

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

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission⁴⁰, I have reported my advice and recommendations to the Director on the overall state of internal control in the ERC Executive Agency.

I hereby certify that the information provided in Parts 2 and 3.1 of the present AAR and in its annexes 2 to 5 is, to the best of my knowledge, accurate and exhaustive.

Yves Paternoster

Head of Department D Resources and Support
Internal Control Coordinator

[signed in ARES]

⁴⁰ SEC(2003)59 of 21.01.2003.

ANNEX 2 - Human and Financial resources by ABB Activity

2.1 Human Resources by ABB activity

The table listed below details the total staff employed within the ERCEA as of 31.12.2010. These data do not constitute full-time-equivalent units throughout the year.

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

At the end of December 2010, the Agency employed a total of 316 agents, representing an overall increase of 20% compared to year end 2009, and corresponding to 96% of the maximum number of staff authorised in the 2010 administrative budget and to 99% of the target set in the Annual Work Programme 2010 (320 staff).

During the period reported, 73 staff members were recruited, the majority of newcomers (77%) being allocated to operational departments. This results in 68% of total Agency staff being allocated to ERCEA operational activities, the Scientific Management Department accounting for 42% and the Grant Management Department for 26% of total staff.

In addition, a turnover of 6,5% of average active staff in 2010 was observed and is due to the attraction of official positions in the European Commission and temporary agent positions in other EU agencies.

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

Budget line	Budget line description	APPROPRIATIONS 2010 (C1)			APPROPRIATIONS carried over (C8)	
		Available appropriations 2010	Commitments 2010	Payments 2010	Amounts of appropriations carried over from 2009	% implementation on appropriations carried over from 2009
Title 1	Staff expenditure	19.032.220	19.006.953	18.726.137	281.651	70,9%
Title 2	Infrastructure and operating expenditure	10.254.780	10.102.669	8.830.604	2.211.883	89,4%
	TOTAL	29.287.000	29.109.622	27.556.741	2.493.534	87,3%

ANNEX 3 - Draft annual accounts and financial reports

Annex 3 Financial Reports - DG ERCEA - Financial Year 2010

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Economic Outturn Account

Table 6 : Average Payment Time Limits

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Contracts (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Additional comments

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title 08 : Research				
08 10	Ideas	1.180,37	1.179,97	99,97 %
Total Title 08		1.180,37	1.179,97	99,97 %
Total DG ERC		1.180,37	1.179,97	99,97 %

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

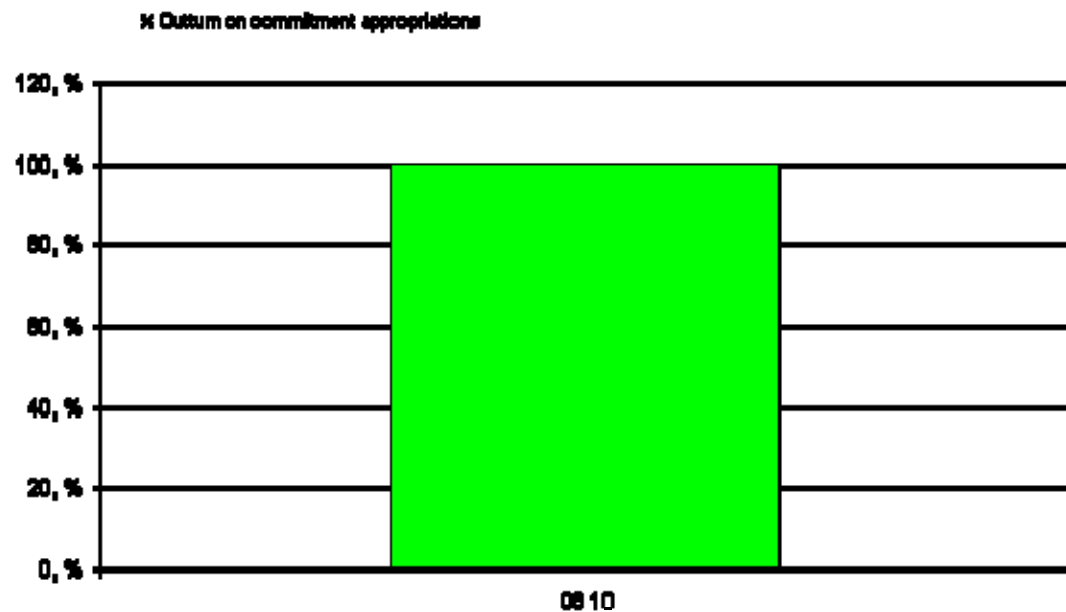


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title 08 : Research				
08 10	Ideas	711,33	547,51	76,97 %
Total Title 08		711,33	547,51	76,97 %
Total DG ERC		711,33	547,51	76,97 %

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

% Outturn on payment appropriations

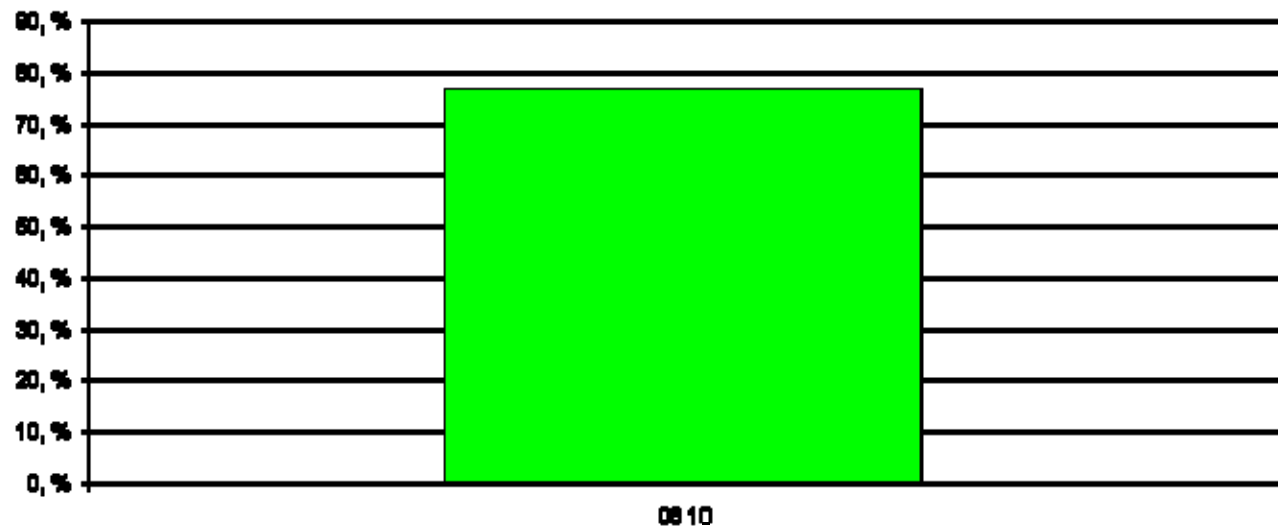


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio €)

Chapter	2010 Commitments to be settled				Commitments to be settled from financial years previous to 2010	Total of Commitments to be settled at end of financial year 2010 (incl.corrections)	Total of Commitments to be settled at end of financial year 2009 (incl.corrections)	
	Commitments 2010	Payments 2010	RAL 2010	% to be settled				
	1	2	3=1-2	4=1-2//1	5	6=3+5	7	
Title 08 : Research								
08 10	Ideas	1.179,97	160,98	1.018,99	86,36 %	877,54	1.896,53	1.268,24
Total Title 08		1.179,97	160,98	1.018,99	86,36 %	877,54	1.896,53	1.268,24
Total DG ERC		1.179,97	160,98	1.018,99	86,36 %	877,54	1.896,53	1.268,24

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

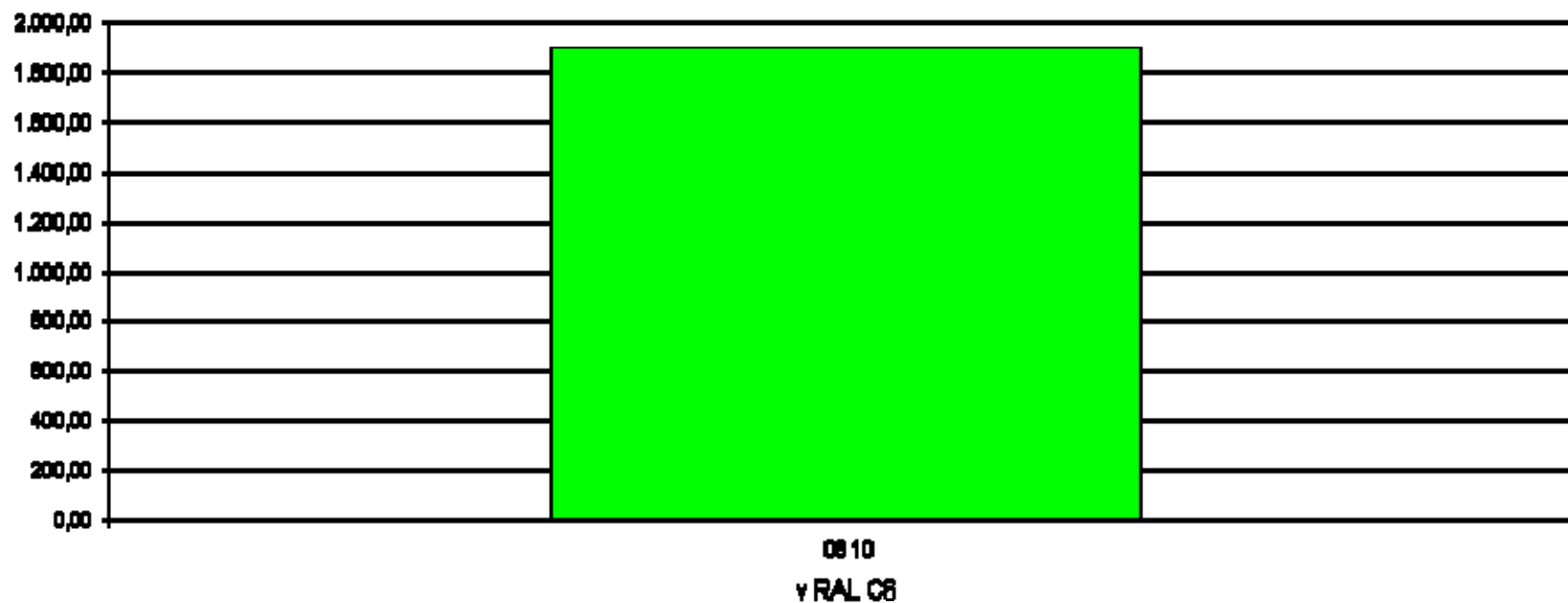


TABLE 4 : BALANCE SHEET ERCEA

BALANCE SHEET	2010	2009
A.I. NON CURRENT ASSETS	134.138.488,70	62.919.519,25
A.I.5. LT Pre-Financing	134.138.488,70	62.919.519,25
A.II. CURRENT ASSETS	353.584.219,39	182.789.821,82
A.II.2. Short-term Pre-Financing	352.695.779,11	182.329.477,80
A.II.3. Short-term Receivables	888.440,28	460.344,02
ASSETS	487.722.708,09	245.709.341,07
P.III. CURRENT LIABILITIES	-24.992.784,91	-3.960.122,73
P.III.4. Accounts Payable	-24.992.784,91	-3.960.122,73
LIABILITIES	-24.992.784,91	-3.960.122,73
NET ASSETS (ASSETS less LIABILITIES)	462.729.923,18	241.749.218,34
P.I.2. Accumulated Surplus / Deficit	0,00	
Non-allocated central (surplus)/deficit*	-462.729.923,18	-241.749.218,34
TOTAL	0,00	0,00

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

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

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

TABLE 5 : ECONOMIC OUTTURN ACCOUNT ERCEA

ECONOMIC OUTTURN ACCOUNT	2010	2009
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	325.935.285,57	209.295.993,06
II.1.1. OPERATING REVENUES	-29.224,96	
II.1.1.1. Other operating revenue	-29.224,96	
II.1.2. OPERATING EXPENSES	325.964.510,53	209.295.993,06
II.1.2.1. Administrative Expenses	0,00	0,00
II.1.2.2. Operating Expenses	325.964.510,53	209.295.993,06
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	-1.791.750,87	-472.166,76
II.2. FINANCIAL OPERATIONS	-1.791.750,87	-472.166,76
II.2.1. Financial revenue	-1.791.750,87	-472.166,76
ECONOMIC OUTTURN ACCOUNT	324.143.534,70	208.823.826,30

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2010 - DG ERCEA

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	60	55	91,67 %	20,49	5	8,33 %	38,80
45	2955	2915	98,65 %	16,32	40	1,35 %	64,30
105	508	508	100,00 %	17,15			

Total Number of Payments	3523	3478	98,72 %		45	1,28 %	
Average Payment Time	17,08			16,51			61,47

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	594	550	92,59 %	9,07	44	7,41 %	30,89
30	2427	2186	90,07 %	16,16	241	9,93 %	41,28
90	502	501	99,80 %	16,84	1	0,20 %	103,00

Total Number of Payments	3523	3237	91,88 %		286	8,12 %	
Average Payment Time	17,08			15,06			39,90

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	30	557	15,81 %	3523	100.044.978,49	20,57 %	486.436.137,49

Late Interest paid in 2010

DG	GL Account	Description	Amount (Eur)

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2010

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	balance	
	1	2	3=1+2	4	5	6=4+5	7=3-6	
Title 5: REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTION								
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	1.381.307,82	13.580,02	1.394.887,84	1.360.886,31	13.580,02	1.374.466,33	20.421,51
	Total Title 5	1.381.307,82	13.580,02	1.394.887,84	1.360.886,31	13.580,02	1.374.466,33	20.421,51
Title 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY/EU AGREEMENTS AND PROGRAMMES								
66	OTHER CONTRIBUTIONS AND REFUNDS	1.039.405,22	0,00	1.039.405,22	1.012.596,42	0,00	1.012.596,42	26.808,80
	Total Title 6	1.039.405,22	0,00	1.039.405,22	1.012.596,42	0,00	1.012.596,42	26.808,80
Title 9: MISCELLANEOUS REVENUE								
90	MISCELLANEOUS REVENUE	2.416,16	0,00	2.416,16	0,00	0,00	0,00	2.416,16
	Total Title 9	2.416,16	0,00	2.416,16	0,00	0,00	0,00	2.416,16
Total DG ERC		2.423.129,20	13.580,02	2.436.709,22	2.373.482,73	13.580,02	2.387.062,75	49.646,47

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

RECOVERY ORDERS ISSUED IN 2010 Year of Origin (commitment)	Error		No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2008	5	34.007,14	4	360.280,01	9	394.287,15
2009			2	637.002,00	2	637.002,00
2010			2	7.871,06	2	7.871,06
No Link			1	2.416,16	1	2.416,16
	5	34.007,14	9	1.007.569,23	14	1.041.576,37

EXPENSES

	Nbr	Amount
INCOME LINES IN INVOICES	0	

	Error		Irregularity		No error / irregularity	
	Nbr	Non-Eligible Amount	Nbr	Non-Eligible Amount	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	37	366.944,95	7	91.941,45	2	2.901,44

	No error / irregularity	
	Nbr	Credit Note Amount
CREDIT NOTES	2	-11.686,12

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2010 FOR ERCEA

Year of Origin	Number at 01/01/2010	Number at 31/12/2010	Evolution	Open Amount (Eur) at 01/01/2010	Open Amount (Eur) at 31/12/2010	Evolution
2009	2		-100,00 %	13.580,02		-100,00 %
2010		13			49.646,47	
Totals	2	13	550,00 %	13.580,02	49.646,47	265,58 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2010 >= EUR 100.000

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

Number of RO waivers

0

Justifications:

No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG ERCEA - YEAR 2010

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

No data to be reported

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

Internal procedures > €60,000
Contract Class
TOTAL

Procedure Type
TOTAL

External procedures > €10,000
Contract Class
TOTAL

Procedure Type
TOTAL

Additional comments

No data to be reported

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)
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No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)
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No data to be reported

Annex 3 Financial Reports - ERC - Financial Year 2010

Administrative Budget

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Economic Outturn Account

Table 6 : Average Payment Time Limits

Table 7 : Income

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Table 10 : Waivers of Recovery Orders

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title A-1 FRAIS DE PERSONNEL				
A-11	Personnel en activité	17,77	29,11	163,85 %
A-12	Frais divers de recrutement, de prise de fonction	0,17	29,11	16853,26 %
A-13	Frais de missions, de déplacements et autres dépen	0,31	29,11	9390,20 %
A-14	Infrastructure à caractère socio-médical	0,52	29,11	5585,22 %
A-16	Service Social, autres interventions	0,23	29,11	12601,57 %
A-17	Frais de réception et de représentation	0,03	29,11	92411,50 %
Total Title A-1		19,03	174,66	152,95 %
Title A-2 FRAIS DE FONCTIONNEMENT				
A-20	Immeubles et frais accessoires	4,05	29,11	719,41 %
A-21	Traitement des données	3,79	29,11	767,45 %
A-22	Biens, meubles et frais accessoires	0,11	29,11	27197,63 %
A-23	Dépenses de fonctionnement administratif courant	0,08	29,11	36004,48 %
A-24	Affranchissement et Télécommunications	0,72	29,11	4054,26 %
A-25	Frais de réunions internes	0,01	29,11	415851,75 %
A-26	Frais administratifs liés aux activités opérationn	0,96	29,11	3031,14 %
A-27	Dépenses avec les entités consolidées	0,54	29,11	5368,88 %
Total Title A-2		10,25	232,88	283,86 %
TOTAL ERC%		29,29	407,53	99,39 %

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

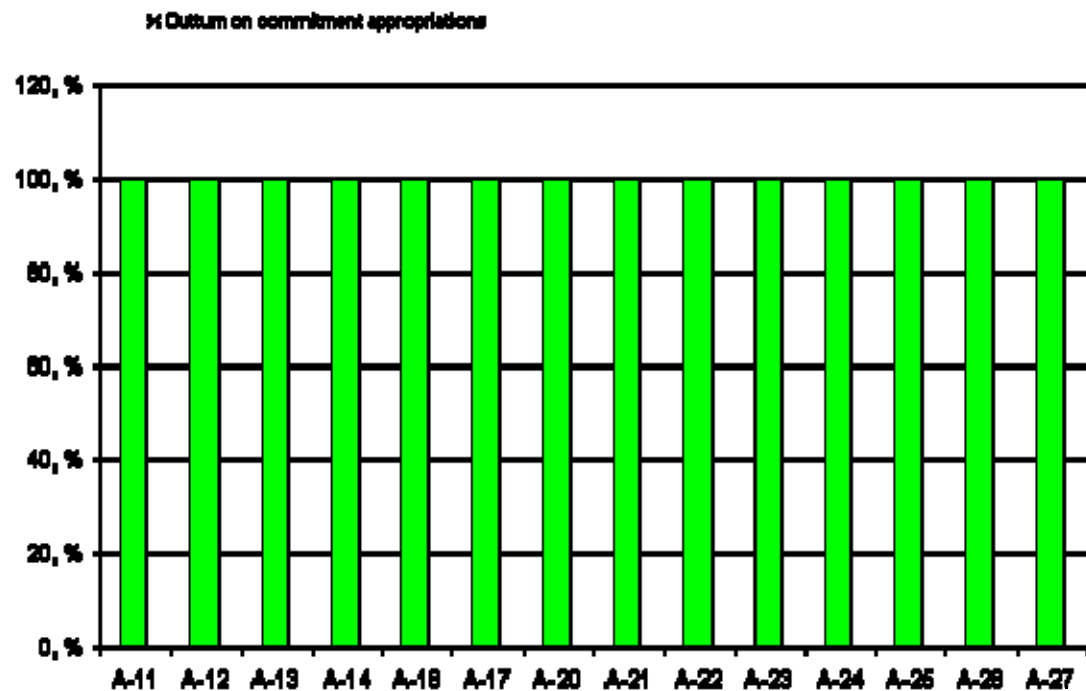


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)

Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
TITLE A-1 FRAIS DE PERSONNEL				
A-11	Personnel en activité	17,77	17,77	99,98 %
A-12	Frais divers de recrutement, de prise de fonction	0,21	0,17	83,99 %
A-13	Frais de missions, de déplacements et autres dépen	0,36	0,30	85,16 %
A-14	Infrastructure à caractère socio-médical	0,65	0,44	67,32 %
A-16	Service Social, autres interventions	0,24	0,22	92,68 %
A-17	Frais de réception et de représentation	0,09	0,02	22,36 %
TOTAL A-1		19,31	18,93	97,99 %

TITLE A-2 FRAIS DE FONCTIONNEMENT				
A-20	Immeubles et frais accessoires	4,38	3,99	91,09 %
A-21	Traitement des données	5,01	4,36	87,06 %
A-22	Biens, meubles et frais accessoires	0,36	0,32	87,53 %
A-23	Dépenses de fonctionnement administratif courant	0,16	0,13	80,69 %
A-24	Affranchissement et Télécommunications	0,76	0,75	99,71 %
A-25	Frais de réunions internes	0,01	0,01	79,70 %
A-26	Frais administratifs liés aux activités opérationn	1,09	0,64	58,79 %
A-27	Dépenses avec les entités consolidées	0,70	0,61	86,76 %
TOTAL A-2		12,47	10,81	86,70 %

TOTAL ERC%		31,78	29,73	93,56 %
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* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

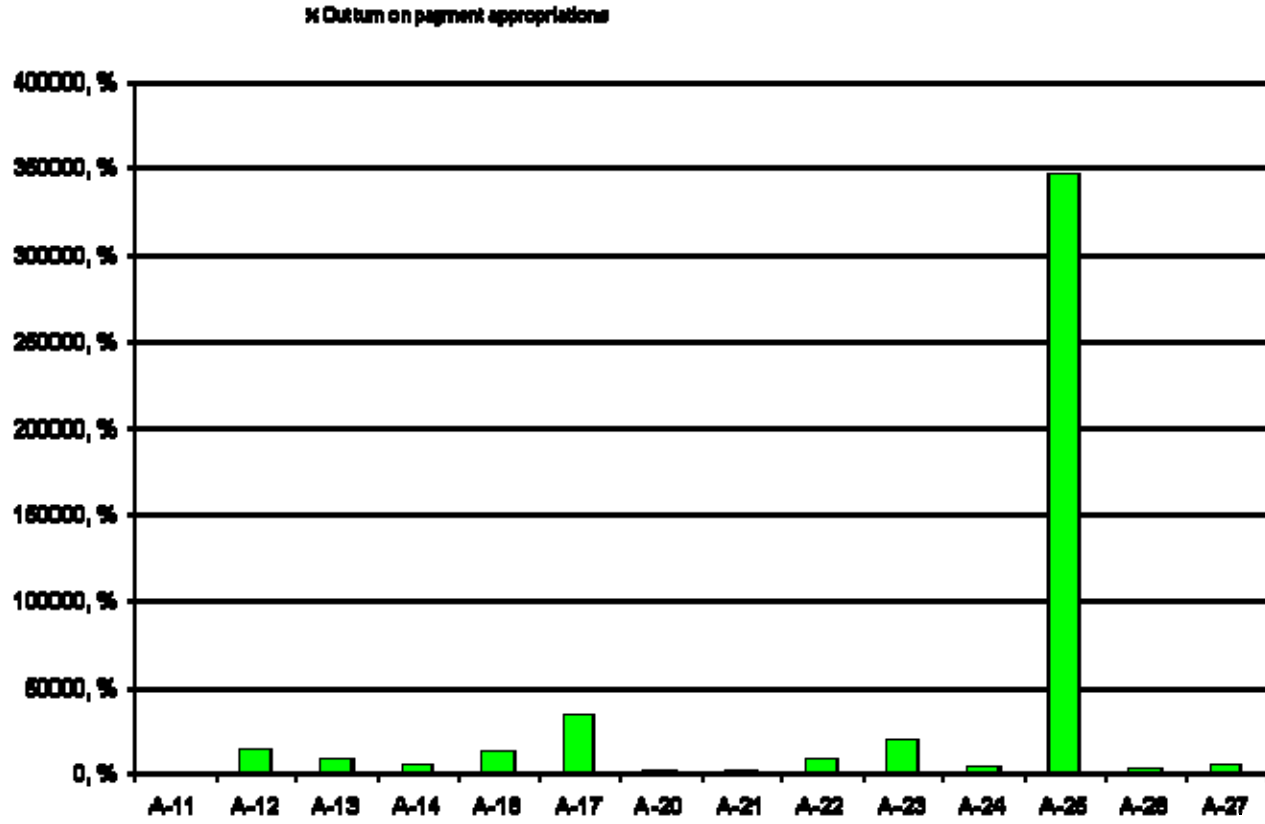


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio €)

2010 Commitments to be settled					
Chapter		Commitments 2010	Payments 2010	RAL 2010	% to be settled
		1	2	3=1-2	4=1-2//1
Title A-1 FRAIS DE PERSONNEL					
A-11	Personnel en activité	29,11	-27,56	1,55	5,33 %
A-12	Frais divers de recrutement, de prise de fonction	29,11	-27,56	1,55	5,33 %
A-13	Frais de missions, de déplacements et autres dépen	29,11	-27,56	1,55	5,33 %
A-14	Infrastructure à caractère socio-médical	29,11	-27,56	1,55	5,33 %
A-16	Service Social, autres interventions	29,11	-27,56	1,55	5,33 %
A-17	Frais de réception et de représentation	29,11	-27,56	1,55	5,33 %
Total Title A-1		174,66	-27,56	9,32	5,33 %

Title A-2 FRAIS DE FONCTIONNEMENT					
A-20	Immeubles et frais accessoires	29,11	-27,56	1,55	5,33 %
A-21	Traitement des données	29,11	-27,56	1,55	5,33 %
A-22	Biens, meubles et frais accessoires	29,11	-27,56	1,55	5,33 %
A-23	Dépenses de fonctionnement administratif courant	29,11	-27,56	1,55	5,33 %
A-24	Affranchissement et Télécommunications	29,11	-27,56	1,55	5,33 %
A-25	Frais de réunions internes	29,11	-27,56	1,55	5,33 %

A-26	Frais administratifs liés aux activités opérationn	29,11	-27,56	1,55	5,33 %
A-27	Dépenses avec les entités consolidées	29,11	-27,56	1,55	5,33 %
Total Title A-2		232,88	-27,56	12,42	5,33 %

TOTAL ERC%		407,53	-27,56	21,74	5,33 %
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Breakdown of Commitments remaining to be settled (in Mio EUR)

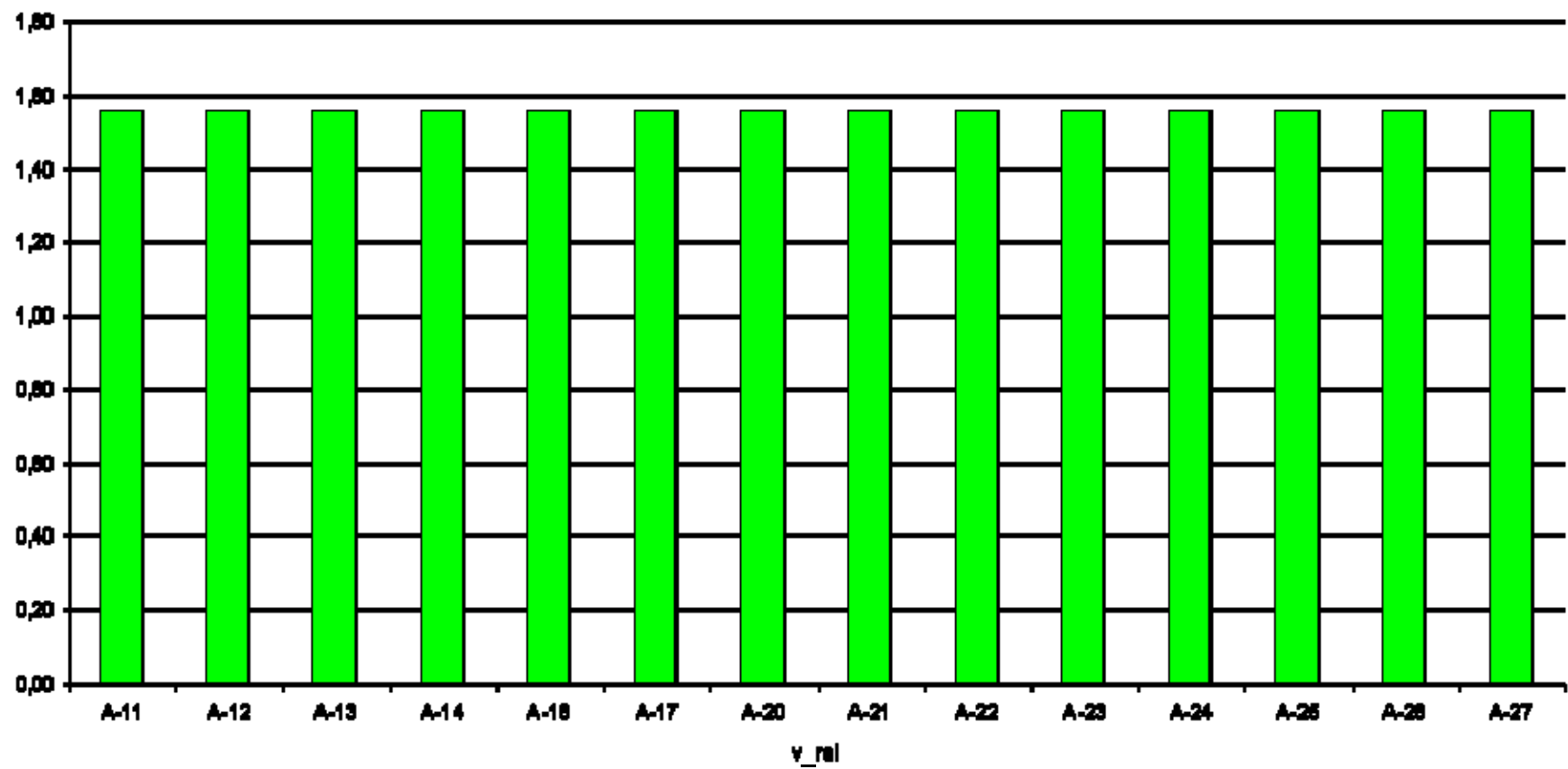


TABLE 4 : BALANCE SHEET ERC

BALANCE SHEET	2010	2009
A.I. NON CURRENT ASSETS	5.831.377,04	5.687.317,98
A.I.1. Intangible Assets	539.372,00	37.618,00
A.I.2. Property, plant and equipment	5.292.005,04	5.649.699,98
A.II. CURRENT ASSETS	3.741.917,02	4.124.457,96
A.II.2. Short-term Pre-Financing	0,00	
A.II.3. Short-term Receivables	1.950.677,09	1.948.278,38
A.II.5. Cash and Cash Equivalents	1.791.239,93	2.176.179,58
ASSETS	9.573.294,06	9.811.775,94
P.II. NON CURRENT LIABILITIES	0,00	-169.027,24
P.II.2. Long-term provisions	0,00	-169.027,24
P.III. CURRENT LIABILITIES	-1.879.495,51	-1.388.525,65
P.III.2. Short-term provisions	0,00	0,00
P.III.4. Accounts Payable	-1.879.495,51	-1.388.525,65
LIABILITIES	-1.879.495,51	-1.557.552,89
NET ASSETS (ASSETS less LIABILITIES)	7.693.798,55	8.254.223,05
P.I.2. Accumulated Surplus / Deficit	-8.254.223,05	
Non-allocated central (surplus)/deficit	560.424,50	-8.254.223,05
TOTAL	0,00	0,00

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

TABLE 5 : ECONOMIC OUTTURN ACCOUNT ERC

ECONOMIC OUTTURN ACCOUNT	2010	2009
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVIT	547.051,10	-8.255.529,01
II.1.1. OPERATING REVENUES	-29.442.936,82	-19.734.578,35
II.1.1.1. Other operating revenue	-29.442.936,82	-19.734.578,35
II.1.2. OPERATING EXPENSES	29.989.987,92	11.479.049,34
II.1.2.1. Administrative Expenses	29.986.083,26	11.309.394,41
II.1.2.2. Operating Expenses	3.904,66	169.654,93
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	13.373,40	1.306,02
II.2. FINANCIAL OPERATIONS	13.373,40	1.306,02
II.2.2. Financial expenses	13.373,40	1.306,02
III.2. Extraordinary Gains		-0,06
III.2. Extraordinary Gains		-0,06
III.2. Extraordinary Gains		-0,06
III.3. Extraordinary Losses	0,00	
III.3. Extraordinary Losses	0,00	
III.3. Extraordinary Losses	0,00	
ECONOMIC OUTTURN ACCOUNT	560.424,50	-8.254.223,05

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

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2010 - ERC

Legal Times

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	325	262	80,62 %	14,94	63	19,38 %	46,30
45	1091	964	88,36 %	17,79	127	11,64 %	80,42
60	93	87	93,55 %	37,24	6	6,45 %	67,33
Total Number of Payments	1509	1313	87,01 %		196	12,99 %	
Average Payment Time	25,07			18,51			69,05

Target Times

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	1509	1114	73,82 %	14,66	395	26,18 %	54,44
Total Number of Payments	1509	1114	73,82 %		395	26,18 %	
Average Payment Time	25,07			14,66			54,44

Suspensions

Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	34	76,	5,04 %	1.509,	468.709,55	3,20 %	14.656.361,89

Late Interest paid in 2010

DG	GL Account	Description	Amount (Eur)
European Research Co	65010000	Interest expense on late payment of charges	13 247,56
			13 247,56

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2010

Title	Description	Year of Origin	Revenue and Income recognized	Revenue and Income cashed	Outstanding Balance
20-0	Subsidy from the Commission	2009	2.203.072,17	2.203.072,17	0,00
20-0	Subsidy from the Commission	2010	29.226.841,08	29.226.841,08	0,00
91-0	Recuperation of expenses	2010	22.007,04	0,00	22.007,04
TOTAL			29.248.848,12	31.429.913,25	22.007,04

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

RECOVERY ORDERS ISSUED IN 2010 Year of Origin (commitment)	Follow Up		No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2009	1,	13.317,93			1,	13.317,93
No Link			2,	922,08	2,	922,08
Sum:	1,	13.317,93	2,	922,08	3,	14.240,01

EXPENSES

	Nbr	Amount
INCOME LINES IN INVOICES	0,	

NON ELIGIBLE AMOUNT IN COST CLAIMS

	Nbr	Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	0,	

CREDIT NOTES

	Nbr	Amount
CREDIT NOTES	0,	

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2010 FOR ERC

Year of Origin	Number at 01/01/2010	Number at 31/12/2010	Evolution	Open Amount (Eur) at 01/01/2010	Open Amount (Eur) at 31/12/2010	Evolution
2009	3		-100,00 %	161.259,97		-100,00 %
2010		7			26.645,64	
Totals	3	7	75,00 %	161.259,97	26.645,64	-98,79 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2010 >= EUR 100.000

Waiver Central Key	Linked RO Central Key	RO Accepted amount (Eur)	LE Account Group	Commission Decision	Comments
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Total ERC	
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Number of RO waivers	0
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Justifications:

ANNEX 4 - Materiality criteria

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

The control objective is to ensure for each FP that the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of the management cycle. This objective is to be reassessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

Notwithstanding the multiannual span of their control strategy, the Director Generals of the Research DGs are required to sign a statement of assurance for each financial year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen. In view of the crucial role of ex-post audits defined in the common FP6 and FP7 audit strategies, this assessment needs to check in particular whether the scope and results of the ex-post audits carried out until the end of the reporting period are sufficient and adequate to meet the multiannual control strategy goals.

Effectiveness of controls

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

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

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

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

$$resER\% = \frac{(repER\% * (P - A)) - (repERsys\% * E)}{P}$$

Where:

- | | |
|-----------|---|
| resER% | is residual error rate, expressed as a percentage. |
| repER% | is the representative error rate, or error rate detected in the representative sample. |
| repERsys% | is the systematic portion of the RepER, expressed as a percentage. The repER% is composed of two portions reflecting the systematic and non-systematic errors detected. |
| P | is the total EU contribution in Euros of the auditable population (as budgeted amounts at the level of participations in FP6, and as claimed EU contributions at the level of cost statements in FP7). |
| A | is the value of the EU contribution of all audited amounts, expressed in Euros. |
| E | is the total non-audited amounts in Euros of all audited beneficiaries (as budgeted amounts at the level of participations in FP6, and as claimed EU contributions at the level of cost statements in FP7). ⁴¹ The control objective is to ensure that the |

⁴¹ Note these do not only include those participations by beneficiaries subject to recoveries resulting from extrapolation. The amount also includes those for which it has been determined that they were not affected by systematic errors and, in consequence, no extrapolation has been launched. This also includes beneficiaries audited by other Research Commission services.

residual error rate on the overall population is below 2% at the end of the management cycle.

If the residual error is less than 2%, no reservation would be made.

If the residual error rate is between 2 and 5%, an additional evaluation needs to be made of both quantitative and qualitative elements in order to make a judgement as of the significance of these results, in accordance with the Commission guidelines for defining materiality, and to assess whether the measures in place are deemed sufficient in view of the control target.

In case the residual error is higher than 5%, a reservation would be made and an additional action plan should be drawn up.

These thresholds are consistent with those retained by the Court of Auditors for its annual assessment of the effectiveness of the controls systems operated by the Commission, where if the error rate exceeds 5% the Court's overall assessment is "unsatisfactory"; between 2% and 5% "partially satisfactory"; and below 2% "satisfactory". The alignment of criteria is intended to contribute to enhanced clarity and consistence during the Discharge discussions.

In case an adequate calculation of the residual error rate is not possible for a FP for reasons not involving control deficiencies,⁴² the consequences are to be assessed quantitatively by estimating the likely exposure for the reporting year. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas.

Adequacy of the audit scope

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

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

A multiannual control strategy requires a multiannual perspective to assurance

It does not suffice to assess the effectiveness of controls during the period of reference to decide whether the statement of assurance should be qualified with a reservation because the control objective is set in the future. The analysis must also include an assessment of their likely performance in subsequent years and give adequate consideration to the risks identified and the preventive and remedial measures in place. This would then result in an assessment of the likelihood that the control objective will be met in the future.

Materiality is assessed for each Framework Programme

In any given year, DG Research and Innovation manages financial operations under the several Framework Programmes. Each is managed under different sets of regulatory and contractual provisions. Therefore, the assessment of the performance of the internal controls has to take into account these differences.

⁴² Such as, for instance, during the first few years of implementation of the FP, when the limited number of auditable cost statements submitted do not allow for a sufficient number of representative audits to be completed in order to calculate the detected error rate.

ANNEX 5 - Internal Control Template for budget implementation

Indirect centralised management of the Ideas Programme.

1. The control environment

Summary: ERC EA Research Projects are financed through the reimbursement of eligible costs.

The ERCEA operations are characterised by a large number and wide range of projects in the area of 'frontier' research, evaluated on the basis of the sole criteria of 'excellence'. The majority of ERC EA grants are managed by mono-beneficiary Host Institutions (92,75%) with a public entities profile (78,39%). ERCEA's population of beneficiaries (Host Institutions) is concentrated, as almost 50% of ERCEA's budget represents 13% of its Host Institutions.

Key inherent risks in this environment:

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

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

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

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

(3) Risk of ineligible costs

Based on a complex legal framework, the ERCEA implements a system based on the reimbursement of "actual eligible costs" declared by the beneficiaries. Considering the large number of criteria to be complied with, which require beneficiaries to maintain specific extra-accounting records (excluding for example VAT, duties...) combined to a potential lack of expertise in managing EU funded grant agreements, there is a risk of error in reporting actual eligible costs.

Accountability structures:

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

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

The administrative budget is adopted by the Steering Committee in full compliance with the operating grant and establishment plan listed in the Union's general budget and approved by the Budgetary Authority. The Director of the Agency is the Authorising Officer for the administrative budget. The Head of the Resources and Support Department is the Authorising Officer by Delegation for the administrative budget for payments above €500.000 and all commitments, which are based on a centralised financial circuit with lowered responsibilities: the Head of the Budget Cell acts as Authorising Officer by sub-delegation for all payments below €500.000. The administrative budget team (the Budget cell) was transferred on the organisational chart under the direct responsibility of

the Head of Department D. As for the Operational Budget, the Director of the Agency is the Authorising Officer by delegation and the Head of the Grant Implementation Department is Authorising Officer by sub-delegation, reflecting decentralised financial circuits.

The Director reports on the performance of his duties to the Steering Committee and receives discharge for the implementation of the administrative budget from the Budgetary Authority.

The Internal Control Coordinator certifies the accuracy and exhaustiveness of the information on management and internal control systems as well as its annexes. The Head of the Support Services Department coordinates the use of resources throughout the Agency. In this capacity, he certifies the accuracy and exhaustiveness of the information as regards the use of resources.

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

In addition to its accountability structures, ERCEA control environment benefits also from a robust segregation of duties between financial and operational activities and between initiation and verification tasks as well as between management of the operational and administrative budgets, from management's promotion of integrity and ethical values (all staff sign a declaration of the Code of Good Conduct, staff involved in the grant selection process also sign a declaration of absence of conflict of interest, mandatory trainings are organised) and the competence of its staff, which is supported by adequate professional development.

Management mode:

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

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

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

The figures below refer to the budget execution of 2010 including all the Agency's projects currently running and signed until 31/12/2010:

Grant period: Between 24 and 60 months	58 (average period)
Average value (EUR)	€1.553.010,49
Median value (EUR)	€1.498.800,00
Range of grants (EUR)	€156.538,00 - €3.499.127,00
Percentage of grants under EUR 1 million.	22,56%
Number of coordinators/beneficiaries:	
- Mono-beneficiary grants	92,75%
- Multi-beneficiary grants	7,25%
Volume of transactions per year (number):	
- project payments	1138
- expert payments	2413

2. Stages and actors and main issues addressed at each stage	
<p>The planning, programming, monitoring and reporting processes in place</p>	<p>ERCEA's <u>Annual Work Programme</u> is submitted to the Commission for approval before formal adoption by the Steering Committee.</p> <p>An <u>annual management risk assessment</u> and continuous monitoring of the implementation of related action plan are performed.</p> <p><u>Monitoring of progress</u> towards the achievement of the objectives of the Annual Work Programme is done through the quarterly reporting to the parent DGs and through the Agency's Annual Activity Report (AAR), which is annexed to the AAR of the parent DG.</p> <p>In addition, the <u>continuous monitoring of performance</u> is ensured by various mechanisms as regular management meetings; follow up of KPIs and scoreboards, the assessment of management's supervision under ICS 9 and the exceptions reporting procedure.</p>
<p>Selection process (of beneficiaries, intermediaries, agencies etc.), including preventive measures</p>	<p>The Ideas Calls for Proposals are based on the Ideas Work Programme, developed by the ERC Scientific Council (ScC) and adopted by the Commission. The Work Programme sets out the criteria for eligibility and evaluation, and provides an overview of the evaluation process.</p> <p>Key controls and mitigating measures of the evaluation of proposals process:</p> <ul style="list-style-type: none"> - The systematic IT based screening for <u>eligibility</u>, further complemented when required by an eligibility review carried out by the Eligibility Committee set-up by the Agency. - A <u>two-step evaluation of proposals process</u> approach) is carried out by independent scientific experts identified by the ERC Scientific Council and appointed by the Agency. For each Call, experts are grouped into 25 review panels, each consisting of about 14 "eminent scientific experts". The Panels assess and rank the proposal against the criteria of the ERC Work Program with the support, when necessary, of specialist remote referees, who are not members of the Panel itself. - A <u>conflict of interest procedure</u> is set up for independent experts: The Agency has established controls to ensure that the experts involved in the evaluations have no direct or indirect links with the proposals, which could pose a potential risk of a conflict of interest. <p>In conformity with the existing Rules, all experts work under the provisions of an Appointment letter, which obliges them to disclose any conflict of interest and to abstain from any evaluation work that would engender a conflict of interest. To enforce these provisions, controls and checks are carried out by the Agency scientific staff as defined in the Rules.</p> <p>Briefings to experts on the importance attached to the conflict of interest issue and the obligation on experts to disclose any conflicts.</p> <ul style="list-style-type: none"> - <u>Registration of experts</u> is ensured in the Commission's common database of independent experts. - <u>Independent approval of ranking lists by the Scientific Council</u>: As a result of the "step-2 review", a ranking list per panel is decided. A "consolidation exercise" is then conducted, to coordinate the work of all panels, in order to draw up ranked reserve lists for each domain to be recommended for funding, and further to draw up a ranking list to be recommended for funding from the interdisciplinary budget. All ranking lists are sent to the Scientific Council for approval after which the Agency adopts the final list of approved proposals and proceeds to the grant awarding procedure with successful applicants. The order

	<p>of ranking lists may be modified only upon the approval of the Scientific Council and DG Research and Innovation.</p> <ul style="list-style-type: none"> - The processing of evaluation results include <u>specific quality control procedures</u> which provide assurance that the evaluation procedure and results were subject to a quality control in conformity with ERC rules for submission of proposals and related evaluation and ERC Work Programme. These documents signed by respectively the evaluation panel (chair and members), the call coordinator, the relevant Head of Unit and Head of Department ensure the President of the Scientific Council, who approves the "evaluation dossier", including the main rank list of proposals to be funded, that the evaluation process has been performed in compliance with rules and procedures. - A quality control ensures that the most appropriate <u>feedback</u> is provided to applicants. - <u>Regular and independent monitoring</u> of the evaluation process is performed by the Scientific Council: The Agency provides regular reports to the Scientific Council as regards the progress made during the evaluation process. Members of the Scientific Council may attend panel meetings as observers, but they have no powers to influence the decision-making.
<p>Preventive and detective measures to improve the quality of financial management and provision of supporting data by beneficiaries, contractors and intermediaries</p>	<p>The following communication activities with proposals applicants and beneficiaries aim at ensuring a good level of grant beneficiary's information and thus to prevent errors to occur:</p> <ul style="list-style-type: none"> - <u>Calls for proposals</u> are published in the Official Journal of the EU, on CORDIS and on the website of the ERC; the Call text defines details the specific evaluation criteria and the application of the criteria regarding financial data to help prepare the budgets; - <u>Administrative and financial guidelines</u> to help prepare the proposals are available on CORDIS and on the website of the ERC; - <u>Network and info services</u>: bi-annual meetings of the ERC National Contact Points, provision of FAQ on ERC website; - <u>Project information services</u> which include databases providing information on project beneficiaries, objectives, results. <p>Key controls and preventing measures of the grant preparation and implementation process:</p> <ul style="list-style-type: none"> - Use of <u>model grant agreements</u> of the FP7 Programme adapted to the requirements of the Ideas Programme; - Under FP7 grant beneficiaries are required to contribute to a <u>participant Guarantee Fund</u>, which safeguards the ERCEA / Commission against financial losses resulting from unrecoverable debts; - <u>Legal and Financial viability checks</u> of the beneficiary (Host Institutions); - Systematic <u>check of the budget breakdown</u>, in a view of promoting compliance with the financial provisions of the Grant Agreement, are performed by project officers; - Regional dedicated workshops of a full working day for administrators in Host Institutions (<u>Outreach events</u>) are regularly organised; - <u>Continuous support</u> and replies to requests from Principal Investigators and Host Institutions for information through project officers. - <u>Training</u> is given to all staff involved in financial transactions.

	<ul style="list-style-type: none"> - <u>Detailed procedures</u> for the Agency's financial and operational activities are documented on the Agency's intranet in accordance with the ICS 8 "Processes and Procedures". - <u>Checklists</u> have been developed in order to support the correct application of the rules and procedures and encourage ownership for better control. - <u>Internal coordination of activities</u> is reinforced by horizontal FP wide working groups meeting on a regular basis. Monthly (UAF/ CAR/ ESC/ EPC) or needs basis (IT user groups/ FAIR) - In the context of the grant implementation, various measures are in place such as: <ul style="list-style-type: none"> <u>Rules of participation</u> and the <u>ERC Grant agreements</u> include provisions (1) to recover ineligible cost reimbursed by the Agency, (2) to apply penalties and (3) the obligation by the beneficiaries to provide certificates on financial statements if certain thresholds are reached. Interim and final payments are only made after thorough analysis of available <u>periodic financial management reports</u> (including the financial statement) submitted by the beneficiaries. Grant agreements foresee the possibility to conduct on-the-spot controls by the Agency's <u>ex-post control</u> function either by Agency staff or by outsourced audits as well as, by the European Court of Auditors and by OLAF. - Timely <u>follow up of ex post controls audit results</u> through close cooperation of units in department C. - Feed back from grant management & audit in general and Host Institution specific observations through <u>weekly Department coordination meetings</u>.
<p>Detective and corrective controls: payments and key milestones</p>	<p>Controls before and during the implementation period of the project</p> <ul style="list-style-type: none"> - <u>Ex-ante controls</u> are embedded in the procedures for payments which are prepared and approved in line with ICS 8. Ex-ante control is carried out in all financial transactions at the level of the verifying officer, covering both on the operational and financial aspect. - The <u>financial management procedures</u> are continuously monitored and revised if needed in order to ensure consistency with the legal framework. All procedures were validated during 2010 in line with the system put in place by the Agency and are available on the intranet. - Additional checks are provided through the <u>Certificate on Financial Statements</u> requested for every payment where the cumulative cost claim exceeds €375,000. This requirement for beneficiaries to submit a Certificate on the Financial Statements, issued by independent auditors, will lead over time to a very high coverage of all cost declared to the ERCEA. - The final payment needs to take into account the approval of <u>scientific report</u> prior to each execution. - <u>Monthly financial reports</u> on the operational budget and scoreboards are prepared and presented to the management, as well as published on the Agency's intranet.

<p>Corrective controls and audit</p>	<ul style="list-style-type: none"> - <u>Legal and financial control provisions</u> provided for in the Rules for participation and the ERC grant agreements include certificates on financial statements, risk and random based ex-post controls, recoveries of ineligible amounts and general application of liquidated damages in case of detected over-statement of costs and application of penalties. - At any time during the project's implementation period and following 5 years after the end of the project, the Commission, the European Court of Auditors or the Agency may carry out <u>on-the-spot controls</u>. - The Agency implements the <u>FP7 ex-post audit strategy</u>. Close cooperation with ex-post control units of other FP7 implementing DGs and agencies provides an opportunity to access to FP6 audit results, which can provide valuable insight in planning future controls. The cooperation includes joint audits, exchange of planning information, extrapolation of systematic error findings by one DG/EA, coordinated approach in contentious issues including central management, joint training and exchanges on Fraud prevention and detection. - The Agency draws, when analysing its portfolio of grants and Host Institutions, on the results of other EU Commission services, in order to address the Executive Agency particular situation, whereby a high share of beneficiaries are equally active in other EU programs. - Where systematic error has been detected and <u>extrapolation</u> is applied, an assurance is requested from beneficiaries concerned that these errors have been adequately addressed. Follow up audits are scheduled. - Ex-post controls of the implemented grants are performed either by own resources or by using external audit experts under the DG Research and Innovation framework contract. In addition, the ERCEA Staff accompany the Court of Auditors when ERC grants are concerned. - Ex-post audits are carried out as follows: <ul style="list-style-type: none"> A) <u>On the basis of a risk analysis</u> this may include a systematic coverage of "top 100 beneficiaries" i.e. which account for 70% of total funding granted under the program managed by the Agency. Other selection criteria include: results of previous audits, dependency on EU funding, top beneficiary in another program, new participants in the FP etc. Furthermore, in order to optimise the usage of resources, audits are carried out on beneficiaries/ grants where the likelihood of errors is considered higher. <p>The substantial systematic errors detected on the audited grants of a given beneficiary will be extrapolated to non-audited grants, if certain conditions are met. This practice, in combination with covering the top beneficiaries, will ensure that a substantial share of funding is largely free from systematic errors.</p> <p>The error rate resulting from this activity cannot be applied to the whole population of beneficiaries.</p> <ul style="list-style-type: none"> B) <u>Representative sampling to estimate error rates in the total population</u>. - All audit results in favour of the ERCEA are implemented by the authorising officers. Detected errors in favour of the EERCEA are corrected by issuing recovery orders or deducting amounts from imminent payments to the same beneficiary under the same grant. - Fraud and detection/ double funding are also considered in ex-post-controls.
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3. Supervision and monitoring of the internal control systems and audit follow up

- Procedures are in place in order to report exceptions and to record and correct internal weaknesses.
- Reports for the regular supervision (summarising errors and deficiencies found in the scope of the exercise) will be followed up to improve both the design and the effectiveness of internal controls.
- Monthly management reports on operational KPI/scoreboards pertaining to budget implementation.
- Discussion on the risk mitigation measures and risk management in line with ICS requirements (annual exercise). Six-monthly review of the implementation of the action plan developed during the annual risk management exercise.
- Feedback provided by the Agency's internal audit function, the Commission's Internal Audit Service and the European Court of Auditors. Audit recommendations are followed-up systematically.
- The Agency's annual work programme is compiled and monitored. It shows the specific objectives and tasks necessary to achieve the general objectives set forth in the Act of Delegation; a set of SMART indicators facilitates the monitoring process.
- Quarterly management reports compiled in compliance with the Act of Delegation and sent to the parent DGs and the Steering Committee showing the progress made through operational and financial scoreboards.
- Quarterly reporting on the Agency's performance to the Steering Committee meetings.
- Annual Activity Report compiled showing progress made during the year.