Questions concerning legality and regularity

1. In its replies to the ECA, the Commission states that "In order to resolve the methodological issue previously raised by the ECA (annual versus multi-annual sample), the Joint Audit Service calculated a top-up of 0.38%". What exactly does this method consist of and how is it used to compare the results obtained by the two methodologies used by the Commission and the ECA?

**Commission’s answer:**

Up until 2019, the Commission was calculating its error rate as the costs rejected via an audit over the total costs accepted by the Responsible Authorising Officer. Given the sampling methodology of the Common Audit Service, the ECA recommended that the error rate should be calculated as costs rejected via an audit over the actual costs audited.

In response to this observation, in 2020, the Commission re-defined its methodology for calculating the Horizon 2020 error rate. The main change in the methodology is that the error calculation is presented in proportion to the sum of costs actually audited and not to the sum of all accepted costs.

In this respect, in order to quantify any potential understatement stemming from the previous methodology, an additional 0.38 percentage points (calculated on 1,937 Horizon 2020 audit participations by difference with the previous methodology) has been used to top up the cumulative detected error rate for 2022.

2. What specific measures other than workshops has the Commission taken to support SMEs and newcomers and to prevent them, as far as possible, from making errors in their cost declarations?

**Commission’s answer:**

Organising communication and information campaigns specifically targeting error-prone beneficiaries, such as small and medium-sized enterprises and newcomers, remains essential to prevent them, as far as possible, from making errors in their cost declarations. The Commission also keeps close contacts with the system of National
Contact Points that was established to give applicants and beneficiaries support and guidance on the spot, in the participants’ own language.

To this end, the Commission starts by identifying the most error prone beneficiaries (newcomers, SMEs) and sends targeted information regularly inviting them to make use of the personnel cost wizard prior to submitting their periodic reports and inviting them to regularly organised seminars. The Commission further reinforced its information campaign. At regular intervals, webinars were organised, with a special focus on the most recurrent errors found in the ex-post audits. Since December 2020, the Commission has held 15 webinars on the reduction of the error rate. All training sessions were recorded and available on YouTube. This campaign reached over 9 000 direct participants with 187 000 views in YouTube. This series of webinars is continued, moving the focus from Horizon 2020 to Horizon Europe implementation. E.g., in October 2023 three ‘Horizon Europe implementation days’ took place, covering proposals submission, grant preparation and grant management, respectively.

In addition, the Research Enquiry Service is a dedicated helpdesk providing clarifications and explanations on EU Research programmes (including Horizon 2020 and Horizon Europe).

Furthermore, the Commission is making greater use of lump sum funding which reduces the administrative burden of beneficiaries. Especially SMEs and newcomers are benefitting from lump sums because they often lack the experience and capacity to handle actual costs, leading to an error rate much above average when using actual costs.

3. What are the main objectives of the Control Strategy for Horizon Europe?

Commission’s answer:

The Horizon Europe control strategy spells out the objectives, ambitions, and strategic measures for ensuring the achievement of programme goals at a low tolerable level of error (with a target of below 2%), considering the cost of controls and related administrative burden. It builds on the Horizon 2020 control strategy, providing a balance between trust and control, by combining basic systematic checks with a risk-based approach for deeper checking. It offers a holistic approach to controls: governance, rules, processes, tools, data, training and guidance to staff and beneficiaries. It takes into account that Horizon Europe is implemented by a large number of public and public/private implementing bodies – and through a wide range of funding mechanisms (grants, procurement, loans, prizes etc.), addressed to a large number of participants. It implies a strong use of IT supported risk management.
4. In the case of the error detected in the Connecting Europe Facility project, how is it possible that the declaration of illegality of a procurement procedure did not lead to the annulment of the contract? What are the legal and financial implications for the funding contract?

**Commission’s answer:**

As regards the irregularity in procurement procedures referred to by the ECA, the Commission underlines that the case under Connecting Europe Facility (CEF) is related to a situation where a national court had declared a procurement procedure illegal while not voiding the contract. More specifically, the Decision of 10.07.2018 by the ‘Bundesverwaltungsgericht’ unequivocally rejects the claims of the appellants to consider the contract null and void, or illegal. Therefore, the contract in question remains valid and produces full legal effects, including rights and obligations, and is considered eligible for EU funding. The Commission finds no legal or technical argument to reject the legality and validity of the contract in question. As the contract remained in effect and as the works were effectively delivered, the Commission had to consider the costs eligible and make the corresponding payments.

5. ECA in their Annual Report 2022, audited 127 transactions under the MFF Heading 1 ‘Single Market, Innovation and Digital’. 92 Transactions were in the area of research and innovation and 35 were under other programmes and activities. Of the transactions examined, 43 (34%) contained errors. What measures are you taking in your area of responsibility to lower errors?

**Commission’s answer:**

The Commission continues to provide support to applicants through communication campaigns and workshops, specifically targeting more error-prone beneficiaries such as small and medium-sized enterprises and newcomers.

The Commission has simplified the rules for Horizon Europe as compared with its predecessor Horizon 2020 and continues to do so. Especially the simplifications to personnel costs in Horizon Europe have enormous potential since personnel costs represent more than 60% of the budget of an average grant and are by far the biggest source of errors.

The Commission is also focusing on the necessary circular feedback mechanism between the two arms of control (ex-ante and ex-post). Lessons learnt from ex post controls (e.g. major sources of errors and irregularities detected during ex post audits) are continuously fed back to the ex-ante controls ensuring continuous improvement in the effectiveness and efficiency of the control strategy overall. The Commission has organised a webinar addressed to Project Officers and Financial Officers where the Commission raised awareness on the importance of reducing the error rate. This event
included an exhaustive presentation of the available tools (IT tools, guidance, trainings, webinars) to perform ex-ante controls.

Furthermore, the Commission is making greater use of lump sum funding which simplifies grant management for beneficiaries. Given that actual costs and resources do not need to be reported in a lump sum grant, the main source of errors is absent. In addition, the Commission is about to introduce the use of unit costs for personnel, which has the potential to strongly reduce the error rate associated with this cost category.

6. Of the 43 errors found in the sample out of the 127 transactions, 36 were able to be quantified. ECA then made an estimate of the error level to be 2.7% for 2022, which is lower than the 4.4% error rate in 2021. Nevertheless, this is above the materiality level. What measures are you taking to try to bring the error rate below the materiality level?

**Commission’s answer:**

The Commission is committed to continue investing in further simplification of its rules as well as robust outreach and communication campaigns which are contributing to less financial errors over the Research Framework Programmes. Please see reply to question 5 for additional information.

7. ECA broke down the estimate level of error by error type. The largest error type was ineligible direct personnel costs, which accounted for 67% or the errors. There is clearly a systemic problem with such a high percentage. What concrete measures have you taken to address such a high error rate? At what step is this systemic error occurring? What are the concrete eligibility checks made when deciding on personnel?

**Commission’s answer:**

Personnel costs account for more than 60% of the budget in Horizon grants. This means that the observed share of errors associated with personnel is similar to the budget share for personnel. On this basis, we cannot conclude that there is a systematic problem or that personnel costs carry a higher relative risk of errors than other cost categories.

Social, administrative, civil and fiscal laws and regulations governing the cost of personnel and its accounting are, even at national level, inherently complex. In addition, the Commission, via its control system, ensures that declared costs comply with the eligibility rules mentioned in the Grant Agreements concluded with beneficiaries.

Such complexity is inevitably reflected in the Commission rules, especially where the costs are reimbursed on an actual basis. Therefore, most of the errors are made at the step of reporting them.

Since several Research and Innovation Framework Programmes, and in particular since Horizon 2020, the Commission constantly undertakes every possible step forward in the simplification and harmonisation of the rules for reimbursement of costs incurred. In
this respect, the Commission has established a corporate Model Grant Agreement, applicable also to Horizon Europe, that provides a simple method for charging personnel costs, based on a daily rate calculation, replacing the error-prone methods used in Horizon 2020.

The Commission has further intensified the frequency of its trainings and outreach activities, in particular targeting error-prone beneficiaries such as small and medium-sized companies and newcomers. The Commission continued to organise webinars on “how to avoid errors in declaring personnel costs in Horizon 2020 grants”. Out of the 15 webinars on the reduction of the error rate, 13 were specifically targeted at personnel costs.

The Commission has developed the so-called “Personnel Cost Wizard”, an online IT tool to help beneficiaries to correctly calculate and report their personnel costs.

Moreover, beneficiaries can make use of the Research Enquiry Service to directly request clarifications on practical matters, such as the correct calculation of personnel costs.

8. The next largest error rate measured by ECA in MFF Heading 1 was in the error type: ineligible other direct costs (VAT, travel, equipment). Here the estimated level of error was at 19%. What steps are you taking in your area of responsibility to address that ineligible direct costs are not paid for with EU funds?

**Commission’s answer:**

Other direct costs represent a significant share of the budget in Horizon grants, especially the costs for consumables, equipment and travel. The observed level of errors in this area corresponds to this budget share and is, as such, not surprising. There is no indication that other direct costs carry a higher risk for errors than other cost categories.

The Commission has further intensified the frequency of its trainings and outreach activities, in particular targeting error-prone beneficiaries such as small and medium-sized companies and newcomers. Such training and communication events cover various cost categories, including “other direct costs” (VAT, travel, equipment).

Moreover, beneficiaries can make use of the Research Enquiry Service to directly request clarifications on practical matters, such as the eligibility of various types of “other direct costs”.

Furthermore, in 2023, the Commission organised a webinar targeting specifically other direct costs.
9. ECA defines spending within Horizon 2020 as high risk. ECA found quantifiable errors relating to ineligible costs in 35 of 92 research and innovation transactions in the sample. ECA states that this represents 98% of their estimate level of error of heading 2022. This high error rate points to a systemic problem. What mechanisms do you have built into Horizon 2020 to detect errors? Are costs not checked for eligibility? How will you make sure that its successor, Horizon Europe, will not have the same systemic flaws?

**Commission’s answer:**

Although the percentage of occurrence of errors found by the ECA is high (35 out of 92 transactions affected), the financial relevance of those errors is within the boundaries of an acceptable level of errors in the research policy area, taking into account the proportionality of the costs of controls.

The Commission applies a mechanism of two arms of control: ex-ante verifications (before reimbursement of costs) and ex-post audits (after payment). The identified undue amounts paid are systematically recovered.

Concerning ex-ante controls, the Commission has issued a Guidance for Horizon 2020 Ex-ante controls on interim and final payments, which includes a section with thematic ‘forms’ addressing specific risk types. A similar guidance has been issued for Horizon Europe.

Also, the IT tools for managing grants have been enhanced with a Risk Management Module. This tool helps the Project Officers performing the risk assessment necessary to decide on possible additional checks and includes a link to the previous ex-post audits, and the possibility to enter and/or consult the reinforced monitoring measures set for a given beneficiary or project.

Moreover, an interservice working group, the Research and Innovation Network for Ex-ante Controls practitioners (RINEC) is in place since 2021 with the aim of sharing best practices and streamlining ex-ante controls.

With regard to ex-ante controls, the certificates on the financial statements (CFS), issued by the CFS auditors, certify ex-ante the eligibility of cost claims to be subsequently reimbursed by the Commission. To further improve the quality and reliability of the CFSs, the Commission organises targeted webinars addressed to the CFS auditors, to raise awareness of the most common errors during audits. In addition to the self-explanatory template for Horizon 2020 audit certificates, the Commission provides feedback to the CFS auditors when errors in the CFS are identified via ex-post financial audits. Lastly, the Research Enquiry Service provides guidance to the CFS auditors through online requests.

Concerning ex-post audits, following recommendations by the European Court of Auditors, the Commission reinforced a number of ongoing actions aiming at improving
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further the quality of its audit procedures. These measures have been positively acknowledged by the Court and all related recommendations have been fully implemented.

The Commission has also organised a webinar addressed to Project Officers and Financial Officers where the Commission raised awareness on the importance of reducing the error rate. This event included an exhaustive presentation of the available tools (IT tools, guidance, trainings, webinars) to perform ex-ante controls.

The experience of Horizon 2020 shows that actual costs funding model remains prone to errors. Hence, the Commission is progressively rolling out the use of simplified cost options in Horizon Europe on a large scale, in particular lump sums and unit costs, following the outcome of the studies carried out to this end.

10. In the area of research expenditure, a primary aspect of the Commission’s control system is the certificate on financial statement (CFS). ECA in the AR 2922 however reports that there are some weaknesses in this certificate and that they have reported this in past years as well. What steps will you take to improve the method in which the certificate on financial statements are issued?

Commission’s answer:

As mentioned in the previous question, the Commission has further improved the guidance for CFS providers by making available on the Funding & Tenders Portal/YouTube a series of webinars tackling the most common errors discovered during audits as well as the most error-prone cost categories. This guidance is constantly updated to take advantage of the experience gathered.

In addition, the Commission created several live webinars, with Q&As focusing on providers of CFS. These webinars were opportunities to reach a large number of CFS providers, clarify issues and allow the providers to ask directly questions related to their work.

The certificates are issued by professional practitioners, at market price, and their cost are part of the eligible costs of a project, although not of a research/innovation nature. Further deepening this ex-ante control tool must take into consideration the proportionality of the costs of control.

11. ECA cites an example of a breach of the double ceiling rule. This rule states that more working hours can be claimed that what is possible in a given year. In the example ECA found, a beneficiary of a Horizon 2020 project in the Netherlands was also the recipient of two ERDF grants whose timescales partly overlapped with that of a Horizon 2020 project audited. Ineligible surplus hours amounted to a total of over 1900 hours for six staff. What measures are you taking to make sure that breaches of the double ceiling rule do not occur. Are you cross checking recipients of different funds? Is there a searchable database across
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projects from different programs that also list the beneficiaries. Which department is doing these checks?

**Commission’s answer:**

The double ceiling rule is important to ensure the respect of the non-profit principle underlying the cost reimbursements under EU programmes. The Commission makes available to beneficiaries all necessary information on how to correctly claim personnel costs. The Annotated Model Grant Agreement includes practical examples on the double ceiling.

Information on recipients of different EU funding sources is registered in a corporate Funding and Tenders Portal, in which project officers, financial officers and auditors can consult EU funding information on a confidential and need-to-know basis. This information, complemented with specific cost breakdowns obtained from beneficiaries in the framework of ex-post audits, allows the Commission to cross check potential breaches of the double ceiling rule. It should be highlighted that respect of the “double ceiling” rule is systematically checked via ex-post audits of the Commission.

12. ECA also reports incorrect calculation of hourly rates, weaknesses in time reporting and other error in personnel costs within the MFF Heading 1. Research and Innovation is unique in that there is often in the need for sub-contracting within contracts and short-term hiring of experts with very specific scientific knowledge. What steps are you taking in making sure that errors in the areas of counting working hours and time reporting are reduced. What database are you using to keep track of projects sponsored by EU funding and what categories do the databases contain?

**Commission’s answer:**

The Commission is aware of shortcomings in time recording and reporting by beneficiaries. Although it should be highlighted that subcontracting costs are not subject to detailed time recording rules, the Commission has simplified the Horizon 2020 procedures for time recording of personnel costs by introducing a declaration for persons working exclusively for the action.

In Horizon Europe, the Commission has further simplified the formal requirements related to time recording by introducing a simplified methodology for calculating daily rates for personnel costs. In this context, different guidance documents have been made available, focusing on the mandatory nature of recording hours devoted to the execution of the action.

The auditors contracted by the beneficiaries are also instructed to verify the existence of proper record-keeping systems when providing the Certificate on Financial Statement.
Information on recipients of different EU funding sources is registered in a corporate Portal for Funding and Tenders in which project officers, financial officers and auditors can consult EU funding information on a confidential and need-to-know basis.

The increased use of lump sums is also contributing to fewer errors associated with time recording because there are no time sheets and no time reporting for lump sum beneficiaries.

13. ECA also noted in their Annual Report that Small and Medium Enterprises are more prone to errors. SMEs represented only 11% of the sample (14 out of 127 transactions) but accounted for 29% of the estimated error rate. In addition, the quantifiable errors found in the cost claims of the three private newcomers (taking part in just one EU project) accounted for almost half of the estimated error rate. Previous ECA annual reports also noted that the error rate among SMEs is higher than the average. What steps are being taken to assist small and medium enterprises? One of the EU’s strategies in boosting European research is to support newcomers and SMEs. What steps have you taken to lower the bureaucratic burden and streamline the application process for SMEs?

**Commission’s answer:**

The reason why SMEs and newcomers are more error-prone is because they are mostly small organisations that participate in a single grant only. Therefore, they tend to lack the experience and capacity to deal with the complex actual cost rules. This is confirmed by the fact that feedback on lump sums from SMEs and one-time participants has been consistently more positive than from the average Horizon participant.

As mentioned in reply to question 2, the Commission is organising dedicated communication campaigns, training sessions and webinars targeting specifically categories of beneficiaries identified as particularly error prone. Within such category, the SME are one of the most important groups.

The Commission introduced, already within Horizon 2020, the possibility to use unit costs for declaring personnel costs of SME owners (as indicated in the Corporate Model Grant Agreement) with limited success. A potential cause of this non-use of the SME owners unit cost is that its established level is considered too low, disconnected from the current remuneration levels on the work market for H2020 and HE grants. Therefore, the Commission revised the SME owner unit cost in order to reflect the current market remuneration levels and in order to render its use attractive for grants to be signed under current EU programmes in the present socio-economic context. A widespread use of such unit cost (instead of error-prone actual costs subject to complex criteria of eligibility) is expected to drastically reduce the occurrence of errors in this category, for SME in particular.
In line with this simplification, the Commission is progressively rolling out the use of simplified cost options, which especially benefit SMEs and newcomers.

14. What is the level of acceptance and implementation by the Commission of the specific recommendations issued by the ECA regarding the certificates on financial statements (CFS) issued by auditors contracted by beneficiaries?

**Commission’s answer:**

Same reply as question 10.

The Commission has accepted the recommendation and has further improved the guidance for CFS providers by making available on the Funding & Tenders Portal/YouTube a series of webinars tackling the most common errors discovered during audits as well as the most error-prone cost categories.

In addition, the Commission created several live webinars, with Q&As focusing on providers of CFS. These webinars were opportunities to reach a large number of CFS providers, clarify issues and allow the providers to ask directly questions related to their work.

**Questions concerning simplification**

15. According to the ECA Annual Report 2022, in Heading 1, where in fact there is a significant decrease in the average estimated error rate (from 4.4% in 2021 to 2.7% in 2022), the Court's recommendations focus on the lump sum payments, arguing that there should be an evaluation which would further need to assess if certain projects are not suited for lump sum payments and if there should be a cap on these lump sums. However, in the field of research, very often, the use of lump sums is one of the best and quickest ways to implement projects. How can we reconcile the extended use of lump sums in research with the need to keep these programmes functional and performing? Is it really feasible to modify the way in which programmes are functioning at this stage?

**Commission’s answer:**

The Commission accepted the Court’s recommendation and will cover the use of lump sums in the Horizon Europe mid-term evaluation. The Commission’s assessment of the lump sum pilot under Horizon 2020, published in 2021, already addressed the question which projects are suitable for lump sum funding. The result was that lump sums are best suited to small and medium-sized projects, without excluding larger projects. This was fully taken into account for the subsequent roll-out of lump sums.

The Commission agrees that lump sums are a very cost-efficient way to provide funding in EU grants, especially in research. Lump sums are easier to use than actual costs, and there is no indication that they would compromise the functioning of Horizon Europe.
or other programmes. In contrast, the increased focus on content that comes with lump sums can improve performance and help programmes achieve their objectives.

The Commission acknowledges that the introduction of lump sums requires an initial investment and learning curve, as is the case for any new rules or policy measures that we apply to EU grants. However, this investment is limited in the case of lump sums because the Commission re-use most elements of the traditional actual cost grants while strongly simplifying the financial aspects. In addition, the Commission tested lump sums in Horizon 2020 before introducing them cautiously and gradually in Horizon Europe. Guidance and training were stepped up in line with the increased use at the start of the MFF.

16. Bearing in mind that lump-sum funded grants represent only 2% of the total amount of grants in 2022, on the one hand, and that the largest simplification measures concern Horizon Europe and this is hardly part of the ECA’s sample, on the other hand, what factors does the Commission point to for the reduction of the error rate by 1.7% in this heading?

Commission’s answer:

The Commission considers that the simplification measures introduced in Horizon 2020, as well as the massive outreach and communication campaigns towards beneficiaries, has positively contributed to a reduced error rate under this Heading. The positive results are also reflected in the error rate calculated by the Commission and published in the Annual Activity Reports of the Research and Innovation family.

In addition, 2% of the grant budget was awarded in the form of lump sums in the first two years of Horizon Europe (2021-2022), in line with many stakeholders’ requests to introduce lump sums gradually. However, it is clear that such low level of lump sums cannot have a significant effect on the error rate. Therefore, the Commission is aiming for a much higher level of simplified cost options.

From 2023, the use of lump sums in Horizon is growing strongly, reaching 20% of the budget in 2024 according to the work programmes published so far (Horizon Europe main work programme 2023-2024 and ERC work programme 2024). On top of that, the EIC is expected to start using lump sums from 2024. This will significantly increase the budget share covered by lump sums and address a programme part that is particularly prone to errors due to the many newcomers and SMEs in EIC grants. On this basis, the Commission expects further increases in the use of lump sums during the last three years of Horizon Europe (2025-2027). We are aiming for 50% lump sums by the year 2027. At this level, lump sums could half the error rate because lump sum grants are expected to be largely error-free. Note, however, that the actual speed of rolling out lump sums depends on several factors, including lessons learned. The Commission is going to continue with the stepwise roll-out of lump sums, in the spirit of monitoring, learning,
and optimising where needed. This process will determine to what extent lump sums will be used by the end of the MFF.

Finally, the introduction of unit costs for personnel will complement the use of lump sums from 2024. We expect this measure will be particularly attractive for newcomers and SMEs, which are more prone to errors than other participants. Given that personnel costs represent the lion’s share of budget and the main source of errors in actual cost grants, the new unit cost scheme has the potential to strongly reduce the error rate overall.

17. At the end of 2022, Horizon Europe lump sum funded grants amounted to EUR 306 million and there is the plan to increase lump sum grants to EUR 1.86 billion in 2024. This will correspond to 20% of the total value of Horizon Europe grants. ECA in the AR 2022 reviewed the Commission’s procedures and guidance on lump sum funded grants in research, looking in particular at the lump sum decision. They also selected 10 lump sum funded grants with budgets ranging from EUR 0.5 million to EUR 11 million. ECA found that the lump sum decision did not contain the justification required under Article 181 (4) (a) of the Financial Regulation as regards risks and fraud. What concrete measures will you take to ensure that lump sum decisions made within the Commission amply address risks and fraud?

**Commission’s answer:**

Article 181 of the Financial Regulation provides that Decisions authorising the use of lump sums or other simplified costs in grants are, in principle, to be taken by the authorising officer responsible. The internal rules for implementing the budget by the Commission further define the steps to be taken by the authorising officer when adopting Decisions. According to these internal rules, the Decision must be based on a template which is annexed to the internal rules.

This template was drafted to specifically address all the requirements of Article 181 of the Financial Regulation. Regarding irregularity or fraud, the template contains a dedicated section which requires the authorising officer to justify the use of lump sums with regard to the risk of irregularity or fraud for the action. The justification contained therein is part of the check made before adoption of the decision by the authorising officer.

In a lump sum situation, the main risk of fraud or irregularity is related to the achievement of the conditions for payments. The Horizon Europe lump sum Decision states that ex post checks on lump sum actions will focus on the technical implementation of the action, in particular on the fulfilment of the conditions for releasing lump sum contributions. This means that the Decision provides adequate justification on how irregularities and fraud will be addressed; confirming that the focus
of checks will be made on those elements where the underlying risk is present (the fulfilment of the conditions upon which the payments are released).

18. How does the Commission ensure that lump sum decisions contain the justification required under Article 181(4)(a) of the Financial Regulation with regard to the risk of irregularities and fraud?

**Commission’s answer:**

Please see reply to question 17 above for a description of actions taken by the Commission services to ensure this.

19. ECA also found that there are no specific rules governing lump sum grants that require compliance with procurement rules during the implementation phase of the projects. The lump sum decision has no information on controls and checks. Procurement fraud and corruption in public procurement procedures involving EU financing is frequently investigated by OLAF. What are you doing to address this major gap? Clearly there have to be rules on control and checks (in particular ex post checks)?

**Commission’s answer:**

The content of the Decision authorising the use of simplified cost options is defined in Article 181 of the Financial Regulation. The main objectives of the Decision are to explain, firstly, why it is appropriate to use simplified costs in these actions – taking into account the nature of the action and the risk of irregularity or fraud, and secondly, to describe how the amount will be defined. It is not within the scope of the Decision authorising the use of lump sums to define in detail the controls and checks that will be performed on the actions in question. The scope of such checks and controls will be defined in the control strategy to be adopted for that programme.

Moreover, the Commission does not agree that there are no specific rules governing lump sum grants that require compliance with procurement rules during the implementation phase of the projects. For example, Article 11 of the model grant agreement signed between the Commission and the beneficiary in lump sum actions states that the beneficiary must implement the action in accordance with the agreement and all legal obligations under applicable EU, international and national law (which includes all applicable rules on procurement).

In addition, applicants for lump sum grants commit to complying with cost eligibility rules, best value for money, and absence of conflicts of interest through an additional declaration in Part A of the application form. This declaration is binding and raises awareness among beneficiaries that they must comply with procurement rules.
20. Has the Commission undertaken the revision of the Horizon Europe lump-sum decision in order to assess whether the aspects related to risk of irregularity or fraud could be made more explicit? If yes, what are the conclusions and future actions resulting from this assessment?

**Commission’s answer:**

In lump sum grants, the main risk of fraud is related to the achievement of the conditions for payments. In Horizon Europe, the main condition is the completion of activities in work packages. Controls to check this condition are therefore a key measure to reduce the risk of fraud. Lump sum grants will be covered by the Commission’s ex-post control strategy, which will include ex-post technical reviews as a key measure to verify proper and complete implementation of grants.

The decision authorising the use of lump sums in Horizon Europe has not been updated so far. However, the next version will specifically address the risk of irregularities and fraud.

21. What is the level of use of the “Personnel Costs Wizard”? Would it be possible to make its use mandatory for the beneficiaries?

**Commission’s answer:**

The level of use of the “Personnel Costs Wizard” is not as high as the Commission would like. Being its use not legally binding, it is difficult to make it mandatory. However, the Commission has continued to encourage the use of this Wizard through various actions. Its detailed user guide is available at the Funding and Tender Portal in section Horizon 2020.

The wizard is available to beneficiaries at the moment of the encoding of costs in their financial statements. The use of the wizard is promoted in all webinars on “avoiding errors in declaring personnel costs in Horizon 2020” (more than 120,000 views in 2022). These webinars are addressed to targeted beneficiaries (mainly SMEs and newcomers). The wizard is also advertised in trainings and meetings with Project Coordinators and beneficiaries as well as with National Contact Points (NCPs).

The development of the Personnel Costs Wizard for Horizon Europe is included in the IT Work Plan and is currently being developed.

**Questions concerning performance of EU Research and Innovation**

22. What could be the factors, according to the Commission, that helped the ‘significant catch-up’ found by the ECA in the implementation of Horizon Europe in 2022?
**Commission’s answer:**

Despite the late adoption in 2021 of the Horizon Europe legal bases by the co-legislators, the Commission managed to reach close to 100% budget implementation in 2021 and 2022. Full budget implementation is also expected by the end of 2023 according to the last budget revision.

The first three Horizon Europe work programmes were adopted by the Commission and their calls opened even before the official entry into force of the Programme:

- European Research Council Work Programme 2021 on 22 February 2021
- European Innovation Council Work Programme 2021 on 17 March 2021
- initial ‘main’ Work Programme 2021-2022, to launch urgent actions to address COVID-19 on 31 March 2021.

The full breadth of the actions for 2021-2022 were then rolled out in an amendment to the ‘main’ Work Programme 2021-2022 on 15 June 2021. This caused only rather limited delays in implementation as the Commission made particular efforts to ensure that all calls were launched in year 2021.

All calls and tenders opened in line with the dates announced in the work programmes, with the exception of 21 actions under ‘Digital, Industry and Space’ (12 concerning high technology readiness level quantum research and 9 concerning space research). The calls relating to these actions were delayed from the original opening date of 28 October 2021 to 2 November 2021, due to the adoption of an amendment to the main Work Programme 2021-2022 on 28 October 2021 to modify the eligibility criteria of these actions.

Thus, the Commission was able to minimise the results of the late adoption of the programme. The second year of implementation of the programme, 2022, follows the normal cycle of implementation of the EU Framework Programmes for Research and Innovation. The number of grant agreements signed by end 2022 was 5509 (up from 5059 mentioned in the ECA report) as reported in Horizon Europe implementation.[1]


23. Not all Member States have the same level of development and investment in the field of innovation and research. How does the Commission ensure that researchers, and research
groups regardless of their size, from all Member States can benefit from the EU dedicated programmes and funds?

**Commission’s answer:**

To tackle the disparities in R&I development and investment a well balanced mix of policies at the level of the European Union and Member States is required. Increasing R&I investments, adopting R&I reforms, and designing sound R&I policies are key elements of these strategies.

To this end, the Commission is helping countries in various ways. The Recovery and Resilience Facility, with around EUR 48 billion investments in R&I (notably for some less performing R&I countries), coupled with Cohesion Policy that will mobilise around EUR 43 billion, provide significant resources for Member States to boost their R&I investments. Furthermore, the Horizon Europe framework programme, in synergy with other EU funding programmes, and while remaining a competitive R&I programme based on excellence and impact, continues with measures dedicated to low R&I performing countries\[^1\] through its Widening component with nearly EUR 3 billion for the 2021-2027 period.

Traditional widening actions like Teaming, Twinning, European Research Area chairs are coupled with measures that aim at fostering brain circulation, improving the quality of proposals from legal entities coming from the widening countries, boosting the activities of National Contact Points\[^2\], establishing match-making services, promoting initiatives on excellence and for joining ongoing collaborative R&I projects.

In addition, the Commission has also set up a number of instruments, such as the Horizon Policy Support Facility and the Technical Support Instrument, to assist countries defining and implementing the necessary R&I reforms and to enhance the policy learning across policy makers.

Finally, since almost two years the Commission offers the possibility to Member States to engage in the Enhanced Dialogue, discussing bilaterally key issues for the country to bring forward a joint R&I agenda. Eleven countries have by now benefitted from this initiative. However, it should be noted that while these tools are at the disposal of the Member States, it is finally the responsibility of the Member States to prioritise R&I investments in their national budgets and push forward with the implementation, of not always easy, reforms.

\[^1\] As defined in the Horizon Europe legislation, 'widening countries' or 'low R&I performing countries' are Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia, eligible associated countries and outermost regions.

\[^2\] [https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp](https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp)
24. How many considered top-researchers received grants from Horizon 2020 or Horizon Europe programmes at any stage of their careers? How many from the start of the programmes? Could the Commission provide information regarding the number of these researchers per country?

**Commission’s answer:**

The [European Research Council (ERC)](https://erc.europa.eu/about-erc/erc-glance) provides attractive, long-term funding to support individual investigators and their research teams to pursue ground-breaking research. ERC frontier research grants are awarded on the sole criterion of scientific excellence. Researchers in all areas of science, scholarship and engineering can apply on a 'bottom-up' basis without predetermined priorities.

10,354 frontier-research grants of all types have been awarded by the ERC programme in Horizon 2020 and Horizon Europe to date, of which 1,273 in 2022.

Out of these 1,273 ERC grants in 2022, 397 were Starting Grants, 295 Consolidator Grants, and 191 Advanced Grants. The ERC also signed 33 Synergy Grants, which support between two and four Principal Investigators in bringing together complementary skills, knowledge and resources to address ambitious and complex research problems. In addition, 357 Proof-of-Concept grants were awarded in 2022 aiming at bridging the gap between ERC project results and social or commercial innovation.

The below table indicates the number of ERC grants per country. In 2022, 6% of the ERC main individual grants were granted to researchers based in the widening countries, similar to the 2021 calls, which represents almost the double the percentage of ERC main individual grants based in the widening countries in Horizon 2020 calls (3.4%).

The role of the ERC in supporting top-researchers in Europe is underlined by numerous awards received by ERC grantees including 14 Nobel Prizes, 6 Fields Medals and 11 Wolf Prizes to date. ERC projects so far generated over 2,300 patent applications and 400 spin-off companies.

ERC grantees are among the best researchers in their domains working in Europe and the Associated Countries; 6.4% of the ERC-reported publications indexed in the main bibliometric databases are among the top-1% highly cited globally.

The provided statistics are based on data from CORDA as of 5 October 2023 (except for Synergy Grants, where host countries are as of 28 March 2023). Further information is available through the [ERC dashboard](https://erc.europa.eu/projects-statistics).

25. Has the Commission undertaken any step to answer ECA’s observations from last year report on performance as regards to the horizontal policy priorities in the EU budget, especially on the digital transition?

**Commission’s answer:**

In the Annual Management and Performance Report (AMPR) for 2022, the Commission presented the results of an initial stocktaking to measure the budgetary contribution of the EU funding programmes to the EU digital agenda. Our goal is to build on this first exercise to further harmonise the methodologies used for the different spending programmes.
Concerning the Sustainable Development Goals (SDGs), the Commission has continued to report in the AMPR on which SDGs each funding programme has contributed to, and to provide examples of how the individual programmes contribute to these goals. This is in line with existing commitments under the inter-institutional agreement and taking due consideration of resource constraints and implications.

A decision on whether to track digital expenditure and/or SDGs in the next multiannual financial framework (MFF) will be taken during the preparation of the post-2027 MFF.

**Questions concerning other topics**

26. Which are the EU agencies (executive and decentralised) that potentially could participate/implement research projects under the Horizon Europe programme? How such participation could be beneficial for the respective agency and the EU objectives, and are there concrete examples of such participation?

**Commission’s answer:**

The implementation of programmes via the Executive Agencies is a success story, and the Commission is delegating increasing amounts of budget to these entities compared to previous MFF. There are 5 executives agencies implementing part of the Horizon Europe programme and its legacy: REA, ERCEA, EISMEA, CINEA and HaDEA. The decision of the portfolios of these agencies was supported by a cost-benefit analysis that shows that the new portfolios are cost-effective and ensure a strong thematic focus. Executive agencies are represented in the Horizon Europe Executive Committee which is the body responsible for a coherent planning, programming and implementation of Horizon Europe.

Decentralised Agencies may be involved in Horizon Europe-funded actions in a number of ways. They may implement part of the budget in indirect management mode (i.e., ESA, EUSPA) or in some cases be involved as participants or collaborating with participants. The participation of Decentralised Agencies in European cofounded Partnerships can also be mentioned (i.e. PARC). This involvement of the Decentralised Agencies may be in the interest of a specific research project and/or in the interest of an Agency to increase its expertise. The Commission may also consult Decentralised agencies and benefit of their expertise during the Horizon Europe strategic planning, the preparation of the work programme or the review of progress of Horizon Europe actions. In practice, this involvement is discussed on a case-by-case basis between the Decentralised agencies and their partner DGs and if necessary, with the central services.

Joint Undertakings set out under Article 187 TFEU are also involved in the execution of Horizon Europe, implementing around EUR 10 billion through indirect management. These funding bodies are partnerships between the EU, on the one hand, and private, research or national stakeholders on the other hand. They set their own research agendas, mobilising the knowledge of their members. In addition, they benefit the framework
Committee on Budgetary Control

programme by requiring their private members to match EU funding by an equivalent amount of financial or in-kind contributions, effectively doubling their budget. As the Executive agencies, they are represented in the Horizon Europe Executive Committee.

27. What is the current situation of the participation of HU Universities in Erasmus?

**Commission’s answer:**

Hungary is not excluded from participation in the Erasmus+ programme: the Council Implementing Decision adopted on 15 December 2022, affects only entities, including universities, linked to Public Interest Trusts (PITs). Other Universities can receive the Erasmus+ funds and the Hungarian National Agency in charge of Erasmus+ has awarded, notified and signed the grant agreements for the 2023 Erasmus+ mobilities with the non-PIT universities only. The measure imposed by the Council Implementing Decision can be lifted provided Hungary demonstrates that it has remedied the situation that led to its adoption. For that purpose, Hungary must formally notify the relevant information and evidence to the Commission, which is responsible for assessing it and making a proposal to the Council, if appropriate. Hungary has not submitted any such formal notification so far. The Commission continues its dialogue with the Hungarian authorities with the objective to remedy the risks for the Union budget identified in the Council Implementing Decision.

28. As a former member of the ECA, you must be aware of the strong points and the weak ones in relation to the financing instruments in your portfolio. What would you say are the main points to improve in the financing/control of programmes such as Horizon Europe and Erasmus?

**Commission’s answer:**

Complex rules remain the main source of errors and a significant barrier for small organisations that want to access to R&I funding through Horizon Framework Programmes. Increased use of simplified cost options, in particular lump sums and unit costs, is the key measure to address complexity while increasing simplification.

To improve the efficiency and proportionality of controls, the Commission will explore advanced ICT solutions including artificial intelligence. The analysis of both internal and publicly available datasets can replace individual reporting, at least in part. The aim is to simplify and whenever possible, streamline the reporting duties for beneficiaries. This would reduce the burden of administration for beneficiaries and translate into efficiency gains for the Commission services managing the programmes, without compromising the quality of controls.

Erasmus+ the programme is being rolled out on the basis of 37 years of experience, which helped to fine-tune the funding rules, management mode and control systems within the remits of the programme. The vast majority of the programme budget being
implemented through indirect management mode, particular attention has been given to providing guidance to the National Agencies and to setting up an appropriate monitoring and supervision system for those Agencies. This includes desk review of the Agencies work programmes, final reports and audit certificates, and also on-the-spot visits and external audits. Despite the inevitable differences in their specific operating frameworks, the way the budget under indirect management has been implemented so far has overall been very satisfactory and has provided sufficient assurance to the authorising officer. Any occasional issues (especially those resulting in partial assurance of a given Agency) have been specifically, closely and timely followed up with the Agencies concerned. As far as direct management is concerned, EACEA regularly reports to its supervising DGs including EAC and follow up of possible issues is as close and timely as under indirect management mode. No specific item has been flagged in the annual activity report to the Commissioner and potential risks are timely addressed and followed up at the relevant level. All this confirms the appropriateness of the current financing/control system devised for Erasmus+.