Agency's ex-post control function either by Agency staff or by outsourced audits as well as, by the European Court of Auditors and by OLAF.
	
	- Special attention is paid to the efficiency of controls.
	
	- Training on Grant Management provided to Host Institutions.

Detective and corrective controls: Verification of pre-financing, interim payments and key milestones	**Controls before and during the implementation period of the project** - Financial procedures are continuously revised and validated in order to ensure coherency with the legal framework. All procedures are available on the intranet. - Separation of the contract implementation (inc. financial management) from the scientific follow up. - Ex-post controls, based on cost statements, start well before the projects have reached the mid-point. - Regarding operational risks, controls are essentially based on declaration from the beneficiaries via the periodic financial management reports. The project review scheduled at the mid-point of the project's duration and the final review, utilising the Agency's external reviewers/panellists to provide the necessary expertise to assess frontier research are the corner stone in this approach. Their outcomes are fed into the management process. - The commitment and payment credits related to the management of the "Ideas" Programme are operated in conformity with the Financial Regulation applicable to the general budget of the European Union.
Corrective controls and audit	- Legal and financial control provisions provided for in the grant agreements include certificates on financial statements, management reports, liquidated damages, penalty and ex-post controls. - At any time during the project's implementation period and following 5 years of the final payment, the Commission, the European Court of Auditors or the Agency may carry out on-the-spot controls. - The Agency implements the FP7 ex-post audit strategy. Close cooperation with ex-post control units of other FP7 implementing DGs and agencies provides an opportunity to access to FP6 audit results, which can provide valuable insight in planning future controls. - Where systematic error has been detected an assurance needs to be provided by beneficiaries concerned that these errors have been adequately addressed. - Ex-post controls of the implemented grants are performed either by own resources or by using external audit experts under the DG RTD framework contract. - Ex-post audits are carried out as follows: A) <u>On the basis of a risk analysis</u> (based on a systematic coverage of "top beneficiaries" i.e. those, which account for 50% of total funding disbursed under the programmes managed by the Agency). Selection criteria can be among other things the type of organisation, significant deviation of actual from budgeted financial statements, results of the financial viability check, results of previous audits etc. Furthermore, in order to maximise the usage of resources audits are carried out on operations where the likelihood of errors is considered higher. The systematic errors detected on the audited contracts of a given beneficiary can be extrapolated to non-audited contracts, if certain conditions are met. This will ensure that a substantial share of funding is largely free from systematic errors. However, the error rate resulting from this group cannot be extrapolated to the whole population of beneficiaries. B) <u>Representative sampling to estimate error rates in the total population.</u> - All audit results are implemented by the authorising officers. Errors detected are corrected by issuing recovery orders or deducting amounts wrongly paid from future payments to the same beneficiary.

3. Supervision and monitoring of the internal control systems and audit follow up

- Ex-ante control is carried out in all financial transactions at the level of the verifying officer both on the operational and financial aspect. An additional ex-ante quality control has been added in all payment transactions in order to enforce the error detection and the overall effectiveness of the internal control.

- Monthly financial reports on the operational budget and scoreboards are prepared and presented to the management, as well as published on the Agency's intranet.

- Procedures are in place in order to report exception and to record and correct internal weaknesses.

- Reports for the regular supervision (summarising errors and deficiencies found in the scope of the exercise) will be followed up to improve both the design and the effectiveness of internal controls.

- Monthly management reports on operational KPI/scoreboards pertaining to budget implementation.

-Discussion on the risk mitigation measures and risk management in line with ICS requirements (annual exercise). Six-monthly review of the implementation of the action plan developed during the annual risk management exercise.

- Feedback provided by the Agency's internal audit function, the Commission's Internal Audit Service and the European Court of Auditors. Audit recommendations are followed-up systematically.

- The Agency's work programme is compiled and monitored. It shows the specific objectives and tasks necessary to achieve the general objectives set forth in the Act of Delegation; a set of SMART indicators facilitates the monitoring process.

- Quarterly management reports compiled in compliance with the Act of Delegation and sent to the parent DGs and the Steering Committee showing the progress made through operational and financial scoreboards.

- Report on the Agency's performance during the Steering Committee meetings quarterly.

- Annual Activity Report compiled showing progress made during the year.

ANNEX 6 - ICS level of implementation

Internal Control Standard	Advanced	On-going	Not applicable	Comments from the internal control standards action plan of 26th November 2009
1. Mission	✓			Mission statement of the ERC Executive Agency and each Unit of the Agency are available on intranet. They also form part of the newcomer's package.
2. Ethical and Organisational Values	✓			Mandatory training on ethics and integrity for all staff started in November 2009. Procedures for whistle-blowing and irregularity reporting will be developed in early 2010 along the line of the existing Commission rules. Disciplinary Committee is to set up in early 2010.
3. Staff allocation and Mobility		✓		Publication of all vacant posts on intranet as of December 2009. Mobility policy of the ERCEA to be developed in 2010.
4. Staff Evaluation and Development	✓			First CDR exercise will be launched in 2010 for all staff.
5. Objectives and Performance Indicators	✓			Reporting procedures have been set in place: The WP 2009 was adopted by the Commission and the ERC Executive Agency Steering Committee in November 2009. The WP for 2010 was prepared in the last reporting period of 2009 and sent to the parent DG in order for the inter-service consultation to be launched.
6. Risk Management Process		✓		Risk identification exercise carried out in late 2009. Risk management action plan to be prepared in early 2010.
7. Operational Structure		✓		The preparation of the "Schema Directeur" and the systems and the IT strategy will be completed in the 1st quarter of 2010.

Internal Control Standard	Advanced	On-going	Not applicable	Comments from the internal control standards action plan of 26th November 2009
8. Processes and Procedures		✓		Inventory of all internal procedures finalised in December 2009. It is to be followed by development of a Manual of Procedures in early 2010.
9. Management Supervision		✓		A pilot supervision exercise will take place in early 2010 covering targeted activities of the ERC EA after autonomy and until the end of December 2009.
10. Business Continuity		✓		Document management system has been established and running since November 2009. Internal handover arrangements are in place. Data Protection Officer nominated. A business continuity plan will be completed in the 1st quarter of 2010.
11. Document Management	✓			Document management (E-Domec) and related procedures are in place (inc. procedures to comply with data protection requirements).
12. Information and Communication	✓			Internal communication tool intranet has been in place since early June 2009. Both internal and external communication strategy have been adopted in accordance with the Commission's internal Communication and Staff Engagement Strategies to ensure that the staff and management are informed about any key issues, decisions and initiatives. IT Security Plan based on the security requirements is in place.
13. Accounting and Financial Reporting	✓			A system exists to monitor operational and administrative budgets as well as to allow timely and accurate preparation of the annual accounts. A Manual of financial management circuit will be prepared in early 2010. A system of quality checks of the accounting system will be developed in early 2010 to verify whether the accounting data is correct and established rules are followed in practise.
14. Evaluation of Activities			✓	ICS Not applicable for the Agency
15. Assessment of Internal Control Systems	✓			Internal Control Standards Coordinators group has been established and meets regularly. First review of the level of compliance of the internal control standards to took place at the end of 2009, in the framework of the first AAR exercise. All staff is encouraged to report on weaknesses in the internal control system.
16. Internal Audit Capability	✓			Audit plan 2009-2010 sent to DG RTD and the IAS in September 2009. First internal capability audit started in autumn 2009.

ANNEX 7 - ICS action plan

ERC EA INTERNAL CONTROL STANDARD (ICS) ACTION PLAN FOR EFFICIENT MANAGEMENT

ICS 1 – Mission and Values
The ERCEA's *raison d'être is* clearly defined in up-to-date and concise mission statements developed from the perspective of the Agency's customers
Baseline requirements :
- The Agency, Departments and Units have up-to-date mission statements which are linked across all hierarchical levels.
- These mission statements have been explained to staff and are readily accessible

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
1. Develop mission statements for departments and units, in line with the overall mission of ERCEA. Communicate them to the staff (induction day, newcomers' package, intranet)	All Departments and units, co-ordinated by Dir assistant	Completed Continuous process already in place	High Medium	Mission Statement available on intranet. Head of Department D is also working on an overall "ERCEA Mission" framework document. New comers package is given during the induction day with overall information The following documents are available: a) Mission Statement b) "ERCEA Mission" framework document c) Induction day slides

ICS 2 – Ethical and organisational values

Management and staff are aware of and share appropriate ethical and organisational values and uphold these through their own behaviour and decision-making.

Baseline requirements :
- The Agency has procedures in place - including updates and yearly reminders - to ensure that all staff are aware of relevant ethical and organisational values, in particular ethical conduct, avoidance of conflicts of interest, fraud prevention and reporting of irregularities

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
2. Inform new and existing staff about relevant rules concerning ethics and conflicts of interest (e.g. Induction day, training sessions, intranet)	Unit D2	Continuous process already in place Completed Completed	High Medium	New comers are given overall information about ethical and organisational values stressing the relevance of independence, impartiality, objectivity, loyalty, confidentiality, circumspection, sense of responsibility and good behaviour. For HR staff a specific session on personal data protection and confidentiality in the recruitment processes took place. On the current intranet, reference is made to the Commission Intracomm documentation and guidelines are given. A series of thematic training sessions has been launched on 28 October2009 The following documents are available: a) Induction day slides b) Slides and guidelines on personal data protection and confidentiality in the recruitment processes
3. Developing an ERC EA specific procedure on whistle blowing and reporting of irregularities Inform staff of these procedures	Assistants/ D3/D2	*On-going*	Medium	Unit D3 will develop a detailed procedure in coordination with Director office in the first half of 2010. On the current intranet reference is made to the Commission Intracomm documentation.
4. Define procedures for handling conflicts of interests in the agency	Each Department B: Evaluations C : Granting process D: Procurement, Recruitment and HR	*On-going*	Medium	Conflicts of interests in the HR procedures are handled in two phases: 1) during the selection process, a declaration of absence of conflict of interest is signed by each member of the selection panel (see guidelines for the assessment of applicants for contractual agents positions with ERCEA) 2) at the entry into service, a declaration of absence of conflict of interest is signed by each agent of the Agency (see manual of recruitment for internal use) Concerning Scientific management, special cases on going to be identified after 3 ended calls. Concerning Grant Preparation and Grant Implementation, staff are attending/have attended the compulsory training course "Ethics & Integrity". In the event of conflict of interest with a beneficiary/PI, such cases are signalled to the HoU.

				If more formal procedures are needed, need to ascertain at which level these will be defined.
5. Nominate OLAF correspondents for internal and external investigations.	Director	15 June 2009 - *Completed*	High	Ms Marja Hennessy (Internal investigations) and Mr. Jochen Brodersen (External investigations).
5bis. Set-up a disciplinary committee for the ERC EA by selecting from the inter-EA list of available candidates	D2 and Director	1st half of 2010	Medium	Disciplinary committee for the ERCEA set-up by decision of the Director and including members appointed by the Local Staff Committee A common subject for executive agencies. During an inter-executive agencies meeting which took place on 2/07/2009, REA proposed to take the lead for this issue. To be noted: the IR related to the setting up of a Staff Committee for the ERC EA is to be adopted before the end of the year (ISC closed on 6/11/2009 and adoption by the end of the year).

ICS 3 - Staff Allocation and Mobility
The allocation and recruitment of staff is based on the ERCEA's objectives and priorities. Management promote and plan staff mobility so as to strike the right balance between continuity and renewal.

Baseline requirements :
- Whenever necessary - at least once a year - management aligns the organisational structures and staff allocations with priorities and workload.
- Staff job descriptions are consistent with relevant mission statements.
- The agency has a policy to promote, implement and monitor mobility (e.g. publication of vacant posts, list of specialist posts) in order to ensure that the right person is in the right job at the right time and, where feasible, to create career opportunities.
- Necessary support is defined and delivered to new staff to facilitate their integration in the team.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
6. Prepare generic job descriptions for different types of jobs in the ERC EA	D2	*Completed*	High	The following documents are available: a) Job description (JD) templates b) Job description guidance note c) Guidance note for appraisal against objectives and relevant objectives templates (including probationary period) (Compatibility with SYSPER ensured)
7. Job descriptions are made available to all staff members within two months of their recruitment. Consistency with the mission statements is ensured.	D2	*Continuous process.* Deadlines according to the date of arrival in the agency. For staff already in place completion by end of June 2009	High	Managers have been informed and provided with documents (see above) Drafting of individual JDs is currently carried out. Job Descriptions are also drafted in Sysper2 (all JDs are available in Sysper 2). The process is in "routine" mode: the week of the arrival of new staff a JD is drafted and submitted to the line manager.
8. Setting up a support for newcomers (mentoring scheme, newcomer's day, newcomers' package)	D2	*Completed*	Medium	Newcomer's day already organised Newcomers' package available
9. Publication of vacant posts in the intranet.	D2	*Completed*	Medium	Publication is currently made also in RTD intranet For the profiles of Auditor, Secretary and Project Adviser, there were no publications. Candidates have been selected for interviews directly from the CAST databases.
10. Definition of a mobility policy within the agency	D2	*On-going*	Medium	There has been an internal draft discussion paper on the sensitiveness of posts (taking on board the RTD framework). A more global paper on mobility (including mobility linked to sensitive posts) is under preparation.
10bis. Establish workload indicators to justify/adjust allocation of staff per unit	All units	2010	Medium	Analysis of workload indicators will be made available to senior management.

ICS 4 - Staff Evaluation and Development
Staff performance is evaluated against individual annual objectives, which fit with the ERC EA's overall objectives. Adequate measures are taken to develop the skills necessary to achieve the objectives.

Baseline requirements :
- In the context of the CDR process (or informally where the CDR process is not applicable), discussions are held individually with all staff to establish their annual objectives, which fit with the Agency's, Department's and Unit's objectives.
- Staff performance is evaluated according to standards set by the Commission[34].
- A yearly strategic training framework is developed at agency level based on needs deriving from the policy of the agency together with recommendations and instructions received from the central services. A global average of working days, set in the Commission's annual strategic Learning and Development framework, is devoted to learning and development activities.
- A Training Map is completed annually by each official and by each other agent to whom Art. 24a of the Staff Regulations applies by analogy, discussed with and approved by the line manager. The Training Passport, recording all training activities undertaken by the staff member, is kept up to date.
- Management ensures that every staff member attends at least the training courses of a compulsory nature as defined in the strategic frameworks (of the Commission and of the agency).

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
11. Set up a process to define objectives for each job holder within 2 months from entry of the service	D2	15 July 2009 *Completed*	High	In the start-up phase, managers have been informed and provided with documents. The following documents are available: a) Job description (JD) templates b) Job description guidance note c) Guidance note for appraisal against objectives and relevant objectives templates (including probationary period) Definition of individual job holder's objectives in parallel with the JDs drafting. MR: Correct Information. A circuit of validation of JD by each agent is to be finalised
12. Initiate the probation period reports for staff members who are concerned	D2	End of June 2009 *Completed*	High	Commission template to be used (a Word version) in combination with ERCEA objectives template. ERCEA procedure defined by analogy with Commission model. Procedure in place (both probationary period and management period). See note I-14435 du 25/06/2009 et I 15745 du 6/07/2009.
13. Launch CDR for staff concerned	D2	First exercise 2010	High	CDR templates according to the Commission model will be used. The following documents are available:

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[34] Evaluation against annual objectives; opportunity to discuss performance with reporting officer at least annually and when necessary; staff performance issues discussed and addressed without delay and appropriate rectifying action defined and pursued.

				Guidance note for appraisal against objectives and relevant objectives templates *(For the manager seconded on 1 October 2008 coordination with RTD R.1)*
14. Develop a strategic training framework for the Agency. Approval by the Director and communicate to the staff.	D2	*Completed*	High	ERCEA Learning and Development Framework
15. Nominate a COFO for the agency	D2	*Completed*	High	Ms Hilde Ponnette and Ms Beatrice Cordier are working as COFO and Deputy COFO.
16. Setting up training maps for all the staff members	D2 to co-ordinate	*Continuous process*	High	The training map exercise is not launched in 2009 (not compulsory exercise for Agencies). First training map exercise will be launched in early 2010 as all HoU will then be in place.
17. Set up a reporting mechanism to control that compulsory training courses are included in the training map and attended to	D2 to co-ordinate	*Continuous process*	Medium	In this start-up phase, reminders already sent to interested staff by e-mail. Systematic E-mails are sent : 1) to newcomers concerning mandatory trainings such as E-domec, Adonis (since start-up phase). 2) to newly appointed Heads of unit according to the mandatory training to be attended (after a check of the training passport of each Manager) (since October 09). *N.B. Induction Training: 100% staff trained (invited before the recruitment date)* Tables of reporting (XL) are under construction to up-date the participation of HoU to compulsory management trainings. The same is under construction for ICS training for management. A report on E-domec staff participation was done in early September and was handed to the DMC sector. *N.B. The information gathered comes from Syslog.* ABAC accesses are granted only after the Training sector checks the participation of the applicant to the relevant trainings. If some training is missing, an e-mail message is sent by the training team to inform the applicant to enrol to relevant and mandatory trainings.

ICS 5 – Objectives and performance indicators
The Agency's objectives are clearly defined and updated when necessary. These are formulated in a way that makes it possible to monitor their achievement. Key performance indicators are established to help management evaluate and report on progress made in relation to their objectives.

Baseline requirements :
- The Agency's Annual Management Plan (AMP) is developed in accordance with applicable guidance and on the basis of a dialogue between top managers, middle managers and staff in order to ensure it is understood and owned.
- The AMP clearly sets out how the planned activities at each management level will contribute to the achievement of objectives set, taking into account the allocated resources and the risk identified.
- To the extent possible, the AMP objectives are established in line with the SMART criteria, i.e. they are Specific, Measurable or verifiable, discussed and Accepted, Realistic and Timed.
- Whenever necessary, the objectives are updated to take account of significant changes in activities and priorities.
- Where appropriate, the agency establishes road-maps of ongoing multi-annual activities, setting out critical milestones for the actions that need to be taken before the budget appropriations can be implemented for the whole period of the activity.
- In the AMP, there is at least one performance indicator per objective, both at policy area and at operational activity level, to monitor and report on achievements. To the extent possible, the performance indicators are established according to the RACER criteria, i.e. they are Relevant, discussed and Accepted, Credible, Easy and Robust.
- Reporting structures are in place to alert management when indicators show that the achievement of the objectives is at risk.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
18. Establish the 2009 Annual Work Plan, including key performance indicators	Assistant of the Director	ISC launched before Autonomy	High	Inter-service consultation has been formally closed. The Steering Committee has approved it on 19th October "under reserve" of the Commission approval. The Commission approved it on 13 November 2009: http://intranet.erc.cec.eu.int/procedures/ics/ics-5/ics-5.-objectives-and-performance-indicators
19. Establish a management scoreboard to support the quarterly reporting to the parent DG (see Delegation Act and MoU)	Assistant of the Director	At the latest 15 July 2009 *Completed*	Medium	- Reporting template - 1st reporting period: 15 July – 30 September 2009
20. Approval of the MoU by parent DG	Dir office/ RTD S1	In the hand of parent DG	High	MoU signed on 15th July 2009 by JMSR to JM.

ICS 6 – Risk Management process
A risk management process that is in line with applicable provisions and guidelines is integrated into the annual activity planning.

Baseline requirements :
- A risk management exercise at Agency level is conducted at least once a year as part of the AMP process and whenever management considers it necessary (typically in the event of major modifications to the activities occurring during the year). Risk management is performed in line with applicable provisions and guidelines.
- Risk management action plans are realistic and take into account cost/benefit aspects in order to avoid disproportionate control measures. Processes are in place to ensure that actions are implemented according to plan and continue to be relevant.
- Risks considered "critical" from an overall agency perspective (see SEC(2005)1327, §2.4) are indicated in the Agency's Annual Management Plan and followed-up in the Annual Activity Report.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
21. AMP related risk assessment	D3	*Completed*		Parent DG performed a risk assessment for AMP 2009
		Completed	High	A short risk assessment exercise launched on 1 April within ERCEA, in order to feed in the AMP 2009. Questionnaire and guidelines available (see also ICS 16). Risk Management Process for future exercises is defined in "ERCEA Mission" framework document.
		Completed	Medium	For WP 2010, a comprehensive risk assessment exercise was carried out and the main results were included in the WP 2010 draft.

ICS 7 – Operational structure

The Agency's operational structure supports effective decision-making by suitable delegation of powers. Risks associated with the Agency's sensitive functions are managed through mitigating controls and ultimately staff mobility. Adequate IT governance structures are in place.

Baseline requirements :
- Delegation of authority is clearly defined, assigned and communicated in writing, conforms to legislative requirements and is appropriate to the importance of decisions to be taken and risks involved.
- All delegated and sub-delegated authorising officers have received and acknowledged the Charters and specific delegation instruments.

As regards financial transactions, delegation of powers (including both "passed for payment" and "certified correct") is defined, assigned and communicated in writing.
- The Agency's sensitive functions are clearly defined[35], recorded and kept up to date. For each sensitive function:
    - o A risk assessment is carried out and relevant mitigating controls are established;
    - o Once a jobholder has been exercising the same sensitive function(s) for five years, risk is re-assessed, following which management decides to move the jobholder, or to transfer the sensitive function(s) or to implement additional mitigating controls which reduce the residual risk to a level it considers acceptable;
    - o Once a jobholder has been exercising the same sensitive functions for seven years, mobility is as a general rule applied.
- The Agency records derogations granted to allow staff to remain in sensitive functions beyond five years along with documentation of the risk analysis and the mitigating controls. It reports on these in the Annual Activity Report based on corresponding instructions.

- The standard IT governance policy of the Commission is applied, and in particular:

    The Agency has defined the appropriate organisation for management of the information systems it owns, generally in the form of an IT Steering Committee.

    An annual 'schéma directeur' (IT masterplan), covering all information systems developments (regardless of budget source) for a period of three years, has been produced.

    Each information system owned by the DG possesses a clearly identified business owner and is overseen by a steering committee.

    All new information systems projects are approved on the basis of a vision document.

    All New information systems are developed using the standard Commission project management and development methods, and take security into account from the very first stage.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
22. Preparation of sub-delegations for the operational and operating spending and implemented in ABAC	Dept D (operating budget) Dept B (operational budget) Chief Accountant ABAC-LPM	15 July 2009 *Completed*	High	The updated procedure on financial delegation, sub-delegation and deputising is to be found under ICS 10. This note, published in the intranet under ICS 10 is also published under ICS 7: http://intranet.erc.cec.eu.int/procedures/ics/ics-10-business-continuity/ics-10-business-continuity
22bis. (as requested by RTD R.2): Implementation of	Dept D (operating	15 July 2009	High	The note on risk assessment and financial circuits and

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[35] Clear guidance on sensitive functions will be provided by the SG, DG ADMIN and DG BUDG before the end of 2007

financial circuits	budget) Dept B (operational budget) Chief Accountant ABAC-LPM	*Completed*		the note sent to Philippe Taverne on the implementation of the financial circuits (notes already published on the intranet under ICS7) are to be found under ICS7 in the intranet: http://intranet.erc.cec.eu.int/procedures/ics/ics-7-operational-structure
23. Ensure that charters are signed for sub-delegated and delegated authorising officers	Director's office and Chief Accountant	15 July 2009 *Completed*	High	Completed. Post autonomy contact: CAO and LPM. The updated procedure includes the signed documents for delegation and sub-delegation.
24. Establish a list of officials with *'certified correct'* rights, to be approved by Director	All departments, co-ordinated by the Director's office	15 July 2009 *Completed*	High	Completed. Please note it is now coordinated by D2 (operating budget), contact: Corinne Lautredoux. The note with the "certified correct rights" is currently on preparation for signature by the Director (Unit C2).
25. Establish an inventory of sensitive functions and inform the staff	D2	*On-going*	Medium	Discussion paper under internal review (to be linked with ICS n° 10 and the remarks inserted under this point. It will be finalised in the end of 2009).
26. Establish an inventory of IT systems used by the ERCEA	D1	*Being updated*	High	Unit D1 Summary table is available and is being updated and an "IT Strategy Paper" is being drafted (see also below actions 52 and 53). It will be reviewed and extended to new insight (BPM, Risk analysis, etc)
27. Establish a steering committee for each IT system developed by the agency	D1	*On-going*	High	This action is in progress and expected to be completed in the 1st quarter of 2010 in combination with the actions related to the IT strategy and "the Schema Directeu". Unit B1 has the intention to nominate at least one person in this committee.
28. Define a management organisation for the IT systems for which the ERCEA is a system owner	Dept D	*On-going*	High	This action is in progress and expected to be completed in the 1st quarter of 2010 in combination with the actions related to the IT strategy and "the Schema Directeur".
29. Preparation of a "Schema Directeur" for the agency	Dept D	*On-going*	High	This action is in progress and expected to be completed in the 1st quarter of 2010 in combination with the actions related to the IT strategy and "the Schema Directeur".

ICS 8 – Processes and Procedures
The Agency's processes and procedures used for the implementation and control of its activities are effective and efficient, adequately documented and compliant with applicable provisions. They include arrangements to ensure segregation of duties and to track and give prior approval to control overrides or deviations from policies and procedures

Baseline requirements :
- The ERCEA's main operational and financial processes and procedures and IT systems are adequately documented.
- The ERCEA's processes and procedures ensure appropriate segregation of duties (including for non-financial activities).
- The ERCEA's processes and procedures comply with applicable provisions, in particular the Financial Regulation (e.g. ex-ante and ex-post verifications) and the Commission's Rules of Procedure.
- A method is in place to ensure that all instances of overriding of controls or deviations from established processes and procedures are documented in exception reports, justified, duly approved before action is taken and logged centrally.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
30. Make the procedures for all Departments available in the intranet (manual of procedures), with access to relevant checklists The following processes should be included	Director's office/ A2 / D1 / D3	June 2009 *On-going*	High	Current operating procedures are documented in different thematic documents (available for Departments B, C and D). They are being integrated in the ERCEA Intranet: http://intranet.erc.cec.eu.int/procedures/ics/ics-8-process-and-procedures/ics-8-2013-processes-and-procedures A note regarding documentation and validation of procedures was sent on the 9th of November 2009 by the ICC: http://intranet.erc.cec.eu.int/procedures/ics/ics-8-process-and-procedures/docs/adonis-ref.i-50685.pdf
• Publication of calls	*Dept B*	June 2009 *Completed*	High	*Done* for StG 2010
• Proposal evaluation	Dept B	June 2009 *Completed*	High	*Done* for StG 2009; ongoing process for AdG 2009
• Experts handling	Dept B	June 2009 *Completed*	High	*Done* for StG 2009 and AdG 2009. Ongoing for 2010 grants
• Ethical committee, redress	Dept B	June 2009 *Completed*	High	*On going* for StG 2009 and AdG 2010
• Publication of calls	Dept B	June 2009 *Completed*	High	*Done* for StG 2010
• Granting process	Dept C	June 2009 *Completed*	High	The revised Guidance Notes for preparing the GA are currently in circulation for internal approval prior to being sent to RTD for publishing on CORDIS. All guidelines/step-by-steps for the various GA preparation procedures are on the intranet

				http://intranet.erc.cec.eu.int/procedures/ics/ics-8-process-and-procedures/grant-management-department/grant-management-department/grant-preparation-1/grant-preparation
				The step-by-step for global commitments is *currently being updated*.
• Payment process • Amendment process	Dept C	June 2009 *Completed*	High	The procedures together with their flowcharts and checklists are *currently revised* prior to their approval.
• Ex-post audit	Dept C	*Ongoing*	Medium	By November 2009, the Redress II and Recovery orders procedures have started and other procedures such as Audit on request, fraud prevention etc, are *ongoing*. The Research family Ex post controls strategy has been adopted; the C3 structure and processes are developed and will be further adjusted to meet ERCEA specific needs in audits and implementation. Preventive measures, ex post controls and the ensuing follow up will be performed by ERCEA own resources (7 staff members, 2 joining in December) and by external service providers, through a Framework Service Contract. ERC EA 2009 /10 ex post control plan is limited, due to: * prioritising towards preventive measures, * small auditable population.
• Human resources related processes (recruitment)	Dept D	June 2009	High	As far as D2 is concerned, one manual could be validated : manual of recruitment (for HR gestionnaires). The utility of putting this manual is arguable (contains standard letter of offer/ contract).
31. Exception handling (up-date the RTD procedure to suit ERCEA)	D3	June 2009 *Completed*	High	http://intranet.erc.cec.eu.int/procedures/ics/ics-8-process-and-procedures/grant-management-department/grant-management-department/grant-management-1/grant-management Dept. B. has launched a procedure for handling special cases of expert payment.

ICS 9 – Management Supervision
Management supervision is performed to ensure that the implementation of activities is running efficiently and effectively while complying with applicable provisions.

Baseline requirements :
- Management at all levels supervise the activities they are responsible for and keep track of main issues identified. Management supervision covers both legality and regularity aspects and operational performance (i.e. achievement of AMP objectives).
- The supervision of activities involving potentially critical risks is adequately documented[36].
- Management monitors the implementation of accepted ECA/IAS/IAC audit recommendations and related action plans.
- At least twice a year and at any time deemed appropriate, the Director-General informs the responsible Commissioner of any potentially significant issues related to internal control and audit and OLAF investigations as well as material budgetary and financial issues that might have an impact on his/her position in the College or on the sound management of appropriations or which could hamper the attainment of the objectives set.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
32. Set up a risk-based supervision strategy for the ERCEA. Focus for the strategy should be operational issues and administrative procedures. (e.g. meetings, notes, signatures, separate procedures)	Management, D3	30 June 2009 *Completed*	High	Management strategy established for autonomy and reviewed by RTD R.5. In implementing ICS 9 Management Supervision, a concentrated exercise will take place in January - February 2010 and will cover the activities of the ERC EA after autonomy and until the end of December 2009.
33. Set up a system for follow-up on implementation of audit recommendations	D3	30 June 2010	Low	The future strategy foresees that each unit/department will report to the Director via unit D3 on their KPIs/Risks on a regular basis (monthly, quarterly, etc. according to the nature and sensitiveness of the issue involved).

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[36] Depending on the nature of the work performed, the documentation of supervision can, for example, be constituted of minutes of meetings, notes explaining key decisions, signature of authorising officer in IT systems, or documents explaining the scope, methods, results and conclusions of the supervisory activities.

ICS 10 – Business Continuity

Baseline requirements :
- Adequate measures - including handover files and deputising arrangements for relevant operational activities and financial transactions - are in place to ensure the continuity of all service during "business-as-usual" interruptions (such as sick leave, staff mobility, migration to new IT systems, incidents, etc.).
- Business Continuity Plans cover the crisis response and recovery arrangements with respect to major disruptions (such as pandemic diseases, terrorist attacks, natural disasters, etc.). They identify the functions, services and infrastructure which need to be restored within certain time-limits and the resources necessary for this purpose (key staff, buildings, IT, documents and other). DG Plans take account of the BCPs of the horizontal services in respect of their responsibilities for corporate services, completed as appropriate by measures specific to the DG concerned.
- Procedures are established for exercising, updating and validating the BCP. Reviews are at least annual, through the existing risk management process.
- Electronic and hardcopy versions of the BCP are stored in secure and easily accessible locations, which are known to relevant staff.
- Contingency and backup plans for information systems are established, maintained, documented and tested as determined by operational, business continuity and security needs

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
34. Define internal handover arrangements for staff leaving their post (procedure, monitoring by the HR)	D2/D3	*On-going*	Medium	Policy to be set up : part of the mobility policy (see ICS 10) Department B: draft procedure has been started.
35. Define internal deputising arrangements within the agency (formal note from the Director)	Department D, Chief Accountant	*On-going*	High	The updated procedure includes the signed documents for delegation and sub-delegation (see points under 22 and 22bis ICS 7).
36. Appoint a Local Security Officer	Dept D / Director	*Completed*	High	Beatrice Magel is LSO and Tonino MURRU is Deputy LSO.
37. Prepare a BCP and communicate it to the staff, including a procedure for exercising, updating and validating the BCP	LSO / Dept D	*On-going*	High	An interim BCP strategy as per the RTD BCP is drafted and published. In the first half of 2010 a detailed BCP will be elaborated.
38. Establish and document contingency and backup plans for information systems (for ERCEA owned systems)	D1	31 December 2010	High	It will be included in the BCP This action is in progress.
39. Appoint a Data Protection Officer and Communicate the appointment to the EDPS	Dept D / Director	*Completed*	High	Ms Donatella Piatto is nominated as from 1 April 2009
40. Procedure and templates for hand-over from RTD to ERCEA to be established	All departments and Director	30 June 2009	High	*Completed*

ICS 11 – Document management

Appropriate processes and procedures are in place to ensure that the Agency's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with applicable legislation.

Baseline requirements :

Document management systems and related procedures comply with relevant compulsory security measures, provisions on document management and rules on protection of personal data.

In particular, every document that fulfils the conditions laid down in the implementing rules[37] needs to be registered, filed in at least one official file (each file being attached to a heading of the Filing Plan), and preserved by appropriate use of the Commission's registration and filing systems, mainly ADONIS and NOMCOM

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
41. Appoint a DMO (Document Management Officer)	D2	*Completed*	High	Ms Antonella Tarallo is nominated (waiting for the official note) Replacement of Job Sueters as from August 2009.
42. Prepare a filing plan for the ERCEA	D2	*Completed*	High	Filing plan version 8 June available in document ERCEA D(2009)542897. Current version with minor updates is on the intranet at: http://intranet.erc.cec.eu.int/procedures/ics/ics-11-document-management/doc/filing-plan.doc
43. Launch training on Adonis and document management (in particular sensitive documents)	D2/DMO	*Completed*	High	All newcomers have been invited to attend Adonis and E-Domec trainings. (DMO is monitoring with COFO who and when attends the courses).
44. Set up a network of Adonis correspondents and representatives of each Units to effect the handover of ADONIS files from RTD to ERCEA	D2 / DMO	*Completed*	High	The cut off date for Adonis agreed with DIGIT is 11 July 2009. Correspondents identified in the operational units are currently contributing to the ADONIS hand-over. Done. The official handover note is RTD.S.0 D(2009) 549840
45. Organise physical handover of the files from RTD to ERCEA	D2/DMO	July 2009 *Completed*	High	Physical transfer of files is carried out in a consistent and coherent manner with the electronic one. Done. Please refer to Alessandra di Tella for supporting documents for the paper files transfer.

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[37] Any document in whatever medium (paper, fax, e-mail, electronic) received or formally drawn up by a Commission department in the course of its activities:

- if it is likely to require action, follow-up or a reply from the Commission or one of more of its departments or involves the responsibility of the Commission or one or more of its departments;
- and if it contains important information which is not short-lived.

ICS 12 – Information and Communication
Internal communication enables management and staff to fulfil their responsibilities effectively and efficiently, including in the domain of internal control. Where appropriate, the ERCEA has an external communication strategy to ensure that its external communication is effective, coherent and in line with the Commission's key political messages. IT systems used and/or managed by the ERCEA (where the ERCEA is the system owner) are adequately protected against threats to their confidentiality and integrity.

Baseline requirements :
- Internal and external communications comply with relevant copyright provisions.
- ✓ Management scoreboards (or equivalent tools) are developed for the ERCEAs main activities and thereafter, if appropriate, at the level of Directorates and Units. These include concise management information necessary to oversee the entity's activities and evolution, for example: performance indicators, financial information, legality and regularity error rates, project deadlines, significant audit findings, HR indicators[38] and Equal Opportunity targets, or other relevant management information.
- Arrangements in line with the Commission's Internal Communication and Staff Engagement Strategy are in place to ensure that management and staff are appropriately informed of decisions, projects or initiatives – including those in other DGs – that concern their work assignments and environment.
- All personnel are encouraged to communicate potential internal control weaknesses, if judged significant or systemic, to the appropriate management level. Contact person(s) is/are assigned to facilitate and coordinate such reporting.
- Where appropriate, the ERCEA has a documented strategy for external communication (outside the Commission), including clearly defined target audiences, messages and action plans. The communication strategy is devised from the beginning of policy formulation and is discussed with the Cabinet responsible. Coordination is sought with other DGs and DG COMM concerning communication priorities.
- The standard Information Systems Security Policy of the Commission is applied. In particular, the ERCEA has adopted and implements an IT Security Plan based on an inventory of the security requirements and a risk analysis of the IT systems under their responsibility, and applies at least the relevant control measures of the corporate IS Security Policy.
- The IT systems support adequate data management, including database administration and data quality assurance. Data management systems and related procedures comply with relevant Information Systems Policy, compulsory security measures and rules on protection of personal data.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
46. Establish an internal communications strategy for ERCEA	A2	June 2009 *On-going*	High	Draft was sent for consultation to DG RTD in early July. The meeting took place before autonomy. There has been no RTD reaction so far. The strategy is under implementation. Current versions are marked "under review" and are kept on intranet page http://intranet.erc.cec.eu.int/procedures/ics/ics-12
47. Establish an external communications strategy for the ERCEA	A2	*On-going*	Medium	As for external strategy, it is *under implementation*. Increased emphasis will be put on Third Countries Outreach. Current versions are marked "under review" and are kept on intranet page: http://intranet.erc.cec.eu.int/procedures/ics/ics-12
48. Prepare a management scoreboard, including	D3	At the latest	Medium	This exercise is linked to the AWP approval procedure as

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[38] Possible HR indicators: staff turnover, workforce evolution, number of training days per person, forecasting of departures

		10 July 2009		the AWP defines the Agency's key performance indicators. The first Quarterly Report was sent to RTD in October 2009 reporting on progress made on KPIs.
performance indicators in the Work Programme and indicators to be used for reporting to the parent DG (see MoU).				
49. Nominate the internal control co-ordinator. Inform the staff about his role in the ERCEA.	D3 / Director	*Completed*	High	Mr Yves Paternoster, Head of Department D, is nominated.
50. Prepare a procedure for reporting internal control weaknesses (following current RTD guidelines).	D3 / approval by director	15 July 2009	High	*Done.* Note published on the intranet. http://intranet.erc.cec.eu.int/procedures/ics/ics-12
51. Appoint a LISO	Director/D1	*Completed*	High	Mr Yves Paternoster was nominated LISO as from 1 April 2009. As of 1 September 2009, Mr. Gian Franco Casula is nominated deputy LISO.
52. Develop an IT security plan for the ERCEA	LISO / D1	*On-going*	High	*In progress* and expected to be finalised in the first half of 2010. It has been postponed in order to allow consolidation with the IT strategy and Schema Directeur. Basic elements are given in the "IT Strategy Paper" (see also the above action 26).
53. Define responsibilities / policies for database administration and data quality assurance	LISO / D1	*On-going*	High	Please see point 52, since this action depends on the IT security plan. Basic elements are given in the "IT Strategy Paper" (see also the above action 26).

ICS 13 – Accounting and Financial Reporting

Adequate procedures and controls are in place to ensure that accounting data and related information used for preparing the organisation's annual accounts and financial reports are accurate, complete and timely.

Baseline requirements :
- Each Authorising Officer has responsibility for ensuring the reliability and completeness of the accounting information under his/her control necessary to the Accounting Officer for the production of accounts which give a true image of the Communities' assets and of budgetary implementation.
- The Accounting Correspondent (AC) is the coordinator and acts as helpdesk within the agency with a view to ensuring the quality of the agency's accounting data and information supplied to the Commission central accounting system.
- The DG's accounting procedures and controls are adequately documented.
- Financial and management information produced by the DG, including financial information provided in the Annual Activity Report, is in conformity with applicable accounting rules and the Accountant's instructions.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
54. Set up a system for monitoring operational budget (based on performance indicators)	Dept C	*Continuous process*	Medium	A system exists, to be adapted in the future to ERCEA: "Workflow Manager" application. The following documents are available: (1) FP7_DATA_Worksheet_AdG.xls (retrieving daily data from ABAC and Workflow Manager)

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
				(2) NEF Support guidance_061108.doc (3) GrantAgreement_productionprocedure.doc (4) Individual Commitment Procedure.doc (5) Use of ABAC Data Warehouse and Business Objects to produce regular financial reports (unit C2).
55. Set up a monthly system on implementation and monitoring of operating system (based on performance indicators)	Chief Accountant	*On-going (1st quarter 2010)*	Medium	Explanatory note regarding the accounting procedures has been published on the intranet. http://intranet.erc.cec.eu.int/services/accounting For the for the administrative budget of the ERCEA in order to follow up the budget and its execution, reports will be developed in DWH (data warehouse in Business Object) and a system developed by DG COMM, called PECUNIA.
56. Establish documentation of accounting procedures	Chief Accountant	*On-going (1st quarter 2010)*	Medium	Explanatory note regarding the accounting procedures has been published on the intranet. http://intranet.erc.cec.eu.int/services/accounting
56bis. Provide inputs to parent DG for the establishment of standard reporting in order to support the hand-over from parent DG to ERCEA upon its autonomy.	All units	15 July 2009 *Completed*	High	Directorate S and relevant ERCEA services are cooperating for ensuring a smooth hand over. Completed

ICS 14 – Evaluation of activities

Evaluations of expenditure programmes, legislation and other non-spending activities are performed to assess the result, impacts and needs that these activities can achieve and satisfy.

Baseline requirements :
- Evaluations are performed in accordance with the guiding principles of the Commission's evaluation standards. Corresponding evaluation baseline requirements are applied for retrospective evaluations (interim, final and ex-post) while prospective evaluations (ex-ante and impact assessments) follow the relevant specific guidelines

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
57. Not applicable to executive agencies				

ICS 15 – Assessment of Internal Control Systems

- Management assess the effectiveness of the ERCEA's key internal control systems, including the processes carried out by implementing bodies, at least once a year.

Baseline requirements :

- Management assess the effectiveness of the ERCEA's key internal control systems, including the processes carried out by implementing bodies, at least once a year.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
58. Assessment of effectiveness not applicable before autonomy.	*Department D*	*2010*	*Low*	
58bis. Action plan on ERCEA ICS to be elaborated and delivered by the Department D to the Director	Department D	*Completed*	High	ICS Action Plan - ERCEA
58tris. Internal Control System's effectiveness to be continuously monitored and comprehensively reviewed at least annually (based on Annual Review, Quality Assessment reports based on the ones of parent DG)	Department D	*On-going*	Medium	There will be a report on the status of internal controls in the Agency in the context of the AAR process by the end of the January 2010.

ICS16 – Internal Audit Capability

- The Agency has an Internal Audit Capability (IAC), which provides independent, objective assurance and consulting services designed to add value and improve the operations of the agency.

Baseline requirements :

- The role and responsibilities of the Agency's Internal Audit Capability (IAC) are formally defined in an audit charter.
- The annual audit work plan is risk-based and forms part of a multi-annual strategic plan coordinated with the IAS and is approved by the Director General.
- The Director of the agency ensures that the IAC is independent of the activities they audit.
- The Director of the agency ensures that the IAC has sufficient and adequate resources to perform the audit work plan.

Action to be taken	Lead service	Deadline	Priority	Status and/or Deliverables
59. Adopt formally the IAC Charter (based on the model charter).	IAC / Director	*Completed*	High	IAC charter signed and enclosed in a note for transmission to IAS, BUDG and SG (RTD/JMSR D/542771).
60. Prepare the annual audit plan in co-operation with the parent DG and the IAS	IAC	June 2009 *Completed*	High	Audit plan 2009-2010 sent to DG RTD and the IAS on 4/9/09 D/600460. Update in preparation, to be completed by end of 2009.
61. Ensure staffing of the IAC	IAC/D2	*Completed*	Medium	Two auditors (starting date 01/06 and 01/09) and one assistant auditor recruited (starting date 01/11/09). One vacant post of an auditor (CA FG IV) to be filled by end of 2009. Ms Marja Hennessy nominated Chief Auditor as of 01/11/09.

ANNEX 8 - Organisation chart of the ERC Executive Agency

ERCEA structure 31/12/09

DIR
Director's Office

J. METTHEY
(*Director Ad Interim*)

CAO
Chief Accountant

S. WALA

IAO
Internal Audit Capability

M. HENNESSY

A1
Support to the Scientific Council

P. AMOR
(acting HoU)

A2
Communications

M. GAUDINA

Scientific Management Department

G. NAGY *(Acting HoD)*

Grant Management Department

P. AMOR

Support Services Department

Y. PATERNOSTER

B1
Process Management and Review

B. TUBBING

B2
Starting Grant

A. MARTIN-HOBDEY

B3
Advanced Grant

G. NAGY

C1
Grant Preparation

T. PROST

C2
Payment and Controls

M. MAY

C3
Audit Management and Implementation

J. BRODERSEN

D1
IT Tools Development and Management

M. VANBIERVLIET

D2
Human Resources, Budget and Infrastructure

C. LENARDUZZI

D3
Programming, Monitoring, Legal matters and Risk Management

M. OLIVAN AVILES

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