



Annual Activity Report 2021

Annexes

European Research Council
Executive Agency

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ANNEX 1: Statement of the Director in charge of Risk Management and Internal Control

I declare that in accordance with the Commission's communication on the internal control framework¹, I have reported my advice and recommendations on the overall state of internal control in the Executive Agency to the Executive Director.

I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 31/03/2022,

Signed in ARES

Gwennaël JOLIFF-BOTREL – RMIC

¹ C(2017)2373 of 19.04.2017.

ANNEX 2: Performance table

ERC's Specific Objectives and Result Indicators.

In order to measure the implementation of specific programmes entrusted to the ERCEA, the following results indicators stemming from the legal basis are measured:

| H2020 SP SPECIFIC OBJECTIVE 1 | | Excellent science – European Research Council (ERC) – Strengthening frontier research | | |
|---|--|---|----------------------|-----------------------------|
| Indicator | | Share of publications from ERC-funded projects which are among the top 1% highly cited per field of science | | |
| Baseline | Milestone | Target for Horizon 2020 ² | | |
| | 2021 | | | |
| New approach³ | 6.3% | 1.8% | | |
| General objective: 1 to 6⁴ Specific objective: DG Research and Innovation specific objectives related to the implementation of Horizon Europe FP From DG RTD 2020-2024 Strategic Plan | | | | |
| External Communication actions | | | | |
| Output | Indicator | Target | Baseline (Dec. 2020) | Latest results (31/12/2021) |
| Promote ERC activities and grant schemes | Number of visits to website | > 1 million | 943 607 | 908 877 |
| | Number of media mentions | > 12 000 | 14 200 | 13 400 |
| | Number of new social media followers | >50 000 | 68 000 | 46 564 |
| | Number of participants / views of ERC events | >20 000 | 13 800 | 23 700 |
| Share ERC research results | Number of ERC stories | >200 | 334 | 305 |

² The reference for this target is the year when the last actions financed under Horizon 2020 will be finished *i.e.* several years after the formal end of the programme in 2020.

³ A baseline could not be defined for this indicator as it was not monitored before H2020 started.

⁴ These are: 1) A European green deal, 2) A Europe fit for the digital age, 3) An economy that works for people, 4) A stronger Europe in the world, 5) Promoting our European way of life, 6) A new push for European democracy.

2.1 Implementation of the ERCEA 2021 AWP

2.1.1 Scientific and Grant Management

| Objectives | Indicators | 2021 targets | Latest known results (31/12/2021) |
|--|--|---|---|
| <u>Call management:</u> Clear and stable guidance on the application procedures provided to applicants | a) % of ineligible proposals / total proposals submitted, per call | 2021 StG, CoG, AdG calls: 1.5% | 2021-StG: 0.96% 2021-CoG: 1.8% 2021-AdG: 2.1% |
| | c) % success rate per call ⁵ | 2021-StG: 10% 2021-CoG: 12.5% 2021-AdG: 10.5% | 2021-StG: 9.8% 2021-CoG: on-going% 2021-AdG: on-going% |
| <u>Evaluations:</u> Feedback to all applicants on the evaluation result is timely, unbiased and transparent | Time to inform successful applicants on the outcome of their application from the final date for submission of completed proposals | 2021-StG: 286 2021-CoG:342 2021-AdG: 255 | 2021-StG: 271 2021-CoG: on-going 2021-AdG: on-going |
| | Overall average number of remote referee reviews per proposal | All calls: | 2021-StG: 3,4 2021-CoG: on-going 2021-AdG: on-going |
| | Overall percentage of redress cases received | 1.3% | 2020 calls: 1.28% 2021-StG: 0.66% 2021-CoG: 0.83% 2021-AdG: 0.12% |
| | % of re-evaluations out of overall proposals submitted and following request for redress | StG/CoG/AdG calls: 0.1% | 2020 calls: 0.03% 2021-StG: on-going 2021-CoG: on-going 2021-AdG: on-going |
| <u>Ethical review:</u> To ensure that ERC grants comply with the ethics principles and relevant legislation by providing timely ethical review and monitoring | Time to ethics clearance (average) ⁶ | 45 days | 2020 calls: 52.87 days 2021 calls: on-going |
| <u>Time to grant:</u> To minimise the duration of the granting process aiming at ensuring a prompt | Time to sign grant agreements from the date of informing successful applicants (average values) | 2020-StG: 120 days 2020-CoG: 120 days 2020-AdG: 120 days 2020-SyG: 140 days 2020-PoC3: 120 days | 2020-StG: 100.9 CoG-2020: 104.8 AdG-2020: 90.6 2020-SyG: 125.3 2020-PoC-3: 99.2 |

⁵ This indicator is calculated as follows: (Main)/Evaluated proposals.

⁶ Data relates to the pre-granting ethics review. This time span runs in parallel to the granting process.

| | | | |
|---|--|---|---|
| implementation of the grant agreements through a simple and transparent grant preparation process | | 2021-StG: 120 days 2021-CoG: 120 days | 2021-StG: n.a 2021-CoG: n.a |
| | Time to grant measured (average) from call deadline to signature of grants | 2020-StG: 416 days 2020-CoG: 431 days 2020-AdG: 360 days 2020-SyG: 510 days 2020-PoC-1: 220 days 2020-PoC-2: 220 days 2020-PoC3: 220 days 2021-StG: 406 days 2021-CoG: 462 days | 2020-StG: 380.9 2020-CoG: 405.8 2020-AdG: 319.6 2020-SyG: 476.3 2020-PoC-3: 188.2 2021-StG: n.a 2021-CoG: n.a |
| <u>Scientific follow up:</u> Timely communicate the assessment of Principal investigator (PI)'s final scientific reports | % of final reports which exceeded 60 days | StG/CoG/AdG/PoC/SyG calls: 3% | StG: 0% CoG: 0% AdG: 0% PoC: 2% SyG: 20% (one report out of five exceeded 60 days). |

2.1.2 Financial Management

2.1.2.1 Operational Budget

| Objectives | Performance indicators | Target 2021 | | Result 31.12.2021 | |
|--|--|--------------------------------------|------------------------|--|---|
| | | H2020 | FP7 | H2020 | FP7 |
| To maximise execution of the operational commitment credits delegated to ERCEA by the European Commission | % execution of L1 commitment | 100% | | 100% | |
| | % execution of L2/L1 commitment (C8) | 100% | | 99.6% ⁷ | |
| To ensure full yearly execution of payments credits (operational budget) through careful planning and monitoring | % execution of payment credits (C1) | 100% | 100% | 100% | 100% |
| Minimise financial and legal transaction time for ERC beneficiaries | a) time to pay (% according to milestones & budget table specified in the Description of Work and processing payments ie economic target days) | Pre-financing: 95% within 30 days | | 5.2 days avg TTP (100% within 30 days) | |
| | | Interim payments: 95% within 90 days | IP: 95% within 90 days | 19.7 days avg TTP (99.9% within 90 days) | 32.3 days avg TTP (100% within 90 days) |

⁷ The overall H2020 L2/L1 commitment (C8) execution rate in 2020 stands at 99.6% and includes the open RAL of finalised projects which will be de-committed in 2022. The indicator computed on global individual legal commitments (L1) referring to 2020 calls only is 99.99%.

| Objectives | Performance indicators | Target 2021 | | Result 31.12.2021 | |
|--|--|--|--|--|--|
| | | H2020 | FP7 | H2020 | FP7 |
| | | Final payments: 95% within 90 days | FP: 95% within 90 days | 46.7 days avg TTP (99.3% within 90 days) | 53.5 days avg TTP (92.6% within 90 days) |
| | b) time to invoice (% within 5 days) | 95% | 95% | 99.9% | 100% |
| | c) time to amend (% approved or rejected within 45 days upon receipt of valid request) | 85% | 95% | 99.9% | 100% |
| Expert management: To fully execute the yearly experts' operational budget by implementing efficient payment process | a) time to pay (average) | 100% within 30 days | n.a. | 98.8% within 30 days (10.2 days avg TTP) ⁸ | n.a |
| | b) % of experts payments budget execution (C1-E0) | 100 % | n.a. | 100% | n.a |
| To ensure legality and regularity of underlying transactions to support ERCEA's positive Declaration of Assurance | ERCEA FP7 specific error rates | -ERCEA residual error rate <2% -ERCEA Detected error rate <2% | MUS residual error rate <2% ⁹ | ERCEA residual error rate: 1.22% ERCEA Detected error rate: 1.94% | MUS residual error rate: 1.10% |

2.1.2.2 Operating Budget

| Objective | Performance indicator | Target 2021 | Result 2021 | |
|--|---|-------------|------------------|---------------------|
| | | | Budget 2021 (C1) | Budget 2020 (C1+C8) |
| To ensure sound financial management of ERCEA's operating budget as well as the regularity and legality of its underlying transactions | % budget execution commitments | 99% | 100% | |
| | % budget execution payments | 99% | | 97.19% |
| | % of error in transactions related to staff expenditure (salaries) detected through ex-ante checks | 1.5% | 0.09% | |
| | Time to pay | <15 days | 12.1 | |
| | Number (and % of total) of late payments for the administrative budget | <20 (<1 %) | 2 (0.38%) | |
| | No material findings related to the sound financial management and legality and regularity of budget's underlying transactions in the financial report of the CoA | None | | none |

⁸ 8.2 days for Horizon Europe.

⁹ FP7 MUS ERCEA residual error rate, computed on the basis of MUS detected error rates.

ANNEX 3: Draft annual accounts and financial reports

Annex 3 Financial Reports - DG ERC - Financial Year 2021

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures

Table 12 : Summary of Procedures

Table 13 : Building Contracts

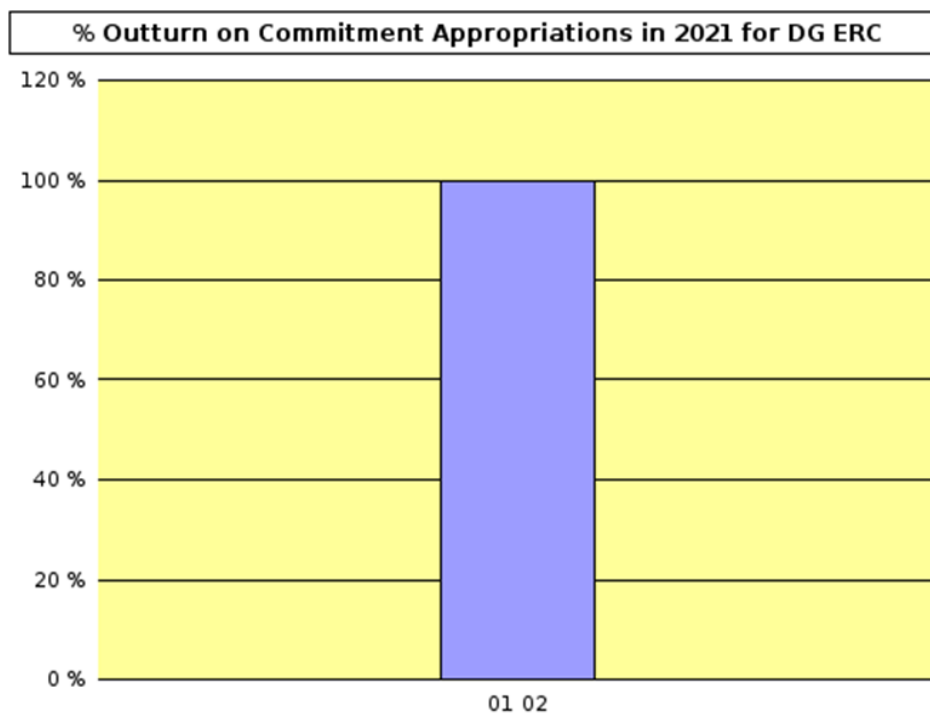
Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

TABLE 16 : Commitments co-delegation type 3 in 2021 for DG ERC

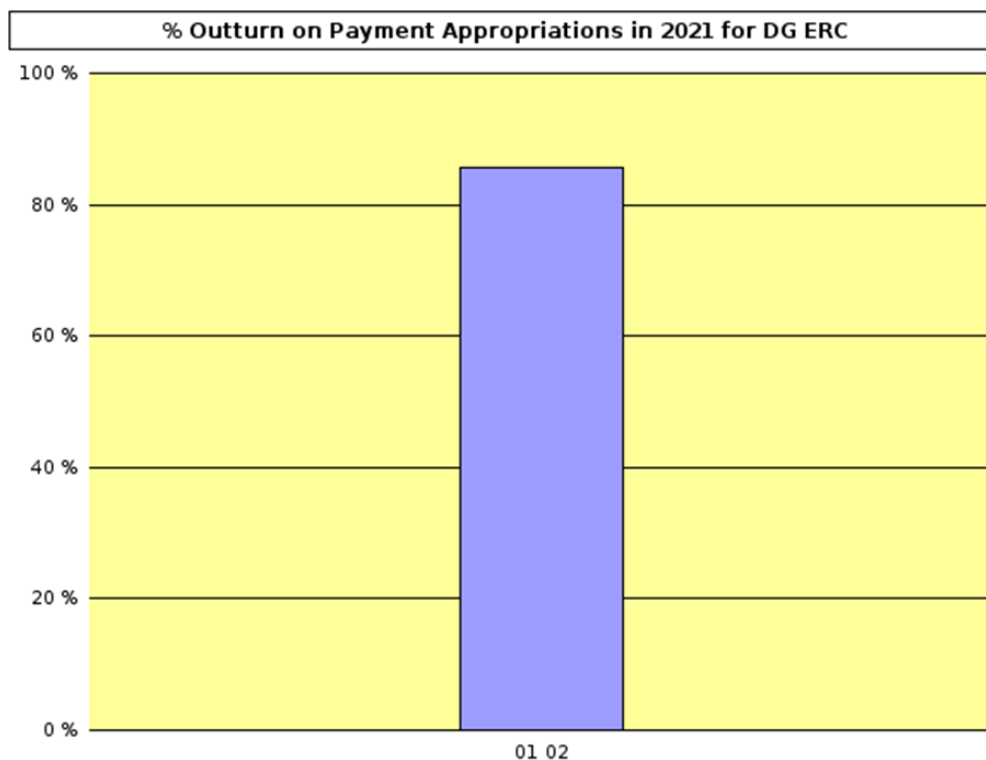
| TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2021 (in Mio €) for DG ERC | | | | | |
|--|-------|----------------|--------------------------------------|------------------|----------------|
| | | | Commitment appropriations authorised | Commitments made | % |
| | | | 1 | 2 | 3=2/1 |
| Title 01 Research and Innovation | | | | | |
| 01 | 01 02 | Horizon Europe | 1.903,12 | 1.897,55 | 99,71 % |
| Total Title 01 | | | 1.903,12 | 1.897,55 | 99,71 % |
| Total Excluding NGEU | | | 1.903,12 | 1.897,55 | 99,71 % |
| Total DG ERC | | | 1.903,12 | 1.897,55 | 99,71 % |

* 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 2021 (in Mio €) for DG ERC | | | | | |
|--|-------|----------------|-------------------------------------|-----------------|----------------|
| | | | Payment appropriations authorised * | Payments made | % |
| | | | 1 | 2 | 3=2/1 |
| Title 01 Research and Innovation | | | | | |
| 01 | 01 02 | Horizon Europe | 2.099,19 | 1.798,68 | 85,68 % |
| Total Title 01 | | | 2.099,19 | 1.798,68 | 85,68% |
| Total Excluding NGEU | | | 2.099,19 | 1.798,68 | 85,68% |
| Total DG ERC | | | 2.099,19 | 1.798,68 | 85,68 % |

* 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 31/12/2021 (in Mio €) for DG ERC | | | | | | | | | |
|---|-------|----------------|---------------------------|-------------|-----------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2020 | Total of commitments to be settled at end of financial year 2021 | Total of commitments to be settled at end of financial year 2020 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 01 | 01 02 | Horizon Europe | 1.897,55 | 6,79 | 1.890,76 | 99,64% | 4.337,41 | 6.228,17 | 6.175,62 |
| Total Title 01 | | | 1.897,55 | 6,79 | 1.890,76 | 99,64% | 4.337,41 | 6.228,17 | 6.175,62 |
| Total Excluding NGEU | | | 1.897,55 | 6,79 | 1.890,76 | 99,64% | 4.337,41 | 6.228,17 | 6.175,62 |
| Total for DG ERC | | | 1897,546836 | 6,79 | 1.890,76 | 99,64 % | 4.337,41 | 6.228,17 | 6.175,62 |

Breakdown of Commitments Remaining to be Settled (in Mio EUR) in 2021 ERC

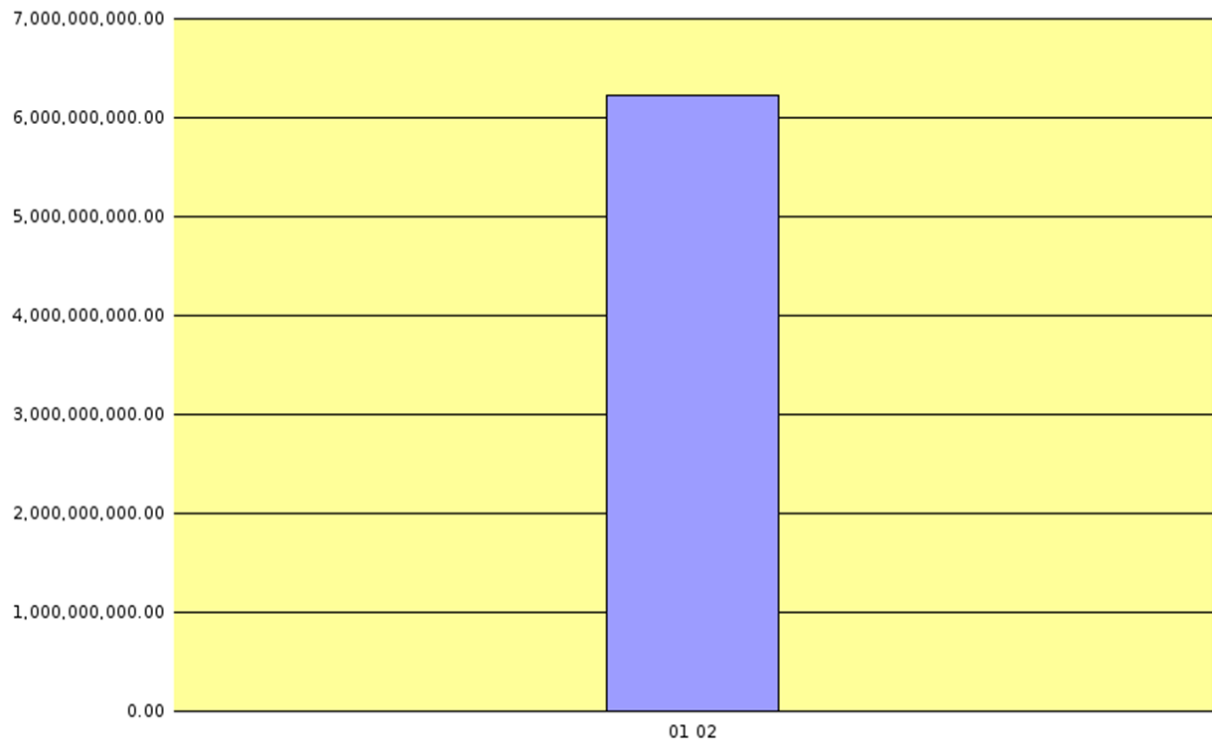


TABLE 4 : BALANCE SHEET for DG ERC

| BALANCE SHEET | 2021 | 2020 |
|--|-------------------------|-------------------------|
| A.I. NON CURRENT ASSETS | 364.650.798,58 | 397.057.101,79 |
| A.I.5. Non-Current Pre-Financing | 364.650.798,58 | 397.057.101,79 |
| A.II. CURRENT ASSETS | 1.266.132.409,05 | 1.225.698.092,07 |
| A.II.2. Current Pre-Financing | 1.264.100.035,22 | 1.223.206.162,99 |
| A.II.3. Curr Exch Receiv & Non-Ex Recoverables | 2.032.373,83 | 2.491.929,08 |
| ASSETS | 1.630.783.207,63 | 1.622.755.193,86 |
| P.II. CURRENT LIABILITIES | -168.780.952,54 | -171.912.351,48 |
| P.II.4. Current Payables | -61.722.566,34 | -52.978.513,60 |
| P.II.5. Current Accrued Charges & Defrd Income | -107.058.386,20 | -118.933.837,88 |
| LIABILITIES | -168.780.952,54 | -171.912.351,48 |
| NET ASSETS (ASSETS less LIABILITIES) | 1.462.002.255,09 | 1.450.842.842,38 |
| | | |
| P.III.2. Accumulated Surplus/Deficit | 11.882.272.482,33 | 10.189.932.216,89 |
| | | |
| Non-allocated central (surplus)/deficit* | -13.344.274.737,42 | -11.640.775.059,27 |
| | | |
| TOTAL DG ERC | 0,00 | 0,00 |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, 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 statement of financial performance 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 : STATEMENT OF FINANCIAL PERFORMANCE for DG ERC

| STATEMENT OF FINANCIAL PERFORMANCE | 2021 | 2020 |
|--|-------------------------|-------------------------|
| II.1 REVENUES | -625.231,03 | -2.274.304,80 |
| II.1.1. NON-EXCHANGE REVENUES | -625.231,03 | -2.274.304,80 |
| II.1.1.6. RECOVERY OF EXPENSES | -624.180,40 | -2.203.525,36 |
| II.1.1.8. OTHER NON-EXCHANGE REVENUES | -1.050,63 | -70.779,44 |
| II.2. EXPENSES | 1.777.564.022,59 | 1.694.614.570,24 |
| II.2. EXPENSES | 1.777.564.022,59 | 1.694.614.570,24 |
| II.2.10. OTHER EXPENSES | | 0,00 |
| II.2.2. EXP IMPLEM BY COMMISS&EX.AGENC. (DM) | 1.777.561.894,17 | 1.694.592.058,15 |
| II.2.8. FINANCE COSTS | 2.128,42 | 22.512,09 |
| STATEMENT OF FINANCIAL PERFORMANCE | 1.776.938.791,56 | 1.692.340.265,44 |

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TABLE 5bis : OFF BALANCE SHEET for DG ERC

| OFF BALANCE | 2021 | 2020 |
|--|-------------------|-------------------|
| OB.3. Other Significant Disclosures | -6.003.707.941,75 | -6.003.707.941,75 |
| OB.3.2. Comm against app. not yet consumed | -6.003.707.941,75 | -6.003.707.941,75 |
| OB.4. Balancing Accounts | 6.003.707.941,75 | 6.003.707.941,75 |
| OB.4. Balancing Accounts | 6.003.707.941,75 | 6.003.707.941,75 |
| OFF BALANCE | 0,00 | 0,00 |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, 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 statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 6: AVERAGE PAYMENT TIMES in 2021 for ERC

| Legal Times | | | | | | | | | |
|-----------------------------|-----------------------|-----------------------------------|------------|------------------------------|----------------------|------------|------------------------------|----------------------|------------|
| Maximum Payment Time (Days) | Total Nbr of Payments | Nbr of Payments within Time Limit | Percentage | Average Payment Times (Days) | Nbr of Late Payments | Percentage | Average Payment Times (Days) | Late Payments Amount | Percentage |
| 30 | 4633 | 4618 | 99,68 % | 7,9 | 15 | 0,32 % | 53,1 | 27.168,31 | 0, % |
| 90 | 3549 | 3538 | 99,69 % | 25,0 | 11 | 0,31 % | 167,5 | 1.183.873,76 | 0, % |

| | | | | | | | | | |
|-----------------------------------|-------------|-------------|----------------|-------------|-----------|---------------|--------------|---------------------|-------------|
| Total Number of Payments | 8182 | 8156 | 99,68 % | | 26 | 0,32 % | | 1.211.042,07 | 0, % |
| Average Net Payment Time | 15,6 | | | 15,3 | | | 101,5 | | |
| Average Gross Payment Time | 25,7 | | | 25,4 | | | 131,6 | | |

| Suspensions | | | | | | | |
|------------------------------------|---------------------------------|------------------------------|-------------------|--------------------------|------------------------------|-------------------|-------------------|
| Average Report Approval Suspension | Average Payment Suspension Days | Number of Suspended Payments | % of Total Number | Total Number of Payments | Amount of Suspended Payments | % of Total Amount | Total Paid Amount |
| 0 | 47 | 1781 | 21,77 % | 8182 | 504.717.925,56 | 29,68 % | 1.700.808.048,01 |

Late Interest paid in 2021

| DG | GL Account | Description | Amount (Eur) |
|-------|------------|--|-----------------|
| ERCEA | 65010100 | Interest on late payment of charges New FR | 2 128,42 |
| | | | 2 128,42 |

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2021 for DG ERC

| Chapter | Revenue and income recognized | | | | | | Revenue and income cashed from | | | Outstanding balance |
|---------------------|--|----------------------|-------------------|----------------------|---------------------|-------------------|--------------------------------|---------------------|--|---------------------|
| | Current year RO | Carried over RO | Total | Current Year RO | Carried over RO | Total | | | | |
| | 1 | 2 | 3=1+2 | 4 | 5 | 6=4+5 | 7=3-6 | | | |
| 33 | Other administrative revenue | 10.046,92 | 17.496,28 | 27.543,20 | 10.046,92 | 17.496,28 | 27.543,20 | 0,00 | | |
| 60 | Single market, innovation and digital | 10.914.863,35 | 0,00 | 10.914.863,35 | 9.825.005,05 | 0,00 | 9.825.005,05 | 1.089.858,30 | | |
| 67 | Completion for outstanding recovery orders prior to 2021 | 0,00 | 648.507,41 | 648.507,41 | 0,00 | 646.915,10 | 646.915,10 | 1.592,31 | | |
| Total DG ERC | | 10.924.910,27 | 666.003,69 | 11.590.913,96 | 9.835.051,97 | 664.411,38 | 10.499.463,35 | 1.091.450,61 | | |

**TABLE 8 : RECOVERY OF PAYMENTS in 2021 for DG ERC
(Number of Recovery Contexts and corresponding Transaction Amount)**

| INCOME BUDGET RECOVERY ORDERS ISSUED IN 2021 Year of Origin (commitment) | Irregularity | | Total undue payments recovered | | Total transactions in recovery context(incl. non- qualified) | | % Qualified/Total RC | |
|---|--------------|-------------------|-----------------------------------|-------------------|--|----------------------|----------------------|--------------|
| | Nbr | RO Amount | Nbr | RO Amount | Nbr | RO Amount | Nbr | RO Amount |
| 2008 | 1 | 2.936,64 | 1 | 2.936,64 | 1 | 2.936,64 | 100,00% | 100,00% |
| 2009 | 1 | 5.806,39 | 1 | 5.806,39 | 1 | 5.806,39 | 100,00% | 100,00% |
| 2010 | 4 | 167.224,26 | 4 | 167.224,26 | 5 | 177.271,18 | 80,00% | 94,33% |
| 2011 | 2 | 1.595,04 | 2 | 1.595,04 | 2 | 1.595,04 | 100,00% | 100,00% |
| 2013 | | | | | 2 | 72.526,91 | | |
| 2014 | | | | | 3 | 97.641,30 | | |
| 2015 | 4 | 85.701,04 | 4 | 85.701,04 | 51 | 4.037.022,81 | 7,84% | 2,12% |
| 2016 | 1 | 1.099,78 | 1 | 1.099,78 | 26 | 2.838.737,07 | 3,85% | 0,04% |
| 2017 | 2 | 20.204,94 | 2 | 20.204,94 | 12 | 2.319.025,13 | 16,67% | 0,87% |
| 2018 | 1 | 3.170,78 | 1 | 3.170,78 | 8 | 196.486,07 | 12,50% | 1,61% |
| 2019 | | | | | 5 | 552.299,07 | | |
| 2020 | | | | | 2 | 15.688,39 | | |
| 2021 | | | | | 1 | 4.320,00 | | |
| Sub-Total | 16 | 287.738,87 | 16 | 287.738,87 | 119 | 10.321.356,00 | 13,45% | 2,79% |

| EXPENSES BUDGET | Irregularity | | OLAF Notified | | Total undue payments recovered | | Total transactions in recovery context(incl. non-qualified) | | % Qualified/Total RC | |
|--------------------------------|--------------|---------------------|---------------|--------|-----------------------------------|---------------------|---|----------------------|----------------------|---------------|
| | Nbr | Amount | Nbr | Amount | Nbr | Amount | Nbr | Amount | Nbr | Amount |
| INCOME LINES IN INVOICES | 35 | 1.190.984,60 | | | 35 | 1.190.984,60 | 35 | 1.190.984,60 | 100,00% | 100,00% |
| NON ELIGIBLE IN COST CLAIMS | 212 | 2.712.016,69 | | | 212 | 2.712.016,69 | 639 | 29.466.348,00 | 33,18% | 9,20% |
| CREDIT NOTES | | | | | | | | | | |
| Sub-Total | 247 | 3.903.001,29 | | | 247 | 3.903.001,29 | 674 | 30.657.332,60 | 36,65% | 12,73% |
| GRAND TOTAL | 263 | 4.190.740,16 | | | 263 | 4.190.740,16 | 793 | 40.978.688,60 | 33,17% | 10,23% |

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2021 for DG ERC

| | Number at 01/01/2021 | Number at 31/12/2021 | Evolution | Open Amount (Eur) at 01/01/2021 | Open Amount (Eur) at 31/12/2021 | Evolution |
|------|-------------------------|-------------------------|-----------------|------------------------------------|------------------------------------|----------------|
| 2016 | 1 | 1 | 0,00 % | 1.592,31 | 1.592,31 | 0,00 % |
| 2020 | 8 | | -100,00 % | 664.411,38 | | -100,00 % |
| 2021 | | 7 | | | 1.089.858,30 | |
| | 9 | 8 | -11,11 % | 666.003,69 | 1.091.450,61 | 63,88 % |

TABLE 10 : Recovery Order Waivers >= 60 000 € in 2021 for DG ERC

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

Total DG ERC

Number of RO waivers

No data to be reported

TABLE 11 : Negotiated Procedures in 2021 for DG ERC

| Negotiated Procedure Legal base | Number of Procedures | Amount (€) |
|---------------------------------|----------------------|------------|
| No data to be reported | | |
| Total | | |

TABLE 12 : Summary of Procedures in 2021 for DG ERC

Internal Procedures > € 60,000

| Procedure Legal base | Number of Procedures | Amount (€) |
|--------------------------------|----------------------|-------------------|
| Open procedure (FR 164 (1)(a)) | 1 | 900.000,00 |
| Total | 1 | 900.000,00 |

TABLE 13 : BUILDING CONTRACTS in 2021 for DG ERC

| Legal Base | Procedure subject | Contract Number | Contractor Name | Contract Subject | Contracted Amount (€) |
|------------------------|-------------------|-----------------|-----------------|------------------|-----------------------|
| No data to be reported | | | | | |
| | | | | | |

TABLE 14 : CONTRACTS DECLARED SECRET in 2021 for DG ERC

| Legal Base | LC Date | Contract Number | Contract Subject | Contracted Amount (€) |
|------------------------|---------|-----------------|------------------|-----------------------|
| No data to be reported | | | | |
| | | | | |

TABLE 15 : FPA duration exceeds 4 years - DG ERC

No data to be reported

TABLE 16 : Commitments co-delegation type 3 in 2021 for DG ERC

No data to be reported

Annex 3 Financial Reports - ERC - Financial Year 2021

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures

Table 12 : Summary of Procedures

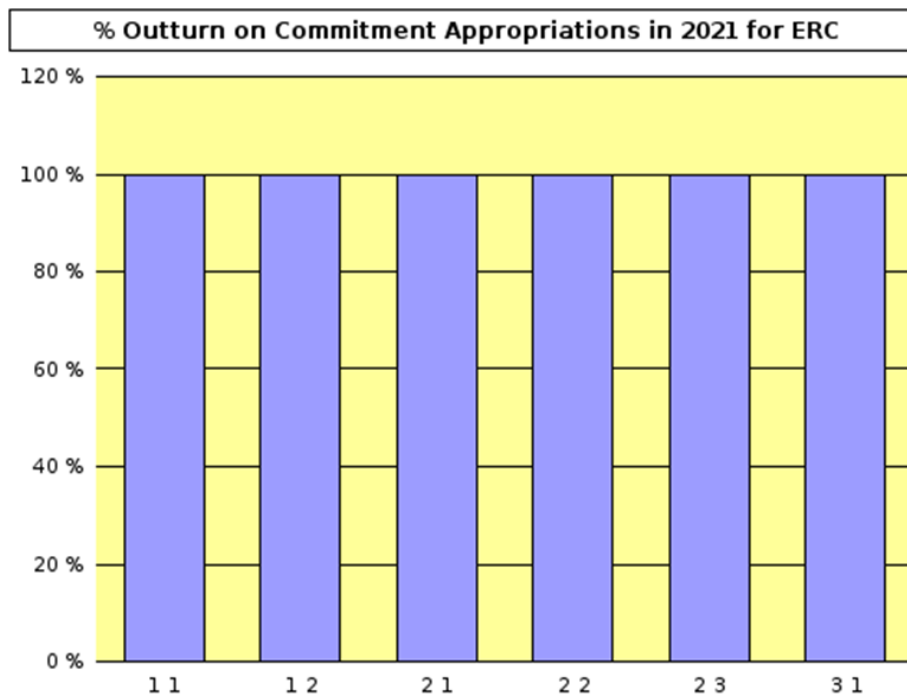
Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

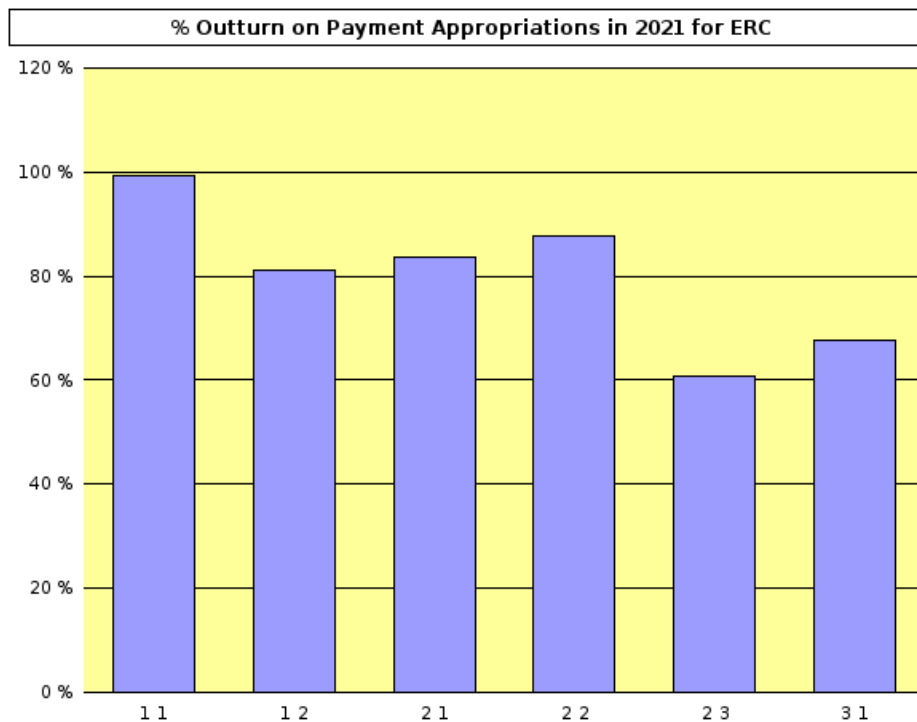
| TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2021 (in Mio €) for ERC | | | | | |
|---|-----|--|--------------------------------------|------------------|-----------------|
| | | | Commitment appropriations authorised | Commitments made | % |
| | | | 1 | 2 | 3=2/1 |
| Title 1 Staff expenditure | | | | | |
| 1 | 1 1 | Remunerations Allowances and Charges | 41,71 | 41,71 | 100,00 % |
| | 1 2 | Professional Development and Social expenditure | 1,98 | 1,98 | 100,00 % |
| Total Title 1 | | | 43,69 | 43,69 | 100,00 % |
| Title 2 Infrastructure and operating expenditure | | | | | |
| 2 | 2 1 | Building expenditure | 7,10 | 7,10 | 100,00 % |
| | 2 2 | ICT | 2,98 | 2,98 | 100,00 % |
| | 2 3 | Movable property and Current Operating expenditure | 0,22 | 0,22 | 100,00 % |
| Total Title 2 | | | 10,30 | 10,30 | 100,00 % |
| Title 3 Programme support expenditure | | | | | |
| 3 | 3 1 | Programme Management expenditure | 1,42 | 1,42 | 100,00 % |
| Total Title 3 | | | 1,42 | 1,42 | 100,00 % |
| Total ERC | | | 55,41 | 55,41 | 100,00 % |

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



| TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2021 (in Mio €) for ERC | | | | | |
|--|-----|--|-------------------------------------|---------------|----------------|
| | | | Payment appropriations authorised * | Payments made | % |
| | | | 1 | 2 | 3=2/1 |
| Title 1 Staff expenditure | | | | | |
| 1 | 1 1 | Remunerations Allowances and Charges | 41,77 | 41,54 | 99,43 % |
| | 1 2 | Professional Development and Social expenditure | 2,27 | 1,84 | 81,09 % |
| Total Title 1 | | | 44,04 | 43,38 | 98,49% |
| Title 2 Infrastructure and operating expenditure | | | | | |
| 2 | 2 1 | Building expenditure | 7,67 | 6,42 | 83,72 % |
| | 2 2 | ICT | 3,25 | 2,84 | 87,60 % |
| | 2 3 | Movable property and Current Operating expenditure | 0,30 | 0,18 | 60,89 % |
| Total Title 2 | | | 11,21 | 9,44 | 84,24% |
| Title 3 Programme support expenditure | | | | | |
| 3 | 3 1 | Programme Management expenditure | 1,98 | 1,34 | 67,61 % |
| Total Title 3 | | | 1,98 | 1,34 | 67,61% |
| Total ERC | | | 57,23 | 54,16 | 94,63 % |

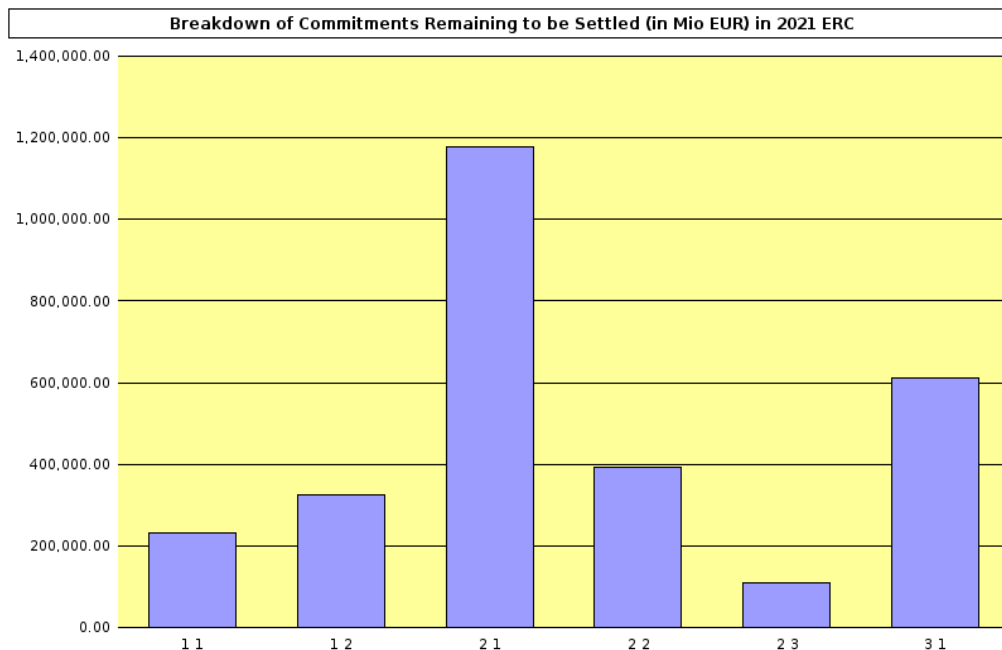
* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).



| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for ERC | | | | | | | | | |
|---|-----|---|---------------------------|--------------|-------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2020 | Total of commitments to be settled at end of financial year 2021 | Total of commitments to be settled at end of financial year 2020 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 1 | 1 1 | Remunerations Allowances and Charges | 41,71 | 41,47 | 0,23 | 0,55% | 0,00 | 0,23 | 0,07 |
| | 1 2 | Professional Development and Social expenditure | 1,98 | 1,66 | 0,32 | 16,38% | 0,00 | 0,32 | 0,28 |
| Total Title 1 | | | 43,69 | 43,13 | 0,56 | 1,27% | 0,00 | 0,56 | 0,35 |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for ERC | | | | | | | | | |
|---|-----|--|---------------------------|-------------|-------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2020 | Total of commitments to be settled at end of financial year 2021 | Total of commitments to be settled at end of financial year 2020 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 2 | 2 1 | Building expenditure | 7,10 | 5,92 | 1,18 | 16,62% | 0,00 | 1,18 | 0,57 |
| | 2 2 | ICT | 2,98 | 2,59 | 0,39 | 13,16% | 0,00 | 0,39 | 0,26 |
| | 2 3 | Movable property and Current Operating expenditure | 0,22 | 0,11 | 0,11 | 48,67% | 0,00 | 0,11 | 0,07 |
| Total Title 2 | | | 10,30 | 8,62 | 1,68 | 16,31% | 0,00 | 1,68 | 0,91 |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2021 (in Mio €) for ERC | | | | | | | | | |
|---|-----|----------------------------------|---------------------------|--------------|-------------|-----------------|---|--|--|
| Chapter | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2020 | Total of commitments to be settled at end of financial year 2021 | Total of commitments to be settled at end of financial year 2020 |
| | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 3 | 3 1 | Programme Management expenditure | 1,42 | 0,81 | 0,61 | 43,15% | 0,00 | 0,61 | 0,56 |
| Total Title 3 | | | 1,42 | 0,81 | 0,61 | 43,15% | 0,00 | 0,61 | 0,56 |
| Total : | | | 55,41 | 52,56 | 2,85 | 5,14 % | 0,00 | 2,85 | 1,82 |



| TABLE 4 : BALANCE SHEET for ERC | | | | | | | | | |
|---------------------------------|--|--|--|--|--|--|--|--|--|
|---------------------------------|--|--|--|--|--|--|--|--|--|

| BALANCE SHEET | 2021 | 2020 |
|---|----------------------|-----------------------|
| A.I. NON CURRENT ASSETS | 411.926,84 | 907.033,33 |
| A.I.1. Intangible Assets | 11.083,00 | 36.386,00 |
| A.I.2. Property, Plant and Equipment | 400.843,84 | 870.647,33 |
| A.II. CURRENT ASSETS | 6.830.033,92 | 17.150.649,64 |
| A.II.3. Curr Exch Receiv &Non-Ex Recoverables | 3.567.169,59 | 3.027.469,78 |
| A.II.6. Cash and Cash Equivalents | 3.262.864,33 | 14.123.179,86 |
| ASSETS | 7.241.960,76 | 18.057.682,97 |
| P.II. CURRENT LIABILITIES | -4.202.764,60 | -15.089.673,03 |
| P.II.4. Current Payables | -483.830,59 | -12.406.860,88 |
| P.II.5. Current Accrued Charges &Defrd Income | -3.718.934,01 | -2.682.812,15 |
| LIABILITIES | -4.202.764,60 | -15.089.673,03 |
| | | |
| NET ASSETS (ASSETS less LIABILITIES) | 3.039.196,16 | 2.968.009,94 |
| | | |
| P.III.2. Accumulated Surplus/Deficit | -2.968.009,94 | -4.107.461,55 |
| | | |
| Non-allocated central (surplus)/deficit* | -71.186,22 | 1.139.451,61 |
| | | |
| TOTAL | 0,00 | 0,00 |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, 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 statement of financial performance 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 : STATEMENT OF FINANCIAL PERFORMANCE for ERC

| STATEMENT OF FINANCIAL PERFORMANCE | 2021 | 2020 |
|---|-------------------|---------------------|
| II.1 REVENUES | -55.177.672,04 | -51.749.682,30 |
| II.1.1. NON-EXCHANGE REVENUES | -54.967.878,08 | -51.647.418,81 |
| II.1.1.8. OTHER NON-EXCHANGE REVENUES | -54.967.878,08 | -51.647.418,81 |
| II.1.2. EXCHANGE REVENUES | -209.793,96 | -102.263,49 |
| II.1.2.2. OTHER EXCHANGE REVENUE | -209.793,96 | -102.263,49 |
| II.2. EXPENSES | 55.106.485,82 | 52.889.133,91 |
| II.2. EXPENSES | 55.106.485,82 | 52.889.133,91 |
| II.2.10. OTHER EXPENSES | 14.099.227,19 | 12.816.620,07 |
| II.2.6. STAFF AND PENSION COSTS | 41.006.660,18 | 40.072.513,84 |
| II.2.8. FINANCE COSTS | 598,45 | |
| STATEMENT OF FINANCIAL PERFORMANCE | -71.186,22 | 1.139.451,61 |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, 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 statement of financial performance 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 5bis : OFF BALANCE SHEET for DG ERC

| OFF BALANCE | 2021 | 2020 |
|--|-------------------|-------------------|
| OB.3. Other Significant Disclosures | -6.059.474.351,34 | -6.003.707.941,75 |
| OB.3.2. Comm against app. not yet consumed | -6.059.474.351,34 | -6.003.707.941,75 |
| OB.4. Balancing Accounts | 6.059.474.351,34 | 6.003.707.941,75 |
| OB.4. Balancing Accounts | 6.059.474.351,34 | 6.003.707.941,75 |
| OFF BALANCE | 0,00 | 0,00 |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, 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 statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 6: AVERAGE PAYMENT TIMES FOR 2021 for ERC

| Legal Times | | | | | | | | | |
|-----------------------------|-----------------------|-----------------------------------|------------|------------------------------|----------------------|------------|------------------------------|----------------------|------------|
| Maximum Payment Time (Days) | Total Nbr of Payments | Nbr of Payments within Time Limit | Percentage | Average Payment Times (Days) | Nbr of Late Payments | Percentage | Average Payment Times (Days) | Late Payments Amount | Percentage |
| 30 | 503 | 501 | 99,6 % | 11,8 | 2 | 0,40 % | 54,0 | 4.635,11 | 0,1, % |
| 45 | 4 | 4 | 100,0 % | 23,0 | | | | 0,00 | 0,0, % |
| 60 | 7 | 7 | 100,0 % | 14,9 | | | | 0,00 | 0,0, % |
| 90 | 14 | 14 | 100,0 % | 13,2 | | | | 0,00 | 0,0, % |

| | | | | | | | | | |
|-----------------------------------|-------------|------------|----------------|-------------|----------|---------------|-------------|-----------------|---------------|
| Total Number of Payments | 528 | 526 | 99,62 % | | 2 | 0,38 % | | 4.635,11 | 0,0, % |
| Average Net Payment Time | 12,1 | | | 12,0 | | | 54,0 | | |
| Average Gross Payment Time | 14,1 | | | 13,9 | | | 54,0 | | |

| 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 | 20 | 50 | 9,47 % | 528 | 478.950,96 | 3,65 % | 13.124.522,84 |

Late Interest paid in 2021

| DG | GL Account | Description | Amount (Eur) |
|-----|------------|---|---------------|
| ERC | 65010000 | Interest expense on late payment of charges | 598,45 |
| | | | 598,45 |

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2021 for ERC

| Chapter | | Revenue and income recognized | | | Revenue and income cashed from | | | Outstanding balance |
|------------------|-----------------------------|-------------------------------|------------------|----------------------|--------------------------------|-----------------|----------------------|---------------------|
| | | Current year RO | Carried over RO | Total | Current Year RO | Carried over RO | Total | |
| | | 1 | 2 | 3=1+2 | 4 | 5 | 6=4+5 | |
| 20 | Subsidy from the Commission | 55.410.593,73 | 0,00 | 55.410.593,73 | 55.410.593,73 | 0,00 | 55.410.593,73 | 0,00 |
| 91 | Recuperation of expenses | 113.891,91 | 4.134,48 | 118.026,39 | 113.891,91 | 4.134,48 | 118.026,39 | 0,00 |
| 92 | Miscellaneous revenues | 332.759,35 | 6.375,00 | 339.134,35 | 97.548,27 | 3.750,00 | 101.298,27 | 237.836,08 |
| Total ERC | | 55.857.244,99 | 10.509,48 | 55.867.754,47 | 55.622.033,91 | 7.884,48 | 55.629.918,39 | 237.836,08 |

**TABLE 8 : RECOVERY OF PAYMENTS in 2021 for ERC
(Number of Recovery Contexts and corresponding Transaction Amount)**

| Year of Origin (commitment) | Total undue payments recovered | | Total transactions in recovery context (incl. non-qualified) | | % Qualified/Total RC | |
|-----------------------------|--------------------------------|-----------|--|----------------------|----------------------|-----------|
| | Nbr | RO Amount | Nbr | RO Amount | Nbr | RO Amount |
| 2019 | | | 1 | 4.093,23 | | |
| 2020 | | | 2 | 48.934,43 | | |
| No Link | | | 60 | 41.624.776,58 | | |
| Sub-Total | | | 63 | 41.677.804,24 | | |

| EXPENSES BUDGET | Irregularity | | OLAF Notified | | Total undue payments recovered | | Total transactions in recovery context (incl. non-qualified) | | % Qualified/Total RC | |
|-----------------------------|--------------|--------|---------------|--------|--------------------------------|--------|--|----------------------|----------------------|--------|
| | Nbr | Amount | Nbr | Amount | Nbr | Amount | Nbr | Amount | Nbr | Amount |
| INCOME LINES IN INVOICES | | | | | | | 6 | 60.024,40 | | |
| NON ELIGIBLE IN COST CLAIMS | | | | | | | | | | |
| CREDIT NOTES | | | | | | | 1 | 166.985,72 | | |
| Sub-Total | | | | | | | 7 | 227.010,12 | | |
| GRAND TOTAL | | | | | | | 70 | 41.904.814,36 | | |

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2021 for ERC

| | Number at 01/01/2021 | Number at 31/12/2021 | Evolution | Open Amount (Eur) at 01/01/2021 | Open Amount (Eur) at 31/12/2021 | Evolution |
|------|----------------------|----------------------|-----------|---------------------------------|---------------------------------|-----------|
| 2020 | 2 | 1 | -50,00 % | 10.509,48 | 2.625,00 | -75,02 % |
| 2021 | | 1 | | | 235.211,08 | |
| | 2 | 2 | 0,00 % | 10.509,48 | 237.836,08 | 2163,06 % |

TABLE 10 :Recovery Order Waivers >= 60 000 € in 2021 for ERC

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

Total DG

Number of RO waivers

No data to be reported

TABLE 11 : Negotiated Procedures in 2021 for ERC

| Negotiated Procedure Legal base | Number of Procedures | Amount (€) |
|---------------------------------|----------------------|------------|
| No data to be reported | | |
| Total | | |

TABLE 12 : Summary of Procedures in 2021 for ERC

Internal Procedures > € 60,000

| Procedure Legal base | Number of Procedures | Amount (€) |
|-------------------------------|----------------------|------------|
| No data to be reported | | |
| Total | | |

TABLE 13 : BUILDING CONTRACTS in 2021 for ERC

| Legal Base | Procedure subject | Contract Number | Contractor Name | Contract Subject | Contracted Amount (€) |
|-------------------------------|-------------------|-----------------|-----------------|------------------|-----------------------|
| No data to be reported | | | | | |

TABLE 14 : CONTRACTS DECLARED SECRET in 2021 for ERC

| Legal Base | LC Date | Contract Number | Contract Subject | Contracted Amount (€) |
|-------------------------------|---------|-----------------|------------------|-----------------------|
| No data to be reported | | | | |

TABLE 15 : FPA duration exceeds 4 years - ERC

No data to be reported

ANNEX 4: Financial Scorecard

The Annex 4 of each Commission service summarises the annual result of the standard financial indicators measurement. Annexed to the Annual Activity Report 2021, 10 standard financial indicators are presented below, each with its objective and result for the Commission service and for the EC as a whole (for benchmarking purposes)¹⁰:

| | |
|---|--|
| <ul style="list-style-type: none"> - Commitment Appropriations (CA) Implementation - CA Forecast Implementation - Payment Appropriations (PA) Implementation - PA Forecast Implementation - Global Commitment Absorption | <ul style="list-style-type: none"> - Timely Payments - Timely Decommitments - Invoice Registration Time - Accounting Data Quality - Management Data Quality |
|---|--|

For each indicator, its value (in %) for the Commission service is compared to the common target (in %). The difference between the indicator’s value and the target is colour coded as follows:

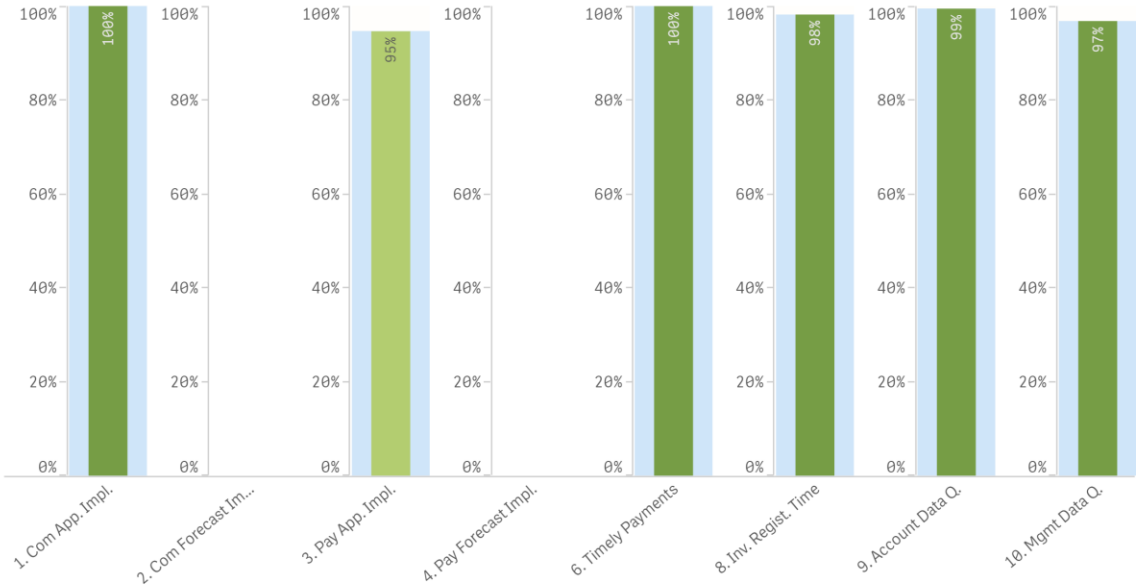
- 100 → 95% of the target: dark green
- 95 → 90% of the target: light green
- 90 → 85% of the target: yellow
- 85 → 80% of the target: light red
- 80 → 0% of the target: dark red

The Commission services are invited to provide commentary for each indicator’s result in the dedicated comment section below the indicators scores as this can help the reader to understand the Commission’s service context. In cases when the indicator’s value achieves 80% or less of the target, the comment becomes mandatory.

The detailed definitions of the indicators are available on the internal DG BUDG site (BudgPedia) and managed by unit BUDG.C5 Financial Reporting.

1. Administrative budget

ERCEA Indicator Scores 2021



For each indicator the light blue bar denotes the EC Score.

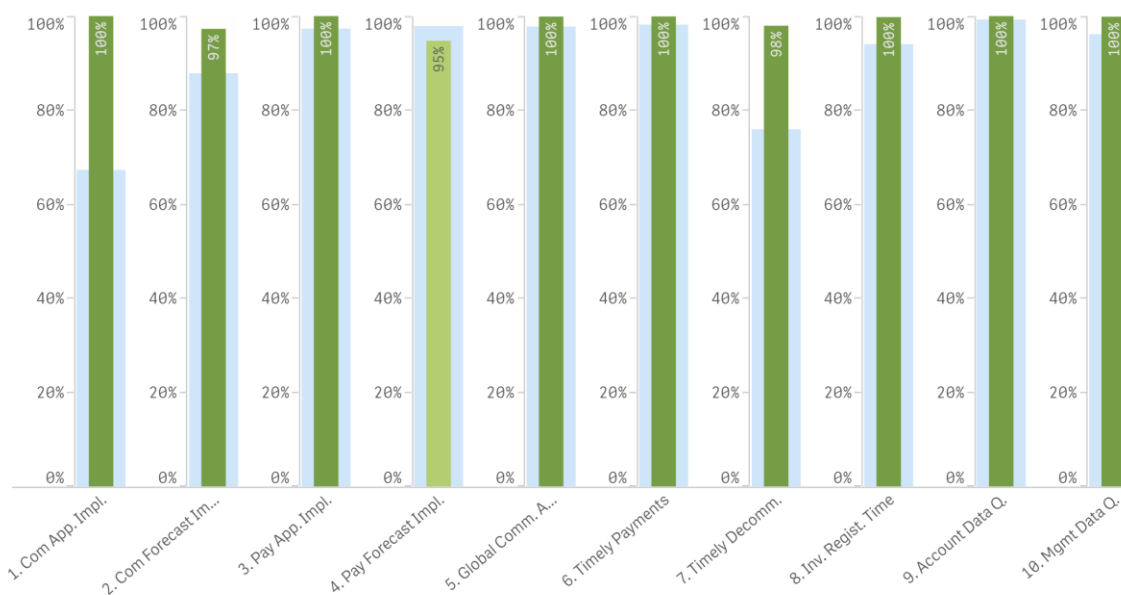
| Indicator | Objective | Comment ¹¹ | ERCEA Score | EC Score |
|---|--|---|-------------|----------|
| 1. Commitment Appropriations Implementation | Ensure efficient use of commitment appropriations expiring at the end of Financial Year | | 100% | 100% |
| 2. Commitment Forecast Implementation | Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year | The indicator is not applicable for the ERCEA in 2021 due to the lack of underlying transactions recorded by the ERCEA in 2021. | - | - |
| 3. Payment Appropriations Implementation | Ensure efficient use of payment appropriations expiring at the end of Financial Year | | 95% | 95% |
| 4. Payment Forecast Implementation | Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year | The indicator is not applicable for the ERCEA in 2021 due to the lack of underlying transactions recorded by the ERCEA in 2021. | - | - |
| 5. Global Commitment Absorption ¹² | Ensure efficient use of already earmarked commitment appropriations (at L1 level) | The indicator is not applicable for the ERCEA in 2021 due to the lack of underlying transactions recorded by the ERCEA in 2021. | - | - |
| 6. Timely Payments | Ensure efficient processing of payments within the legal deadlines | The timely payments of administrative expenditures has been ensured during 2021. | 100% | 100% |
| 7. Timely Decommitments | Ensure efficient decommitment of outstanding RAL at the end of commitment life cycle | The indicator is not applicable for the ERCEA in 2021 due to the lack of underlying transactions recorded by the ERCEA in 2021. | - | - |
| 8. Invoice Registration Time | Monitor the accounting risk stemming from late registration of invoices in the central accounting system ABAC | | 98% | 98% |
| 9. Accounting Data Quality | Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the accounts | | 99% | 99% |
| 10. Management Data Quality | Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the management decisions | | 97% | 97% |

¹¹ An explanation behind the indicator result can be provided, e.g. the comment about the achievement itself, reference to the whole Commission performance (better or worse), reasons behind this achievement. The comment is mandatory for the 'Timely payments' indicator. For the rest of indicators the comment is mandatory only if the score is equal or below the target of 80%.

¹² Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.

2. Operational budget

ERCEA Indicator Scores 2021



For each indicator the light blue bar denotes the EC Score.

| Indicator | Objective | Comment ¹³ | ERCEA Score | EC Score |
|---|---|-----------------------|-------------|----------|
| 1. Commitment Appropriations Implementation | Ensure efficient use of commitment appropriations expiring at the end of Financial Year | | 100% | 67% |
| 2. Commitment Forecast Implementation | Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year | | 97% | 88% |
| 3. Payment Appropriations Implementation | Ensure efficient use of payment appropriations expiring at the end of Financial Year | | 100% | 97% |
| 4. Payment Forecast Implementation | Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year | | 95% | 98% |
| 5. Global Commitment Absorption ¹⁴ | Ensure efficient use of already earmarked commitment | | 100% | 98% |

¹³ An explanation behind the indicator result can be provided, e.g. the comment about the achievement itself, reference to the whole Commission performance (better or worse), reasons behind this achievement. The comment is mandatory for the 'Timely payments' indicator. For the rest of indicators the comment is mandatory only if the score is equal or below the target of 80%.

| | | | | |
|------------------------------|--|---|------|-----|
| | appropriations (at L1 level) | | | |
| 6. Timely Payments | Ensure efficient processing of payments within the legal deadlines | ERCEA achieved its high efficiency in terms of "time to pay" as in the previous years, all types of payments (i.e. pre-financing, interim, final and expert payments) being well below their legal targets. | 100% | 98% |
| 7. Timely Decommitments | Ensure efficient decommitment of outstanding RAL at the end of commitment life cycle | | 98% | 76% |
| 8. Invoice Registration Time | Monitor the accounting risk stemming from late registration of invoices in the central accounting system ABAC | | 100% | 94% |
| 9. Accounting Data Quality | Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the accounts | | 100% | 99% |
| 10. Management Data Quality | Ensure the good data quality of ABAC transactions with the focus on fields having a primary impact on the management decisions | | 100% | 96% |

¹⁴ Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.

ANNEX 5: Materiality criteria

DG Research and Innovation's expenditure is composed of (in order of importance), indirectly managed grants, directly managed grants, and financial instruments and other direct spending mostly of an administrative nature. The error rate affecting payments is estimated yearly and per management system, following a methodology that takes into account the risk associated to the type of expenditure (in terms of probability and final financial impact).

Considering that around 70 % of the yearly expenditure is related to directly or indirectly managed research grants, and the fact that the research framework programmes' implementing bodies are sharing a common ex-post audit approach, the following section focusses on this specific management system.

RESEARCH FRAMEWORK PROGRAMMES – COMMON ASPECTS

The assessment of the effectiveness of the different programmes' control system is based mainly, but not exclusively, on ex-post audits' results. The effectiveness is expressed in terms of detected and residual error rate, calculated on a representative sample on a multi-annual basis.

Assessment of the 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 adjusted by subtracting:

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

This results in a residual error rate, which is calculated as follows:

$$\text{Re } sER\% = \frac{(\text{Re } pER\% * (P - A)) - (\text{Re } pER_{sys}\% * E)}{P}$$

where:

ResER% residual error rate, expressed as a percentage.

RepER% representative error rate, or error rate detected in the common representative sample, expressed as a percentage. The RepER% is composed of complementary portions reflecting the proportion of negative systematic and non-systematic errors detected. This rate is

the same for all implementing entities, without prejudice to possibly individual detected error rates.

- RepERsys%** portion of the RepER% representing negative systematic errors, (expressed as a percentage). The RepERsys% is the same for all entities and it is calculated from the same set of results as the RepER%
- P** total requested EC contribution (€) in the auditable population (i.e. all paid financial statements).
- A** total requested EC contribution (€) as approved by financial officers of all audited financial statements. This will be collected from audit results.
- E** total non-audited requested EC contribution (€) of all audited beneficiaries.

The Common Representative Sample (CRS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of each FP as a whole. Nevertheless, the Director-General (or Director for the Executive Agencies) must also take into account other information when considering if the overall residual error rate is a sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of the Seventh Framework Programme (FP7)/Horizon 2020. This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

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

Should a calculation of the residual error rate based on a representative sample not be possible for a FP for reasons not involving control deficiencies,¹⁵ the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would then be considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

Multiannual approach

The Commission's central services' guidance relating to the quantitative materiality threshold refers to a percentage of the authorised payments of the reporting year of the ABB expenditure. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas (e.g. programmes) for which a multi-annual control system is

¹⁵ Such as, for instance, when the number of results from a statistically-representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

more effective. In such cases, the calculation of errors, corrections and materiality of the residual amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

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

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

Notwithstanding the multiannual span of their control strategy, the Directors-General of the Research DGs (and the Directors of the Executive Agencies implementing Research and Innovation Framework Programmes) are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen.

In view of the crucial role of ex-post audits defined in the respective common 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.

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

Adequacy of the audit scope

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

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

2020 REVISED METHODOLOGY FOR THE CALCULATION OF THE ERROR RATE FOR HORIZON 2020

European Court of Auditors observations

The European Court of Auditors observed in its 2018 and 2019 Annual Reports that the error rate of Horizon 2020 was understated due to the fact that the “*ex-post audits aim for maximum coverage of the accepted costs, but rarely cover all the costs. The error rate is calculated as a share of all the accepted costs, instead of the amount actually audited. This means that the denominator in the error calculation is higher, so the error rate is understated. In case the errors found are of a systemic nature, the error is extrapolated which partially compensates for the above-mentioned understatement. However, since extrapolation is not performed for non-systemic errors, the overall error rate is nevertheless understated. The understatement of the error rate cannot be quantified. It is, then, impossible to determine whether the impact of this understatement is significant*”.

In response to this observation, in 2020 the Commission re-defined its methodology for calculating the Horizon 2020 error rate. In order to quantify any potential understatement mentioned by the Court, the Commission applied a new methodology for all audits closed as from 01 January 2020. The main change in the methodology is that the denominator used in the error calculation is the sum of costs actually audited and not the sum of all accepted costs.

In this respect, an additional 0.37 % (calculated on 1 304 H2020 audit participations by difference with the previous methodology) has been used to top up the cumulative detected error rate for 2021.

IAS limited review on the 2020 error rate calculation for H2020

The IAS has carried out a limited review on the methodology for calculation of the error rates of Horizon 2020 in the year 2020. The findings of this limited review confirmed that there is no weakness in the calculation of the detected error rate and that the impact of these findings on the accuracy of the calculation of the residual error rate is minor. The IAS recommended that:

1. The CIC should:
 - 1.1. Calculate the corporate H2020 residual error rate based on the actual level of implementation of audit results and extension of audit findings stemming from data encoded by the Authorising Officers;;
 - 1.2. Considering that there is no data on the sampled amounts for audits closed before 2020, estimate the amount actually audited by calculating the ratio of costs actually audited to the total amount of the related accepted cost claims for all the audits closed since 1 January 2020 ('A' parameter in the formula for calculating the residual error rate) and adapt parameter 'E' accordingly;
 - 1.3 Formalise the changes in the residual error rate calculation (e.g. in a written CAS procedure).

2. The CAS should:

2.1. Change the audit report template to include a line in the table of Annex 1 with the audited amounts (sampled);

2.2. Include fields in AUDEX to encode the audited amounts per participation and cost category and any other IT tool used to register the ex post audits' data which feed the Microsoft Access database for the calculation of the representative detected error rate;

2.3. calculate the top-up automatically in the Microsoft Access database. For Horizon Europe, the calculation will be in line with the new methodology and no top up calculation will be required.

Recommendations 1.1 to 2.1 were implemented in 2021. Recommendations 2.2 and 2.3 will be implemented in time within 2022.

RESEARCH FRAMEWORK PROGRAMMES – SPECIFIC ASPECTS

The control system of each framework programme is designed to achieve the operational and financial control objectives set in their respective legislative base and legal framework. If the effectiveness of those control systems does not reach the expected level, a reservation must be issued in the annual activity report and corrective measures should be taken.

As each programme has a different control system, the following section details the considerations leading to the establishment of their respective materiality threshold and the conclusions to draw with regard to the declaration of assurance.

Seventh Framework programme and the Coal and Steel Research Fund

For the Seventh Framework programme and the Coal and Steel Research Fund, the general control objective, following the standard quantitative materiality threshold proposed in the Standing Instructions for AAR, is to ensure that the residual error rate, i.e. the level of errors that remain undetected and uncorrected, does not exceed 2% by the end of the programmes' management cycle.

The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

Horizon 2020 Framework Programme

The Commission's proposal for the Regulation establishing the H2020 framework programme¹⁶ states that

¹⁶ COM(2011) 809/3 Proposal for a Regulation of the European Parliament and of the Council establishing Horizon 2020 – the Framework programme for Research and Innovation (2014-2020), see point 2.2, pp 98-102.

It remains the ultimate objective of the Commission to achieve a residual error rate of less than 2% of total expenditure over the lifetime of the programme, and to that end, it has introduced a number of simplification measures. However, other objectives such as the attractiveness and the success of the EU research policy, international competitiveness, scientific excellence and in particular, the costs of controls need to be considered.

Taking these elements in balance, it is proposed that the Directorates General charged with the implementation of the research and innovation budget will establish a cost-effective internal control system that will give reasonable assurance that the risk of error over the course of the multiannual expenditure period is, on an annual basis, within a range of 2-5 %, with the ultimate aim to achieve a residual level of error as close as possible to 2 % at the closure of the multi-annual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.

Further, it explains also that

Horizon 2020 introduces a significant number of important simplification measures that will lower the error rate in all the categories of error. However, [...] the continuation of a funding model based on the reimbursement of actual costs is the favoured option. A systematic resort to output based funding, flat rates or lump sums appears premature at this stage [...]. Retaining a system based on the reimbursement of actual costs does however mean that errors will continue to occur.

An analysis of errors identified during audits of the Seventh Framework Programme (FP7) suggests that around 25-35 % of them would be avoided by the simplification measures proposed. The error rate can then be expected to fall by 1.5 %, i.e. from close to 5 % to around 3.5 %, a figure that is referred to in the Commission Communication striking the right balance between the administrative costs of control and the risk of error.

The Commission considers therefore that, for research spending under Horizon 2020, a risk of error, on an annual basis, within a range between 2-5 % is a realistic objective taking into account the costs of controls, the simplification measures proposed to reduce the complexity of rules and the related inherent risk associated to the reimbursement of costs of the research project. The ultimate aim for the residual level of error at the closure of the programmes after the financial impact of all audits, correction and recovery measures will have been taken into account is to achieve a level as close as possible to 2 %.

In summary, the control system established for Horizon 2020 is designed to achieve a control result in a range of 2-5% detected error rate, which should be as close as possible to 2%, after corrections. Consequently, this range has been considered in the legislation as the control objective set for the framework programme.

The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

Horizon Europe Framework Programme

For Horizon Europe, the general control objective, following the standard quantitative materiality threshold proposed in the standing instructions for Annual Activity Reports, is to ensure that the cumulative residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2%¹⁷

DE MINIMIS THRESHOLD FOR FINANCIAL RESERVATION

As of 2019¹⁸, a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.

¹⁷ No representative error rate for Horizon Europe will be available in 2022 and 2023 as the ex-post audit campaign for the Programme will start at the earliest end of 2023.

¹⁸ Agreement of the Corporate Management Board of 30/4/2019.

ANNEX 6: Relevant Control Systems for budget implementation (RCSs)

6.1 ERCEA Operational budget

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

Main internal control objectives: Ensure that the HE calls for proposals are effectively launched and concluded according ERC Work Programme objectives' effectiveness, in compliance with rules and regulations.

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|--|---|--|--|
| WP and subsequent calls for proposals are inadequate to ensure the evaluation of proposals | Hierarchy of legal texts (legal basis, decisions, rules...) Scientific Council (SCC) support and Call Coordination | All calls | Effectiveness: % of planned Calls successfully concluded % success rate per call Qualitative Benefits: A good Work Programme and well publicised calls should generate a large number of good quality projects, from which the most excellent can be chosen. There will therefore be real competition for funds. Optimised procedures, common approach on multiple issues (audits, fraud, legal aspects, reporting...); better reporting on the whole programme – better management of the programme |

B. Evaluation, ranking and selection of proposals

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

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|--|--|---|---|
| Eligible proposals are excluded from the evaluation or ineligible proposals are proposed for funding | Automatic IT-based eligibility checks Eligibility checks and decision for clear cut cases by scientific officers and call coordinators In depth double-check of special cases at Step 2 by | 100% applicants and all aspects of eligibility criteria | Effectiveness: Number of proposals evaluated % of ineligible proposals over total proposals submitted per call % of redress cases concerning eligibility issues |

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|--|--|--|---|
| | <p>call coordinators</p> <p>Eligibility decision for pending cases (not clear cut) by Eligibility Committee</p> | | |
| <p>The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures</p> | <p>ScC selection and appointment of panel members</p> <p>Panel coordination by scientific officers making sure procedures are followed (panel checklists and standard deliverables)</p> <p>Assignment of proposals to panel members by panel chairs</p> <p>Conflict of interest procedure</p> <p>Selection of experts (remote referees) by panel chairs</p> <p>Assessment of proposals by panel members and experts (remote referees)</p> <p>ScC President's approval and ERCEA Director's final adoption of ranking lists.</p> <p>Redress procedure</p> | <p>100% of panel members and experts</p> <p>100% of proposals</p> <p>100% of complaints received are analysed by the Redress Committee.</p> <p>100% exclusion from evaluation of experts having a conflict of interest</p> | <p>Effectiveness:</p> <p>Number of experts participated/invited</p> <p>% of expert payment execution</p> <p>Number of experts (remote referees) reviews per proposals</p> <p>Time to appoint experts</p> <p>Time to pay experts</p> <p>% of successful redress cases</p> <p>Expert budget / number of evaluated proposals</p> <p>Efficiency:</p> <p>Time to Inform all/successful applicants (average number of days) on the outcome of the evaluation of their application from the final date for submission of completed proposals</p> <p>Posts standard costs + expert budget / operational budget</p> <p>Qualitative benefits:</p> <p>Compliant, fair and reliable evaluation based on sole criterion of excellence</p> |

| | | | |
|--|---|--|---|
| <p>The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures</p> | <p>ScC selection and appointment of panel members</p> <p>Panel coordination by scientific officers making sure procedures are followed (panel checklists and standard deliverables)</p> <p>Assignment of proposals to panel members by panel chairs</p> <p>Conflict of interest procedure</p> <p>Selection of experts (remote referees) by panel chairs</p> <p>Assessment of proposals by panel members and experts (remote referees)</p> | <p>100% of panel members and experts</p> <p>100% of proposals</p> <p>100% of complaints received are analysed by the Redress Committee.</p> <p>100% exclusion from evaluation of experts having a conflict of interest</p> | <p>Effectiveness:</p> <p>Number of experts participated/invited</p> <p>% of expert payment execution</p> <p>Number of experts (remote referees) reviews per proposals</p> <p>Time to appoint experts</p> <p>Time to pay experts</p> <p>% of successful redress cases</p> <p>Expert budget / number of evaluated proposals</p> <p>Efficiency:</p> <p>Time to Inform all/successful applicants (average number of days) on the outcome of the evaluation of their application from the final date for submission of completed proposals</p> <p>Posts standard costs + expert budget /</p> |
|--|---|--|---|

D – Monitoring

Main internal control objectives: To ensure the financial and legal transaction time is minimised for ERC beneficiaries and the FP7/H2020/HE underlying transactions are legal and regular.

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|--|---|---|---|
| <p>The grant agreement is not or partially carried out in compliance with the Description of Work and/or amounts claimed by beneficiaries are not complying with the contractual and regulatory framework.</p> | <p>Financial Officers perform check-list-based financial controls based on the Periodic Financial Management Report, which provides an explanation of financial resources claimed versus the Description of Work, in particular its budgetary annex.</p> <p>Certificate on the Financial Statements delivered by an independent qualified auditor.</p> <p>EDES screening</p> <p>Final payments are subject to the approval of the Scientific reports.</p> <p>Anti-fraud awareness raising training for project officers</p> | <p>100% of transactions</p> <p>100% of transactions with cumulative costs claims exceeding € 325.000 for H2020/HE or € 375.000 for FP7.</p> <p>100% of transactions</p> <p>100% of transactions</p> | <p>Effectiveness:</p> <p>% of payment credit execution.</p> <p>% of ineligible costs identified by Financial Officers</p> <p>% of total number of financial transactions and accepted costs covered by Certificate on Financial Statements (CFS).</p> <p>Research Family indicator:</p> <p>% and values of errors detected through ex-ante desk checks / total value of cost claims.</p> <p>% of final payments suspended due to results of Scientific reports</p> <p>% of ERCEA staff participation in ethics and integrity trainings</p> <p>Efficiency:</p> <p>Time to pay (pre-financing / interim and final payments)</p> <p>Research Family indicator: Average time to pay (% on time)</p> <p>Qualitative benefits:</p> <p>Average project management cost/running grant agreement</p> <p>Average number & value of running grant agreement managed/staff.</p> <p>Detected error rate ex-ante desk checks</p> |

Overall economy and quantitative benefit for ex-ante control

| | | | |
|--|--|--|--|
| | | | <p>Economy:</p> <p>a.Estimation of cost of staff involved in the ex-ante checks</p> <p>Programme management and monitoring Financial management Budget and accounting General Coordination incl. Strategic Programming and Planning, internal control, assurance and quality management Anti-fraud Development and support of IT systems linked to managing funding programmes</p> <p>b.Estimation of other costs linked to ex-post checks</p> <p>Cost of experts</p> |
|--|--|--|--|

| | | | |
|--|--|--|--|
| | | | Qualitative Benefits: Total amount committed for grants signed Total amount paid against cost claims including clearings on prefinancing. |
|--|--|--|--|

E - Ex-post controls

Main internal control objectives: Measuring the effectiveness of ex-ante controls by performing on-the-spot ex-post controls aiming at detecting errors, irregularities or fraud in cost statements related to FP7/H2020 grants.

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|---|---|--|--|
| Ex-ante controls fail to prevent, detect and correct erroneous, irregular or fraudulent payments. | <p>Common and multi-annual FP7/H2020 ex-post control strategy - representative sample of transactions (CRaS)</p> <p>ERCEA specific ex-post control strategy (2007-2013) – representative sample (MUS) and risk-based audits.</p> <p>Updated Anti-fraud Strategy of the ERCEA elaborated on the basis of the methodology provided by OLAF</p> <p>Referring grant/beneficiary to OLAF</p> | <p>Representative sample allows drawing conclusions on the effectiveness of ex-ante controls.</p> <p>The FP7/H2020 audit strategy sets the audit method for the Research Family.</p> | <p>Effectiveness:</p> <p>ERCEA specific error rate (global activity)</p> <p>ERCEA residual error rate (drawn from ERCEA MUS sample)</p> <p>FP7/H2020 – CRaS error rate (representative sample)</p> <p>FP7/H2020 – CRaS residual error rate</p> <p>Number of open fraud / irregularity cases included in the Fraud/Irregularity Register</p> <p>Amount of recoveries</p> <p>Efficiency:</p> <p>Number of audits performed (+% of beneficiaries & value coverage)</p> <p>Qualitative benefits:</p> <p>Non-monetary benefits:</p> <p>Deterrent effect.</p> <p>Learning effect for beneficiaries.</p> <p>Improvement of ex-ante-controls or risk approach in ex-ante controls by feeding back audit findings.</p> <p>Improvement in rules and guidance from audit feedback.</p> |

Overall economy for ex-post control

| | | | |
|--|--|--|--|
| | | | <p>Economy:</p> <p>Estimation of cost of staff involved in the coordination and execution of the ex-post audit strategy and in the implementation of audits</p> <p>Costs of the appointment of audit firms and missions</p> |
|--|--|--|--|

6.2 ERCEA Operating budget

A - Administrative budget

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

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|---|--|---|--|
| Credibility of the draft budget (= request for EC contribution in N+1) is questioned by the Budget authority against the ERCEA ability to reach a high level of execution | Monitoring of the quality of the budget planning | 100% of operating budget | <p>Effectiveness:</p> <p>% Budget execution commitments</p> <p>% Budget execution payments (C1) & (C1+C8)</p> <p>Qualitative benefits:</p> <p>respect of commitment towards the budgetary authority to limit administrative costs</p> |
| Late payments give a negative image of the Agency (reputational risk) and may lead to the payment of late interests | Monitoring of the quality of payment workflows | 100% of operating budget | <p>Effectiveness:</p> <p>% and number of late payments</p> <p>Efficiency:</p> <p>Time to pay</p> <p>Qualitative benefits:</p> <p>Respect of the payment target imposed by budgetary authority</p> |
| A high rate of errors in the transactions on the administrative budget lead to remarks in the final report of the court of auditors | Compliance & regularity checks of financial transactions | 100% of transactions | <p>Effectiveness:</p> <p>% Residual number of accounting errors/total number of transactions (<2%)</p> <p>% Residual accounting errors (<2%) of total balance sheet or economic outturn account</p> <p>Number of findings related to sound financial management and/or legality and</p> |

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|---|---------------------|--|---|
| | | | <p>regularity of budget's underlying transactions in the final report of the CoA</p> <p>Number of critical findings related to the true and fair view of the financial position for the administrative budget in the final report of the CoA</p> <p>Qualitative benefits:</p> <p>Optimisation of budget execution in line with financial and accounting rules.</p> |

B - Procurement

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

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|--|---|--|--|
| <p>A lack of competition amongst tenderers may lead to restriction of market</p> | <p>Regular follow-up and update of the contract register</p> | <p>100% checked</p> | <p>Effectiveness: Reduced n° of splitting of a purchase</p> <p>Qualitative benefits:</p> <p>Widest competition (increase the choice of potential suppliers)</p> |
| <p>Procurement documents (invitation to tender, tender specifications and its annexes, draft contract) is not well drafted, potentially leading to:</p> <ul style="list-style-type: none"> - inconsistency and irregularity amongst the documents - the fact that offers are not submitted | <p>Ex-ante visa (twice) in all public procurement files:</p> <p>1. During the preparatory phase:</p> <ul style="list-style-type: none"> - procedures above € 15.000 "procurement check-list" <p>2. Before the signature of the contract (after the award decision):</p> <ul style="list-style-type: none"> - procedures above € 15.0000 - "procurement check-list" - procedures below € 15.000 - "commitment request checklist" <p>Training and bilateral coaching provided to operational units</p> <p>Regular update of the "procurement document" templates and supporting documents (e.g. "step by step", guidelines)</p> <p>In-house trainings on</p> | <p>100% checked</p> | <p>Effectiveness:</p> <ul style="list-style-type: none"> - n° of errors detected - n° of requests issued for clarification regarding the call for tender - n° of complaints or litigation cases filed <p>Qualitative benefits:</p> <ul style="list-style-type: none"> - limited number of procedure cancellations - needed services/goods are provided - compliance with rules - limited number of complaints / litigations filed |

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | Cost-Effectiveness indicators (effectiveness, efficiency, economy) |
|---|---|---|--|
| The procurement documents used by operational units are not in line with the rules/models | procurement Updated guidelines on public procurement Ares(2020)1329864 | | |
| Due conflict of interest during the award process, contract awarded may be contested | Members of the evaluation committee sign a declaration of absence of conflict of interests and of confidentiality | 100% checked | Effectiveness: - n° of complaints or litigation cases filed Qualitative benefits: - awarded contract are awarded and services/goods delivered (needs satisfied) - limit number of litigations & complaints - fair competition |

ANNEX 7: Specific annexes related to "Financial Management"

Table – Overview of ERCEA’s estimated cost of controls

Table Y - Overview of ERCEA's estimated cost of controls at Commission (EC) level

The absolute values are presented in EUR

EXPENDITURE

| ERCEA | Ex ante controls*** | | | Ex post controls | | | Total | |
|--|------------------------|---------------------------|---------------------|---------------------|-------------------------------------|-------------------|---|---------------------|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| Relevant Control System (RCS) / Other as defined in Annex 6 of the AAR* | EC total costs | related payments Made | Ratio (%)** (a)/(b) | EC total costs | total value verified and/or audited | Ratio (%) (d)/(e) | EC total estimated cost of controls (a)+(d) | Ratio (%)** (g)/(b) |
| ERCEA operational budget | 49.777.255,06 € | 1.798.682.967,07 € | 2,77% | 557.462,58 € | 54.997.008,48 € | 1,01% | 50.334.717,64 € | 2,80% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| | - € | - € | 0,00% | - € | - € | 0,00% | - € | 0,00% |
| OVERALL total estimated cost of control at EC level for expenditure | 49.777.255,06 € | 1.798.682.967,07 € | 2,77% | 557.462,58 € | 54.997.008,48 € | 1,01% | 50.334.717,64 € | 2,80% |

Other legality and regularity indicators

- **Evaluation**

| ERCEA 2021 AWP | | |
|--|-----------------|---------------|
| Ineligible proposals (not withdrawn) | 2021 Target | 31/12/2021 |
| StG, CoG, AdG 2021 | 1.5% | 1.47% |
| Evaluation complaints | | |
| % of re-evaluations out of the overall proposals submitted and following requests for redress | All calls: 0.1% | 0% (on-going) |

The above table presents the percentage of ineligible proposals and evaluation complaints. The targets have been met in both cases.

During the reporting period, the Commission received six requests, as in 2020, for legal review in accordance with Article 22 of Regulation 58/2003 ('Article 22 requests') out of which, the Commission retained two complaints. For the first one, having identified a factual and a procedural error that may have affected the overall evaluation of the

proposal as well as its final position in the ranked list, the Commission concluded that the rejection decision should be annulled and the proposal re-evaluated. For the second one, the Commission considered that a procedural mistake had been committed for one of the two proposals subject of the complaint, annulling the concerned rejection decision.

- **Grant preparation and signature**

| ERCEA 2021 AWP | 2021 Target | 31/12/2021 | 31/12/2020 |
|--|--------------------|---------------------------|-------------------|
| % execution of L2/L1 commitment (C8)²⁰ | 100% | 99.6%²¹ | 99.7% |

Source of data: ABAC

Throughout the year, 653 grant agreements for a total of EUR 1 481.6 million were signed. Following the late adoption of the new Framework Programme, only the 2020 ERC Calls were undergoing the granting process. This resulted in less grants being signed compared to last year where two ERC Call years were granted in parallel.

| ERCEA specific control indicators | 31/12/2021 |
|--|-------------------|
| % of exclusion from granting process following financial viability checks | - |
| % of weak financial viability checks / total financial viability checks | 50% |

Source of data: CORDA

In 2021, two Financial Viability Checks (FVC) were performed. In the first case, the outcome of the checks was “good financial viability”, therefore no further action was taken in line with the related procedure. In the second case, the outcome of the checks was “weak financial viability” and as a result, a reduced pre-financing amount was applied. Furthermore, the related grant was flagged for reinforced monitoring during the implementation of the project and a new FVC was decided to be performed after the signature of the grant, once the most recent financial data will become available.

²⁰ The indicator for the percentage execution L2/L1 is dependent on the timing of the evaluation process.

²¹ The overall H2020 L2/L1 commitment (C8) execution rate in 2021 stands at 99.6% and includes the open RAL of finalised projects which will be de-committed in 2022. The indicator computed on global individual legal commitments (L1) referring to 2020 calls only is 100%.

- **Grant implementation**

| ERCEA control indicators – 2021 | | | | | | |
|--|--------------------|-----|------------------|---------------|---|-------|
| Rejection of interim and final payment costs | Number of Invoices | | Amount (EUR) | | % of ineligible costs on total declared costs ²² | |
| | H2020 | FP7 | H2020 | FP7 | H2020 | FP7 |
| Total declared cost | 3 589 | 85 | 1 541 105 102.89 | 51 431 241.15 | 0.17% | 0.09% |
| Of which Ineligible costs declared²³ | 190 | 14 | 2 589 185.95 | 46 803.48 | | |

Source of data: DWH BO reports

The above table presents the ex-ante control results, reflecting the percentage of declared costs considered as ineligible.

Ex-post controls: Audit strategy

The main legality and regularity indicator resulting from the ex-post audits is the error rate. Because of its multi-annual nature, the effectiveness of the control strategy of the Research Family can be measured and assessed in the final stages of the Framework Programme, once it has been fully implemented and systematic errors have been detected and corrected. As a major development of the Common FP7 Audit Strategy, the Research family has introduced in 2012 the Common Representative Audit Sample (CRaS) and the related CRaS error rate, aiming at estimating the overall level of error on a multi-annual basis in FP7 across all the services.

The ERCEA manages the ex-post controls in line with the FP7 Common Audit Strategy and is part of the FP7 Common Representative audit Samples (CRaS 1, 2 & 3). However, to conclude on the legality and regularity of transactions, ERCEA does not rely on the common approach of the CRaS, since the risk profile of the Ideas beneficiaries is inherently lower compared to the rest of the FP7.

The different risk profile is due to the specificities in the Ideas programme, such as ERC grants being mono-beneficiary, beneficiaries being mostly large research institutes with well-established internal controls on financial reporting (e.g. no SMEs, few newcomers to the programme, mostly public bodies), simplifications inherent in the programme design (e.g. flat-rate overheads).

Thus, while contributing to the Research Family common audit strategy, the ERCEA has adopted an alternative assessment pattern fully aligned to annex 5 and implemented its own multi-annual ex-post controls indicators, since it has considerable additional evidence to allow for an assessment of the error rate of its own expenditure, to provide assurance to the Authorizing Officer by Delegation on the ERC specific population. Different error rates are calculated according to the methodology described in annex 5, namely the MUS Statistical Error rate (detected error rate), the MUS Residual Error rate, and the Global

²² Covering ex-ante rejections by Financial Officers and independent certified auditors (CFS).

²³ Ineligible costs as identified in the recovery context of the respective cost claim (e.g. independent controls, community controls/desk checks and on the spot).

Activity Error Rate²⁴, and the results are corroborated to provide a comprehensive view of the legality and regularity of underlying transactions.

Finally, it should be underlined that the Agency has disclosed in its 2013 AAR - in agreement with the parent DG - the above described alternative assessment pattern²⁵) established before the introduction of the CRaS. Furthermore, this practice has been enshrined in the 2015 revision of "ERCEA FP7 Ex-post control approach and audit strategy for the remaining period 2015-2018", following the implementation in 2015 of an IAS recommendation resulting from the audit on ERCEA FP7 internal control systems and ex-post controls.

Audit Activity and Sampling

The table below gives an overview of the FP7 audit activity performed by the ERCEA by the end of 2021 detailed by type of audits (given that a single audit can cover more samples or activity strands, the overview is expressed in number of financial statements):

| Number of Cost Statements audited | 2021 | | | | | |
|--|-------------------------|--|-----|--|-----------------------|-------------------|
| | CRaS1, 2 & 3 | MUS1 (ex-250) & MUS 2 samples | | Risk Based (Risk Analysis + Request, TOP 100, technical, other) | Joint with CoA | Total 2021 |
| Ongoing – beginning of the period | 0 | 0 | 3 | 52 | 0 | 55 |
| Launched | 0 | 0 | 0 | 0 | 0 | 0 |
| Closed | 0 | 0 | 3 | 43 | 0 | 46 |
| Ongoing – end of the period | 0 | 0 | 0 | 9 | 0 | 9 |
| 2009-2021 | | | | | | |
| Ongoing – beginning of the period | 0 | 0 | 0 | 0 | 0 | 0 |
| Launched | 41 | 161 | 150 | 1403 | 31 | 1786 |
| Closed | 41 | 161 | 150 | 1394 | 31 | 1777 |
| Ongoing – end of the period | 0 | 0 | 0 | 9 | 0 | 9 |

Source of data: Internal follow up tool, "closed audit - error rates & implementation follow-up.xls"

²⁴ MUS Statistical Error Rate: the multi-annual error rate derived from the results of audits performed on a representative sample of IDEAS beneficiaries, to be defined as "representative" error rate upon finalization of the samples and to be extrapolated to the overall population. Until completion, this indicator is defined as "detected" statistical error rate. The MUS rate has a multi-annual nature and is calculated for the IDEAS programme since before the introduction of the CRaS.

- Residual MUS Error Rate: on a multi-annual basis, the extrapolated level of error remaining after corrections/recoveries undertaken by ERCEA following the audits that have been made on the MUS sample (calculation of the residual error rate shown in Annex 5). Upon completion, this is the reference indicator for the purposes of assessing the legality and regularity of transactions, as well as the progress made through the ERCEA ex-post strategy in dealing with errors over a multiannual basis. The detected rates derived from the statistical sample are complemented by the risk based error rate, resulting from audits conducted for corrective and budget cleaning effects.

- Global Activity Error Rate: the error rate derived from the results of all audits (excluding the ones performed by the Court of auditors only), whether audits on the statistical sample of beneficiaries or audits implemented for other reasons (risk based etc.).

²⁵ This alternative pattern supports its Declaration of Assurance based on the specific error rate deriving from the ERCEA statistical sample.

FP7 Audit plan execution

Detailed data on the ERCEA completion of the annual and cumulative plans are shown in the table below (indicating both numbers of audits and of financial statements audited):

| Number of audits (& Financial Statements) | 2021 | | 2009 – 2021 | |
|---|---------------------|-----------------------------|----------------------|-----------------------------|
| | AUDITS | FINANCIAL STATEMENTS | AUDITS | FINANCIAL STATEMENTS |
| Audits planned – as per AWP & audit strategy | 5 | N/A | 550 | N/A |
| Audits ongoing – beginning of the period | 7 | 48 | 0 | 0 |
| Audits launched | 1 | 4 | 568* | 1786 |
| Audits closed | 5 | 46 | 566 | 1777 |
| Audits ongoing – end of the period | 3 | 9 | 3 | 9 |
| Total amount audited - € | € 12.318.209 | | € 679.866.109 | |
| Audit coverage - % | 8,96% | | | |

*3 audits had to be cancelled

Source of data: Internal follow up tool, "closed audit - error rates & implementation follow-up.xls"

Source of data: AUDEX

Final Results of FP7 ex post control audits

| Indicators related to ERCEA specific ex-post control strategy | | | | |
|--|--------------------|---------------|--------------------|---------------|
| Financial Statements audited | 2021 | | 2009-2021 | |
| | Amount in € | Number | Amount in € | Number |
| Total cost accepted by Financial officers (€) on audited FS – Audited amount | 12.318.209 € | 46 | 679.866.109 € | 1777 |
| Thereof audited as part of the MUS 1 (ex-MUS250) | 0,00 € | 0 | 62.219.211 € | 161 |
| Thereof audited as part of the MUS 2 | 1.227.902 € | 3 | 54.564.790 € | 150 |
| Thereof audited as part of the risk based sample (31 FS jointly audited with CoA & CRaS included) | 11.090.308 € | 43 | 563.082.108 € | 1466 |
| Total adjustments in favour of the ERCEA (€, only negative) | 802.773 € | 20 | 13.394.317 € | 540 |
| On the MUS sample | 30.534 € | 2 | 1.501.378 € | 96 |
| On the risk based sample | 772.238 € | 18 | 11.892.939 € | 444 |
| Detected error rate – stratified (MUS1 & MUS2) – % | N/A | N/A | 1,51% | N/A |
| Residual Error rate – from MUS stratified- % | N/A | N/A | 1,10% | N/A |
| Other MUS related rates: | | | | |
| Detected error rate – from MUS1 - % | N/A | 0 | 2,11% | 161 |
| Detected error rate – from MUS2 - % | N/A | 3 | 0,50% | 150 |
| Other ERCEA error rates: | | | | |
| Risk based error rate (risk analysis, audits on request, Top100, CoA)- % | N/A | N/A | 2,67% | 1466 |
| Global activity error rate (all activity) - % | N/A | N/A | 2,50% | 1777 |

Source: internal follow up tool, "closed audit-error follow-up.xls"+CORDA BO Report+AUDEX data

**Control effectiveness as regards legality and regularity
Research Family FP7 CRaS results**

| Research Family harmonised indicators | 31-12-2021 | 31-12-2020 |
|---|-------------------|-------------------|
| Detected error rate from a representative sample (CRaS1 , 2 & 3)[1] | 5,45% | 5,45% |
| Residual error rate (CRaS)[2] – (including 52 ERC Financial statements) | 2,91% | 2,91% |
| Value of corrections 'made', by implementing and extending audit results, by recoveries (ABAC) or offsetting (local PM system) | € 8 573 427 | € 8 573 427 |
| Value of recoveries as per the "Comm. on the Protection of EU financial interests" | € 7 909 041 | € 7 909 041 |

Source of data: Source: internal follow up tool, "closed audit - error rates & implementation follow-up.xls"+ ABM tables from WIKI confluence + CORDA BO report.

ANNEX 8: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

8.1 Results of IC effectiveness indicators

| No | Criteria/Indicators | Source of data to obtain value for the indicator | Baseline value | Target value | IC component | IC Principle | Latest known result 31/12/21 | S/D ²⁶ |
|----|--|--|----------------|--------------|--------------|--------------|------------------------------|-------------------|
| 1 | % of staff who followed a training on ethics and integrity. | EU-Learn / ERCEA training statistics | 73% | 80% | I | 1 | 74% | S |
| 2 | ERCEA communicates to third parties (Grant applicants, Principal Investigators, Host Institutions, Experts; tenderers, contractors) its commitment to integrity and ethical behaviour. | ERC Work programme, Model grant agreements / experts contract; model annex to tenderer specifications. | Y | Y | I | 1 | Y | |
| 3 | Existing governance & working arrangements between the parent DG and the agency allow an independent oversight of its internal control development and performance. | Delegation Act; Steering Committee minutes; | Y | Y | I | 2 | Y | S |

²⁶ strength or deficiency.

| No | Criteria/Indicators | Source of data to obtain value for the indicator | Baseline value | Target value | IC component | IC Principle | Latest known result 31/12/21 | S/D ²⁶ |
|----|---|---|----------------|--------------|--------------|--------------|------------------------------|-------------------|
| 4 | Key and relevant information on the developments and performance of internal control is provided to and discussed with the Steering Committee and RTD services. | Steering Committee minutes; RTD consultation on AWP, AAR, Bi-annual report; | Y | Y | I | 2 | Y | |
| 5 | ERCEA organisation chart and financial circuits are kept updated and are communicated to staff. | Steering Committee decisions; ERCEA intranet | Y | Y | I | 3 | Y | S |
| 6 | % staff assessing their job to be clearly linked to the agency's mission and objectives. | Staff opinion survey | 86,5% | 85% | I | 3 | 92% | |
| 7 | % of staff turnover | ERCEA HR statistics | 4,89% | <8% | I | 4 | 7,67% | S |
| 8 | Number of training days per staff | ERCEA HR statistics | 4,95 | 6 days | I | 4 | 5,45 | |
| 9 | Number and percentage of first female appointments to middle management positions | ERCEA HR statistics / DG HR | 33% | 44% | I | 4 | 53% | |
| 10 | ERCEA staff engagement index | Staff opinion survey | 73% | 73% | I | 4 | 74% | |
| 11 | The process of staff appraisal includes a dialogue where staff members receive a meaningful and practical feedback on how to improve their performance and identify training needs. | Sysper | Y | Y | I | 5 | Y | S |
| 12 | % of staff assessing that Management identifies and addresses poor performance. | Staff opinion survey | 62% | > 62% | I | 5 | 59% | |

| No | Criteria/Indicators | Source of data to obtain value for the indicator | Baseline value | Target value | IC component | IC Principle | Latest known result 31/12/21 | S/D ²⁶ |
|----|--|--|----------------|--------------|--------------|--------------|------------------------------|-------------------|
| 13 | Agency's objectives are aligned with its Mission statement, cover all its activities (comprehensive) and are compliant with the SMART criteria. | AWP | Y | Y | II | 6 | Y | S |
| 14 | % of staff assessing that Management gives clear guidance on the mission, objectives and tasks of the agency and its units. | Staff opinion survey | 70,5% | 68% | II | 6 | 75% | |
| 15 | % of Management assessing that the risks identification and assessment is organised, coordinated and reviewed across the whole agency by staff with the adequate competence and its outcome is discussed and validated by ERCEA senior management. | ERCEA risk management process ICAT | 91% | 90% | II | 7 | 86% | S |
| 16 | Regular update of the ERCEA Risk Register | ERCEA risk management process | 2/year | 2/year | II | 7 | 2/year | |
| 17 | The annual identification of fraud risks and schemes is based on fraud patterns/schemes, considers the vulnerabilities of the agency and its outcome is reflected in ERCEA strategy /anti-fraud action plan. | ERCEA risk management process | Y | Y | II | 8 | Y | S |
| 18 | % staff dealing with financial operations having attended a training on fraud prevention, detection & handling potential fraud. | EU-Learn and ERCEA training statistics; ERCEA Anti-fraud Strategy | 76% | 80% | II | 8 | 47% | |

| No | Criteria/Indicators | Source of data to obtain value for the indicator | Baseline value | Target value | IC component | IC Principle | Latest known result 31/12/21 | S/D ²⁶ |
|----|---|---|----------------|--------------|--------------|--------------|------------------------------|-------------------|
| 19 | Implementation of the actions included in ERCEA's anti-fraud strategy over the strategy's lifecycle | AAR, ERCEA's anti-fraud strategy, OLAF reporting | 80% | 90% | II | 8 | 90% | |
| 20 | % of Management assessing that the risk identification and assessment process covers changes to the internal/external environment, governance, policies, operational priorities as well as in management's attitude towards internal control. | ERCEA risk management process ICAT | 90% | 80% | II | 9 | 84% | S |
| 21 | Results of control and performance indicators are monitored as to ensure achieving related objectives. | Minutes of Management meetings; Reporting from the Management and RMIC to the Director. | Y | Y | III | 10 | Y | S |
| 22 | % of timely implemented mitigating measures of high and medium risks. | Minutes of Management meetings; Reporting from the Management and RMIC to the Director. | 75% | > 75% | III | 10 | 85% | |
| 23 | ERCEA H2020 Estimated residual error rate | BO report | 1,69% | 2-5% | III | 10 | 1,22% | |
| 24 | Estimated risk at closure | BO report | 1,38% | < 2% | III | 10 | 1,18% | |

| No | Criteria/Indicators | Source of data to obtain value for the indicator | Baseline value | Target value | IC component | IC Principle | Latest known result 31/12/21 | S/D ²⁶ |
|----|---|--|----------------|--------------|--------------|--------------|------------------------------|-------------------|
| 25 | ERCEA plans and implements its IT projects and activities via an annual Information Technology Masterplan which is approved by the IT Steering Committee. | IT Steering Committee minutes | Y | Y | III | 11 | Y | S |
| 26 | % of completed IT Masterplan activities | D1 report on IT statistics | 75% | 100% | III | 11 | 100% | |
| 27 | Degree of implementation of the digital strategy principles by the most important IT solutions | Dep.D report | 42% | 60% | III | 11 | n.a | |
| 28 | Percentage of implementation of the corporate principle for data governance for ERCEA's key data assets | Dep.D report | 0% | 50% | III | 11 | n.a | |
| 29 | Number of request for authorisation and non compliance events. | Register of exception and non compliance | 21 | 20-25 | III | 12 | 15 | S |
| 30 | Number of IAS critical and very important recommendations related to procedures. | IAS reports | 0 | 0 | III | 12 | 0 | |
| 31 | % of registered documents not filed. | HAN statistics | 0,58% | 1% | IV | 13 | 1,6% | S |
| 32 | Percentage of HAN files readable/accessible by all units in ERCEA | HAN statistics | 92,70% | 90% | IV | 13 | 92,5% | |
| 33 | Percentage of staff attending awareness raising activities on data protection compliance | ERCEA | 0% | 100% | IV | 13 | 16% | |
| 34 | % of staff attending the yearly meeting providing information on | Invitation to staff | 65% | 85% | IV | 14 | 70% | S |

| No | Criteria/Indicators | Source of data to obtain value for the indicator | Baseline value | Target value | IC component | IC Principle | Latest known result 31/12/21 | S/D ²⁶ |
|----|--|--|----------------|-----------------------|--------------|--------------|------------------------------|-------------------|
| | agency's progress in achieving its objectives, on challenges etc... | (email); Intranet | | | | | | |
| 35 | ERCEA has a whistleblowing procedure in place which is communicated to and accessible by staff members. | ERCEA intranet (handling and reporting unethical behaviour webpage) | Y | Y | IV | 14 | Y | |
| 36 | Press coverage of the ERC - i.e. number of articles mentioning the ERC (number of media items) | ERCEA external communication statistics | 12.000 | stable/positive trend | IV | 15 | 13.400 | S |
| 37 | Competent and independent staff reporting to the RMIC (independent from operational staff) defines the ERCEA assurance building process and validates its outcome. | Statement of the RMIC (reflected in Annex 1 of the AAR) | Y | Y | V | 16 | Y | |
| 38 | Management regularly monitors the performance /functioning of the internal control via the internal scorecard, outcome of the risk management exercise, exception/non-compliance reports | Minutes of Management meetings; Reporting from the Management and RMIC to the Director. | 4/year | 4/year | V | 16 | 4/year | S |
| 39 | Internal control weaknesses are recorded, reported to and addressed by management in a timely manner. | RMIC's reporting on the assessment of the functioning of the IC system (ongoing / year end assessment) | Y | Y | V | 17 | Y | S |

ANNEX 9: "Control results"

1) Table 1: Estimated risk at payment and at closure

Model table X for Executive Agencies:

| EA ERCEA | 'payments made' (2021;MEUR) | minus new prefinancing [plus retentions made] (in 2021;MEUR) | plus cleared prefinancing [minus retentions released and deductions of expenditure made by MS] (in 2021;MEUR) | 'relevant expenditure' (for 2021;MEUR) | Detected error rate or equivalent estimates | estimated risk at payment (2021;MEUR) | Adjusted Average Recoveries and Corrections (<i>adjusted</i> ARC; %) | estimated future corrections [and deductions] (for 2021;MEUR) | estimated risk at Closure (2021;MEUR) |
|---|-----------------------------|--|---|--|---|---------------------------------------|---|---|---------------------------------------|
| -1 | -2 | -3 | -4 | -5 | -6 | -7 | -8 | -9 | -10 |
| FP7 | 19,86 | 0,00 | 44,63 | 64,49 | 1,51% - 1,51% | 0,97 - 0,97 | 0,41% - 0,41% | 0,26 - 0,26 | 0,71 - 0,71 |
| H2020 | 1 772,06 | - 733,80 | 555,89 | 1 594,15 | 1,94% - 1,94% | 30,93 - 30,93 | 0,72% - 0,72% | 11,48 - 11,48 | 19,45 - 19,45 |
| HE | 6,76 | - 0,21 | 0,00 | 6,55 | 0,00% - 0,00% | 0,00 - 0,00 | 0,00% - 0,00% | 0,00 - 0,00 | 0,00 - 0,00 |
| Sub-total | 1 798,68 | - 734,01 | 600,52 | 1 665,20 | | 31,90 - 31,90 | 0,71% - 0,71% | 11,74 - 11,74 | 20,16 - 20,16 |
| operating budget | 54,16 | 0,00 | 0,00 | 54,16 | 0,09% - 0,09% | 0,05 - 0,05 | 0,00% - 0,00% | 0,00 - 0,00 | 0,05 - 0,05 |
| total EA (operational + operating) | 1 852,84 | - 734,01 | 600,52 | 1 719,35 | | 31,95 - 31,95 | 0,68% - 0,68% | 11,74 - 11,74 | 20,21 - 20,21 |
| | | | | | Overall risk at payment in % | 1,86% - 1,86% (7) / (5) | | Overall risk at closure in % | 1,18% 1,18% (10) / (5) |

Notes to the table 1

(1) Relevant Control Systems differentiated per relevant portfolio segments and at a level which is lower than the DG total

(2) Payments made or equivalent, e.g. expenditure registered in the Commission's accounting system, accepted expenditure or cleared pre-financing. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as a transfer from another department). "Pre-financing" is covered as in the context of note 2.5.1 to the Commission annual accounts (i.e. excluding "Other advances to Member States" (note 2.5.2) which is covered on a purely payment-made basis).

(4) Pre-financing actually cleared during the financial year (i.e. their 'delta' in the Financial Year 'actuals', not their 'cut-off' based estimated 'consumption').

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to legality & regularity errors (*see the ECA's Annual Report methodological annex 1.1*), our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used for operational budget. For administrative expenditure, type of low-risk expenditure, the error rate resulting from ex-ante on salaries was used.

(7) The historic average of recoveries and financial corrections (ARC) received from the central services is 0.36%. However, further to 2017 ECA/IAS recommendations, ERCEA adjusted this value to 0.68% for grant management expenditure and used as best estimation:

The difference between overall representative detected error rate (1.51% for FP7 and 1.94% for H2020) and the ERCEA residual error rate (1.10% for FP7 and 1.22% for H2020). For other expenditures, ERCEA assumed that the ex-post future corrections would be 0%.

ANNEX 10: Reporting – Human resources, sound financial management, fraud risk management, digital transformation and information management, sound environmental management

10.1 Human resources

Objective: The ERCEA employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the agency's priorities and core business.

Indicator 1: ²⁷Number and percentage of first female appointments to middle management positions²⁸

Source of data: DG HR

| Baseline (female representation in middle management positions) (31/12/2019) | Final Target 50% in 2024 | Latest known results 31/12/2021 |
|---|-----------------------------|------------------------------------|
| 25% | | 53% (9 of 17) |

Indicator 2: ERCEA staff engagement index

Source of data: Commission staff surveys 2018 and 2021.
DG HR

| Baseline (2018) | Target (2024) | Latest known results (2021) |
|-----------------|---|--|
| 73% | At least 76%, and maintain above the 2021 Commission average of 72% | 74% compared to the Commission average of 72%. |

Main outputs in 2021:

| Output | Indicator | Target | Latest known results 31/12/2021 |
|--|-----------------------------|--------|------------------------------------|
| To support ERCEA's core business by providing the required number of staff on time | Occupation rate at year end | 98% | 94.2% |

²⁷ Seconded middle managers are part of the seconding DGs' staff: The responsibility for achieving the targets is at DG level. The agency is responsible for providing with a regular overview to its parent DGs of the gender representation in middle management within the Agency and coordinate between them.

²⁸ The functions of head of unit and head of department are hereby defined as middle management functions.

| Programmes | Staff (EU Budget) | | | | | |
|---------------------------------------|-------------------|-----------------------------|------------|-----------|------------|-------------|
| | TAs | Of which Seconded officials | CAs | SNEs | Total | Percentage |
| FP7 | | | | | | |
| HE/H2020/FP7 | 119 | 17 | 319 | 16 | 454 | 90,8% |
| Management and Administrative Support | 7 | 0 | 39 | 0 | 46 | 9,2% |
| Total | 126 | 17 | 358 | 16 | 500 | 100% |

| Staff financed by contributions from EFTA and/or third countries | |
|--|----------|
| Staff allocated to operational activities | 0 |
| Staff allocated to management and administration | 0 |
| Total | 0 |

10.2 Sound financial management

Objective: The authorising officer by delegation (AOD) has reasonable assurance that resources have been used in accordance with the principles of sound financial management and that cost-effective controls are in place which give the necessary guarantees concerning the legality and regularity of underlying transactions

Indicator: risk at closure

Source of data:

(Annual Activity Report (AAR) 2020)

| Baseline (2020) | Target (2021) | Latest known results 31/12/2021 |
|-----------------|------------------------------|---------------------------------|
| 1.79% | < 2% of relevant expenditure | 1.51% |

Main outputs in 2021:

| Output | Indicator | Target | Latest known results 31/12/2021 |
|--|---------------------------------------|---|---------------------------------|
| Effective controls: Legal and regular transactions | Risk at payment | remains < 2 % of relevant expenditure | 1.86% |
| | Estimated risk at closure | remains < 2 % of relevant expenditure | 1.51% |
| Efficient controls | Budget execution and / or time-to-pay | see table on Annex 2 "operational budget" | 100% |
| Economical controls | Overall estimated cost of controls | remains less than 3% of funds managed | 2.8% |

Objective: 1 Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions

Indicator 1 : ERCEA H2020 Estimated residual error rates

Source of data: ERCEA AAR 2020

| Baseline: 2020 | Target | Latest known results 31/12/2021 |
|-----------------------|---|--|
| 1.69% | Within the range 2-5%, while aiming to be close as possible to 2% | 1.22% |

Main outputs in 2021

| Output | Indicator | Target | Latest known results 31/12/2021 |
|---|---|---|--|
| Ensure adequate quality and consideration of specificities of ERC grants in H2020 audit results | Review of Preliminary / Draft Audit Reports (PAR) by the Agency | 100% of PARs submitted by CAS for Audit Liaison Officer consultations | 100% |

10.3 Fraud risk management

Objective: The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy (CAFS)³¹ aimed at the prevention, detection and correction³² of fraud

Indicator: Implementation of the actions included in ERCEA's anti-fraud strategy over the strategy's lifecycle

Source of data: ERCEA's annual activity report, ERCEA's anti-fraud strategy, OLAF reporting

| Baseline | Interim milestone | Target |
|---------------------------------|--|---|
| 2020 | 2021 | 2022 |
| 0% of action points implemented | 75% of action points implemented in time | 100% of action points implemented in time |

Main outputs in 2021:

| Output | Indicator | Target | Latest known results 31/12/2021 |
|---|--|---|--|
| 1. To effectively prevent, detect and report internal and external irregularities and | 1.1 Targeted risk assessment on fraud. | Update of fraud risk assessment twice a year. | Yes |

²⁹ Communication from the Commission "Commission Anti-Fraud Strategy: enhanced action to protect the EU budget", COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan, SWD(2019) 170 – 'the CAFS Action Plan'.

³⁰ Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

³¹ Communication from the Commission "Commission Anti-Fraud Strategy: enhanced action to protect the EU budget", COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan, SWD(2019) 170 – 'the CAFS Action Plan'.

³² Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

| | | | |
|--|---|---|------------------|
| potential fraud to OLAF / EPPO/ DG BUDG/ IDOC. | 1.2 Awareness of ERCEA staff through targeted internal trainings, info sessions etc... on ethics and integrity and on irregularities and fraud. | 75% participation rate | 74% |
| 2. To swiftly and effectively assess all reported/detected cases – which are within the remit of the agency – and ensure protective and/or corrective actions are implemented. | 2.1 Advise on the handling of potential irregularities and fraud cases, including any protective/corrective actions, | 15 working days for 80% of requests. | 100% |
| | 2.2 Monitoring of the Implementation of protective / corrective actions (own /OLAF / EPPO...). | 80 % of actions implemented within deadline. | 0% ³³ |
| 3. To promote a zero fraud tolerance through an effective internal and external communication on ERCEA actions against fraud. | 3.1 Maintenance of the register of potential irregularities and fraud cases updated. | 5 working days from the date of the case being reported to the unit managing fraud cases. | 5 |
| | 3.2 Regular and comprehensive reporting on fraud cases to key responsible actors | Timely issuance of bi-annual reports. | Yes |

10.4 Digital transformation and information management

The main objective of the Document Management Centre (DMC) is to apply records management and archives policy that is compatible with the one of the Commission at the ERCEA. To this end, the DMC assesses the risks related to document management, provides advice to services, manages access rights to official documents, trains and supports ERCEA staff in using the dedicated tools (Hermes-Ares-NomCom), shares working methods in a hybrid (paper and electronic) working environment, and contributes to the information management policy. Its current main objective is to introduce the electronic signature in the ERCEA.

³³ One action to be implemented by end of November 2020 was closed in November 2021.

Objective: the ERCEA is using innovative, trusted digital solutions for better information management and administrative processes to become a truly digitally transformed, user-focused and data-driven Agency

Indicator 1 : Degree of implementation of the digital strategy principles by the most important IT solutions

Source of data: ERCEA

| Baseline (2020) | Interim milestone (2022) | Target (2024) | Latest known results 31/12/2021 |
|--------------------|-----------------------------|------------------|------------------------------------|
| 42% | 60% | 75% | N.A (results in 2022). |

Indicator 2 : Percentage of implementation of the corporate principle for data governance for ERCEA's key data assets³⁴

Source of data: ERCEA

| Baseline (2020) | Interim milestone (2022) | Target (2024) | Latest known results 31/12/2021 |
|--------------------|-----------------------------|------------------|------------------------------------|
| 0% | 50% | 80% | N.A (results in 2022). |

Indicator 3 : Percentage of staff attending awareness raising activities on data protection compliance

Source of data: ERCEA

| Baseline (2018) | Interim milestone (2021) | Target (2024) | Latest known results 31/12/2021 |
|--------------------|---|---|--|
| 0% | 100 % of newcomers staff dealing with data protection matters | 100 % of newcomers staff dealing with data protection matters | 100% of staff dealing with data protection |
| | 20% of total staff | 50% of total staff | 16% of total staff |

Main outputs in 2021:

| Output | Indicator | Target | Latest known results 31/12/2021 |
|---|--|--|--|
| Submission forms and evaluation forms for the ERCEA calls | Percentage of forms adapted for the ERC programme | 90% | 100% |
| Meeting rooms are equipped with video/web conferencing equipment | Percentage of meeting rooms equipped with video / web conferencing equipment | 40% | 46% |
| New and current staff is being trained to use Microsoft 365 and Teams | Percentage of staff having benefitted from training or coaching in Microsoft M365 and Teams | 50% of staff trained | 65% |
| Raise the digital awareness of staff (in terms cybersecurity) | Promotion and dissemination of the activities on the cyber <i>aware</i> programme organised by DIGIT (trainings, lunch talks, messages to staff and other actions) | On an ad hoc basis (minimum quarterly) | Activities organised by DIGIT + 2 internal communications made by ERCEA. |
| Increase the awareness on the data protection framework | Number of events, info sessions, awareness raising, or tailored training on data protection | 4 | 4 |

³⁴ The Key data assets relate to the common IT systems. Their governance does not take place at the ERCEA but at a higher level (*ie* RTD/DIGIT) in the research family.

10.5 Sound environmental management

Objective: the ERCEA takes full account of its environmental impact in all its actions and actively promotes measures to reduce the related day-to-day impact of the administration and its work

Main results and outputs in 2021:

I. More efficient use of resources (energy, water, paper)

| Output | Indicator | Target | Latest known results 31/12/2021 |
|--|---------------------|-------------------|--|
| Staff awareness actions to reduce energy use, such as “switching off”, to support the annual EMAS corporate campaign on resource efficiency (March) and/or awareness actions about EA’s total energy consumption in collaboration with OIB where appropriate. | % of staff informed | Address all staff | Via ERCEA HR Bulletin, ERCEA Greening Group Newsletter and highlights on Intranet. ERCEA Countdown to the Earth Day initiative and BEST action participation. |
| Staff awareness actions to reduce water use (for example ensuring that staff use the technical services hotline ³⁵ to report leaks), in line with the EMAS corporate action on resource efficiency (March) and/or awareness raising actions about EA’s water consumption in collaboration with OIB where appropriate. | % of staff informed | Address all staff | Due to the COVID-19 situation, the scope shifted towards general awareness of the use of water and other resources and not particularly in the building. COVE water consumption is due to the technical specifics of the building (cooling facility) and staff behavior has a minor effect. |
| Paperless working methods at EA level (such as paperless working: e-signatories, financial circuits, collaborative working tools) and staff awareness actions to reduce office paper use in line with the EMAS corporate action on resource efficiency (March) and/or raise awareness about EA’s office paper use in collaboration with OIB where appropriate. | % of staff informed | Address all staff | Due to extensive home working, operations have become fully paperless. ERCEA Management requires use of QES for all financial files. |

II. Reducing CO₂, equivalent CO₂ and other atmospheric emissions

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| Staff awareness actions on reducing GHG emissions (such as actions on sustainable commuting during EU Mobility week (September) and VeloMai corporate events (May)) and/or, raise staff awareness in collaboration with OIB (on sustainable commuting: availability of bike parking facilities, lockers and showers, promote the reduction of parking spaces’ use amongst staff | % of staff informed % increase of staff | Address all staff 5% | Number of staff who joined ERCEA biking scheme grew from 17 to 31 (+ 85%). Concerning Velomai, while traditionally ERCEA has more than 20 participants, in 2021 it |
|---|--|-----------------------------|---|

³⁵ For example, for Brussels: Email: OIB-55555@ec.europa.eu and Tel: 55555 and for Luxembourg: Email: OIL-DISPATCHING-CENTRAL@ec.europa.eu and Tel: 32220.

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| for example) | participating in VeloMai % increase of staff joining the biking contribution scheme | 5% | had only 16. The reduced number is connected to low percentage of staff working from the office that do not exceed the 20% overall. In addition, ERCEA Management gave a speech in Velomai event. ERCEA is regularly asking OIB to improve the facilities for bikers – showers, electric charging stations. No result yet. |
| Gradual increased use (and number) of Video Conference (VC) meeting rooms in the EA, in collaboration with DG SCIC. | No. of VC meeting rooms | 1 | 2 additional VC meeting rooms were equipped. |
| III. Reducing and managing waste | | | |
| Staff awareness actions about waste reduction and sorting (such as the corporate EMAS waste reduction campaign (November-December)) and/or staff awareness actions about EA's waste generation in collaboration with OIB where appropriate (for example, promote and label the waste sorting schemes in place). | % of staff informed | Address all staff | N/A due to fact that the majority of the staff were working from home. Waste reduction in general is one of the major topics of the awareness raising communication via ERCEA Greening Group Newsletter and corporate EMAS highlights. |
| Implement the EC Guidelines for sustainable meetings and events , e.g. online conferences, reduce/eliminate single-use plastics, gadgets/gifts | No. of sustainable events (online conferences) | 5 | 36 events (scientific seminars and workshops) All ERCEA events and evaluations took place online in 2021. |
| IV. Promoting green public procurement (GPP) | | | |
| Staff awareness actions about GPP among EA's staff (such as "green items" among EC office supplies' catalogue in line with the EMAS corporate action on resource efficiency (and GPP) (March)) and/ or staff awareness actions on GPP in collaboration with OIB where appropriate (for example, introduce an EA-specific office supplies' catalogue, including only 100% "green items (if available)) | % of staff informed | Address all staff | N/A ERCEA has not organised any procurement procedures and is part of DG HR and OIB FWC that apply the GPP. |
| V. Supporting biodiversity | | | |
| Staff awareness actions on supporting biodiversity in urban sites (BXL) in collaboration with OIB (for example, sponsor the creation and maintenance of urban gardens, planting seeds | % of staff involved in the planting seeds action | 5% | No action was organised due to the Covid-19 related restrictions. Biodiversity and seeds |

| | | | |
|---|--|--|--|
| action with the support of volunteers). | | | planting was one of the topics covered by ERCEA Greening Group Newsletter. |
|---|--|--|--|

ANNEX 11: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)

ANNEX 12: EAMR of the Union Delegations (not applicable)

**ANNEX 13: Decentralised agencies and/or EU Trust Funds
(not applicable)**

**ANNEX 14: Reporting on the Recovery and Resilience
Facility (not applicable)**
