



## **ANNEXES**

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## **ANNEX 1:      Statement of the Resources Director**

*I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission<sup>1</sup>, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG.*

*I hereby certify that the information provided in Parts 2 and 3 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.*

*Brussels, 31 March 2016*

*[Signed]*

*Jacky MARTEAU*

*Head of Unit<sup>2</sup>*

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<sup>1</sup> Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

<sup>2</sup> Exercising the function of Resources Director.

## ANNEX 2: Human and financial resources

Human Resources by ABB activity				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
24 AWBL-01	Management of the European anti-fraud office	30	6	36
24 AWBL-02	Fight against fraud (AFIS)	324	49	373
24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	9		9
24 04	Anti-fraud information system (AFIS)	4		4
Total		367	55	422

**General remark: the above data rely on the snapshot of Commission personnel actually employed in each DG/service as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.** Where relevant, DGs add footnotes to the table on substantial differences between original planning and actual occupation as of 31 December of the concerned year.

DGs report ex-post in the AAR on – as far as possible - all human resources actually at their disposal,<sup>3</sup> i.e. execution data from the reporting year (as opposed to the original budget authorisation of posts and estimates in terms of external personnel on the basis of average costs set out in the Final allocation for the reporting year). To help in the collection of the relevant data, a snapshot will be taken in Sysper2 on 1st December for this annex. This snapshot will anticipate the staffing on 31 December.<sup>4</sup> DGs are then kindly requested to update the breakdown by ABB activity initially provided in their MP and report the figures in a table which follows the template.

Second table:

DGs also report on implementation of decentralised administrative authorised operations (payments and revenues) of their Global envelope as of 31 December 2015 (budget lines: XX 01 02 11 00 01 to XX 01 02 11 00 06) by inserting the Excel file received from BUDG/A5 beginning of 2016 following the related budgetary circular.

<sup>3</sup> Posts and external personnel, financed under all headings of the multi-annual financial framework

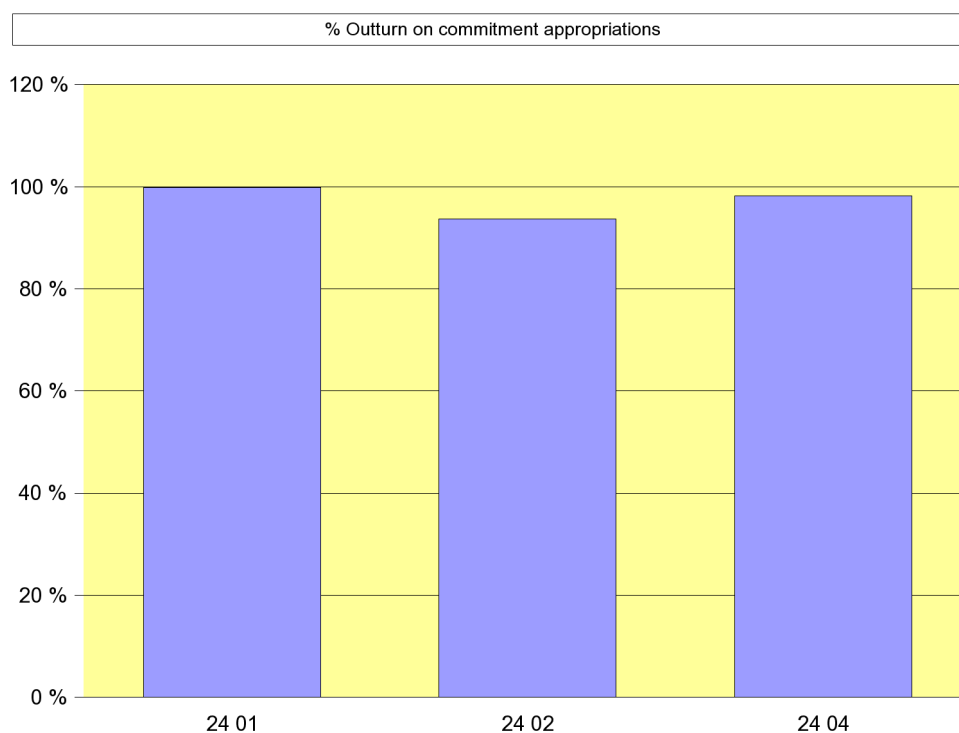
<sup>4</sup> DGs will be able to retrieve it via Business Objects by following the instructions in the "HR Reporting – Screening" manual, which is regularly updated and available in Business Objects. The snapshot will show the total number of establishment plan posts, contractual and other external personnel in Sysper2 as of 31 December of the reporting year excluding trainees and intra-muros service providers, who do not constitute Commission personnel and are not part of its workforce.

**Annex 3 Financial Reports - DG OLAF - Financial Year 2015****Table 1 : Commitments****Table 2 : Payments****Table 3 : Commitments to be settled****Table 4 : Balance Sheet****Table 5 : Statement of Financial Performance****Table 6 : Average Payment Times****Table 7 : Income****Table 8 : Recovery of undue Payments****Table 9 : Ageing Balance of Recovery Orders****Table 10 : Waivers of Recovery Orders****Table 11 : Negotiated Procedures (excluding Building Contracts)****Table 12 : Summary of Procedures (excluding Building Contracts)****Table 13 : Building Contracts****Table 14 : Contracts declared Secret**

### **Additional comments**

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2015 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 24 Fight against fraud					
24	24 01	Administrative expenditure of the 'Fight against fraud' policy area	57,42	57,33	99,85 %
	24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	15,01	14,07	93,71 %
	24 04	Anti-fraud information system (AFIS)	6,75	6,63	98,22 %
<b>Total Title 24</b>			79,18	78,03	98,54%
<b>Total DG OLAF</b>			79,18	78,03	98,54 %

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



**TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2015 (in Mio €)**

Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
<b>Title 24 Fight against fraud</b>					
24	24 01	Administrative expenditure of the 'Fight against fraud' policy area	63,96	56,59	88,48 %
	24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	12,73	11,33	88,97 %
	24 04	Anti-fraud information system (AFIS)	5,32	5,13	96,39 %
<b>Total Title 24</b>			82,01	73,05	89,07%
<b>Total DG OLAF</b>			82,01	73,05	89,07 %

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

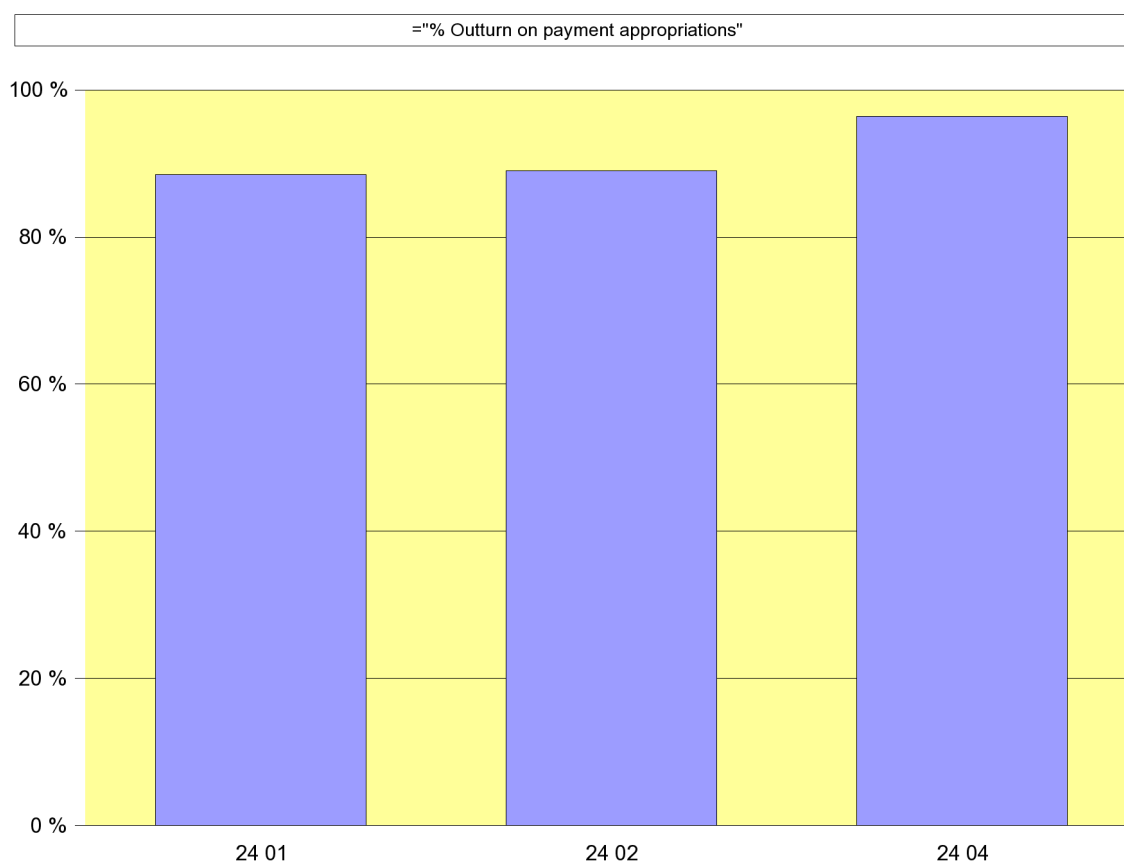
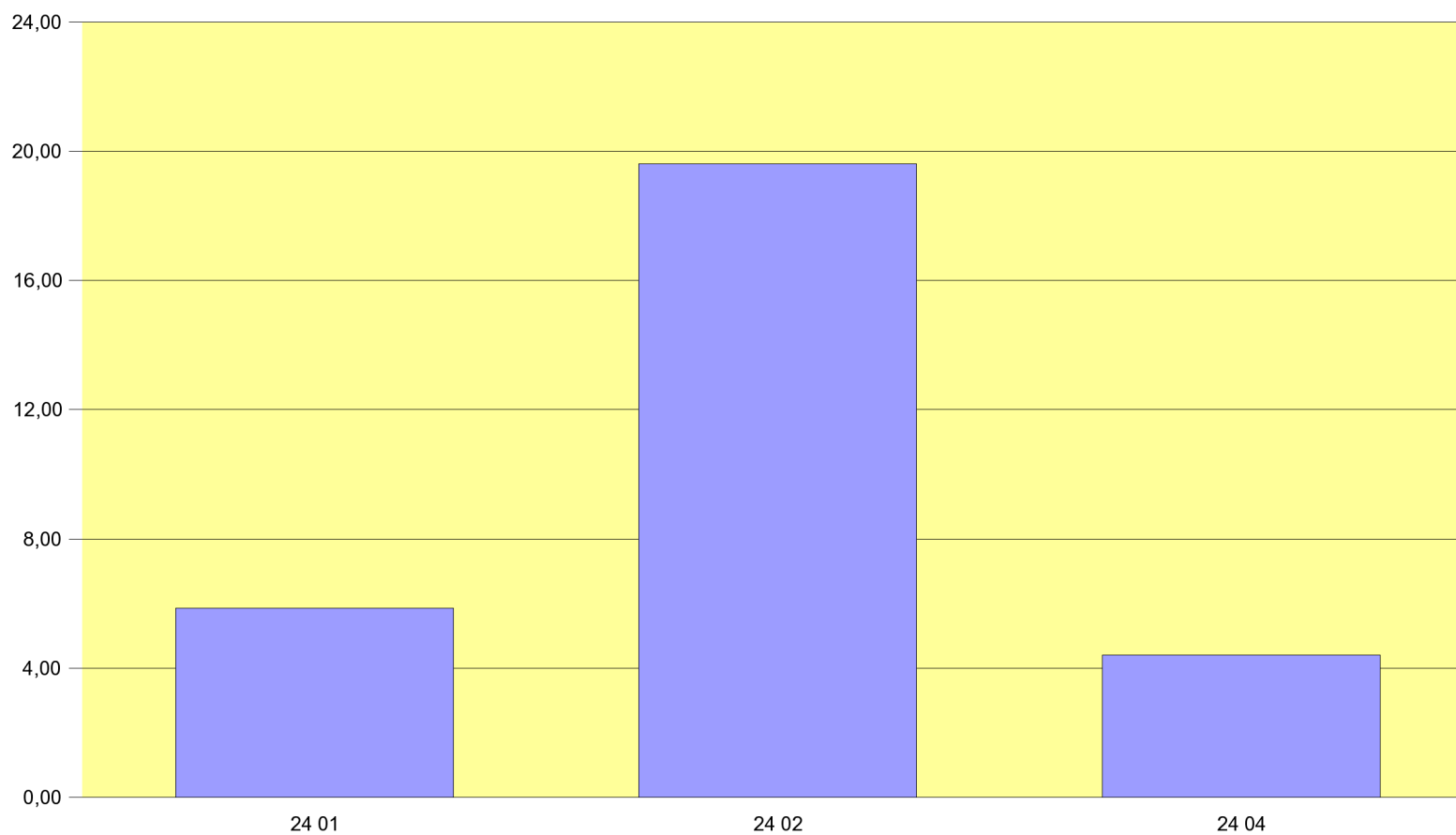


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2015 (in Mio €)									
Chapter			2015 Commitments to be settled				Commitments to be settled from	Total of commitments to be settled at end	Total of commitments to be settled at end
			Commitments 2015	Payments 2015	RAL 2015	% to be settled	financial years previous to 2015	of financial year 2015 (incl corrections)	of financial year 2014 (incl. corrections)
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 24 : Fight against fraud									
24	24 01	Administrative expenditure of the 'Fight against fraud' policy area	57,32	51,47	5,85	10,20 %	0,00	5,85	6,54
	24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	14,07	1,98	12,09	85,91 %	7,52	19,61	20,35
	24 04	Anti-fraud information system (AFIS)	6,63	2,23	4,4	66,35 %	0,00	4,40	3,12
<b>Total Title 24</b>			78,01	55,68	22,33	28,62%	7,52	29,85	30,02
	<b>Total DG OLAF</b>		78,01	55,68	22,33	28,62 %	7,52	29,85	30,02

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors



= "Breakdown of Commitments remaining to be settled (in Mio EUR)"



Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

TABLE 4 : BALANCE SHEET

BALANCE SHEET	2015	2014
<b>A.I. NON CURRENT ASSETS</b>	<b>4.173.330,96</b>	<b>1.926.920,18</b>
A.I.1. Intangible Assets	2.491.295,30	393.482,32
A.I.2. Property, plant and equipment	1.682.035,66	1.533.437,86
<b>A.II. CURRENT ASSETS</b>	<b>1.478.805,69</b>	<b>1.438.111,07</b>
A.II.2. Current Pre-Financing	-27.552,45	-271.059,05
A.II.4. Exchange Receivables	1.474.638,62	1.379.466,36
A.II.5. Non-Exchange Receivables	31.719,52	329.703,76
<b>ASSETS</b>	<b>5.652.136,65</b>	<b>3.365.031,25</b>
<b>P.III. CURRENT LIABILITIES</b>	<b>-9.284.296,73</b>	<b>-11.410.506,23</b>
P.III.3. Short-term financial liabilities	0,00	0,00
P.III.4. Accounts Payable	-3.625.139,47	-4.572.742,61
P.III.5. Accrued charges and deferred income	-5.659.157,26	-6.837.763,62
<b>LIABILITIES</b>	<b>-9.284.296,73</b>	<b>-11.410.506,23</b>
<b>NET ASSETS (ASSETS less LIABILITIES)</b>	<b>-3.632.160,08</b>	<b>-8.045.474,98</b>

P.I.2. Accumulated Surplus / Deficit	54.396.716,59	30.252.664,38
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Non-allocated central (surplus)/deficit*	-50.764.556,51	-22.207.189,4
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<b>TOTAL</b>	<b>0,00</b>	<b>0,00</b>
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It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

**TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE**

<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>2015</b>	<b>2014</b>
<b>II.1 REVENUES</b>	<b>-9.156.663,38</b>	<b>-7.652.958,45</b>
II.1.2. EXCHANGE REVENUES	-9.156.663,38	-7.652.958,45
II.1.2.2. OTHER EXCHANGE REVENUE	-9.156.663,38	-7.652.958,45
<b>II.2. EXPENSES</b>	<b>23.791.740,37</b>	<b>31.797.010,66</b>
II.2. EXPENSES	23.791.740,37	31.797.010,66
II.2.10. OTHER EXPENSES	9.191.941,37	11.661.869,03
II.2.2. EXP IMPLM BY COMMISS&EX.AC	14.985.302,34	20.712.591,80
II.2.6. STAFF AND PENSION COSTS	-386.968,90	-577.450,17
II.2.8. FINANCE COSTS	1.465,56	
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	<b>14.635.076,99</b>	<b>24.144.052,21</b>

*Explanatory Notes (facultative):*

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

**TABLE 6: AVERAGE PAYMENT TIMES FOR 2015 - DG OLAF**

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	1681	1593	94,77 %	13,03	88	5,23 %	49,01
45	19	17	89,47 %	29	2	10,53 %	103
60	288	279	96,88 %	26,47	9	3,13 %	70
90	2	2	100,00 %	19,5			

Total Number of Payments	1990	1891	95,03 %		99	4,97 %	
Average Payment Time	17			15,17			52,01

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	4	3	75,00 %	9,67	1	25,00 %	31
30	388	364	93,81 %	11,83	24	6,19 %	48,04

Total Number of Payments	392	367	93,62 %		25	6,38 %	
Average Payment Time	14,08			11,81			47,36

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
1	28	108	5,43 %	1990	3.298.495,18	2,66 %	124.179.423,97

Late Interest paid in 2015			
DG	GL Account	Description	Amount (Eur)
OLAF	65010100	Interest on late payment of charges New FR	1 465,56

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Annex 3 Financial Reports - DG OLAF  
Report printed on 17/03/2016

<b>1 465,56</b>
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**TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2015**

Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	20.230	0	20.230	20.230	0	20.230	0
66	OTHER CONTRIBUTIONS AND REFUNDS	74.719,07	132.155,5	206.874,57	74.719,07	132.155,5	206.874,57	0
90	MISCELLANEOUS REVENUE	9.670.679,22	100.000	9.770.679,22	9.665.850,52	100.000	9.765.850,52	4.828,7
<b>Total DG OLAF</b>		<b>9.765.628,29</b>	<b>232.155,5</b>	<b>9.997.783,79</b>	<b>9.760.799,59</b>	<b>232.155,5</b>	<b>9.992.955,09</b>	<b>4.828,7</b>

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

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

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2015  Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2006			1	20.000,00		
2012			1	4.445,50		
2013			2	9.661,75		
2014			4	69.569,21		
No Link			59	9.761.635,02		
Sub-Total			67	9.865.311,48		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS									34	138.861,41		
CREDIT NOTES									63	746.512,61		
Sub-Total									97	885.374,02		

GRAND TOTAL									164	10.750.685,5		
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Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors. The provisional closure will be based on the recovery context situation at 31/01/2016.

**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2015 FOR OLAF**

	Number at 01/01/2015	Number at 31/12/2015	Evolution	Open Amount (Eur) at 01/01/2015	Open Amount (Eur) at 31/12/2015	Evolution
2014	2		-100,00 %	232.155,50		-100,00 %
2015		2			31.719,52	
	2	2	0,00 %	232.155,50	31.719,52	-86,34 %



**TABLE 10 : RECOVERY ORDER WAIVERS IN 2015 >= EUR 100.000**

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

<b>Total DG</b>	
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<b>Number of RO waivers</b>	
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*Justifications:*

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**TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG OLAF - 2015**

**Procurement > EUR 60,000**

<b>Negotiated Procedure Legal base</b>	<b>Number of Procedures</b>	<b>Amount (€)</b>
Art. 134.1(b)	2	1.025.132,26
<b>Total</b>	<b>2</b>	<b>1.025.132,26</b>

**TABLE 12 : SUMMARY OF PROCEDURES OF DG OLAF EXCLUDING BUILDING CONTRACTS**

<b>Internal Procedures &gt; € 60,000</b>		
<b>Procedure Type</b>	<b>Count</b>	<b>Amount (€)</b>
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	2	1.025.132,26
Open Procedure (Art. 127.2 RAP)	1	20.000.000,00
<b>TOTAL</b>	<b>3</b>	<b>21.025.132,26</b>

### Additional comments

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**TABLE 13 : BUILDING CONTRACTS**

**Total number of contracts :**

**Total amount :**

<b>Legal base</b>	<b>Contract Number</b>	<b>Contractor Name</b>	<b>Description</b>	<b>Amount (€)</b>

**No data to be reported**

**TABLE 14 : CONTRACTS DECLARED SECRET**

<b>Total Number of Contracts :</b>	
<b>Total amount :</b>	

<b>Legal base</b>	<b>Contract Number</b>	<b>Contractor Name</b>	<b>Type of contract</b>	<b>Description</b>	<b>Amount (€)</b>

**No data to be reported**

## **ANNEX 4:      Materiality criteria**

OLAF used the following materiality criteria to assess the relevance of a reservation to the declaration:

### **Quantitative threshold**

The quantitative threshold for materiality in OLAF is 2%, i.e. when the total amount of transactions affected by the deficiencies detected represents more than 2% of the amount for the budget line allocated to the ABB activity for the year concerned, the issue will be reported as material and thus may give rise to a reservation.

### **Qualitative criteria**

As regards qualitative measures, OLAF identifies deficiencies to be relevant when considering the possibility of making a reservation to the declaration if they:

- (1) concern significant (repetitive) errors;
- (2) concern a significant weakness in one of the control systems;
- (3) risk compromising the Commission's reputation;
- (4) concern a breach of rights of individuals.

## ANNEX 5: Internal Control Template(s) for budget implementation (ICTs)

### 'GRANTS'- Stage 1 - Programming, evaluation and selection of proposals

#### A - Preparation, adoption and publication of the Annual Work Programme and Calls for proposals

**Main control objectives:** Ensuring that the Commission selects the proposals that contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

**Main control objectives:** provide a brief description of the main control objectives

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The annual work programme and the subsequent calls for proposals do not adequately reflect the policy objectives, priorities, are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals.	Hierarchical validation within the authorising department Inter-service consultation, including all relevant DGs Adoption by the Commission Recommended: (1) Explicit allocation of responsibility to individual officials (reflected in task assignment or function descriptions) (2) Centralised checklist based on verification (3) Ex-post monitoring: lessons-learned survey/discussion with evaluators	If risk materialises, all grants awarded during the year under this work programme or call would be irregular. Possible impact 100% of budget involved and significant reputational consequences. Coverage / Frequency: 100% Depth: Checklist includes a list of the requirements of the regulatory provisions identified.	Costs: estimation of cost of staff involved in the preparation and validation of the annual work programme and calls.  Benefits: The (average annual) total budgetary amount of the annual work programmes or calls with significant errors detected and corrected.	Budget amount of the work programmes concerned.  Effectiveness: Success ratio value proposals received over budget available.  Efficiency: Average cost of preparation, adoption and publishing an annual work programme.

## B - Selecting and awarding: Evaluation, ranking and selection of proposals

**Main control objectives:** Ensuring that the most promising projects for meeting the policy objectives are among (a good balance of) the proposals selected (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures, the policy objectives, priorities and/or the essential eligibility, or with the selection and award criteria defined in the annual work programme and subsequent calls for proposals.	Assignment of staff (e.g. programme officers) and/or Selection and appointment of expert evaluators (if foreseen as deviation from FR)	100% vetting for technical expertise and independence (e.g. conflicts of interests, nationality bias, ex-employer bias, collusion)	<b>Costs:</b> estimation of cost of staff involved in the evaluation and selection of proposals. Cost of the appointment of experts and of the logistics of the evaluation. <b>Benefits:</b> Compare selected list with a random allocation of the available budget. Benefit equals to value of deserving projects otherwise not selected plus value of non-deserving projects that would have been selected (=amount redirected to better projects).	<b>Effectiveness:</b> Proposals challenged under the redress procedure. Nb litigation cases reported. <b>Efficiency Indicators:</b> Average cost per number of proposal received. Number of selected proposals/total number of proposals received. Average cost per selected proposal.
	Assessment by staff (e.g. programme officers) and/or by independent experts (contractors)	100% of proposals are evaluated. Depth may be determined by screening of outline proposals (two-step evaluation).		
	Review (e.g. by a mixed panel) and hierarchical validation by the AO of ranked list of proposals In addition, if applicable: Opinion of advisory bodies; comitology; inter-service consultation and adoption by the Commission; publication	Coverage: 100% of ranked list of proposals. Supervision of work of evaluators. Depth depends of risk factors: e.g. conflicts of interests, nationality bias, ex-employer bias, collusion		
	Redress procedure	100% of contested decisions are analysed by redress committee		



**Stage 2 - Contracting:** Transformation of selected proposals into legally binding grant agreements

**Main control objectives:** Ensuring that the actions and funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The description of the action in the grant agreement includes tasks which do not contribute to the achievement of the programme objectives and/or that the budget foreseen overestimates the costs necessary to carry out the action.</p> <p>The beneficiary lacks operational and/or financial capacity to carry out the actions.</p> <p>Procedures do not comply with regulatory framework</p>	<p>Project Officers implement evaluators' recommendations in discussion with selected applicants. Hierarchical validation of proposed adjustments.</p> <p>Validation of beneficiaries (operational and financial viability) and planning of (mid-term and final) evaluations.</p> <p>Signature of the grant agreement by the AO.</p> <p>In-depth financial verification and taking appropriate measures for high risk beneficiaries.</p> <p>Reinforce financial and contractual circuits</p>	<p>100% of the selected proposals and beneficiaries are scrutinised.</p> <p>Coverage: 100% of draft grant agreements.</p> <p>Depth may be determined after considering the type or nature of the beneficiary (e.g. SMEs, joint-ventures) and/or of the modalities (e.g. substantial subcontracting) and/or the total value of the grant.</p>	<p><b>Costs:</b> estimation of cost of staff involved in the contracting process.</p> <p><b>Benefits:</b> Difference between the budget value of the selected proposals and that of the corresponding grant agreements.</p>	<p><b>Effectiveness:</b> % of selected proposals with recommendations implemented in grant agreement.</p> <p><b>Efficiency Indicators:</b> Value of grant agreements completed over budget requested in the corresponding proposals</p>

### Stage 3 - Monitoring the execution.

This stage covers the monitoring the operational, financial and reporting aspects related to the project and grant agreement

**Main control objectives:** ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions.	<p>Operational and financial checks in accordance with the financial circuits.</p> <p>Operation authorisation by the AO</p> <p>For riskier operations, ex ante in-depth and/or on-site verification.</p> <p>For high risk operations, reinforced monitoring</p> <p>Recommended: consider an <i>ex-ante</i> verification on-the-spot (OV and/or FV) - e.g. monitoring visit. Earmark projects for <i>risk-based expost</i> audit.</p> <p>If needed: application of Suspension/interruption of payments, Penalties or liquidated damages. Referring grant to OLAF</p>	<p>100% of the projects are controlled, including only value-adding checks.</p> <p>Riskier operations subject to in-depth and/or on-site controls. The depth depends on risk criteria.</p> <p>High risk operations identified by risk criteria. Red flags: delayed interim deliverables, suspicion of plagiarism, unstable consortium, requesting many amendments, EWS or anti-fraud flagging, etc.</p> <p>Depth: depends from results of ex-ante controls.</p>	<p><b>Costs:</b> estimation of cost of staff involved in the actual management of running projects.</p> <p><b>Benefits:</b> budget value of the costs claimed by the beneficiary, but rejected by the project officers. Budget value of the part of the grant not paid out as pre-financing for projects that have been stopped by the Commission. Budget value of penalties and liquidated damages</p>	<p><b>Effectiveness:</b> Number of cost claims with adjustments . budget amount of the errors concerned .</p> <p>Success ratios; % of value of cost claims items adjusted over cost claims value.</p> <p><b>Efficiency Indicators:</b></p> <p>Cost/benefit ratio Average cost per open project. % cost over annual amount disbursed Time-to-payment.</p>

#### Stage 4 - Ex-Post controls A - Reviews, audits and monitoring

**Main control objectives:** Measuring the effectiveness of ex-ante controls by ex-post controls; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls (legality & regularity; anti-fraud strategy); addressing systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management); Ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information).

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud.	<p>Ex-post control strategy: Carry out audits or desk-reviews of a representative sample of operations to determine effectiveness of ex-ante controls (+ consider ex-post findings for improving the ex-ante controls).</p> <p>If error rate over tolerable threshold, control a risk based sample to lower the residual error rate below the tolerable threshold.</p> <p>Recommended: multi-annual basis (programme's lifecycle) and coordination with other AOs concerned (to detect systemic errors) Validate audit results with beneficiary</p> <p>If needed: referring the beneficiary or grant to OLAF</p>	<p>Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions</p> <p>Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate).</p>	<p><b>Costs:</b> estimation of cost of staff involved in the coordination and execution of the audit strategy .Cost of the appointment of audit firms for the outsourced audits.</p> <p><b>Benefits:</b> budget value of the errors detected by the auditors.</p> <p><b>Loss:</b> budget value of the errors that could be detected by audits (that would still be cost-effective), but which are beyond the maximum audit coverage allowed in the sectoral legislation.</p>	<p><b>Effectiveness:</b> Representative error rate.</p>

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The ex-post controls focus on the detection of external errors (e.g. made by beneficiaries) and do not consider any internal errors made by staff or embedded systematically in the own organisation</p>	<p>An ex-post supervision strategy, performed by independent staff not involved in the operational and financial circuits allocated to the ICC.</p> <p>to be able to serve multiple purposes (e.g. overall assurance, largest corrections the sampling procedure is a combination of, respectively random/representative and risk-based.</p>	<p>Coverage: ideally, the random sample will be statistically representative to enable drawing valid management conclusions about the entire population during the programme's lifecycle.</p> <p>Sample coverage: A + B % in number and value, out of the 100% in number and value of the transactions, are re- checked during the programme's lifecycle (typically 5%-15%).</p> <p>Depth: desk review of all underlying elements and documents.</p>	<p><b>Costs:</b> estimation of cost of staff involved in the supervision strategy (which may include missions, if applicable).</p> <p><b>Benefits:</b> budget value of the errors detected by the supervisors.</p>	<p>Cost of controls:</p> <p>Number and value of ex-post audits carried out on grants:</p> <p>Number and value of detected errors corrected.</p>

## B - Implementing results from ex-post audits/controls

**Main control objectives:** Ensuring that the (audit) results from the ex-post controls lead to effective recoveries (legality & regularity; anti-fraud strategy); Ensuring appropriate accounting of the recoveries made (reliability of reporting)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
The errors, irregularities and cases of fraud detected are not addressed or not addressed timely	<p>Systematic registration of audit / control results to be implemented.</p> <p>Financial operational validation of recovery in accordance with financial circuits.</p> <p>Authorisation by AO</p>	<p>Coverage: 100% of final audit results <i>with a financial impact</i>.</p> <p>Depth: consider 'extending' the findings of systemic errors into corrections of non-audited projects by the same beneficiary</p>	<p><b>Costs:</b> estimation of cost of staff involved in the implementation of the audit results.</p> <p><b>Benefits:</b> budget value of the errors, detected by ex-post controls, which have actually been corrected (offset or recovered).</p> <p><b>Loss:</b> budget value of such ROs which are 'waived' or have to be cancelled.</p>	<p><b>Effectiveness:</b></p> <p>Error rate of the ex-post controls</p>

## Procurement - Stage 1: - A – Planning

**Main control objectives:** Effectiveness, efficiency and economy. Compliance (legality and regularity)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
The needs are not well defined (operationally and economically) and that the decision to procure was inappropriate to meet the operational objectives Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement process)	Publication of intended procurements / Work programme	100% of the forecast procurements (open procedures with prior notification) are justified in a note addressed to the AO(D)	<i>Costs:</i> estimation of cost of staff involved and the related contract values (if external expertise is used). <i>Benefits:</i> Amount of rejection of unjustified purchases. Estimation of litigation avoided and eventual discontinuation of the service provided.	<i>Effectiveness:</i> Number of projected tender cancelled: Number of contract discontinued due to lack of use . <i>Efficiency:</i> average cost per tender.
	Validation by AO(S)D of justification (economic , operation) for launching a procurement process	100% of the forecast procurements		
	Decisions discussed/taken at management meeting	All key procurement procedures (> amounts and/or having significant impact on the objectives of the DG) are discussed at management meeting		

NB: for all controls, information in particular financial information related to inputs / outputs and follow-up should be collected

\* **For Coverage frequency and depth:** Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

## B - Needs assessment & definition of needs

**Main control objectives:** Effectiveness, efficiency and economy. Compliance (legality and regularity).

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
The best offer/s are not submitted due to the poor definition of the tender specifications	AOSD supervision and approval of specifications	100% of the specifications are scrutinised. <b>Depth</b> may be determined by the amount and/or the impact on the objectives of the DG if it goes wrong	<b>Costs:</b> estimation of cost of staff involved and the related contract values (if external expertise is used).  <b>Benefits:</b> limit the risk of litigation, limit the risk of cancellation of a tender. Amount of contracts for which the approval and supervisory control detected material error.	<b>Effectiveness:</b> N° of 'open' or procedures where only one or no offers were received. N° of requests for clarification regarding the tender. <b>Efficiency:</b> Estimated average cost of a procurement procedure).
	Additional supervisory verification by specialised expert actor or entity.	100% of the tenders above a financial threshold (e.g. >60.000 €) are reviewed. <b>Depth</b> risk based, depends on the sensitivity		

NB: for all controls, information in particular financial information related to inputs / outputs and follow-up should be collected

\* **For Coverage frequency and depth:** Where applicable (i.e not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

## C - Selection of the offer & evaluation

**Main control objectives: Effectiveness, efficiency and economy. Compliance (legality and regularity). Fraud prevention and detection.**

Main risks It may happen (again) that...	Mitigating controls (those in bold are strongly recommended)	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
The most economically advantageous offer not being selected, due to a biased, inaccurate or 'unfair' evaluation process	Formal evaluation process: Opening committee and Evaluation committee	100% of the offers analysed. Depth: all documents transmitted	Costs: estimation of costs involved  Benefits: Compliance with FR. Difference between the most onerous offer and the selected one.	Effectiveness: Numbers of 'valid' complaints or litigation cases filed  Efficiency:  Average cost of a tendering procedure
	Opinion by consultative committee "CCAM/PPAG"	Risk based approach or threshold. Depth in terms of justification of the draft award decision	Costs: estimation of cost of staff involved.  Benefits: Potential irregularities/inefficiencies prevented (amount of procurement for which opinion raised significant concerns)	
	Opening and Evaluation Committees' declaration of absence of conflict of interests	100% of the members of the opening committee and the evaluation committee	Costs: estimation of cost of staff involved.  Benefits: Amount of contracts for which the control prevented the risk of litigation or fraud.	
	Exclusion criteria documented	100% checked. Depth: required documents provided are consistent	Costs: estimation of cost of staff involved.	



Main risks It may happen (again) that...	<i>Mitigating controls</i> (those in <b>bold</b> are strongly recommended)	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
			Benefits: Avoid contracting operators with excluded economic	
	Standstill period, opportunity for unsuccessful tenderers to put forward their concerns on the decision.	100% when conditions are fulfilled	<i>Costs:</i> estimation of cost of staff involved. <i>Benefits:</i> Amount of procurements successfully challenged during standstill period.	

## Procurement - Stage 2 - Financial transactions

**Main control objectives:** Ensuring that the implementation of the contract is in compliance with the signed contract

Main risks It <b>may happen</b> (again) that...	Mitigating controls	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
<p>The products/services/ works foreseen are not, totally or partially, provided in accordance with the technical description and requirements foreseen in the contract and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions.</p> <p>Business discontinues because contractor fails to deliver</p>	<p>Operational and financial checks in accordance with the financial circuits.</p> <p>Operation authorisation by the AO</p> <p>For riskier operations, ex-ante in-depth verification.</p>	<p>100% of the contracts are controlled, including only value-adding checks.</p> <p>Riskier operations subject to in-depth controls.</p> <p>The depth depends on risk criteria.</p>	<p><i>Costs:</i> estimation of cost of staff involved.</p> <p><i>Benefits:</i> Amount of irregularities, errors and overpayments prevented by the controls</p>	<p><i>Effectiveness:</i> % <b>error</b> rate prevented (amount of errors/irregularities averted over total payments)</p> <p>Number/amount of liquidated damages:</p>
	<p>For high risk operations, reinforced monitoring on deliverables timing.</p> <p>Management of sensitive functions</p>	<p>High risk operations identified by risk criteria. Amount and potential impact on the DG operations of late or no delivery</p>		<p><b>Efficiency:</b></p> <p>Average cost per open project. disbursed</p> <p>%cost over annual amount:</p> <p>Time-to-payment      Late interest payment paid</p>

NB: for all controls, information in particular financial information related to inputs / outputs and follow-up should be collected

\* *For Coverage frequency and depth:* Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

### Stage 3 - Supervisory measures

**Main control objectives:** Ensuring that any weakness in the procedures (tender and financial transactions) is detected and corrected

Main risks It <b>may happen</b> (again) that...	<i>Mitigating controls</i> (those in <b>bold</b> are strongly recommended)	<b>How to determine coverage frequency and depth*</b>	<b>How to estimate the costs and benefits of controls</b>	<b>Possible control indicators</b>
An error or non-compliance with regulatory and contractual provisions, including technical specifications, or a fraud is not prevented, detected or corrected by ex-ante control, prior to payment	Supervisory desk review of procurement and financial transactions	Representative sample. <i>Depth:</i> review of the procedures implemented (procurement and financial transactions)	<i>Costs:</i> estimation of cost of staff involved. <i>Benefits:</i> Amounts detected associated with fraud & error. Deterrents & systematic weaknesses corrected.	<i>Effectiveness:</i> Amounts associated with errors detected during ex-post controls:  <i>Efficiency:</i> Costs of the ex post controls and supervisory measures.
	Ex-post publication (possible reaction from tenderer / potential tenderer such as whistle blowing)	Potentially 100%		
	Review of ex post results	100% at least once a year. <i>Depth:</i> look for any systemic problem in the procurement procedure and in the financial transaction procedure and any weakness in the selection process of the ex post controls		
	Review of exceptions reported	100% at least once a year. <i>Depth:</i> look for any weakness in the procedures (procurement and financial transactions)		
	Review of the process after each procedure	100%. <i>Depth:</i> review any significant problem that occurred		

NB: for all controls, information in particular financial information related to inputs / outputs and follow-up should be collected

\* **For Coverage frequency and depth:** Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative