

International Workshop on Accountability in Science and Research Funding

Brussels, 22-24 June 2011

European Commission

Unit M1

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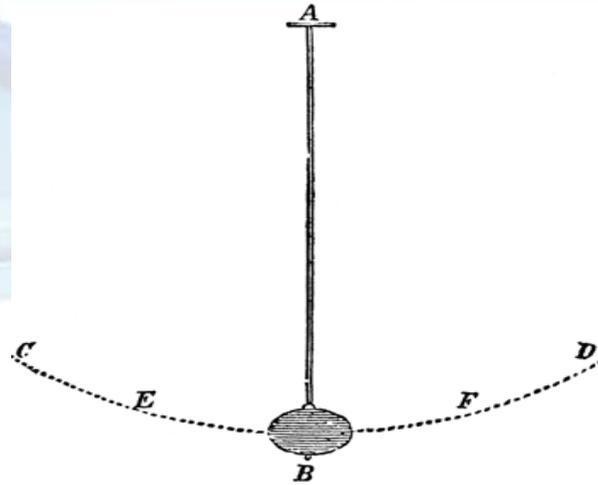
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A bit of history: the internal control environment

Pre-2007

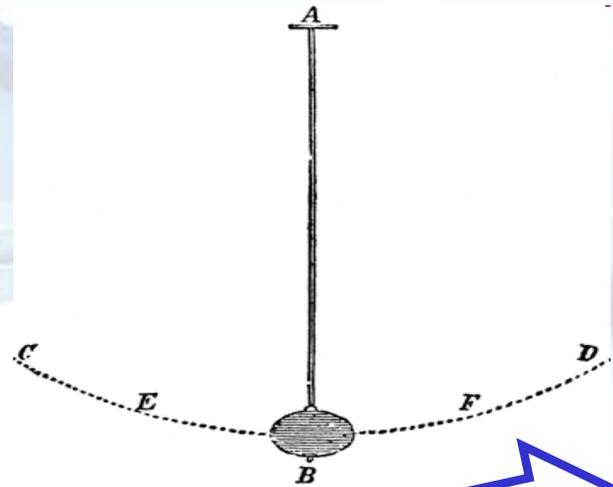
- Moderate audit coverage
- Insufficient assurance
- ECA - criticism



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FP6 and FP7 audit strategies

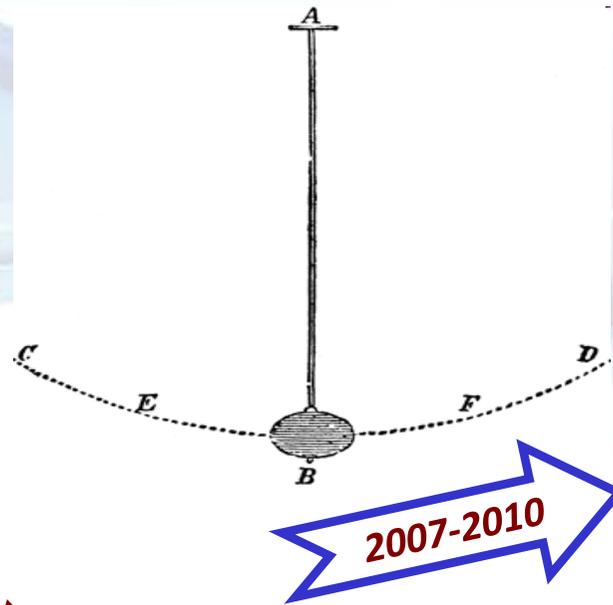
- Representative error rates
- 'Cleaning' the budget through extrapolation
- Positive assurance: <2% errors by the end of the multi-annual programmes



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FP6 and FP7 audit strategies

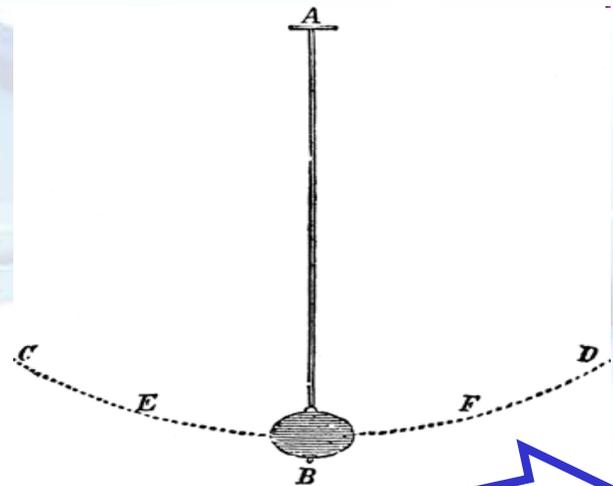
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- More controls
 - Better assurance
- ↓
- High maintenance system (e.g. extrapolation)
 - Complaints from beneficiaries

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FP6 and FP7 audit strategies

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Simplification is needed!

- Fewer controls
- Higher risk tolerance (budgetary and reputational)
- Trust-based approach

Simplification measures were already implemented in FP7 leading to a significant improvement in certain areas when compared with FP6



- **At least one audit certificate for each participant in each project**
- **Financial capacity check for all participants**
- **Legal documents to be submitted several times**
- **Multiple IT system**
- **Time to grant: 360 days**
- **Usually 12 months reporting periods**

- **75 % of participants are exempt from providing audit certificates**
- **Financial capacity check only for coordinators and > € 500 000**
- **Legal documents are submitted and validated only once**
- **Convergence of IT systems (e-FP7)**
- **Time to grant: 330 days**
- **Usually 18 months reporting periods**
- **Improvement in guidelines documents and assistance to beneficiaries (helpdesk)**

April 2010: *Communication on Simplifying the Implementation of the Framework Programmes*

↪ **Potential initiatives to simplify further FP7:**

- Broader acceptance of usual accounting practices
- Uniform application of rules – reinforced coordination
- Remove obligation for interest-bearing accounts, etc

↪ **And beyond...**



Additional FP7 simplification measures

Commission Decision of 24 January 2011

✓ **Wider acceptance of usual accounting practices**

The use of average personnel cost methodologies is now accepted in FP7 under certain basic conditions compatible with the vast majority of usual accounting practices

✓ **Simplifying participation for SMEs**

A flat-rate system for charging personnel cost in FP7 projects for SME owners and physical persons without a salary was adopted

✓ **Harmonised implementation**

A high level clearing committee is settled to ensure the harmonised application of the rules by all research family DGs and Agencies

Revision of Financial Regulation offers further possibilities for simplification

➡ E.g. remove the obligation to recover interest on pre-financing

Political decisions can still reduce the administrative burden on beneficiaries

➡ E.g. an adequate Tolerable Risk of Error in Research would allow for a lower audit intensity on beneficiaries

Support from Council and EP needed!

OPEN QUESTIONS FOR 'Horizon 2020'

- ↪ **Can we reduce the number of instruments and funding schemes?**
- ↪ **Different funding rules; are they really necessary?**
- ↪ **Still long time-to-grant and time-to-pay. What can be done about it?**
- ↪ **Is there too much focus on inputs / too little on outputs?**
- ↪ **Can we simplify the cost eligibility rules? To what extent can we do them compatible with usual accounting practices?**
- ↪ **Are there too many audits and controls?**



SIMPLIFICATION HAS A PRICE

Simplification has to strike the right balance between assurance and risk while ensuring the operability of the schemes with constant staff resources

- Actual costs
- Time records
- Audit intensity and error rates
- Reporting requirements
- Ex-ante checks



- Trust-based
- Fewer checks
- Lump sums
- Tolerable risk of error

SIMPLIFICATION MEASURES WILL NOT PLEASE EVERYONE !

In the on-line survey carried out by the Commission among FP beneficiaries, these were asked to provide comments on three hypothetical simplification scenarios:

	Result-based grants	Costs-based grants	
	Lump-sums for entire projects	More lump-sums and flat-rates	Simplified actual costs
In favour	49,73%	28,52%	52,42%
Against	25,40%	43,50%	18,78%
Dubitative	24,87%	27,98%	28,80%

Survey closed on 4 March 2011. Preliminary results based on 2000 comments from beneficiaries

Simplification for some may be complication for others

**Thank you very much for
your attention!**

Questions ?



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