

2013 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER MOEDAS

Hearing on 8 January 2015

Error rate

1. The Court estimates the most likely error rate at 4,6% (3% for the research family). For the financial year of 2013 the Court of Auditors found that 76 (51%) out of 150 tested transactions were affected by errors. The main sources of error remain in the inclusion of ineligible costs in research FPs project cost statements and the use of incorrect methodologies by FP beneficiaries for calculation of personnel and indirect costs. In addition, this year, failures by beneficiaries to comply with public procurement rules, not previously an important source of error in this policy group, contributed significantly to the error rate.

Could the Commission give an overview and explanation of the control measures taken in 2013 to diminish the errors in the inclusion of ineligible costs in research?

How can the Commission ensure that this problem is tackled and that beneficiaries are supported and provided with more information about the process so that mistakes with ineligible costs are reduced?

How can the Commission help the beneficiaries to comply with public procurement rules?

Which measures has the Commission taken to bring down the error rate?

Commission's answer :

In the research field, the legal framework for FP7 can no longer be simplified. In 2013 the Commission has continued with its normal control work. This included around 500 ex posts audits and the associated recovery and corrective action, and risk-based ex-ante checks on all transactions. In addition it continued with its communication campaign based on a document listing the 10 most common causes of error, which was distributed to all participants in 2012 and which is also publicly available on the Participant Portal. In total around 3100 participants and their auditors attended the 24 events organised on 2012 and 2013. Communication continued in 2014, linked to the provision of guidance for Horizon 2020. The Research Participant Portal now groups all guidance, for FP7 and Horizon 2020, in one place and makes it more accessible. Finally, at the end of 2014, the document on the 10 most common errors was again distributed to all 23000 participants.

In the field of education, it is mainly the National Agencies (NA) as beneficiaries of EU funds that undertake procurement. The Commission is raising awareness about the importance of complying with the public procurement rules among the NAs and National Authorities (NAU), mainly by discussing audit findings and recurring errors

in meetings with them, as well as during supervisory, monitoring and financial audit visits to individual NAs and NAUs. The Commission has, moreover, reinforced the written guidance to NAs on the consequences of errors that occur due to weaknesses in procurement procedures, as well as to NAs, NAUs and auditors as to the importance and requirements related to checks on procurement.

In research it is very rare that the public procurement rules set at EU level are relevant (lower amounts at stake than the European thresholds). As concerns the specific error set out in paragraph 8.15 of the Court's report, this did not arise from EU procurement rules, but from a failure to respect additional, more restrictive rules, introduced at Member State level.

In the research field reductions in the error rate, especially the residual error rate (after corrections, recoveries or offsetting), can only partly come about by management action and additional guidance. The main effort has to be in the simplification of the rules, and in providing simple, effective guidance to participants. This has been done over the last few years in FP7, and particularly for Horizon 2020 (see also the answer to question 22). It is a similar situation for educations where the Commission has continued to further streamline and harmonise procedures and processes under the new programmes for example by further simplification of rules, in particular through extensive use of lump sum grants and more targeted reporting requirements.

2. The reimbursement of ineligible costs is likely to hinder the successful implementation of policy objectives. Often the high amounts of ineligible costs not being used for the purposes of the co-financed project can limit the EU added value and demonstrate a lack of adequate monitoring by the Member State responsible authority.

How the Commission intend to improve its weakness to monitoring the effective EU added value of the co-financed project?

Commission's answer :

The finding of the Court relating to the monitoring of the implementation of actions is based on a project implemented under the shared management mode and is therefore mainly addressed to Member States.

The legal basis of the External Borders Fund provides for a general obligation for the Member States to monitor the implementation of projects co-financed by EU Fund. The Commission is checking that Member states properly monitor the implementation of projects in particular at the closure stage when Member States report to the Commission on the implementation of annual programmes.

When the Commission identifies weaknesses in the control systems put in place by Member States that have created a risk of ineligible expenditure being funded by the Union budget, it applies financial corrections.

This is what is currently happening for the project audited by the Court and the financial correction procedure has been launched by the Commission.

Under the Internal Security Fund (2014-2020) that has replaced inter alia the External Borders Fund as from 1 January 2014, Member States will have an obligation to carry out a minimum number of financial and operational on-the-spot controls to check, inter alia, the implementation of projects. In addition, reporting on achievements under each project will be managed through an IT system also used for European Structural and Investment Funds (SFC2014). Member States will also have to report on compulsory indicators that have been inserted in the legal basis of the Fund

In addition to the monitoring carried out by Member States, the Commission is also directly monitoring the implementation of annual programmes by Member States. This activity is carried out through monitoring visits which focus on checking operational results achieved by Member states with the External Borders Fund in the context of the closure of annual programmes 2011, 2012 and 2013. The Commission has reinforced and will continue this activity for the External Borders Fund until 2016 and will start in the monitoring of the implementation of the Internal security Fund in 2015. Moreover, the new system for managing the Internal security Fund with an annual clearance of accounts procedure will also allow the Commission identifying projects that it should audit/monitor as a priority.

All these modifications should contribute to a better and more efficient monitoring of the EU added value of co-financed projects.

3. Where errors are detected by a Commission audit, funds paid in reimbursement of ineligible costs must be recovered from the beneficiary, either through a recovery order or by offsetting against a future payment. The Court found that the time taken to make recoveries varies considerably both between directorates-general and between directorates within directorates- general.

Did the Commission provide a recovery plan with a precise timing?

Commission's answer :

Recoveries for ongoing projects are generally made through offsetting against future payments, and these payments may be up to two years apart. Recoveries on closed projects are made by recovery order, and the speed of recovery will depend on the attitude of the beneficiary, and in particular whether it is solvent or not. The Commission services also need to carry out contradictory procedures before recoveries can be made. There will therefore always be a time-lag before the amounts are effectively recovered, which will depend on the different scenarios that may apply for each case.

Since the Court's observation the Commission services have taken steps to improve the recovery process and its timing, through enhanced monitoring, centralisation (and so harmonisation) of many steps and improved budget planning. Full details on

progress in making recoveries are set out in the Annual Activity Reports (see pages 68 and 80 of the 2013 AAR of DG RTD for example).

4. The Court found a significant level of errors in costs claims (exceeding EUR 375 000) certified by independent auditors. This seems to indicate that independent auditors are still unfamiliar with the task that is expected from them. How will the Commission remedy this situation?

Commission's answer :

The Court notes in paragraph 8.20 that “certification of cost statements helps to reduce the level of error for the FPs as a whole”. This is confirmed by a DG RTD study that showed that certification reduced the level of error by 50%.

To increase the awareness of auditors for fulfilling its own role they were also a target of the communication campaign run in recent years (see question 1). More than 400 certifying auditors attended these events.

The Commission services contact the certifying external auditors directly when the Commission's ex-post audits identify material differences between the certified cost statements and the ex-post audits' findings.

Finally, the "Research Enquiry Service" replies to any questions raised by the auditors.

The simplifications introduced in Horizon 2020 should have a positive impact on the accuracy of the work performed by certifying auditors, as well as on the participants.

5. How does the Commission follow-up the general obligation to adjust the estimated costs under FP7?

Commission's answer :

Where actual costs are not available at the time of establishment of the financial statements, the closest possible estimate can be declared as actual if this is in conformity with the accounting principles of the beneficiary. Any necessary adjustment to these claims must be reported in the financial statement for the subsequent reporting period. This is subject to the standard ex-ante controls undertaken for all payments, and checked during ex post audits.

For the last period the costs should be based on the information available at the moment of preparing the financial statement but the beneficiary should always provide the closest possible estimate. Further adjustments are not required.

6. SMEs seem to be more error prone than others. How does the Commission intend to remedy the situation?
7. First-time applicants are clients with a largely unknown risk/error profile. How does the Commission deal with first-time applicants?

Commission's answer to questions 6 and 7:

SMEs and new participants indeed seem to have a higher error rate than other groups of participants (see page 67 of the 2013 AAR for DG RTD for details). This is not entirely surprising, but there is a wide consensus that the involvement of SMEs, and widening to new participants, is vital to increasing innovation, boosting jobs and growth and improving the European Research landscape.

The simplified rules for Horizon 2020 have been developed with the needs of SMEs and newcomers in mind. The Commission does not wish to undermine the efforts made to encourage these participants to participate in the programme by systematically increasing the level of control or administrative burden on them. A certain risk must be accepted if the wider objectives of the programme are to be met.

8. In his AAR(page 66) the director general states: "(...) in the light of the results of the FP7 audit campaign, DG RTD considers that its overall control strategy ensures that trust, control and other policy objectives are kept in balance. Aiming to achieve a residual error rate of 2% at all costs is not a viable approach." CONT recognises that the Commission signed 809 grant agreements with 10345 participants. However, an error rate of 2% is the generally accepted materiality threshold. How does a "viable approach" in the research area look like in the eyes of the Commission?

Commission's answer to questions 8 and 21:

Sound Financial Management does not refer exclusively to the financial aspects of the program implementation such as error rates, but also to the attainment of specific policy objectives set and the achievement of the intended results (Financial Regulation Article 30(1) and (2)), and at the appropriate cost.

The Commission believes that error rates cannot be the only measure used to judge the success of research policy. Error rates should be assessed against the other objectives to be achieved in arriving at an overall judgement on management of the policy.

The AAR sets out the position of DG RTD about the balance to be struck between achievement of policy objectives and risks of error. In arriving at a conclusion on this balance, careful attention has been paid to the views of the European Parliament, expressed over the years. For example, in its resolution of 11 November 2010 the European Parliament:

“expresses its concern that the current system and the practise of FP7 management are excessively control-oriented, thus leading to waste of resources, lower participation and less attractive research landscapes; notes with concern that the current management system of “zero risk tolerance” seems to avoid, rather than manage, risks”.

In the discharge 2012, relating to the Court of Auditor’s special report on FP7 management the Parliament:

“emphasises the necessity to strike the right balance between less administrative burden and effective financial control; notes that due to the specifics of the research field, a risk-tolerant and science-based approach should be encouraged so as to achieve research excellence and better impact of projects; believes that this approach will allow the Commission to uphold the balance between trust and control”.

Taking this into consideration, it is considered that, given the number and type of beneficiaries, the inherent risks and the policy objectives, the control system appropriately manages the risk and keeps trust, control and policy objectives in balance.

Management and control systems (MCS)

9. In his AAR the director general issued a general reservation with regard to the accuracy of cost claims (EUR 3 664 million) for the Seventh Research Framework Programme (FP7). What is the value of a statement of assurance when all operational costs are excluded?

Commission's answer to questions 9:

Firstly, Sound Financial Management does not refer exclusively to the financial aspects of the program implementation such as error rates, but also to the attainment of specific policy objectives set and the achievement of the intended results (Financial Regulation Article 30(1) and (2)), and at the appropriate cost.

Secondly, a reserve does not mean that there is no assurance at all from the systems in place. In fact (see section 4.2.2 on pages 88 and 89 of the AAR) assurance is given on the selection of beneficiaries, legal and financial commitments, administrative expenditure and procurement, pre-financing payments, payments from the Coal and Steel Research Fund and around 97.5% of FP7 payments against cost claims.

Thirdly, unlike in the Structural Funds, research expenditure operates on a trans-national level, and representative audits cover all the different actions and participants of the programme, independent of location. So, any reserve cannot be limited to certain Member States, or types of beneficiaries, but necessarily applies across the whole of the policy.

The RTD Annual Activity Report sets out in a transparent way the achievements of the year, the controls undertaken and their results, and the different challenges faced

by the DG in balancing its different objectives and ensuring sound financial management (in 2012 the Court considered that the AAR provided a clear and comprehensive analysis of the factors affecting the regularity of expenditure).

So it is considered that the Statement of Assurance, taken together with the whole of the AAR, has a significant value.

(see also reply to question 8).

10. The director general expects the "net financial impact of errors", based on 1552 closed projects, to be around 2,09%, meaning close to the materiality threshold. Bearing in mind this extrapolation, should the director general not lift all reservations?

Commission's answer to questions 10:

Current guidance is that a reserve should be made whenever the residual error rate for an expenditure area exceeds 2%. This is based on the errors identified in the cost claims introduced by participants. However, cost claims regularly exceed the amount available in the budget, so some errors may, in the end, have no financial impact. DG RTD has given, in the last two years, an estimate of the magnitude of this effect in its estimate of the "net financial impact" of errors.

The fact that the final impact of errors can be quite different from the identified error shows that different information needs to be taken into account in judging the overall performance of the DG. For the moment the estimated "net financial impact" is included for information, to give a more complete picture of all the elements relevant to the management and control of expenditure.

11. Does the Court think a general reservation on all costs claims represent sound financial management?

See question 9 for the Commission's position.

12. Who are the junior and senior beneficiaries of the FP7 in the different countries? Which problems did the Commission encounter?

Commission's answer :

FP7 generally does not have junior or senior beneficiaries, although some European Research Council and Marie Skłodowska-Curie schemes do differentiate between experienced and less-experienced researchers. Its projects are open to beneficiaries

from any Member State, location is not a factor taken into account in the selection of projects. Most projects are multinational, with project partners from different Member States or third countries.

Information about participation patterns, including participation by Member State, can be found in the annual monitoring reports produced by DG RTD, see for example

http://ec.europa.eu/research/evaluations/pdf/archive/fp7_monitoring_reports/6th_fp7_monitoring_report.pdf#view=fit&pagemode=none

13. The directorate general manages only 34% (EUR 1862 million) of expenditures itself. The rest, more than EUR 3 600 million is "outsourced" to agencies and joint undertakings. What control procedures are in place in the Commission to supervise the performance of executive bodies?

Commission's answer :

The monitoring procedures put in place (which may vary slightly depending on the type of outsourcing) are as follows:

- for Executive Agencies, membership of the Steering Committee (in general composed of officials from the different parent Directorates-General). All relevant documents (e.g Annual Work Program, interim and Annual Activity Reports...) related to the EAs activities are discussed and approved by the Steering Committee and constitute the key element of the supervision process.
- membership of the Governing Board of every Joint Undertaking (JUs). The Board is composed of members coming from the private partners of the Joint Undertaking and the Commission, which always has a 50% of the votes. It is through the Governing Board that the Commission exercises its formal supervision;
- definition of a Memorandum of Understanding setting out the details of the interaction, as well as the supervision strategy, between an executive agency and its parent DGs;
- nomination of the Directors of Executive Agencies, and the Executive Directors of JTIs, as Authorising Officers by Delegation in line with the Financial Regulation. They therefore have to follow the same internal control standards and rules as the Commission services;
- examination of the Annual Activity Reports;
- veto rights over certain financial decisions (JTIs);
- regular reporting on the use of resources and the achievement of key objectives;
- detachment of key management staff to Executive Agencies, and a special role in the nomination of the Executive Directors of JTIs;

- the organisations are subject to audit by the Internal Audit Service of the Commission and the European Court of Auditors.

Together with the extensive informal contacts between the Commission services and the outsourced bodies, these monitoring procedures allow an effective supervision of their performance. JTIs are also subject to a separate discharge given by the European Parliament.

For Horizon 2020 a Common Support Service has been established to provide legal advice, ex-post audits, common business processes and common IT systems for all Commission services, including Executive Agencies, and JTIs. This will be an additional method to ensure harmonisation and effective supervision.

14. As two thirds of the FP7 related operational costs were outsourced, did the number of DG R&I officials decrease at a similar rate?

Commission's answer :

The number of staff in DG R&I will decrease from 2000 in 2010 to 1650 in 2015. This process will accelerate over the next years, particularly in the light of extended outsourcing in Horizon 2020, and the total number of staff forecast for DG R&I in 2020 is 1100. This reduction is partly due to the general policy of staff reduction decided by the Commission, and partly the effect of outsourcing.

The figures mentioned in this question are only related to 2013, the last year of the implementation of the 7th Framework Program, and so do not reflect the complete picture across the multi-annual programme.

It should be noted that FP7 saw a doubling of the overall budget compared to FP6, and the attribution of a number of new tasks without any increase in staff. It also saw the introduction of entirely new schemes – in particular the European Research Council's Ideas programme was entirely new in FP7. In addition, framework programmes run consecutively, work on FP6 continued during the FP7 period. Finally, not all staff in DG R&I work on grant management, around half the staff already work on policy matters. So a direct comparison between outsourcing and the number of officials in DG R&I cannot be made. Outsourcing has also developed over the course of FP7.

For Horizon 2020 the Communication to the Commission of 18/9/2013 on the delegation of the management of the 2014-2020 programmes to executive agencies (*SEC(2013) 493*) stated that:

“the expected efficiency gains of the delegation scenario chosen and the resources to be freed in the Commission departments by delegating tasks to EAs will allow a bigger budget to be implemented with fewer resources compared to the in-house scenario. To achieve budget neutrality over the period, the Commission will offset the increase in expenditure on additional human resources in EAs primarily by

reducing its own human resources (officials and contract agents), which will lead to savings of a corresponding amount on a yearly basis”

15. The director general claims that DG R&I is developing into a "policy-oriented DG". What does that mean?

Commission's answer :

The 2013 Annual Activity Report of the Director General of DG RTD refers to the ongoing process of moving towards a more 'policy-oriented' DG.

This new approach of DG R&I aims to focus better on issues such as the European Semester, Innovation Union, European Research Area, ex-ante and ex-post evaluations, forward-looking activities, strategic programming and elaboration of the work programme. It is an appreciation that an effective science policy must go far beyond awarding grants. As a consequence, DG RTD has started to delegate many of the implementation functions for grant management to Executive Agencies, Joint Undertakings and Public-Public Partnerships (the so-called 'Article 185 initiatives') while retaining and strengthening its policy capabilities.

16. What caused the delay in the execution of audits in the European Research Council Executive Agency (18,3% fewer audits than planned) ?

Commission's answer :

The audit strategy is a multi-annual, Commission-wide strategy, in which yearly fluctuations can be expected, both in the total number of audits and between services.

In this context, for ERCEA the initial target was 235 audits for the period 2009 – 2013. The actual results as of 31/12/2013 were 237 audits launched, of which 192 closed and 45 ongoing.

The audit campaign of ERCEA started a little later than had been assumed in the (2009) audit strategy. Less audits than planned were undertaken in the period 2009 – 2011 but the gap started to be gradually narrowed in 2012 and 2013. The effort to recover the shortfall continued in 2014 and will be embedded in the audit plans of the next two years.

17. How does the Commission organise its risk-based audits? How are they selected? How many risk-based audits did the Commission conduct in 2013? Could you please enumerate the 5 most high-risk grant agreements?

a) **Commission's answer :** *How does the Commission organise its risk-*

based audits?

In line with the FP7 Audit Strategy, the audit services of the research family perform regular risk analyses on the population of FP7 beneficiaries, based on a number of identified risks. On that basis risk based selections of audits are performed. In addition, all operational services have the possibility to ask for specific audits if they have observed a specific ad hoc risk. Since 01.01.2014, the Common Audit Service for the research family undertakes these risk-based selections on behalf of all DGs.

b) How are they selected?

Different risk factors are applied to the population in order to arrive at a selection. Risk factors may include, for example, the level of subcontracting, new beneficiaries receiving large amounts of money, beneficiaries charging actual indirect costs (contrary to a flat rate), etc.

c) How many risk-based audits did the Commission conduct in 2013?

In 2013, DG RTD launched 165 such audits, covering in total 363 participations.

d) Could you please enumerate the 5 most high-risk grant agreements?

As shown above, there are a range of different risk factors that can be used in selecting beneficiaries for audit. There is no overall risk rating. Moreover, these are just risks, when the audit has taken place the potential risk may either have been confirmed or invalidated. The Commission will not therefore give a risk rating for individual beneficiaries.

18. Could the Commission report on the implementation of the recommendations contained in the ECA special report 2/2013 "Has the Commission ensured efficient implementation of the Seventh Framework programme for Research?"

Commission's answer :

The European Court of Auditors will provide a detailed follow-up to its report in due course. In brief, the Commission's position on the implementation of the recommendations is as follows:

Recommendation 1: better align the Horizon 2020 provisions with beneficiaries' practices.

Implemented in the Horizon 2020 legislation – the legal provisions and contractual clauses of the model grant agreement of Horizon 2020 have been simplified, and allow for a wider acceptance of beneficiaries' practice.

Recommendation 2 - improve coherence in FP7 management.

Implemented as far as possible in FP7. In addition to the different mechanisms that already existed, the Commission created, in January 2014, a Common support service

to provide harmonised legal advice for all services, and to carry out audits for all Commission Directorates-General.

This will be extended for Horizon 2020. The CSC will create common business processes for all services implementing the programme, and there will be common IT tools. All ex-post audits will be carried out by the CSC. This will provide a higher level of assurance that management is coherent across the programme.

Recommendation 3 – Improve process efficiency, in particular by developing standard IT tools and developing workload indicators to assess staff needs

This recommendation is implemented. Common IT tools have been, or will be, developed for all services implementing Horizon 2020. The common business processes and IT solution are already working for the selection of projects.

As part of the preparation for outsourcing, Cost Benefit analyses and assessment of resources have been carried out. Within the services workloads are being reviewed to match resources to workloads.

Recommendation 4 - Reduce processing times, in particular for time to grant, by automation and consistent implementation.

Implemented - the requirements of the new legal basis for Horizon 2020 meant that the process for the selection and contracting of projects had to be completely re-designed for Horizon 2020. New common processes, with common IT tools, have already been implemented to streamline and harmonise the process. The results are encouraging, as to date the services have signed 94% of grants within the Horizon 2020 deadline (8 months), and with an average time of 205 days. (see also question 20)

Recommendation 5 - The Commission should make its control activities more risk-driven.

Ex-post audits are already largely selected on a risk basis (see question 17).

First instructions have been given about the application of risk factors in the performance of ex-ante controls, this will be accelerated in Horizon 2020 with more work being performed on how to target ex-ante controls on a risk basis.

Recommendation 6 – Simplify the legal framework of the JTIs

Implemented - the rules for JTIs have been simplified as far as possible and in line with the possibilities offered by the Financial Regulation, and some overheads have been reduced.

Recommendation 7 – for the Risk Sharing Financing Facility (RSFF), demonstrate that it targets those beneficiaries which are unable to secure loan financing from commercial and other lenders. Furthermore, clarify the risk-sharing arrangements between the Commission and the EIB.

The RSFF will be succeeded, in Horizon 2020, by the instrument INNOVFIN, which meets all the requirements of the new Financial Regulation, including those on the avoidance of crowding out of other sources of finance. This will be kept under review in reviews and evaluations of the RSFF and INNOVFIN. The arrangements between the Commission and the EIB have been reviewed and modified as necessary for INNOVFIN.

So, although work will continue, the Commission has already implemented most of the recommendations of the Court, or taken great steps towards doing so.

19. Could the Commission please report on the implementation of action plans (following audits) of the previous years? It seems that at the end of the reporting year 13 of 49 recommendations were not implemented.

Commission's answer :

Internal audit provides an important added-value to the Commission services. All recommendations are accompanied by an action plan, with an indicative date for implementation. During the implementation process, however, it is normal that there may be delays in some cases, because the timing set was too optimistic, changed priorities or because the recommendation leads to wider changes in the operation of the control and management system. Where actions are not implemented in the timeframe originally established, this is subject to review to ensure that risks are properly managed.

Of the 13 recommendations not implemented in 2013, all but two are now implemented. The two outstanding audit recommendations led to a wider examination of the issues at stake (potential conflicts of interest and the organisation of advisory bodies) which have taken more time than originally expected as they have needed legislative changes. At the end of 2014 there will be a small number of recommendations not implemented within the original deadline. This will be reported on in the AAR 2014.

20. The "Time-to-grant" time span, the period between filing the application and the signing of the grant agreement is down to 249 days in 2013. Which elements made this positive development possible?

Commission's answer :

The Commission services took account of the dissatisfaction of the European Parliament and the research community with the length of time taken to sign grants. It therefore, during FP7, undertook in-depth analyses of the processes involved in signing a grant to find ways of reducing the time taken. This was also clearly set as a priority area, with a corresponding increase in attention and resources dedicated to it. Better monitoring systems were also introduced.

The result of these efforts was a significant reduction in TTG over the course of FP7.

For Horizon 2020 systems have been completely re-thought and re-designed to give the maximum chance of achieving the target. So far, in 2014, the average time to grant has been 202 days, with 94% signed within the target set.

Full figures will be set out in the Annual Activity Report of the Director General but this shows a real improvement of the Commission services.

21. A hearing in CONT showed that the more administrative rules are in place the less attractive the FP becomes. How do you strike a balance between accountability and attractiveness?

Commission's answer :

See question 8

22. Can the Commission explain the impact of simplification measures (2012 discharge point 278)?

Commission's answer :

On 10 July 2013, in response to the discharge resolution of 2011, the Commission delivered to the CONT (Chair and rapporteur) a report on the simplification measures of the framework programme for research introduced from 2011.

Following on from the discharge resolution 2012, the Commission provided an updated report to the CONT (Chair and rapporteur) on 3 April 2014.

This report set out an assessment of the measures taken in 2011, together with their impact as far as this was possible. Although actions have continued since the first report, the main emphasis within the Commission has been to ensure that the simplifications have been properly embedded in the legislation for Horizon 2020.

Recoveries

23. Could the Commission report on the amounts recovered between 2007 and 2013?
Who were the grant recipients (categories), from which countries that paid most?
How long did the respective recovery procedures take?

Commission's answer :

For the policies covered by chapter 8 of the court' report, total recoveries were €120m in 2012 and €197m in 2013, the two years where data is available and comparable.

This covers all recoveries made, following audits, ex ante controls, recovery of unused pre-financing, etc.

The amounts recovered for the different services involved in this chapter can be found in the different Annual Activity Reports.

As stated in question 12, most projects are multinational, with project partners from different Member States or third countries. The Commission does not believe that monitoring of recoveries by Member State is relevant for its management to the programme.

Errors are found across all cost categories and types of beneficiaries. However, as noted in the Annual Activity Report of DG RTD for 2012 (page 67), SMEs have an error rate more than twice the rate for other participants, and new participants have an error rate more than three times the rate for other participants (see questions 6 and 7).

See also question 3.

Fusion for Energy (F4E)

24. The annual accounts of the Joint Undertaking ITER (operational budget of EUR 865,5 million) are subject to the audit by the European Court of Auditors. Following the observations from the ECA on the 2012 F4E annual accounts, there is a need to put in place global strategies for: (a) the procurement of certain contracts and tools, (b) the regular monitoring of overall cost estimates and, (c) reporting on potential cost deviations. However, the report did have an unqualified opinion. Both the Council and the European Parliament have contracted private audit firms to examine the operations of F4E. The different reports and monitoring reveal the difficulties that F4E has in implementing the project, arising largely from the complexity of the project (no fusion reactor has ever been built on this scale before), the limited level of competition (given the size and complexity of the parts that have to be built) and the complex governance structures for an international project. The major risk arising is that the current budget for the project will be insufficient to complete the construction of the parts of the project for which the EU is responsible. Could the Commission please provide the discharge authority with a comprehensive state-of-play?

Commission's answer :

The Joint Undertaking for ITER and the development of fusion energy (F4E) is a Community body, accountable to the European Parliament through its own discharge procedure. The Commission is very happy to see that the audit of the accounts by the European Court of Auditors has resulted in an unqualified opinion.

Nevertheless, DG RTD monitors closely the operations of the Joint Undertaking for ITER and the development of fusion energy (F4E). This monitoring includes examining and following up the reports from the Court. RTD agrees fully with the Court, and has stepped up its demands for further improvements in operations.

The major risks identified in the AAR 2012 continue today. The project stakeholders (ITER organisation and the Domestic Agencies – including F4E) have recognised that the current schedule is not realistic, as confirmed by several independent assessments in the last two years (2013-2014). For this reason ITER/F4E, together with the other Parties' domestic agencies, are working on a new revised schedule, which will be presented to the ITER Council in June 2015. A realistic and sound revised schedule will have to take into account the available resources and the cost dimension, as these elements are closely related. It is therefore very probable that, as a result of the revised schedule, a new overall cost estimate will have to be discussed and proposed. This will not affect the resources needed in the current MFF, but may have longer term consequences.

Lifelong learning, Youth in action

25. The Commission has recently completed an audit on the operational costs for two programmes (Lifelong learning EUR 6,9 million, Youth in action EUR 1,65 million) in 2012 and 2013 in Turkey. What was the outcome of the audit?

Commission's answer :

Concerning the request on the results of the audit in Turkey, the Commission will provide the European Parliament with the results of the audits as soon as disclosure has been agreed with the Turkish authorities as required under the provisions of Annex II, 2.1 of the Framework Agreement.

Information and Communications Technologies

26. In its 2012 discharge resolution, paragraph 281, Parliament requested: "Is concerned that the Court of Auditors, as in relation to the 2011 financial year, has identified substantial quantifiable errors in projects under the programme in support of Information and Communications Technologies; notes that the Commission has devised a special audit strategy for non-research projects, in accordance with which – up to 2017 – 215 audits of non-research projects are to be performed; calls on the Commission to report whether the wrongly paid EUR 470 000 has been recovered;"

Has the money been recovered?

Commission's answer :

The Commission confirms that DG CONNECT implements a specific audit strategy for non-research (2012-2017) with a target of 215 audits, of which it has closed already 64 by the end of 2014. The Commission has not yet recovered the amount in question but has suspended payments to the entity concerned to safeguard the

financial interests of the EU. The Commission issued the debit note in October 2014 following a long audit process. The payment deadline expired mid-December 2014 and the Commission is currently preparing to off-set the amount with payments due to the entity concerned. The Commission notes that in parallel the extension of the audit findings on non-audited projects is taking place. The entity has submitted the required documents showing its readiness to cooperate with the Commission

Getting results from EU budget

27. To which extent did DG Research contribute to the achievements of the main objectives of the Europe 2020 Strategy?

Commission's answer :

The objectives pursued by the Directorate-General for Research and Innovation are based on the research and innovation components of the EU 2020 Strategy.

This is, among others, reflected in the choice of the two impact indicators for the two General Objectives of DG RTD, as presented in the Annual Management Plan (MP), and that are actually the indicators for the Europe 2020 headline target related to "Research and innovation": the Innovation indicator and the R&D intensity.

Moreover, most of the specific objectives of the DG RTD, which contribute to the achievement of the General Objectives, directly contribute to reaching the main objectives of the Europe 2020 strategy as well. Examples include the following:

- The implementation of the Innovation Union commitments;
- The contribution to the completion of the European Research Area (also through the active participation of DG RTD in the European Strategy Forum on Research Infrastructures (ESFRI)) and
- The facilitation of programme at national level towards the 3% objective of R&D intensity.

Which are the 5 main SMART objectives foreseen in the annual management plan of the DG?

Commission's answer :

The 5 main objectives foreseen in the Annual Management Plan of the DG RTD are the following:

- To contribute to the European Semester, in particular through country-specific recommendations;
- To implement the Innovation Union commitments;
- To contribute to the completion of the European Research Area;

- To support and facilitate progress at national level towards the 3% objective of R&D intensity in the EU;
- To ensure an effective and efficient implementation of Horizon 2020 and other RTD programmes.

It is considered that all these 5 objectives meet the SMART criteria. This has also been verified by the internal auditors of the DG.

Is there any mechanism in place in order to evaluate the performance of the DG?

Commission's answer :

The mechanism that is in place to evaluate the performance of the DG comprises two key components of the Commission's Strategic Planning and Programming cycle (SPP), namely:

- The DG RTD Annual Management Plan (MP) and
- The DG RTD Annual Activity Report (AAR)

Among others, the MP serves the purpose of "Performance measurement". In particular, the MP presents the elements of the performance framework for the EU policies to which the work of the DG RTD contributes. This framework consists of objectives pursued through the DG RTD activities, the related performance indicators, targets and milestones, as well as information on monitoring arrangements and planned and on-going evaluations. Moreover, it provides an overview of all inputs that contribute to the EU policy and the results and impacts of the EU policy.

The AAR reports on the achievements of the DG RTD on an annual basis vis a vis the indicators set in the MP.

Following the 2012 Synthesis report (COM(2013)334 of 5/6/2013) in which the Commission undertook "to deepen the performance framework " and the instructions of the central services, the performance measurement and reporting for the spending programmes (under the 2014-2020 Multiannual Financial Framework) as well as the non-spending activities, have been significantly strengthened in the MP 2014, MP 2015 and AAR 2014.

If yes, how does it contribute to the article 318 TFEU evaluation report of the financial performance of the Union?

Commission's answer :

The performance information in the AAR, signed by the Director-General, is used by the Commission's central services to produce the evaluation report on the Union's finances based on the results achieved as required by Art. 318 of the TFEU.

28. How did DG Research coordinate its actions with other services of the Commission in order to implement the Flagship Initiative Innovation Union?

Commission's answer :

DG Research set up an Inter-service Group on Innovation Union. The ISG met regularly in order to follow-up on the implementation of all initiatives stemming from the Innovation Union. The State of the Innovation Union was also issued on a periodic basis (2011, 2012, 2010-2014) as a result of the work of the group.

How many meetings of the groups of Commissioners for the innovation (created by the Commission on 28 April 2010) took place?

Commission's answer :

The group of the Commissioners for innovation met twice in 2010 and 3 times in both 2011 and 2012. However, the mandate of the group had not been renewed as of 2013 and therefore there were no formal meetings of this group since then.

How many meetings of the dedicated inter service and inter Cabinet groups Innovation Union and European Innovation Partnership took place?

Commission's answer :

The Inter-service Group on Innovation Union met 14 times since its creation, including 3 meetings in 2014.

The overall EIPs inter-Cabinet/inter-service group met 4 times and each of the five EIPs inter-service/Cab meetings met between 2 and 5 times (more for AHA and SCC; less for Water, RM and Agri). Inter-service meetings related to the EIP evaluation by the Aho Group were held 5 times during 2013.

Is there a specific mechanism in place in the Secretariat general to evaluate and coordinate the actions of the DGs involved in the Strategy?

Commission's answer :

There is no specific mechanism in the Secretariat General in relation to the Innovation Union, established coordination mechanisms are used.

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