



2014

Annual Activity Report

ANNEX 1

Statement of the Resources Director

**Office for
Infrastructure
and Logistics in
Luxembourg**

ANNEX 1: STATEMENT OF THE RESOURCES DIRECTOR

The statement¹ of the Resources Director² aims at informing the report's reader about the information flow between the Resources Director and the Head of Service on internal control matters in the context of the AAR's preparation. By signing the statement, the Resources Director also certifies that the information in the annexes to the report is accurate and exhaustive. In the event of a disagreement between the Resources Director and the Head of Service on an important issue regarding internal control matters or the annexes to the AAR, this will be brought as early as possible to the attention of the responsible Commissioner, the Secretary-General and the Director-General of DG BUDG in writing.

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 Commission³, I have reported my advice and recommendations to the Head of Service on the overall state of internal control in the service.

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.

Luxembourg, 27 March 2015

Signed

Signed

Benoît MORISSET
Head of Unit
Finance - Procurement – Reporting

Milagros GALLEGO PEREZ
Head of Unit
Personnel - Communication
Conferences - Health and Safety

¹ This statement was introduced by the note SEC(2004)147 of 19.02.2004 in order to reflect the information flow between the key actors in the AAR process.

² In case the Director General has designated another person than the Resources Director to be the internal control coordinator (ICC), this person must inform the Resources Director on the state of internal control within the DG or service. If there is no resource director, the statement should be signed by the person exercising these functions.

³ SEC(2003)59 of 21.01.2003.



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ANNEX 2

Human and financial resources by ABB activity

**Office for
Infrastructure
and Logistics in
Luxembourg**

ANNEX 2: HUMAN AND FINANCIAL RESOURCES BY ABB ACTIVITY

1. HUMAN RESOURCES

Activity Code	ABB Activity	Human Resources by ABB activity ¹		
		Establishment Plan posts	External Personnel	Total
26 AWBL-16	Administrative support for the Office for Infrastructure and Logistics in Luxembourg	26	33	59
26 AWBL-17	Management of buildings and expenditure (Luxembourg)	112	128 ²	240
26 AWBL-18	Management of social welfare (interinstitutional, Luxembourg)	7	135 ³	142
	Total	145	296	441

General remark: the above data rely on the snapshot of Commission personnel actually employed in OIL as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.

2. FINANCIAL RESOURCES

Implementation of Commitment Appropriations (CA) - C1, C4, and C5, external assigned revenues and appropriations for catering activities

- in million Euro -

Activity code	ABB Activity	Administrative expenditure (DG managed)
26-AWBL-16	Administrative support for the Office for Infrastructure and Logistics in Luxembourg	5,78
26-AWBL-17	Management of buildings and expenditure (Luxembourg)	88,28
26-AWBL-18	Management of social welfare (interinstitutional, Luxembourg)	20,07
	Total	114,13

¹ Included 6 posts transferred from OP, out of which 4 establishment plan posts and 2 external personnel

² Included 4 long-term interim staff and 1 trainee

³ Included 5 long-term interim staff



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ANNEX 3

Financial Reports

**Office for
Infrastructure
and Logistics in
Luxembourg**

Annex 3 Financial Reports - DG OIL - Financial Year 2014**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 2014 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 26 Commission's administration					
26	26 01	Administrative expenditure of the Commission's administration- policy area	101.35	95.62	94.34 %
Total Title 26			101.35	95.62	94.34%
Total DG OIL			101.35	95.62	94.34 %

** 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).*

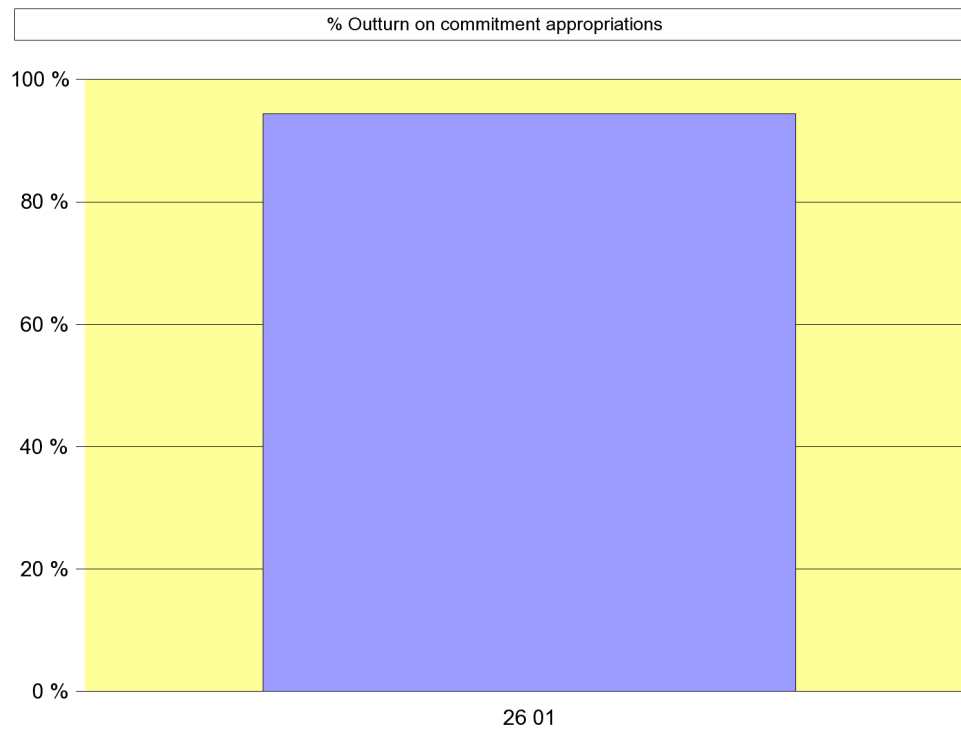


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)

Chapter		Payment appropriations authorised *	Payments made	%	
		1	2	3=2/1	
Title 26 Commission's administration					
26	26 01	Administrative expenditure of the Commission's administration- policy area	114.78	96.47	84.05 %
Total Title 26			114.78	96.47	84.05%
Total DG OIL			114.78	96.47	84.05 %

* 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).

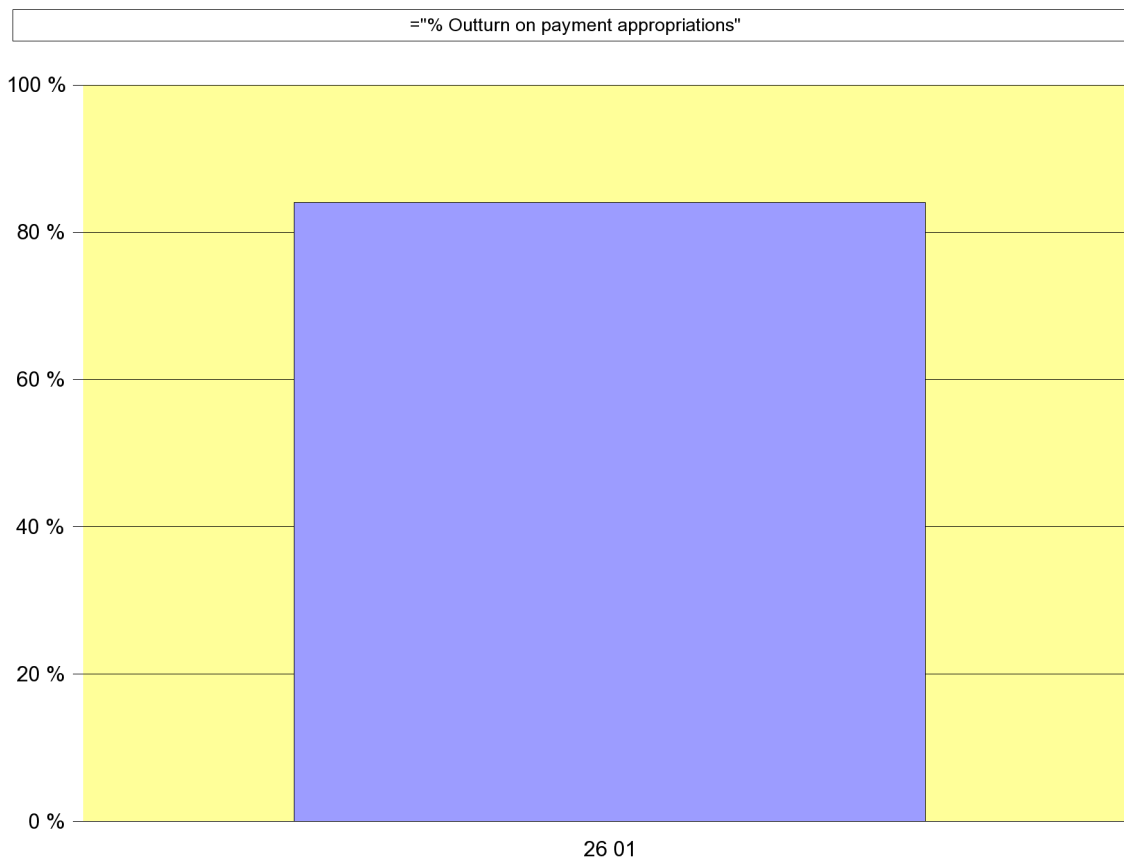
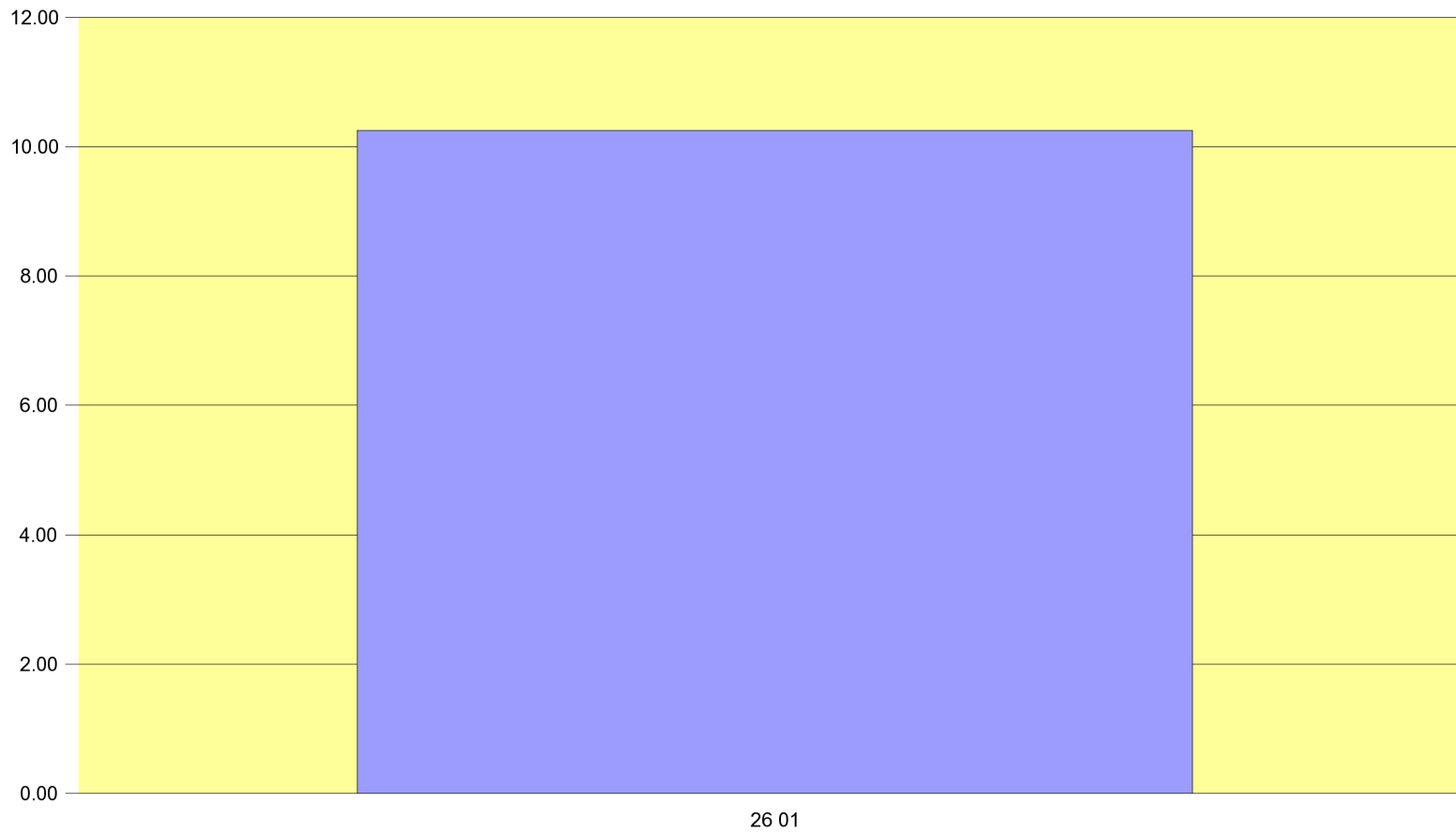


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)									
Chapter			2014 Commitments to be settled				Commitments to be settled from financial years previous to 2014	Total of commitments to be settled at end of financial year 2014 (incl corrections)	Total of commitments to be settled at end of financial year 2013(incl. corrections)
			Commitments 2014	Payments 2014	RAL 2014	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 26 : Commission's administration									
26	26 01	Administrative expenditure of the Commission-s administration- policy area	95.62	85.44	10.18	10.64 %	0.08	10.25	13.85
Total Title 26			95.62	85.44	10.18	10.64%	0.08	10.25	13.85
Total DG OIL			95.62	85.44	10.18	10.64 %	0.08	10.25	13.85

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	2014	2013
A.I. NON CURRENT ASSETS	92,756,648.25	97,508,110.59
A.I.1. Intangible Assets	659,397.45	0.00
A.I.2. Property, plant and equipment	92,097,250.80	97,508,110.59
A.II. CURRENT ASSETS	9,766,158.48	11,873,907.56
A.II.4. Exchange Receivables	8,624,479.69	10,682,728.62
A.II.5. Non-Exchange Receivables	288,789.43	302,786.74
A.II.7. Cash and Cash Equivalents	852,889.36	888,392.20
ASSETS	102,522,806.73	109,382,018.15
P.II. NON CURRENT LIABILITIES	-94,228,669.87	-96,303,674.86
P.II.3. Long-term financial liabilities	-94,228,669.87	-96,303,674.86
P.III. CURRENT LIABILITIES	-5,870,159.19	-4,717,248.32
P.III.2. Short-term provisions	-405,000.00	-368,000.00
P.III.3. Short-term financial liabilities	-1,745,026.29	-1,523,493.75
P.III.4. Accounts Payable	-673,132.90	221,245.43
P.III.5. Accrued charges and deferred incom	-3,047,000.00	-3,047,000.00
LIABILITIES	-100,098,829.06	-101,020,923.18
NET ASSETS (ASSETS less LIABILITIES)	2,423,977.67	8,361,094.97
P.I.2. Accumulated Surplus / Deficit	72,368,656.33	-1,532,660.17
Non-allocated central (surplus)/deficit*	-74,792,634	-6,828,434.8
TOTAL	0.00	0.00

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) 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 economic outturn account 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

STATEMENT OF FINANCIAL PERFORMANCE	2014	2013
II.1 REVENUES	-15,674,973.67	-16,020,873.63
II.1.1. NON-EXCHANGE REVENUES		-108,000
II.1.1.6. OTHER NON-EXCHANGE REVENUE		-108,000.00
II.1.2. EXCHANGE REVENUES	-15,674,973.67	-15,912,873.63
II.1.2.1. FINANCIAL INCOME	-8.33	-0.05
II.1.2.2. OTHER EXCHANGE REVENUE	-15,674,965.34	-15,912,873.58
II.2. EXPENSES	99,525,552.03	89,922,190.13
II.2. EXPENSES	99,525,552.03	89,922,190.13
11.2.10. OTHER EXPENSES	82,061,609.47	73,744,416.30
II.2.6. STAFF AND PENSION COSTS	12,221,435.05	10,874,603.33
II.2.8. FINANCE COSTS	5,242,507.51	5,303,170.50
STATEMENT OF FINANCIAL PERFORMANCE	83,850,578.36	73,901,316.50

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) 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 economic outturn account 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 6: AVERAGE PAYMENT TIMES FOR 2014 - DG OIL

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	4949	4744	95.86 %	15.13	205	4.14 %	43.46
45	96	96	100.00 %	14.53			
60	38	38	100.00 %	15.76			

Total Number of Payments	5083	4878	95.97 %		205	4.03 %	
Average Payment Time	16.26			15.12			43.46

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)
30	3128	3021	96.58 %	13.94	107	3.42 %	41.72

Total Number of Payments	3128	3021	96.58 %		107	3.42 %	
Average Payment Time	14.89			13.94			41.72

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
0	32	46	0.90 %	5083	907,861.62	1.04 %	87,515,884.18

Late Interest paid in 2014			
DG	GL Account	Description	Amount (Eur)

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

Annex 3 Financial Reports - DG OIL
Report printed on 30/03/2015

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014

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	7=3-6	
50	PROCEEDS FROM THE SALE OF MOVABLE AND IMMOVABLE PROPERTY	160,969.06	0	160,969.06	160,969.06	0	160,969.06	0
51	PROCEEDS FROM LETTING AND HIRING	4,410,753.19	0	4,410,753.19	4,410,753.19	0	4,410,753.19	0
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	8.33	0	8.33	8.33	0	8.33	0
55	REVENUE FROM THE PROCEEDS OF SERVICES SUPPLIED AND WORK CARRIED OUT	701,792.1	0	701,792.1	701,792.1	0	701,792.1	0
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	5,238,741.17	141,568.59	5,380,309.76	4,597,304.94	141,568.59	4,738,873.53	641,436.23
Total DG OIL		10,512,263.85	141,568.59	10,653,832.44	9,870,827.62	141,568.59	10,012,396.21	641,436.23

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

Annex 3 Financial Reports - DG OIL
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**TABLE 8 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014 Year of Origin (commitment)	Error		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2014	1	525	1	525.00	22	1,028,294.46	4.55%	0.05%
No Link					523	8,828,144.83		
Sub-Total	1	525	1	525.00	545	9,856,439.29	0.18%	0.01%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (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												
CREDIT NOTES									216	1,159,296.48		
Sub-Total									216	1,159,296.48		
GRAND TOTAL	1	525					1	525	761	11,015,735.77	0.13%	

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 31/01/2015.

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2014 FOR OIL

	Number at 01/01/2014	Number at 31/12/2014	Evolution	Open Amount (Eur) at 01/01/2014	Open Amount (Eur) at 31/12/2014	Evolution
2013	21		-100.00 %	141,568.59		-100.00 %
2014		27			641,436.23	
	21	27	28.57 %	141,568.59	641,436.23	353.09 %

Comments: As of 31/12/2014 of the total open amount EUR 527.656,25 or 82% was related to a special transaction for the correction of fund sources, coordinated with DG BUDG, and did not represent actual receivables. The 2 recovery orders in question were cancelled in February 2015. Net of these 2 recovery orders the evolution for 2014 was -20%.

TABLE 10 : RECOVERY ORDER WAIVERS IN 2014 >= EUR 100.000

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

Total DG	
-----------------	--

Number of RO waivers	
-----------------------------	--

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG OIL - 2014**Procurement > EUR 60,000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b)	12	11,578,466.19
Total	12	11,578,466.19

Comments: OIL had no negotiated procedures >60.000 € in 2014. However a total of 12 cases appear as negotiated procedures in Table 11.

The reasons for this discrepancy are purely technical; Business Object indiscriminately captures a number of ABAC Contracts entries that were either automatically created by ABAC SAM or input by OIL in order to comply with SAM features:

- 11 procedures were created automatically in ABAC Contracts by ABAC SAM; the latter requires that purchases of specific services not covered by actual framework contracts be linked to a negotiated procedure (i.e. the cases in question refer to utilities , direct subscriptions, rents etc.) No alternative encoding is possible in SAM, and therefore no correction in ABAC Contract can be made;

-1 procedure refers to a contract of the European Parliament, which ought to be reported by the European Parliament as chef de file ; we created this contract in ABAC Contract so as to be able to issue an order to be able to process payments in SAM.

TABLE 12 : SUMMARY OF PROCEDURES OF DG OIL EXCLUDING BUILDING CONTRACTS

Internal Procedures > € 60,000			
	Procedure Type	Count	Amount (€)
Proced ures >	Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	12	11,578,466.19
	Open Procedure (Art. 127.2 RAP)	12	33,922,500.00
	TOTAL	24	45,500,966.19

Additional comments

Comments: OIL had no negotiated procedures >60.000 € in 2014. However a total of 12 cases appear in the above table. The reasons for this discrepancy is already explained in details under the table "11. Negotiated Procedures" of this report.

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)

No data to be reported



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ANNEX 4

Materiality criteria

**Office for
Infrastructure
and Logistics in
Luxembourg**

ANNEX 4: MATERIALITY CRITERIA

1. Qualitative criteria

The qualitative criteria which OIL used to establish that it had no reservations relate to any factual event or significant weaknesses linked to the use of resources, sound financial management or legality and regularity of underlying transactions which might:

- Harm the image and reputation of the Commission,
- Entail legal liability for the Commission,
- Relate to serious errors in the Office's internal control system.

Significant occurrence of errors in the underlying transactions (legality and regularity)	Ex post controls and audits did not point out any major system weaknesses with financial impact.
Significant control system weaknesses	No significant control weaknesses have been identified. A number of measures to strengthen internal control have been identified and put into practice during the year: a verification manual on quality controls for services rendered/goods delivered is now available; the effectiveness of procedures on maintenance has been assessed and internal control procedures were updated accordingly.
Non application of one or more internal control standards	The Internal Control self-assessment does not reveal any issues which have an impact on the declaration of assurance.
Insufficient evidence from internal control systems or audit coverage	In addition to ex-post controls and audits, OIL's exception register, AOSD reports and supervision tools ensure the extensive coverage of the activities of the Office.
Critical issues outlined by the European Court of Auditors or the Internal Audit Service	The DAS 2013 audit of the European Court of Auditors (ECA) resulted in a clean opinion on OIL's internal control system and the Annual Report 2013. As to the DAS 2014 audit, the audit work is ongoing. Based on our knowledge, draft preliminary findings do not refer to critical issues but are formal observations with no impact on materiality. The IAS did not audit OIL in 2014 and all past recommendations are closed.
Significant reputational events	There were no significant reputational events.
Litigations/potential litigations	One litigation case has been brought to the Court of Justice in February 2014 by an unsuccessful tenderer. The court case is ongoing.

2. Quantitative criteria

In line with the guidelines annexed to Communication COM(2003) 28 of 21 January 2003, the Office considered that the materiality of any reservation should be subject, in quantitative terms, to a threshold of 2% of the budget allocated to the ABB activity concerned.



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ANNEX 5

**Internal Control Template(s) for budget
implementation (ICTs)**

**Office for
Infrastructure
and Logistics in
Luxembourg**

ANNEX 5: INTERNAL CONTROL TEMPLATE(S) FOR BUDGET IMPLEMENTATION (ICTs)

The Office for Infrastructure and Logistics in Luxembourg (OIL) manages exclusively administrative expenditure in the direct management mode. Procurement mainly relates to three types of contracts: service, supply and works contracts. Contracts duration: generally framework contracts are signed for a period of 4 years, whilst direct contracts cover a longer time span (generally five years).

I. Procurement

A. Planning of procurement

Main control objectives: Effectiveness, efficiency and economy, legality and regularity (compliance)

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 q: quantified nq: not quantified	Control indicators
<p>Needs not well defined (operationally and economically) and decision to procure inappropriate to meet the operational objectives</p> <p>Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement procedure)</p>	<p>Planning of procedures is regularly reviewed and discussed at management meetings, degrees of priority are defined for tenders to be launched and adjustments to the planning made if necessary.</p> <p>All elements of tender procedures to be launched (technical specifications, selection and award criteria, estimated amount of the market) are systematically approved by the (sub) delegated authorising Officer and checked by at least 2 people in the Finance unit, in close cooperation with the operational units.</p> <p>The current coordination with other institutions and Commission's services at the GTAO (Groupe Technique Appels d'Offres) enables a better use of resources by sharing procedures and helps to bring relevant adjustments to the overall planning.</p>	<p>Coverage All key procurement procedures (> 60.000 € and/or having significant impact on the objectives of OIL) are approved at management level</p> <p>Depth (intensity) 100% of the forecasted procurements > 60.000 € are justified in a note addressed by the AOS to the Finance Unit.</p>	<p>Costs : cost of staff involved in operational and procurement units</p> <p>Benefits :</p> <ul style="list-style-type: none"> - reliable procurement planning avoids gaps in business continuity (nq) - rejection of unjustified purchases (nq) 	<ul style="list-style-type: none"> - MP objectives followed through several indicators - Regular monitoring of procurement procedures and delays indicators - Budget reporting

B. Needs assessment and definition of needs

Main control objectives: Effectiveness, efficiency and economy, legality and regularity (compliance with FR, RAP and Vade-mecum on procurement).

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 q: quantified nq: not quantified	Control indicators
<p>The best offers are not submitted due to the poor definition of the tender specifications.</p> <p>Procurement needs for complex works and services designed in a way that does not facilitate the management of the contract.</p> <p>Insufficient number of tenderers or candidates responding to calls for tenders.</p> <p>Risk of discontinued services resulting from procurement procedure.</p>	<p>Procurement procedures, at the exception of buildings procedures, are conducted by the central procurement sector for consistency with the FR and for quality revision of the tender documents.</p> <p>All the specifications are verified so as to avoid technical requirements drafted in a too restrictive way.</p> <p>a) Application of best practise by obtaining technical specifications for identical calls for tenders from other DGs and/or other institutions.</p> <p>b) Controls by AOSD (supervision and approval of specifications within the operational units)</p> <p>c) Additional supervisory verification by the finance unit (sector Contracts and Calls for Tenders mainly), in close cooperation with the operational units).</p> <p>For low value markets, more suppliers than required by the norms are consulted.</p> <p>For all new calls for tenders, tender documents are actively revised to simplify them.</p> <p>For markets requiring publication in the OJ and for which proximity is a selection criteria, tender notices give rise to adequate publicity in the neighbouring region's press.</p>	<p>Coverage Procurement procedures conducted by central procurement sector</p> <p>Tender specifications submitted by the operational units entirely checked.</p> <p>Depth (intensity): Determined by the amount and/or the impact on the operational objectives pursued.</p>	<p>Costs: estimation of cost of staff involved from operational units and procurement sector.</p> <p>Benefits :</p> <ul style="list-style-type: none"> - Increased competition and value for money (q) - legal certainty (nq) - litigations avoided (nq) - risk of cancellation of a tender limited (nq) 	<ul style="list-style-type: none"> - Number of procedures and contracts signed - Number of negative GAMA opinions - Recommendations from ECA, IAS, IAC - Register of exceptions - Anti fraud indicators

C. Selection of the offer and evaluation

Main control objectives: Effectiveness, efficiency and economy; Legality and regularity (compliance with FR, RAP and Vade-mecum on procurement); Fraud prevention and detection

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 q: quantified nq: not quantified	Control indicators
<p>The most economically advantageous offer not being selected, due to a biased, inaccurate or unfair evaluation process.</p> <p>Risk of fraud, unequal treatment of tenderers, legal action, financial penalties or bad reputation resulting from unethical behaviour, breach of confidentiality rules or non-compliance rules with the procurement rules.</p>	<p>For all tenders above 60.000 €, opening and evaluation committees are systematically appointed and include an external member from other DGs or institutions.</p> <p>For all procurement procedures above 15.000€, opening and evaluation committees are systematically appointed.</p> <p>Members of opening and evaluation committees sign a declaration of absence of conflict of interest and are aware of their obligations and are reminded by the finance unit of the key procedural steps, in order to reduce the risk of contest by tenderers; systematic measures are being taken to ensure confidentiality as to on-going procedures, including for low value procurement.</p> <p>Evaluation is based exclusively on the criteria set out in the tender specifications.</p> <p>Compulsory trainings for staff involved in procurement.</p> <p>Central services are consulted for advice, including the legal service if necessary.</p> <p>Tenders above 60.000 € are notified to GAMA. After sampling or on request of the authorizing officer the consultative GAMA committee provides an opinion as to the compliance with FR/RAP.</p>	<p>Coverage :</p> <ul style="list-style-type: none"> - All procurement procedures, whatever their amount, are verified from a technical and procedural angle. -Risk based sampling combined with random sampling done by the GAMA group. <p>Depth (intensity) :</p> <p>All underlying documentation is checked.</p>	<p>Costs :</p> <ul style="list-style-type: none"> - OIL is a member of the GAMA group (2 people – part of their time) - Participation in the meeting of officers from operational and procurement units for sampled files. <p>Benefits :</p> <ul style="list-style-type: none"> - Increased legal certainty (nq); - Compliance with FR, RAP and vade-mecum on procurement (nq); - Difference between the most onerous offer and the selected one (q) - Potential irregularities/inefficiencies prevented (nq) - Risk of fraud or litigation reduced (nq) 	<ul style="list-style-type: none"> - % of unsuccessful procurement procedures - Procurement reporting (status of procedures, - Number of negative GAMA opinions - Recommendations from ECA, IAS, IAC - Register of exceptions - Anti fraud indicators

D. Expenditure implementation (commitment, validation authorisation and payment of expenditure)

Main control objectives: legality and regularity (compliance with FR, RAP and with the contract signed), fraud prevention and detection, safeguarding of assets

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 q: quantified nq: not quantified	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 (L&R and SFM).</p> <p>Inefficient management of funds (SFM) including late reinforcement of existing budgetary commitment.</p> <p>Inaccurate reporting leading to wrong management decisions.</p>	<p>All transactions (payments and commitments) are controlled based on financial procedures in place.</p> <p>Delegations of powers (AOSD, CAF ...) are documented and updated.</p> <p>Operational and financial checks are performed in accordance with the financial circuits (four eyes principles). Specialized training sessions are organized bi-annually to reinforce the quality of financial files.</p> <p>OIL applies additional guidelines to support the CAF process including quality checks for the most complex contracts.</p> <p>Controls embedded in the IT applications (ABAC SAM) for budgetary commitments</p>	<p>Coverage All transactions (payments and commitments) are controlled based on financial procedures in place.</p> <p>Depth (intensity) Determined by the amount and /or impact on the operational objectives (complexity of services, studies or works, technical equipment, received etc...) as defined in the risk register.</p>	<p>Costs : Estimation of cost of staff involved in financial transactions.</p> <p>Benefits : - Sound financial management and respect of contractual deadlines (q) - Errors, frauds and potential litigations prevented or minimized (nq) - Accounting errors identified and corrected at an early stage (q)</p>	<p>- % of payments handled outside contractual delays</p> <p>- Value of late interest payments</p> <p>- Average time to pay</p> <p>- Budget reporting</p> <p>- ECA's DAS recommendations</p> <p>- IAS and IAC recommendations</p> <p>- % of a posteriori payments</p> <p>- AOSD reports</p>
<p>Safeguarding of assets not properly ensured (lost, stolen or written off)</p>	<p>Regular tracking exercises.</p> <p>Supplementary controls are embedded in the IT application (ABAC SAM) for assets.</p> <p>Accounting controls on assets.</p>	<p>Coverage : all assets checked every three years (3 yearly inventory), based on the inventory regulation (Règlement d'inventaire).</p> <p>Depth (intensity) : Include access to underlying documentation.</p>	<p>Costs : - Part of the time of GBIs in the Commission - The team responsible for the inventory - The accounting staff</p> <p>Benefits: EC property safeguarded (nq)</p>	<p>- Percentage of non-located assets</p> <p>- Tracking rate</p>

E. Supervisory measures

Main control objectives: legality and regularity (FR, RAP, ICS...) , detection and correction of weaknesses

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>Reliability of reporting not ensured (decisions made on the basis of erroneous information and data).</p> <p>Sound financial management aspects not adequately monitored.</p> <p>Internal control systems not well defined or applied (internal control standards not correctly implemented) : risks not well identified and/or correctly managed.</p> <p>Risk of litigations and reputational damage due to non-compliance with rules in force (FR, RAP, accounting).</p> <p>Risks of errors not prevented, detected or corrected by ex-ante control.</p>	<p>Supervisory checks on the management of contracts and related financial transactions by quality cells, under the supervision of AOS.</p> <p>AOSD reports issued every quarter, including SFM aspects : financial data submitted by the financial unit and controls by financial correspondents.</p> <p>Register of exceptions, open audit recommendations are analysed, registered and actions taken to address weaknesses.</p> <p>Internal procedures regularly updated.</p> <p>Compliance with ICS monitored regularly, risk management performed and risk register implemented (mitigating measures).</p> <p>Antifraud strategy and related anti-fraud controls.</p> <p>Quality of reporting assessed (feedback from management board and Commissioner analysed and correction done if needed) three times per year : MAPF, MP, AAR mid-term review.</p>	<p>Coverage Any item or transaction (if applicable).</p> <p>Depth (intensity): Controls foreseen in the instructions from central services or in the decision of creation of the Offices (governance aspects).</p>	<p>Costs: estimation of cost of staff involved.</p> <p>Benefits: - issues are followed up and addressed (nq); - processes and procedures improved (nq); - continuous improvement of the internal control system (nq); Contributes to the reasonable assurance (nq).</p>	<p>- % of AOSD reports awaited</p> <p>- % of audit recommendations implemented on time</p> <p>- % of a posteriori payments</p> <p>- Number of ICS not fully compliant or ineffective</p> <p>- Anti fraud indicators</p> <p>- Risk assessment results and related mitigated actions</p> <p>- Efficiency : cost of controls vs benefits</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	Control indicators
<p>Risk of litigations and reputational damage due to non-compliance with rules in force (FR, RAP, accounting)</p> <p>Risks of errors not prevented, detected or corrected by ex-ante control</p>	<p>Ex post controls cover a representative sample of financial transactions and purchasing procedures.</p>	<p>Coverage Two samples selected by ex post, one risk based (75%) and one random (25%)</p> <p>Depth: Look for any systemic problem in the purchasing procedure and in the financial transaction procedure</p>	<p>Costs: Estimation of cost of staff involved (mainly management staff).</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Correction of errors and continuous improvement of the internal control system (nq); - Deterrent & systematic weaknesses corrected (nq); - Operational and financial objectives attained, instructions and policies set up by central services adequately followed, sound internal control environment. 	<ul style="list-style-type: none"> - % of the execution of the annual ex post control programme - number of significant errors highlighted by EPC (errors at level 1 and 2) -% of errors vs total checked

II. Revenues

Due to the nature of its activities and its interinstitutional role, the Office recovers allocated revenue either from other institutions/equivalent bodies or from the users of various services. The types of revenue are generated through the sub-letting of property, the provision of office supplies and furniture, catering services, the Interinstitutional Children's Centre (CPE) and the Fitness Centre.

A. Planning

Main control objectives: Effectiveness, efficiency and economy, legality and regularity (compliance)

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 q: quantified nq: not quantified	Control indicators
<p>Recognition of the revenues is not done at the right moment (e.g. when they become due, when the ownership is transferred, when they become certain) or not for the right amount.</p> <p>Failure to notify the debtor through a pre-information letter or dispute from the debtor of the pre-information letter.</p> <p>Failure/ oversight to initiate the Recovery Order transaction.</p>	<p>Follow up of the recoveries for the interinstitutional budget (CPE and Foyer) and CAS subventions.</p> <p>Imprest administrator appointed for the revenue operations of Fitness Centre.</p> <p>Separate circuit and controls implemented for the catering activities – Delegated accountant, OSCAR and CIEL software.</p> <p>Timely and accurate follow up of the SLAs and contracts which give rights to recoveries.</p>	<p>Coverage All recovery orders or recoveries for catering activities.</p> <p>Depth (intensity) : Intensive controls including check of underlying documentation.</p>	<p>Costs : Estimation of cost of staff involved in the recovery of revenue.</p> <p>Benefits : Exhaustiveness of recoveries (q) Less revenues cashed in with delays (q) Error and fraud minimized (nq)</p>	<ul style="list-style-type: none"> - MP objectives followed through several indicators - Regular monitoring of the cashing of the recoveries - Budget reporting

B. Revenue Financial transactions

Main control objectives: legality and regularity (compliance with FR, RAP and with the contract signed), fraud prevention and detection.

Effectiveness, efficiency and economy, legality and regularity (compliance with FR, RAP)

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>Risk that counterparties pay or do not pay in time</p> <p>Risk of bad reputation due to non-compliance with rules in force (FR, RAP, accounting)</p> <p>Risk of mismanagement of cash income (specifically for catering activities)</p>	<p>Budget reporting includes revenue operations.</p> <p>A specific procedure for the recovery orders, encompassing all the specific cases managed by OIL: same level of controls and reporting as for expenditure.</p> <p>Recovery orders delays are followed up, on the basis of BO reports and quarterly reporting.</p> <p>Recovery orders exceptions kept in the register of exceptions.</p> <p>AOSD reports on financial matters include Recovery Orders.</p> <p>Specific procedures for the management and reporting of cash processes.</p> <p>Offsetting of unpaid recoveries with the amounts of invoices to be paid.</p>	<p>Coverage All recovery orders or recoveries for catering activities.</p> <p>Depth (intensity) : Intensive controls including check of underlying documentation.</p>	<p>Costs : Estimation of cost of staff involved in the recovery of revenue.</p> <p>Benefits : Amount of the revenue generated (q) Less revenues cashed in with delays (q) Error and fraud minimized (nq)</p>	<ul style="list-style-type: none"> - Amount of revenue generated - Percentage of outstanding recovery orders - Error detected by ex post control on the revenue operations - ECA, IAS and IAC audit recommendations - Register of exceptions - AOSD reports - Reports by the catering controller

C. Supervisory measures

Main control objectives: legality and regularity (FR, RAP, ICS...) , detection and correction of weaknesses

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 ex-ante controls fail to prevent, detect and correct negligence, irregularities, errors, losses or attempted fraud.</p>	<p>Ex-post control strategy (“surveillance” performed by independent staff not involved in the operational and financial circuits): carry out desk-reviews of a representative sample of operations to determine effectiveness of ex-ante controls (+ consider ex-post findings for feedback and improving the ex-ante controls)</p> <p>Recommended: to be able to serve multiple purposes (e.g. overall assurance, largest corrections), consider having at least 2 segments in the sampling, respectively random/representative and risk-based (for ‘complex’ transactions)</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>Coverage:</p> <ul style="list-style-type: none"> • Representative sample: random sample sufficiently representative to draw valid management conclusions • Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate). <p>Depth:</p> <p>Desk review of all underlying elements and documents.</p>	<p>Costs: Estimation of cost of staff involved in the supervision strategy (which may include missions and/or contracted services, if applicable).</p> <p>Benefits: Budget value of the errors, detected by the supervisors, which have actually been corrected.</p>	<p>- % of the execution of the annual ex post control programme</p> <p>- number of significant errors highlighted by EPC (errors at level 1 and 2)</p> <p>-% of errors vs total checked</p>