



2015

Annual Activity Report

**DG Justice and
Consumers**



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INTRODUCTION

The DG in brief

The Directorate-General for Justice and Consumers (DG JUST) has as its overriding mission to build a European Area of Justice for the benefit of everyone in the European Union. It aims to vindicate and strengthen the rights of people living in the European Union, and to remove barriers to their full participation in the internal market, whether acting as citizens, as entrepreneurs, as consumers or as workers, throughout the EU.

From an organisational point of view, DG Justice and Consumers is organised in five directorates, "Civil Justice", "Criminal Justice", "Fundamental rights and Union citizenship", "Equality" and "Consumers". DG Justice and Consumers has a single central "Programme management" unit, operating with a common financial circuit and financial management structure for the three main financial programmes of the DG: "Rights, Equality and Citizenship" (REC), "Justice" and "Consumer programme".

The activities of the operational services are supported by the Shared Resource Directorate (SRD), working for DG HOME and DG JUST, which covers personnel, IT as well as budgetary and control matters.

DG Justice and Consumers has limited financial resources at its disposal to allow implementing its policies on the ground (Total 2015 budget amounting to EUR 181,76 million representing less than 0.15% of the total EU budget).

DG Justice and Consumers programmes are implemented through two management modes:

- the **direct management mode** - grants and procurement -, with the support of the Consumers, Health, Agriculture and Food executive agency (CHAFEA) for the Consumers programme;
- the **indirect management mode**. The EU has established agencies in the area of Justice and Consumers to support EU Member States and their citizens in coping with new tasks of specific nature. Each agency is unique and fulfils an individual function. Together, the European Institute for Gender Equality (EIGE), the European Union Agency for Fundamental Rights (FRA) and the European Union's Judicial Cooperation Unit (EUROJUST) provide information and advice, prepare and take decisions, oversee operations and support policy making. DG Justice and Consumers pays the subsidies voted by the budgetary authority for the agencies.

In terms of Human Resources, 431 management and staff members were working for DG Justice and Consumers and 87 for the Shared Resource Directorate. The average age of staff members in DG Justice and Consumers is 42,8 years (42,6 for female and 43,1 for male). The proportion of female reaches 62,9 % across all grades. The female representativeness is above the average of the Commission for senior managers (40 % for DG Justice and Consumers against 29 % for the Commission) and for middle managers (47,8 % for DG Justice and Consumers against 31,9 % for the Commission).

The year in brief

From 1 January 2015, the former DG Justice was renamed "DG Justice and Consumers".

The reorganisation of the Commission services decided by President Juncker with effect on 1 January 2015 had important consequences on DG Justice and Consumers, both from the organisational and budgetary point of view: a new Directorate "Consumers" and a new unit "Company law" were included in DG JUST's "portfolio". These having been integrated into the renamed DG Justice and Consumers represented a budget increase of EUR 28.8 million in 2015.

In terms of Human Resources, DG Justice and Consumers staff has grown from 334¹ to 431² members in January 2015. This is the net result of the reorganisation of the Commission services with effect on 1 January 2015 and application of the tax reduction and redeployment like other Commission DGs and services.

On 1 November 2015 the current Deputy Director-General Francisco Fonseca Morillo took on the responsibilities of the acting Director-General, replacing the previous acting Director-General Paraskevi Michou (from September 2014). The new Director General Tiina Astola took over on 1 February 2016.

1 Situation on January 2015 excluding HOME-JUST SRD: 74 persons, trainees and intra-muros service providers and 4 post of the SIAC

2 Situation on January 2016 excluding HOME-JUST SRD: 87 persons, additional administrative and financial support staff, trainees and intra-muros service providers.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG Justice and Consumers 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.

The executive summary has four subsections:

- a) Policy highlights of the year (executive summary of section 1).
- b) The five most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the DGs 2015 Management Plan
- c) Key conclusions on Management and Internal control (executive summary of section 2)
- d) Information to the Commissioner

a) Policy highlights of the year (executive summary of section 1)

2015 was the first full year of delivery for the Juncker Commission. During this time DG Justice and Consumers contributed to a number of Commission-wide horizontal processes, in particular the European Semester as well as a number of Commission priorities, in particular the Digital Single Market Strategy, the Internal Market Strategy, the Capital Union Action Plan, the Security Agenda, Migration Agenda and Energy Union.

In 2015 fifteen Member States were subject to **monitoring of justice reforms**, and DG Justice and Consumers followed **possible emerging systemic threats** to the rule of law in Hungary and Poland.

As part of the Digital Single Market general objective, the Commission adopted **two legislative proposals devising simple and effective contract law rules for consumers and businesses** on the supply of digital content and on the online and other distance sales of goods. The Directives will ensure that the same key contract law rules apply across the EU, in business-to-consumer contracts. Based on a uniform set of rules, consumers will be able to shop goods online and access digital content from other EU countries as easily and confidently as they do in their own country. Traders will also benefit from enhanced legal certainty and a friendly business environment when trading cross-border.

As regards **data protection reform**, very significant progress was made. On 15 December 2015, the European Parliament, the Council and the Commission reached an agreement on the two instruments of the data protection reform, establishing a modern and harmonised data protection framework. In the context of the **review of the EU-US Safe Harbour** arrangement, on 6 November 2015 the Commission adopted a communication on the Transfer of Personal Data from the EU to the United States of America under Directive 95/46/EC. This followed the Judgement by the Court of Justice in

Case C-362/14 (Schrems) and provided the much needed provisional guidance for business on the possibilities of transatlantic data transfers following the ruling.

As regards the general objective on justice and fundamental rights, preventive efforts against money laundering and terrorism financing are necessary to ensure the integrity of the EU financial markets and confidence in the financial sector. Preventing the laundering of criminal proceeds and cutting off the financing of terrorist organisations is also one of the key actions of the **European Security Agenda. Efforts against money laundering and terrorism financing** strengthened the integrity of the EU financial markets and confidence in the financial sector. **The agreement on the anti-money laundering package**³, focuses on greater effectiveness and improved transparency aiming to prevent criminals and terrorists from abusing the financial system and further close loopholes.

The **exchange of criminal record information** improved considerably, with more than 1.8 million ECRIS messages exchanged in 2015. This already considerably exceeds the milestone set for 2017 (1,300,000). The average time of surrender procedure under the **European Arrest Warrant (EAW)** was slightly higher than projected 2020 target.

[Directive 2012/29/EU](#) establishing minimum standards on the **rights, support and protection of victims of crime**, adopted in October 2012, and providing a range of victims' rights entered into force on 16 November 2015.

The Council adopted the **Directive on the coordination and cooperation measures to facilitate consular protection for unrepresented citizens of the Union in third countries**. The Directive, which represents a milestone in an area until then largely based on the intergovernmental approach, reinforces the right of unrepresented EU citizens to consular protection by establishing clear coordination and cooperation measures among the Member States.

DG Justice and Consumers published a **report on the 2014 European Parliament elections**, assessing the conduct of these elections, including the measures taken by political parties and EU countries to enhance the democratic conduct. The report identified the direct link established between the election results and the choice of the European Commission President as a key new element of 2014 elections. **The Strategic engagement for gender equality 2016-2019** was published in December 2015. An extensive consultation process carried throughout 2015 confirms that the priorities set in the previous strategy remain still valid. The Strategic engagement therefore sets out objectives for:

- increasing female labour market participation and equal economic independence;
- reducing the gender pay, earnings and pension gaps;
- promoting equality between women and men in decision-making and
- combating all forms of violence against women.

³ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds

The Commission **withdrew the proposal to revise the 1992 Directive on maternity leave** and committed to replace it with a new initiative to address the challenges of work-life balance for working parents and caregivers.

In December 2015, the Commission published the '**List of Actions to advance LGBTI Equality**'. The actions cover all policy areas that are relevant for LGBTI people: non-discrimination, education, employment, health, free movement, asylum, hate speech and hate crime, enlargement and foreign policy.

The Commission concluded the development of the **Online Dispute Resolution (ODR) platform**, a priority initiative contributing to the Digital Single Market and a deeper and fairer internal market.

The Commission's proposal for a new **Package Travel Directive** was agreed in 2015 between the Council and the European Parliament and will extend protection to 120 million consumers who book other forms of combined travel, e.g. a self-chosen combination on a website of a flight plus hotel or car rental, and not only traditional package holidays.

The **Rapid Alert System** for dangerous non-food products facilitated the exchange of information between national authorities and the Commission on measures taken against products posing a serious risk to the safety of consumers. Since 2004, over 20,000 alerts for dangerous products were circulated in Europe, of which 2,072 in 2015 alone.

DG Justice and Consumers contributed with a consumer dimension to different initiatives under the **Energy Union general objective**, in particular energy efficiency and market design, through the **Communication on a New Deal for Energy Consumers**. The evidence on **consumer vulnerability** from an ongoing study contributed to the Staff Working Document on consumer trends in the Energy sector, accompanying the Report on the State of the Energy Union in November 2015 enhancing the consumer dimension of the Energy Union.

b) Key Performance Indicators (6 KPIs)

As announced in the 2015 Management Plan DG Justice and Consumers is committed to report on **five** policy related key performance indicators highlighted below. Although not included in the 2015 Management Plan, a sixth control-related indicator has been added in order to report on the residual error rate for grants, which, following the recent change in methodology, is one of the main sources for deciding on whether a reservation needs to be issued in the Annual Activity Report.

1. Half of legal professionals in the EU should have received training on EU law or law on another Member State by 2020

Target 2020: 700 000
Latest known result: 371 000 (2014 data)

Year	Number of Professionals
2011	~80,000
2011-2012	~120,000
2011-2013	~200,000
2011-2014	~350,000
2011-2015	~371,000
2011-2020	700,000 (Target)

2. Annual growth in the use of the European e-Justice portal

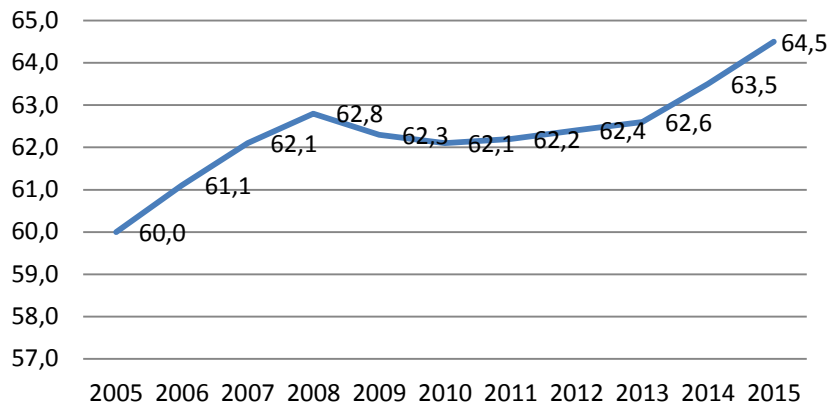
Baseline 2012: 630 000 visits
Target 2020: + 20 % per year
Latest known result: 3 600 000 visits (growth rate of +75 % per year)

Year	Unique visitors	Visits
2010	~100,000	~150,000
2011	~400,000	~700,000
2012	~630,000	~950,000
2013	~1,100,000	~1,600,000
2014	~1,500,000	~2,300,000
2015	~2,500,000	~3,600,000

3. Progress towards equal participation in the

Baseline 2012 for female employment rate 20-64 age group: 62.4 %
Target 2020: 75 %
Latest known result: 64.5 % (data for Q3 2015)

Women's employment rate (20-64 years old)

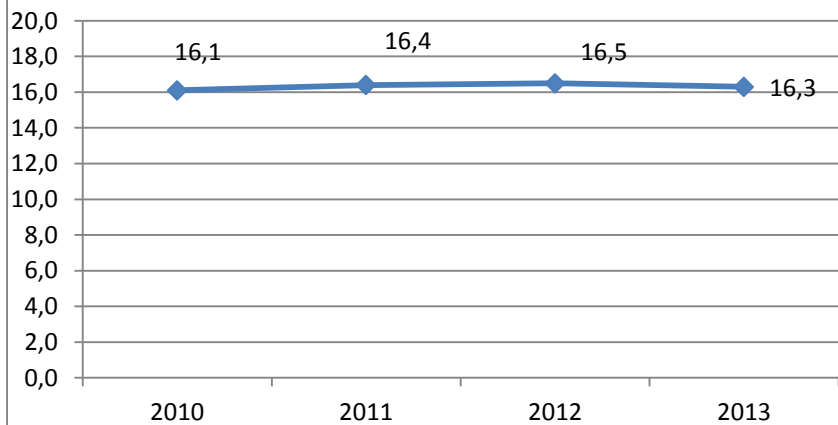


Baseline 2012 for the gender pay gap: 16.2 %

Target 2020: 14 %

Latest known result: 16.3 % (2013 data)

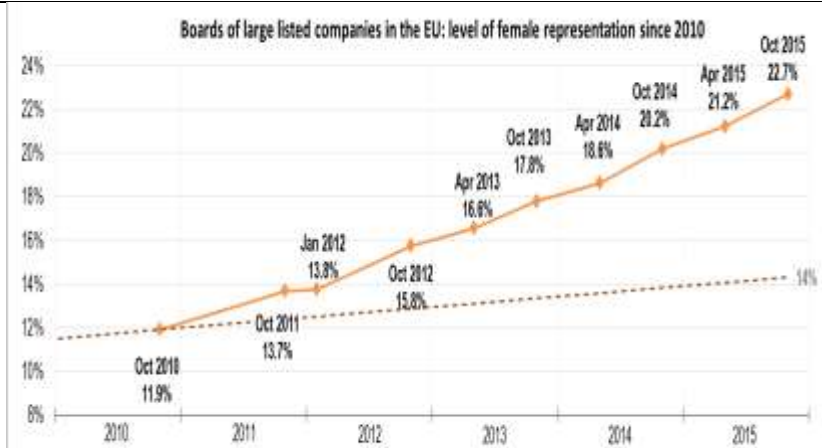
Gender Pay Gap in the EU



Baseline 2012 for percentage of women among non-executive directors on boards of listed companies: 17 %

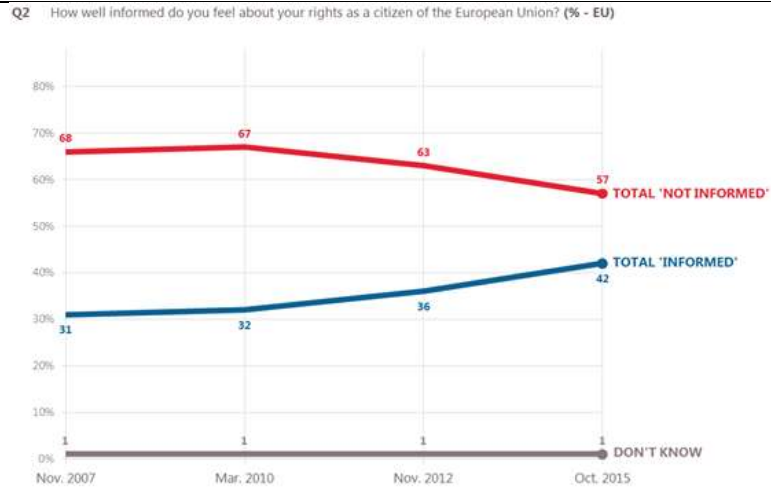
Target 2020: 40 %

Latest known result: 22.7 %



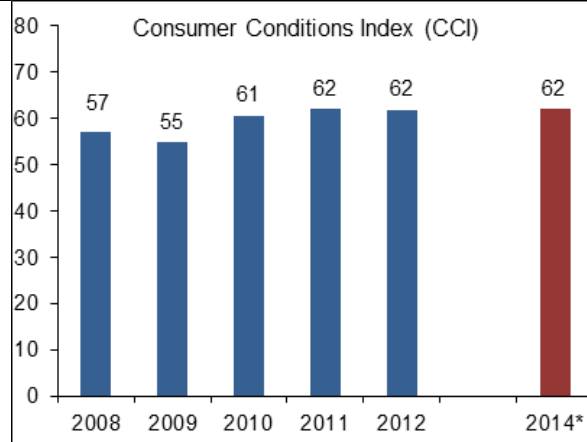
4. Level of Europeans' awareness of their rights as citizens

Baseline 2010: 32 %
Target 2020: 51 %
Latest known result: 42 %



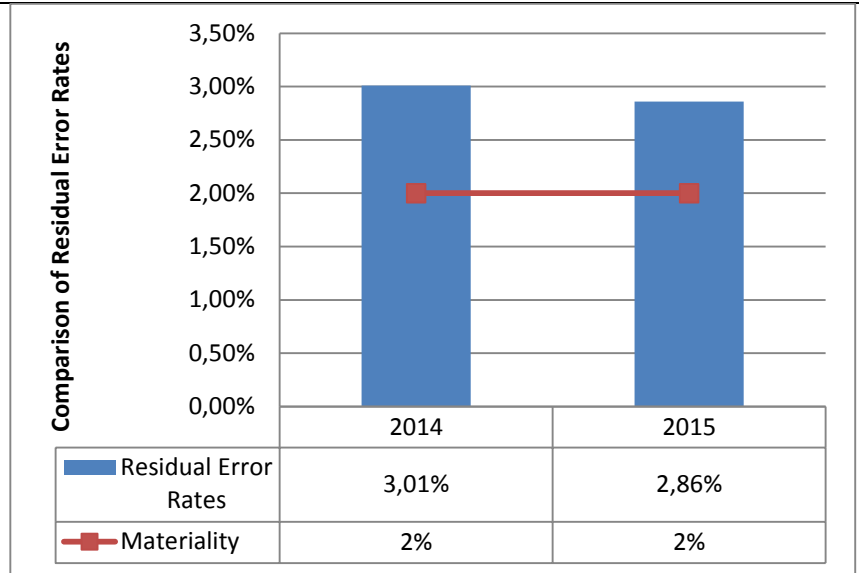
5. Consumer conditions index

Baseline 2012: 62
Target 2020: 66
Latest known result: 62 (2014 data)



*Since Consumer Conditions Survey is done every two years as of 2012, no data 2013 nor 2015 data exists.

6. Residual error rate for direct management grants



In 2015 AAR, error rates are measured separately for each distinct control system (in 2014: at ABB activity level). Therefore, while the residual error rate for the grants in direct management was lower compared to 2014, it needs to be noted that it was above the materiality criteria of 2%, resulting in a reservation issued for the direct management grants in 2015.

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

In accordance with the governance statement of the European Commission, (the staff of) DG Justice and Consumers 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 principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG Justice and Consumers has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended with the exception of the Financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed by DG Justice and Consumers. Please refer to AAR section 2.3 for further details.

In addition, DG Justice and Consumers 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. 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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by a reservation concerning direct management grants. The reservations have been issued as a consequence of the change in the methodology for assessing materiality (the assessment is performed now for each control system separately and not at a ABB aggregated level), while the error rates in direct management improved in 2015 and a large number of financial corrections were implemented. The impact of the reservations is limited to 1.26% of the payments made in 2015 amounting to EUR 1.74 million.

d) Information to the Commissioner

The main elements of this report and assurance declaration, including the reservation envisaged, have been brought to the attention of Commissioner Věra Jourová, responsible for Justice, Consumers and Gender Equality.

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

The key results DG JUST's work are presented below per topic, with the contribution to achieving the general objectives of the Juncker Commission highlighted as appropriate. In a nutshell, in 2015 DG JUST delivered results contributing to the core horizontal processes of the Commission and noted progress on the key areas of work: civil justice, criminal law, fundamental rights & Union citizenship, equality and consumers.

Horizontal processes

In 2015 DG Justice and Consumers has further developed **a coherent approach and narrative on the overall EU justice and consumer policy**. In particular, DG Justice and Consumers contributed to the European Semester process, the European Investment Plan, the EU 2020, modernization of public administration, the follow-up to the five Presidents report and policy aspects of MFF review, the Digital Single Market Strategy, the e-government action plan, Horizon 2020, the Single Market Strategy and the Capital Markets Union Action Plan.

The Commission adopted on 9 March 2015 **the 2015 EU Justice Scoreboard**, an information tool which compares data on the functioning of justice systems in the EU to promote their efficiency, quality and independence.

The EU justice Scoreboard contributes to identifying shortcomings, improvements and good practices to assist Member States in improving the effectiveness of their justice systems. It also feeds into the European Semester, since effective justice systems are a key element for a business-friendly environment. In particular, the Council, on a proposal from the Commission, addressed Country-Specific Recommendations to certain Member States to render their justice systems more effective. Within the European Semester, the efforts in the justice systems in a number of other Member States were closely monitored, including in those under an Economic Adjustment Programme.

In 2015 **fifteen Member States were subject to monitoring of justice reforms** reflected either in the country-specific recommendations (CSR) or in the recitals of the CSRs or in the European Semester country reports or through the economic adjustment programmes and the Cooperation and Verification Mechanisms.

To support the efforts to improve the effectiveness of national justice systems, in 2015 DG Justice and Consumers intensified the **dialogue with Member States on national justice systems**. In addition, regular contacts with the EU judicial networks (Network of the Presidents of the Supreme Judicial Courts, European Network of Councils for the Judiciary/ENCJ, the Association of the Councils of State and Supreme Administrative Jurisdictions/ACA), legal practitioners (Council of Bars and Law Societies of Europe/CCBE) gave tangible results in preparing the EU Justice Scoreboard and further developing a policy dialogue with justice stakeholders.

In 2015 DG Justice and Consumers followed the situation on **possible emerging systemic threats to the rule of law**, monitoring the situation in Hungary and as of November 2015 started assessing aspects of the respect of the rule of law in Poland

within the process of the EU Rule of Law Framework.

DG Justice and Consumers has worked intensively to ensure an effective follow-up to its legislative activity. **Proper application of EU law** is in fact a key element to allow EU citizens and business to benefit from EU law and is closely monitored both with **preventive actions** (workshops, expert meetings, stakeholder dialogue, technical guidelines for national authorities and legal practitioners) and with a proper use of **infringement procedures**.

After the adoption of the **4th Anti-Money Laundering Directive in May 2015**, DG Justice and Consumers directly started work to ensure effective implementation through transposition workshops with Member States. It organised two workshops in 2015 and further five workshops are planned for 2016.

In the consumers' law area, works to accompany Member States to a swift transposition of the new **package travel directive** have been equally organised.

In 2015 three directives had to be transposed:

- Directive 2011/99/EU on the **European protection order (EPO)**, adopted in December 2011, provides cross border mutual recognition of protection measures for victims of crimes. It applies to 26 Member States (Ireland and Denmark have an opt-out) and had to be transposed by 11 January 2015 (on the same date the Regulation (EU) No 606/2013 on mutual recognition of civil law protection measures entered into application);
- Directive on **consumer ADR** (Directive 2013/11/EU) related to the development of an effective alternative dispute resolution system for consumers in combination with an online platform, entered into force on 9 July 2015;
- [Directive 2012/29/EU](#) establishing minimum standards on the **rights, support and protection of victims of crime**, adopted in October 2012, is a horizontal instrument providing a range of victims' rights. It applies to 27 Member States (Denmark has an opt-out) and had to be transposed by 16 November 2015. The new key rights of victims include: rights of victims' family members, the right to understand and to be understood, the right to information, the right to support, the right to participate in criminal proceedings and the rights to protection.

Even if a certain delay has been observed in the transposition of these Directives, a constructive dialogue has been maintained with national authorities in parallel to infringements proceedings for non-communication, which are immediately opened by the Secretariat-General once the deadline expires. As for the EPO Directive, for instance, one year after the transposition deadline all Member States have either transposed or almost finalised the process.

The adoption of the Commission's new Impact Assessment guidelines and toolbox (as part of the Better Regulation package) included for the first time an **operational tool for assessing consumer impacts**, facilitating the integration of consumer concerns in other EU policies.

The management of the main part of the Consumer Programme (66%) was entrusted to the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA). The delegation of Programme management tasks to CHAFEA allowed DG JUST to better focus on policy making. The improved technical and financial expertise at the Agency and its close cooperation with the operational units of DG JUST in relevant stages of selection of proposals / offers and project implementation have contributed to the expected project

and policy outcomes. In 2015 CHAFEA implemented projects which contribute significantly to the achievement of consumer policy objectives and bring added value by supplementing the Member States actions, such as: grants to the European Consumer Centres; grants to joint cooperation and enforcement actions on general product safety; grant to the European consumer organisation representing consumer interests; support of exchanges of enforcement officials in the areas of consumer safety and consumer protection cooperation; surveys and studies in relation to energy, digital and collaborative economy; consumer information campaign; capacity building for consumer organisations or consumer education.

Civil justice

The Digital Single Market (DSM) Strategy adopted in May announced the need to harmonize key consumer contract law rules for the supply of digital content and the online sales of goods.

As a key contribution to the achievement of the Digital Single Market objective, on 9 December 2015 the Commission adopted **two legislative proposals devising simple and effective contract law rules** for consumers and businesses on the supply of digital content and on the online and other distance sales of goods. The Directives will ensure that the same key contract law rules apply across the EU, in business-to-consumer contracts. Based on a uniform set of rules, consumers will be able to shop goods online and access digital content from other EU countries as easily and confidently as they do in their own country. Traders will also benefit from enhanced legal certainty and a friendly business environment when trading cross-border.

The "Digital content" Directive fully harmonises a set of core rules in contracts dealing with the supply of digital content. With the exception of very few Member States that have enacted or started to enact legislation in this field, no such digital-specific contract law rules existed at EU level until now. This situation created obstacles for businesses wanting to supply digital content to consumers in other countries. It also affected consumers' ability to get easy, effective remedies for defective digital content. The proposed Directive puts forward specific EU rules in case of non-conformity and lack of supply of the digital content, while also dealing with other aspects (termination of long term contracts, modification of the digital content). In order to keep the pace with the market trends in the data economy and to be future-proof, the proposed rules also apply when consumers obtain their digital content in exchange for data.

The "Goods" Directive fully harmonises certain aspects in contracts for the online and other distance sales of goods. It thereby provides businesses a single set of key rules, on the basis of which they can sell to consumers in other countries without having to adapt their contracts to national mandatory consumer contract law rules. Taking as a basis the existing EU legislation (Sales and Guarantee Directive 1999/44/EC), the proposal increases the level of consumer protection on key aspects, for instance by extending the reversal of the burden of proof on the supplier to 2 years (aligned with the duration of the legal guarantee). While ensuring a high level of consumer protection, the Directives set a balance between consumers' and sellers' rights and obligations.

A revised **Regulation on cross-border insolvency** proceedings was adopted in 2015 with the overall objective of modernising the current EU rules which were too liquidation-oriented and of promoting a rescue culture in the EU.

The Regulation revising the **European Small Claims Procedure** was adopted in December 2015. The revision makes the European Small Claims Procedure available for

claims up to EUR 5,000, thus making it more useful for businesses, in particular SMEs. It further reduces costs and time of cross-border litigation through the extended use of electronic means of communication.

EU action in the area of **company law and corporate governance** aims at fostering a sound and predictable legal environment for business, while ensuring sufficient protection of all the interests that may be affected by different business operations, including shareholders, creditors, and employees. These policy areas directly contribute to President Juncker's Political Priorities, in particular with a view to creating a deeper and fairer internal market and a Capital Markets Union.

In 2015, both the European Parliament and the Council adopted their negotiating positions on the revision of the **shareholder rights directive**⁴ for the informal trilogue negotiations, which were also opened in 2015 with a view to adoption in 2016. The proposed revision would tackle corporate governance shortcomings relating to listed companies and their boards, shareholders (institutional investors, asset managers), intermediaries and proxy advisers (i.e. firms providing services to shareholders, e.g. voting advice). An agreement was reached in May 2015 in the Council in the negotiations on the proposed directive on single-member private limited liability companies⁵, which would standardise requirements for the creation of companies with a single shareholder and make it easier for SMEs to operate across the EU, including through introducing online registration.

The system of **interconnection of business registers (BRIS)** will facilitate access – via the European e-Justice portal – to information on companies registered across Europe. The implementing regulation setting out technical specifications for the system was adopted by the Commission in June 2015. This will provide a framework for the ongoing work in cooperation with Member States to make the system operational in 2017.

Following the Communication on Long-Term Financing of the European Economy, a public **consultation on long-term and sustainable investment** was launched in December 2015 to assess how investors integrate long-term factors, such as environmental, social and governance issues, into investment decisions. The Capital Markets Union Action Plan reiterates the importance of such type of investments. We will assess the follow-up to this consultation in 2016.

As regards the general objective of building an area of justice and fundamental rights, 7 Council Decisions aimed at accepting the **accession to the 1980 Hague Convention on International Child abduction of several third countries** were adopted. This was a great achievement for the Union and a positive conclusion of the legal dispute which opposed Commission and Council for several years and was solved by Opinion 1/13 of the Court of Justice of the European Union of 14 December 2014. Negotiations on the Council Decision authorizing Poland and Austria to ratify/accede to the Budapest Convention the Budapest Convention on the Contract for the Carriage of Goods by Inland Waterways (CMNI) were also concluded in 2015 and the Council Decision adopted in October 2015.

After more than two years of negotiations, in December 2015 the Council reached a political agreement for the adoption of **the regulation simplifying the circulation of public documents between Member States**. The regulation will bring important

⁴ COM(2014) 213 final

⁵ COM(2014) 212 final

benefits to citizens as it will abolish red tape and costs when a citizen presents a public document to the authorities of another Member State.

The Succession Regulation became applicable in August 2015 and DG Justice and Consumers undertook a highly successful communication campaign to inform citizens and legal professionals of its benefits and legal implications. **Preventive efforts against money laundering and terrorism financing** are necessary to ensure the integrity of the EU financial markets and confidence in the financial sector. Preventing the laundering of criminal proceeds and cutting off the financing of terrorist organisations is also one of the key actions of the European Security Agenda. **Final agreement on the anti-money laundering package**⁶, published in June 2015, has been a milestone. The package focuses on greater effectiveness and improved transparency aiming to further close loopholes and prevent criminals and terrorists from abusing the financial system. Enhancing transparency of beneficial ownership has been another important achievement of the file.

Criminal law

The European area of justice was further developed, contributing to the general objective on justice and fundamental rights based on mutual trust,, in particular by promoting judicial cooperation in criminal matters. In 2015, in addition to law-making there was an added focus on assessing transposed legislation and assisting Member States in the implementation of EU criminal law. As of 1 December 2014, the Commission's role changed for the former "3rd pillar" criminal law *acquis* and in 2015 the Commission launched its first enforcement initiatives regarding certain acts for lack of transposition.

Intense negotiations on important proposals to enhance procedural rights in criminal proceedings resulted in an agreement between the co-legislators on the Directive on **procedural safeguards for children in criminal proceedings** and the Directive on the **presumption of innocence**, and in a Council General approach on the proposed Directive on **legal aid**.

The **exchange of criminal record information** improved considerably, with more than 1.8 million ECRIS messages exchanged in 2015. This already considerably exceeds the milestone set for 2017 (1,300,000). The average time of surrender procedure under the **European Arrest Warrant** (EAW) was slightly higher than what is the target for 2020. The Commission advanced in its preparation of an EAW handbook which will assist Member States in the application of this operational tool to facilitate and support cooperation in criminal matters.

Eurojust, the EU agency dealing with coordination and cooperation on criminal law cases between judicial authorities, employed about 300 persons and executed a budget of EUR 34.84 million in 2015. Eurojust increased its casework by more than 20%, from 1804 cases in 2014 to 2214 in 2015. It should also be noted that this included in particular **41 terrorism cases and 60 cases of illegal migration**, both priority areas of action for Eurojust.

⁶ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds

Judicial training was further promoted with a view to fostering a common legal and judicial culture. The number of legal practitioners receiving judicial training increased compared to previous years due to more exchanges, study visits and training offers – substantially financed by the Justice Programmes. Best training practices funded by the Justice Programme have been widely disseminated including the e-justice portal.

The number of visits to the **European e-Justice Portal** reached 3.6 million, well ahead of the 50% annual growth rate indicated as a milestone for 2016 (3.2 million visits).

Fundamental rights and Union Citizenship

In the frame of the general objective on justice and fundamental rights based on mutual trust, the Annual Report on the Application of the Charter of Fundamental Rights of the EU informed the public and stakeholders about the situations in which they can rely on the Charter. It highlighted the role of the European Union in the field of fundamental rights, and how the fundamental rights enshrined in the Charter are relevant across a range of policies for which the Union is responsible.

A Presidency conference (co-funded by DG Justice and Consumers) on the Role of the EU Charter in the area of Freedom and Security took place in April 2015 in Riga and focused on sharing best practices with the mainstreaming of the Charter in the EU legislation.

DG Justice and Consumers organised (1-2 October 2015) the first **Annual Colloquium on Fundamental Rights** on "*Tolerance and respect: preventing and combating Antisemitic and anti-Muslim hatred in Europe*". Participants identified key actions on how to better combat hate speech and hate crime and promote diversity, tolerance and strengthen non-discrimination rules. Resulting from the Colloquium **two coordinators** were appointed: one on combating Anti-Semitism and one on combating anti-Muslim hatred.

DG Justice and Consumers established an **EU dialogue with the major internet companies** to combat hate speech more effectively. With regard to the **monitoring of the Framework Decision 2008/913/JHA**, DG Justice and Consumers is holding bilateral dialogues with the Member States and sent 6 administrative letters to Member States and launched 4 EU Pilots during 2015. Positive progress was reported during 2015 in four Member States which made amendments to their respective criminal laws in order to bring their legislation in line with the Framework Decision. At the same time, in order to assist Member States in ensuring effective implementation of the Framework Decision, DG Justice and Consumers has organised three **Commission experts meetings with Member States** throughout 2015.

The **dialogue with churches, religious associations or communities and philosophical and non-confessional organisations** allowed for an open exchange of views between EU institutions and important parts of European society on EU policies. Several recent meetings with different stakeholder groups were devoted to topics such as "Living together in Europe" ("Vivre ensemble en Europe") or "Beyond the refugee crisis: integration of migrants into society and labour market"⁷.

With regard to the promotion of the protection of the rights of the child, in June

⁷ http://ec.europa.eu/justice/fundamental-rights/dialogue/index_en.htm

2015 DG Justice and Consumers organised the 9th European Forum on coordination and cooperation in integrated child protection systems and tabled 10 principles on integrated child protection systems.

The final results of a **study to collect existing data on children's involvement in criminal, civil and administrative judicial proceedings**⁸ were published in 2015.⁹ The study gathers all available data, identifies gaps in data and procedural safeguards, and provides examples of good practices in the 28 Member States.

The results of the **study to evaluate legislation, policy and practice on child participation in the EU** were published in June 2015.¹⁰

The informal expert group on rights of the child and the interservice group on rights of the child each met four times in 2015.

Following the Commission proposal, on 20 April 2015 the Council adopted the **Directive on the coordination and cooperation measures to facilitate consular protection for unrepresented citizens of the Union in third countries**. The Directive, which represents a milestone in an area until then largely based on the intergovernmental approach, reinforces the right of unrepresented EU citizens to consular protection by establishing clear coordination and cooperation measures among the Member States in order to facilitate consular protection. In order to strengthen the rights of unrepresented EU citizens to a non-discriminatory consular protection, consular protection clauses are negotiated in bilateral agreements. By means of these clauses, third countries expressly authorise the represented Member State(s) to provide consular protection to any unrepresented EU citizen in their territory. Consular protection clauses are currently being negotiated in a number of agreements.

Contributing to the achievement of the general objective of the Union of democratic change, the Commission published a **report on the 2014 European Parliament elections**, assessing the conduct of these elections, including the measures taken by political parties and EU countries to enhance the democratic conduct and European dimension. The report identified the direct link established between the election results and the choice of the European Commission President as a key new element of 2014 elections. In this way voters could more easily link their vote for a national party to the choice of the Commission President.

The report also assessed the exercise by citizens of their electoral rights and action taken by EU countries and EU institutions in this respect. Amongst others, the report found that, the number of mobile EU citizens who stood as candidates in their Member State of residence, while still remaining overall low, more than doubled (from 81 in 2009 to 170 in 2014). This could be attributed to the new simplified procedures introduced by Directive 2013/1/EU.¹¹

⁸ http://ec.europa.eu/justice/fundamental-rights/rights-child/friendly-justice/index_en.htm

⁹ Reports: http://bookshop.europa.eu/en/children-s-involvement-in-criminal-civil-and-administrative-judicial-proceedings-in-the-28-member-states-of-the-eu-pbDS0415479/?CatalogCategoryID=Vhiep2QowweYAAAF0lgAi8_Kp ; Data: www.childreninjudicialproceedings.eu

¹⁰ [Final report](#) - [Children and young people's summary](#) - [Research summary](#) - [Resource catalogue](#) - Reports for each of the 28 Member States <http://bookshop.europa.eu/en/evaluation-of-legislation-policy-and-practice-of-child-participation-in-the-eu-pbDS0614240/>

¹¹ Candidates no longer have to provide proof that they have not been deprived of their electoral rights in their home Member State, but only have to make a declaration to that effect, to be verified by the authorities in the host Member State.

On 14 September 2015 a public consultation on European Citizenship was launched by the Justice Commissioner Jourova at the High Level Conference "Citizenship and Justice" (14-15 September 2015). Available in all EU languages, this consultation was open until 7 December 2015 and targeted EU citizens, organisations, businesses, national/regional/local authorities and other stakeholders interested in EU citizenship. The objective was to obtain input directly from citizens on concrete ways to enhance EU citizenship and the rights attached to it. In particular, the Commission sought to obtain a better insight of EU citizens' experiences in cross-border situations and gather their ideas about what can be done to simplify the exercise of their EU citizenship rights. Furthermore, citizens and stakeholders were invited to express their opinions on the EU common values, such as non-discrimination, inclusion and respect for diversity as well as on how these values can be further promoted. The consultation asked about citizens' ideas on ways to reinforce democratic engagement and participation. 2,209 participants responded to the public consultation on EU citizenship rights.

Dialogues were continued with a number of Member States on the transposition and implementation of **the EU acquis on free movement of EU citizens and their family members**. In November 2015 Estonia and in December 2015 Ireland adopted new legislation with a view to addressing the Commission's concerns. By the end of the year an internal discussion was launched on how to help certain Member States to overcome specific problems they experience while interpreting free movement rules.

The **implementation of European electoral law** was also discussed. Issues included the right of European citizens to found and/or become members of political parties under the same conditions as nationals of their country of residence, the practical arrangements at polling stations for ensuring the secrecy of the ballot and the transposition of Directive 2013/1/EU as regards the five working day deadline for Member States to respond to requests for information on their own nationals who are standing for election in another Member State. In two cases (Spain and Slovakia) national legislation was amended so as to ensure that non-national EU citizens can found and become members of political parties under the same conditions as nationals.

The awareness among the population of the meaning of "**Citizenship of the Union**" increased well beyond the milestones set in 2015 (52%), getting very close to the target fixed for 2020 (53%). The proportion of citizens who consider themselves well informed about their rights as EU citizens has increased as expected, reaching 42%.

Concerning the achievement of Digital Single Market general objective, a very significant progress was made on the data protection reform. On 15 December 2015, the European Parliament, the Council and the Commission reached an agreement on the two instruments of the data protection reform, establishing a modern and harmonised data protection framework. The European Parliament's Civil Liberties committee (LIBE) and the Permanent Representatives Committee (COREPER) of the Council approved these agreements with very large majorities.

The data protection reform agreements were also welcomed by the European Council of 17-18 December 2015 as a major step forward in the implementation of the **Digital Single Market Strategy**.

On 8 September 2015, the text of the **comprehensive EU-US data protection agreement** on high standards for transatlantic law enforcement cooperation ("Umbrella Agreement") was initialled by the chief negotiators from DG Justice and Consumers and the US Government. This is an important step to strengthening the fundamental right to privacy and to rebuild trust in EU-US data flows.

In the context of the **review of the EU-US Safe Harbour** arrangement, on 6 November 2015 the Commission adopted a communication on the Transfer of Personal Data from the EU to the United States of America under Directive 95/46/EC. This followed the

Judgement by the Court of Justice in Case C-362/14 (Schrems) and provided the much needed provisional guidance for business on the possibilities of transatlantic data transfers following the ruling.

Equality

The equality work of DG JUST has significantly contributed to the furthering of the general Commission objectives on justice and fundamental rights and growth and jobs, in particular with regards to measures targeting female labour market participation, as developed in more detail below. The anti-discrimination policies have also contribute to the Commission's general objectives on justice and fundamental rights, and growth and jobs.

DG Justice and Consumers continued to work to facilitate the adoption of the **Equal Treatment Directive** to close the gap in the prohibition of discrimination on grounds of religion or belief, sexual orientation, age and disability.

Progress was made in the Council discussions on the proposal for a **Directive on improving gender balance on boards of listed companies**, as well as in terms of women's participation on executive company boards across the EU.

The Commission **withdrew the proposal to revise the 1992 Directive on maternity leave** and committed to replace it with a new initiative to address the challenges of work-life balance for working parents and caregivers. The first stage of social partner consultation, as required under the Treaty, was launched, followed by a public consultation.

Furthermore, in October 2015, the Commission published a **Roadmap for the accession of the Union to the Council of Europe Convention on combating and preventing violence against women (the Istanbul Convention)**.

DG Justice and Consumers continued to monitor and enforce EU equality and anti-discrimination legislation in the Member States. Significant challenges persisted, particularly in the area of Roma discrimination, and the Commission used all available tools to ensure that the legislation is implemented by the Member States. The Court of Justice ruled in its first ever decision on **Roma discrimination** in its landmark judgment of 16 July 2015, **case C-83/14 Chez Razpredelenie**.

In May 2015, the Commission adopted a report on the application of Council Directive 2004/113/EC implementing the principle of **equal treatment between men and women in the access to and supply of goods and services**. The report covers in particular the implementation in the Member States of the ruling in Test-Achats, where the CJEU invalidated Article 5(2) of the Directive, which permitted the maintenance of sex-based differentiations in the provision of insurance services (provided that it was based on relevant and accurate actuarial and statistical data), as incompatible with Articles 21 and 23 of the Charter. The unisex rule now applies without derogation in relation to the calculation of individuals' premiums and benefits in new contracts.

Prepared under the leadership of DG Justice and Consumers, **the Strategic engagement for gender equality 2016-2019** was published in December 2015. It is the follow-up and continuation of the previous 2010-2015 European Commission Strategy for Equality between Women and Men and sets the framework for the Commission's future work towards improving gender equality. An extensive consultation process carried throughout 2015 confirms that the priorities set in the previous strategy

remain still valid. The Strategic engagement therefore sets out objectives for:

- increasing female labour market participation and equal economic independence;
- reducing the gender pay, earnings and pension gaps;
- promoting equality between women and men in decision-making and
- combating all forms of violence against women.

The annual report on equality between women and men covered 2015 developments. The progress is tangible in fields such as employment and decision-making; still we are only halfway towards gender equality. In 2015, women's employment rate reached an all-time high of 64.5%. This rate is however well below men's employment rate (75.6%) and women are still more likely than men to work part-time or to be inactive. Furthermore, the gender gaps in pay and in pensions show no sign of diminishing. Even if women are reaping the benefits of education, they are still paid 16 % less than men per hour of work and their pension is 40% lower than men's pension on average.

In 2015, besides legislation, DG Justice and Consumers actively promoted gender equality through monitoring, policy guidance, awareness raising activities and support to grass-root projects:

- Country-specific recommendations in the frame of the European Semester were issued with regard to gender equality and female labour market participation. Recommendations were addressed to 8 Member States on issues such as fiscal disincentives for second earners, employment of older women and the provision of care services.
- DG Justice and Consumers 's Advisory Committee on equal opportunities for women and men issued an opinion on how to overcome occupational segregation. A seminar among EU Member States on good practice concerning this topic was organised.
- DG Justice and Consumers monitored the implementation of Directive on equal treatment in the area of employment and occupation, which prohibits direct and indirect pay discrimination on grounds of sex. The 2015 European Equal Pay Day was celebrated to draw attention to the gender pay gap. An animated infographic was created at this occasion.
- DG Justice and Consumers continued to work on gender equality in economic decision-making by collecting, analysing and disseminating data, raising awareness, and supporting stakeholders.

In December 2015, the Commission published the '**List of Actions to advance LGBTI Equality**' focusing on a number of specific actions to be carried out in the EU in the timeframe 2016-19. The actions cover all policy areas that are relevant for LGBTI people: non-discrimination, education, employment, health, free movement, asylum, hate speech/hate crime, enlargement and foreign policy. The actions that have been defined in consultation with the European Parliament, civil society and Member States, demonstrated political leadership from the European Commission at a time when public sensitivity to LGBTI issues was growing.

With regard to **Roma integration**, in June 2015, the Commission published the 2015 report on the implementation of the EU Framework for National Roma Integration Strategies. The report revealed that the Member States made progress in Roma integration in the areas identified as structural preconditions for progress (funding, monitoring and reporting as well as developing coordination structures involving various

stakeholders). Further efforts are still needed, among others:

- a reinforcement of the National Roma Contact Point with more financial and human resources and coordination mandate;
- translating national strategies into actions at local level with sustainable funding, capacity building and full involvement of local authorities and civil society; and
- robust monitoring.

DG Justice and Consumers started the development of national platforms for Roma inclusion. Bilateral visits to the Member States brought together the relevant national authorities as well as representatives of national civil society organisations.

The Commission gave guidance to the Member States on how to make mainstream policies more inclusive of Roma under the European Semester recommendations. In the case of Roma inclusion, in 2015 the Country Specific Recommendations for five countries with a large Roma minority (BG, CZ, HU, RO, and SK) promoting Roma participation in early childhood and school education have been maintained.

The 2014-2020 ESIF framework contains a series of new tools improving the use of EU funds in the area of Roma integration, for example the new investment priority on the socio-economic integration of marginalised communities such as Roma. This tool will help to monitor and ensure that the funds reach Roma. The requirement that Member States receiving Roma-related Country Specific Recommendations must choose the Roma-specific investment priority and use EU-funds for inclusive reform of their mainstream policies played a major role in making meaningful progress in this area.

In 2015, the **High Level Group of Non-Discrimination, Equality and Diversity** between EU Member States and the Commission was set up. The Group, which met in May and October 2015 allowed for exchange of information, better co-ordination of equality agendas and organising joint activities, such as mutual learning seminars.

DG Justice and Consumers continued funding the **European network of legal experts in in gender equality and non-discrimination** and the trainings to raise awareness among judges and legal practitioners on EU anti-discrimination and gender equality legislation. It also kept funding transnational grassroots activities to combat violence against women and girls. Projects and networks raised awareness of violence against women and girls, including cyber violence and harmful practices (female genital mutilation, forced marriage and 'honour crimes'), supported victims, encouraged multi-agency cooperation, tackled under-reporting and allowed the exchange of expertise and innovative practices.

Consumers

The consumers portfolio has contributed to achieving a number of general objectives, in particular a deeper and fairer internal market, a connected Digital Single Market and the Energy Union.

In 2015, the Commission continued working on a proposal to strengthen the **Consumer Protection Cooperation Regulation** to be presented in the spring 2016 to provide enforcement authorities with more digitally fit powers in order to tackle online widespread infringements more efficiently, including malpractices of large Internet traders and platforms.

Following a steady increase of consumer complaints on car rental services booked in another country - from about 1,050 cases in 2012 to more than 1,750 in 2014 - the Commission facilitated a **dialogue between national CPC authorities and the top five car rental companies operating in the EU**, representing more than 65% of private car rentals. As a result these companies have pledged to better align current car rental practices to the requirements of consumer legislation.

The Commission also facilitated a coordinated **screening of websites in the electronic goods sector** to check how legal and commercial guarantees were presented (a "sweep") including 26 EU Member States, Norway and Iceland. 235 out of the 437 websites checked did not sufficiently inform consumers on their right to get defective goods repaired or replaced free of charge within at least 2 years of purchase. As a result of national enforcement actions, by mid-2015, 82% of the websites checked were giving sufficient information.

The Commission concluded the technical development of the **Online Dispute Resolution (ODR) platform**, a priority initiative for the Digital Agenda for Europe and the Digital Single Market. The platform will be launched in early 2016. An online testing of the platform has taken place with the participation of about 100 stakeholders - national ADR/ODR experts for alternative/online dispute resolution (ADR/ODR), consumer and trader representatives.

The **ODR implementing regulation** was adopted by the Commission in July 2015. The first meeting of the ODR contact points took place in November 2015.

The year 2015 marked the 10-year anniversary of the network of **European Consumer Centres (ECC)** established in all 28 Member States of the European Union, Norway and Iceland and co-funded by the European Consumer Programme and EU Member States to promote the understanding of EU consumers' rights and to assist individual consumers resolving their issues about purchases made in another country of the network. To date the ECCs have received more than 650,000 requests for information about EU consumer rights and assisted about 300,000 consumers to find amicable solutions with traders.

The Commission's proposal for a new **Package Travel Directive** was agreed in 2015 between the Council and the European Parliament and will extend protection to 120 million consumers who book other forms of combined travel, e.g. a self-chosen combination on a website of a flight plus hotel or car rental, and not only traditional package holidays.

In the context of the Regulatory Fitness and Performance Programme (REFIT), in 2015 the Commission launched a **Fitness Check covering the key EU directives in the area of consumer rights and advertising** - including the Unfair Commercial Practices Directive (2005/29/EC), the Consumer Sales and Guarantees Directive (1999/44/EC) and the Unfair Contract Terms Directive (1993/13/EEC) to explore ways of improving the application of the current EU consumer legal framework and determine if there is a need for a further legislative action at EU level.

The Commission adopted a Report on how the **Timeshare Directive** (2008/122/EC) has been working in practice to protect EU consumers who have concluded holiday contracts for a timeshare resort or made use of their own membership in holiday clubs. The Commission concluded that, overall, the Directive consistently helped reduce the problems that consumers experience.

The Digital Single Market aims to provide a better access for consumers to online goods and services across Europe. It is important that consumers have the necessary information when making purchase decisions. Faced with an over-abundance of information online, consumers are increasingly relying on shortcuts, such as comparison websites and apps, to find the deal best adapted to their needs. To inform the work in

the frame of the **Multi-Stakeholder Dialogue on Comparison Tools**¹², the Commission published in March 2015 a consumer market study on the coverage, functioning and consumer use of comparison tools and third-party verification schemes for such tools¹³, which demonstrated how much consumers rely on and are influenced by comparison tools in their decision-making process. It also highlighted shortcomings in the functioning of comparison tools. Findings from this study and the guiding principles for Comparison Tools agreed with stakeholders have fed the Commission's **Updated Guidance on the Unfair Commercial Practices Directive**, as well as the ongoing assessment of the role of platforms, as announced in the Digital Single Market Strategy.

The Commission held a second transposition workshop to assist Member States with the transposition of the **Payment Accounts Directive** and worked closely with the European Banking Authority (EBA), under the Transparency Chapter, on the definition of the most representative services.

The Commission cooperated with national authorities to address the shortcomings in the implementation and enforcement of the **Consumer Credit Directive** following the 2014 report.

The Commission also ensured that consumer protection issues identified in the Consumer Markets Scoreboard were properly included in the **Green Paper on Retail Financial Services** and in the Capital Markets Union Action Plan.

DG Justice and Consumers contributed to different initiatives under the Energy Union general objective, in particular energy efficiency and market design, through the **Communication on a New Deal for Energy Consumers**. These contributions are based on outcomes of the **Citizens Energy Forum** and **Consumer Summit** that the Commission has organised together with the working groups on Consumers as Energy Market Actors and Vulnerable Consumers. The Commission also prepared a **Staff Working Document on Consumer Trends 2010-2015** based on the first findings of the electricity markets study and the studies on consumer vulnerabilities, energy poverty and comparison tools.

In 2015 the Commission continued cooperation with stakeholders in the frame of the **Multi-Stakeholder Dialogue on Environmental Claims**¹⁴ and published a consumer market study on environmental claims for non-food products¹⁵ showing that environmental claims on products may not always meet legal requirements for reliability, accuracy and clarity. Multi-stakeholder advice was developed to support a better enforcement, compliance and transparency of environmental claims contributing to the Commission's **Updated Guidance on the Unfair Commercial Practices Directive**.

The Commission ensured the consumer economic dimension in the EU Action Plan for a **Circular Economy**¹⁶ adopted in December 2015 with a series of measures. These include the durability and reparability of products reflected in the proposal of the Commission for a Directive on online and other distance sales of goods¹⁷ where the Commission proposed to extend the reversal of the burden of proof applicable in the context of defective

¹²<http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3325>

¹³http://ec.europa.eu/consumers/consumer_evidence/market_studies/comparison_tools/index_en.htm

¹⁴<http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3327>

¹⁵http://ec.europa.eu/consumers/consumer_evidence/market_studies/environmental_claims

¹⁶ COM(2015) 614 of 2 December 2015 http://europa.eu/rapid/press-release_IP-15-6203_en.htm

¹⁷ COM(2015) 0635 final - 2015/0288 (COD)

products to two years as a clear incentive to produce higher quality and more durable products.

The **Rapid Alert System** for dangerous non-food products facilitates the exchange of information between national authorities and the Commission on measures taken against products posing a serious risk to the safety of consumers. The significant increase in 2015 of the ratio between notifications of dangerous products and the reactions submitted by other authorities to such notifications reflects an improvement in Member States authorities' follow-up activities to notifications. Since 2004, over 20,000 alerts for dangerous products were circulated in Europe, of which 2,072 in 2015 alone, a quarter of these concerned toys, which was the focus of joint market surveillance actions by national authorities, together with child care articles, smoke detectors, and chemicals in clothing.

Work with stakeholders and a Member States' expert group on online sales provided input into a future guidance document on the **market surveillance of products sold online**.

To maintain the high level of consumer safety, the Commission extended the **ban on dangerous lighters**, adopted a mandate requesting the European Committee for Standardisation to draw up **standards for alcohol-powered fle-less fireplaces** and adopted implementing decisions to publish references of European standards in the Official Journal that provide presumption of safety, for e.g. bicycles, cords and drawstrings in children's clothing, carry cots and stands, safety barriers and changing units. The European standards are voluntary but widely used as an efficient tool of (co-) regulation and serve a double purpose: market access and consumer safety.

The cooperation with China continued tackling product safety problems at source. Product safety trainings for buyers of consumer products in China were also held together with the US authorities.

The **study on DSM obstacles** faced by consumers delivered data and analysis on consumers in order to shape the DSM strategy in general and informed the 'digital contracts' initiative, forming the basis for the modelling of macro-economic impacts included in the impact assessment.

In December 2015, critical evidence from a large-scale mystery shopping on the **prevalence and patterns of geo-blocking** practices in the DSM was made available to inform the Commission's relevant initiative.

The 2015 **Consumer Conditions Scoreboard** marked a new level of quality and policy relevance, after undergoing a thorough methodological revision. The quality of data and analysis was enhanced, the linkage of consumer conditions with other key economic, social and governance indicators was highlighted and an enhanced section on consumers in the DSM was included with fresh evidence and analysis (e.g. on the patterns of cross-border e-commerce, its drivers and obstacles, and the under-reporting by consumers of cross-border purchases within the EU).

The evidence on **consumer vulnerability** from an ongoing study contributed to the Staff Working Document on consumer trends in the Energy sector, accompanying the Report on the State of the Energy Union in November 2015 enhancing the consumer dimension of the Energy Union. The same study, which advances the understanding of consumer vulnerability across key markets, is also informing the revision of the Guidance on the application of the Unfair Commercial Practices Directive and the forthcoming fitness check of the consumer acquis (REFIT).

The study on **consumer guarantees** informed the digital contracts proposal and will also feed into the REFIT of the Consumer Sales and Guarantees Directive. The two

interactive community platforms, the Consumer Classroom for teachers and the Consumer Champion for consumer organisations, have expanded and continued contributing to increased consumer knowledge. The Commission also completed the information campaign on consumer rights in Croatia started in 2014 with good results.

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 by Authorising Officers by Sub-Delegation;
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the reports of the external auditors on control results of traditional agencies in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at DG level;
- the results of the ex-post audits;
- the conclusion of the Internal Auditor on the state of internal 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 DG Justice and Consumers.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (2.1) Control results, (2.2) Audit observations and recommendations, (2.3) Effectiveness of the internal control system, and resulting in (2.4) 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 objectives¹⁸. 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

¹⁸ 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).

the control systems.

The main results of the control indicators are reported below, however Annex 10 presents a more complete overview, together with a comparison with the previous year.

DG Justice and Consumers managed a budget in 2015 of EUR 181.76 million, less than 0.15% of the total EU budget.

Commission's implementing decisions C(2015) 1996 and C(2015) 1997 and C(2014) 9323 concerning the work programmes and financing for 2015 for the Justice, Rights, Equality and Citizenship and Consumer programmes were adopted on 30 March 2015 and 11 December 2014 respectively. By the end of the year, implementation of 2015 credits was 50%, including subsidies to the agencies. The remaining half will be concluded in 2016 once the pending evaluations of calls of proposals are finalised.

Budget Implementation				
Budget Chapter Description	M EUR Commitment	%	M EUR Payment	%
Administrative expenditure	1.88	100%	1.78	75%
Technical assistant & Support Exp.	2.81	90%	2.37	51%
REC Programme	51.32	100%	20.47	100%
Justice Programme	43.23	100%	19.66	100%
Consumers Programme	7.44	100%	2.85	91%
Internal Market	1.25	100%	0.48	87%
Completion of previous programmes	0.21	4%	24.00	93%
Traditional Agencies and CHAFEA	64.42	99%	64.42	99%
Pilot Projects	2.50	100%	2.20	100%
	175.06	96%	138.24	96%

In terms of the use of commitment appropriations, 96% (or EUR 175.06 million out of EUR 181.76 million) of the budget available was executed, including the use of global commitments, which is in line with previous years' implementation rates.

For payment appropriations, the implementation rate was similar (96% or EUR 138.24 million out of EUR 144.40 million).

During the year, the three traditional Agencies (EUROJUST, FRA, EIGE) used nearly all of their commitment and payment appropriations (99%), in line with previous years' results.

The table below summarizes all payments made by DG Justice and Consumers in 2015, in terms of activities per each distinct control system, as well as the key indicators (Residual Error Rates (RER) and cost-efficiency) available for each layer.

Summary of payments, main internal control indicators and reservations, per control system, 2015

	Activity	Total payments in 2015 (M EUR)
Direct management grants <i>M EUR 45.29 (32.76%)</i> <i>RER = 2.86%</i> <i>Cost-efficiency: 10,7%</i> <i>Reservation issued</i>	MFF 2007-2013 (8.51%)	11.76
	MFF 2014-2020 (24.26%)	33.53
Other direct management <i>M EUR 30.27 (21.90%)</i> <i>RER est. <2%</i> <i>Cost-efficiency(procurement): 4,8%%</i> <i>No reservation</i>	Procurement (15.88%)	21.95
	Cross subdelegations and service level agreements (4.76%)	6.58
	Executive agencies (1.26%)	1.74
Indirect management <i>M EUR 62.68 (45.34%)</i> <i>RER est. <2%</i> <i>Cost-efficiency: 1.0%</i> <i>No reservation</i>	Traditional agencies (45.34%)	62.68
Total M EUR		138.24

Overall, reliable and complete control results are available for each control system. The analysis and conclusions of each relevant control category in terms of legality and regularity and cost efficiency is described and explained in details further below under Part 2.1.1 and 2.1.2. Key indicators have been defined for each stage of the relevant control system and presented in details in Annex 10. One reservation has been issued based on the legality and regularity indicators and detailed in Part 2.4.

Regarding the overall efficiency of controls, a positive conclusion has been reached based on an overall cost-efficiency indicator of 4,73% (details in Part 2.1.2). Regarding fraud prevention and detection, a chain of actions has been taken in 2015 (Part 2.1.3). In 2015, four cases of suspicion of fraud and irregularities were transferred to OLAF for investigation.

Due to the fact that sub-delegations, service level agreements and contributions to executive agencies are immaterial when taken individually (total 6.02% of the total payments of DG JUST), these activities are not covered in-depth in the present Annual Activity Report.

Coverage of the Internal Control Objectives and their related main indicators

2.1.1 Control effectiveness as regards legality and regularity

DG Justice and Consumers 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.

In line with the instructions of the Central Services of the Commission (BUDG, IAS), in this year report DG Justice and Consumers has introduced a **change to its methodology to determine the materiality level** for reservations.

Previously, DG Justice and Consumers determined the need for a reservation at ABB activity level, thus aggregating the control results and error rates across various expenditure covered by different control approaches within each ABB line ("vertical" approach). Key Performance Indicator on residual error rate reported in former annual activity reports referred to an overall aggregated residual rate, which was compared to the control objective (2%), while the results of controls for each different control system were reported in the text of the annual activity report.

In the current report however, the materiality is determined for each relevant distinct internal control system across various ABB lines ("horizontal" approach). The main distinct internal control systems are (a) direct management – grants, (b) direct management - procurement and (c) indirect management (EU subsidies to decentralised agencies). These layers are determined by the differences in the ex-ante and ex-post control approach put in place in DG Justice and Consumers to control and obtain assurance for each type of expenditure – each control approach and results are described in more detail throughout Chapter 2 and in Annex 5 (Internal Control Templates).

As a result of this change, a (financial) reservation is considered for each of these control systems separately and not at an aggregated level. The control objective is to ensure that for each system, the residual error remains below 2%.

In 2015 AAR there is one reservation¹⁹, as compared to zero in 2014 AAR. It needs to be emphasised that the reservation is not due to a worsened situation concerning legality and regularity of expenditure – in fact, the direct management error rates have improved compared to the previous years.

Detailed description of the methodology can be found in Annex 4.

2.1.1.1 Direct management – grants

As described in the Internal Control Template for direct management grants (Annex 5), the analysis of the effectiveness of legality and regularity is built around the four main control processes (stages): programming, evaluation and selection of proposals;

¹⁹ Reservation regarding the financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed by DG Justice and Consumers under the budget chapters 33 02 and 33 03

contracting; monitoring; and ex-post controls. Key indicators have been defined for each stage and presented in details in Annex 10. Materiality is assessed in accordance with Annex 4.

Stage 1: Programming, evaluation and selection of proposals

This stage concerns the preparation and adoption of the annual work programmes, as well as the calls for and evaluation of proposals. The overall control objective of this stage is to ensure that DG Justice and Consumers selects the proposals that contribute the most towards the achievement of the policy or programme objectives in terms of effectiveness and compliance.

In the second year of implementation of the new DG Justice funding programmes, Justice and Rights, Equality and Citizenship (REC), the number of applications in many of the calls remained high. Even with the new approach - more frequent and targeted publication of the calls for proposals instilled into the new programmes, i.e. meaning more EU added value and more tangible input to support DG Justice and Consumers’ policies – the number of the applications received for the calls under the Rights, Equality and Citizenship programme did not change. The calls are very competitive and only 1 in 10 applications was awarded grants. By contrast in some of the calls under the Justice programme there was not a sufficient demand. This is mainly due to the limited number and variety of stakeholders being active in the Justice area. The majority of stakeholders - public authorities - are not dependent on the EU budget and they have limited resources; moreover, in some Member States there is little knowledge in running European projects. In average across the two programmes, 89% of the budget available was awarded.

In 2015, DG Justice and Consumers finalised the grant award procedures for 14 calls under the 2014 programmes for REC and JUSTICE (funding of grants under the Consumers programme is implemented by the CHAFEA executive agency). In total, 3 pilot projects and 140 applicants were awarded a grant out of more than 1,000 applications received.

As from 2015, most of the operating grants are awarded through framework partnership agreements for REC and JUSTICE programmes. Among the total of 29 operating grants that were awarded, two of them were from the 2015 programmes for REC and JUSTICE .

Stage 1	<p>Number of projects evaluated: ↗ 1,159 (1,123 in 2014)</p> <p>Number of projects selected: ↗ 172 (136 in 2014)</p> <p>Value selected projects/available budget: ↘ 93 % (99% in 2014)</p>
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Stage 2: Contracting

The second stage concerns the grant agreement preparation and signing of the legal commitment. The overall control objective of this stage is to ensure the optimal translation of each awarded proposal into a legally binding grant agreement. This is the main tool for ensuring best value for public money, effectiveness, economy and efficiency of the use of the budget appropriations.

Stage 2

Value of grant agreements signed: **↘ EUR 61 million** (75 million in 2014)

Average amount of a grant: **↘ EUR 356,423** (364,099 in 2014)

The achievement of the effectiveness of controls mentioned in Annex 5 as regards legality and regularity is measured by the financial impact of the negotiation and signing process, defined as the reduction (expressed as a percentage) of the value of the grant agreement. The 2015 average adjustment resulting from these controls was 4.5 %.

In 2015, DG Justice and Consumers signed all grants awarded during the year for a total amount of EUR 61.30 million and a total of 172 grant agreements signed.

Stage 3: Monitoring

This stage comprises ex-ante checks of beneficiaries' cost claims and the verification of the reliability and legality of the underlying financial transactions. The overall control objective is to ensure that operational results (deliverables) from the projects are of good value and meet the objectives and that the related financial operations comply with regulatory and contractual provisions.

The effectiveness of controls for the legality and regularity of transactions is measured through the number of exceptions and non-compliance events recorded. The recording of the exceptions and non-compliance events for assessing the effectiveness of controls for the legality and regularity of transactions showed that in 2015 one exception was recorded in relation to the contracting phase for grants.

In 2015 no non-compliance events were recorded and no unfavourable opinions were issued by ex-ante verification.

Stage 3

Value of final cost claims processed: **↗ EUR 64 million** (43 million in 2014)

Share of ineligible amount: **↘ 2.38%** (4.34% in 2014)

Stage 4: Ex-post control

The fourth stage includes the ex-post audits as well as the correction of any sums being paid incorrectly. The overall control objective of this stage is to detect and correct any error or fraud remaining undetected after the implementation of ex-ante controls.

Regarding the legality and regularity of the underlying transactions, the main objective is to ensure that the estimated residual risk of error is less than 2%, at the end of the implementation of the programme.

In addition to the main control objective, the ex-post controls serve other purposes. In particular:

- ✓ Detection and correction of any error or fraud remaining undetected after the

implementation of ex-ante controls;

- ✓ Measuring the effectiveness of ex-ante controls;
- ✓ Addressing systematic weaknesses in the ex-ante controls based on the analysis of the findings (sound financial management);
- ✓ Ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information).

The strategy implemented in DG Justice and Consumers aims to detect and correct the most important errors, rather than determining a representative error rate. Such approach is more efficient, resulting in higher returns on investment and dissuasive effect.

In 2015, DG Justice and Consumers oversaw 41 ex-post controls as foreseen in the annual audit plan. Taking into account controls initiated in 2014, 34 audit reports were finalised in 2015. The overall number is slightly lower than in 2014, however the average amount of audited grants was almost two times higher, indicating that with the same resources, much higher total amounts were covered by audit activity.

Based on the most recent analysis of the main causes and types of most commonly detected errors identified in DG Justice and Consumers ex-post audits, it can be concluded that the errors do not put into question the assurance. In particular, five areas of irregularities have been identified:

- ✓ Insufficient supporting documents: approximately 37% of the errors detected;
- ✓ Wrong calculation of the costs charged: 19% of the errors detected;
- ✓ Costs not foreseen in the grant agreement / budget/ programme guidelines: 13% of the errors detected;
- ✓ Cost exceeding the ceiling (budget + 10%) or agreed maximum: 8% of the errors detected;
- ✓ Cost incurred outside of the eligibility period / not eligible: 7% of the errors detected.

Stage 4	Average amount of a grant audited: ↗ EUR 529,553 (282,607 in 2014) Percentage of projects audited that contains errors: ↗ 94% (92.5% in 2014)
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The follow-up ratio shows that 97% of the audit files were followed up within three months.

Cumulative coverage rates for grants under direct management and the related residual error rates are reported below for the programming period 2007-2013. The sampling size is considered as adequate in order to extrapolate the cumulative (net) detected error rate to the non-audited population. A detailed explanation of the materiality criteria is set out in annex 4.

The assessment of the residual error rate and amount at risk not detected by the

supervisory and ex-ante elements of the internal control is carried out through analysis of ex-post audits. The table below summaries the results of this analysis done according to the four steps detailed in Annex 4.

Audit coverage and error rate for 2007-2013 funds (multiannual)	2014	2015
<i>Cumulative Auditable Population (in M EUR)</i>	216.8	284.87
<i>Cumulative Audited Population (in M EUR)</i>	47.90	63.65
<i>Cumulative Audit coverage (%)</i>	22%	22%
<i>Cumulative detected error rate (%)</i>	3.61%	3.51%
<i>Cumulative residual error rate (%)</i>	3.01%	2.86%

Cumulative residual error rate for 2007-2013 funds has steadily improved over the last years, however remaining still above 2% at the end of 2015 (2.86%). A consideration whether the declaration of assurance should be qualified with a reservation is detailed in section 2.4.

Targeted communication and calculation tools made available to beneficiaries, along with ex-ante checks and ex-post audits, can mitigate these risks to a certain extent, but can never be carried out on 100% of the cost claims received.

A very limited number of payments against cost claims has been made under the 2014-2020 programming period; the related payments are mostly related to pre-financing. The first ex-post audits for 2014-2020 programming period will start in 2017. Therefore, no error rate for this period is available yet.

2.1.1.2 Direct management - procurement

The control system for direct management procurement is grouped around three core processes: procurement procedures, financial operations, and supervisory measures.

Stage 1: Procurement procedures

The first stage concerns the calls for and evaluation of tenders, starting from the moment of planning and needs assessment until the selection of suppliers – the award decision. The overall control objective at this stage is to ensure that DG Justice and Consumers selects the proposal that contributes the most towards the achievement of the policy or programme objectives in terms of effectiveness and compliance.

The management indicators showed that the performance in procurement was stable even after the absorption of the Consumers directorate procurement's activities on 1 January 2015.

In order to reach a conclusion on the adequacy of management of risks relating to the

legality and regularity of its tendering procedures and efficiency and economy of its controls, DG Justice and Consumers reviewed:

- Reporting of exceptions and non-compliance events, defined as control overrides or deviations from policies and procedures: during the reporting year, there was one exception registered in the exceptions and non-compliance events register related to a payment of an 2016 Expert Meeting (administrative credits) that should have been paid in 2014 by the latest according to the regulation.
- Files submitted to Justice Procurement Committee (JPC): in 2015, 12 open procedures with a total value of EUR 36.17 million were submitted to Justice Procurement Committee²⁰. No "avis défavorable" or opinions for rejection were issued by the Committee during 2015. The average number of tenders per procurement process was 4. This result has ensured competition and reasonable comparison of bids even in specialised topics.
- Number of projected tenders cancelled: no cases in 2015.
- Number of redress procedures filed by the applicants represent also an indicator of the robustness of the tendering process and provide assurance with respect to the effectiveness of the internal control system: during 2015, DG Justice and Consumers did not register any and there is no evidence that such an action may occur for the 2015 open procedures awarded.

As a result of these controls, no tender projects were cancelled, no negative opinions or rejections were issued by the procurement committee and no redress procedures were encountered. This shows that the controls put in place work correctly.

Stage 1	Value of contracts signed: ↗ EUR 23.53 million (21.49 million in 2014) Number of contracts: ↗ 169 (127 in 2014)
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Stage 2: Financial transactions/monitoring

The second stage concerns the management of the contracts and payments made. This stage comprises ex-ante checks of beneficiaries' cost claims and the processing of transactions. The overall control objective is to ensure that operational results (deliverables) from the projects are of good value and meet the objectives and that the related financial operations comply with regulatory and contractual provisions.

There were no errors detected neither penalties applied.

²⁰ Table 12 of Annex 3 shows the total number of open procedures and not only the number of files submitted to the JPC.

Stage 2Value of payments made: **↗ EUR 21.95 million** (20.06 million in 2014)Number of payments: **↗ 652** (475 in 2014)**Stage 3: Supervisory measures**

Based on the methodology described in Annex 4, there is no amount at risk for procurements in DG Justice and Consumers. Thus, no ex-post controls are performed for contracts. However, audit findings signalled by the other internal or external auditors are duly taken into account for the assessment of assurance in relation to procurement transactions. Please see details in 2.2. As the Court of Auditors has estimated the overall error rate in the procurement implemented by the European Commission at 0,5%²¹, this has been used as the best estimate of the possible amount at risk in chapter 2.1.1.4.

2.1.1.3. Indirect management - decentralized agencies

DG Justice and Consumers acts as partner DG for three agencies which received budget implementation tasks from the legislative authorities: the Institute for Gender Equality (EIGE), the Fundamental Rights Agency (FRA), the European Agency for Judicial Co-operation (EUROJUST).

Agency /MEUR	CA	Cons.	% Budget
EIGE	7.73	7.63	99%
EUROJUST	34.48	33.82	98%
FRA	21.39	21.23	99%
	63.60	62.68	99%

Agency /MEUR	PA	Cons.	% Budget
EIGE	7.73	7.63	99%
EUROJUST	34.48	33.82	98%
FRA	21.39	21.23	99%
	63.60	62.68	99%

Commitment and payment appropriations were implemented almost 100%. The Internal Control Template (ICT) on indirect management in Annex 5 details the applicable supervision and reporting activities, details of which are reported below.

Stage 1: Operations: monitoring, supervision and reporting

The overall control objective of this stage is to ensure that DG Justice and Consumers is timely and fully informed of any relevant management issues encountered by the agencies, in order to possible mitigate any potential financial and/or reputational impacts.

²¹ Source: 2015/C 373/01 Annual report of the Court of Auditors on the implementation of the budget concerning the financial year 2014. "Estimated level of error for Chapter 9: Administration" (p.284)

DG Justice and Consumers takes part in the governance of the agencies by participating as a member in the Management Boards with one voting right, when the governing rules allow for this. Membership rules are laid down by the founding regulations of each agency.

However, the Commission's representation on the Management Board is not the only way to reflect the particular responsibility that the Commission holds in implementing EU legislation. DG Justice and Consumers ensures the following monitoring activities:

- *Monitoring of the agencies' policy activities:*

The monitoring of the agencies' activities is the main responsibility of the relevant policy units. They are involved in numerous contacts at working level, coordination meetings, providing opinions on annual work programme, draft budget, staff policy plan and monitoring of their implementation.

- *Budgetary monitoring:*

The agencies have full responsibility for the implementation of their budget, DG Justice and Consumers being responsible for the regular payment of the contributions established by the Budgetary Authority. Memoranda of Understanding have been signed with each agency, clarifying the conditions for the payment of the EU subsidy by the Commission and allowing the partner DG to access ABAC data of agencies for budget implementation purposes.

The programme management unit of DG Justice and Consumers and the budget sector of the Shared Resource Directorate in Unit SRD01 are involved in the revision of the annual budgets proposed by agencies and also participated in the programming of the agencies' budgets for 2014-2020. Support was also offered to the agencies for the preparation of their 2016 budgets.

At the closure of the financial year, agencies provide their budget outturn calculations to the Commission. They contain an estimation of the amount to be paid back to the Commission. After the final closure, the partner DG will claim its reimbursement from the agency.

Finally, the Commission provides assistance to the agencies with regard to the application of the financial regulations, but also through the use of different Commission tools and services (ABAC, Medical Service, recruitment via EPSO, training, PMO).

Stage 2: Commission's contribution

The control objective is to ensure that all elements of the payment request is fully assessed before paying the subsidy or decide to suspend or interrupt payments.

DG Justice and Consumers ensures that the requests for appropriations from the agencies are in line with their needs for current cash flow. To this end, the financial unit validates the cash-flow requests from the agencies on the basis of their needs for the forthcoming months in close collaboration with the agencies staff. Memoranda of Understanding were signed with all three agencies clarifying the conditions for the payment of the EU subsidy by the Commission.

Stage 3: Audit, evaluations and discharge

The IAS acts as the internal auditor for the agencies, while the European Court of Auditors gives yearly a statement of assurance as to the reliability of the annual accounts of the agency and the legality and regularity of the transactions underlying them. Based on these, the European Parliament grants discharge directly to the agencies.

Court of Auditors 'reports for 2014

In its 2014 reports issued for each traditional agency, the Court of Auditors concluded that the accounts of all agencies provide true and fair view and the transactions underlying the accounts are legal and regular.

Audits performed by Internal Audit Service (IAS)

DG JUST's representatives in the management Boards of the Agencies have not been informed of any critical issues arising from audits performed by the IAS or other assurance providers that would be very significant from a reputational perspective.

The relevant information provided by the agencies in relation to the issues identified as a result of the Commission's involvement in the Management Boards of the agencies and the results of DG JUST's supervision arrangements are deemed reliable and assessed as sufficient to draw the reasonable assurance conclusion.

2.1.1.4 Overall conclusion on effectiveness of controls as regards legality and regularity

The table below provides an overview of the weighted average error rate for the annual expenditure by using the best estimate of the potential error rate for each of the constituent parts of the budget managed by the DG. With regard to the direct management grants, the cumulative detected error rate is based on the results of audits carried out by DG JUST (Chapter 2.1.1.1).

For other activities either a range between 0% and 1.99 % is applied as they were not covered by audits in 2015, or an alternative reliable estimation was used where available (Court of Auditors). These activities are not considered risk-prone and it is estimated that the error rate is below the materiality threshold.

For DG Justice and Consumers, the estimated overall amount at risk²² for the 2015 payments made is estimated as a range between EUR 1.7 and 3.1 million. This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year (EUR 138 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

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 corrections²³ for those 2015 payments made are EUR 2.76 million.** This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

²² 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).

²³ This estimate is based on past performance, namely on the average recoveries and financial corrections (ARC) implemented since 2009 and applied to the payments of the year.

2015 DG JUST - Activity	2015 payments	% of total payments	Error rate (range)*		Amount at risk	
Direct management:						
Grants:						
2007-2013	45,289,503.11	32.76%	3.51%		1,589,661.56	1,589,661.56
Other:						
Procurements	21,948,321.00	15.88%	0.50%		109,741.61	109,741.61
Contribution to executive agency Subdelegations and service level agreements	1,740,715.00	1.26%	0.00%	1.99%		34,640.23
	6,586,656.30	4.76%	0.00%	1.99%		131,074.46
Indirect management:						
Traditional agencies	62,675,351.00	45.34%	0.00%	1.99%		1,247,239.48
Total	138,240,546.41	100.00%	1.23%	2.25%	1,699,403.16	3,112,357.34

Corrective capacity	Average recoveries and corrections (%)	Expected recoveries and corrections related to the FY's payments made
Recoveries	2.0%	2,764,811

2.1.2 Efficiency and Cost-effectiveness

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

Regarding the cost-effectiveness of controls, the conclusion was reached on the basis of an estimation of costs of control over the value of the related funds (value of payments), in the form of indicators and their evolution over time for each of the distinct control systems and stages described in Annex 5. Details are presented in Annex 10.

As a general overview, the total cost of controls performed in 2015 in DG Justice and Consumers was estimated at EUR 6.53 million, representing 4.73% of total payments made in the year. This represents a slight increase in the cost of controls in comparison with the previous year (EUR 6.34 million representing 4.14% in 2014). The main areas where costs considerably increased, were in the contracting of grant agreements and in the costs of ex-post controls, which is partially due to the 2% increase in the average

value of an FTE in 2015. The increase of the total costs of ex-post controls is explainable, by an increase in contracting costs due to the change of contractor in charge of outsourced audits in 2015 and due to a much higher values of audited grants. It is worth mentioning that while the overall costs of ex-post controls increased, the individual cost-efficiency ratio (cost of audits/value of grants audited) decreased significantly.

Furthermore, there is a number of non-quantifiable benefits resulting from the controls operated during the programming phase in the grant management process, aimed at ensuring that the financed projects contributed to the achievement of the policy objectives, and from the deterrent effect of ex post controls. At the same time the procurement procedures are to a large extent a regulatory requirement which cannot be curtailed. DG Justice and Consumers considers that the necessity of these tasks is undeniable, as shown by the risks outlined in annex 5, significant proportions of the appropriations would be at risk in case they were not be in place.

Control System	2015			2014		
	Costs (M EUR)	Payment (M EUR)	Costs/payment (%)	Costs (M EUR)	Payment (M EUR)	Costs/payment (%)
Direct - Grants	4,85	45,28	10.7%	4,71	66,35	7.3%
Direct Procurement	1,05	21,95	4.8%	1,02	20,06	5.1%
Indirect - Agencies	0,62	62,68	1.0%	0,61	62,87	1.0%
Other	n/a	8,33	n/a	n/a	3,82	n/a
Total	6,53	138,24	4.73%	6,34	153,10	4.14%

The DG's relative²⁴ level of cost-effectiveness is considered adequate. 2015 was a first full year when the risk based approach was applied for verification of the final cost claims in the view of different risk profiles of the beneficiaries and completeness and accuracy of the provided documentation with the aim to re-direct the control resources towards more stringent controls where needed while having leaner and less burdensome controls where appropriate. It is still pre-mature to conclude whether this approach did not exacerbate the overall error rate.

Regarding the efficiency of controls, DG Justice and Consumers assessed it based on "time-to" indicators, measuring the time spent to complete a specific procedure. As explained below, these indicators deteriorated compared to 2014, mostly due to the new approach introduced with the new financial programmes to more strongly involve the colleagues from the policy units in the financial management with the aim to make the funding more policies relevant. However, with the human resources stable or decreasing across the DG this has accumulated delays in all processes. However, all the average deadlines remained well within the legal requirements.

Having dealt with more eligible projects to evaluate, resulting in a higher number of

²⁴ E.g. taking into account the relative labour-intensity of the operations, which may imply (dis)economies of scale due to the number and value of the transactions

projects selected, the average time to award grants and inform the applicants took more than in 2014, but still 39 days less than the time limit prescribed by the Financial Regulation (180 days limit).

On the contracting stage, the timeframe between the publication of the award decisions and the signature of the grant agreements elapsed to 62 days, while remaining well below the target of 90 days fixed by the Financial Regulation.

Efficiency gains are expected in the management of grants in the near future with the incorporation of a H2020 IT tool (Sygma) in this process. A number of resources were invested into the preparation for and migration from the current grant applications management system used by Justice and Consumers (PRIAMOS) to the corporate IT tools, used for the full life-cycle of the grant management already applied by the Research family DGs. DG Justice and Consumers already launched two pilot calls in the new environment in 2015.

Direct management grants	<p>Time-to-inform: ↗ 141 days (118 in 2014, limit art.128.2(a)FR is 180)</p> <p>Time-to-grant: ↗ 62 days (43 days in 2014, limit art.128.2(b) FR is 90)</p> <p>Time-to-pay: ↗ 40 days (30 in 2014, art.92 F.R)</p>
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At the level of the payments transactions performed in the DG, the efficiency indicators show that DG Justice and Consumers' overall average payment time for the year amounted to 26 days (with suspension) and 91% of all payments were made on time, versus 22 days and 94% in 2014 (however, 14 % more payments were executed in 2015 compared with 2014). The invoice registration time remained below 2 days.

In the area of grant payments, 12.78% of the grant payments have been made later than the legal times, slightly higher than in 2014 (9.7%).

In relation to payment delays in procurement transactions, the average number of days dedicated to a payment increased 3 days, while the time for payment of subsidies to traditional agencies decreased 3 days compared to 2014.

Others	<p>Procurement time-to-pay: ↗ 19 days (16 in 2014)</p> <p>Traditional agencies time-to-pay: ↘ 11 days (14 in 2014)</p>
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Based on the above available information assessed as being complete and reliable, considering the non-quantifiable benefits of the controls, along with the fact that the total costs of controls remained at a similar level as in 2014, **DG Justice and Consumers could reach a positive conclusion with regard to the cost-effectiveness and the efficiency of its entire control system.**

2.1.3 Fraud prevention and detection

DG Justice and Consumers has developed and implemented its own anti-fraud strategy since 2012, elaborated on the basis of the methodology provided by OLAF.

In principle, the controls aimed at preventing and detecting fraud are not unlike those intended to ensure the legality and regularity of the transactions (the unintentional errors). However, during 2015 specific anti-fraud related actions were carried out in DG Justice and Consumers:

- the risk of fraud was integrated in the risk assessment,
- selection of fraud risk/based audits are a basis of the annual audit plan,
- update of internal procedures on Early Detection and Exclusion System (EDES),
- awareness in the area of anti-fraud and ethics is raised through maintaining updated information in the intranet,
- attendance to FPDnet meetings.

During 2015 four cases of *suspicious of fraud and irregularities* in grant agreements were transmitted to OLAF for investigation. Two of the previous' year investigations resulted in recommendations to issue a recovery in their final investigation reports received during 2015.

2.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the opinion of the Internal Auditor on the state of control, 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.

The DG is audited every year by both internal and external independent auditors: the Commission Internal Audit Service (IAS) and the European Court of Auditors (ECA).

- **Summary of the IAS audit recommendations issued during the year**

During the reference period, the Internal Audit Service completed its audits scheduled for 2015 in its internal audit plan for 2013-2015 and took over the remaining open recommendations issued previously by the former Shared Internal Audit Capability (SIAC) of DG Justice and Consumers, namely four recommendations further to the audit on Procurement, dated 2014.

Two follow-up audits ("Monitoring the implementation of EU law" (2013) and audit on "Procurement") and a multi DG audit on the "Objective setting process in the context of the management plans" were launched and finalised during 2015.

- The IAS follow- up audit on "Monitoring the implementation of EU Law" resulted in the closure of the two remaining important recommendations.
- Secondly, the IAS followed up the remaining open recommendations from the former SIAC audit on "Procurement" resulting in the closure of 4 out of 5

important recommendations. The remaining open recommendation "Devise a future strategy for the Commission's responsibilities with regards to ECRIS" (Important) is 'in progress' with a revised completion date set for the 31th of May 2016 and will be followed-up separately by the IAS in 2016.

- From audit on the "Objective setting process in the context of the Management Plans" three very important recommendations were issued by the IAS. They relate to (1) process of setting objectives and indicators in the MP – the IAS found an overall high number of indicators, which may hamper the usefulness of the MP as a management tool, and lack of formalisation and documentation of the quality review process, (2) quality of objectives and indicators, which need improvement, and (3) monitoring of DG's objectives/reporting arrangements, where the IAS noted that a lack of reliable information on indicators may hamper the DG's ability to monitor and consistently present the progress towards achieving its objectives.

DG Justice and Consumers' management partially rejected two of them, related to the need to establish written procedures and further guidance for the preparation of the Management Plan, and to prepare further overview reports to analyse the state of play of objectives and indicators mid-year. DG Justice and Consumers considers that the instructions issued by the central services and the comprehensive reporting done each year in the Annual Activity Report are sufficient to mitigate the risks highlighted by the IAS.

As a result of the IAS audit on the Management of Grants in CHAFEA, the IAS identified a number of issues on the Consumer Programme managed by CHAFEA. Following the transfer of the consumer policy the IAS issued a Management Letter addressed to DG Justice and Consumers on specific issues with regard to the Annual Work Programme (AWP) for the Consumer Programme.

In conclusion, the Internal Audit Service stated in its contribution to this report that the internal control systems audited are overall working *satisfactorily* although a number of findings as mentioned above remain to be addressed in line with the action plan prepared by DG Justice and Consumers.

- **Summary of the ECA audit findings**

DG Justice and Consumers was exceptionally included in Chapter 1 for 2014 DAS published in November 2015. The *Court of Auditors* examined the financial management (legality & regularity of transactions, reliability of control systems) in its Annual Report for 2014: DG Justice and Consumers had only one finding. The abovementioned Chapter makes reference to the ineligible expenditure for staff costs for public bodies for a grant under Fundamental Rights and Citizenship programme. The ineligible amount in subject equals EUR 58,000.

DG Justice and Consumers was well aware of the difficulties met by public bodies in respecting the eligibility rule applicable to staff costs for public bodies (contracting other staff to replace the civil servants in their usual activities). That is why, from 2011 onwards, DG Justice and Consumers clarified the eligibility rules applicable to staff of public bodies.

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.

DG Justice and Consumers 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.

DG Justice and Consumers 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:

- **Desk reviews** on particular aspects of compliance with the baseline requirements of the Internal Control Standards and reviews of exceptions and non-compliance events with the Internal Control Standards (ICS).
- Results of the **2015 internal control management assessment**, in accordance with ICS 15, by means of the self-assessment tool²⁵ (iCAT survey);
- Results of the **relevant audits** performed or followed up by the Internal Audit Service which concluded that the internal control systems audited are overall working satisfactorily although a number of very important findings remain to be addressed; and the Court of Auditors' findings in 2015. The Court of Auditors' findings were of minor nature and therefore do not undermine the effectiveness of the internal control system in place. For details please refer to part 2.2.
- The annual **risk management exercise** performed in the context of the management plan. No critical risks were identified.
- The **Authorising Officers by Sub-Delegation Reports and declaration of assurance** (detailed in part 2.1).

This analysis had enabled the Internal Control Coordinator to report on the state of internal control and his recommendations to the Director-General. There is satisfactory evidence that the processes and procedures in place control the main risks by providing a reasonable assurance that the key objectives are met and that the activities are carried out as intended.

The outcome of the iCAT survey (Internal Control Self-Assessment Tool) is one of the main sources of information on the measure of the effectiveness of Internal Control Standards.

This year's focus was on the following five Internal Control Standards: ICS 3 "Staff allocation and mobility", ICS 5 "Objectives and Performance Indicators", ICS 7 "Operational Structure", ICS 10 "Business Continuity" and ICS 11 "Document management". The participation rates were 25% of the staff and 53% of the

²⁵ The iCAT survey is launched every end of the year with the collaboration of DG Budget.

management, covering approximately 27% of the total population and judged *sufficient* to be representative.

The five standards evaluated were considered as effectively implemented as the overall satisfaction rate was 63.5%. Nevertheless, the exercise signalled that the effectiveness in the implementation of ICS 5 "Objectives and performance indicators" could be improved.

Indeed, the assessment disclosed negative opinions directly related to the usefulness of the management reports for monitoring the policy objectives and of the DG's performance indicators. The standard was previously prioritised but the actions planned are to be implemented in 2016 in order to foster the use and utility of the two main management tools (the Management Plan and the Annual Activity Report) notably by implementing the audit recommendations stemming from the multi-DG audit on "Objective setting process in the context of preparation of the Management Plans", where DG Justice and Consumers was one of the auditees, that showed weaknesses in the process for setting objectives and indicators in the Management plan, the quality of these and in the monitoring of the DG's objectives.

The above weaknesses concern only partly one ICS, for which improvement measures have been launched and overall, based on other elements as highlighted above, there are no indications that the internal control standards would be deficient.

In conclusion, the internal control standards are effectively implemented and functioning. In addition, DG Justice and Consumers has taken measures to further improve the effectiveness of its internal control systems in the area of "Objectives and Performance Indicators".

2.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2 stems from the results of management and audit monitoring, based on the results of the self-assessment, ex-post controls, the observations of the Internal Audit Service, lessons learnt from the reports of the Court of Auditors as well as information received from other authorising officers in cases of crossed sub-delegations or delegation agreements.

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 comprehensive coverage of the budget allocated to the Director-General of DG Justice and Consumers.

The key arguments for the assurance are listed below:

- Overall, reliable and complete control results are available for each control system, indicating positive results in terms of effectiveness, legality and regularity, cost-effectiveness and efficiency (except for the high error rate in grant management as explained below).
- Full compliance with the Internal Control Standards; weaknesses are known and addressed;
- No critical issues highlighted by internal or external auditors;

- For DG Justice and Consumers, the estimated overall amount at risk for the 2015 payments made is estimated as a range between EUR 1.7 and 3.1 million. This is the AOD's best, conservative estimation of the amount of expenditure authorised during the year (EUR 138 million) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made. 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 corrections for those 2015 payments made are EUR 2.76 million. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.
- No other major issues pointed out by the Authorizing Officers by Sub -delegations in their reports.

Change of methodology for determining materiality level for reservations

Previously, DG Justice and Consumers determined the need for a reservation at ABB activity level, thus aggregating the control results and error rates across various expenditure covered by different control approaches within each ABB line ("vertical" approach). In 2015 Annual Activity Report however, the materiality is determined for each relevant distinct internal control system across various ABB lines ("horizontal" approach).

As a result of this change, a reservation is considered for each of these control systems separately and not at an aggregated level. The control objective is to ensure that for each system, the residual error remains below 2%.

The residual risk was analysed for each distinct control system, as detailed in section 2.1, and following the change in methodology applied on assessing its materiality, the results of each were analysed separately to determine its impact on assurance and a need to issue a reservation:

The estimated multiannual residual error rate for the grants directly managed by DG Justice and Consumers for 2015 is 2.86%. It needs to be emphasised that the new reservations are related to changes of methodology and not due to a worsened situation concerning legality and regularity of expenditure - in fact, the Direct Management error rates have improved compared to the previous years, as an evidence of efforts made by DG Justice and Consumers to address any deficiencies noted in previous years, even though a reservation was not necessarily issued in the previous Annual Activity Reports due to a different methodology.

Overall Conclusion

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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance albeit qualified by the below reservation:

- Financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed under the budget chapters 33 02 and 33 03.

The financial impact of the reservation on the assurance is assessed at 1.26% of the payments made by DG Justice and Consumers in 2015 amounting to EUR 1.74 million.

3. Declaration of Assurance and reservation

I, the undersigned,

Director-General of General Directorate of Justice and Consumers

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view²⁶.

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 and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

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

However the following reservations should be noted:

- *Reservation regarding the financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed by DG Justice and Consumers under the budget chapters 33 02 and 33 03.*

Place: Bruxelles, date 29/03/2016

Tiina Astola

(signed)

²⁶ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

Reservation 1

DG	Justice and Consumers
Title of the reservation, including its scope	Financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes managed by DG Justice and Consumers
Domain	Centralised direct management - grants (2007-2013 programmes)
ABB activity and amount affected ("scope")	33 02 – Rights, Equality and Citizenship and 33 03 – Justice. Total payments related to grants (2007-2013 programmes) in 2015: EUR 11.8 million.
Reason for the reservation	At the end of 2015, the residual error rate is not below the materiality threshold.
Materiality criterion/criteria	The materiality criterion is the cumulative residual error rate, i.e. the level of errors that remain undetected and uncorrected, by the end of the management cycle. The control objective is to ensure that the residual error rate on the overall population is below 2% at the end of the management cycle.
Quantification of the impact (= actual exposure")	The estimated multiannual residual error rate for DG Justice and Consumer directly managed grants for 2015 is 2.86%. The maximum impact is calculated by multiplying the multiannual residual error rate by the sum of direct management payments based on cost statements actually processed and pre-financings cleared in 2015 (EUR 60.8 million). The estimated impact in 2015 is EUR 1.74 million.
Impact on the assurance	Legality and regularity of the affected transactions, i.e. only payments made against cost claims (interim payments and payments of balance). The assurance is affected within the scope of the quantified budgetary impact, which represents 1.26 % of payments made by DG Justice and Consumers in 2015.
Responsibility for the weakness	Although the error rate every year is decreasing due to the measures introduced since 2013, still some weaknesses persists the control system (the resources constraints does not allow to control 100% of the cost claims). The remaining weaknesses are mainly due to the complexity of the rules defining the eligibility of the costs and the difficulties for beneficiaries to put in place a proper project accounting system. This is reinforced by the fact that DG Justice and Consumers signs mainly multi beneficiary grant agreements where co-beneficiaries as such are also managing the project money and should apply the same eligibility rules and principals as the project co-ordinators but the Commission contractually does not have direct control over the co-beneficiaries or direct communication channels. Moreover, the co-beneficiaries are not directly responsible toward the Commission but they are represented by the project coordinator
Responsibility for the	Action plan corrective action proposed: The report on the analysis of detected error rate mentioned above

corrective action	<p>shows that the main reason for ineligibility is the lack of supporting documentation (37%) and the wrong calculation of eligible costs (19%). Ineligible costs can be reduced thanks to targeted communication with the help of appropriate calculation tool made available to the beneficiaries and where necessary (based on risks identified during implementation phase) through on the spot monitoring visits.</p> <p>The rate of ex ante correction can also be improved using an ex ante financial analysis strategy based on project/beneficiary risk assessment.</p> <p>1) Risk based ex ante financial analysis</p> <p>The need for sampling supporting documents of individual projects is assessed by using a standard check list, helping the financial officer identify potential risks within each costs claim. Particular emphasis will be put on checking staff costs which represent 57.18% of total ineligible costs.</p> <p>A specific Excel tool calculating eligible project staff costs as well as standard timesheet are made available on the website for grant beneficiaries (and training regarding their use is presented during kick-off meetings).</p> <p>2) Better communication with beneficiaries</p> <p>Specific emphasis is put on the description of eligible costs and justifying documents in the grant management guide/guide for applicants.</p> <p>During kick-off meetings, a dedicated session on project financial management is organised.</p> <p>On-the-spot monitoring visits are organised on the beneficiaries' premises, focussing on the financial management of projects. The coverage of the project portfolio by such visits might gradually increase to cover projects selected on the basis of the risks identified during their implementation.</p> <p>3) Maintain the (high)rate of projects audited in the population at risk</p> <p>The ex-post audit plan for 2016 foresees 31 audits of grants. This will allow reaching an audit coverage of more than 20% of the auditable population for MFF 2007-2013, which will have a direct impact on the reduction of the residual amount at risk at the end of the management cycle.</p>
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