



Council of the
European Union

Brussels, 30 November 2015
(OR. en)

14584/15

FIN 832

COVER NOTE

From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	13 October 2015
To:	Mr Jean ASSELBORN, President of the Council of the European Union
Subject:	Report on the annual accounts of the Research Executive Agency for the financial year 2014 together with the Agency's reply

Delegations will find attached the European Court of Auditors' report on the annual accounts of the Research Executive Agency for the financial year 2014.

This report is accompanied by the Agency's reply and will shortly be published in the *Official Journal of the European Union*.

Encl.: Report on the annual accounts of the Research Executive Agency for the financial year 2014 together with the Agency's reply.¹

¹ In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.



EUROPEAN
COURT
OF AUDITORS

Report on the annual accounts
of the Research Executive Agency
for the financial year 2014
together with the Agency's reply

INTRODUCTION

1. The Research Executive Agency (hereinafter “the Agency”, aka “REA”), which is located in Brussels, was set up by Commission Decision 2008/46/EC¹. The Agency was established for a limited period beginning on 1 January 2008 and ending on 31 December 2017 with the aim of managing specific Union activities in the field of research². On 15 June 2009 the Agency was officially granted its administrative and operational autonomy by the European Commission.

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Agency’s supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

- (a) the annual accounts of the Agency, which comprise the financial statements³ and the reports on the implementation of the budget⁴ for the financial year ended 31 December 2014, and
- (b) the legality and regularity of the transactions underlying those accounts.

¹ OJ L 11, 15.1.2008, p. 9.

² **Annex I** summarises the Agency's competences and activities. It is presented for information purposes.

³ These include the balance sheet and the statement of financial performance, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

⁴ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

The management's responsibility

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions⁵:
- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer⁶; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council⁷ with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International

⁵ Articles 62 and 68 in conjunction with Articles 53 and 58 of Regulation (EU, Euratom) No 966/2012 (OJ L 298, 26.10.2012, p. 1).

⁶ The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

⁷ Article 162 of Regulation (EU, Euratom) No 966/2012.

Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts.

7. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

Opinion on the reliability of the accounts

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2014 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects.

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 September 2015.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA

President

Annex I**Research Executive Agency****(Brussels)****Competences and activities**

<p>Areas of Union competence deriving from the Treaty <i>(Articles 179 and 180 of the TFEU)</i></p>	<p>Collection of information</p> <p>The Union shall have the objective of strengthening its scientific and technological bases by achieving a European research area in which researchers, scientific knowledge and technology circulate freely, and encouraging it to become more competitive, including in its industry.</p> <p>For this purpose the Union shall encourage undertakings, including SMEs, research centres and universities in their research and technological development activities of high quality; it shall support their efforts to cooperate with one another, aiming, notably, at permitting researchers to cooperate freely across borders and at enabling undertakings to exploit the internal market potential to the full, in particular through [...] the definition of common standards and the removal of legal and fiscal obstacles to that cooperation. [...]</p> <p>In pursuing these objectives, the Union shall carry out the following activities, complementing the activities carried out in the Member States:</p> <ul style="list-style-type: none"> – implementation of research, technological development and demonstration programmes, by promoting cooperation with and between undertakings, research centres and universities, – promotion of cooperation in the field of Union research, technological development and demonstration with third countries and international organisations, – dissemination and optimisation of the results of activities in Union research, technological development and demonstration, – stimulation of the training and mobility of researchers in the Union.
<p>Competences of the Agency <i>(Commission Implementing Decision 2013/778/EU)</i></p>	<p>Objectives</p> <p>The REA assists the Commission in achieving the objectives of the Research Framework Programmes and the EU strategies to foster growth by supporting research and innovation by implementing parts of the Horizon 2020 and FP7 Framework Programmes. It delivers efficient and effective services to the research community by ensuring a smooth implementation of its part of the EU funding for research and innovation and by providing support services to all the Commission research services and participants in the Framework Programmes. By maintaining close contacts with beneficiaries and by providing a high visibility of the European Union, the REA acts as a promoter of the European Research Area and EU research policies.</p>

	<p>Under the new mandate of the REA (adopted by the Commission in December 2013), the REA manages the 'legacy' of the FP7 projects from the previous mandate (Marie Curie actions, SME actions and Space and Security Research) plus a large number of actions under the new Horizon 2020 Framework Programme (Marie Skłodowska-Curie actions, Future and Emerging Technologies (FET open), Space Research, Societal Challenges 2 & 6 & 7, Spreading Excellence & Widening Participation and Science with and for Society). Regarding support services, the REA provides an extended list of services under the new mandate and serves additional clients.</p> <p>Tasks</p> <p>With regard to the management of projects, the Agency concludes and manages grant agreements, involving the following operations:</p> <ul style="list-style-type: none"> – preparation and publication of calls for proposals, – evaluation of proposals, – preparation and signature of grant agreements, – monitoring the implementation of projects including acceptance of reports and other deliverables, – payments, recoveries, and application of sanctions within the meaning of Article 114(4) of the general Financial Regulation, notably when errors in declared costs have been identified following ex-post audits at the level of the final beneficiaries, – ex-post publicity and dissemination of results. <p>With regard to Support Services, the Agency performs the following tasks:</p> <ul style="list-style-type: none"> – administrative support for call publication, management of the electronic reception of proposals and support for remote and on-site evaluations; – contracting and payment of all H2020 expert evaluators (except European Research Council experts) and of expert monitors used by the REA; – management of the H2020 participants database (Unique Registration Facility – URF), including support for financial capacity checks on selected beneficiaries, which is also used for other EU programmes (Research Fund for Coal and Steel, COSME, Erasmus+, Creative Europe, Citizenship and programmes in the field of health and consumers); – management of the Research Enquiry Service / Horizon 2020 Helpdesk.
<p>Governance</p>	<p>Steering Committee</p> <p>Comprises five members and one observer appointed by the European Commission. It adopts the Agency's organisation chart and its Annual Work Programme after approval by the Commission. In addition, it adopts the administrative budget of the Agency as well as the Annual Activity Report and the Agency's annual accounts.</p> <p>Director</p> <p>Appointed by the Commission, the Director manages the Agency together with the Steering Committee, implements the administrative budget, sets up management and internal control systems adapted to the tasks entrusted to</p>

	<p>the Agency and prepares the reports to be presented to the Commission.</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Discharge authority</p> <p>European Parliament acting on a recommendation from the Council. With respect to the Agency's implementation of its administrative budget, the discharge decision is addressed to the Director. For the implementation of the operational budget delegated by the Commission to the Agency, the Commission remains accountable.</p>
<p>Resources made available to the Agency in 2014 (2013)</p>	<p>Operational Budget 2014</p> <p>1 557,8 (1 759,2) million euro of commitment appropriations and 1 057,4 (1 443,6) million euro of payment appropriations. The Agency implements the Commission's operational budget under a delegation decision of the Commission.</p> <p>Administrative Budget 2014</p> <p>51,5 (46,8) million euro. The Agency implements the administrative budget autonomously.</p> <p>Staff at 31 December 2014</p> <p>Establishment plan posts: 145 (140) of which 139 (138) occupied</p> <p>Contract staff: 435 (418) staff planned of which 409 (407) were in place as of 31 December 2014.</p> <p>Total staff in place: 548 (545) undertaking the following tasks:</p> <ul style="list-style-type: none"> - programme implementation: 365 (366) - Horizon 2020 support services: 99 (96) - management and administrative functions: 84 (83)
<p>Products and services 2014 (2013)</p>	<p>In addition to the legacy of FP7 and the continuation of the management of H2020 Marie Skłodowska-Curie actions and Space and Security Research from 1 January 2014 onwards, the REA has gradually taken over the newly delegated activities during the second half of 2014: agricultural research and food safety (Societal Challenge 2), research in the field of innovative, inclusive and reflective societies (Societal Challenge 6), new parts of Societal Challenge 7 (IT Security Research) and the 'FET open' action from the Excellent Science part of H2020.</p> <p>For Part I – Excellent Science of the H2020 programme, seven calls were closed in 2014 and three evaluations completed. 246 new grant agreements were signed.</p> <p>For Part II – Industrial Leadership of the H2020 programme, six calls were closed in 2014 and six evaluations completed. 36 new grant agreements were signed.</p> <p>For Part III – Societal Challenges 2, 6 and 7 of the H2020 programme, eleven calls were closed in 2014 and six evaluations completed. Seven new grant</p>

agreements were signed.

For all projects managed under H2020, 159 prefinancing payments were made in 2014 and one interim payment.

For the management of the legacy of the FP7 People Programme, 2 379 (3 787) payments were made (interim/final payments, excluding payments for expert evaluators). At the end of 2014, the Agency managed a total of 5 745 (6 090) projects under this programme.

For the management of the legacy of FP7 SME actions under the Capacities Programme, 390 (577) payments made (interim/final payments, excluding payments for expert evaluators). At the end of 2014, the Agency was managing a total of 565 (691) projects under this scheme.

For the management of the legacy of FP7 Space and Security themes under the Cooperation Programme, 193 (294) payments made (interim/final payments, excluding payments to expert evaluators). At the end of 2014, the Agency was managing a total of 324 (348) projects under these themes.

As regards the Horizon 2020 support services, the results obtained for 2014 are as follows:

64 (194) call publications supported;

42 874 (25 214) proposals received through the electronic proposal submission tool;

11 399 (4 323) expert evaluators contracted and 10 585 (5 055) expert payments made (note that the 2013 figures relate to programmes managed by the Agency only where in 2014 the Agency managed nearly all expert evaluators for H2020);

5 923 (4 524) validations of participants completed;

13 052 (4 488) replies sent following questions to the Research Enquiry Service.

Source: Annex supplied by the Agency.