ANNEXES

ANNEX 1: Statement of the Resources Director

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission[1], I have reported my advice and recommendations to the Secretary-General on the overall state of internal control in the SG.

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

Date

23/03/2015

Signed

Gianmarco Di vita

[1] SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and Financial resources

SECRETARIAT-GENERAL				
Human Resources by ABB activity at 31/12/2014				
Code ABB Activity	**ABB Activity**	**Establishment Plan posts**	**External Personnel**	**Total**
25 02	Relations with civil society, openness and information	28		**28**
25 AWBL-01	Administrative support for the Secretariat-General	56	14	**70**
25 AWBL-02	Co-ordination within the Commission	143	21	**164**
25 AWBL-03	Co-ordination and relations with the other institutions	57	8	**65**
25 AWBL-09	Policy strategy and co-ordination for the Secretariat-General	17		**17**
25 AWBL-12	Logistical support for the Commission and protocol	110	17	**127**
25 AWBL-13	Better regulation and institutional development	71	6	**77**
	Total	**482**	**66**	**548**

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

Second table:

Crédits administratifs 25.010211 – Exécution 2013 (crédits C1 2013 et C8 2014)

		MONTANTS DEGAGES	MISSIONS	REPRE-SENTATION	REUNIONS	CONFE-RENCES	ETUDES	INFORMATIQUE	FORMATION	Total		Perte en crédits	% perte	% exécution	% d'annulation
C1	CREDIT		689.779,00	1.700,00	129.720,00	16.516,00	122.505,00	5.967.440,00	186.762,00	7.114.422,00					
C1	EXECUTION		689.779,00	1.700,00	129.720,00	16.516,00	122.504,68	5.966.833,79	186.762,00	7.113.815,47	**C1**	**606,53**	**0,01%**	**99,99%**	
C8	ENGAGEMENT	41.808,69	194.109,19	0,00	51.675,92	1.392,91	75.743,44	4.751.661,95	108.319,31	5.224.711,41					
C8	PAIEMENT		125.823,69		37.852,58	1.392,91	75.743,44	4.751.661,95	108.319,31	5.100.793,88	**C8**	**123.917,53**	**2,37%**	**97,63%**	
	PERTE C8/Poste		68.285,50		13.823,34	0,00		0,00	0,00			**124.524,06**			**1,75%**

Crédits administratifs décentralisés - Exécution 2014 crédits C1 2014/Sous postes

		FMC	Crédits	Engagement	Paiement	% EXECUTION
SG	25.010211.00	SG	-			
SG	25.010211.00.01.10	SG	658.075	658.075	465.437	
SG	25.010211.00.01.30	SG	1.000	1.000	671	
SG	25.010211.00.02.20	SG	71.360	71.360	39.293	
SG	25.010211.00.02.40	SG	13.000	13.000	6.801	
SG	25.010211.00.03	SG				
SG	25.010211.00.04	SG				
SG	25.010211.00.05	SG	6.573.676	6.572.294	2.529.772	
SG	25.010211.00.06	SG	207.020	207.020	58.564	
SG Total			7.524.131	7.522.749	3.100.537	**99,98%**

ANNEX 3: Draft annual accounts and financial reports

Annex 3 Financial Reports - DG SG - Financial Year 2014

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Procedures (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2014 (in Mio €)					
			Commitment appropriations authorised	Commitment s made	%
			1	2	3=2/1
Title 02 Enterprise and Industry					
02	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	0	0	
Total Title 02			0	0	
Title 25 Commission¿s policy coordination and legal advice					
25	25 01	Administrative expenditure of the `Commission-s policy coordination and legal advice- policy area	11.63	11.62	99.96 %
	25 02	Relations with civil society, openness and information	0.00	0.00	0.00 %
Total Title 25			11.63	11.62	99.96%
Total DG SG			11.63	11.62	99.96 %

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

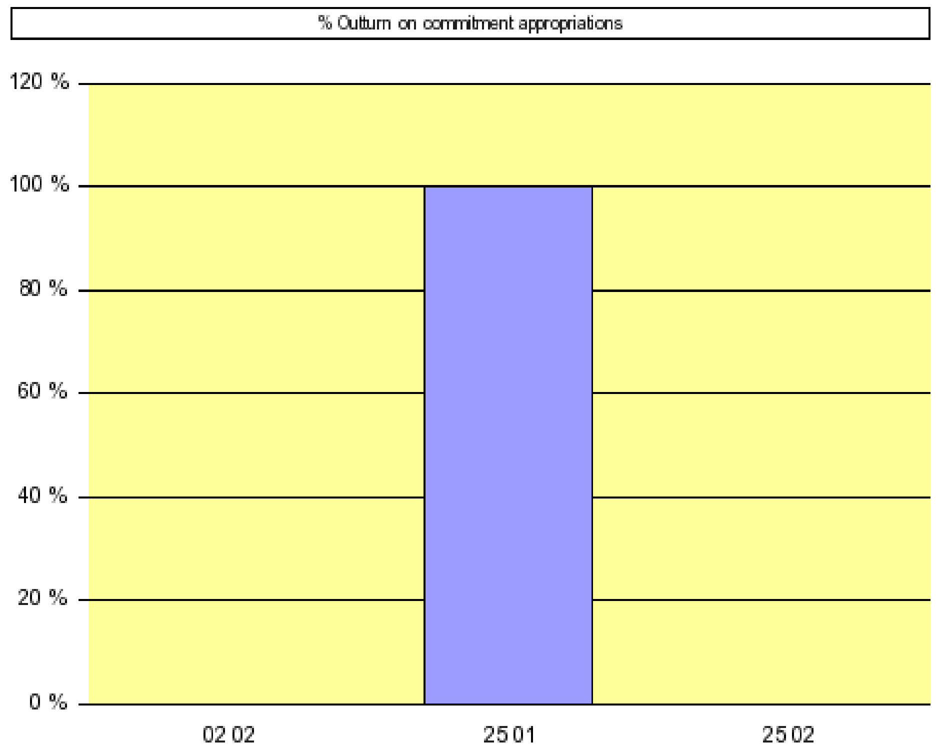

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 02 Enterprise and Industry					
02	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	0.14	0.13	93.26 %
Total Title 02			0.14	0.13	93.26%
Title 25 Commission¿s policy coordination and legal advice					
25	25 01	Administrative expenditure of the `Commission-s policy coordination and legal advice- policy area	17.06	11.16	65.44 %
	25 02	Relations with civil society, openness and information	0.81	0.76	94.87 %
Total Title 25			17.86	11.93	66.76%
	Total DG SG		18.01	12.06	66.97 %

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

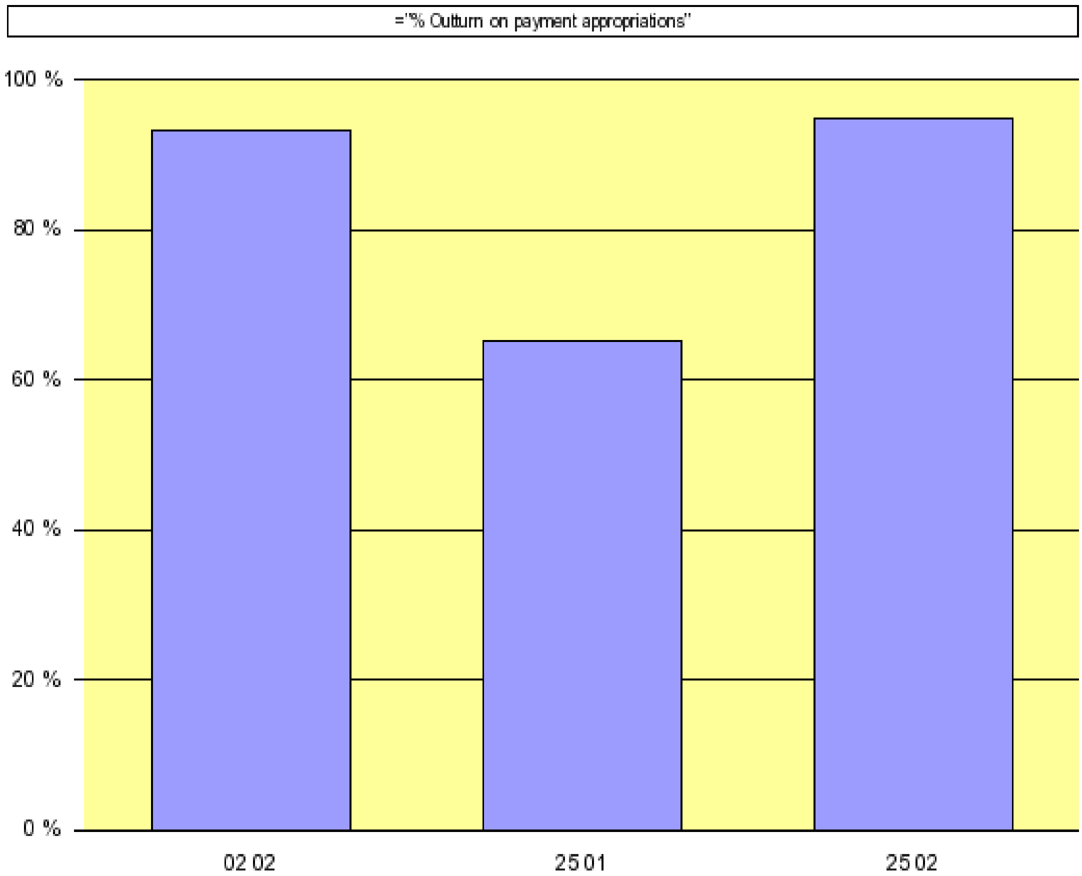

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)									
Chapter			2014 Commitments to be settled				Commitments to be settled from financial years previous to 2014	Total of commitments to be settled at end of financial year 2014(incl corrections)	Total of commitments to be settled at end of financial year 2013(incl. corrections)
			Commitments 2014	Payments 2014	RAL 2014	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 02 : Enterprise and Industry									
02	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	0	0.00	0	#DIV/0	0.52	0.52	0.66
Total Title 02			0	0.00	0	#DIV/0	0.52	0.52	0.66
Title 25 : Commission¿s policy coordination and legal advice									
25	25 01	Administrative expenditure of the `Commission-s policy coordination and legal advice-policy area	11.62	5.85	5.77	49.63 %	0.00	5.77	5.43
	25 02	Relations with civil society, openness and information	0.00	0.00	0.00	#DIV/0	0.00	0.00	0.81
Total Title 25			11.62	5.85	5.77	49.63%	0.00	5.77	6.24
	Total DG SG		11.62	5.85	5.77	49.63 %	0.52	6.29	6.90

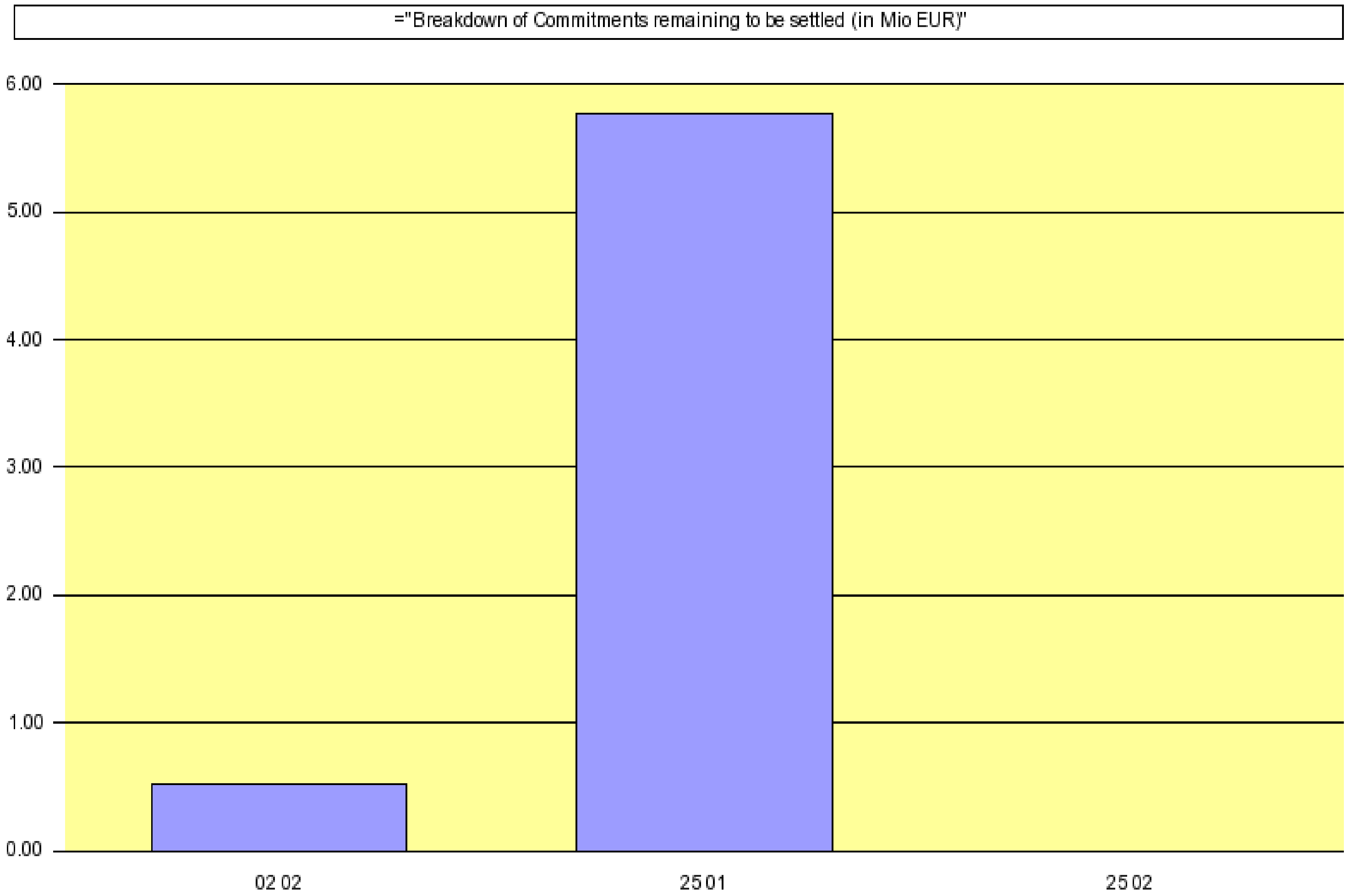
="Breakdown of Commitments remaining to be settled (in Mio EUR)"
6.00
5.00
4.00
3.00
2.00
1.00
0.00
02 02
25 01
25 02

TABLE 4 : BALANCE SHEET

BALANCE SHEET	2014	2013
A.I. NON CURRENT ASSETS	3,688,355.60	1,216,638.58
A.I.1. Intangible Assets	3,688,355.60	1,216,638.58
A.II. CURRENT ASSETS	1,999,900.00	2,076,394.00
A.II.2. Current Pre-Financing	1,991,572.64	2,076,250.00
A.II.4. Exchange Receivables	0.00	144.00
A.II.5. Non-Exchange Receivables	8,327.36	0.00
ASSETS	**5,688,255.60**	**3,293,032.58**
P.III. CURRENT LIABILITIES	-1,292,661.41	-903,799.88
P.III.4. Accounts Payable	-11,099.19	0.00
P.III.5. Accrued charges and deferred income	-1,281,562.22	-903,799.88
LIABILITIES	**-1,292,661.41**	**-903,799.88**
NET ASSETS (ASSETS less LIABILITIES)	**4,395,594.19**	**2,389,232.70**

P.I.2. Accumulated Surplus / Deficit	10,371,687.83	1,129,316.76

Non-allocated central (surplus)/deficit*	-14,767,282.02	-3,518,549.46

TOTAL	**0.00**	**0.00**

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2014	2013
II.1 REVENUES	111,894.04	319,290.12
II.1.2. EXCHANGE REVENUES	111,894.04	319,290.12
II.1.2.2. OTHER EXCHANGE REVENUE	111,894.04	319,290.12
II.2. EXPENSES	6,244,012.47	8,923,080.95
II.2. EXPENSES	6,244,012.47	8,923,080.95
11.2.10.OTHER EXPENSES	6,244,012.47	8,923,080.95
STATEMENT OF FINANCIAL PERFORMANCE	**6,355,906.51**	**9,242,371.07**

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

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

TABLE 6: AVERAGE PAYMENT TIMES FOR 2014 - DG SG

Legal Times

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	493	487	98.78 %	8.71	6	1.22 %	91

Total Number of Payments	**493**	**487**	**98.78 %**		**6**	**1.22 %**	
Average Payment Time	**9.71**			**8.71**			**91**

Target Times

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)
30	1	1	100.00 %	15

Total Number of Payments	**1**	**1**	**100.00 %**	
Average Payment Time	**15**			**15**

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	25	24	4.87 %	493	83,531.33	1.49 %	5,596,346.58

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

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014								
Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	7=3-6
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	8,327.36	0.00	8,327.36	0.00	0.00	0.00	8,327.36
Total DG SG		**8,327.36**	**0.00**	**8,327.36**	**0.00**	**0.00**	**0.00**	**8,327.36**

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

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014	TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
Year of Origin (commitment)	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2013			1	8,327.36		
Sub-Total			**1**	**8,327.36**		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS												
CREDIT NOTES	19	51,759.85					**19**	**51,759.85**	19	51,759.85	100.00%	100.00%
Sub-Total	**19**	**51,759.85**					**19**	**51,759.85**	**19**	**51,759.85**	**100.00%**	**100.00%**
GRAND TOTAL	**19**	**51,759.85**					**19**	**51,759.85**	**20**	**60,087.21**	**95.00%**	**86.14%**

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2014 FOR SG						
	Number at 01/01/2014	**Number at 31/12/2014**	**Evolution**	**Open Amount (Eur) at 01/01/2014**	**Open Amount (Eur) at 31/12/2014**	**Evolution**
2014		1			8,327.36	
		1			8,327.36	

TABLE 10 : RECOVERY ORDER WAIVERS IN 2014 >= EUR 100.000						
	Waiver Central Key	Linked RO Central Key	RO Accepte d Amount (Eur)	LE Accoun t Group	Commission Decision	Comments

Total DG	

Number of RO waivers	

Justifications:
Please enter the text directly (no copy/paste of formatted text which would then disappear when saving the document in pdf), use "ctrl+enter" to go to the next line and "enter" to validate your typing.

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG SG - 2014

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Total		

No data to be reported

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

Additional comments

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

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

No data to be reported

ANNEX 4: Materiality criteria

The SG uses the guidelines provided in the communication COM(2003)28 of 21 January 2003. According to these, only material reservations can be used to qualify the annual declaration.

The process of deciding whether a deficiency is material consists of the following steps:

a) Identifying a deficiency (e.g.: a significant weakness of the control systems, insufficient audit coverage, a critical issue outlined by the European Court of Auditors, the Internal Audit Service and OLAF);

b) Determining if the deficiency falls within the scope of the AOD declaration (it relates to the reasonable assurance concerning the use of resources, sound financial management or legality and regularity of underlying transactions);

c) **Qualitative assessment**: assessing if the deficiency is significant in qualitative terms means analysing:

- ❒ the nature and scope of the deficiency,
- ❒ the duration of the deficiency,
- ❒ the existence of compensatory measures (mitigating controls which reduce the impact of the deficiency),
- ❒ the existence of effective remedial actions to correct the deficiencies (action plans and financial corrections) which have had a measurable impact;

d) **Quantitative assessment**: a deficiency which is significant from a qualitative perspective must be quantified in terms of "monetary value of the identified problem"/ "amount considered at risk". In line with the guidelines agreed centrally in the Commission, the SG applies the recommended threshold of 2% i.e. when the value of the transactions affected by the deficiency represents more than 2% of the budget of one ABB activity of the DG;

e) For deficiencies which are considered significant from a qualitative point of view, but their financial impact is lower than the 2% threshold, the SG takes into account the potential reputational consequences they may entail. A reservation would be made if such a reputational event were to occur and negatively impact on the image of the Commission.

Additionally, the SG continues to apply another materiality criterion: its systemic responsibilities. Beyond its own operational responsibilities, the SG is a horizontal service operating as a service provider and thus also bears responsibility for the development and quality of a certain number of corporate processes. In particular, the SG has the responsibility at Commission level for the decision making process of the College, document management and crisis management.

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

PROCUREMENT DIRECT MANAGEMENT

The SG mainly concludes contracts for IT service providers based on framework contracts put available by DG DIGIT, that way the tender procedure (framework contract) is not managed by the SG itself. For occasional needs, the SG uses negotiated procedures for low-value contracts (not exceeding 60.000 EUR). The SG itself manages maximum 1 to 2 open or restricted procedures for contracts exceeding 60.000 EUR.

Stage 1 – Procurement

A - Planning

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

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The needs are not well defined (operationally and economically) and that the decision to procure was inappropriate to meet the operational objectives Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement process)	Validation by AO(S)D of justification (economic , operation) for launching a procurement process	100% of the forecast procurements	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	**Effectiveness**: Number of projected tender cancelled, Number of contracts discontinued due to lack of use (poor planning). **Efficiency: single global indicator = overall cost of control / payments made (%)**
	Decisions discussed/taken at management meeting	All key procurement procedures (> amounts and/or having significant impact on the objectives of the DG) are discussed at management meeting		

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

B - Needs assessment & definition of needs

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

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The best offer/s are not submitted due to the poor definition of the tender specifications	AOSD supervision and approval of specifications	100% of the specifications are scrutinised. **Depth** may be determined by the amount and/or the impact on the objectives of the DG if it goes wrong	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	**Effectiveness:** N° of procedures where only one or no offers were received. **Efficiency**: **single global indicator = overall cost of control / payments made (%)**

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

C – Selection of the offer & evaluation

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

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The most economically advantageous offer not being selected, due to a biased, inaccurate or 'unfair'	Formal evaluation process: Opening committee and Evaluation committee, presence of SG.R.1	100% of the offers analysed. **Depth**: all documents transmitted	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated**	**Effectiveness:** Numbers of 'valid' complaints or litigation cases filed. **single global indicator = overall cost of control /**

			04/11/2014	
	Opening and Evaluation Committees' declaration of absence of conflict of interests	100% of the members of the opening committee and the evaluation committee	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	
evaluation process	Exclusion criteria documented	100% checked. **Depth:** required documents provided are consistent	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	**payments made (%)**
	Standstill period, opportunity for unsuccessful tenderers to put forward their concerns on the decision.	100% when conditions are fulfilled	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	

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

Stage 2 – Financial transactions

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

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage frequency and depth**	**How to estimate the costs and benefits of controls**	**Possible control indicators**
The services foreseen are not, totally or partially, provided in accordance with the technical description and requirements foreseen in the contract and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions. Business discontinues because contractor fails to deliver	Operational and financial checks in accordance with the financial circuits (100% ex ante verification). Operation authorisation by the AOSD	100% of the contracts are controlled, including only value adding checks.	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	**Effectiveness:** Ex ante control **-** number of 'refusal for correction/cancellation'; - percentage of overdue payments **Efficiency**: **single global indicator = overall cost of control / payments made (%)**
	Management of sensitive functions	High risk operations identified by risk criteria. Amount and potential impact on the DG operations of late or no delivery		

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

Stage 3 – Supervisory measures

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

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage frequency and depth***	**How to estimate the costs and benefits of controls**	**Possible control indicators**
An error or non-compliance with regulatory and contractual provisions, including technical specifications, or a fraud is not prevented, detected or corrected by ex-ante control, prior to payment	Ex-post publication (possible reaction from tenderer / potential tenderer such as whistle blowing)	Potentially 100%	**Non-spending DG: single global indicator = overall cost of control / payments made (%) (see section 3.2.5 Ares (2014)3702334 dated 04/11/2014**	**Effectiveness:** Amounts associated with errors detected (related to fraud, irregularities and error). In % over total checked. **single global indicator = overall cost of control / payments made (%)**
	Review of exceptions reported and AOSD reporting	100% twice a year. **Depth:** look for any weakness in the procedures (procurement and financial transactions)		
	Review of the process after each procedure	100%. **Depth:** review any significant problem that occurred		

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

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission

Not applicable

ANNEX 7: EAMR of the Union Delegations (DG DEVCO only)

Not applicable

ANNEX 8: Decentralised agencies

Not applicable

ANNEX 9: Performance information included in evaluations

Not applicable

ANNEX 10: Specific annexes related to "Management of Resources" (Part 2)

Not applicable

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (Part 3)

Not applicable