

Special Report

Agencies' use of grants: not always appropriate or demonstrably effective



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(pursuant to Article 287(4), second subparagraph, TFEU)

The ECA's special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This audit was produced by Audit Chamber IV — headed by ECA Member Milan Martin Cvikl — which specialises in auditing revenue, research and internal policies, financial and economic governance and European Union's institutions and bodies. The audit was led by ECA Member Louis Galea, supported by the head of his private office, Jacques Sciberras, and Anna Fiteni, Attaché. The Head of Task Marc Mc Guinness led the audit team composed of: Jasmine Mitterbuchner, Christos Alexandrou, Kostadin Dimov, Nour-Eddine Hachiby, Paris Kaklamanos, Alexandre Kim-Hugé, Juan Antonio Vazquez Rivera, Wolfgang Stolz, Eddy Struyvelt, Auditors.



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Reply of the EEA

Reply of the EFSA

Reply of Frontex

AWP: Annual Work Programme

Cedefop: European Centre for the Development of Vocational Training, Thessaloniki

CEPOL: European Police College, Budapest

CPVO: Community Plant Variety Office, Angers

ECDC: European Centre for Disease Prevention and Control, Stockholm

EEA: European Environment Agency, Copenhagen

EFSA: European Food Safety Authority, Parma

Eionet: European Environment Information and Observation Network

EIT: European Institute of Innovation and Technology, Budapest

EMCDDA: European Monitoring Centre for Drugs and Drug Addiction, Lisbon

EPIET: The European Programme for Intervention Epidemiology Training

ETC: European Topic Centres are consortia of institutions across EEA member countries dealing with a specific environmental topic and contracted by the EEA to perform specific activities as defined in the EEA Strategy and the Annual Management Plan. Six ETCs have been established for the following topics: Air pollution and Climate Change mitigation, Biological Diversity, Climate Change impacts, vulnerability and Adaptation, ETC WMGE Waste and Material in Green Economy, Inland, Coastal and Marine waters, Urban, Land and Soil systems.

EU, Union: European Union

Eurojust: The European Union's Judicial Cooperation Unit, The Hague

FFR: Framework financial regulation applicable to the agencies/delegated bodies of the EU (Commission Delegated Regulation (EU) No 1271/2013).

FP7: The Seventh Framework Programme for research, technological development and demonstration activities was the European Union's main instrument for supporting research and innovation over the period 2007-2013.

FR: Financial Regulation on the financial rules applicable to the general budget of the Union (Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council). It rules the establishment and implementation of the EU budget ensuring sound financial management, control and protection of the EU's financial interests.

Frontex: European Agency for the Management of Operational Cooperation at the External Borders, Warsaw

GMES: Global Monitoring for Environment and Security

GIO land: GMES Initial Operations (GIO)

GSA: European Global Navigation Satellite Systems Agency, Prague

H2020: Horizon 2020 is the successor of FP7. With an original budget nearing 80 billion euros over the period 2014-2020, its main objective is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation.

KIC: A Knowledge and Innovation Community is a highly autonomous partnership of leading higher education institutions, research organisations, companies and other stakeholders in the innovation process that tackles societal challenges through the development of products, services and processes and by nurturing innovative entrepreneurial people.

KPI: Key performance indicators are used to measure the factors which are crucial for the success of an organisation.

RACER: Relevant (objective-related), accepted, credible, easy and robust KPIs.

RAP: The rules of application (implementing rules) for the financial regulation (Commission Delegated Regulation (EU) No 1268/2012). The RAP clarify the modalities on how to implement the rules of the FR.

SMART objectives: Specific, measurable, achievable, relevant and timed objectives

Agency: Decentralised agencies are bodies distinct from the EU institutions, with separate legal personality; set up for an indefinite period to carry out technical, scientific or managerial tasks that help the EU institutions make and implement policies. They also support cooperation between the EU and national governments by pooling technical and specialist expertise from both the EU institutions and national authorities.

Article 36 bodies: Article 36 of EFSA's founding regulation sets the basis for networking with and among Member State organisations that operate in the fields within EFSA's mission. EFSA's Management Board established and updates the list of competent organisations which are eligible for Article 36 grants.

Cooperation Agreement: A cooperation agreement is a tool to avoid duplication of work and foster synergies in relevant fields of activities and is often formalised by a Memorandum of Understanding. An example could be to enhance technical cooperation between parties to share knowledge and exchange experience and best practice on matters of mutual interest.

Framework Partnership Agreement: Framework partnership agreement is a long-term cooperation mechanism between an agency and the beneficiaries of grants. It specifies the common objectives, the nature of planned grant actions, the procedure for awarding specific grants, and the general rights and obligations of each party under the specific agreements. The duration of a framework partnership is limited to four years (except for EIT which awards FPAs for seven years to the KICs).

Knowledge Triangle: The contribution of higher education to jobs and growth can be enhanced through close, effective links between education, research, and innovation — the three sides of the Knowledge Triangle.

Service Level Agreement: Service Level Agreement can form part of a Service contract and define the level of service required in a certain number of key areas of activity that represent the most important qualities expected by the contracting authority.

I
For several years the Court has criticised aspects of grant management in its specific annual reports on the accounts of certain agencies. For the 3 years 2013-2015, agencies combined spending on grants amounted to 740 million euros. In order to obtain a horizontal view of the use of grants we decided to examine the systems and controls in place in five agencies: European Institute for Innovation and Technology (EIT), European Agency for the Management of the Operational Cooperation at the External Borders of the Member States of the European Union (Frontex), European Environment Agency (EEA), European Food and Safety Authority (EFSA) and European Centre for Disease Prevention and Control (ECDC). Together these five agencies represent approximately 92 % of total grant funding by agencies during this period.

II
We considered:

- whether it was appropriate to use grants (as opposed to other means such as procurement, service level agreements, etc.) to achieve the policy objectives of the selected agencies;
- whether when grants are used, the proposals are selected in compliance with the applicable rules and they are monitored effectively; and
- whether the results and effectiveness are measured and evaluated.

III
We conclude that the agencies audited in general awarded and paid grants in compliance with the rules. Most audited agencies have not adequately addressed alternative funding options and consequently grants have not always been the best way to achieve their objectives. Audited agencies have not measured the effectiveness of their grants. There is room for improvement in award procedures, control systems and performance measurement. Some weaknesses are particular to a specific agency but most apply to several or all of them.

IV

We make the following five recommendations which should be of benefit to all agencies currently using grants and any that are contemplating doing so:

- (a) before launching grants, agencies should explore if grants are the most effective tool. Simplified cost options and direct award should be used whenever justified;
- (b) the agencies' work programmes should indicate which activities are to be implemented by grants, the specific objectives and expected results to be achieved by the grant actions, as well as the planned financial and human resources needed to implement the grant actions;
- (c) agencies applying specific grant procedures should establish formal internal procedures governing the principles of transparency and equal treatment, and safeguarding against potential of conflicts of interest;
- (d) agencies should strengthen their verification system regarding grant project implementation;
- (e) agencies should set up grant monitoring and reporting systems based on result and impact-oriented key performance indicators as well as *ex post* evaluation results.

01

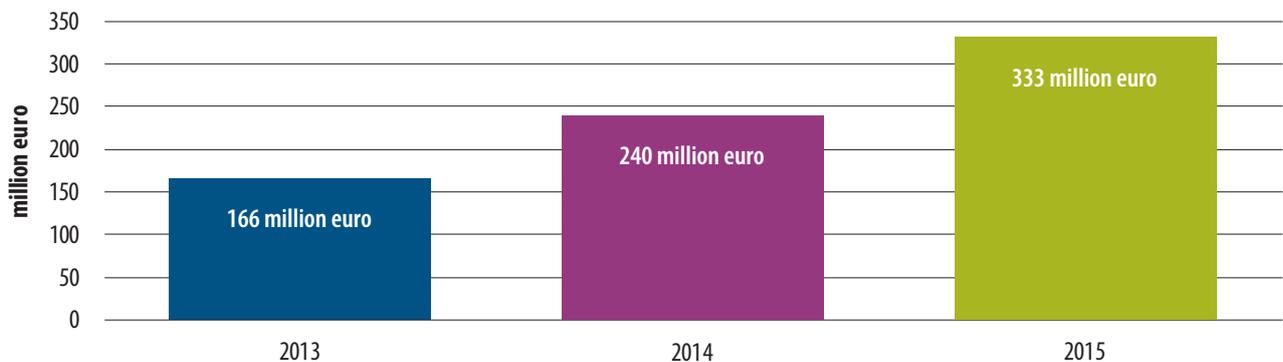
The European Parliament and Council have established 41 agencies and other decentralised bodies. The agencies' total 2015 budget amounted to some 2.4 billion euros or about 1.5 % of the 2015 EU general budget. They are separate legal entities set up for an indefinite period to carry out technical, scientific or managerial tasks that help the EU institutions make and implement policies. They also support cooperation between the EU and national governments by pooling technical and specialist expertise from both the EU institutions and national authorities. To fulfil their tasks, agencies can choose from various funding tools: grant funding, public procurement or other mechanisms like cooperation agreements or outsourcing (through service level agreements).

02

Grant funding by agencies doubled from around 166 million euros in 2013 to 333 million euros in 2015 (see **Figure 1**). This is primarily due to increased activity in three agencies: EIT, EEA and the European Global Navigation Satellite Systems Agency (GSA).

Figure 1

The agencies' grant payments from 2013 to 2015



Source: ECA based on agencies' data.

03

Eleven agencies use grants to achieve their policy objectives (see **Table 1**).

Table 1

The agencies' grant payments (2013 to 2015) by activity funded

	Research Development and Innovation (RDI)	Scientific and Member State cooperation	Studies	Data collection and analysis	Training	Total (million euro)	Proportion per agency
EIT ¹	478.1					478.1	65 %
Frontex ¹		147.8				147.8	20 %
EEA ¹		17.2	25.1			42.3	5 %
GSA	42.0					42.0	5 %
EFSA ¹		4.1	1.5	3.0		8.6	1 %
EMCDDA		7.1				7.1	1 %
ECDC ¹			0.8		5.5	6.3	1 %
CEPOL					3.5	3.5	1 %
Cedefop		2.0				2.0	<1 %
Eurojust		1.8				1.8	<1 %
CPVO			0.3			0.3	<1 %
Total grant payments	520.1	180.0	27.7	3.0	9.0	739.8	100 %
Percentage per activity	70 %	24 %	4 %	1 %	1 %	100 %	

¹ Agencies selected for audit.

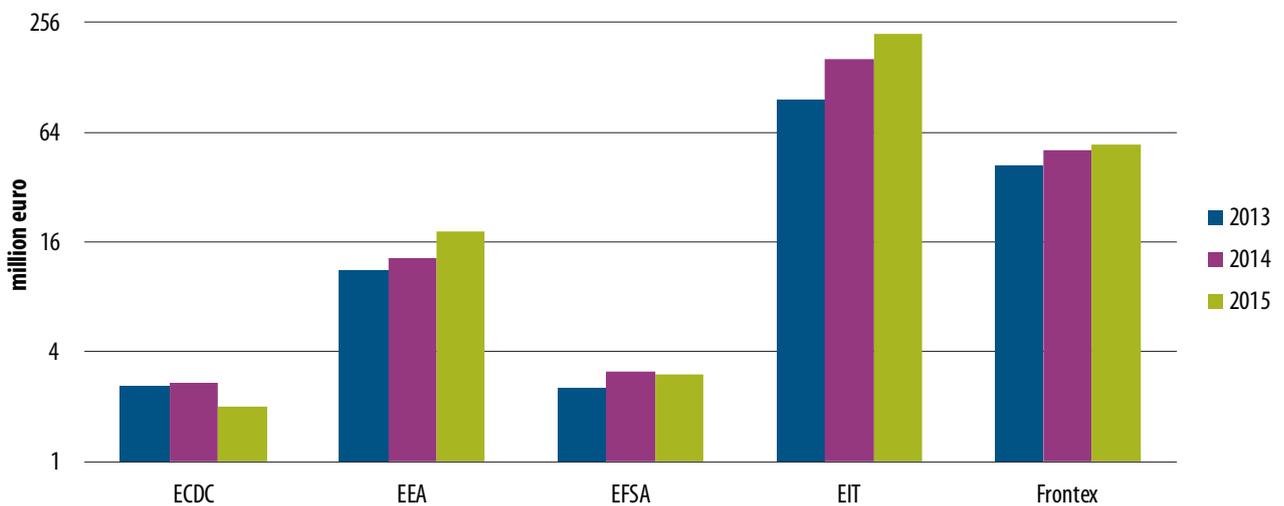
Source: ECA based on agencies' data.

04

The Court audited five agencies (EIT, Frontex, EEA, EFSA and ECDC), representing 92 % of the total agencies' spending on grant activities. The selection of these agencies was based on the type of grant activities funded, the beneficiaries' profile, and the volume of payments during the years 2013 to 2015. (See **Figure 2**).

Figure 2

The selected agencies' grant spending for 2013 to 2015



Source: ECA based on agencies' data.

05

A description of the grant-funded activities of the selected agencies is provided in **Box 1**.

Audited agencies' grant-funded activities

European Institute of Innovation and Technology (EIT)



The EIT provides grants to 'Knowledge and Innovation Communities' (KICs), composed of networks of existing private enterprises, research institutes and education institutions which work together around innovation projects, and assist or fund individual innovators and entrepreneurs, all over Europe. In 2014, EIT provided 214 million euros on KIC grant-funded activity (97 % of its annual budget).

European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex)



Frontex coordinates joint operations (air, land and sea) between participating states with the aim of strengthening external border security. In 2014, air operations totalled 2 million euros, sea operations 28 million euros and land operations 7 million euros. Frontex also coordinates repatriation activities between the Schengen states to maximise efficiency and cost-effectiveness in joint return operations and is obliged to ensure that its financial support is conditional upon the full respect for the Charter of Fundamental Rights. In 2014, Frontex provided 8 million euros for such operations. Such grant-related operations represent 50 % of Frontex's 2014 annual budget.

European Environment Agency (EEA)



The EEA is responsible for providing the Union and the Member States with objective, reliable and comparable information on the environment at a European level. To this end, the EEA supports six European Topic Centres (ETCs) with grants (8 million euros or 18.5 % of the EEA annual budget in 2014). In addition, the Commission delegated to the EEA the implementation of the Global Monitoring for Environment and Security Initial Operations of the land monitoring services (GIO land). Under this programme, the EEA awarded grants to participating states of 15 million euros in 2014.

European Food Safety Authority (EFSA)

EFSA regularly awards grants for joint scientific projects and activities that contribute to EFSA's mission to foster food safety in the EU: data collection, preparatory work for scientific opinions, and other scientific and technical assistance. Only public bodies included in the list of competent organisations¹, based on designations by Member States, can apply for a grant. In 2014, EFSA awarded grants of approximately 3.5 million euros or 4 % of the Authority's annual budget.

European Centre for Disease Prevention and Control (ECDC)

ECDC funds training activities to support capacity building in Member States through the organisation of specific courses and through the European Programme for Intervention Epidemiology Training (EPIET). In 2014, such training activities represented approximately 2 million euros or 3 % of the Centre's annual budget.

¹ Article 36 of Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety (OJ L 31, 1.2.2002, p. 1.) sets the basis for networking with and among Member State organisations. EFSA's Management Board establishes and updates the list of competent organisations which are eligible under Article 36.

Introduction

06

The agencies' grant activities are governed by the general financial regulations (FR)², the rules of application (RAP)³ and the framework financial regulation (FFR)⁴, unless otherwise provided in the agencies' founding regulations (such as EIT and Frontex) or basic acts. The FP7 or Horizon 2020 rules also apply to those agencies involved in funding research activities under these programmes (EIT, GSA).

Characteristics of agency grants

07

Agency grants are direct financial contributions to beneficiaries (usually specialised Member State institutions/bodies or non-profit organisations). The results of the grant-funded activities remain the property of the beneficiaries. Grants finance:

- (a) actions intended to achieve a particular Union policy objective (so-called 'action grants'); or
- (b) the functioning of a body which supports a particular or general agency (Union) policy objective (so-called 'operating grants').⁵

08

The following basic principles applicable to grants are set out in the FR:

- co-financing: beneficiaries should bear part of the incurred cost;
- no-profit: grants should not have the purpose or effect of producing a profit for the beneficiaries;
- non-retroactivity: grants should not be awarded retroactively;
- non-cumulative award: only one grant may be awarded for the same action;
- transparency and equal treatment are to be ensured throughout the whole grant process, from the call for proposal to closure.

- 2 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1) (Financial Regulation).
- 3 Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).
- 4 Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (OJ L 328, 7.12.2013, p. 42).
- 5 See Article 121 of the FR.

Roles and responsibilities

09

Grants are implemented by agencies through indirect centralised management. Accordingly, the agencies are responsible for the multi-annual and annual programming as well as for the implementation (operational and financial) of their grant actions. In those cases where the Commission delegates the implementation of a specific grant action to an agency, it retains ultimate responsibility for the overall implementation of the grant budget⁶. The agencies' effective management of grant activities is therefore crucial for the achievement of Union objectives and policies.

10

At agency level, grant management controls comprise the following systems⁷:

- (a) *ex ante* and *ex post* evaluation of the agency's grant actions and projects;
- (b) call for proposals procedures and evaluation panels;
- (c) *ex ante* and *ex post* controls to verify the legality and regularity of the cost statements submitted by the beneficiaries;
- (d) monitoring and reporting to measure achievements and results of the funded grant activities based on key performance indicators (KPIs).

6 For example, the Commission decentralised implementation of the GMES Initial Operations of the land monitoring services (GIO land) to the EEA.

7 See articles 133 and 135 of the FR, and Article 29(4) of the FFR.

Audit scope

11

In its specific annual reports, the Court has repeatedly highlighted weaknesses in grant management, particularly in relation to the *ex ante* and *ex post* control of cost statements, the reliability of the external auditor's *ex ante* verification work, the monitoring of the operational implementation of grants, and the recovery of undue payments.

12

Hence, the audit assessed how the agencies managed grants and whether they were implemented in compliance with the rules. This has been broken down into the following audit sub-questions:

- (a) Do agencies choose grants as the most appropriate funding tool and are grant-funded activities properly aligned to the agencies' mission, strategic tasks and objectives?
- (b) Do agencies' procedures ensure selection of proposals in compliance with the applicable rules and effective monitoring of their implementation?
- (c) Do agencies measure and evaluate outcomes of grant activity appropriately?

13

The audit focused on the whole grant management process. It did not examine the socioeconomic impact of agencies' grants.

Audit approach

14

The audit was based on:

- (a) On-the-spot visits to five agencies (EIT, Frontex, EEA, EFSA and ECDC) in order to obtain audit evidence of grant management practices through interviews with the operational and administrative key staff, review of documentation, analysis of internal control processes, and examination of the sample set out in the **Annex**.
- (b) A review of the founding regulations, multiannual and annual work programmes, grant programming documents, grant management guidelines, as well as grant evaluation reports of the five agencies selected for audit visits.
- (c) A detailed analysis of 16 call procedures and 75 grant payments over the five selected agencies during the period January 2013 to March 2015 (see **Annex**).

15

The audit was carried out against the background of the general FR and its RAP, the audited agency's internal control standards and founding regulation as well as the multiannual policy frameworks related to the agency's policy area.

16

Our observations are in three parts corresponding to the audit sub-questions in paragraph 12: (a) the strategic choice of funding tool, (b) the implementation of this decision and (c) the measurement of results.

Agencies did not address all funding options, grants were not always the most appropriate tool and agencies' programming documents were not fully aligned with their mandate and strategic objectives

Inadequate follow-up of *ex ante* evaluation contributed to agencies' choice of inappropriate funding tools and poor grant design

Inadequate follow-up of *ex ante* evaluations

17

Agencies are required to perform *ex ante* evaluations of their programmes and activities in order to comply with the principle of sound financial management. Among other things, the *ex ante* evaluation should address the added value of the EU involvement, the selection of the most appropriate method of implementation, the cost-effectiveness of the selected method and the lessons learned from similar experiences in the past⁸.

18

Both EEA and EFSA performed robust *ex ante* evaluations before launching their respective calls for proposals. EFSA's scientific cooperation roadmap 2014 to 2016 is an example of good practice of an *ex ante* evaluation. Its main objective was to improve the effectiveness and efficiency of future grants, while considering the added value of its involvement (see **Box 2**).

8 Article 18.1 of the RAP.

Box 2

EFSA applied lessons learned to introduce new and more effective grant concepts in 2015

EFSA performed the *ex ante* evaluation with a view to strengthen its future scientific cooperation with Member States. To this end, in 2013 EFSA launched consultations with its Focal Point network and the Advisory Forum Discussion Group on Scientific Cooperation. It also commissioned an external review to assess the impact of its existing grant and procurement projects on delivery of its tasks. EFSA analysed the outcomes and recommendations of these reviews in formulating its scientific cooperation roadmap 2014 to 2016, which introduced new and more effective grant concepts, namely thematic grants (e.g. microbial foodborne pathogens) and grants for joint projects (e.g. VectorNet).

Thematic grants are now being awarded for broad priority themes established in advance in cooperation with the Member States. EFSA is increasing the maximum grant amount to 500 000 euros thereby encouraging large strategic project proposals, while limiting its co-financing rate to 50 % (compared to its previous 90 % co-financing rate for specific grants). EFSA anticipates that these new grants have the potential to bring higher added value and cost-effectiveness to its scientific cooperation activities.

19

An important element of an effective *ex ante* evaluation is the application of lessons learned. In 2011, an impact assessment of EIT-integrating *ex ante* evaluation requirements⁹ highlighted the importance of putting in place robust monitoring procedures to measure the performance of EIT and the KICs¹⁰. EIT is currently establishing such a monitoring system (see **Box 6** and paragraph 45). These weaknesses of performance monitoring affect the EIT's implementation of the competitive review mechanism¹¹.

9 The *ex ante* evaluation was carried out by the Commission and accompanied the proposal for an amended founding regulation of the EIT.

10 SEC(2011) 1433 final of 30 November 2011 'Impact Assessment — integrating *ex ante* evaluation requirements', recommendations 4 and 5.

11 The competitive review mechanism is established in Article 14(7) of the EIT founding regulation and is the basis for allocating EIT's financial contribution to the KICs. The financial contribution comprises a support funding element (60 % equally distributed among KICs) and a competitive funding element (40 %). The competitive funding element is allocated on the basis of three criteria with equal weighting: (1) past KIC performance; (2) proposed KIC business plan and estimated budget; (3) implementation of KIC multi-annual strategy. See also the Court's Special Report No 4/2016 'The European Institute of Innovation and Technology must modify its delivery mechanisms and elements of its design to achieve the expected impactis', paragraph 73 (<http://eca.europa.eu>).

Inappropriate funding tools

20

Agencies choice of different funding tools for the implementation of their specific tasks is limited to: grant funding, public procurement or other mechanisms like cooperation agreements or outsourcing (through service level agreements). The choice should depend on an analysis of the agency's needs, its resources, the objectives to be achieved, the potential beneficiaries to be targeted, as well as the level of competition necessary to ensure cost-effectiveness. The participating entities must conform to the relevant requirements of the funding option selected by the agency.

21

Grant procedures use more restrictive eligibility criteria and weaker financial award criteria than procurement. For example, the proposed grant budget is not assessed in terms of the most economically advantageous proposal¹², as would be the case in procurement. Whenever grant funding is used, competition in general and on price in particular can be very limited. Therefore, grant funding should not be the default funding option, but should be deployed when, for duly justified reasons, the use of public procurement is not appropriate.

22

The audited agencies have not produced specific guidelines and criteria, as required under the Internal Control Standards, to assist management in deciding upon the most appropriate funding mechanism for the implementation of a specific task or activity.

23

Some of the audited agencies (Frontex, EFSA, ECDC) have provided grants to acquire specific services or deliverables from public bodies that are highly specialised in the field of the agency's tasks. They have supported this approach by citing their obligation to increase cooperation and networking with their public partners, and by noting that under the procurement rules limiting access to consortia and excluding private bodies with a possible conflict of interest is problematic. However, the Court has noted instances where these agencies either used both grants and procurement for similar services (EFSA, Frontex) or have not explored other options (EFSA, ECDC). For examples see **Box 3**.

12 Article 203 of the RAP concerning grant award criteria merely requires that the evaluation ensures that Union funds are properly managed.

Examples where the use of grants is not the most effective tool

EFSA uses specific grants and procurements for scientific studies and data collection tasks

EFSA regularly awards specific grants for projects and activities that support EFSA's mission in the area of data collection, preparatory work for scientific opinions, and other scientific studies. Only public partners included in the list of competent organisations can apply for a call for proposals.

EFSA also launches procurements for the preparation of scientific opinions and short-term scientific studies which are open to public and private bodies. In such cases the ratio of success between organisations referred to in Article 36 of the founding regulation¹³ and other organisations is 50:50. However, EFSA did not explore the procurement option for the grant projects audited.

Aerial surveillance for Frontex joint operations

Frontex has normally financed these operations through grants to participating state authorities, and the rate varied between 4 800 and 6 900 euros per patrolling hour. In 2012 and 2013, Frontex launched pilot projects to assess the viability of carrying out aerial surveillance by procurement. This resulted in an agreed all-inclusive rate of 2 250 euros per patrolling hour. In 2015, based on the results of the pilot projects, Frontex launched a procurement procedure for framework contracts with reopening of competition. The procedure resulted in 11 successful tenders (six contracts awarded for maritime aerial surveillance, and five contracts awarded for land aerial surveillance). The Court's comparative analysis of the maritime aerial surveillance indicates that private bodies could provide more suitable smaller planes specialised in aerial surveillance as opposed to the larger planes normally used for military purposes or civil aviation proposed by the participating Member States. Consequently, the average price per hour decreased to 2 300 euro from the previous rate of 5 700 euro.

ECDC uses grants for scientific studies

ECDC used grants for the scientific studies: 'Vaccine European New Integrated Collaboration Effort-Phase III' (VENICE III); and 'European Reference Laboratory Network for Tuberculosis' (ERLTB-net). It justified the use of grants on historical grounds as well as the partners' familiarity with the grant funding model, the shared ownership and the importance of the confidentiality of the data obtained. However, it did not explore the option of using procurement before launching the call for proposals.

¹³ Article 36 of Regulation (EC) No 178/2002 sets the basis for networking with Member State organisations operating within EFSA's mission. EFSA's Management Board establishes and updates a list of competent public organisations designated by the Member States. The list currently includes about 330 public bodies.

Poor grant design

24

To avoid imposing an unnecessary administrative burden on both agencies and beneficiaries, the FR and its RAP foresee that grants may be awarded directly without a call for proposals in exceptional cases¹⁴ and encourage the use of simplified cost options to facilitate grant management, particularly with regard to low value grants (grants less than 60 000 euros)¹⁵.

25

The audit revealed several cases where the audited agencies' grant award procedure led to significant administrative burdens for both the agency and the beneficiaries when these award options were not exercised (for an example see **Box 4**).

- 14 Article 190 of the RAP allows direct grants to public bodies or Member States identified by a basic act as beneficiaries or for actions with specific characteristics that require a particular type of body on account of its technical competence and high degree of specialisation.
- 15 Articles 123 and 124 of the FR, and Article 181 of the RAP provide for reimbursement on the basis of unit costs, lump sums or flat-rate financing.

Box 4

Example of an unnecessarily burdensome grant award procedure

ECDC Fellowship Agreements

Each year, ECDC sends invitations to submit a proposal for a framework partnership agreement (FPA) to those acknowledged training sites that have hosted EPIET fellows in the previous year. Before awarding the EPIET fellowship FPA, the Centre performs a full evaluation procedure based on the criteria communicated in the restricted call for proposals. This procedure is an unnecessarily heavy administrative burden upon both the Centre and the training sites, particularly as ECDC has already certified these bodies as recognised training locations. ECDC could have used the direct award procedure¹⁶.

¹⁶ Article 190(1)(f) of the RAP.

26

The choice of an inappropriate form of grant can also result in considerable inefficiencies in the implementation and monitoring of the grant activities. Agencies can make more use of the simplified cost options (for examples see **Box 5**).

Examples of the use of an inappropriate form of grant

EEA European Topic Centres (ETCs) and Eionet

The ETCs form part of the European Environment Information and Observation Network (Eionet) and support the agency in the implementation of its work programmes. EEA enters into FPAs with consortia to establish each ETC, as the partner organisations must pool their expertise to address each topic. The majority of EEA partners are public sector bodies, since environmental data collection, assessment and reporting is predominantly done in this sector. Preparing and subsequently analysing the cost statements of over 40 partners is a significant administrative effort, required as the grants are funded on the basis of direct eligible costs. EEA could explore further the use of simplified cost options for these grants¹⁷.

Frontex Aerial Surveillance Running Expenses of Means

Frontex funds land/sea/air border operations of participating states with grants. One element of these operations concerns aerial surveillance. The grant system for such surveillance relies on the reimbursement of declared Running Expenses of Means (REM) covering mainly expenses for depreciation, maintenance, fuel, and crew allowances per flight hour. The participating authorities use different approaches for the calculation and declaration of their maintenance cost and mission expenses (notably crew allowances) with the result that managing these grants is particularly inefficient and burdensome.

¹⁷ Articles 123 and 124 of the FR.

27

EFSA's simplified cost option for the grant funding of its focal points is an example of good practice for the efficient implementation of low value grants. Focal points support EFSA in the practical implementation of networking and scientific cooperation activities. They act as an interface between EFSA and the national food safety authorities, research institutes, consumers and other stakeholders. In 2015, EFSA directly awarded multiannual grant agreements to its focal points for the provision of predefined recurrent services. The annual grant for each focal point (low value grants below 60 000 euros) was based on lump sums for the calculation of which EFSA relied on two sources: (a) the historical cost claim data (collected during the last 7 years of cooperation) and (b) the Eurostat data for the salary of public employees of the respective Member States. At year end, EFSA could pay the total annual grant amount on the basis of the services rendered without being obliged to request supporting documents for the exact cost incurred, thereby reducing significantly the administrative burden for its partners and the cost of *ex ante* verifications for EFSA.

Incomplete annual programming documents did not fully align agencies' grant actions with their mandates and strategic objectives

SMART objectives for results and impacts were not set

28

Agencies are required to draw up multi-annual and annual work programmes outlining the objectives, expected results and performance indicators¹⁸. Objectives set should be specific, measurable, achievable, relevant and timed (SMART) and relate to all its sectors of activity¹⁹. The annual work programme should be aligned with the multi-annual work programme and should include the actions to be financed²⁰. The grant funded activities should be clearly linked with the objectives in the agencies' work programmes²¹.

29

For all audited agencies, the review of the most recent AWP (2013-2015) showed that SMART objectives were generally missing. In most cases objectives were either broad descriptions of the grant activities planned for the year or vague output descriptions. The lack of SMART objectives undermined the audited agencies' ability to demonstrate that their grant activities were aligned to their strategic objectives and the mandate of their founding regulations (for examples see **Box 6**).

18 Article 32 of the FFR.

19 Article 29.4 of the FFR.

20 Article 32.3 of the FFR.

21 Article 121(1) of the FFR.

Examples of poorly defined objectives in the AWP

EIT's AWP does not have SMART high-level objectives on expected innovation improvements

The EIT did not define in its annual work programme SMART high-level objectives on innovation expected to be achieved through synergies resulting from the KICs knowledge triangle (research, education and innovation) or on the sustainability of the existing KICs. Consequently, the AWP did not ensure that the KIC's business plan objectives for grants were fully aligned with and supported the achievement of the strategic objectives of the EIT, the Strategic Innovation Agenda, and Horizon 2020.

ECDC's AWP does not have SMART objectives for its recurrent grant activities

Since ECDC took over the EPIET programme from the Commission in 2006, it has trained approximately 450 epidemiologists and is presently training 12 per year. However, Member States have also trained their own epidemiologists and ECDC does not have data on the number of trained specialists at Member State level. As a result, its public health training strategy (adopted in June 2015) lacks relevant and time-related strategic targets. The ECDC's AWP could not demonstrate how its recurrent grants for public health training would contribute to the achievement of its overall mandate and strategic objectives for European epidemiological surveillance and capability to define and control disease outbreaks.

Frontex does not have quantitative objectives and targets for its joint operations

Frontex has established operational programmes for each of its grant funded joint operations. In recent years it has been tasked with ad hoc search and rescue operations in response to multiple migration crises, which impacted on its planning. In the majority of operational programmes — including Frontex's three biggest programmes (Hermes, Triton and Poseidon Sea) — although objectives were set, they were not quantitative and did not specify target values. The lack of quantified targets hampers the measurement of the joint operations' effectiveness in the long term.

Financing decisions were incomplete

30

Agencies must adopt a financing decision before launching a call for proposals²². In the absence of such a decision, their AWP must include the objectives, indicative amount and maximum co-financing rate of the planned grant activities²³ and thereby serve as legally compliant financing decisions²⁴.

31

In most cases, the audited agencies had not taken separate financing decisions and the AWP did not include the information²⁵ necessary to constitute valid financing decisions for their grant actions (for examples see **Box 7**).

- 22 Article 68(2) and (3) of the FFR.
- 23 Article 188 of the RAP.
- 24 Article 94 of the RAP and Article 68 of the FFR.
- 25 AWP should indicate which of the planned annual activities are being implemented by framework partnerships or specific grant agreements, the form of grants, objectives and expected results, indicative amount and maximum co-financing rate of the planned grant activities.

Box 7

Examples of annual work programmes that do not constitute valid financing decisions

EEA’s 2013 AWP did not include the indicative amount

In 2013, the EEA signed FPAs with ETCs for 4 years. However, the related programming documents (AWP, calls for proposals) did not include the indicative amount.

EIT’s AWP did not include important information on the KIC grants

The EIT’s AWP did not include important information related to the planned annual specific grant agreements with the KICs, such as maximum specific annual grant amounts per KIC, related EIT annual objectives, expected results and indicators.

Agencies implemented grants in broad compliance with the rules but there were shortcomings in certain grant award, expert selection and internal control procedures

In specific cases grant selection and award procedures did not fully respect basic principles and potential conflict of interest risks persist

32

Agencies should adhere to the principles of transparency and equal treatment in their award of grants, as well as in the selection of any experts involved in the award procedures. Furthermore they should ensure necessary safeguards against potential conflicts of interest.

33

Agencies that used the grant selection and award procedures of the FR (i.e. EEA, EFSA and ECDC) were in compliance with the principles. Shortcomings were found where agencies applied specific expert selection and grant award procedures based on exemptions in the founding regulation and basic act (i.e. EIT and Frontex).

Risk of non-respect of the principles of transparency and equal-treatment

34

Grants are subject to the principles of transparency and equal treatment²⁶. The agencies' selection and award procedures specified in the calls for proposals should ensure that all applications are treated equally and that the grant is awarded to the most appropriate proposal based on the criteria published in the call²⁷. The call should clearly differentiate the selection and award criteria. Selection criteria must make it possible to assess the applicants' financial, professional and operational capacity to complete the proposed grant funded action. Award criteria must make it possible to assess the quality of the submitted proposal (taking into account the objectives and priorities set for the grant action)²⁸.

35

The Court found that Frontex and EIT had adopted procedures on the basis of the exemptions in their founding regulations. Such procedures do not ensure that agencies safeguard in full the principles of transparency and equal treatment (see **Box 8** for further details).

26 Article 125.1 of the FR.

27 Articles 203(2) and 204(1) of the RAP.

28 Article 132 of the FR and articles 202 and 203 of the RAP.

Call procedures based upon founding regulation exemptions

Frontex deployment of negotiating teams in bilateral talks

In accordance with its founding regulation, Frontex does not launch calls for proposals for the award of joint operation grants. Instead, it directly concludes 4-year FPAs with the participating states' authorities. Each year the Operations Division of Frontex informally designates negotiation teams and defines the annual resources necessary for the joint operations of the coming year. Frontex then negotiates bilaterally with the participating states and establishes their contribution in terms of human resources and technical equipment. The Frontex negotiation teams have the power to accept or renegotiate the resources proposed by the participating states. However, neither the decision on team composition, nor on the resources to be requested was taken by either the director or by the management board. Furthermore, the negotiation teams have not been formally appointed by the director or management board. Consequently, the procedure that results in specific grants for joint operations does not fully safeguard the principles of transparency and equal treatment.

EIT procedure for KIC designation

The criteria specified in the 2014 call for KIC proposals reflected the provisions of the EIT founding regulation for the selection and designation of KICs²⁹. However, these criteria were used as both selection criteria (technical, operational and financial capacity) and award criteria (quality and potential of the proposed innovation strategy), with some overlap noted at the level of sub-criteria. Furthermore, the call did not establish any threshold for proposals to reach the hearing stage.

In designating a KIC, the EIT Governing Board considers the result of the external expert evaluation panel, the report of the final recommendation panel, and the outcome of the Board's hearing of the top three KIC candidates. In relation to the 2014 call, the Court noted that the assessment by the Board was qualitative and without scoring. In addition, neither the call nor EIT's internal guidelines specified how the Board should weight the evaluation results of the different panels. These shortcomings may affect the equal treatment of candidates and hamper the effectiveness of the KIC selection and designation process.

²⁹ Article 7.2 of Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (OJ L 97, 9.4.2008, p. 1).

Potential conflict of interest risks persist

36

External experts to assist an agency in the evaluation of grant applications should be selected with due attention to potential conflicts of interest³⁰. Expert lists are to be drawn up following a call for expressions of interest³¹.

37

The Court found that Frontex and EIT had not sufficiently addressed the potential for conflict of interest (for details see **Box 9**).

30 Article 204(1) of the RAP. See also the Court's Special Report No 15/2012 'Management of conflict of Interest in Selected EU Agencies' (<http://eca.europa.eu>).

31 Article 287 of the RAP.

Box 9

Appointment of experts and potential conflict of interests

Frontex absence of appropriate conflict of interest policy

While all Frontex staff are required to sign a declaration of interests annually, there exists no formal requirement for a declaration of absence of conflict of interest before participating in the bilateral negotiation teams. As such, Frontex has not established an appropriate conflict of interest policy for the staff members of the negotiation teams.

EIT appointment of experts

For the selection of external experts evaluating KIC proposals and business plans, the EIT makes use of Article 89 of its FR to derogate from the obligation of launching a call for expressions of interest. However, EIT has not fully established internal procedures to regulate the implementation of this derogation.

In practice, EIT established its pool of experts using existing expert lists and databases of other EU institutions (mainly Commission) and individuals not on these lists following recommendations from the EIT governing board and staff members. The contract for one of the key external experts was awarded directly for the 2014 KIC call.

Potential conflicts of interest are assessed by the EIT director and mitigating measures are decided upon on a case by case basis. There was no evidence of an effective assessment of situations where the same expert has multiple simultaneous engagements each involving potential conflict of interest. These shortcomings increase the risk of infringing the principle of non-discrimination and the potential for conflicts of interest.

Agencies generally improved their grant implementation and controls but some weaknesses remain

38

Payments must be subject to *ex ante* and *ex post* control in order to confirm that they comply with the applicable provisions and that the principle of SFM has been applied³². For grants above the thresholds, a supporting certificate produced by an approved and independent external auditor or public officer on the financial statements of the action is compulsory³³. Only those costs actually and necessarily incurred by the beneficiary in the performance of the action and that are indicated in the budget of the action are eligible for reimbursement³⁴.

Ex ante and *ex post* controls

39

The Court issued qualified opinions on the transactions underlying the accounts of EIT and Frontex for 2012 and 2013 due to the absence of effective *ex ante* and *ex post* controls in respect of grant payments. It made similar observations in respect of EEA and ECDC, however in these cases the audit opinion was unqualified. In response, the audited agencies significantly strengthened their verification procedures and have also revised their *ex post* verification policies and audit strategies. However, while the Court's 2014 audit opinion of all agencies based on the financial and compliance audits were unqualified, continuing weaknesses in the verification procedures for grant payments were observed. For concrete examples of persisting system weaknesses, see **Box 10**.

32 Article 45 FFR.

33 Article 207 of the RAP requires a certificate for grant actions above 750 000 euros, and for operating grants above 100 000 euros. Some agencies include lower thresholds in their internal policies.

34 Article 126 FR.

Examples of weaknesses in the *ex ante* verification procedures for grants**EEA**

One ETC submitted the final cost statement for activities in which one partner had declared expenses of 180 000 euros for the year ending 31 December 2013. The *ex ante* verification detected errors in the calculation method of the declared partner's gross staff remuneration (over 40 % considered ineligible), but the full amount was paid.

Frontex

Reports on the activities undertaken during Air Border Surveillance (ABS), Sea Border Surveillance (SBS), or Land Border Surveillance (LBS) joint operations vary considerably in length, structure and content between the different participating states. This hampered an efficient *ex ante* verification of cost claims.

ECDC

In 2014 *ex post* verifications of ECDC grant-funded activities from 2012 and 2013 took place. Six grant actions involving four beneficiaries were audited. The *ex post* verification found that insufficient evidence was available for one of the beneficiaries to establish the direct cost of the action. In fact, the beneficiary's staff were employed on multiple projects and no time recording system was maintained. This indicates that the *ex ante* verification system should be further improved in light of the outcome of the *ex post* audit.

Other internal control weaknesses**40**

The Court noted that on average, over the period 2011-2014, the EIT grant agreements were signed 3 months after the start of the calendar year. The signatures of the 2015 grant agreements were delayed until June 2015.

41

In 2013 and 2014 the EEA has signed FPAs with five ETCs that will remain in force until 2018. The EEA has neither estimated nor published the budget for the entire period of the FPAs. Consequently, no financial ceiling has been established. The consumption of the FPAs by specific grant agreements, while being monitored on an annual basis, is effectively unlimited.

Whilst grants generally contributed to the audited agencies' policy implementation, agencies failed to set up adequate monitoring systems to measure the overall effectiveness of their grant-funded activities and ex post evaluations were either lacking or incomplete

35 Article 29.4 of the FFR.

36 Article 32.3 of the FFR.

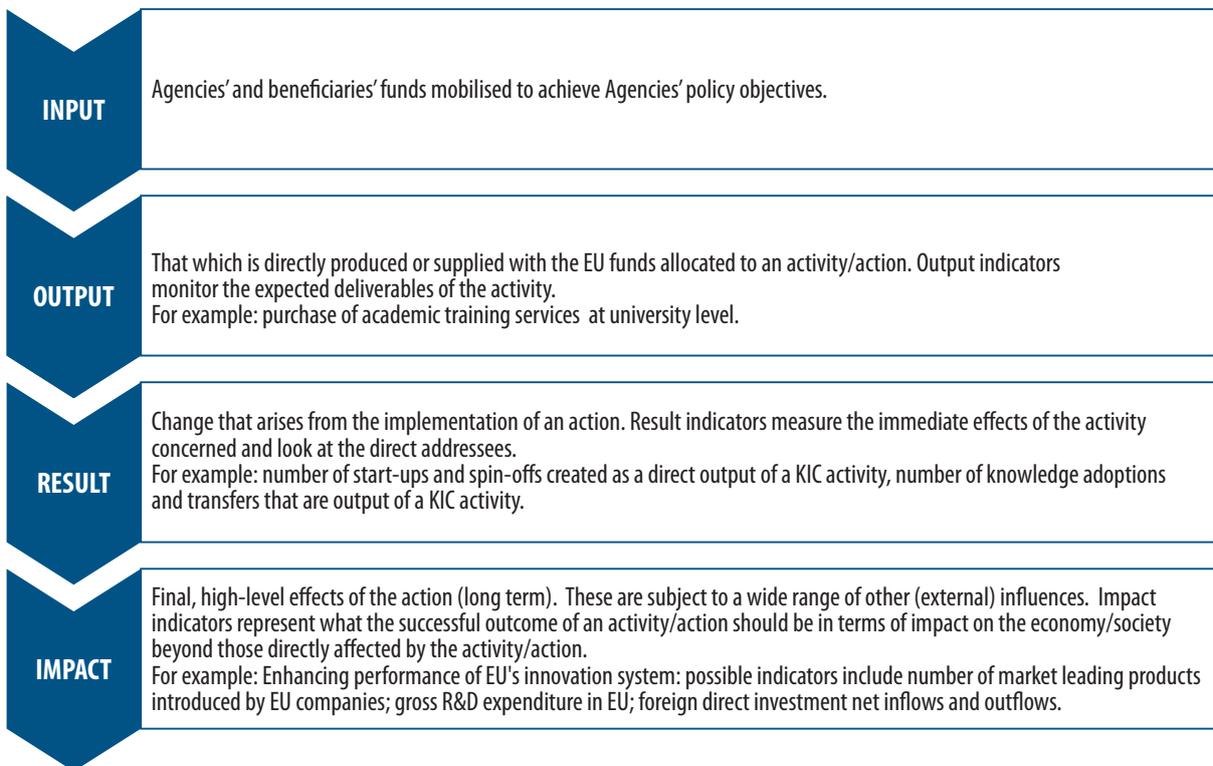
Lack of key performance indicators

42

For each activity, the achievement of objectives has to be monitored by performance indicators³⁵. These performance indicators have to be included in the agencies' AWP^s³⁶ (see **Figure 3** for examples of indicators).

Figure 3

Examples of input, output, result and impact indicators



Source: ECA based on the Commission's guidelines regarding 'Horizon 2020 Indicators: Assessing the results and impact of Horizon 2020'.

Observations

43

Whilst the audited agencies defined in their multi-annual and annual work programmes some basic output-related performance indicators for grant activities, they have not set RACER³⁷ key performance indicators (KPIs) on results and impact. Therefore they could not monitor the coherence and effectiveness of their grant activities or measure the results and impact achieved.

44

Frontex AWP's contained 38 performance indicators for the monitoring of its operations and activities but only a few are used for reporting purposes. None of the KPIs so used adequately measure the effectiveness of the agency's grant-funded activities. The high number of performance indicators compared to the few indicators actually analysed for reporting purposes undermines the effectiveness of Frontex's monitoring and reporting system.

45

The EIT has not yet set up an comprehensive evaluation system to monitor its own activities and those of the KICs as required by its founding regulation, the Horizon 2020 regulation and the Strategic Innovation Agenda of the EIT³⁸. The EIT core performance indicators continue to focus on input or output rather than results or impacts. It is thus not possible to assess the innovative impact created by the synergy effects of the knowledge triangle.

Lack of or incomplete *ex post* evaluations

46

To improve effectiveness and decision-making, agencies should perform *ex post* evaluations of significant activities³⁹. Activities financed on an annual basis should have their results evaluated at least every 6 years⁴⁰. These evaluations should analyse the results of a multi-annual grant activity as well as recurrent annual grant funding actions in order to verify that they were consistent with the objectives set⁴¹.

47

However, the audited agencies have not always performed *ex post* evaluations and those that did failed to use the results to improve their monitoring and reporting on grant-funded activities.

37 Relevant (objective-related), accepted, credible, easy and robust.

38 Article 7a of Regulation (EC) No 294/2008.

39 Article 29.5 of the FFR, Article 18.3 of the RAP.

40 Article 18.3.b of the RAP.

41 Article 18.3 of the RAP.

Observations

48

In 2013 EFSA conducted an *ex post* evaluation on the impact of its grants and procurements. Based on the evaluation results, EFSA implemented new grant concepts in the framework of its scientific cooperation strategy for 2014 to 2016 (see paragraph 18). The AWP, however, continued to contain only vague grant objectives and basic indicators related to budget implementation and output (e.g. proportion of grant budget committed/paid at year end; number of scientific outputs adopted). In the absence of relevant and result-oriented KPIs, EFSA could not monitor the effectiveness of its past grant actions and will not be able to assess the EU added value and effectiveness of its newly implemented grant schemes.

49

In 2012, the EEA management board requested an *ex post* evaluation on the effectiveness of the ETCs. This evaluation stressed the importance of exploiting synergies to achieve efficiency gains across the topic areas as well as the growing need for more comprehensive and integrated environmental data analysis. Whilst the evaluation provided some basis for strategic decision-making affecting future grants (e.g. to develop specialised EEA in-house IT capabilities for integrated environmental data analysis), it omitted an assessment of the impact measurement system for both the EEA and the ETCs activities.

50

The *ex post* evaluations should be sufficiently complete to assess achievement of strategic objectives. Both Frontex and ECDC lack data and information from Member States to allow them to do so. Furthermore, both agencies failed to recognise this fundamental issue in their *ex post* evaluations and internal analyses. As a consequence, they did not meet their obligations to set relevant strategic objectives for their grant activities and to establish an effective (result-oriented) monitoring and reporting system with relevant and measurable KPIs.

51

The implications of this situation on ECDC and Frontex grant activities are outlined in **Box 11**.

Examples of incomplete *ex post* evaluations

Inability to measure the effectiveness of ECDC's grant activities

The ECDC's mandate includes supporting and coordinating training programmes in order to assist Member States and the Commission to have sufficient numbers of trained specialists, in particular in epidemiological surveillance and field investigations, and to have a capability to define health measures to control disease outbreaks⁴².

Peer-reviewed scientific literature recommends a ratio of 1 epidemiologist per 100 000 people. With a population of over 500 million in the EU, this translates into a requirement of approximately 5 000 epidemiologists. It is estimated that ECDC and the Member States should train approximately 500 fellows per year. ECDC does not have information on the actual number of fellows trained per year in the Member States, nor on the current number of active epidemiologists in the EU. As a result, ECDC is unable to monitor the effectiveness of its grant funded training task.

Inability to measure the effectiveness of Frontex grant activities

Frontex coordinates joint operations with the Schengen states, which may involve assisting the Schengen states in humanitarian rescue actions at sea.

In 2014, Frontex recorded approximately 340 000 irregular entrants to the Schengen Area through its various operations. Member States are responsible for establishing the status of the entrants (asylum granted, return, absconded). However, there is insufficient data exchange between Frontex and the member states on this matter. Consequently, the effectiveness of Frontex grant funded joint operations cannot be assessed.

⁴² Article 9(6) of Regulation (EC) No 851/2004 of the European Parliament and of the Council of 21 april 2004 establishing a European Centre for disease prevention and control (OJ L 142, 30.4.2004, p. 1).

52

The audit showed that grants have not always been the most appropriate tool to fulfil agencies' tasks and policy objectives. The audit also indicated that, except for cases of specific grant selection procedures, agencies managed grants in broad compliance with the rules. Whilst grants generally contributed to agencies' policy implementation and fostered cooperation with public bodies of the Member States, agencies did not measure further EU added value and the overall effectiveness of their grant-funded activities. The recommendations which follow are addressed to all agencies or other bodies using grants, or considering their use in the future.

Appropriate use of the grant funding tool

53

Most of the audited agencies have not adequately addressed whether grant funding was the most effective and efficient tool for the implementation of a specific task or activity (see paragraphs 17 to 19), or whether other options like public procurement, service level agreements or cooperation agreements would have been more appropriate or economic (see paragraphs 20 to 23). Moreover, there are also inefficiencies regarding the chosen grant procedure or form of grant (see paragraphs 24 to 27).

Recommendation 1

Before launching grants, agencies should explore if grants are the most effective tool. Simplified cost options and direct award should be used whenever justified.

Whenever agencies use grant funding for a specific action, this should be based on a thorough analysis of the agency's needs, strategic objectives, EU added value to be achieved, potential candidates to be targeted, as well as the level of competition necessary to achieve cost-effectiveness. Agencies should avail of the simplified cost options whenever appropriate. Grants should be awarded without a call for proposals (i.e., directly) whenever justified by Article 190 of the RAP. Agencies should establish clear guidelines and criteria to assist management in deciding upon the most effective, efficient and economic tool for the implementation of a specific task or activity.

Target implementation date: as soon as possible.

Annual programming of grant actions

54

The audited agencies' multi-annual and annual work programmes lacked specific, measurable and time-related objectives on results for the planned grant actions. This weakness undermines the agencies' ability to align their (annual) grant activities to the strategic objectives of their multi-annual programming documents and the mandate of their founding regulation (see paragraphs 28 to 29). They often lacked important information related to the planned call for proposals. In such instances, the annual work programme does not constitute a valid financing decision for the agency's grant actions (see paragraph 30 to 31).

Recommendation 2

The agencies' work programmes should indicate which activities are to be implemented by grants, the specific objectives and expected results to be achieved by the grant actions, as well as the planned financial and human resources needed to implement the grant actions.

When agencies establish their annual work programme, they should set out specific result-oriented objectives for their grant actions which have to be clearly aligned to their strategic objectives and mandate of the founding regulation. To be a valid financing decision, agencies have to indicate in the annual work programme the financial and human resources authorised for the implementation of the grant actions (budget line and appropriations) as well as essential information on the planned call for proposals (selection and award criteria, maximum grant amount, maximum possible rate of co-financing, time table). In case of multi-annual framework partnerships, annual priorities and expected results have to be set for the specific grants.

Target implementation date: Annual work programmes 2018.

Grant award procedures

55

Shortcomings existed in cases where the audited agencies applied specific expert selection and grant award procedures based on exemptions in the founding regulation (i.e. EIT and Frontex). As a result, risks to the principles of equal treatment, transparency and potential conflict of interest issues have not been fully addressed (see paragraphs 34 to 37).

Recommendation 3

Agencies applying specific grant procedures should establish formal internal procedures respecting the principles of transparency and equal treatment, and safeguarding against potential conflicts of interest.

In cases where the agencies' founding regulations derogates from the FR, the agency should establish formal internal procedures for the implementation of the derogation. The internal procedures should, in particular, ensure:

- transparency: internal staff members involved in the grant procedures should be formally appointed and clearly authorised by the responsible authority (authorising officer/governing board); consensus reports should clearly justify all major decisions; for each evaluation stage both the underlying criteria and the relative weighting of the evaluation stage should be published in the call for proposals;
- equal treatment of candidates: communicate harmonised methodologies and thresholds to all members of the selection panel/committee; establish clearly separated eligibility, selection and award criteria; set selection and award criteria which are neither too specific nor too vague; do not directly appoint external experts; set thresholds for proposals to reach the final hearing stage, and publish in the call;
- absence of conflict of interest: formal conflict of interest policies should be established for external experts, internal staff and governing board members involved in the selection and award process; the policy should classify conflict of interest issues considering the accumulated effect of several minor conflict of interest and define effective mitigating measures.

Target implementation date: as soon as possible.

Conclusions and recommendations

Ex ante and *ex post* controls

56

While the audited agencies have improved their grant implementation and monitoring procedures, various weaknesses remained in the internal control system (see paragraphs 39 to 41).

Recommendation 4

Agencies should strengthen their verification system regarding grant project implementation.

Agencies should establish standardised reporting requirements for the beneficiaries to allow for an efficient and effective monitoring system. The outcomes of *ex post* controls should be reviewed at least annually to identify and address any potential systemic issues in the *ex ante* control system. FPAs should indicate a maximum amount. Specific agreements implementing recurrent grants and FPAs should be signed prior to the planned start date of the grant action unless duly justified.

Target implementation date: as soon as possible.

Key performance indicators and *ex post* evaluations

57

Whilst the audited agencies defined in their work programmes some basic output indicators for their grant actions, they have not set relevant key performance indicators on results and impact. Moreover, they have either not performed *ex post* evaluations of significant activities or have not acted upon these results to improve their monitoring and reporting on grant-funded activities. Finally, some evaluations failed to recognise a lack of key data from Member States. As a result, agencies could not monitor the coherence and effectiveness of their grant actions and reports did not adequately demonstrate the results and impact achieved (see paragraphs 42 to 51).

Conclusions and recommendations

Recommendation 5

Agencies should set up grant monitoring and reporting systems based on result and impact-oriented key performance indicators as well as *ex post* evaluation results.

For each impact and result-oriented objective set in the multi-annual and annual work programmes, agencies should develop at least one relevant key performance indicator on impact and results. In addition, agencies should carry out *ex post* evaluations of significant grant actions (including the recurrent grant activities financed on an annual basis) taking into account the need for important data and information from Member States involved to ensure that they are consistent with the strategic objectives set.

Target implementation date: Annual work programme 2018.

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 2 March 2016.

For the Court of Auditors



Vitor Manuel da SILVA CALDEIRA
President

Sample of calls for proposal audited (2013-2015)

Agency name	Type of procedure	Title	Grant Reference	Grant budget (euro)
EFSA	Call for proposal	Relationship between seroprevalence in the main livestock species and presence of <i>Toxoplasma gondii</i> in meat	GP/EFSA/BIOHAZ/2013/01	400 000
EFSA	Call for proposal	Data collection supporting the establishment of cumulative assessment groups of pesticides	GP/EFSA/PRAS/2013/02	160 000
EFSA	Call for proposal	Biomarkers of exposure for mycotoxins mainly for deoxynivalenol — data collection and generation	GP/EFSA/CONTAM/2013/04	300 000
EFSA	Call for proposal	Study on the implications of draft revised FCM on public health and administrative consequences	GP/EFSA/FIP/2013/01	250 000
EFSA	Call for proposal	Occurrence data on tropane alkaloids on food and feed	GP.EFSA.BIOCONTAM.2014.01	530 000
EFSA	No call for proposal Art. 190 1c	Implementation of Framework Partnership Agreement — Support the Regulatory implementation of Cumulative Risk Assessment of Pesticides signed on 15.12.2014.	GP/EFSA/PRAS/2014/02	400 000
EFSA	No call for proposal Art. 190 1c	Multi annual focal point grant agreements	BELGIUM - FOCAL POINT AGREEMENT 2015	45 000
ECDC	Open call for proposals FPA	Monitoring Vaccination Programmes in the European Union and EEA/EFTA countries: Sharing Information to Improve Performance	GRANT/2013/001	1 600 000
ECDC	Restricted call for proposals FPA	Hosting EPIET Fellowship	GRANT/2013/002	6 000 000
ECDC	Open call for proposals FPA	European reference laboratory network for tuberculosis (ERLTB-net) — to strengthen tb diagnosis, drug susceptibility testing and coordination at European Union level	GRANT/2013/003	800 000
ECDC	Call for proposals FPA	Hosting EPIET Fellowship	GRANT/2014/001	6 000 000
ECDC	Call for proposals FPA	Scientific Coordination for EPIET Fellowships (Epidemiology and Public Health Microbiology (EUPHEM) paths)	GRANT/2014/002	3 000 000
EEA	Call for proposals FPA	European Topic Centre on Urban, land use and soil 2015-2018	EEA/NSV/14/001-ETC/ULS	N/A
EEA	Call for proposals FPA	European Topic Centre on Waste and Materials in a Green Economy 2014-2018	EEA/IEA/13/003-ETC/WMGE	N/A
EIT	Call for proposals FPA	KIC healthy living and active aging	N/A	N/A
EIT	Call for proposals FPA	KIC raw materials	N/A	N/A
Frontex does not issue any calls for proposals. They negotiate directly with the participating State authorities on an annual basis in respect of the human resources and technical equipment requirements for the coming year.				

Sample of grant payment transactions audited (2013-2015)

Agency name	Official Budget Item	Fund Source	Year of transaction	Pay Type Code	Beneficiary	Pay Accepted Amount (euro)
EFSA	B3-010	C1	2013	Final	(OSTERREICHISCHE AGENTUR FUR GESUNDHEIT UND ERNAHRUNGSSICHERHEIT GMBH) AUSTRIAN AGENCY FOR HEALTH AND FOOD SAFETY	57 125.40
EFSA	B3-110	C1	2013	Final	(NEMZETI ELEMISZERLANC-BIZTONSAGI HIVATAL) NATIONAL FOOD CHAIN SAFETY OFFICE	327 865.88
EFSA	B3-110	C1	2013	Final	ISTITUTO ZOOPROFILATTICO SPERIMENTALE DELL'ABRUZZO E DEL MOLISE G CAPORALE ENTE	32 160.00
EFSA	B3-010	C1	2014	Final	WETENSCHAPPELIJK INSTITUUTVOLKSGEZONDHEID WISSENSCHAFTLICHESINSTITUT FUR VOLKSGESUNDHEIT IPH	86 012.72
EFSA	B3-110	C1	2014	Final	STICHTING DLO STICHTING DIENST LANDBOUWKUNDIG ONDERZOEK	59 276.45
EFSA	B3-110	C1	2013	Final	UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	45 787.83
EFSA	B3-110	C1	2014	Final	(ELINTARVIKETURVALLISUUSVIRASTO EVIRA) FINNISH FOOD SAFETY AUTHORITY EVIRA	54 871.30
ECDC	B03002	C1	2013	Pre-Financing	ISTITUTO SUPERIORE DI SANITA	70 362.56
ECDC	B03002	C8	2014	Final	ISTITUTO SUPERIORE DI SANITA	73 264.06
ECDC	B03003	C1	2014	Pre-Financing	NARODOWY INSTYTUT ZDROWIA PUBLICZNEGO PANSTWOWY ZAKLAD HIGIENY	35 955.64
ECDC	B03003	C8	2015	Final	NARODOWY INSTYTUT ZDROWIA PUBLICZNEGO PANSTWOWY ZAKLAD HIGIENY	13 881.00
ECDC	B03003	C8	2014	Final	MINISTERIE VAN VWS AGENTSCHAP RIVM	148 925.66
ECDC	B03003	C8	2014	Final	INSTITUTO DE SALUD CARLOS III	101 937.18
ECDC	B03003	C8	2014	Final	INSTITUTO DE SALUD CARLOS III	51 749.50
ECDC	B3-003	C8	2013	Final	UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	242 090.00
ECDC	B3-003	C8	2013	Final	(SMITTSKYDDSSINSTITUTET SMI) SWEDISCH INSTITUTE FOR COMMUNICABLE DISEASE CONTROL	100 476.59
ECDC	B3-003	C8	2013	Final	KINGDOM OF THE NETHERLANDS	149 687.00
ECDC	B3-002	C8	2013	Final	HEALTH PROTECTION AGENCY CENTRE FOR RADIATION CHEMICAL AND ENVIRONMENTAL HAZARDS RADIATION PROTECTION DIVISION	200 000.00
ECDC	B3-002	C8	2014	Final	UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	228 599.60
ECDC	B03003	C8	2014	Final	NORWEGIAN INSTITUTE OF PUBLIC HEALTH	71 129.00
EEA	B3-331	C8	2013	Final	(RIJKSINSTITUUT VOOR VOLKSGEZONDHEIDEN MILIEU) NATIONAL INSTITUTE FOR PUBLIC HEALTH AND THE ENVIRONMENT	644 948.90
EEA	B3-332	C8	2013	Final	(CENIA, CESKA INFORMACNI AGENTURA ZIVOTNIHO PROSTREDI CENIA) CZECH ENVIRONMENTAL INFORMATION AGENCY	420 000.00
EEA	B3-334	C8	2013	Final	UNIVERSIDAD DE MALAGA	132 938.52

Agency name	Official Budget Item	Fund Source	Year of transaction	Pay Type Code	Beneficiary	Pay Accepted Amount (euro)
EEA	B3-336	C8	2013	Final	CENTRO EURO-MEDITERRANEO SUI CAMBIAMENTI CLIMATICI SCARL MCC	174 039.47
EEA	B03540-RO-GISC	R0	2013	Final	RIVM RIJKSINSTITUUT VOOR VOLKSGEZONDHEID EN MILIEUAGENTSC-HAP MIN VOLKS	44 290.00
EEA	B3-331	C1	2013	Interim	KINGDOM OF THE NETHERLANDS	1 505 000.00
EEA	B3-333	C1	2013	Interim	MUSEUM NATIONAL D'HISTOIRE NATURELLE	787 500.00
EEA	B3-331	C8	2014	Final	KINGDOM OF THE NETHERLANDS	2 070 068.76
EEA	B3-332	C8	2014	Final	(CENIA, CESKA INFORMACNI AGENTURA ZIVOTNIHO PROSTREDI CENIA) CZECH ENVIRONMENTAL INFORMATION AGENCY	1 460 000.00
EEA	B3-333	C8	2014	Final	MUSEUM NATIONAL D'HISTOIRE NATURELLE	1 037 850.00
EEA	B3-334	C8	2014	Final	UNIVERSIDAD DE MALAGA	1 159 628.00
EEA	B3-336	C8	2014	Final	CENTRO EURO-MEDITERRANEO SUI CAMBIAMENTI CLIMATICI SCARL CMCC	603 169.26
EEA	B3-436	R0	2014	Final	AGENCIJA ZA ZASTITU OKOLISA AZO CROATIAN ENVIRONMENT AGENCY	51 972.00
EEA	B3-436	R0	2014	Final	FEDERAL REPUBLIC OF GERMANY	121 093.00
EEA	B3-436	R0	2013	Pre-Financing	Latvian Geospatial Information Agency	15 755.00
EEA	B3-436	R0	2013	Interim	Latvian Geospatial Information Agency	15 755.00
EEA	B3-436	R0	2014	Final	Latvian Geospatial Information Agency	7 877.00
EEA	B3-436	R0	2013	Pre-Financing	Norwegian Forest and Landscape Institute	142 676.00
EEA	B3-436	R0	2014	Interim	Norwegian Forest and Landscape Institute	142 676.00
EEA	B3-436	R0	2015	Final	Norwegian Forest and Landscape Institute	16 344.00
EIT	B3-000	C1	2013	Final	KIC INNOENERGY SE	32 199 586.00
EIT	B3-000	C1	2013	Final	EIT ICT LABS IVZW	24 207 511.05
EIT	B3-000	C1	2013	Interim	ASSOCIATION CLIMATE-KIC	3 128 841.53
EIT	B3-000	C1	2013	Final	ASSOCIATION CLIMATE-KIC	27 118 969.48
EIT	B3-000	C5	2014	Final	KIC INNOENERGY SE	417 517.00
EIT	B3-000	C1	2014	Final	EIT ICT LABS IVZW	39 241 064.71
EIT	B3-000	C1	2014	Final	KIC INNOENERGY SE	40 100 022.64
EIT	B3-000	C1	2014	Final	ASSOCIATION CLIMATE-KIC	42 096 006.57
Frontex	A-3010	C1	2013	Pre-Financing	Icelandic Coast Guard	291 217.00
Frontex	A-3010	C8	2014	Final	Icelandic Coast Guard	305 048.95
Frontex	A-3050	C1	2014	Final	Ministero dell'Interno, Dipartimento della Pubblica Sicurezza, Direzione Centrale dell'Immigrazione e della Polizia delle Frontiere	230 592.05
Frontex	A-3050	C1	2014	Pre-Financing	Immigration and Naturalisation Service	23 940.00

Agency name	Official Budget Item	Fund Source	Year of transaction	Pay Type Code	Beneficiary	Pay Accepted Amount (euro)
Frontex	A-3050	C8	2015	Final	Immigration and Naturalisation Service	27 304.20
Frontex	A-3010	C1	2014	Pre-Financing	Finnish Border Guard	187 088.79
Frontex	A-3010	C8	2015	Final	Finnish Border Guard	177 200.71
Frontex	A-3000	C1	2014	Final	Hungarian Police Headquarters	74 997.35
Frontex	A-3000	C1	2014	Final	Federal Ministry of Interior	129 913.50
Frontex	A-3000	C1	2013	Final	REPUBLIC OF POLAND	6 649.78
Frontex	A-3000	C8	2013	Final	KINGDOM OF THE NETHERLANDS	26 748.18
Frontex	A-3010	C8	2013	Final	REPUBLIC OF PORTUGAL	589 441.25
Frontex	A-3010	C8	2013	Final	ITALIAN REPUBLIC	297 038.21
Frontex	A-3010	C8	2013	Final	KINGDOM OF SPAIN	69 328.22
Frontex	A-3010	C8	2013	Final	HELLENIC REPUBLIC	1 539 693.09
Frontex	A-3020	C1	2013	Final	SWISS CONFEDERATION	6 413.84
Frontex	A-3050	C1	2013	Final	REPUBLIC OF AUSTRIA	218 662.39
Frontex	A-3050	C8	2013	Final	KINGDOM OF NORWAY	44 593.26
Frontex	A-3050	C1	2013	Final	KINGDOM OF THE NETHERLANDS	14 271.28
Frontex	A-3020	C1	2013	Final	ITALIAN REPUBLIC	15 824.45
Frontex	A-3000	C1	2014	Final	KINGDOM OF SPAIN	11 777.87
Frontex	A-3000	C8	2014	Final	FEDERAL REPUBLIC OF GERMANY	26 793.97
Frontex	A-3010	C8	2014	Interim	ITALIAN REPUBLIC	100 697.34
Frontex	A-3010	C8	2014	Final	REPUBLIC OF PORTUGAL	504 603.65
Frontex	A-3010	C8	2014	Final	HELLENIC REPUBLIC	429 722.67
Frontex	A-3010	C8	2014	Final	REPUBLIC OF ICELAND	291 218.57
Frontex	A-3010	C8	2014	Final	KINGDOM OF SPAIN	160 627.33
Frontex	A-3050	C1	2014	Final	KINGDOM OF SPAIN	78 735.84
Frontex	A-3050	C1	2014	Final	UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	44 312.15
Frontex	A-3050	C8	2014	Final	ITALIAN REPUBLIC	193 800.00
Frontex	A-3010	C1	2014	Final	KINGDOM OF SPAIN	417 533.43
Frontex	A-3010	C8	2014	Final	ITALIAN REPUBLIC	33 774.29
Frontex	A-3050	C1	2014	Final	REPUBLIC OF FINLAND	32 346.26
Frontex	A-3000	C8	2014	Final	REPUBLIC OF HUNGARY	74 997.35

Executive summary

IV

See the EIT & Commission replies to the five recommendations below.

Observations

19

Following up the recommendations of the evaluation carried out in 2011, the EIT designed and launched a Performance Measurement System (PMS) in 2012 to support a results-oriented monitoring of the implementation of the EIT's strategy. As part of the PMS, the assessment of KICs' past performance in the competitive review mechanism is based, amongst other elements, on the cross-KIC comparison of the results of the following six core KPIs: 1) Attractiveness of the EIT Labelled education programs; 2) Number of graduates from the EIT Labelled degrees; 3) Business ideas incubated; 4) Start-ups/spin-offs created; 5) Knowledge transfer/adoption; 6) New or improved products/services/processes.

Therefore, the core key performance indicators are actively used by the EIT for cross-KIC comparisons, in particular as part of the annual competitive funding allocation process.

Nevertheless, the EIT is currently working on reinforcing its monitoring system. As an important step in this direction, the EIT Governing Board adopted a comprehensive new Monitoring Strategy on 3 December 2015.

20

As regards EIT, it is important to emphasise that both the '*choice of funding tool*' and the thematic areas in which the EIT has to launch calls for proposals are strictly regulated in the EIT Founding Regulation¹, EIT Financial Regulation and the Strategic Innovation Agenda². The selection of thematic areas was based on an ex-ante evaluation carried out by the European Commission's Joint Research Centre – Institute for Prospective Technological Studies, which also concluded that grant funding is the most appropriate method of implementation³.

Finally, Article 14 (2) of the EIT Founding Regulation and Article 90 (2) and (3) of the EIT Financial Regulation leave no room for manoeuvre to the EIT to consider replacing the EIT grants provided to KICs by other options such as public procurement or service level agreements as recommended by the Court.

1 REGULATION (EC) No 294/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council

2 DECISION No 1312/2013/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

3 <http://ipts.jrc.ec.europa.eu/publications/pub.cfm?id=4479>

Reply of the Commission and the EIT

29

While the EIT's AWP does not include detailed operational objectives, deliverables, indicators and expected results to be achieved by the KICs, these are established by the KICs in their annual business plans, based on the autonomy of KICs enshrined in Article 6 (2) (d) of the EIT Founding Regulation. The EIT verifies, through the annual grant allocation process, that KICs' annual operational objectives, presented in the annual Business Plans, contribute to the multi-annual strategies of the KICs, which are set out in the Strategic Agenda of KICs that are part of the Framework Partnership Agreement concluded with the EIT. This innovative approach deliberately differs from other programmes and should be seen as one of the strength of the EIT as it allows for an effective decentralised approach to innovation.

The multi-annual strategies of the KICs are harmonised with the EIT's strategic objectives in the EIT's rolling Triennial Work Programme, as Annex III of the EIT Triennial Work Programme contains the future outlook, strategic objectives and key priorities of each KIC for the next three years. Finally, the EIT Triennial Work Programme is based on the EIT Strategic Innovation Agenda.

For a detailed description of the EIT's objective and planned activities in relation to the KICs' financial sustainability, please, refer to page 21 of the EIT Annual Work Programme 2016⁴.

Nevertheless, the EIT is currently working to design impact-based KPIs in order to better measure the innovation improvements achieved by the KICs. In addition, the EIT also intends to draw up specific KPIs measuring the results in Knowledge Triangle Integration. Furthermore, the EIT accepts to include more grant-related information in its Annual Work Programmes in the future

31

The EIT considers that its AWP already includes the information necessary to constitute a valid financing decision.

In particular, the EIT's AWP includes the maximum global annual grant amount to be awarded to KICs and the maximum possible rate of co-financing in section 5.2. The AWP also includes the EIT's annual objectives, expected results and indicators. As concerns the KICs, the detailed operational objectives, deliverables, indicators and expected results are established in their annual business plans and are verified by the EIT as part of the grant allocation process.

Nevertheless, the EIT accepts to include more grant-related information, such as the KICs' main annual objectives, thematic fields of activity and actions planned, in its Annual Work Programmes in the future.

33

See EIT & Commission replies to paragraphs 35 and 37.

35

The EIT has safeguarded the principles of transparency and equal treatment through its procedures that implement the exemptions in the EIT's Founding Regulation. The EIT remains committed to further improve the efficiency and effectiveness of its procedures.

⁴ <http://eit.europa.eu/sites/default/files/EIT%20Annual%20Work%20Programme%202016.pdf>

A call for KIC proposals does not equal the award of a grant and therefore cannot be compared to this process as suggested by the Court. It is only one of the steps leading to the award of the FPA. The selection of a KIC is followed by a start up phase, where award criteria are defined and verified, which then lead to the award of a Framework Partnership Agreement. Grants are then awarded subsequently following a separate procedures regulated by other provisions

The EIT has further improved its processes and published a revised set of criteria for the 2016 call for KIC proposals on 5 October 2015. As outlined in the published document, each of the three criteria to be used by the Governing Board will be scored with a maximum of 10 points, therefore the maximum score that can be obtained in the hearing is 30 points. The Governing Board's score will be calculated as average of the individual scores of Governing Board members. The sum of the points from the Governing Board Hearing will be added to the points obtained at the technical evaluation stage from the panel of experts. The proposal which will receive the highest number of points out of the maximum of 130 points will be selected by the EIT Governing Board (one proposal per thematic area).

Finally, following the lessons learnt of the 2014 call for KICs proposals and in order to simplify the process, the Final Recommendation Panel has been abolished for the 2016 call for KIC proposals.

The EIT is of the opinion that the revised procedure to be used in the 2016 call for KIC proposals is fully transparent and ensures equal treatment of all potential proposers.

37

The EIT has *sufficiently addressed the potential for conflict of interest.*

It is important to note that, out of 15 experts appointed within the framework of the evaluation of KIC proposals, only one key expert was appointed directly. This was necessary due to specific requirements to conduct the task, in particular a deep knowledge of the EIT-KIC model, a broad view and practical understanding of overall European innovation goals and practical understanding and experience in academic, research and business environments. In addition, the conflict of interest check for this expert was duly completed.

During the selection of external experts for the evaluation of KIC proposals in the 2014 KIC call, the EIT carefully assessed each case of potential conflict of interest, following the relevant Horizon 2020 provisions, and took appropriate measures. The EIT's assessment and measures have been adequately justified and documented. In particular, to address cases of potential conflict of interest in the selection of experts, the EIT adopted detailed internal procedures following the standard provisions of Horizon 2020. On this basis, measures taken ranged from full exclusion of experts from the process to partial exclusion depending on the perceived risk and level of conflict of interest. Nevertheless, the EIT is committed to improve the efficiency and effectiveness of the expert selection process for the 2016 call for KIC proposals. In line with the specific recommendations of the Internal Audit Service of the Commission, the EIT will create an EIT-specific list of potentially suitable experts well in advance based on expert profiles that match the demand and involving a procurement specialist in the experts' selection process. This repository will also support the early prevention of conflict of interest by identifying, when possible, any existing contractual relationships with the key players in the respective KIC fields.

Reply of the Commission and the EIT

40

Due to the annual nature of the EIT's budget, and the fact that the EU budget is generally not adopted before mid-December, grant agreements for a given year cannot be signed before 1 January of that particular year. This issue was first addressed by the European Court of Auditors in the specific annual report for the financial year 2011 and the EIT provided its comments. The EIT committed itself to decrease the gap between the starting date of the action as defined in the KICs' Business Plans and the date of signature of the grant agreements. As a result of this effort, the Grant Agreements 2013 and 2014 were signed with the three KICs in February 2013 and 2014, respectively.

Year 2015 was exceptional as KICs asked for a delay in applying the new FPA in order to further clarify the implications of specific provisions between EIT, KICs and the European Commission in the context of the alignment with Horizon 2020 rules. Furthermore, due to legal consultations needed, the ex-ante approval of the new grant agreements took longer than usual. The EIT expects timely signature of grant agreements from 2016 again when the new FPAs will already be in place, i.e. the late signature in 2015 was a one-off event.

45

The EIT Governing Board adopted the EIT Monitoring Strategy on 3 December 2015, which will measure data for Horizon 2020, for the EIT's impact via its own and KIC activities and for KIC results.

Furthermore, the EIT intends to put in place a refined monitoring system '*geared towards results and impacts*', as foreseen in the EIT's Triennial Work Programme 2015-2017. In 2015, the EIT launched a consultancy assignment to design impact-based KPIs and established a working group to address this particular issue, which is expected to complete its work in 2016. In addition, the EIT also intends to draw up specific KPIs measuring the results in Knowledge Triangle Integration. The EIT will revise the Performance Measurement System and the underlying core KPIs based on the result of this KPI review in 2016.

47

In accordance with the provisions of Article 16 (2) of the EIT Founding Regulation, a first evaluation of the EIT was carried out in 2011 and the next one will be carried out by the end of 2016.

Conclusions and recommendations

53

See the EIT & Commission replies to paragraphs 17–19, 20–23 and 24–27.

Recommendation 1: EIT accepts the recommendation where applicable.

The EIT accepts the following part of the recommendation: '*Agencies should avail of the simplified cost options whenever appropriate*'. The rest of the recommendation is not applicable to the EIT for the reasons explained in our replies.

54

See the EIT & Commission replies to paragraphs 28–29 and 30–31.

Recommendation 2: EIT accepts the recommendation.

The EIT accepts to include more high-level grant-related information on the EIT's objectives in its Annual Work Programmes in the future. However, detailed operational objectives, deliverables, indicators and expected results to be achieved by the KICs will continue to be established by the KICs in their annual business plans in accordance with Article 6 (2) (d) of the EIT Founding Regulation and will not be included in the AWP.

55

See the EIT & Commission replies to paragraphs 34–37.

Recommendation 3: EIT partially accepts the recommendation.

The EIT accepts the recommendation with the exception of the following sentence: *'do not directly appoint external experts'*. In duly justified and exceptional cases, EIT should have the possibility to appoint experts directly.

56

See the EIT & Commission replies to paragraphs 39–41.

Recommendation 4: EIT partially accepts the recommendation.

The EIT accepts the recommendation with the exception of the following sentence: *'FPAs should indicate a maximum amount'*. It is not feasible or reasonable to indicate maximum grant amounts in advance for 7-year Framework Partnership Agreements.

Recommendation 5: EIT accepts the recommendation.

Executive summary

ECDC welcomes the report of the European Court of Auditors.

Regarding the parts of the report concerning ECDC, the Centre would like to make the following remarks:

Observations

17

ECDC undertakes systematic Opportunity and Values Studies (OVS) before launching new projects, which are considered ex-ante evaluations. The OVS are reviewed each year before the projects are included in the Annual Work Programme. However, the OVS will be further improved in the future to make sure it fully addresses all the aspects mentioned.

23

While ECDC considers that the grant funding mechanism was the most appropriate for funding the VENICE III and ERLTB-Net projects, ECDC agrees that the decision to use the grant mechanism could have been better documented. In future work plans ECDC will better substantiate the reasons for using this particular financing mechanism on a case by case basis.

25

The approach that included a full evaluation was considered the most appropriate way to award EPIET grants to EU beneficiaries while ensuring transparency and equal treatment. In 2015, as part of its internal review process the ECDC Internal Committee on Procurement, Grants and Contracts (CPCG) identified potential simplifications to the process that would still ensure transparency and equal treatment. Among these the direct award was identified and selected for application in 2016. This was later confirmed by the ECA. As of January 2016, the new Framework Partnership Agreement are implemented following a direct award procedure.

29

After adopting the public health training strategy in June 2015, ECDC continued efforts to measure this part of the training needs by performing an EU wide Training Needs Assessment Survey (December 2015). The data obtained is currently being analysed and reviewed with the Stakeholders.

31

The Annual Work Programme 2016, includes in annex a specific table for listing planned grants, which includes the type of grant, expected amount and duration. In the Single Programming Document 2017, additional information will be added, such as objectives and expected results.

39

The current ex-ante verification system includes that either an audit certificate, or a sample of supporting documents, is to be asked from the beneficiary for the final payment. ECDC considers the results of the ex post verifications when updating its ex ante verification processes.

43

ECDC is currently refining its indicators to better assess results and impact of its grant funded activities.

47

See reply to paragraph 50.

50

In absence of the possibility to measure the amount of epidemiologists trained in Member States as part of the KPI, ECDC has been collecting informally yet systematically yearly indicators that can be considered proxy's of the training need. These indicators, though not included in MB reports, include: (1) yearly number of individual applications to the EU-track of the Fellowship; (2) yearly number of expressions of interest by EU Member States for seats in the Fellowship; (3) yearly overview of employment status of Fellowship Graduates using open, public sources of information. It should also be mentioned that since 2015, as part of the annual stakeholder survey, ECDC stakeholders are asked to provide feedback and rate their satisfaction with the different trainings funded through grants. See also reply to paragraph 29.

Conclusions and recommendations

53

See replies to paragraphs 17, 23 and 25 above.

Recommendation 1

The ECDC accepts the recommendation.

54

See replies to paragraphs 29 and 31 above.

Recommendation 2

The ECDC accepts the recommendation.

55

ECDC's founding regulation does not provide for such derogations.

Reply of the ECDC

Recommendation 3

The recommendation is not applicable to ECDC.

56

See reply to paragraph 39 above.

Recommendation 4

The ECDC accepts the recommendation.

57

See replies to paragraphs 43 and 50 above.

Recommendation 5

The ECDC accepts the recommendation.

Observations

Inappropriate funding tools

20

For those grants awarded under the delegation agreement concluded with DG GROW for the implementation of GIO Land, the choice of the funding tool was made by the Commission.

It shall also be pointed out that in some instances (e.g. Luxembourg), it was decided not to award a grant but instead a service contract for the sake of efficiency.

The Agency's founding regulation established both the agency and a European environment information and observation network with the objective of providing the Community and the Member States with reliable and comparable information at a European level. The regulation identifies those partner organisations that comprise the network. The available funding options (grants involving call for proposals, or procurement procedures) have the potential to introduce a competitive element to the network and may place at risk the cooperation necessary for the agency and network to deliver on their task.

22

In the context of the European Topic Centres (ETCs), the issue of the appropriate funding tools was raised, once again, during the review that was carried out in 2012 prior to the launch of the calls for proposals.

The comprehensive synthesis report drafted by the appointed Review Committee at the specific request of the Management Board informed sufficiently and adequately in deciding upon the choice of the funding mechanism.

Poor grant design

26

The use of simplified cost options would require beforehand the collection and analysis of statistical or historical data or of usual cost accounting practices of the partner organisations over a period covering several years, pursuant to Article 124(2) of the financial regulation. The administrative burden would thus be shifted and not necessarily reduced.

SMART objectives for results and impacts were not set

29

The EEA will see to specify SMART objectives in its programming document for 2017. It should be noted, however, that for those grant agreements awarded under delegation agreement, the objectives are set in the Commission's annual work programmes and the Project Implementation plan of the respective delegation agreement.

Financing decisions were incomplete

31

The EEA's 2013 AWP contained information on the activity based budget split across the management plan activities for the year, whereas the terms of reference of the calls for proposals for the award of framework partnership agreements provided an indication of the estimated annual budget.

Following on the Court's observation, the EEA's Management Board adopted on 25.11.2015 a financing decision including a detailed work programme for the implementation of the action plans for the European Topic Centres for the year 2016.

Ex-ante and ex-post controls

39

The EEA implemented various measures with a view to strengthen its verification procedure and in particular it elaborated verification guidelines which were distributed to the resource officers performing ex-ante verifications on grants, as well as an appropriate verification policy aimed at ensuring coverage and eligibility of expenditures.

Following the Court's observation, the amount paid to the beneficiary concerned has since been recovered (see box 10).

Other internal control weaknesses

41

In the event where framework partnership agreements and the award of grants would remain the tool of choice for financing the activities to be carried out by the European Topic Centres, the EEA will see to specify the estimated total budget for the entire duration of the framework partnership agreements in the relevant calls for proposals.

Lack of key performance indicators

43

The key performance indicators (KPIs) for 2016 for all ETCs are mentioned in the table of key deliverables as 'expected results' in accordance with the timetable included in the financing decision adopted by the Management Board on 16/12/2015.

The EEA will see to set out explicit KPIs in the next corresponding financing decisions for 2017.

Lack of or incomplete ex-post evaluation

49

A system of ex-ante cross-reading of draft action plans has been put in place in 2016 looking at synergies between the ETCs with the explicit goal to improve the coherence, efficiency and effectiveness of their work in achieving the EEA work programme.

Before the end of 2018, the EEA will perform an evaluation of the effectiveness of the ETCs which shall measure among other things the results and impacts of the activities carried out by the ETCs.

Conclusions and recommendations

Appropriate use of the grant funding tool

53

The EEA will revisit its previous assessment of the funding mechanisms for the ETCs and assess at the same time the impacts of using other forms of grant in preparation of the designation of the future ETCs which shall occur in 2018.

A similar assessment will be performed in dialogue with the European Commission in the event where it would be envisaged to use grants as funding instrument for the performance of the delegated tasks under the delegation agreement on the implementation of the Copernicus land monitoring service and the In situ component.

Recommendation 1

The EEA accepts the recommendation.

Annual programming of grant actions

54

The EEA will see to specify SMART objectives in its programming document for 2017.

Furthermore the EEA will supplement its future annual work programmes, from 2017 onwards, with additional information in particular on the objectives to be fulfilled, the expected results, the performance indicators to be applied and the estimated budget allocation for the planned grant actions, so that the annual work programmes will constitute a financing decision within the meaning of Article 84 of the financial rules applicable to the general budget of the Union.

Recommendation 2

The EEA accepts the recommendation

Grant award procedures

55

EEA's founding regulation does not provide for such derogations.

Recommendation 3

The recommendation is not applicable to the EEA

Ex-ante and ex-post controls

56

At the occasion of the last calls for proposals for the award of framework partnership agreements concerning the various European Topic Centres that were launched in 2012 and 2013, the EEA took the opportunity to review the contractual documents and established standardised template for reporting. In the meantime the Agency has developed financial guidelines both for the beneficiaries and the resources officers who perform ex-ante verifications.

In 2016, the EEA will strive to strengthen further its verification system by ensuring a rigorous implementation of its internal control standards and acting upon outcomes from ex-post controls it may have carried out.

Recommendation 4

The EEA accepts the recommendation

Key performance indicators and ex-post evaluations

57

The EEA will see to specify relevant key performance indicators on impacts and results of its grant-funded activities in its programming document for 2017.

Before the end of 2018, the EEA will perform an evaluation of the effectiveness of the ETCs which shall measure among other thing the results and impacts of the activities carried out by the ETCs, with a view to define relevant performance indicators for monitoring purposes.

Recommendation 5

The EEA accepts the recommendation

Executive summary

III

EFSA conducted a robust ex ante evaluation of its grant and procurement projects (Box 2), uses a guidance scheme to assist management in deciding upon the most appropriate funding mechanism and has made use of simplified cost options where appropriate (see paragraph 27). The verification procedures for financial grants implementation were further enhanced in spring 2015.

For the recommendation on grant monitoring and reporting systems based on result and impact-oriented key performance indicators as well as ex-post evaluation results, EFSA recognises that there is room for further improvement to set relevant impact indicators in its programming documents.

IV

EFSA notes that the recommendations made in this report are not agency specific.

Observations

22

The EFSA has a 6-point guidance scheme to assist management in deciding upon the most appropriate funding mechanism.

23

In cases where EFSA does not receive a satisfactory proposal under the grant route, it can decide to enlarge the audience and go for the procurement route that is open to all interested organisations (taking due care to avoid conflict of interests).

48

In 2013, EFSA carried out an extensive and dedicated ex-post evaluation of its science procurement and grants program and its contribution to EFSA core tasks.

Conclusions and recommendations

Appropriate use of the grant funding tool

53

EFSA has a 6-point guidance scheme to assist management in deciding upon the most appropriate funding mechanism.

In cases where EFSA does not receive a satisfactory proposal under the grant route, it can decide to enlarge the audience and go for the procurement route that is open to all interested organisations (taking due care to avoid conflict of interests).

Recommendation 1

Accepted. EFSA concurs with this recommendation which it already implemented in previous years. EFSA has cost effective guidance in place to assist management in deciding upon the most appropriate funding mechanism.

Annual programming of grant actions

54

From 2015, EFSA enhanced transparency of its outsourcing planning by producing a single procurement and grant plan, published on its website and kept regularly updated.

Recommendation 2

Accepted. EFSA concurs with this recommendation which it already implemented in previous years as acknowledged by ECA in the follow-up of previous years' comments on the annual accounts of the European Safety Authority for the financial year 2014.

Grant award procedures

EFSA's founding regulation does not provide for such derogations.

Recommendation 3

Not applicable for EFSA.

Ex-ante and ex-post controls

56

EFSA has an appropriate procedure for verifying financial grants implementation that, in line with risk-based approach, focuses on essential elements. This procedure has been further enhanced in spring 2015.

Recommendation 4

Accepted. EFSA concurs with this recommendation which it already implemented in previous years. EFSA has cost effective procedures in place for verifying financial grants implementation.

Key performance indicators and ex-post evaluations

57

EFSA carried out extensive and dedicated ex-post evaluation of its science procurement and grants program and its contribution to EFSA core tasks (see paragraph 48).

Recommendation 5

Accepted. EFSA has implemented this recommendation in previous years in respect of ex-post evaluations. The agency recognises that there is room for further improvement to set relevant impact indicators in its programming documents.

Observations

17

The ex-ante evaluation of whether the activities of the agency add value and if the most appropriate method of implementation has been selected was already performed by the legislator in 2003 before the adoption of the Frontex Founding Regulation. Furthermore, to ex ante evaluate the cost effectiveness of the operational resources deployed in Frontex coordinated joint operations leaves out of sight the call for operational solidarity at the external border of the EU and the political realities.

20

Frontex emphasises that article 3(4) of its founding regulation limits Frontex's funding of 'Joint Operations' to grants. As a result, the funding tools available to the agency are a priori restricted.

The agency's founding regulation is presently being revised (see Commission communication COM (2015) 671¹ and Frontex is pursuing its aim to open the funding mechanisms beyond using grants.

22

Within the restrictions imposed by its basic act, Frontex will explore whether there are complementary activities to the 'Joint Operations' that can be financed using other funding mechanisms. Should such activities be identified, appropriate guidelines and criteria will be established to aid the selection of the most appropriate funding mechanism.

23

Frontex' mandate is to coordinate the operational cooperation of the EU Member States. The technical equipment of the competent MS authorities need to be deployed in the Frontex operations as a priority.

The Frontex Regulation Article 7(5) stipulates that the Agency shall finance the deployment of technical equipment. Procuring surveillance services from private companies is one option to complement the technical means provided by the MS. However it can never fully replace the cooperation with the MS.

The example cited by the Court is Frontex first practical experience, following a pilot project. The actual costs of deploying private planes and the practical conditions will be assessed during the implementation of framework contract with reopening of competition.

It should be noted that the agency has encountered difficulties with hosting MS authorities regarding the deployment of aircraft under this FWC.

26

The burdensome reimbursement system is related to the differences between the Member States' conditions of financing deployments.

The system of Running Expenses of Means (REM) is a solution established by Frontex together with experts from the Member States, allowing to co-finance the common list of defined eligible costs for technical equipment deployments and to adapt to the national rules and the specificities of various MS authorities.

¹ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Border and Coast Guard and repealing Regulation (EC) No 2007/2004, Regulation (EC) No 863/2007 and Council Decision 2005/267/EC).

29

Objectives in the operational plans are usually subject to qualitative assessment because the quantitative approach is arbitrary and emphasises reaching target values without a comprehensive evaluation of the achievement and challenges during the implementation period.

Certain restrictions with regards to quantification exist in the field of irregular migration where Frontex operates. The coordination of joint operations/ search and rescue operations or (in cooperation with other EU agencies) the dismantling of criminal networks behind facilitated irregular migration are difficult to translate into quantifiable objectives. Nevertheless, Frontex considers that it is able to show the alignment of its operational activities with its strategic objectives by using rather qualitative than purely quantitative objectives.

35

Certain amendments have already been introduced in the decision-making process. As of the Annual Bilateral Talks (ABT) of 2015, the ED gave written mandates to the staff members participating in negotiations.

With regard to the formal decision making process, the agency is exploring the possibility to set up evaluation committees consisting of at least three staff members from at least two entities.

37

Since autumn 2015, the appointed staff members negotiating during the ABT signed a dedicated declaration confirming the absence of any conflict of interests.

39

Frontex notes that the weakness identified in Box 10 relates to the burdensome REM process. See also our reply to paragraph 26.

44

The main indicators are calculated and duly provided as requested for the purpose of the annual reporting.

For governance purpose it was agreed that a limited number of indicators will be used, enabling the governance body to govern the work of the Agency.

Experience showed that setting performance indicators (as in 2012 and 2013) in the AWP and also the related target values to be achieved was overwhelming for that purpose. That also led to a reduced reporting towards the Management Board.

51

Frontex emphasises that there is no legal framework in place establishing the transfer of data referred to by the Court. According to the legal framework that is in place, Member States are responsible for handling further procedures regarding the irregular migrants apprehended and rescued during joint operations. The status of irregular migrants is in all cases defined and granted by Member States at later stage. In line with the legal framework in place, Frontex does not possess any personal data regarding irregular migrants and is not entitled to have them.

The Commission proposal submitted in December 2015 COM (2015)671 proposes to improve the situation. It will explore the possibility of giving the Agency access to European databases, such as SIS and EURODAC, and will consider presenting proposals to modify the legal acts on which these databases are based.

Conclusions and recommendations

53

Frontex emphasises that article 3(4) of its founding regulation limits Frontex's funding of 'Joint Operations' to grants. As a result, the funding tools available to the agency are a priori restricted.

The agency's founding regulation is presently being revised. However, to date this restriction has not been removed.

Within the restrictions imposed by its basic act, Frontex will explore whether there are complementary activities to the 'Joint Operations' that can be financed using other funding mechanisms. Should such activities be identified, appropriate guidelines and criteria will be established to aid the selection of the most appropriate funding mechanism.

The Procurement of surveillance services from private companies cited by the Court is Frontex first practical experience, following a pilot project. The actual costs of deploying private planes and the practical conditions will be assessed during the implementation of framework contract.

It should be noted, however, that the agency has encountered certain difficulties with MS authorities regarding the use of private companies' services in this field.

The burdensome reimbursement system is related to the differences between the Member States' conditions of financing deployments.

Recommendation 1

Frontex accepts the recommendation, however the application of this recommendation will depend upon the outcome of discussions concerning the proposal to amend the founding regulation.

54

Objectives in the operational plans are usually subject to qualitative assessment because the quantitative approach is arbitrary and emphasises reaching target values without a comprehensive evaluation of the achievement and challenges during the implementation period.

Certain restrictions with regards to quantification exist in the field of irregular migration where Frontex operates. The coordination of joint operations/ search and rescue operations or (in cooperation with other EU agencies) the dismantling of criminal networks behind facilitated irregular migration are difficult to translate into quantifiable objectives. Nevertheless, Frontex considers that it is able to show the alignment of its operational activities with its strategic objectives by using rather qualitative than purely quantitative objectives.

Recommendation 2

Frontex accepts the recommendation.

55

Certain amendments have already been introduced in the decision-making process. As of the Annual Bilateral Talks (ABT) of 2015, the ED gave written mandates to the staff members participating in negotiations.

With regard to the formal decision making process, the agency is exploring the possibility to set up evaluation committees consisting of at least three staff members from at least two entities.

Since autumn 2015, the appointed staff members negotiating during the ABT signed a dedicated declaration confirming the absence of any conflict of interests.

Recommendation 3

Frontex accepts this recommendation and it has already partly implemented the part concerning transparency and the absence of conflict of interests. Frontex also has to take into account the criterion of solidarity.

56

Frontex notes that the weakness identified in Box 10 relates to the burdensome REM process. See also our reply to paragraph 26.

Recommendation 4

Frontex accepts the recommendation and will continue to further improve its verification systems.

57

The main indicators are calculated and duly provided as requested for the purpose of the annual reporting.

For governance purpose it was agreed that a limited number of indicators will be used, enabling the governance body to govern the work of the Agency. Experience showed that setting performance indicators (as in 2012 and 2013) in the AWP and also the related target values to be achieved was overwhelming for that purpose. That also led to a reduced reporting towards the Management Board.

Reply of Frontex

Frontex emphasises that there is no legal framework in place establishing the transfer of data referred to by the Court. According to the legal framework that is in place, Member States are responsible for handling further procedures regarding the irregular migrants apprehended and rescued during joint operations. The status of irregular migrants is in all cases defined and granted by Member States at later stage. In line with the legal framework in place, Frontex does not possess any personal data regarding migrants and is not entitled to have them.

The Commission proposal submitted in December 2015 COM (2015)671 proposes to improve the situation. It will explore the possibility of giving the Agency access to European databases, such as SIS and EURODAC, and will consider presenting proposals to modify the legal acts on which these databases are based.

Recommendation 5

Frontex accepts the recommendation, however this will depend on changes to the legal framework as well as information sharing with Member States.

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For the 3 years 2013-2015, agencies' overall spending on grants amounted to 740 million euros. The Court's audit examined the legal compliance and effectiveness of the systems and control procedures in place for managing grants in five agencies (approximately 92 % of total grant funding). The Court found that the agencies audited have in general awarded and paid grants in compliance with the rules. However, most have not adequately addressed alternative funding options and consequently grants have not always been the best way to achieve their objectives. Furthermore, the audited agencies have not adequately measured the effectiveness of their grants.



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