Resaerch RTD, 5th framework-programme EC 1998-2002: research, technological development and demonstration activities

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The European Court of Auditors presented its Special Report No 1/2004 on the management of indirect RTD actions under the Fifth Framework Programme (FP5) for research and technological development (1998-2002). The Framework Programme had a total budget of EUR 13 700 million. The audit covered all procedures, from the submission of the proposal to the presentation of project deliverables (in particular cost statements and periodic reports containing information about the progress of scientific work), and, where applicable, the closure of the contract. The main observations concerned the Commission's management and control system, the organisation of its services responsible for implementing FP5 and the adequacy of the human resources, IT support and management reporting. These observations were as follows: - The complexity of the rules for fixing the financial participation of the Community hindered the effective management of financial and administrative aspects by the Commission and was an unnecessary complication for participants. The rules for fixing the financial contribution of the Community that had subsequently been adopted only partially addressed the Court's concerns. The Court welcomed the introduction, with FP6, of visible and dissuasive sanctions and the requirement for the certification of financial statements by an external auditor; - The seven specific programmes of FP5 were managed jointly by five Directorates-General. The fragmentation of programmes resulted in a dilution of responsibilities, duplication of functions and increased need for coordination and consultation. Moreover the basic concept of programmes composed of key actions was not adequately reflected in the Commission's organisational structure; - FP5 had experienced significant organisational problems and delays in the starting phase, beginning with the late adoption of the Decision by the Council and Parliament. It took on average eight to nine months from the receipt of proposals to the Commission signing a contract for indirect RTD actions. The Commission continued to face difficulties in employing staff with the required profiles as well as problems in recruiting permanent officials; - On average only four to five working days per year were available for the scientific monitoring of each indirect RTD action. The administrative procedures and practices used for the selection of indirect RTD actions led to an uneven caseload at Commission level, thereby resulting in bottlenecks, administrative delays and deficiencies in internal controls; - The Council Decisions adopting the specific programmes had set upper ceilings for administrative expenditure between 6.5% and 9.8% of the total expenditure for each specific programme. These ceilings had been respected for all programmes; - The Commission had not developed a common or integrated IT system to manage FP5 proposals, contracts and projects. The IT systems deployed by the Commission were inadequate, not least because of insufficient investment, even though improvements had been noted towards the end of the FP5 programme period; - The tests of the most important controls for a sample of contracts for indirect RTD actions had shown that not all internal controls had been operated effectively. The testing of the legality and regularity of cost claim based payments at beneficiary level had revealed a significant incidence of errors, mainly due to an overdeclaration of costs by final beneficiaries; - Management reporting still needed to be improved. In 2002, the management reporting for the framework programmes had not fully complied with the requirements defined in the Commission's internal control standards. In its replies, the Commission accepted most of the observations made by the Court. It emphasised the importance of the simplifications developed in FP6 (2002-2006) which were largely inspired by the Court's recommendations. The Commission considered that the joint management of programmes by different Directorates-General was allowing synergies to be developed between research activities and other Community policies. An action plan was intended to strengthen the coordination mechanisms within the Commission, particularly by establishing central support functions. In particular, the Commission stressed the fact that its services would have recourse to a common IT system for FP6

from 2004. The specific difficulties as regards staff policy in the area of research were gradually being addressed, in line with recommendations in the White Paper on Commission Reform. Simplified procedures and better planning should allow the caseload under FP6 to be evened out and internal control to be improved. The Commission acknowledged the problem of the overdeclaration of costs by final beneficiaries. The accuracy of these cost claims and their conformity with the contractual provisions could not be completely and accurately verified by the Commission prior to the authorisation of payments. Only a financial audit at beneficiary level could determine with any certainty and accuracy the accuracy of the costs claimed and their conformity with the contractual provisions. This was why the Commission had considerably increased the number of financial audits during the period covered by FP5.