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Draft

2015

Annual Activity Report

European Anti-Fraud Office

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INTRODUCTION

The DG in brief

OLAF fulfils its mission by:

- carrying out independent investigations into fraud and corruption involving EU funds so as to ensure that all EU taxpayers' money reaches projects that can stimulate the creation of jobs and growth in Europe; □
- contributing to strengthening citizens' trust in the EU institutions by investigating serious misconduct by EU staff and members of the EU institutions; □
- developing a sound EU anti-fraud policy.

The Commission and the Member States are both required by the Treaty on the Functioning of the European Union (**Article 325 TFEU**) to counter fraud and any illegal activities affecting the financial interests of the Union. In addition, the Commission, in accordance with Article 317 TFEU, is responsible for implementing the EU budget, and must ensure that there is a framework in place to enable the effective prevention and detection of fraud. Within the Commission, anti-fraud responsibilities fall both on OLAF and on all services with responsibilities in the implementation of the budget. The modalities for the prevention, detection, investigation and sanctioning of fraud, and the respective responsibilities of the Commission and the Member States, vary depending on the method of implementation of the budget (direct, shared with Member States, or indirect).

In this context, **Regulation (EU, EURATOM) No 883/2013** concerning investigations conducted by the European Anti-fraud Office (OLAF)¹ empowers OLAF to conduct external administrative investigations at national level (Article 3 of Regulation 883/2013) and internal administrative investigations within the European Union institutions and bodies (Article 4 of Regulation 883/2013), wherever the EU's financial interests are at stake, as well as internal investigations concerning the discharge of professional duties.

OLAF operates within a complex institutional framework and cooperates with a group of bodies concerned either directly or indirectly with **anti-fraud issues**. These bodies fall into three sub-groups:

- a) Those located in the Member States or third countries, such as police and customs services, judicial authorities and administrative anti-fraud authorities;
- b) European Union bodies, such as the Investigation and Discipline Office of the Commission (IDOC), each institution's internal audit service, the audit capabilities of the Commission's operational departments, Eurojust, Europol; and
- c) International organisations such as the UN, the World Bank, the World Customs Organisation, etc.

As the Member States are responsible for managing around 80% of European Union expenditure as well as for the collection of traditional own resources, it is essential for

¹ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999.

the effectiveness of the Office to work closely with national authorities (police, customs, the courts, etc.). The Member States are responsible for criminal proceedings but the diversity of their judicial systems renders the Office's task particularly complex. Moreover, the effectiveness of the investigation stage may be reduced if the Member States do not adequately respond to the Office's requests for support.

OLAF has a small operational budget and limited financial transactions. In this context, in 2015 OLAF handled financial transactions linked to the Hercule programme (protection of EU financial interests) and the Anti-Fraud Information System (cooperation with partners).

The OLAF control system puts special emphasis on risks linked to the assurance of the quality of investigations, the protection of the individual rights of the persons concerned and the secure handling of sensitive documents.

In 2015, OLAF's activities were linked to **four Activity-Based Budgeting (ABB) entries in the "Fight against Fraud" policy area**:

- Fight against fraud;
- Management of the European Anti-Fraud Office;
- Promoting activities in the field of the protection of the European Union financial interests (Hercule III);
- Anti-fraud information system (AFIS).

The Director-General of OLAF is responsible for the conduct of **OLAF investigations**. In order to guarantee the independence of OLAF in its investigative function, the legislation foresees that the Director-General of the Office does neither seek nor take instructions from any government or any Institution (including the Commission) as regards this function. If the Director-General of OLAF is of the opinion that the Commission has taken a measure that challenges his independence, he has the possibility of bringing a case against the Commission before the Court of Justice.

To strengthen OLAF's independence, the Office is subject to regular monitoring of its investigative functions by a **Supervisory Committee**². The Committee comprises five independent members, having experience in senior judicial or investigative functions or comparable functions relating to the areas of activity of the Office. They are appointed by common agreement of the European Parliament, the Council and the Commission. Since 2013, the term of office of members is five years, not renewable. The Supervisory Committee delivers opinions on its own initiative, at the request of the Director-General or at the request of an institution, body, office or agency, without however interfering with the conduct of investigations in progress. The Director-General of OLAF meets and exchanges views with the members of the Supervisory Committee on a regular basis. In 2015, the Supervisory Committee delivered two Opinions to the Director-General of the Office, related to *OLAF's Preliminary Draft Budget for 2016*³ and *Legality check and review in OLAF*⁴. Once adopted, the Supervisory Committee Activity Report for 2015 will be published on:

<http://europa.eu/supervisory-committee-olaf/opinions-and-reports>.

² <http://europa.eu/supervisory-committee-olaf/>

³ http://europa.eu/supervisory-committee-olaf/sites/default/files/sc_opinion_olaf_pdb_2016_final.pdf

⁴ http://europa.eu/supervisory-committee-olaf/sites/default/files/legality_check_opinion_2_2015-final.pdf

Organisational structure

OLAF's structure demonstrates a focus on the core business tasks (investigations and their support - Directorates A, B and C) and on anti-fraud policy (Directorate D). Two units, Unit 0.1 "Investigation Selection and Review" and Unit 0.2 "Human Resources and Budget", report directly to the Director General. The establishment plan of the Office also includes the secretariat of the Supervisory Committee.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of OLAF to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

a) Key Performance Indicators (5 KPIs)

Result/Impact indicator (description)	Target	Latest known results as per Annual Activity Report
Average duration of selections	Target 2015: No longer than 2 months	
	Results:	
	2015	1.7 months
	2014	2 months
	2013	1.8 months
	2012	1.4 months ⁵
	2011	6.8 months
Average duration of investigations	Target 2015: No longer than 20 months	
	Results:	
	2015	18.7 months
	2014	18.1 months
	2013	17.5 months
	2012	17.3 months ⁶
	2011	22.4 months
Percentage of investigations closed with recommendations	Target 2015: At least 45%	
	Results:	
	2015	54%
	2014	59%
	2013	51%
	2012	32%
	2011	56%

⁵ This result is based on 11 months starting from 1 February 2012, the date on which significant changes were introduced to OLAF's investigative procedures and organisation. Including January, the average duration of the selection phase was 3.9 months.

⁶ As part of the changes introduced on 1 February 2012, the assessment phase was replaced with a selection phase. As a result, 419 cases, which were being assessed under the previous investigative procedure, were opened as investigation or coordination cases. This lowered the average duration of investigations and coordination cases for 2012.

Implementation of the Strategy to step up the fight against cigarette smuggling and other forms of illicit trade in tobacco products	<p>Target 2015: Implementation of the actions planned for 2015 in the Action Plan</p> <p>Target 2016: Initiation, and to the extent possible completion, of actions in accordance with the Action Plan by mid-2016.</p> <p>Result:</p> <p>The Communication provides for the implementation of 50 actions spanning several years. Apart from continuous activities such as work on statistics/databases, in 2015 particular progress was made with (i) the Commission proposal to ratify the FCTC Protocol; (ii) the creation of an independent facility to analyse samples of seized cigarettes; (iii) the posting of an OLAF Liaison Officer in China; and (iv) awareness raising with a dedicated Eurobarometer survey.</p>
Percentage of internal audit recommendations implemented without being overdue for more than 12 months	<p>Target 2015: 100% Result: 100%</p> <p>Target 2014: 100% Result: 100%</p>

b) Policy highlights of the year

On 9 September 2015, the Regulation (EU) No 2015/1525 amending **Regulation (EC) No 515/97**⁷ was formally adopted. This concluded the negotiations which had been taking place since 2013. The institutions have welcomed the deal which closes the loopholes in the rules on mutual assistance between the Member States and the Commission and paves the way for the creation of a single EU database on goods entering, transiting and leaving the EU. In addition, the amendment envisages a container monitoring system which will allow OLAF to analyse container movements in order to identify potentially fraudulent activity.

Four delegated and four implementing Regulations on the **Reporting of Irregularities** provisions in area of shared management for the MFF 2014-2020 (Harmonised Delegated and Implementing Regulations per specific expenditure domain) were adopted by the Commission as a package on 8 July 2015.

Negotiations on the Proposal for a Council Regulation on the establishment of the **European Public Prosecutor's Office** (EPPO)⁸ continued in the Council throughout 2015 and into 2016 under the Dutch Presidency. In 2015 three trilogues with the co-legislators on a Directive on the fight against fraud to the Union's financial interests by

⁷ Regulation (EU) 2015/1525 of the European parliament and of the Council of 9 September 2015 amending Council Regulation (EC) No 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters, OJ L 243 of 18 September 2015

⁸ COM(2013) 534 final.

means of criminal law⁹ (PIF Directive) were held. OLAF and DG Justice together represent the Commission in both negotiations.

The Hercule III Programme had its first full year of implementation in 2015 after the entry into force of the new Regulation in March 2014. This eventually led to the conclusion of 41 grants agreements in 2015 for the technical assistance and training actions, covering support to Member States' authorities for the purchase of scanners and the organisation of training and conferences for staff and other professionals who contribute to the protection of the Union's financial interests. The budget for 2015 was entirely committed. By the end of 2015 and following another round of calls, the Commission received almost 140 applications for technical assistance, legal training and conferences. These applications led to the award of around almost 40 grant agreements at the beginning of 2016.

The Commission adopted in May its Communication¹⁰ on the achievement of the objectives of the Hercule II Programme (2007-2013). The overall conclusion was that the Programme's objectives were achieved though it also recommended improving the reporting on the achieved results as well as a strengthened cooperation between law enforcement staff for facilitating the exchanges of information and best practices.

The Anti-Fraud Information System (AFIS) is a programme that assists the European Commission and the Member States in the fight against fraud and the protection of the EU financial interests. By doing this, AFIS also contributes to fair competition between legally operating traders/economic operators and reduces distortions of the internal market.

In 2015, six Joint Customs Operations (JCO) were conducted using the V-OCU module of AFIS. Three of those JCO's (Baltica, Romoluk and Sascha) were organised with the cooperation and financing of OLAF.

The number of active customs fraud cases for which information is available in the Mutual Assistance databases of AFIS in 2015 was 12 000.

c) Key conclusions on Management and Internal control (executive summary of section 2)

In accordance with the governance statement of the European Commission, OLAF 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 Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. As required by the Financial Regulation, the Director-General 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 standards and having due regard to the risks associated with the environment in which it operates.

OLAF has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended.

In addition, OLAF 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

⁹ COM(2012) 363 final.

¹⁰ COM(2015)221 of 27 May 2015.

internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the assurance of management as regards the achievement of control objectives. Please refer to Section 2 for further details.

In conclusion, management 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.

d) Information to the Commissioner(s)

The main elements of this report and assurance declaration, have been brought to the attention of Vice-President GEORGIEVA, responsible for protecting the EU budget from fraud and corruption.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

OLAF concluded a successful 2015. Its key objectives were attained and targets linked with most of its performance indicators were met.

The investigative performance remained strong and stable. Most targets in this area were met: the average duration of the initial assessment of whether a case should be opened (1.7 months) remained well within the 'no longer than 2 months' target in 2015; as did the average duration of investigations (18.7 months) where the target for the year was set at 'no longer than 20 months'; 94% of all selections in 2015 was closed in less than two months compared to a target of 'at least 75%'; 54% investigations were closed with recommendations, while the target was 'at least 45%'; finally, 22% of on-going investigations lasted more than 20 months¹¹ whereas the target for 2015 was 'less than 30%'. Furthermore, the amount of recoveries following OLAF's financial recommendations for the last two years (2014-2015) is well above the target. The recoveries in that period were more than triple compared to OLAF's administrative budget in the same period.

The rate of indictments by national judicial authorities following the receipt of judicial recommendations in the years 2008 to 2015 is with 46% slightly below the target of 'at least 50%'. Because of the length of time, which judicial proceedings can take, especially where complex investigations are involved, OLAF measures these results over a rolling 7-year period. The results for the latest 7 years confirm the results from the previous years, namely that about half of the cases submitted by OLAF to national judicial authorities lead to indictments. There continue to be significant differences between the indictment rates in individual Member States.

OLAF's investigative activities contributed to protecting the EU's financial interests and the reputation of its institutions (OLAF's General objective 1) as per Article 325 TFEU. EU funds are not only spent by the EU institutions, bodies, offices and agencies alone, but to about 80% through shared management, i.e. at local, regional and national levels. This raises the level of complexity substantially. The EU programmes and projects can and often do involve actors – contractors and subcontractors and their staff - from multiple Member States. This makes the prevention and early detection of fraud a significant challenge, also because the applicable rules on financial management are numerous and often complicated.

OLAF is also the primary service to investigate corruption, and serious misconduct in general, of EU staff and members of the EU institutions. In that respect, OLAF plays an important role in guaranteeing EU staff's integrity, which is an important precondition for the EU institutions to function efficiently.

General objective 1: To protect the financial interests of the EU and the reputation of its institutions by combating fraud, corruption and any other illegal activities by means of efficient investigations and coordination actions		Spending programme <input checked="" type="checkbox"/> Non-spending
Impact indicator 1.1: Percentage of investigations closed with recommendations		
Source: CMS		
Baseline 2013	Target 2015	Current situation¹²
2013: 51%	At least 45%	54 %

¹¹ The milestone of average duration of investigation for 2015.

¹² By "current situation" the situation on 31/12/2015 is meant throughout this document.

Impact indicator 1.2a: Amount of recoveries ¹³ (as 2 years' moving average) ¹⁴							
Source: Annual reporting by partners and stakeholders							
Baseline 2013-2014			Target 2015	Current situation		Target 2016	
			A ratio of 2:1 or above.	3.4 : 1		A ratio of 2:1 or above.	
	Recoveries	Administrative budget			Recoveries		Administrative budget
2013	€ 117m	€ 57.7m					
2014	€ 206.4m	€ 57.2m		2014	€ 206.4m		€ 57.2m
				2015	€ 186.3m		€ 57.4m
Impact indicator 1.2b: Rate of indictment following OLAF's judicial recommendations							
Baseline 2006-2013		Target 2015		Current situation		Target 2016	
54%		At least 50% for period 2007-2014		2008-2015: 46%		At least 50% for the latest 7-year period	
Impact indicator 1.2c: Rate of administrative enquiries initiated by EU disciplinary authorities following OLAF's disciplinary recommendations							
Baseline 2012-2014		Current situation 2013-2015			Target 2015-2017		
70%		77%			At least 75%		

In addition to its investigative activities, OLAF worked on strengthening the legal framework for protection of the financial interests of the EU. To that end, OLAF contributed to the negotiations on the legislative initiatives concerning the proposal for a Directive on the Protection of EU's financial interests by means of criminal law (PIF directive)¹⁵ and the proposal for the establishment of a European Public Prosecutor's Office (EPPO)¹⁶, which were both proposed in co-responsibility with the European Commissioner for Justice. Furthermore, a number of policy initiatives were concluded successfully. In particular the amendment of Regulation 515/97, adopted in September 2015, and the delegated and implementing acts on the Irregularity Reporting provisions in the area of shared management, adopted in July 2015.

In order to protect the EU's assets and resources, OLAF also contributed to the development of anti-fraud policy for its stakeholders during 2015 (OLAF's General objective 2). This included cooperation with the Institutions, Member States and, to some extent, non-EU countries. While OLAF is in the lead with a view to the activities described below, the achievement of their objectives depends also on the readiness and the capacity of the partners in the Member States, (potential) Candidate Countries and other non-EU countries, to cooperate to this end.

¹³ OLAF applies this as a general indicator to measure the added value of anti-fraud action; however, OLAF itself has no recovery powers.

¹⁴ Average will be calculated on the results for the last 2 years. Until 1/2/2012, the total amount recovered in a case has been recorded in the annual reports of the year in which the case was closed by OLAF regardless of when it had actually been recovered. As from 2012, OLAF has recorded the amounts recovered in the year of their actual recovery by competent authorities. Figures available for this calculation/reporting method cover only 2012. The MP 2014 refers to an indicator based on a 2 years' average.

As compared with previous years, the ratio refers to the administrative budget of OLAF. The operational budget is not included because it concerns support of Member States' actions not related to recoveries as a consequence of investigations conducted by OLAF.

¹⁵ COM(2012) 363 final.

¹⁶ COM(2013) 0534 final.

OLAF is the Commission service responsible for the coordination of the anti-fraud activities in cooperation with Member States (e.g. in the framework of the Consultative Committee for the fight against fraud (COCOLAF) and its expert groups). The structure is also used to exchange best practices among Member States.

In joint customs operations (JCOs), OLAF played a key role in coordinating the work of several national customs authorities, exchanging information and acting together against internationally organised contraband.

Fraud related to the EU funds as well as to the misconduct of EU staff and members of the EU institutions, can be properly tackled only at the EU level. Therefore, EU's added value in this field consists of effectively and efficiently protecting its budget and the reputation of its institutions through conducting administrative investigations, enhancing the cooperation with the Member States (and other partners) and strengthening the legal framework to this end.

General objective 2: Protection of the financial interests of the European Union against fraud, in cooperation with relevant stakeholders, by providing policy tools and support. <input checked="" type="checkbox"/> programme-based (Hercule, AFIS) <input checked="" type="checkbox"/> Non programme-based			
Impact indicator 2.1: Satisfaction by stakeholders with OLAF's support in the area of anti-fraud policy <i>Definition: Level of satisfaction expressed by respondents, covering three categories of beneficiaries: (i) users of AFIS IT-applications, Hercule-funded conferences and training events; (ii) beneficiaries of Hercule-funded technical assistance; (iii) participants of conferences/training events organised by OLAF as well as of the AFCOS annual meeting.</i> Source of data: Satisfaction surveys / feedback forms / evaluation forms			
Baseline 2014	Milestone 2015	Current situation	Target 2017
N/A – new indicator	Insert in all satisfaction surveys / feedback forms / evaluation forms one standard question. Start reporting in AAR on the basis of responses received during the year.	A standard question inserted in all satisfaction surveys / feedback forms / evaluation forms	70% of respondents satisfied or very satisfied ¹⁷ .

¹⁷ The target of 70% months contained in the Management Plan 2015 was adapted in the Strategic Plan 2016-2020 to a more realistic target of 60% as there is no baseline to serve as a basis for this target.

Investigative and coordination activities

Relevant general objective: Protection of the financial interests of the EU and the reputation of its institutions by combating fraud, corruption and any other illegal activities by means of efficient investigations and coordination actions.			
Specific objective 1: Further improve the efficiency and effectiveness of OLAF's investigations and coordination actions		Spending programme <input checked="" type="checkbox"/> Non-spending	
Speedy initial assessment of whether a case should be opened			
Result indicator 1.1: Average duration of selections ¹⁸			
Source: CMS			
Baseline 2014	Target 2015	Current situation	
2014: 2 months 2013: 1.8 months	No longer than 2 months	1.7 months	
Result indicator 1.2: Percentage of selections closed whose duration is less than 2 months			
Source: CMS			
Baseline 2014	Target 2015	Current situation	
2014: 70% 2013: 77%	At least 75%	94%	
Shorter (duration of) investigations			
Result indicator 1.3: Average duration of investigations ¹⁹			
Source: CMS			
Baseline 2014	Target 2015	Current situation	Target 2016
2014: 18.1 months 2013: 17.5 months	No longer than 20 months	18.7 months	No longer than 20 months. ²⁰
Result indicator 1.4: Percentage of on-going investigations lasting more than 20 months (the milestone of average duration of investigations for 2015)			
Source: CMS			
Baseline (2009-2013) ²¹	Target 2015	Current situation	
2009-2013: 32%	Less than 30%	22 %	
Main outputs			
Description	Indicator	Current situation	Target
Introduction of a Single Point of Entry, a management tool for the efficient handling of incoming information	Speed of registration of incoming information and assignment of cases to selectors	Implemented	Implementation in 2015

¹⁸ Including both the items that resulted in an investigation or coordination case and those that did not.

¹⁹ This indicator does not include coordination cases.

²⁰ The target of 19 months contained in the Management Plan 2015 was adapted in the Strategic Plan 2016-2020 in view of resource constraints.

²¹ Baseline calculated as a five year average (2009-2013) with respect of an average duration of 20 months.

Implementation of OLAF's Investigation Policy Priorities for 2015

At the beginning of the investigation selection phase, first OLAF's competence needs to be confirmed, followed by an assessment of whether there is sufficient suspicion in the allegation. If these two requirements are met, then OLAF decides whether or not to open an investigation based on the criteria set out in the Article 5(1) of Regulation 883/2013. This requires taking into account the Office's IPPs. OLAF shall also take into account whether opening an investigation would constitute an efficient use of the Office's resources and would respect the proportionality principle. In the proportionality check, the level of EU financial resources at risk is a relevant indicator.

The OLAF IPPs should not be used by other Commission services, EU bodies or national authorities as justification not to report a suspected fraud to OLAF.

The IPPs for 2015 were defined as follows:

IPP 1. Cases with indications of fraud and/or corruption in relation to public procurement for infrastructure networks;

IPP 2. Cases of fraud concerning specific projects (co)financed by the European Social Fund, the European Regional Development Fund, the Cohesion Fund, the European Commission Agricultural Fund for Rural Development and Pre-accession Funds, in which action by the Member States or Candidate Countries is deemed to be insufficient;

IPP 3. Cases of fraud indicating possible abuses of origin rules and tariff classification in both preferential and non-preferential trade regimes in order to evade payment of conventional customs duty and anti-dumping duties;

IPP 4. Cases of fraud involving smuggling of cigarettes and tobacco into the EU in particular via maritime transport and along the EU Eastern border.

In total, 219 investigations were opened in 2015 based on information received by OLAF in 2015. Out of these, 33 fell under the 2015 IPPs (this represents 15% of opened cases). It is difficult to estimate to what extent the IPPs had a decisive effect on OLAF's case opening. The IPPs do not aim at creating an effect of exclusion of cases not falling under the IPPs

The table below provides an overview of the role of the IPPs for 2015 in opening decisions:

	Cases for which IPPs 2015 contributed to the opening of an investigation	
	Number	% of all IPPs used in 2015
IPP 1	9	7.3%
IPP 2	15	45.4%
IPP 3	7	21.2%
IPP 4	2	6.1%
<i>Total</i>	<i>33</i>	<i>100%</i>

Investigation support

Specific objective 2: Provide the necessary tools and training to support OLAF's investigative activities		Spending programme <input checked="" type="checkbox"/> Non-spending
Train investigative staff		
Result indicator 2.1: Percentage of investigative staff participating in investigative training in relation to the total number of investigative staff Source: Syslog		
Baseline 2014	Target 2015	Current situation
2014: 93%	80%	84%
Supply Information and Communication Technology (IT) tools		
Result indicator 2.2: Internal users' degree of satisfaction with IT systems and services Source: OLAF IT user satisfaction survey		
Baseline 2013	Target 2015	Current situation
97% ²²	At least 90%	98.3 % ²³
Specific objective 3: Proactive engagement with external audiences and the media in order to comply with legal obligations, raise awareness of OLAF activities and foster deterrence		
Result indicator 3.1: Timely replies to requests from the Ombudsman and the EDPS complaints ²⁴ Source: CMS/Unit C.4		
Baseline January – October 2014	Target 2015	Current situation
100%	Replies within the timeframe requested by the EO and EDPS: 100%.	90%
Result indicator 3.2: Timely replies to requests on access to documents and personal data ²⁵ Source: CMS/Unit C.4		
Baseline January – October 2014	Target 2015	Current situation
98.5%	Replies within the timeframe foreseen by the relevant Regulations: 100 %.	93.5%

The **Training** sector continues to organise investigative trainings, provided by internal and sometimes external experts, to all newly appointed investigators. These courses include topics such as interviewing techniques, gathering evidence, inspections of premises, on-the-spot checks and final report writing, security training, country profiles training. Training is also provided on specific investigation areas such as structural funds and agricultural matters for the respective operational units and open sources training for the Investigation Selection and Review unit. Whereas all newly appointed investigators in 2015 have participated in at least one training action in 2015, the percentage of total staff participating in investigative training has slightly decreased compared to 2014. This

²² OLAF IT user satisfaction survey 2013.

²³ OLAF IT user satisfaction survey 2015.

²⁴ The requests included are individual complaints, requests by the EDPS and requests from the Ombudsman.

²⁵ The requests included are requests for access to documents, confirmatory applications for access to documents and requests on personal data.

is mainly due to the fact that some expert investigators are reaching the retirement age and do not need additional trainings anymore. Some of them though are providing trainings (class rooms, on the job trainings) to their junior colleagues.

OLAF attaches high importance to good administration. This includes ensuring timely and meaningful responses to **requests for access to personal data** (Regulation 45/2001) as well as to requests for **public access to documents** (Regulation 1049/2001). By the same token, it seeks to maintain good cooperation with the **European Ombudsman** and the **European Data Protection Supervisor**, inter alia by ensuring timely and meaningful responses to enquiries, complaints or other requests from them. Matters of this type are handled centrally by the OLAF's Legal Advice Unit, working in close cooperation with the investigation unit in charge of a given case.

The efforts undertaken by the Office in this context are reflected in a very high level of compliance with applicable time-limits in 2015 which is generally consistent with 2014. Nevertheless, requests for access to personal data or public access to documents may involve the scrutiny of large numbers of files and/or files of large volume, as well as the sensitive nature of the information collected during OLAF investigations.

For both purposes, OLAF checks carefully whether exceptions to the right to access apply as it is extremely important to protect the identity of informants and other persons relevant to OLAF investigations, as well as protecting information which could impinge on the integrity and reputation of interested parties. To carry out this analysis with due diligence and to involve all relevant stakeholders, the time-limits set by Regulation 1049/2001 are tight in practice which is reflected in a small number of requests which due to particular circumstances were responded to outside the applicable time-limits.

OLAF **IT Infrastructure and service management** unit continued its move from reactive to proactive infrastructure management process that begun in 2012. As a result, the annual user satisfaction index remained stable. The infrastructure was enhanced in preparation for the upcoming OLAF Content Management go-live: OLAF's secure network was reconfigured to be ready to host the new system while retaining its key features (including watermarked printing and biometric access) and prepared for possible future remote access. Finally, the new Follow-me Printing architecture delivered its first results – a net save of almost 200 000 sheets of paper across OLAF.

Fraud prevention and anti-fraud policy

Relevant general objective: Protection of the financial interests of the European Union against fraud, in cooperation with relevant stakeholders, by providing policy tools and support.			
Specific objective 4: Protection of the financial interests of the EU by <input checked="" type="checkbox"/> Non programme-based developing anti-fraud policy and legislation			
Result indicator 4.1: Number of Member States committed to developing a national anti-fraud strategy with support from OLAF			
Definition: Regarding the funds under "shared management", sectoral EU regulations for the programming period 2014-2020 impose an obligation on the Member States to put in place effective and proportionate anti-fraud measures taking into account the risks identified (e.g. for ESI Funds, Article 125.4 (c) of the Regulation 1303/2013). These anti-fraud measures should be ideally embedded in national anti-fraud strategies. Although there is no legal obligation for MS to develop such strategy, they were encouraged to do so for an improved protection of EU funds.			
Source: OLAF/D.2			
Baseline 2014	Current situation	Target 2020	
3 MS	5 MS	At least 15 MS	
Result indicator 4.2: Number of Member States complying with obligations for reporting of fraudulent irregularities			
Definition: Legal bases for the reporting are: Regulations 1681/94, 1831/94, 1848/2006, 1828/2006, 498/2007 and provisions under adoption for the new MMF 2014-2020.			
Source: AFIS/IMS modules			
Baseline 2014	Current situation	Target 2016	
Some Member States / Candidate Countries do not yet fully comply with their reporting obligations.	Four trainings on four locations in Europe were organised for use of new IMS module. The trainings were attended by 168 IMS-users from the 28 Member States.	All Member States comply with the reporting of fraudulent irregularities	
Main outputs			
Description	Indicator	Current situation	Target
Delegated and Implementing acts following adoption of amendments to Regulation 515/97 (expected beginning of 2015)	Proposals for one delegated and two implementing acts	Proposals presented to the MS in December 2015 in view of their adoption by 29 February 2016.	Within the deadlines foreseen in the Regulation 515/97 recast (adopted on 9 September 2015)
PIF Directive	Adoption by co-legislators	Trilogue ongoing	Early 2015
Delegated and implementing acts laying down the reporting provisions for all expenditure fields under shared management for the new MFF (2014-2020)	Adoption	Adoption on 8 July 2015 as package	1 st quarter 2015
Annual Report (under Article 325(5) of TFEU) by the Commission to the EP and Council on the Protection of the EU's financial interests	Adoption by the Commission	Adopted on 31 July 2015	3 rd quarter 2015

The Commission adopted the **Commission Anti-Fraud Strategy** (CAFS) in June 2011. The proposed actions in the CAFS are implemented by the Commission services. Annually the Commission reports on the implementation of the CAFS in the Article 325 Report on the protection of the financial interests of the EU.

The CAFS is aimed at Commission services and does not contain actions directed at the Member States. The biggest part of the EU budget is spent under shared management where responsibilities for the implementation of the budget are shared between the Commission and Member States. In this field, OLAF is actively promoting the development of **National Anti-Fraud Strategies** (NAFS).

The four Delegated and four Implementing Regulations on the **Reporting of Irregularities** provisions in area of shared management for the MFF 2014-2020 (Harmonised Delegated and Implementing Regulations per specific expenditure domain) were adopted by the Commission as a package on 8 July 2015. The four Delegated Regulations were subject to a two month scrutiny period (extended to two additional months for the two out of four acts) by the European Parliament and the Council, as is common procedure.

The new version of the **Irregularity Management System**, IMS5, is scheduled to go into production on 1 April 2016. IMS5 will replace IMS4, the currently operational system, whose software dates back to 2005. The introduction of IMS5 was accompanied with training for all IMS-users in the Member States considering the change of the format and the new programming period (2014-2020) with the new Delegated and Implementing acts concerning irregularity reporting.

Thus, four trainings, in which theory (fraud prevention, legal framework for reporting of irregularities and suspected fraud, fraud-risk-assessment, data protection) and practice (IMS) were intertwined, were organised in four different locations in Europe (Madrid, Athens, Warsaw and Berlin) and attended by 168 IMS users from the 28 Member States. The aim of the training was to make sure that all IMS users are fully informed of the new system and will be able to use the system effectively and efficiently. The concept of the training was "Train the trainers", in order to give first-hand-training and to reduce national training efforts.

Negotiations in informal trilogues with the co-legislators on a Directive on the fight against fraud to the Union's financial interests by means of criminal law (**PIF Directive**) have been ongoing since October 2014. In 2015, three trilogues were held, the last one on 2 June 2015 at political level could not be concluded as, to date, no agreement could be found on the question of whether or not to include VAT into scope. OLAF and DG Justice and Consumers together represent the Commission in these negotiations.

The work on the amendment of **Regulation 515/1997** has been finalised on 9 September 2015 (adoption of Regulation 2015/1525). OLAF presented to the MS in December 2015 the related Implementing and Delegated Acts. The Commission has to adopt the two implementing acts once the newly created "Regulation 515/97 Committee" gives a favourable opinion, and the Commission has to adopt the delegated act once it has been discussed by an expert group (ie the Mutual Assistance Committee).

On 31 July 2015, the Commission adopted the 2014 **Report on the basis of Article 325 (5)** of the Treaty on the Functioning of the European Union (TFEU), which requires the Commission, in cooperation with Member States, to submit every year to the European Parliament and the Council a report on the measures implemented to contrast fraud and other illegal activities detrimental to the financial interests of the Union. Compared to the one from the previous year, the 2014 Report was further improved; its high quality was in particular acknowledged by the European Parliament and also recognised by the Vice-President of the Commission.

Relations with external partners

Relevant general objective: Protection of the financial interests of the European Union against fraud, in cooperation with relevant stakeholders, by providing policy tools and support.			
Specific objective 5: Efficient relations with external partners such as the EU institutions and agencies, OLAF’s Supervisory Committee, the Member States and partners outside the EU so that the overall strategy and activities of the Office are reinforced and better understood		☒ Non programme-based	
Result indicator 5.1: Number of newly established and revised administrative cooperation arrangements (ACAs) Definition: Administrative cooperation arrangements set out practical details for the cooperation between OLAF and other entities, in particular in connection with investigations. Source: OLAF/D.3			
Baseline 2014	Target 2015	Current situation	Target 2016
5	6	10	5
Main outputs in 2015:			
Description	Indicator	Current situation	Target
Establish new working arrangements with Europol	Signature	Pending	By the end of 2015
Revise working arrangements with the Supervisory Committee	Signature	Pending	By the end of 2015
Organise Pilot Group meeting with African partners	Meeting has taken place	Meeting took place on 9-10 July 2015	By the end of 2015
Organise meeting of COCOLAF	Meeting has taken place	One COCOLAF plenary meeting, six COCOLAF sub-group meetings and four expert group meetings ²⁶ in 2015	By the end of 2015
Organise AFCOS COCOLAF subgroup meeting	Meeting has taken place	Meeting took place on 16 October 2015	By the end of 2015
Organise AFCOS seminar	AFCOS seminar has taken place	Seminar took place on 17 June 2015	By the end of 2015
Report on the key achievements of the Office in the OLAF Report 2014	Publication of the Report	Report published in June 2015	May 2015

Relations with external partners such as EU institutions and agencies, the Supervisory Committee of OLAF, the Member States as well as partners outside the EU are the key to OLAF's operations. Indicators of this aspect of OLAF's work are the cooperation and working arrangements and the number of events organised with external partners.

The Member States and the Commission have met 7 times under the new structure of the Advisory Committee for the Coordination of Fraud Prevention (**COCOLAF**) in 2015. The plenary meeting of the COCOLAF took place on 19 May 2015. The OLAF Anti-Fraud Communicators Network (OAFCN) met twice in 2015. On 20 March 2015 a regular meeting took place in Brussels. An OAFCN seminar was organised in Luxemburg on 2 December 2015.

²⁶ As part of Fraud Prevention sub-group.

Under the Fraud Prevention group, two working groups of experts from the Member States and Commission services steered by OLAF have prepared two guidance documents for fraud prevention in the field of shared management ("Practical steps towards the drafting of a National Anti-Fraud Strategy: Pilot project on the basis of ESI Funds" and "Identifying conflicts of interests in the Agricultural Sector: A practical guide for funds managers").

Regulation 883/2013 prescribes that all Member States designate an **AFCOS**. 2015 was the first year where all AFCOS were in place. OLAF steered the network of AFCOS notably through the annual COCOLAF subgroup meeting with all AFCOS.

The internal reflection process regarding the implications of the possible exchange of operational data with **Europol**, the backbone of the new Working Arrangements, was finalised at the end of the year. The revision should now take place in 2016.

During 2015, OLAF made considerable efforts to come to an agreement with the **Supervisory Committee** (SC) on new Working Arrangements. Extensive discussions between OLAF Director-General and SC Chairman lead to an agreement on a majority of issues. Due to differences in legal interpretation, the outstanding points will be submitted to the Legal Services of the Parliament, Council and Commission for advice.

Reduction of illicit trade in tobacco products

Specific objective 6: Reduction of illicit trade in tobacco products		<input checked="" type="checkbox"/> Non-spending	
Result indicator 6.1: Implementation of the Strategy to step of the fight against cigarette smuggling and other forms of illicit trade in tobacco products and its Action Plan Definition: The Action Plan contains 50 actions that must be completed either by a certain date, or in the “short”, “mid-“ or “long-term”. Source: COM (2013) 324 final, SWD (2013) 193 final			
Baseline 2013-2014	Milestone 2015	Current situation	Target 2016
Council adopted Conclusions concerning the Communication in December 2013	Implementation of the actions planned for 2015 in the Action Plan	Implementation of most of the 50 action point is completed or on-going. Detailed on progress to be adopted by the Commission by end-2016.	Initiation, and to the extent possible completion, of actions in accordance with the Action Plan by mid-2016.

Result indicator 6.2: Increased coverage and use of IT tools to draw statistical information relating to illicit trade in cigarettes Definition: Expand coverage and use of IT tools on the illicit trade in cigarettes in order to promote use of IT applications by MS and OLAF and improve the availability of reliable statistics. Source: ToSMA, CigINFO			
Baseline 2014	Milestone 2015	Current situation	Target 2016
ToSMA was launched in 2014 CigINFO: Number of entries: less than 2000	Coverage of more than half of the qualifying seizures in ToSMA Increase of number of entries in CigINFO by 5%.	Coverage of more than half of the qualifying seizures in ToSMA Increase of number of entries in CigINFO by 5% (1230 entries in 2015)	Coverage of all qualifying seizures in ToSMA (100%) Increase of number of entries in CigINFO by another 5%

Main outputs in 2015			
Description	Indicator	Current situation	Target
Commission proposals for the Council Decisions necessary to conclude the FCTC-Protocol by the EU and its Member States ²⁷	Adoption	The Commission adopted on 4 May two draft decisions to ratify the Protocol at EU level	3 rd quarter 2015 (FCTC Protocol Conclusion Decision)
Workshop to promote accession to the FCTC Protocol in the Middle East and Central Asia	Workshop organised with at least 10 countries	The FCTC Secretariat did not accept to jointly host such an event.	4 th quarter 2015
OLAF to assess the existing anti-contraband and anti-counterfeit agreement set to expire in 2016	Assessment completed	Target reached in February 2016 due to extensive consultations.	2 nd quarter 2015
Eurobarometer Survey on public awareness about the effects of cigarette smuggling	Survey conducted	The survey was conducted on time in December 2015.	By the end of 2015
Organise at least one joint customs operation (JCO), focusing on tobacco products	JCO completed	Two JCOs focussed on tobacco/cigarettes	4 th quarter 2015
A new laboratory facility for the analysis of seized cigarettes is established	Facility established Beginning of analysis of seizures in new laboratory	Contract concluded with JRC in June 2015 in order to carry out analysis of seized cigarettes	New laboratory facility up and running by the end of 2015.

In 2015, work of the Sector for tobacco anti-fraud policy in OLAF focused on implementing the Action Plan accompanying the 2013 cigarette communication. This plan sets out some 50 separate action items, some of which fall entirely into OLAF's responsibility, whereas others involve actions from other Commission Services or EU institutions.

OLAF's work in this area included the following priority activities in 2015: (i) improving the reliability and breadth of the various statistical tools used by OLAF in the tobacco sector, and to this effect also dedicated meetings with Member States' experts were organised; (ii) the enforcement, under the AFIS umbrella, of a new IT platform ("ToSMA") for the processing of Member States' seizure notices; (iii) the promotion of the Protocol to the WHO Framework Convention on Tobacco Control ("FCTC Protocol"); (iv) the analysis of measures required at EU and national level for the implementation of the FCTC Protocol.

OLAF continued implementing the four anti-fraud cooperation agreements with large tobacco manufacturers and processing of seizure notices under these agreements.

²⁷ Associated legislative proposals to amend the *acquis* as necessary are to be adopted in 2016.

With support from the AFIS team, the processing of seizure notices sent by Member States to the Commission was moved to the above-mentioned IT-application ToSMA. This tool has substantially reduced the administrative burden on Member States when implementing the agreements.

Furthermore, as OLAF considered that for investigative purposes as well as the proper implementation of the cooperation, in June 2015 Administrative Arrangement "On operating a laboratory facility and associated data management for the analysis of tobacco products" (TOBLAB) was signed with DG Joint Research Center. As a matter of fact, in the context of the Agreements with the tobacco manufacturers it is required for the Member States' national authorities to have access to state of the art specialised and independent testing facilities. This is also in line with the European Commission's Communication "Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products" of 6 June 2013.

Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)

The Hercule programme offers funding for actions to prevent and fight fraud, corruption and any other illegal activities affecting the Union's financial interests, including the fight against cigarette smuggling and counterfeiting. The Hercule III programme²⁸ for the years 2014–2020 was adopted in 2014 and has an overall budget of EUR 105 million for financial support to actions aimed at protecting the Union's financial interests. The Programme is implemented on the basis of annual work programmes and the work programme for 2015 was adopted on 8 April 2015²⁹. It made available an amount of EUR 14 067 100 for funding technical assistance and training actions to strengthen the operational and administrative capacity of customs and police forces in the Member States, for training activities and conferences as well as for IT-support.

In June 2015, the Commission launched "calls for proposals" for the award of grants in three sectors of activities: Technical Assistance, Legal Training and Training & Conferences. The examination of the applications for Technical Assistance was only finalised in February 2016 due to a high number of submitted applications (79). While the examination of the applications submitted within the framework of the other calls was finalised in December 2015, for the legal training call and January 2016 for the training & conferences call but the grant agreements could only be signed in 2016.

In July 2015, the annual overview with the results of the implementation of the Hercule III Programme in 2014 was adopted as annex to the Commission's Article 325 report³⁰. This overview contains information on results achieved with equipment purchased with financial support from the Programme, such as substantial seizures of cigarettes and examples of actions leading to the detection and identification of wrongdoers involved in smuggling and other illegal activities perpetrated against the Union's financial interests. Moreover, it gives a summary of the results obtained with the help of intelligence tools that were developed under the Programme and used for the automated analyses of large quantities of data.

Evaluation of the Hercule II Programme

The Commission adopted in May 2015 its report on the achievement of the objectives of the Hercule II Programme (2007-2013)³¹. The overall conclusion is that the Programme achieved its objectives and that it delivered its intended impact. The Programme had a

²⁸ Regulation 250/2014 of 26 February 2014, OJ L 84 of 20 March 2014. The Programme entered into force on 21 March 2014.

²⁹ C(2015)2234 final of 8 April 2015.

³⁰ COM(2015)386 final of 31 July 2015 and SWD(2015)151 final of 31 July 2015.

³¹ COM(2015)221 of 27 May 2015.

budget of almost EUR 100 million and enabled support to more than 500 different actions in the three sectors of activities during this period. It provided grants to beneficiaries in the Member States for the purchase of technical equipment, such as x-rays scanners, Automated Number Plate Recognition Systems or investigation support hard- and software. Moreover, financial support was given for conferences and seminars aimed at exchanging information on best practices in relation to the protection of the Union's financial interests and the fight against fraud. In addition, the Commission concluded contracts for the organisation of digital forensic training sessions in order to strengthen the operational and investigative capacity of law enforcement staff in Member States and third countries to retrieve evidence in a secured and lawful manner from computers or smartphones. The evaluation concluded that these actions could not have been fully achieved without the financial support of the EU. Moreover, the activities funded by the Programme enabled the creation of networks that allow the exchange of best practices between experts, such as prosecutors, academics or technical experts. The evaluation suggested that the impact of the Programme could be further strengthened by facilitating staff exchanges, in particular between organisations located in neighbouring countries. Finally, the need to improve the reporting on the achievement of the supported actions was highlighted in order to better demonstrate how the actions contributed to the achievement of the objectives of the Programme.

Relevant general objective: Protection of the financial interests of the European Union against fraud, in cooperation with relevant stakeholders, by providing policy tools and support.			
Relevant general objective in the legal basis / Programme Statement: To protect the financial interest of the Union thus enhancing the competitiveness of the European economy and ensuring the protection of the taxpayers' money.			
Specific objective 7: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests³² <input checked="" type="checkbox"/> Spending programme			
Result indicator 7.1: The added value and effective use of co-financed technical equipment, expressed by the users of the equipment in their final technical report and final implementation report of the action (percentage users that considered the use of Hercule funded equipment added value to their activities).			
Source: Final technical and implementation reports of beneficiaries			
Baseline 2013	Milestone		Target 2020
	2014	2017	
N/A	N/A ³³	70%	75%
Result indicator 7.2: The number and type of training activities funded under the Hercule III programme, including specialised training, and the satisfaction rate as expressed by the participants.			
Source: Final technical and implementation reports of beneficiaries			
Baseline 2013	Target 2015		Current situation
15	15 training activities		30 training activities
60% satisfaction rate	67% satisfaction rate		85% satisfaction rate

³² Two indicators previously mentioned in the OLAF Management Plan 2015 were removed from the AAR 2015. It was assessed that providing the data for those indicators would have been a significant administrative burden. The remaining indicators have been aligned with the indicators in the Programme Statements used for the preparation of the budget and used by DG BUDG.

³³ This information will only become available once the first agreements concluded under the Hercule III Programme in 2015 will end. The first assessments are expected to be submitted in 2016.

Main outputs in 2015			
Description	Indicator	Current situation	Target
Technical Assistance (incl. IT support)	Number of grants	27 ³⁴	20
Fraud awareness trainings, conferences and studies	Number of grants	30 ³⁵	15

The grant agreements mentioned above were concluded in 2015 on the basis of the Hercule III Financing Decision 2014. The 2015 calls for proposals for technical assistance, training & conferences and legal training were launched in June 2015 with as deadline September 2015. The evaluation of the submitted applications took place at the end of 2015, but the larger-than-expected number of technical assistance applications (79) took more time than anticipated (though it was done faster than in 2014). Moreover, the shortage of payment appropriations made it necessary to postpone the conclusion of grant agreements to 2016.

Therefore, the grants part of the Hercule III programme managed by the DG is not on course to meet its multiannual targets for this objective and has not achieved the annual performance indicators or milestones in the reporting year. This is for the following reasons:

- **The larger-than-expected number of applications that were received after the September 2015 deadlines of the Calls for Proposals “Technical Assistance”; “Training” and “Legal Training” which led to a longer delay for the examination of the applications;**
- **The continued shortage of sufficient payment appropriations in 2014 which did not allow the Commission to conclude grant agreements in 2015 as this requires pre-financing 50% of the awarded grant.**

³⁴ This figure contains the number of grants concluded following the Technical Assistance Call for Proposals (20) as well as the administrative arrangements concluded with the JRC (3) and specific contracts under framework contracts for the purchase of access to databases (4).

³⁵ This figure contains the grants awarded following the Calls for Proposals Training & Conferences (12) and Legal Training (8), as well as specific contracts concluded under framework contracts for the organisation of events (9) and digital forensic training (1) in 2015.

Anti-Fraud Information System (AFIS)

Relevant general objective: To protect the financial interests of the Union thus enhancing the competitiveness of the European economy and ensuring the protection of the taxpayer's money				
Specific objective 8: To support Mutual Assistance in Customs Matters through the provision of secure information exchange tools for Joint Operations and specific Customs anti-fraud information exchange modules and databases such as the Customs Information System			<input checked="" type="checkbox"/> Spending programme Non-spending	
Result indicator 8.1: Number of active customs fraud cases for which information is available in the Mutual Assistance databases				
Source: Council Regulation (EC) No 515/97 amended by Council Regulation (EC) No 766/2008, Regulation on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes				
Baseline 2013	Milestone		Current situation	Target 2020
	2015	2017		
6 000	12 000	20 000	12 000	30 000
Result indicator 8.2: Number of Joint Customs Operations (JCOs) (including EU wide and regional operations) supported/year				
Source: Databases falling under Council Regulation (EC) No 515/97 as amended by Regulation (EC) No 2015/1525, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes				
Baseline 2013	Milestone		Current situation	Target 2020
	2015	2017		
4 JCOs	4 JCOs	5 JCOs	6 JCOs (including support of MS JCOs)	2 JCOs led by OLAF per year ³⁶
Result indicator 8.3: Coverage of A-TIS (Anti-fraud transit information system)				
Source: Council Regulation (EC) No 515/97 amended by Council Regulation (EC) No 766/2008 and Regulation (EU) 2015/1525, Regulation on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes.				
Baseline 2013	Current situation		Milestone 2017	Target 2020
At the end of 2013, A-TIS held 16.5 million transit declarations (600 000/month) covering 70% of the transit regime	Regulation 2015/1525 amending Council Regulation 515/97 was adopted by the European Parliament and the Council on 9 September 2015		New repository of import declarations developed	A-TIS to cover 100% of transit declarations

³⁶ The target of 4 JCOs contained in the Management Plan 2015 was adapted in the Strategic Plan 2016-2020 to include only the JCOs initiated by OLAF. OLAF will, in addition, provide support to the JCOs requested by the Member States as it has done in the past.

Main outputs in 2015			
Description	Indicator	Current situation	Target
Reform of Regulation 515/97	Adoption by co-legislators and entry into force	Regulation 2015/1525 amending Council Regulation 515/97 was adopted by the European Parliament and the Council on 9 September 2015	1 st quarter 2015 (expected)

The Anti-Fraud Information System (hereinafter "AFIS") is an umbrella term for a set of anti-fraud applications operated by DG OLAF under a common technical infrastructure aiming at the timely and secure exchange of fraud-related information between Member States' administrations, as well as storage and analysis of relevant data. The AFIS Project encompasses two major areas, Mutual Assistance in Customs Matters and Irregularities Management.

AFIS supports Mutual Assistance in Customs Matters with collaboration tools such as V-OCU (Virtual Operations Coordination Unit) used for Joint Customs Operations; secure web mail (MAB-Mail), specific information exchange modules and databases like MAB (Mutual Assistance Broker), CIS (Customs Information System) and FIDE (Customs Investigation Files Identification Database), analysis tools like A-TIS (Anti-Fraud Transit Information System) and electronic workflow applications like ToSMA (Tobacco Seizures Management Application) which manages the implementation of the agreements between the EU and four major tobacco manufacturers.

AFIS facilitates secure electronic communications tools for the Member States to fulfil their obligation to report irregularities detected in agricultural, structural, cohesion and fisheries funds as well as pre-accession aid. The Irregularity Management System (IMS) provides a secure electronic tool for the reporting, management and analysis of irregularities. In 2015, following the adoption of the new reporting provisions, the support of the Asylum, Migration and Integration Fund (AMIF), the instrument for financial support for police cooperation, preventing and combating crime, and crisis management (ISF) and the Fund for European Aid to the Most Deprived (FEAD) has been added to the IMS.

The AFIS Portal is a single and common infrastructure for the delivery of the above-mentioned services to more than 8 000 registered end-users in more than 1 700 competent services from Member States, partner third countries, international organizations, Commission services and other EU bodies. AFIS is increasingly being used by partner third countries, including China.

The AFIS Portal enables substantial economies of scale and synergies in the development, maintenance and operations of such a wide and diverse set of IT services and tools. The performance audit on AFIS by OLAF's Internal Audit Capability was concluded in 2014, noting the satisfactory performance of AFIS in terms of economy, efficiency and effectiveness.

As evidenced above, the spending programme managed by the DG is on course to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective 9: To facilitate secure electronic communication tools for the Member States to fulfil their obligation to report irregularities detected in agricultural, structural, cohesion and fisheries funds as well as pre-accession aid			<input checked="" type="checkbox"/> Spending programme Non-spending
Result indicator 9: Availability of new irregularities reporting modules for the 2014-2020 period Source: Regulations 1681/94, 1831/94, 1848/2006, 1828/2006, 498/2007 and provisions under adoption for the new MMF 2014-2020, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes			
Baseline 2013	Target 2015	Current situation	Target 2020
Development of new single harmonised module on-going.	IMS system fully operational in all Member States and candidate countries with reporting and analysis tools.	IMS system fully operational in all Member States and in two candidate countries.	IMS system fully operational in all Member States and candidate countries with reporting and analysis tools.
Main outputs in 2015			
Description	Indicator	Current situation	Target
IMS Communication	Number of communications exchanged between the Member States and the Candidate Counties via IMS to fulfil their irregularities reporting obligations under the different regulations.	Member States and candidate countries submitted 23.387 communications during the calendar year 2015	22 500

HORIZONTAL ACTIVITIES

Human resource management

Within the context of staff cuts applicable to the Commission services, OLAF is facing difficulties to cope with the increasing amount of incoming information and the number of investigations to open. In October 2015, an internal reorganisation led to the creation of an additional investigative Unit and the abolition of one unit in support functions.

The results of DG HR 2014 Survey were thoroughly analysed by OLAF's HR Unit, and discussed in the Directorates at different levels (managers' meetings, unit and directorate meetings, team buildings) as well as communicated to OLAF staff through a detailed report and an explanatory video. Specific positive and negative trends were identified per Directorate. Several actions are already being implemented in OLAF's Directorates to tackle the specific issues identified.

Compared to 2014, the vacancy rate has decreased by 2.4%. OLAF's vacancy rate is, at the end of year 2015, below the Commission average.

The female representation in middle management has significantly increased from 10.5% in 2013 to 26.3% at the end of year 2015. A reorganisation took effect on 1st October 2015 and led to the abolition of one unit in support functions and the creation of one unit in OLAF's core business. This explains the decrease of female representation in middle management in 2015 compared to 2014. However, the selection procedure for the newly created unit is still on-going. OLAF will continue its effort to reach the Commission target for AD non-management population (40% by the end of 2019).

In the current situation of staff reduction, sick leave represents a loss of workforce which requires special attention. An "absence management" guide has been communicated to all managers and a specific training on absence management has been offered to OLAF managers in 2015. Statistics on absences and time management are sent to the management in order to improve the monitoring of sick leaves and flexitime. Tailor made training sessions will be provided by Unit 02 in each Unit in order to enhance the follow up of sick leaves within the DG. The sick leave rate has slightly decreased in 2015 compared to 2014.

OLAF invests in the professionalization of OLAF staff and in continuous learning and training. In 2015, all newly appointed investigators have participated in at least one training action in relation with their investigative tasks and had the opportunity to follow specific in house operational trainings. In addition, OLAF staff (mainly more senior investigators), participates on a regular basis in specific external trainings. An identification of the units' needs in terms of competences has started in 2015 and will lead to a better HR forward planning and the identification of learning paths per type of job.

Enhancing the communication at the different levels of OLAF is one of the main concerns of staff. In order to promote efficient professional and personal communication, strengthen cooperation between senior, middle and junior management and work better together, several actions have been implemented in the directorates such as regular meetings between the senior management and their staff to discuss mission, values, roles and perspectives, questions and answers sessions with all staff within the Directorate, informal events, etc.

Team buildings can also contribute to enhance common understanding and sharing about team's work and challenges. The number of team buildings continues to increase. A common approach within OLAF was developed focusing on work related issues that have a direct impact on team effectiveness.

The number of lunchtime debates has increased by 80% in 2015 compared to 2014. A lunchtime debate is a good opportunity to learn about OLAF policies, activities and other more general topics. The high level of participation (more than 800 participants) shows there is a real interest of staff in participating in these "sharing of knowledge" events and the satisfaction rate is high (90%).

In 2015, managers have been invited to participate in several trainings in order to enhance their managerial competences. Directorate A and C senior and middle management have benefited from coaching sessions and a 360° exercise has been organised in Directorate A. The implementation of useful and tailor made learning activities for OLAF managers will be pursued in 2016.

Since the beginning of 2015, systematic exit interviews are organised with OLAF staff leaving the DG due to retirement, end of contract, personal long term leave or mobility. The feedback received from departing staff provides OLAF's HR Unit with valuable information on staff engagement issues, job satisfaction levels, as well as other areas of improvement.

In order to improve the onboarding process of new staff members, the welcome procedures have been reviewed and further developed by OLAF's HR Unit. The project has been approved by the senior management and will be launched in the first trimester of 2016. The new procedure aims at integrating newcomers in a more coordinated and coherent manner throughout OLAF's services and provides them with the necessary support, tools and information for becoming operational as soon as possible. New welcome procedures foresee not only preparation and support for the first days, but also a follow-up integration period with continuous support from the HR team, managers and colleagues in order to contribute to the new colleague's engagement and job satisfaction levels from early days on.

Specific objective 10: Effective HR services to promote a high performing, balanced and stimulating working environment for all staff		
Result Indicator 10.1: Vacancy rate Definition: Vacancies measure the capacity to use the job quotas allocated to the DGs. The following figures represent the percentage of unused job quotas and vacant posts (frozen job quotas included) on the first calendar day of the month in relation to the total available job quota of the DG (both operational and special job quotas and loans in all establishment plans). Source: Sysper – HR Dashboard – November 2014		
Baseline (December 2014)	Current situation (December 2015)	
OLAF: 4.7% Commission: 7.4%	OLAF: 3.3% Commission: 4.6%	
Result Indicator 10.2: Female representation at senior management, middle management and AD non-management levels. Source: Sysper2, HR Dashboard		
Baseline (December 2014)	Target 2015	Current situation (December 2015)
Situation in OLAF: Senior management : 60% Middle Management : 28.6% AD non-management : 35.3%	Increase female representation in AD non-management	Senior management: 50% (Including the new Principal Advisor position) Middle Management: 26.3% AD non-management: 35.9%
Result Indicator 10.3: Sick leave rate (based on workdays only) Source: Sysper2, HR reports		
Baseline 2014	Target 2015	Current situation
4.5 % (average rate for 2014)	Commission average (latest known rate: 4.2% for the third quarter of 2015)	4.3% for the third quarter of 2015 (latest known rate from February 2016) The average rate is still slightly above the Commission average rate but the trend continues downward.
Result indicator 10.4: Staff engagement index Definition: Average of positive responses to 7 questions of DG HR annual staff survey Source: DG HR Annual Staff Survey		
Baseline 2014	Target 2015	Current situation
Commission’s staff engagement index in 2014 DG HR Staff Survey: 65.3% OLAF’s staff engagement index in 2014 DG HR Staff Survey: 59%	Close to Commission average No staff survey has been launched in 2015	59% (OLAF average) compared to 65.3% (COM average) (Source HR Staff Survey 2014)
Result indicator 10.5: Local Overheads Definition: This indicator shows the proportion of jobs categorised as local overheads (with adjustments for inter-service contributions) in the Screening process. Overheads refer to administrative support (HR, document management, IT, logistics, etc.) and coordination (communication, publication, etc.) functions. Source: Annual Screening Exercise		
Baseline Screening Exercise 2014	Target 2015	Current situation
OLAF : 8.6% DG Family : 9.8%	Maintain overhead rate at equal or below DG Family average (latest known rate is 6.8% - January 2015)	6.7% according to Screening follow-up report of Sysper BO Infoview in December 2015

Financial management

Specific objective 11: The resources of DG OLAF are managed according to the principle of sound financial management and its underlying transactions are legal and regular. <input checked="" type="checkbox"/> Non-spending		
Result indicator 11.1: Percentage of budget execution (commitments) with respect to budget appropriations Source: ABAC budget system		
Baseline (Budgetary year 2014)	Target 2015	Current situation
99,85%	More than 98%	99.5%
Result indicator 11.2: Percentage of payments handled within the payment time limits set by SEC(2009)477 Source: ABAC budget system		
Baseline (Budgetary year 2014)	Target 2014	Current situation
87,80%	More than 90%	94.4%

In 2015, OLAF achieved a budget execution of almost 100% (namely administrative appropriations: 99.85% and operational appropriations: 99.2%). The target put forward was largely met.

By means of intensive monitoring of payment deadlines and streamlining internal procedures, OLAF managed to reduce its number of late payments drastically compared to previous years.

Document management

Specific objective 12: Put in place and maintain an effective document management system so that any document connected with OLAF's official functions can be electronically filed, stored and retrieved at any time irrespective of its original form and the document management system in place		
Result Indicator 12: Percentage of incoming case related documents registered within 48 hours Source: ThOR		
Baseline 2014	Target 2015	Current situation
94.3%	At least 90%	93.2%

Internal control and risk management

Specific objective 13: Effective and reliable internal control system to ensure that 1) reasonable assurance can be given that resources assigned are used according to the principles of sound financial management, 2) risk of errors in operations is minimised and 3) the control procedures put in place give the necessary guarantees concerning the legality and the regularity of the underlying transactions.		
Indicator 13.1: Percentage of internal audit recommendations implemented without being overdue for more than 12 months		
Source:		
Baseline 2014	Target 2015	Current situation
100%	100%	100%
Indicator 13.2: Degree of implementation of mitigating measures for critical risks		
Source:		
Baseline 2014	Target 2015	Current situation
50%	100%	100% ³⁷

Anti-fraud

OLAF's anti-fraud strategy was endorsed in December 2013³⁸ and made available to staff on the intranet. OLAF's Ethics Guide was endorsed in April 2014³⁹ and made available to staff on the intranet.

Specific objective 14: Minimisation of the risk of fraud in OLAF through application of effective anti-fraud measures based on the DG's anti-fraud strategy (AFS), aimed at the prevention, detection and reparation of fraud, and their integration in all activities of the DG.		
Result indicator 14.1 : Regular monitoring of the implementation of the anti-fraud strategy (AFS) and reporting on its result to management		
Source: OLAF Anti-Fraud Strategy		
Baseline 2014	Target	Current situation
The implementation of the AFS action plan was presented to OLAF's senior management on 28 November 2014.	Internal review of the implementation of the Anti-Fraud strategy once per year.	The implementation of the AFS action plan was presented to OLAF's senior management in December 2015.

³⁷ No critical risk has been identified.

³⁸ Ares (2013) 3767698

³⁹ Ares(2014)2388845

Result indicator 14.2: Updated anti-fraud strategy of DG OLAF. Source: OLAF Anti-Fraud Strategy		
Baseline 2014	Target	Current situation
The AFS was reviewed by OLAF's senior management on 28 November 2014.	Internal review of whether there is a need for an update once per year.	The AFS was reviewed by OLAF's senior management in December 2015.
Result indicator 14.3: Staff is informed on the content of the DG's anti-fraud strategy, especially concerning the risk of fraud among staff involved in the management of OLAF funds and on OLAF's Ethics Guide. Definition: From the action plan attached to OLAF's anti-fraud strategy two indicators have been developed. Source: OLAF Anti-Fraud Strategy		
Baseline 2014	Target	Current situation
The ICC met the financial actors at least once a month.	Promote awareness on risks of fraud amongst financial actors involved in the management of OLAF funds The ICC to meet the financial actors (unit O2) at least once a month to discuss the issues related to financial management.	The ICC met the financial actors at least once a month (during unit meetings of budget sector and/or during the meeting within Unit O2).
The first training session on Ethics was given in November 2014. Two reminders have been posted on intranet on the applicable rules on spouse's gainful employment declaration and use of Commission ICT. 3 presentations on Ethics were given to newcomers.	At least 4 training sessions will be organised per year on Ethics. Regular reminders on issues related to Ethics will be posted on the intranet (at least twice a year). A dedicated presentation on Ethics is given during the welcome session of newcomers.	4 training sessions were given during 2015 (2 during new-comers sessions and 2 during dedicated Ethic training sessions). Two reminders have been posted on intranet on the applicable rules on spouse's gainful employment declaration and use of Commission ICT. A lunch time debate has been organised in collaboration with DG HR/IDOC on Ethic issues.

Examples of specific efforts to improve economy and efficiency of financial and non-financial activities

The most recent reorganisation, which took effect on 1 October 2015, is yet another initiative which results in a further reduction of the overheads (from 8,6% to 6,7% which is below the Commission average) and a redeployment of staff from support functions to investigation. This reorganisation led to the creation of new investigative Unit OLAF/B5 that is composed of roughly 15 staff members. This reorganisation has been neutral vis-à-vis the financial and human resources of the Office.

Introduction of a Single Point of Entry, a management tool for the efficient handling of incoming information, in January 2015, has increased efficiency of registering incoming information and the assignment of cases to selectors. This is best exemplified by Result indicator 1.1 "Average duration of selections" and Result indicator 1.2 "Percentage of selections closed whose duration is less than 2 months". Targets of those indicators were significantly surpassed. This is even more remarkable as several AD officials from the unit in charge of selections were transferred with their posts to DG HOME with the worsening of the migration crisis. At the same time the number of incoming information remained on a very high level.

2. MANAGEMENT AND INTERNAL CONTROL

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. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports of the ex-post supervision or audit;
- the opinion of the internal auditor on the state of control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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 OLAF.

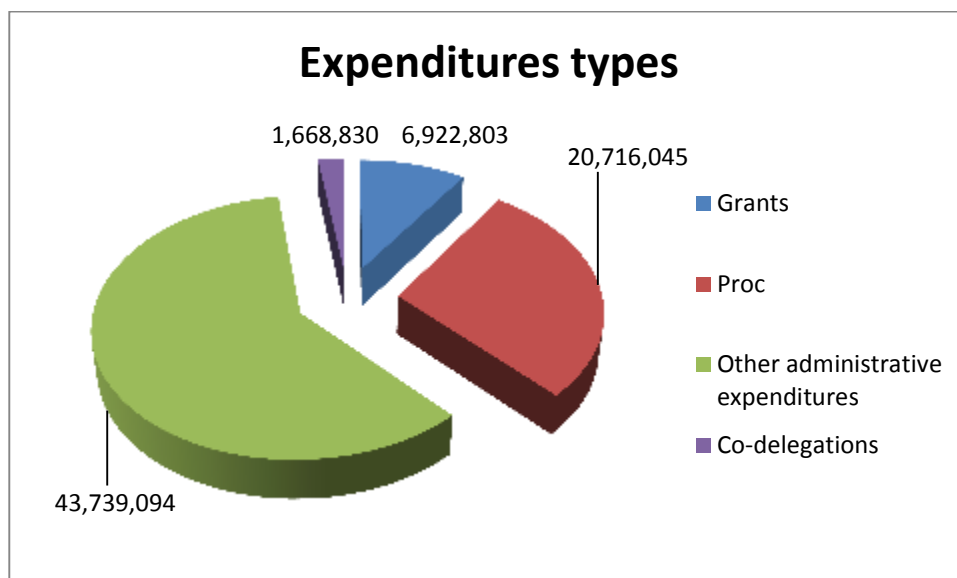
This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

2.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁴⁰. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. 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.

OLAF is a low spending DG in the Commission with a total budget of EUR 78.7 million (EUR 57.7 million administrative and EUR 21 million operational⁴¹, managed through direct management)

DG OLAF has four main expenditure types for implementing its activities which are procurement (EUR 20.7 million of payments in 2015), grants under direct management mode (EUR 6.9 million of payments in 2015), cross-delegations (EUR 1.7 million of payments in 2015 mainly to PMO, OIB, DEVCO, DIGIT, OP and TAXUD) and other administrative expenditures related to salary, renting and missions (EUR 43.7 million of payments in 2015).



⁴⁰ 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).

⁴¹ OLAF's operational budget finances activities in the framework of the Hercule programme, Pericles programme and the operation of the anti-fraud information system (AFIS).

Coverage of the Internal Control Objectives and their related main indicators

- ***Control effectiveness as regards legality and regularity***

OLAF 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 multiannual character of programmes as well as the nature of the payments concerned. The control objective is to ensure that the estimated error rate does not exceed 2% annually.

Every commitment or payment file is checked by the Financial Verifying Agent (FVA) before it is handed over to the Authorising Officer by Sub-Delegation (AOSD) in the operational unit.

The accounts are checked on a monthly basis by the Accounting Correspondent supervised by the AOSD of the Budget Unit.

Ex-ante controls are carried out by the FVA on every transaction (administrative, grants and procurement files) which requires an approval of the AOSD. During these ex-ante controls the legality and regularity of transactions are checked on the basis of checklists. These checklists are produced on the basis of the results of the risk assessment carried out in the context of the Accounting Quality Report (such as: LE and BA, G/L accounts, budget lines, amounts and calculations, etc.). A checklist exists per type of transaction and for the different stages in the financial circuits (commitment, payment, advance-payment...). The check-lists on the financial circuits have been updated to align to the financial workflow in 2014.

Moreover, when errors and/or weaknesses are noted these checklists are updated in order to cover the risk identified.

The financial circuit applied is a partially decentralised model for all transactions except for the pre-financing transactions where the centralised model is used. The operational units are responsible for the operational verifications. In OLAF, all files are verified by at least 3 persons (2 financial and 1 operational agent) before they are accepted and processed by the Authorising Officer.

An Exceptions report is kept for all exception and non-compliance events and signed at the appropriate management level. These exceptions cases were not of a nature or extent to lead, either to a reservation, or to the identification of a significant weakness in the internal control system and did not have an impact on the declaration of assurance of the AOD. The qualitative analysis of the registry of the exceptions and non-compliance events revealed that during the reporting year there were 10 events of non-compliance. These non-compliance events had no impact on the legality and regularity of the transactions. These non-compliance events were related mostly to 'ex-post commitment' all during the same financial year, as a formal compliance issue which does not have a negative impact on the budget.

Ex-post controls were carried out on 2015 expenditures. During the ex-post controls the regularity and legality of the transactions were verified. The controls were carried out on the basis of a sample composed of 25 transactions representing a value of EUR 5.6 million (in payments) which covers 28.9% of transactions of the targeted population for 2015 in value and 2.2% in total number of the transactions under review. The ex-post controls carried out did not lead to the identification of any significant financial error. The sampling methodology applied was a combination of a risk-based approach (15 transactions) and random selection (10 transactions).

Grants

The Budget amount of the work programmes related to 2015 amounts to EUR 9 450 000. The Success ratio 'value proposals received over budget available' is of 421%. This ratio illustrates the attractiveness of the programme towards beneficiaries. It is to be noted that programmes ran smoothly in 2015 without having any proposal challenged under the redress procedure and no litigation case is to be reported.

DG OLAF adjusted 33 cost claims for a value of EUR 138 073 which corresponds to 2% in value of cost claims submitted.

As regards the legality and regularity of the underlying transactions, the objective is to ensure that the estimated annual risk of errors in commitments and payments at the time of the authorisation of the transactions is less than 2%.

The key control objective is to ensure that errors, irregularities and cases of fraud are detected and addressed in due time. The ex-post controls carried out on grants covered 9 transactions on grants for a value of EUR 3 953 367 (representing 57% of the payments of 2015 for grants).

The Ex-post controls did not identify any financial error⁴² that could have had an impact on the assurance. The results of the 2015 ex-post controls are in line with the results of 2014 and allow OLAF to conclude that the control objective has been met as regards the control effectiveness on legality and regularity.

Procurements

In 2015, the procurement payments amounted to EUR 20 716 045. OLAF issued 5 tendering procedures⁴³ and one was cancelled but continued under negotiated procedure. No contract was discontinued due to a lack of use. There was no case where only one offer was received. The number of requests for clarification regarding tenders amounted to 15. No complaints or litigation cases have been recorded.

The errors prevented on procurements by the controls in place corresponded to 1.2% and there was no case of liquidated damage. The ex-post controls carried out on procurements covered transactions for EUR 1 654 141 (representing 8% of the payment of 2015 for procurements). The ex-post controls did not identify any significant financial error that could have had an impact on the assurance. The error rate determined by the ex-post controls corresponds to 0.18% (amount of error: EUR 2 950) and a budget at risk of less than EUR 22 220. The control objective has been met as regards the control effectiveness on legality and regularity

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For OLAF, the estimated overall amount at risk⁴⁴ for the 2015 payments made is EUR 75 697. This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year (EUR 73 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

⁴² No error on the legality and regularity was identified by the ex-post controls on 2015 expenditures.

⁴³ Tendering procedures for amounts above EUR 15.000

⁴⁴ In order to calculate the weighted average error rate (AER) for the total annual expenditure in the reporting year, detected, estimated or proxy error rates have been used (not the RER).

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections⁴⁵ for those 2015 payments made are EUR 122 526. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

OLAF	Scope: payments made (FY; €)	Error Rate (%)	amount at risk	Estimated future corrections (FY; €)
Population audited (ex-post)				
Grants	6 922 803	0%		
Proc	12 459 862	0.178%	22 216	
Population non audited (building rent, salaries):				
Buildings and related expenditure	10 696 308	0.50% ⁴⁶	53 481	
Expenditure related to staff in active employment	42 967 800	0.00%	0	
Total	73 046 773	0.104%	75 697	122 526

In conclusion, the internal control systems implemented by OLAF provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions. The budget implementation of OLAF for 2015 was considered as legal and regular.

- **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.

Grants

The cost of preparation, adoption and publication of the annual work programme 2015 was assessed to some EUR 66 000 which corresponds to an average cost per number of proposals received to EUR 468. Moreover, due the shortage of payment appropriations in 2014 most proposals of 2014 were treated in 2015 which reduced the cost per number of proposals treated in 2015 to some EUR 351 in comparison to EUR 450 in 2014. The percentage of selected proposals over the total number of proposals received is 26.95%.

⁴⁵ This estimate is based on past performance, namely on the average recoveries implemented since 2009 and applied to the payments of the year. The DG has adjusted this in view of the specificities of the DG's control system, with a view to maintaining the conservative character of the estimation.

⁴⁶ Commission average applied.

The average time for informing all applicants of the outcome of the evaluation of their application is 6.7 months for Hercule. The average time for signing the agreements with applicants is 2.2 months for Hercule grants agreements. The number of applications submitted within the framework of the Technical Assistance Call for Proposals was larger than expected due to the higher co-financing percentage since the adoption of the new legal basis for the Programme in March 2014 and led to a delay in the processing of the applications. Furthermore, the requested amount for grants exceeded the available budget more than six times which made it even more important to carefully examine all the applications. The applicants were informed of this delay in the receipt notifications that were sent in October 2014. The restructuring of the Commission's services following the appointment of the new Commission in November 2014 also contributed to this delay as the unit to which the Hercule sector belonged was partly moved to another Commission service (DG ECFIN). Finally, the shortage of payment appropriations in 2014 would not have allowed for concluding all grant agreements in 2014. All these factors have now been addressed and such delays are not expected to occur in 2016.

OLAF has assessed its cost of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud which pleads for a strong control environment. The cost of controls of grants was assessed to some EUR 1 122 000 corresponding to 11.8% of the budget allocated to grants.

These controls led to the adjustments of 33 cost claims for a value of EUR 138 073.51 which corresponds to 2% in value of costs claims submitted. The benefits of control in non-financial terms cover: better value for money, deterrent effects, efficiency gains, system improvements and, as mentioned above, compliance with regulatory provisions.

Based on an assessment of the most relevant key indicators on grants, control results and the peculiar situation of 2015 described above, OLAF has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

Procurements

Interest paid for late payments occurred only 5 times in 2015 (for a total amount EUR 1 465). The cost of the controls on procurement procedures related to 2015 was assessed to an amount of EUR 198 000 (representing in value some 0.96% of the procurements expenditures against 0.8 in 2014). 2015 was characterised by a low level of tendering procedures. OLAF has assessed its cost of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud which plead for a strong control environment. The errors prevented on procurements by the controls in place corresponded to 1.2% and there was no case of liquidated damage. The average payment time was 15.9 days for the reporting period 2015.

Based on an assessment of the most relevant key indicators on procurement and control results, OLAF has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

- ***Fraud prevention and detection***

OLAF has developed its anti-fraud strategy as foreseen in the Commission's overall anti-fraud strategy⁴⁷. All the resulting measures have been implemented by the end of 2014 except for one action that was implemented by mid-2015. No case of fraud having an impact on the EU budget managed by DG OLAF has been identified.

The controls aimed at preventing and detecting fraud are not essentially unlike those intended to ensure the legality and regularity of the transactions. Each year, OLAF assesses the risk of fraud in the context of its self-risk assessment exercise. The fraud risks are mitigated by the specific controls implemented. Activities and operation that are at a higher risk of fraud are subjected to more in-depth monitoring and control. During the reporting year, no case has led to an investigation or transmission of case to IDOC.

In 2015, OLAF continued its awareness campaign on Ethics amongst staff. This initiative is aimed at ensuring that OLAF's staff lead by example by setting standards of professional conduct in terms of independence, integrity, impartiality and objectivity. This awareness campaign is also aimed at ensuring that OLAF's staff is aware of its rights and obligations in their relations with the public (duty of confidentiality).

With regards to the type of core business of OLAF the fraud prevention and detection system put in place is assessed as sufficient and adequate.

- ***Other control objectives: safeguarding of assets and information, reliability of reporting (if applicable)***

In the context of the Ethics training sessions a special emphasis is given to the safeguard of information by ensuring that everyone knows the treatment to be given to sensitive information. Moreover, during the welcome session for newcomers a training session is given on the protection of personal data.

OLAF considers that the procedure put in place to ensure safeguarding of the information is proportionate and adequate.

⁴⁷ COM(2011) 376 24 June 2011.

2.2 Audit observations and recommendations

This section reports 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.

OLAF is audited by both internal and external independent auditors: its internal audit function (IAF), the Commission internal audit service (IAS) and the European Court of Auditors (ECA).

Furthermore, OLAF's investigative function is regularly monitored by OLAF's Supervisory Committee, in accordance with Article 19 of Regulation 883/2013.

Internal Audit Function (IAF)

The Commission decided⁴⁸ to centralise the internal audit function in the Internal Audit Service (IAS) and that by the end of February 2015, the internal audit function in the individual Directorates-General, Services, Offices and Executive Agencies would cease to exist. As per the Specific provisions concerning administrative cooperation between OLAF and the IAS², the scope of IAS audits and consulting services will not cover issues which fall under the Director-General's independence in the execution of his duties with respect to investigations as described by Article 17 of Regulation 883/2013 and Articles 3, 5 and 6 of Commission Decision 1999/352, that the Office is not reporting to the Commission, unless specifically requested by the Director-General of OLAF in writing. In order to cover processes and procedures which are not covered by the IAS OLAF management decided to appoint a new Internal Audit Function (IAF). The appointment and The Charter for the new IAF was consulted with the IAS.

OLAF's former Internal Audit Capability (IAC) carried out an audit on Investigation Process - External Aid in 2010. The audit report included 28 recommendations, 27 of which were accepted. A follow-up of this audit was included in the 2015 audit plan of the OLAF-IAF. The follow-up audit concluded that two (important) recommendations are partly implemented and remain as opened.

The follow-up on the 'training audit' carried out in 2014 concluded that one (important) recommendation was outstanding. At the date of finalisation of this report this recommendation is considered as implemented by the management and ready for review.

Internal Audit Service (IAS)

The IAS performed a follow-up audit to assess the progress made in implementing the recommendations from the audit of the former IAC of OLAF on the performance of the anti-fraud information system (AFIS). The follow-up engagement concluded that both two recommendations which had been rated as very important by the IAC and four important recommendations have been adequately and effectively implemented and could be closed, seven other (important) recommendations were outstanding. It is expected that those recommendations will be implemented by end June 2016, except for one with due date end December 2016.

The IAS carried out a performance audit on the implementation of the DGs' Anti-Fraud

⁴⁸ Minutes of the 2104th meeting of the Commission held on Wednesday 5 November 2014.

Strategies. This engagement follows the audit risk assessment carried out in 2013 as part of the preparation of the IAS's Strategic Audit Plan for 2013-2015. The sampled DGs were bigger spending DGs such as DG EMPL, DG AGRI, DG DEVCO and DG NEAR. The IAS also included DG SANTE because fraud in this policy area might not only involve the EU financial interest but could also endanger the health and safety of EU citizens, animals or plants. OLAF was audited in its horizontal role of providing support to DGs in the development in their anti-fraud strategies.

Overall, the IAS acknowledges that OLAF has played a key and expert role in facilitating and assisting the DGs and services in the preparation of their AFS and associated action plans. OLAF has also ensured that the DGs and services have available a comprehensive and complete range of support materials as well as possibilities to discuss key issues, to assist them in meeting their Anti-Fraud responsibilities. This audit engagement resulted in 3 audit recommendations (2 important and 1 very important) for OLAF. The recommendations have been accepted and two of them have been implemented (included the very important one) by end of February 2016. The remaining recommendation is planned to be implemented by end of June 2016.

In the IAS contribution to the 2015 Annual Activity Report process, the IAS concluded that the internal control systems audited are overall working satisfactorily, although one very important finding remains to be addressed (implemented as and reported as ready for review as of end of February 2016) in line with the agreed action plan.

European Court of Auditors (ECA)

At the date of the finalisation of the AAR no open recommendation was reported.

OLAF Supervisory Committee (SC)

The mandate of the Supervisory Committee is to monitor OLAF's investigative function in order to reinforce the Office's independence as outlined in the OLAF Regulation. The Supervisory Committee delivers Opinions, which can include recommendations, to OLAF's Director-General. OLAF reports regularly to the Supervisory Committee on the implementation of the Committee's recommendations and has done so in September 2015 and January 2016. The reports showed that OLAF has implemented 56 out of the 65 recommendations issued by the Supervisory Committee between 2012 and 2015.

During 2015, the Committee issued eight recommendations included in two Opinions⁴⁹. OLAF has implemented the two recommendations included in Opinion 1/2015. As regards the Opinion 2/2015, this has been transmitted to OLAF on 12 January 2016 and the six recommendations included are still currently under assessment.

The non-implementation of the remaining recommendations is not considered as having any material impact on the achievement of the internal control objectives or on assurance. OLAF's reporting on the implementation of the Supervisory Committee's recommendations is publicly available on OLAF's website.

https://ec.europa.eu/anti-fraud/about-us/reports/official_responses_from_olaf

⁴⁹ Footnote: Opinion 1/2015 *OLAF's preliminary draft budget for 2016* of March 2015, Opinion 2/2015 - *Legality check and review in OLAF* of December 2015

2.3 Assessment of the effectiveness of the internal control systems

The Commission 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.

OLAF 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 standards and having due regard to the risks associated with the environment in which it operates.

OLAF annually assesses the effectiveness of its key internal control systems, including the processes carried out by implementing bodies in accordance with the applicable Commission guidance. The assessment relies on a number of monitoring measures and sources of information including a survey-based management risk assessment, monitoring of reported instances of exceptions, non-compliance events and internal control weaknesses related to audit findings.

In conclusion, the internal control standards are effectively implemented and functioning. In addition, OLAF has taken measures to further improve the effectiveness of its internal control systems in the area of ICS 2: 'Ethical and Organisational Values', ICS 3: on 'Staff Allocation and mobility' and on ICS 12: 'Information and Communication'.

2.4 Conclusions as regards assurance

In view of the control results and all other relevant information available, the AOD's best estimation of the risks relating to the legality and regularity for the expenditure authorised during the reporting year (EUR 73 million) is between 0% and 2%, which implies an amount at risk of below EUR 1 460 935. The weighted average error rate is for 2015 is estimated to 0.17% (resulting in EUR 75 697).

The internal control strategy foresees the implementation of further controls during subsequent years aimed to detect and correct these errors. It is not possible to identify the specific errors and amounts which will be effectively corrected in the coming years, yet the implementation of these corrective controls since 2009 have resulted on average in recoveries and financial corrections representing 0.1% of the average payments over the same period. This percentage applied to this year's payments made (resulting in EUR 122 526) provides the best available indication of the corrective capacity of the ex-post controls systems implemented by the DG.⁵⁰

Taking into account the conclusions of the review of the elements supporting assurance and the expected corrective capacity of the controls to be implemented in subsequent years, it is possible to conclude that the internal control systems implemented by OLAF provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

OLAF has sufficient reasonable assurance that a reservation on the declaration is not seen as necessary.

Overall Conclusion

OLAF 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.

In conclusion, management 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.

⁵⁰ The recoveries are mainly related to recuperation of the prefinancing part of the grant. Moreover the recoveries related to the anti-counter band and anti-counterfeit cooperation agreement with PMI, JTI, ITL and BAT have been excluded for determining the corrective capacity of OLAF.

3. DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of OLAF

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁵¹.

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 opinion of the Internal Auditor on the state of control. [the observations of the Internal Audit Service - delete this if not applicable] [and the lessons learnt from the reports of the Court of Auditors - delete this if not applicable] 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 2016

(Signed)

Giovanni KESSLER

⁵¹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.