



2013

Annual Activity Report

**DG for Humanitarian Aid and
Civil Protection**

2013



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INTRODUCTION:

The DG/Service in brief

The Directorate General for Humanitarian aid and Civil Protection (ECHO) aims to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and human dignity of populations affected by natural disasters and man-made crises.

The two main instruments at the European Union's (EU) disposal to ensure rapid and effective delivery of EU relief assistance are humanitarian aid and civil protection.

ECHO provides humanitarian assistance to the most vulnerable victims of disasters in their immediate aftermath and also in cases of complex and protracted crisis situations, and this assistance is based on the principles of humanity, neutrality, impartiality, non-discrimination and independence, as set out in the European Consensus on Humanitarian Aid¹, and is implemented in partnership with international organisations and humanitarian NGOs.

ECHO also strongly supports the central and overall coordinating role of the United Nations in promoting a coherent international response to humanitarian crises and helps to make the EU's voice heard in international fora on humanitarian aid.

Response to natural and man-made disasters is equally provided through the EU Civil Protection Mechanism, which is under the remit of the same European Commission department (ECHO) and the responsibility of the Commissioner for International Cooperation, Humanitarian Aid and Crisis Response.

This instrument covers interventions in Member States, as well as in non-EU countries and it also facilitates the cooperation between the 32 States participating in the Civil Protection Mechanism and Financial Instrument (the 28 EU Member States, Norway, Iceland, Lichtenstein and Former Yugoslav Republic of Macedonia) in order to improve the effectiveness of systems for preventing and protecting against natural, technological or man-made disasters in Europe.

In the field of civil protection, ECHO works closely with Member States' civil protection authorities to improve disaster prevention, preparedness and response. With the frequency and complexity of disasters increasing both globally and inside the EU, ECHO aims to ensure robust coordination and planning of EU civil protection operations, making maximum use of available expertise and resources and ensuring full complementarity with EU Humanitarian Aid. At the same time, ECHO pursues effective prevention and preparedness policies with the Member States, thus ensuring a balance between Member States' responsibilities and European solidarity.

Day by day, ECHO mobilises help for people in need across the world. This help and assistance is a fundamental expression of the European value of solidarity with people in need, as endorsed and underpinned by the legal bases for both humanitarian aid and civil protection enshrined in articles 196 and 214 of the Treaty on the Functioning of the European Union.

¹ OJ of the EU C 25/01 of 30.01.2008.

The year in brief

As the world's largest humanitarian donor, the EU – its institutions and Member States – has throughout 2013 responded with determination to the challenges of natural disaster and armed conflicts, which brought about worrying trends across the globe.

For the second consecutive year, humanitarian assistance through the EU budget has exceeded the amount of € 1.3 billion in commitment appropriations. This was achieved through substantial increases of the initial amount of commitment appropriations and a matching increase in the number of interventions and victims reached. However the increases in payment appropriations, although substantial, were not matching in full the identified needs stemming from previous and new commitments. ECHO had therefore set up a series of ad-hoc measures, essentially by rearranging payment schedules, in order to cope with the given financial constraints. Those measures have permitted continuity of operations on the ground and did not affect ECHO's ability to meet the key objectives and policies, whilst assuring the full respect of the principle of sound financial management. Nevertheless such measures have generated moderate reputational damage towards the European Commission in the eyes of ECHO partners (see part 4).

Around 98% of the 2013 ECHO budget was split between its Humanitarian Aid and Civil Protection activities, whereas about 2% covered the administrative and policy parts. With respect to Human Resources, 53% of them are represented by operational staff, the rest being divided between administrative and policy support.

Given that the staffing level has not been increased over time, the implementation records have been made possible thanks to an increased overall productivity driven by streamlining of procedures, simplification and rationalisation of processes. This has come about through an internal "process review" launched in 2011 with the support of an external consultant, a key management priority aiming at optimising the business processes and supporting systems to achieve increased efficiencies across ECHO.

In 2013 the humanitarian needs took on new proportions. A number of factors contributed to the increase of humanitarian challenges, including the complexity of conflict situations and the widespread disregard of international humanitarian and refugee law. The combined impact of continuous demographic pressure and urbanisation, climate change, competition for resources, high and volatile food and energy prices, security threats and poor governance contributed to exacerbate vulnerabilities and to further increase humanitarian needs. The effects of the global financial crisis aggravated the challenge by limiting resources available for humanitarian ends.

In November 2013, the tropical cyclone Haiyan hit the Philippines and caused massive destruction, left thousands dead, around 4 million displaced and affected over 14 million people. Teams of EU humanitarian and civil protection experts were deployed to the worst hit areas within hours after the disaster to support relief efforts and assess the most acute needs. To ensure coordination of the European relief efforts and facilitate logistics, the EU Civil Protection Mechanism was activated. The EU and its Member States provided considerable humanitarian aid and in-kind assistance, exceeding €150 million in the immediate aftermath of the disaster. The European Commission also committed support to assist the medium-term rehabilitation, thus helping the population in the struggle to rebuilding their lives.

In Syria, an estimated 9.3 million people, nearly half of them children, have become affected by the on-going violence and require humanitarian assistance. At the end of 2013, around 6.5 million people were internally displaced, whilst the number of refugees in neighbouring countries – more than 2.3 million and growing - underlines the complex, regional dimension of the disaster. European assistance reaches up to 80% of the population affected by the crisis and brings concrete and

tangible results with immediate impact for those affected by the Syria crisis. The European Commission has in 2013 mobilised an additional €350 million for humanitarian aid, bringing the EU's total response to more than €2 billion since the end of 2011.

Whereas ECHO is mainly giving priority to life-saving operations in Syria and neighbouring countries with a special focus on most vulnerable people and refugees², the other EU instruments (ENPI, DCI, IFS, IPA) are more directed on stabilization and medium to longer-terms operations, mainly focusing on capacity building of local authorities and upgrading basic services (wash, health, education) to host communities as well as upgrading livelihood opportunities for these communities. Interservice coordination meetings on the Syria crisis are held monthly between the different services of the European Commission and the European External Action Service (EEAS) to discuss strategies and programming so as to avoid any risk of duplication and overlap.

Across the Sahel region, vulnerable households have been struggling to recover after the severe food and nutrition crisis that hit the region in 2012. This was aggravated by the on-going armed conflict in Mali, almost 16 million people remaining at risk from lack of food, among them 8 million in need of emergency food assistance. Building resilience for the most vulnerable communities to withstand future crises has also been a priority in 2013. To this end, the European Commission was a driving force in establishing the AGIR-Sahel initiative, which brings together all stakeholders around the pursuit of a 'Zero Hunger' goal for the Sahel over the next 20 years. Support to build resilience is a key policy priority both worldwide and within Europe. Preparatory work was carried out for the revision of the "Hyogo Framework for Action", in order to support long term global efforts to reduce the risks of disasters. The AGIR Regional Roadmap of Resilience Priorities was formally adopted in Paris in April 2013 by the main regional organisations and donors supporting the Sahel. It sets-out the principles, priority actions and indicators in great detail. The EU has decided to mobilise € 1.5 billion to support national and regional resilience priorities in the West Africa and Sahel region from its 11th European Development Fund (EDF) programme running from 2014 to 2020.

ECHO support to the population of Northern Mali was significant (€ 77 million). Almost 70% of health facilities were functioning and an estimated 900 000 people benefited from targeted food assistance thanks to the support provided by ECHO partners. From 2013, ECHO remained in permanent contact with the European Commission's development aid services to ensure a coordinated use of EU aid instruments in the transition phase. € 20 million has been allocated by the Instrument for Stability for short term stabilization and security actions. Part of the ECHO envelope to Mali has been approved through an EDF/LRRD³ decision of € 23 million. This envelope aimed to support access to basic services during the transitional period while the EC development department had made an initial commitment of € 225 million in a state building contract to assist the Government of Mali in restoring State authority, law, order and democracy and the delivery of basic services throughout Mali.

The EU is also strongly committed to helping those caught up in the world's forgotten crises⁴, dedicating around 15% of its humanitarian aid budget to meet the needs of people that largely escape the attention of media and donors. The Central African Republic (CAR) is experiencing a catastrophic humanitarian situation since December 2012, which had for too long been ignored by the wider international community. The European Commission allocated € 39 million of humanitarian

² ECHO has provided multi-sectoral humanitarian assistance to over 2.3 million refugees in neighbouring countries and 6.8 million IDPS inside Syria with shelter/NFIs, food, wash, health and protection being the main sectors.

³ Linking Relief, Rehabilitation and Development

⁴ A forgotten crisis is a humanitarian crisis that have been overlooked or neglected by the international humanitarian community and/or the global media.

aid to CAR - making it the country's main donor. Out of these, € 18.5 million have been provided by mid-December 2013 as inter-communal violence escalated dramatically after the 5th of December, forcing hundreds of thousands in the capital Bangui and throughout the country to flee their homes. These funds have been mostly allocated to health projects to allow the most vulnerable to benefit from primary and secondary health care as the public health sector may be considered as inexistent in the major part of the country. Moreover, the EU organised repeated airlift into the country to support the transport of humanitarian relief and aid personnel in the very challenging security environment. In addition, the Commission has organised an airlift from Europe, carrying 37 tonnes of medical supplies, and two flights from Nairobi bringing emergency shelter for over 100 000 of those displaced, blankets and basic household items such as kitchen utensils, soap and mosquito nets. In order to intervene quickly, ECHO has directly purchased and sent over 20 000 plastic sheeting to protect population displaced in Bangui but also in the countryside. Majority of the actions funded are focused on life-saving activities in a complex humanitarian context.

Three years after the devastating 2010 earthquake, the humanitarian needs in Haiti remains high. Indeed, 130 000 people are still displaced, the country still has the largest cholera epidemic in the world and it faces structural food insecurity. The EU stays fully committed and has in 2013 allocated further humanitarian aid of €30.5 million to help those still homeless as a result of the earthquake, cholera victims and those badly affected by hurricane Sandy. Backed by EU funding, humanitarian organisations carried out a wide range of emergency operations. As an example of EU impact on the Cholera crisis, in the first year of the epidemic, the EU funding made possible access to treatment for 158 814 people, support to 26 health facilities and 42 treatment units, oral rehydration for 122 500 people, access to improved sanitation facilities for 894 511 people and distribution of hygiene kits for 1.3 million people. The EU response has saved a significant number of lives, as the reduced mortality rate halved from 2.4% in November 2010 to 1.2% in December 2013.

ECHO's operations have shown a high degree of coherence and complementarity with actions carried out by other services. To cite a few examples, the neighbourhood approach and rehabilitation was built upon ECHO emergency intervention. Similarly, the Instrument for Stability funded 3 000 "brigadiers" to reinforce the response mechanism in the framework of civil protection public structures builds upon earlier DIPECHO actions. In addition, cyclone-resistant T-shelters built with ECHO funding have duration of more than one decade and income generation activities funded by ECHO, coupled with rental subsidies, have in most cases restored coping mechanisms and contributed to sustainable small scale economic activities. Finally, ECHO direct response and control measures to Cholera epidemics are to be seen in conjunction with the significant infrastructure and institution-building projects through development instruments aiming to the ultimate goal of eradicating the epidemics.

A further milestone of the integration of Humanitarian Aid and Civil Protection within ECHO was achieved by the inauguration of the Emergency Response Coordination Centre (ERCC) in May 2013, which has greatly facilitated the management of operations – especially in terms of coordination and reaction times to disasters – with the establishment of a full-fledged 24/7 duty system (on 1 October). The key mission of the ERCC is to provide operational support, integrated situational awareness and analysis for the coordination of actions through both humanitarian aid and civil protection instruments. The ERCC equally serves the co-ordination with other European Commission departments and with other relevant EU institutions, for example in the framework of the Integrated Political Crisis Response (IPCR) arrangements or the activation of the Solidarity Clause by a Member State concerned. The ERCC was activated 36 times during 2013. The figure includes monitoring, pre-alerts and requests for assistance. The ERCC established, monitored and supported the deployment of 14 EU Civil Protection (EUCP) teams, with 44 experts from Member States and 10 ERCC liaison officers (LO). The ERCC facilitated and coordinated transport of assistance from EUCP participating states to requesting countries. Transport grants were awarded for an amount of €3.6 million to deliver assistance to the Philippines in the aftermath of typhoon Haiyan.

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EXECUTIVE SUMMARY

Key Performance Indicators (KPIs)

The following 6 KPIs are the most relevant to assess the most critical aspects of ECHO and highlight its 2013 achievement and performance:

- The total number of beneficiaries of ECHO's intervention. In 2013 ECHO reached 124 million beneficiaries i.e. 15% above the 107 million target and 1% above 2012 result of 122 million beneficiaries;
- The percentage of funds dedicated to forgotten crisis: In 2013, 16% of ECHO budget has been allocated to forgotten crisis which is 6% above the set target of 10% and to the 2012 result;
- The percentage of Humanitarian Aid and Civil Protection funds allocated to Disaster Risk Reduction (DRR) activities: respectively 20% and 64% of Humanitarian Aid (HA) and Civil Protection (CP) funds were allocated to DRR activities in 2013 compared to initial target of 10% and 60%. In comparison with 2012, this represents an increase by 33% for HA (15% in 2012) and a decrease by 19% for CP (79% in 2012);
- The adoption of the new Union Civil Protection and EU Aid Volunteers Legislation. Both adoption were delayed due to difficult Multiannual Financial Framework (MFF) negotiations but were finally adopted in 2014 compared to initial target of year end 2013;
- The residual Error Rate (RER): the RER informs about the identified level of undetected and uncorrected errors in underlying transactions and is the key indicator for the assurance declaration. ECHO's RER remained stable at around 1.59% in the last few years (2011: 1.46%, 2012: 1.75%, 2013: 1.55%) and continues therefore to be below the materiality threshold of 2%.
- The percentage of key deliverables implemented from ECHO Process Review. The process review initiative aims at optimising the business processes and supporting systems to achieve increased efficiencies across the DG. As of today, 75% of the key deliverables⁵ are implemented as expected. Final implementation is planned during 2015.

⁵ For instance, the evidence-based decision making process has been fully reviewed, the new Framework Partnership Agreement (FPA) was finalised and many actions were held to raise awareness of ECHO policy framework. In addition, the introduction of the new (and revised) e-Tools (new e-Single Form, FichOp) is almost completed. IT developments are also ongoing to improve reporting facilities, develop key result indicators, set new process benchmarks and streamline contract management.

Policy highlights of the year

Policy priorities in the field of humanitarian aid focussed during 2013, on aid effectiveness, result-orientation and impact, which were the defined management priorities for both the revision of ECHO's Framework Partnership Agreements and the setting up of the new Delegation Agreements for Indirect Management. The development of clear guidance on thematic and cross-cutting issues such as resilience, disaster risk reduction, WASH, gender, nutrition and others, as well as targeted dissemination, training strategies and monitoring of implementation are helping to the best value for money and ensure that the needs of the most vulnerable crisis-affected population are addressed efficiently and effectively. Furthermore, concrete efforts are undertaken in disaster preparedness programme and to guide and foster the implementation of the European Commission's Resilience Communication and the linkage between humanitarian and development actions.

International cooperation is vital in the ever more challenging humanitarian landscape. Throughout 2013, the EU continued to use its strong voice in multilateral forums. Taking a leading role in the Transformative Agenda, the EU is aiming to enhance the collective humanitarian response through improved global coordination, leadership and accountability. Embracing the motto "Acting together for those in need", the EU through the European Commission is chairing the OCHA Donor Support Group (ODSG) in the period from July 2013 to July 2014. This is an important mechanism for humanitarian donor consultation on the activities of the United Nations' Office for Coordination of Humanitarian affairs (OCHA).

A political agreement on the regulation for the establishment of the EU Aid Volunteers programme was achieved at the end of 2013. The remaining challenge is the completion of the preparatory steps necessary for implementing the programme. The objective of the EU Aid Volunteers initiative is to contribute to strengthening the EU's capacity to provide needs-based humanitarian aid aimed at preserving life, preventing and alleviating human suffering and maintaining human dignity, and strengthening the capacity and resilience of vulnerable or disaster-affected communities in third countries, particularly by means of disaster preparedness, disaster risk reduction, and by enhancing the link between relief, rehabilitation and development.

Natural and man-made disasters, acts of terrorism, technological, radiological and environmental accidents can strike anywhere, at any time. When they happen, the role of the EU Civil Protection Mechanism is to ensure a rapid and coordinated response to help people caught up in disasters by drawing on the expertise and capacity available across the EU.

In situations like tropical cyclone Haiyan, which hit the Philippines in November, the European Commission's Emergency Response Coordination Centre (ERCC) was the operational heart of the EU response. The Centre operates 24 hours a day, 7 days a week. Launched in May 2013, the ERCC further strengthens the EU's disaster response capacity inside the European Union and globally. The ERCC collects real-time information on disasters, monitors hazards and ensures that interventions are effectively coordinated. In the Philippines, the ERCC facilitated the delivery of over 20 Participating States' personnel and relief material supplies, as well as supported the transport of civil protection assets to the region.

The assistance to fight forest fires in Greece, Portugal, Montenegro, Bosnia Herzegovina and Albania in 2012/13 and the aid provided to Syrian refugees in Syria's neighbouring countries are other recent examples of emergency response to help people in distress inside and outside the EU.

The EU Civil Protection Mechanism was activated 36 times in 2013. In addition, the ERCC monitored a number of disaster events on a daily basis. All EU Member States as well as the former Yugoslav Republic of Macedonia, Iceland, Liechtenstein and Norway participate in the Mechanism. Action

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focuses on those areas where a common European approach is more effective than separate national interventions.

A strengthened Civil Protection legislation was agreed in 2013, which will further improve the European disaster response operations. The new law will ensure more effective, efficient and coherent disaster management. Among other features, it enables the creation of a voluntary pool of Member States' assets (teams, equipment) available for immediate deployment as part of a joint European intervention. Risk assessments, prevention and preparedness are also covered by the revised legislation.

Key conclusions on resource management and internal control effectiveness

In accordance with the governance statement of the European Commission, ECHO conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The European Commission has adopted a set of Internal Control Standards (ICS) aimed to ensure the achievement of policy and operational objectives. As required by the Financial Regulation, the Director-General of ECHO has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the ICS and having due regard to the risks associated with the environment in which it operates.

ECHO has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the ICS are effectively implemented. Furthermore, ECHO has taken measures to further improve the efficiency of its internal control systems in the area of objectives and performance indicators as reported in part 3.

In addition, ECHO has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. The result of this assessment was overall positive and contributed to the assurance building required by the Declaration of Assurance.

In conclusion, while noting the reputational impact of the ad-hoc measures put in place to cope with the lack of payment credits, ECHO has reasonable assurance that, overall, suitable controls are in place and working as intended, risks are being appropriately monitored and mitigated, and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of Commissioner Georgieva, responsible for International Cooperation, Humanitarian Aid and Crisis Response.

1. POLICY ACHIEVEMENTS

Achievement of general and specific objectives

The general objectives as stated in the 2013 Management Plan of the EC funded humanitarian assistance and civil protection activities have been translated into six specific operational objectives. The indicators and targets have been defined in relation to DG ECHO'S capacity to swiftly provide assistance in crises and in those areas where assistance is most needed. Given the character of the operations for which ECHO is responsible, the heterogeneous type of interventions and the absence of multi-annual planning (operations are short-term), the definition of long-term planning and concrete targets and indicators for the policy area is complicated. Nevertheless, further efforts have been ensured for performance reporting in the MP 2014.

The evaluations completed in 2013 confirmed that, in general terms, DG ECHO's actions contributed to an effective implementation of its objectives. Whereby details are provided in the Annex, key elements are summarised below:

- **The Shelter Sector:** The humanitarian interventions of ECHO address coherently the shelter needs and provide an effective direct operational support. DG ECHO has consistently promoted effective coordination processes. The partnership approach would be subject to future improvement, whereby prioritisation, decision-making and coordination responsibilities are shared in a transparent process, including all stakeholders – Objectives 1 and 4.

- **The potential effectiveness and efficiency gains of working directly with local NGOs:** The evaluation assessed the potential gains from working directly or at least more closely with local NGO (LNGO), as compared to current practice. This is, however, not possible under the current legal framework. The evaluation concluded that closer working relationships between ECHO and LNGOs would not necessarily result in improved cost-effectiveness, but that DG ECHO should better acknowledge the complementarity of the respective strengths and weaknesses of INGO and LNGO in delivering humanitarian aid with due efficiency and effectiveness – Objectives 1, 5 and 6.

- **Disaster Risk Reduction Activities (DIPECHO) in Indonesia:** DG ECHO emergency humanitarian assistance in Indonesia was credited as one of the most relevant actions. DG ECHO directed its assistance to the most vulnerable groups affected by disasters often largely ignored by other donors: food crises in Eastern Indonesia, the West Java earthquake largely underfunded by external donors were some of the “forgotten crises”. ECHO went a step further by identifying those with special needs as some of the most affected by a disaster: for instance children with disabilities, especially mental disabilities, a group normally hidden from sight by the communities – Objective 5.

- **The integrated approach of food security and nutrition in humanitarian context:** The main objective of the policy examined is to create good operational linkages between nutrition-specific interventions and food assistance programming. According to the evaluation, which has a predominant focus on lessons learned, this has been partly successful so far and DG ECHO will need to pursue this objective to further exploit lessons learned across the food assistance programming – Objectives 1 and 4.

1.1.1 Humanitarian Aid: Specific objective 1: Ensure Rapid, effective and

needs-based delivery of EU relief assistance - implemented according to plan

| ABB activity: Humanitarian Aid | | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending |
|--|--|--|---|
| Specific Objective 1 | | Target | Current situation |
| Ensure rapid, effective and needs-based delivery of EU relief assistance and humanitarian aid to people faced with the immediate consequences of natural and manmade disasters and provide assistance to victims of protracted crises | Share of funding directed to high priority areas (Source: ABAC/Hope and IAF) | Majority of HA and food assistance funding is to cover the humanitarian needs of high priority areas | € 1 081 millions i.e. 88.3% of the total geographical funding allocations |
| | Share of funding for forgotten crises (Source: ABAC/Hope) | ≥ 10% of initial budget allocated to forgotten crises | 16.4% |
| | Coverage of major emergencies (Source: ABAC/HOPE/IAF) | All major emergencies covered | 100% |
| | Total number of beneficiaries of ECHO's interventions (Source: Hope) | > 100 million beneficiaries | 106 million beneficiaries |

1.1.2 Civil Protection: Specific Objective 2: Facilitate the co-operation between EU MS for enhanced effectiveness - implemented according to plan

| ABB activity: Civil Protection | | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending |
|--|---|---|---|
| Specific Objective 2 | | Target | Current situation |
| Facilitate the co-operation between EU Member States for enhanced effectiveness of the systems for responding to natural, technological and man-made disasters. | Number of modules registered (Source: CECIS) | All Participating States (PS) to the Mechanism to register at least one type of module in CECIS database. | 25 out of 32 PS* |
| | % of effective responses to Member States requesting assistance through the Civil Protection Mechanism. (Source: CECIS) | Responses to all requests by Member States for assistance to the MIC ⁶ . | 100% |

⁶ MIC is the former Monitoring and Information Centre, currently ERCC

| | | | |
|--|---|---|-------|
| | % of effective responses to third countries requesting assistance through the Civil Protection Mechanism. (Source: CECIS) | Responses to all requests by Third Countries for assistance to the MIC. | 100% |
| | % of needs put in CECIS covered by the offers of Participating States to the Mechanism. (Source: CECIS) | 100% coverage of the needs. | 30%** |
| | % of major emergencies covered by a deployment of at least one module (Source: CECIS) | Deployment of at least one module for each major emergency. | 100% |
| <p>* The number of participants varies from one year to the other. In 2013, one of the Head of team courses did not take place and a number of rehearsal training courses were reduced, which resulted in a smaller number of experts participating in training courses.</p> <p>** In 2013, a large number of needs were expressed in requests for assistance made by states outside the EU that were faced with the consequences of complex emergencies. In particular, Jordan and Lebanon requested assistances to deal with the influx of Syrian refugees. The EU civil protection mechanism is primarily oriented to dealing with rapid onset disasters (and natural disasters in particular) and less with complex emergencies. Consequently there were many needs that could not be fulfilled by the Mechanism and its participating states.</p> | | | |

1.1.3 Civil Protection: Specific Objective 3 development of the civil protection policy framework - implemented according to plan

| ABB activity: Civil Protection | | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending |
|--|---|--|---|
| Specific Objective 3 | | Target | Current situation |
| Development of the Civil Protection Policy framework in cooperation with member states and international actors | Conclude negotiations in EP and Council on proposed Union Civil Protection Mechanism (Source: official communication) | Negotiations completed by mid-2013 | Achieved in November 2013* |
| | Develop civil protection policy in the fields of response planning, lessons learned, training network, exercise evaluation (Source: official communication) | Draft proposals ready for discussion in committology by end 2013 | Delayed but delivered in February 2014* |
| | Joint Commission/EEAS proposal on Solidarity Clause adopted (Source: official communication) | Proposal adopted and submitted to Council in first semester 2013 | Achieved in December 2013 |
| | Integrate marine pollution policy and work into the civil protection (Source: official communication) | Enhance coherence and consistency between CP and marine pollution policy by end 2013 | Achieved in 2013 |

| | | | |
|---|---|---|--------------------------------------|
| | Ex post evaluation of Civil Protection Financial instrument and Preparatory action on an EU Rapid response capability (Source: Evaluation report) | Delivery of the Evaluation report on the Civil Protection Financial Instrument (CPFI) and Preparatory action on an EU Rapid response capability by mid-2013 | Delayed, reprogrammed for end 2014** |
| | Develop a network of training institutions and overall training strategy (Source: ECHO monitoring tool) | Establishment of the training network | Ongoing and on track |
| | Overall: developed strategy for international cooperation on CP and humanitarian aid (Source: official communication) | Coherent strategy based on clear criteria agreed in ECHO by mid-2013 | Achieved |
| | Implementation of international agreements (Source: official communication) | Agreements in place and start of implementation by end 2013 | Achieved |
| | Participate in the MIC duty system (HR database) | Fill in the respective quota set up for AD and AST taking part in the MIC 24/7 duty system | Achieved |
| <p>* Several slight delays were noted due to the late adoption of the new EUCPM legislation. This did not affect the realisation of planned objectives.</p> <p>** The ex-post evaluation on the CPFI has been delayed due to some delays in the reception of the final reports from contractors. It will nevertheless respect legal base deadlines (end 2014)</p> | | | |

1.1.4 Humanitarian Aid and EU Aid Volunteers (EUAV): Specific Objective 4: establish an implementation framework - implemented according to plan

| ABB activity: Humanitarian Aid (EUAV) | | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending |
|--|--|--|---|
| Specific objective 4 | | Target | Current situation |
| Establish an implementation framework to maximise impact and results of EU relief assistance, including a strengthened resilience policy, to boost post-crisis rehabilitation and | Launch of a stakeholder consultation to identify avenues for further increasing the impact of EU Humanitarian Aid (Source: ECHO monitoring tool) | Adoption of a policy initiative following the stakeholder consultation | Delayed to 2015 due to postponement of World Humanitarian Summit* |
| | Launch of an evaluation of the impact of the European Consensus on Humanitarian Aid and its Action Plan (Source: Evaluation Plan) | Launch preparatory work on a possible Action Plan II to the Consensus | Achieved |

| | | | |
|--|---|--|--------------------------------------|
| transition towards sustained development | Preparations for launch of EU Aid Volunteers advanced (Source: official communication) | Legislative framework adoption by end 2013 (subject to agreement on MFF), with necessary preparatory action for launch of 'EU Aid Volunteers' programme in 2014. | Delayed but adopted in February 2014 |
| | Guidelines issued for intervention sectors in humanitarian aid (Source: official communication) | Set of guidelines for specific intervention fields completed by 2013 (Gender, LRRD, resilience and cluster approach) | Achieved |
| | Policy on Nutrition finalised (Source: official communication) | By mid-2013, Communication and Council conclusions adopted | Achieved |
| * Following the stakeholder consultation mentioned above, a report was published in May 2013 and a stakeholder conference was organised in June 2013. A follow-up policy initiative (possibly a communication) was to be linked to the World Humanitarian Summit, originally planned for 2015. As the Summit has been postponed to 2016, the policy initiative has subsequently been put on hold until 2015. | | | |

1.1.5 Humanitarian aid and Civil protection: Specific Objective 5, develop and promote disaster prevention strategies, disaster risk reduction (DRR) and preparedness - implemented according to plan

| ABB activity: Humanitarian Aid +Civil Protection | | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending |
|---|---|--|---|
| Specific objective 5 | | Target | Current situation |
| Develop and promote disaster prevention strategies, disaster risk reduction and preparedness | Number of persons benefiting from DRR actions in disaster prone countries/regions. (Source: Hope) | > 7 million beneficiaries | 18 million |
| | % of humanitarian aid funds allocated to DRR (including DIPECHO, DRR and capacity building) (Source: Hope/ABAC) | >10% of operational expenditure in humanitarian aid dedicated to DRR | 20% |
| | % of civil protection funds allocated to DRR - preparedness and prevention activities – (Source: ABAC/CP Monitoring tool) | 60% of the operational budget in civil protection dedicated to DRR | 64.6 % |

| | | | |
|--|--|---|--|
| | Number of participants to courses improving the preparedness skills of experts, managers, and administrators, at the operational and administrative level in order to reinforce and facilitate co-operation in civil protection assistance interventions. (Source: CP monitoring tool) | > 940 experts taking part in training courses | 903 experts* |
| | Number of countries participating in exercises aiming at improving the response capacity of civil protection teams participating in real time interventions (Source: CP monitoring tool) | By the end of 2013, all Participating States to the Mechanism have participated in at least one exercise, including modules exercises | By the end of 2013, 31 out of 32 Participating States to the Mechanism have participated in at least one Civil Protection Exercise** |
| | Number and type of instruments developed in order to foster best practices, training and awareness-raising in disaster prevention (Source: CP monitoring tool) | By the end of 2013, all Participating States to the Mechanism will have attended at least one course/module for disaster prevention | By the end of 2013, 31 out of 32 Participating States to the Mechanism will have attended at least one course/module for disaster prevention** |
| <p>* In 2013, one of the Head of team courses did not take place and a number of rehearsal training courses were reduced, which resulted in a smaller number of experts participating in training courses.</p> <p>** The decision to participate in the exercises is taken by Participating States. European Commission cannot force participation. In this case Liechtenstein decided not to participate and has moreover written to the European Commission that it wishes to withdraw from whole the EU Civil Protection Mechanism.</p> | | | |

1.1.6 Humanitarian aid, Civil Protection and EU Aid Volunteers: Specific Objective 6, transport, logistics and security - implemented according to plan

| ABB activity: Humanitarian Aid + Civil Protection | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending | |
|--|--|---|-------------------|
| Specific objective 6 | | Target | Current situation |
| Develop and implement facilitation solutions for transport and logistic challenges in the delivery of humanitarian aid and civil protection assistance and strengthen the security of persons and installations | Number of transport operations carried out by ECHO FLIGHT service (Source: ECHO monitoring tool through Fichop and aircraft reporting) | More than 1 000 transport operations safely concluded | Achieved |
| | Develop a security network in the field (Source: ECHO monitoring tool and Risk assessment) | Security network in the field completed | Achieved |
| | Drafting of an annual Procurement Plan in each region (Source: ECHO monitoring tool) | Annual Procurement Plan followed and purchases initiated on time | Achieved |

1.1.7 Humanitarian aid, Civil Protection and EU Aid Volunteers: Specific Objective 7, effective coordination with donors and relief organisations - implemented according to plan

| | | | |
|--|---|--|---|
| ABB activity: Humanitarian Aid +Civil Protection | | | <input checked="" type="checkbox"/> Spending programme <input type="checkbox"/> Non-spending |
| Specific objective 7 | | Target | Current situation |
| Ensure effective coordination with donors and relief organisations | Number of organisations and donors with whom coordination meetings were held (Source: ECHO monitoring tool) | The proactive organisation of coordination meetings with relevant humanitarian actors whenever necessary. | 80 organisations and donors* |
| | Number of countries using the information systems at EU level on humanitarian aid (Source: EDRIS ⁷) and civil protection and marine pollution (Source: CECIS) | Regular use by Member States and non-EU Participating States to the Civil Protection Mechanism in the information systems on humanitarian aid, civil protection and marine pollution | Target achieved |
| * This includes organisations and donors in meetings with the COHAFA (the Council Working Group, which met in 2013 18 times, of which 2 times informally), the ODSG (OCHA donor group), the GHD (good humanitarian donorship initiative), meetings on the Transformative Agenda, the emergency directors group as well as (strategic) dialogues with the US, UNICEF, WFP, UNHCR and DFID. The number also takes account of selected NGOs (being members of the VOICE network). | | | |

Specific efforts to improve 'economy' and 'efficiency' of spending and non-spending activities

According to the financial regulation (art 30), the principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner and according to the principle of economy.

ECHO is continuously fine-tuning its internal processes in order to improve the efficiency and economy of its operations. In particular, the internal "process review" launched in 2011 and largely

⁷ European Disaster Response Information System

implemented in 2013 has achieved a number of improvements resulting in economy and efficiency gains. The following two initiatives show how these principles are implemented in ECHO:

1.1.8 New IT tool for submission of proposal by ECHO partners (e-single form)

The process of submission of proposals (e-single form) has been streamlined through the implementation of a more user friendly IT tool in November 2013 with efficiency gains to both ECHO staff and processes and ECHO's external partners. This is an output of the internal process review developed under the revision of the new Framework Partnership Agreement which started in the 1st quarter of 2012.

ECHO partners are now required to use a pre-set standard form based on pdf technology to submit proposals for funding. This form is conceived to allow an user friendly use of the document with gains in terms of efficiency. These are further enhanced by the simplification of the entry point to the form and the subsequent submission process.

These new user friendly features equally benefit ECHO staff improving the access to all documents on the proposals as well as its comparability.

1.1.9 Streamlined payment process

A set of measures introduced in 2013 aiming at streamlining the financial circuits applicable to the payment cycle has resulted in improved efficiency and economy. ECHO highlights the introduction of parallel operational and financial validation processes instead of separate and succeeding processes which allowed reducing considerably the time to pay.

These efficiency gains are demonstrated when comparing the statistics on the average time to pay amounting in 2012 to 41.8 days and 28.2 days in the first semester of 2013, leading to a decrease of 32.5%. Taking the full year of 2013, the indicator amounted to 35.1 days showing an improvement of the results in comparison to 2012, whilst indicating a deterioration of the situation in the second semester. This is explained by the impact of the ad-hoc measures taken to cope with insufficient payment credits as explained in Part 2, namely the postponement of payments, in some cases from June, until budget reinforcements were made available in November. It is to be noted that, should the measures not be implemented the time to pay would have been significantly higher has demonstrated by the evolution of the indicators from the first semester of 2013 and full 2013.

The positive impact resulting from the implementation of such measures has generated economy gains as the number of late payments, which legally generate the payment of interests, has decreased from 1 113 in 2012 to 702 in 2013. As mentioned previously, the ad-hoc measures taken in relation to insufficient payment credits have negatively impacted the number of late payments in the last two months of 2013 which accounted to 421 (out of 702).

2. MANAGEMENT OF RESOURCES

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors.

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives⁸. It is structured in three separate sections: (1) the DG's assessment of its own activities for the management of its resources; (2) the assessment of the activities carried out by other entities to which the DG has entrusted budget implementation tasks; and (3) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

2.1 Management of human and financial resources by ECHO.

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

Human resources

Human resources at headquarters at the end of 2013 totalled 321 staff, of which 221 statutory and 100 non-statutory (details are in annex 2).

In order to improve the European Commission's response to disasters and within the framework of the EU strategy to strengthen its response to disasters and to crises in third countries (COM (2005)153), ECHO employed 149 field experts and 315 local staff, making a total of 464 people working in ECHO's field offices as of 31 December 2013.

Financial resources

The table below provides a breakdown of the contracts (agreements) signed in 2013 by type of expenditure, category of implementing partners and management mode:

⁸ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

| Type | Number | Amount | % | Management mode ⁹ |
|---|--------------|----------------------|--------------|------------------------------|
| Support expenditure and technical assistance | 288 | 57 798 159 | 4% | DM |
| Grants for humanitarian operations | 812 | 1 367 975 268 | 94.4% | |
| <i>NGOs</i> | 550 | 674 816 546 | 46.6% | DM |
| <i>International Organisations</i> | 62 | 116 284 114 | 8% | IM |
| <i>United Nations</i> | 200 | 576 874 608 | 39.8% | IM |
| Civil protection | 71 | 23 992 764 | 1.6% | DM |
| TOTAL | 1 171 | 1 449 766 191 | | |

ECHO activities are implemented under **direct management (52%)** and **indirect management¹⁰ (48%)**. Humanitarian operations are **delivered by NGOs (47%), agencies of the United Nations (40%) and other international organisations¹¹ (8%)**.

Regarding payments, the table below shows the total amount broken down by type of expenditure:

| Type | Amount | % |
|---|----------------------|--------------|
| Administrative Expenditure | 1 877 321 | 0.1% |
| Support expenditure and technical assistance | 8 782 717 | 0.7% |
| Grants for humanitarian operations | 1 239 803 864 | 97.9% |
| Civil protection | 16 918 605 | 1,3% |
| TOTAL¹² | 1 267 382 507 | |

Commitments have remained high in 2013 as a result of the substantial increases to the initial budget for commitment appropriations. However, corresponding increases of payment appropriations have not followed the same trend which has further deepened the already alarming structural **deficit of payments appropriations**. Faced with the unavailability of payment appropriations to meet the payment obligations of the second semester 2013, and in compliance with the principle of sound financial management, the AOSD has put forward requests for budget reinforcements and adopted a set of ad-hoc measures rearranging payment schedules in order to cope with this situation, namely the reduction of pre-financing and the postponement of all final payments from June 2013 (resulting in a carryover of € 160 million in payment arrears at the end of 2013). Although these measures permitted continuity of operations on the ground, they have resulted in some reputational damage with ECHO's external partners and other stakeholders. It is anticipated that the deficit of payment appropriations will aggravate in 2014 if adequate budget reinforcement is not ensured.

The proper implementation of ECHO-funded operations, applicable to both management modes

⁹ Direct Management (DM), Indirect Management (IM) previously referred as joint management

¹⁰ Previously referred as Joint Management

¹¹ International Committee of the Red Cross, International Federation of the Red Cross and International Organisation for Migration

¹² Includes budget managed by entrusted entities

used by ECHO (direct and indirect management), is ensured through several layers of checks and controls at the various stages of the project cycle of humanitarian operations. These controls should not be seen in isolation, each of them contributing to providing the overall reasonable assurance on the legality and regularity of transactions. The main aspects¹³ of the control strategy developed by ECHO, its supervision and monitoring procedures and the ex-ante and ex-post controls applicable to both direct and indirect management are described below:

- Strict selection and quality control mechanisms for partners (through regular and ad-hoc assessment of NGOs and 4-pillar review and regular assessment of International Organisations);
- Strictly needs based systems for identification of actions to be funded ;
- Ex-ante controls on the selection of projects, and before the contract's signature;
- Regular monitoring of all projects by ECHO, including field visits of the actions;
- Control of eligible expenditure both by ECHO operational and financial desk officers to ensure that financial transactions are in conformity with the applicable rules;
- Financial audits and verification missions done during and after implementation of the actions;
- Evaluation and review programs.

Control effectiveness as regards legality and regularity

| Indicator | 2013 | 2012 | Multi-Annual (2011-13) | Budget Coverage* |
|---|----------------|---------------|------------------------|------------------|
| Detected ineligible expenditure by ex-ante controls | € 12.8 million | € 8.7 million | N/A | 99.2% |
| Detected ineligible expenditure by ex-post audits | € 2.3 million | € 5.4 million | € 10.3 million | 99.2% |
| Residual error rate | 1.55% | 1.75% | 1.59% | 99.2% |
| Recovery orders following audit/verifications | € 0.83 million | € 2.4 million | N/A | 99.2% |
| Cashed in/Offset | € 0.63 million | € 2 million | N/A | 99.2% |

* Payments

ECHO has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the payments concerned. The control objective is to ensure that the **residual error rate does not exceed 2% on both an annual and a multiannual basis**. The residual risk of error is estimated by the residual error rate obtained from the implementation of ECHO's audit and control strategy after any

¹³ For more detailed information, please refer to Annexe 5: Internal Control Template of ECHO

corrections made resulting from the other supervisory and control systems in place.

ECHO performs **ex-ante controls of all eligible expenditure** claimed by the partners to ensure conformity with the applicable rules before performing the final payment. This control is done by both the operational and financial desks. In 2013, a **total of € 12.8 million** (€ 8.7 million in 2012) has been detected and corrected. An amount of **€ 8.8 million** (€ 7.7 million in 2012) related to expenditure implemented under **direct management** and **€ 4 million** (€ 1 million in 2012) under **indirect management**.

Additional controls are ensured by the implementation of ECHO's **audit strategy**. The audit strategy ensures that every ECHO partner organisation is selected for audit – be it in field or at HQ - on average every three years. A broad sample of contracts with each chosen partner is then selected for audit covering 20% to 100% of signed contracts with that partner. The contract sample is designed to be a cross section of high and low value contracts, covering different countries and decision types while at the same time including any contracts judged to be higher risk (based on previous audits, specific requests or other risk assessments). Audits are then carried out on all the costs incurred on these contracts using standard audit methodologies¹⁴. If any systemic errors are found, auditors are asked to audit all transactions within the same budget heading on that contract (rather than extrapolate based on a sample).

The implementation of ECHO's **Annual Audit Plan** has detected ineligible items amounting to **€ 2.3 million** (€ 5.4 million in 2012). This represents an amount of **€ 2 million** (€ 4.6 million in 2012) related to expenditure implemented under **direct management** and **€ 0.3 million** (€ 0.8 million in 2012) under **indirect management**. The reported figures relate to the findings of ex-post HQ audits/verifications. In 2014, the detected ineligible items resulting from audits/verifications done on the field will also be reported even if these do not lead to recoveries as the audited/verified contracts are always reviewed during the audits/verifications done at HQ level.

The resulting **detected error rate in the period 2011-13** amounted to **1.78 %** (1.62%, 1.96% and 1.61% in 2013, 2012 and 2011 respectively) and covers 99.2% of all payments done during the year¹⁵. It is not possible to establish the same indicator per management mode as the representativeness of expenditure implemented under indirect management is not ensured. This is related to the application of the "notional approach" which limits the likelihood of establishing a recovery order after a verification. Therefore, the cost-benefit ratio of such verifications does not justify performing verifications at HQ above a certain level. Note that, the coverage of field verifications ensures the audit/verification coverage previously described.

Each layer of the control architecture reduces the **amount at risk** faced by ECHO. The amount at risk for ECHO in 2013 was **€ 19.5 million**. This represents **1.55%** of all the payments done in 2013 which is stable compared to 2012. The **Multi-annual residual error rate for the period 2011-2013 is 1.59%**. These figures remain **below the set materiality threshold of 2% (see table below)**.

¹⁴ Within each audited project, audit sampling ranges from 35% to 70 % of the total claimed expenditure depending on the risk profile of the audited Beneficiary

¹⁵ Administrative and Support Expenditure is not covered by ECHO's Audit Strategy

| Multi-Annual Residual error rate (in € million)* | | | | |
|---|---------------------|--------------|--------------|--------------|
| | Multi-Annual | 2013 | 2012 | 2011 |
| A. Detected Ineligible Expenditure (source audit database) | 10.3 | 2.3 | 5.4 | 2.6 |
| B. Value of projects audited (source audit database) | 580.9 | 139 | 278.3 | 163.6 |
| C. Representative detected error rate after ECHO controls (A/B) | 1.78% | 1.62% | 1.96% | 1.61% |
| D. Final ECHO budget (source ABAC) | 3 455 | 1 257 | 1 130 | 1 069 |
| E. Value of projects audited (source audit database) | 580.9 | 139 | 278.3 | 163.6 |
| F. Outstanding budget unaudited by ECHO (D-E) | 2 874 | 1 118 | 852 | 905 |
| G. Amount at risk** | 54.9 | 19.5 | 19.7 | 15.6 |
| H. Residual error rate (G/D)*** | 1.59% | 1.55% | 1.75% | 1.46% |

* Methodology applied has been modified by considering the detected error rate under A. and the establishment of the amount at risk under G – 2012 & 2011 calculations have been modified accordingly.

** The amount at risk is the representative detected error rate (C.) multiplied by the part of the budget which has not been audited (F.) and the amount of detected ineligible expenditure (A.) not corrected.

*** The residual error rate is the ratio between the amount at risk (see above) and the total budget.

The methodology to calculate the residual error rate has been further updated to better align it with the Commission's guidelines. The indicator A. (see table below) is now calculated on the basis of the detected error rate. ECHO remains convinced that using the amounts of recovery orders issued after ECHO audits allows incorporating the specificities linked to humanitarian aid in the calculation of the residual error rate. For the sake of coherence, the use of previous methodology would result in a residual error rate for 2013 of 0.51% leading to a multi-annual rate for the period 2011-2013 of 0.81%.

The value of **recovery orders** issued following an audit/verification amounted to € **0.83 million in 2013** (€ 2.4 million in 2012). This represents an amount of € 0.79 million (€ 2.3 million in 2012) related to expenditure implemented under direct management and € 31 thousand (€ 80 thousand in 2012) under indirect management. The low amount of recoveries under indirect management is related to the application of the "notional approach" as explained previously.

The gap between the detected error rate and the amount of recoveries results from the consideration of the specific field constraints observed during the implementation of the operations which have been taken into account when analysing the detected ineligible expenditure from an operational point of view. For instance, the non-respect of partner's procurement rules due to the constraints linked to theatre of operations (access, security, emergency...) and/or operation and

acceptance of VAT in countries where the bureaucratic procedure for VAT reimbursement or exemption renders extremely difficult to obtain it.

€ 629 thousand have been **cash**ed in **2013** representing **76.2 %** of the value of recovery orders (€ 2 million and 82% in 2012). The outstanding non-cashed amounts are related to recoveries for which process is still on-going.

Control efficiency and cost-effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls.

ECHO has produced an estimation of the costs of the main control processes. However, there are a number of non-quantifiable benefits resulting from the controls operated during several different control stages, namely the monitoring of actions, ex-ante field audits and the certification and regular assessment of partners.

The benefits of control in non-financial terms cover: better value for money, quality assurance and compliance with professional quality standards, deterrent effects, efficiency gains, system improvements and compliance with regulatory provisions.

The following **indicators** support the analysis of **control efficiency**:

| Indicator | 2013 | 2012 | Budget Coverage* |
|--|-----------|---------|------------------|
| Average time to pay | 35.1 days | 42 days | 100% |
| Payments within legal time | 80% | 71% | 100% |
| Assessment of NGOs | 100% | 100% | 46.5% |
| Monitoring of actions | 94% | 90% | 99.2% |
| Consumption rate of payment appropriations | 99.4% | 99.1% | 100% |

*Payments

- The **average time to pay was 35.1 days** (42 days in 2012), **80% of payments were executed within the legal time** (71% in 2012), the average days of suspension were **33 days** (37 days in 2012). Although the shortfall in payment credits required rearrangement of payment schedules, all indicators show an **improvement**, this evolution is attributed to the streamlining of the payment process (see sub-chapter 1.2.2.);
- ECHO performs regular and ad-hoc assessment of NGOs. This process is interlinked with the assessment of partners carried out during the selection process. Partners are assessed yearly in order to check that the conditions needed for the signature of the framework contract are still met. In 2013, **11 new partners** were selected (4 accepted and 13 rejected in 2012). Assessments were revised to allow for the identification of those partners who could sign a new framework contract (for the period 2014-20). It was decided to firstly **assess the operational capacity of 207 existing partners**, while eight partners were not considered

because either they did not submit the requested information or presented serious financial weaknesses. The remaining partners went through an assessment of their financial and legal situation to determine eligibility to sign the new framework contract (192 partners assessed and 4 partners excluded in 2012);

- In 2013, ECHO took action to **enhance the methodology applied to the assessment of partners**. The new methodology now focuses on NGOs' financial robustness which is one of the two aspects previously assessed. The second, the assessment of compliance of partners' procurement rules with the applicable general conditions, now forms part of ECHO's audit strategy. The applied audit methodology already included these aspects; the revised arrangement therefore eliminates duplicated processes and optimises the efficient use of resources. As regards the assessment of the NGOs' financial robustness, ECHO has simplified the assessment process. For example, the number of indicators has been reduced to two indicators¹⁶, whilst still ensuring the effectiveness of the assessment. In addition, provision of required information by partners is done through an IT tool¹⁷ fostering economy and efficiency gains. Finally, a risk assessment is undertaken at liquidation phase to identify the integrity of the partners' financial statements. This is done by reviewing the most recent HQ audit report and the reported potential disallowance.
- Monitoring of actions is one of the pillars of ECHO's control architecture and it is ensured by the geographical desks at headquarters and technical assistants in the field. **774** out of 827 have been **monitored in the field** representing a coverage of **94%** (90% in 2012). Monitoring may in some cases not be possible due to problems of access, security and other constraints;
- **109 audits/verifications have been conducted by ECHO** (100 in 2012). This figure is broken down into 12 field (ex-ante) verifications of UN agencies/International Organisations (indirect management) (6 in 2012), 3 audits of civil protection grants (3 in 2012), 46 field (ex-ante) audits of NGOs (36 in 2012) and 48 HQ (ex-post) audits (direct management) (55 in 2012). This represent a 100% implementation rate of the 2013 audit plan;
- **The consumption rate of payment appropriations amounted to 99.4%** (99.1% in 2012);
- The **cost of externalisation (remuneration)**¹⁸ related to the budget implemented under indirect management amounts to **7%**¹⁹ of the cost of the operations. This amount is meant to cover overhead costs and is **also applied to** operations implemented by **NGOs** under direct management **at the same rate**.

Cost effectiveness is assessed on the basis of the following indicators and considerations:

| Indicator | 2013 | 2012 | Budget Coverage* |
|--|---------------|------|------------------|
| Average cost of field audits/verifications | € 18 thousand | N/A | 99.2% |

¹⁶ Liquidity ration and Financial independence

¹⁷ HOPE

¹⁸ Article 40 of the rules of application of the Financial Regulation applicable to the general budget of the Union.

¹⁹ One exception is noted with an International Organisation charging 6.5%

| | | | |
|--|-----------------------|-----------------------|-------|
| Average cost of HQ audits/verifications | € 22.2 thousand | N/A | 99.2% |
| Estimated cost of control (% of payments budget) | € 34.3 million (2.7%) | € 33.1 million (2.9%) | 99.2% |
| Estimated quantifiable benefits | € 15.1 million | € 14.4 million | 99.2% |

* Payments

- The **average costs of an ex-ante field audit amounted to € 18 000 and € 22 200 for an ex-post HQ audit**. The cost difference is explained by the fact that the audit scope of HQ audits is wider, in that they control the legality and regularity of a higher number of actions. The cost of audit assignments undertaken by audit firms for outsourced audits amounted to € 2.4 million in 2013 (€ 1.6 million in 2012):
- The **estimated cost of ECHO's control strategy** represents **2.7%** of ECHO's 2013 **budget** (2.9% in 2012) representing an estimated absolute amount of **€ 34.3 million** (€ 33.1 million in 2012). The main components of this indicator are:
 - The total staff costs of ECHO experts in the field, plus those of the financial and operational units multiplied by the estimated portion of time (50%) dedicated to quality assurance, control and monitoring activities;
 - the total resources in ECHO's external audit sector devoted to audits and verifications in 2013, which is composed of 5 staff members, of which 3 are auditors, plus an implemented budget of € 2.4 million for contracts with external auditors.
- The **estimated quantifiable benefits** resulting from the implementation of ECHO's control strategy amounts to **€ 15.1 million** (€ 14.4 million in 2012). This figure includes the detection and correction of ineligible items through ex-ante controls and the ex-post audits. This figure does not take into account the detected ineligible items by ex-ante audits in the field, all audited actions are systematically reviewed during ex-post HQ audits and therefore, these detected ineligible items are not reported in case they are corrected by the partners before submission of the final report. This indicator will be provided as from 2014 since it gives an indication of the quantifiable benefits detected by ex-ante field audits;
- In order to have a fair and full picture of the impact of ECHO's control architecture, the previous figure should be read in combination with those **benefits** which, due to their nature, are unquantifiable but no less important.

The main unquantifiable benefits are:

- 1) the deterrent effect of the implementation of both ex-ante controls and the audit strategy (including the review of the partner's internal control systems) leading to a limitation of the occurrence of ineligible items and, more generally, to the promotion of sound financial management;
- 2) the quality assurance effect through the close monitoring of actions which guarantee that objectives are met, quality standards are respected and overall that public money is used effectively and efficiently for the intended purpose.

- The estimated outstanding cost of controls which is not cancelled out by quantifiable benefits amounts to € 19.2 million, representing 1.5% of the 2013 budget²⁰. ECHO estimates that the unquantifiable effect of controls would at least outweigh this figure.

In addition, the contribution of the quality assurance dimension to the overall effectiveness represents a huge potential for additional benefits. ECHO has defined the compliance of funded projects with relevant quality standards as one of its top five key performance indicators, which should ensure that the management and control procedures in place will actually achieve their intended qualitative purposes.

- Based on these considerations, it is possible to **reasonably conclude that the unquantifiable benefits outweigh the part of the cost of controls not covered by the quantifiable benefits.**

Fraud prevention and detection

ECHO has developed its anti-fraud strategy²¹ as foreseen in the EC's overall anti-fraud strategy²².

The strategy relies on a set of controls aimed at preventing and detecting fraud. There are essentially embedded in those measures intended to ensure the legality and regularity of the transactions. For instance, assessment of the ECHO partners' approach to fraud prevention and detection is part of the audit programme followed in the implementation of ECHO's audit strategy.

Additional actions aiming at enhancing the ability of the current control architecture to prevent and detect fraud are defined in the strategy and will be implemented in 2014 and 2015.

In 2013, 15 allegations have been reported (9 in 2012). ECHO has immediately taken all necessary measures to protect the financial interests of the European Commission through the analysis of financial, operational and reputational risks; the freezing of operations, contracting and payment; and where necessary close liaison with the field experts, the partner and the competent authorities, (if any). Based on the results of these preliminary analyses, three cases have been transmitted to OLAF (one in 2012), one of which lead to the opening of an OLAF investigation. In addition, during the same period, OLAF has not initiated any case which concerns the activities of ECHO based on other sources of information.

No cases were transmitted to IDOC²³ in 2013.

2.2 Budget implementation tasks entrusted to other services and entities.

This section reports on, and assesses, the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on the budget implementation tasks carried out by other EC services and entrusted entities distinct from the EC.

²⁰ Payment appropriations

²¹ Ares(2013)3689568 - 10/12/2013

²² COM(2011) 376 – 24/06/2011.

²³ Investigation and Disciplinary Office is competent to carry out administrative inquiries with a view to preparing disciplinary proceedings.

Humanitarian operations are partly implemented by International Organisations and UN agencies (indirect management). These operations account for 48% of the budget contracted in 2013 as referred to in the previous sub-chapter. Control efficiency and effectiveness of the budget implemented is assessed in an aggregate way or by management mode when applicable. This assessment is performed in the previous sub-chapter.

Additionally, ECHO has sub-delegated € 200 thousand to the Joint Research Center (JRC) for the dissemination of the European Flood Alert System (EFAS) results to the ERCC and the Member States EFAS member organisations. The dissemination of the EFAS results includes e.g. the twice daily analysis of EFAS results and the daily reports by the contractor, the supervision by JRC, and the preparation of the summary of EFAS information for the ERCC. Being a European Commission service itself, the Authorising Officer by Delegation (AOD) is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements.

The cross-delegation agreement requires the AOD of JRC to report on the use of these appropriations. In the report received on 6 February 2014, the AOD does not communicate any events, control results or issues which could have a material impact on assurance.

2.3 Assessment of audit results and follow up of audit recommendations

This section reports on, and assesses, the observations and conclusions reported by auditors which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

All observations and recommendations included in the reports of the Internal Audit Capability (IAC), Internal Audit Service (IAS), the European Court of Auditors (ECA) and the Discharge process or Budget Authorities are transmitted to ECHO management, according to their respective roles, and appropriate corrective action is taken. The main findings for 2013 can be detailed as follows:

- **Internal Audit Capability (IAC):**

In 2013, the IAC carried out a total of three audit assignments, in accordance with its Annual Audit work Plan (AWP). The AWP is based on a multiannual audit planning, established in coordination with the IAS, over a period of three years. This planning covers ECHO's management processes and all expenditure, both operational and administrative, on a risk basis. Certain management procedures and the expenditure cycle of ECHO are audited annually, on a recurrent basis.

The audit assignments carried out during 2013 were:

1. Update on the follow up of past audit recommendations;
2. Audit on the AAR 2013 and related management procedures;
3. Audit on the operational budget of ECHO.

The IAC expressed the opinion that "the internal control system in place provided reasonable assurance regarding the achievement of the business objectives set up for the processes audited. In addition, and within the limitations of the scope defined in Annex I of the opinion of the state of control regarding ECHO Management for 2013, as per the coverage of the activities/processes in the

DG, we are not aware of any issues which may lead to a potential reservation in the AAR, with the exception of:

- Reputational risk as a consequence of the structural deficit on payment credits concerning the implementation of ECHO policies under Chapter 23 02 of the General Budget"

The issues related to this statement made by the IAC are reported in part four.

In 2013, no "critical" or "very important" recommendations were issued or remain open.

- **Internal Audit Service (IAS):**

In 2013 the IAS has finalised an audit on the Financial Management of Humanitarian Aid. The IAS audit objective was to assess the adequacy and effective application of the internal control system, risk management and governance processes related to the financial management of Humanitarian aid operations funded by ECHO.

According to the IAS, "Based on the results of our audit as described in the objectives and scope of the audit engagement, we believe that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the financial management of Humanitarian Aid (implementation and closure of operations)". Six recommendations have been issued, three out of which are "very important"²⁴, and relate to: - Management of Imprest accounts in field offices; - Follow-up of ECHO's ex-post audit recommendations on partner's internal control systems; - and, on the process of establishing recovery orders of ex-post audit results and on certain aspects of the methodology to calculate the residual error rate. An action plan for the implementation of the recommendations has been agreed and its implementation will proceed in 2014 within the agreed target dates.

A follow-up audit on compliance with payment deadline has been performed in 2013. The audit concluded on the closing-up of four out of seven recommendations. The three remaining recommendations require further implementation of actions, the outstanding issues of two recommendations have been merged into one recommendation. The resulting two open recommendations are ranked "important".

In 2013, the IAS initiated an audit on the contribution agreements with the International Organisations. The objective of the audit is to assess the efficiency and effectiveness of the processes and procedures in place in ECHO to implement humanitarian aid actions administered through contribution agreements with International organisations.

Regarding past recommendations, two "very important" and none "critical" recommendations were still open by the end of 2012. Both have been fully implemented and a review by IAS is expected for 2014. These are related to (1) for ECHO and DEVCO to prepare a common strategy on LRRD²⁵/transition that serves as the baseline for preparing individual country strategies (2) for ECHO to conclude its work on the development of a methodology and the appropriate tools for mainstreaming DRR²⁶ into its emergency response.

²⁴ Remaining four recommendations ranked as "Important".

²⁵ Linking Relief, Rehabilitation and Development

- **European Court of Auditors:**

In the framework of its declaration of assurance (DAS), the European Court of Auditors (Court) conducted an assessment, in respect of the financial year 2012, of the legality and regularity of transactions in the External Actions field and of the supervisory and control systems put in place by the DGs.

The 2012 annual report concludes that transactions performed by **the family "External Actions" in 2012 are affected by an estimated error rate of 3.3%** (1.1% in 2011) **standing above the Court's materiality threshold of 2%**. The Court attributes this increase to the new methodology adopted in 2012²⁷. Taken individually, on the basis of the audit reports related to ECHO, **the results are very positive** as they stand **below the materiality threshold**.

In 2011, the Court had concluded that, due to the number of the quantifiable errors detected (10 out of 16), the ECHO's internal control system in place was partially effective on its ex-ante controls and effective in all other aspects²⁸ leading to an overall conclusion of a partially effective²⁹ supervisory and control systems in place. In 2012, only one quantifiable error (out of 24 audited transactions) has been reported. Therefore, the identified weakness has been mitigated in 2012. However, as the Court did not review ECHO's internal control system in 2012 (revision done every two years), this improvement has not been reported by the Court. It is to be noted that no reference is made to the ECHO's internal control system.

The Court has issued five recommendations, addressed to EuropeAid and FPI as a result of the review of their internal control systems done this year. Nevertheless, certain recommendations, covering the areas of: a) document management by Partners; b) award selection procedures, and; c) calculation of residual error rate, provide also meaningful guidance for ECHO. Therefore, ECHO plans to implement them as well with the aim of further strengthening ECHO's internal control system.

The Court report also included one recommendation directed to EuropeAid, ECHO and FPI on the need to improve the supervision of grant contracts and the use of the implementation of the ex-post audit strategies. A set of actions has been put in place and others will be implemented in 2014.

One additional recommendation relating to the collection and analysis of data concerning the use of the Humanitarian Procurement Centers (HPCs) is still partly open. ECHO implemented in 2011 an interim solution to collect as much information possible directly from the HPCs pending the introduction of an automated mechanism for the collection of this information from the Partners themselves (as from 2014).

The Court has finalised a performance audit on climate change and climate finance to developing countries. The audit resulted in no observations concerning ECHO. The Court has also done a Performance Audit on the EU support for rehabilitation following the earthquake in Haiti. The question being assessed is "was EU support for rehabilitation following the earthquake in Haiti well designed and implemented?". The final report is due during the first semester of 2014.

²⁷ The new methodology no longer includes advances of payments from budget (on which errors were historically low).

²⁸ Monitoring and supervision, Ex-post controls and Internal Audit

²⁹ The Court only considers as overall effective if all supervisory and control axes are effective

3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

The EC has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

ECHO has put in place the organisational structure and the internal control systems necessary to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The functioning of the internal control systems has been closely monitored throughout the year by the systematic registration of exceptions (under ICS 8) and internal control weaknesses (ICS 12). The underlying causes behind these exceptions and weaknesses have been analysed and corrective and alternative mitigating controls have been implemented when necessary

ECHO management agreed in 2008 that all 16 Internal Control Standards (ICS) are to be reviewed at least once over a five year period (ICS 15). The review of all ICS has been completed in 2012. ECHO management has decided to initiate a new cycle of review of the ICS along the same lines as for the previous cycle, and if the need to review an ICS other than those planned in the cycle does not arise. In line with this decision, the first 3 ICS have been selected for review in 2013:

- ICS 1: Mission;
- ICS 9: Management Supervision;
- ICS 13: Accounting and financial report.

To assess how effectively the selected ICS have been implemented and as such to fulfil this commitment for the 2013 AAR, ECHO performed a 'desk review assessment' in accordance with DG BUDG's guidance³⁰. The review was based on:

(1) The information collected throughout the year by the Internal Control Coordinator in its role as responsible for internal control matters (ICS compliance update, information from management meetings, audit/control information (IAC, IAS, ECA, OLAF,...), exception reports (ICS 8), risk management exercise (ICS 6), identification of internal control weaknesses (ICS 12), relations with central services etc);

(2) Interviews with the relevant staff in charge of the implementation of the internal control standards to obtain the necessary explanation and supporting evidence allowing concluding on the effectiveness of the scrutinised ICS;

(3) IAC opinions on the effectiveness of the prioritised ICSs³¹ and the internal control systems³².

Results of those exercises were consolidated, presented to ECHO management and discussed, in order to reach a validated conclusion on the effectiveness of the three selected ICS.

³⁰ Which is an integral part of the Communication SEC(2007) 1341 on the revision of the ICS

³¹ ARES(2013)33339088

³² ARES (2014)134406

The above exercise concluded that all the reviewed ICSs are effective.

The review of the ICS done in 2012 has concluded that the implementation of ICS 5 – Objectives and Performance Indicators was partially effective. A set of actions to improve the situation has been agreed and partially implemented in 2013. An assessment of the status of the ICS has been made in 2013 concluding that, although improvements were noted, the set of existing specific output/result oriented indicators, including its data collection processes, does not fully meet the needs and requirements of ECHO stakeholders, namely those set out by BUDG for the budget cycle 2014-20. The set of actions agreed in 2012, and put in place in 2013, will continue to be implemented in 2014. A further assessment will be done in 2014.

The inherent risks of ECHO are associated with the nature of its operations. Humanitarian aid is delivered in difficult environments characterised by unpredictability, volatility, insecurity and difficult access to affected people, which makes proper implementation a true challenge. ECHO seeks to contain and reduce the risks to an acceptable level, inter alia through its control architecture and security policy and guidance. In this context, ECHO puts high emphasis on the balance between the achievement of its policy objectives described in part 1 and the need for efficient financial/operational control of its activities.

Concerning the overall state of the internal control system, generally the DG complies with the 3 assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the DG to its key risks.

Further enhancing the effectiveness of the DG's control arrangements in place, by inter alia taking into account any control weaknesses reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

4. MANAGEMENT ASSURANCE

This section reviews the assessment of the elements reported in Parts 2 and 3 and draws conclusions in support of the declaration of assurance.

4.1 Review of the elements supporting assurance

The information reported in parts 2 and 3 stems from the results of management and auditor's monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of ECHO.

Taking into account the information reported in parts 2 and 3, including the various reports from internal and external controlling bodies, there is satisfactory evidence that the internal control system in its entirety is implemented effectively in ECHO. The procedures put in place ensure the control of the main risks and in doing so provides reasonable assurance that the financial information provided in this report represents a true and fair view of the reality, resources are used for the intended purpose, the AOD has managed its resources on the basis of the principles supporting sound financial management, the materiality criteria set for legality and regularity of the financial operations is respected, no significant information has been omitted, assets and information have been properly safeguarded and measures were put in place to ensure prevention, detection and correction of fraud and irregularities.

A significant event has arisen in the course of the year as a result of the lack of available payment appropriations to honour payment obligations according to the usual schedules and due dates. The AOD, in full respect of the principle of sound financial management, has put forward requests for budget reinforcements and has taken ad-hoc mitigation measures to manage the insufficient level of payment appropriations whilst ensuring the continuity of operations. These mitigating measures included the reduction of pre-financings and the postponement of final payments and allowed reaching ECHO's operational objectives, although the financial impact of these measures led to cash flow problems, which became potentially critical for some of the smaller NGO partners of ECHO. Whilst overall the financial impact of the event was not material, the risk of reputational damage towards ECHO's stakeholders has developed in the sense that the long standing reliability and credibility of ECHO as a humanitarian reference donor has been put in question.

However, the extent of the reputational damage engendered in 2013 appears not sufficient to qualify the assurance declaration with a reservation on that aspect.

Nonetheless, it is important to highlight that in 2014 the situation has further deteriorated, as a result from the mismatch between commitment and payment appropriations which in the case of humanitarian actions, with a very fast project cycle, is critical. This mismatch has led to a need to reschedule the implementation of the 2014 budget and to postpone a part of actions already identified until further payment appropriations become available. This has created further negative reputational effects and may in a number of cases as impact on the continuity of the delivery of aid on the ground. Priorities have been set in such a way to limit to the utmost the potential negative impact of the measures, and there is a potential commitment to ensure that significant injections of additional payment appropriations will be proposed during 2014 to assure that ECHO's operational objectives and its mandate can be fulfilled. Appropriate steps are being taken in that respect in close co-operation with the competent European Commission's services.

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of the Directorate-General for Humanitarian Aid and Civil Protection,

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view³³.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 31 March 2014

Signed

Claus H. Sørensen

³³ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.