

Annexes to The 2013 Annual Activity Report of DG TAXUD

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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 Commission¹, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG/service.

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

Brussels, 26/03/2014

(signed)

Marinus de GRAAFF

¹ SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and Financial resources

DG	Activity		Establishment Plan posts	External Personnel	Total
TAXUD	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	37	2	39
	14 03	International aspects of taxation and customs	52	5	57
	14 04	Customs policy	153	28	181
	14 05	Taxation policy	164	29	193
	14 AWBL-01	Administrative support for the Directorate-General for Taxation and Customs Union	45	3	48
TAXUD	Total		451	67	518
Grand Total			451	67	518

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.

Slight differences are observed in comparison with the 2013 AMP figures. These are mainly due to the staff reduction exercise and to a lesser extent to the momentary character of the respective snapshots.

Financial Resources by ABB activity (EUR Million) implementation of Commitment Appropriations (CA)					
Code ABB Activity	ABB Activity	Operational expenditure	Administrative expenditure		Total
			(1)	(2)	
14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	3.5	0.8	0.1	4.4
14 03	International aspects of taxation and customs	1.2	1.1	0	2.3
14 04	Customs policy	53.0	3.2	1.1	57.3
14 05	Taxation policy	30.0	3.4	0	33.4
14 AWBL-01	Administrative support for the Directorate-General for Taxation and Customs Union	0	0.5	0	0.5
Total		87.7	10.2		97.9

(1) Heading 5 appropriations managed by the DG (global envelope) 14 01 02

(2) BA lines (14 01 04)

Implementation of decentralised administrative authorised operations (payments and revenues) of their Global envelope as of 31 December 2013 (budget lines: 14 01 02 11 00 01 to 14 01 02 11 00 06).

		FMC	Credits	Commitments	Payments	% EXECUTION
14	14.010211.00	TAXUD	3,180,039			
14	14.010211.00.01.10	TAXUD		1,050,000	955,634	
14	14.010211.00.01.30	TAXUD		68,000	51,166	
14	14.010211.00.02.20	TAXUD		600,000	478,691	
14	14.010211.00.02.40	TAXUD		196,766	17,536	
14	14.010211.00.03	TAXUD		1,105,591	876,152	
14	14.010211.00.04	TAXUD		2,205		
14	14.010211.00.06	TAXUD		157,477	101,884	
14	Total		3,180,039	3,180,039	2,481,064	100.00%

ANNEX 3: Financial Reports – DG TAXUD – Financial Year 2013

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Economic Outturn Account

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)

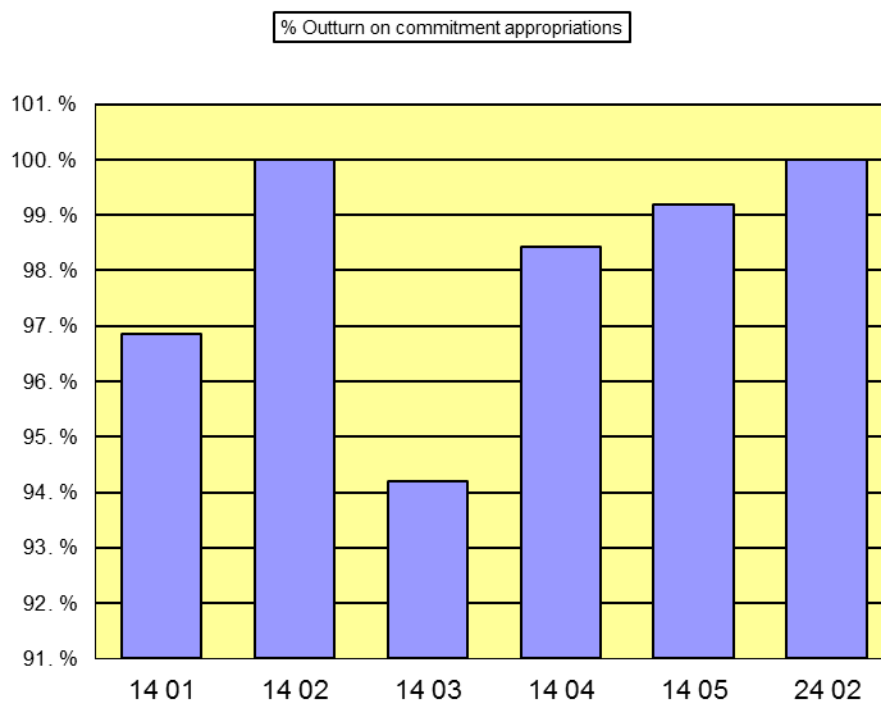
Table 12 : Summary of Contracts (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2013 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 14 Taxation and customs union					
14	14 01	Administrative expenditure of the `Taxation and customs union- policy area	6.974	6.755	96.86 %
	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	3.500	3.500	100.00 %
	14 03	International aspects of taxation and customs	1.250	1.178	94.20 %
	14 04	Customs policy	54.592	53.730	98.42 %
	14 05	Taxation policy	30.859	30.605	99.18 %
Total Title 14			97.175	95.767	98.55%
Title 24 Fight against fraud					
24	24 02	Fight against fraud	0.452	0.452	100.00 %
Total Title 24			0.452	0.452	100.00%
Total DG TAXUD			97.627	96.219	98.56 %

* 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).

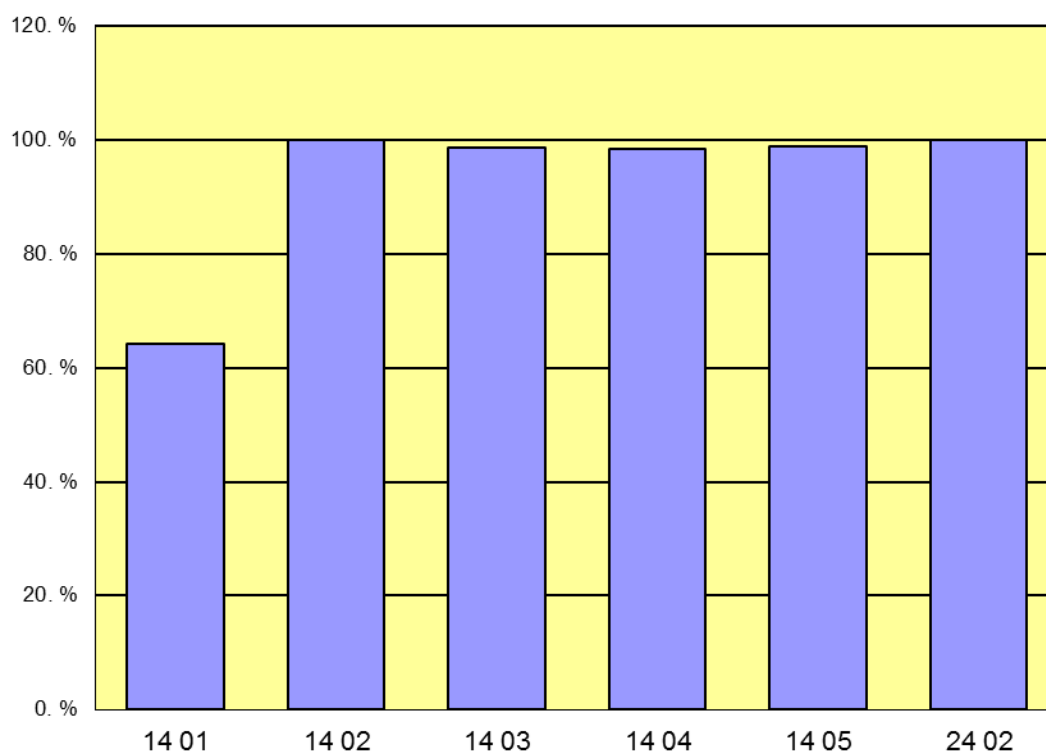


Note: The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2013 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 14 Taxation and customs union					
14	14 01	Administrative expenditure of the `Taxation and customs union- policy area	10.805	6.945	64.28 %
	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	2.602	2.602	100.00 %
	14 03	International aspects of taxation and customs	1.180	1.165	98.73 %
	14 04	Customs policy	45.132	44.481	98.56 %
	14 05	Taxation policy	23.250	22.994	98.90 %
Total Title 14			82.970	78.188	94.24%
Title 24 Fight against fraud					
24	24 02	Fight against fraud	0.353	0.353	100.00 %
Total Title 24			0.353	0.353	100.00%
Total DG TAXUD			83.322	78.540	94.26 %

* 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).

= "% Outturn on payment appropriations"

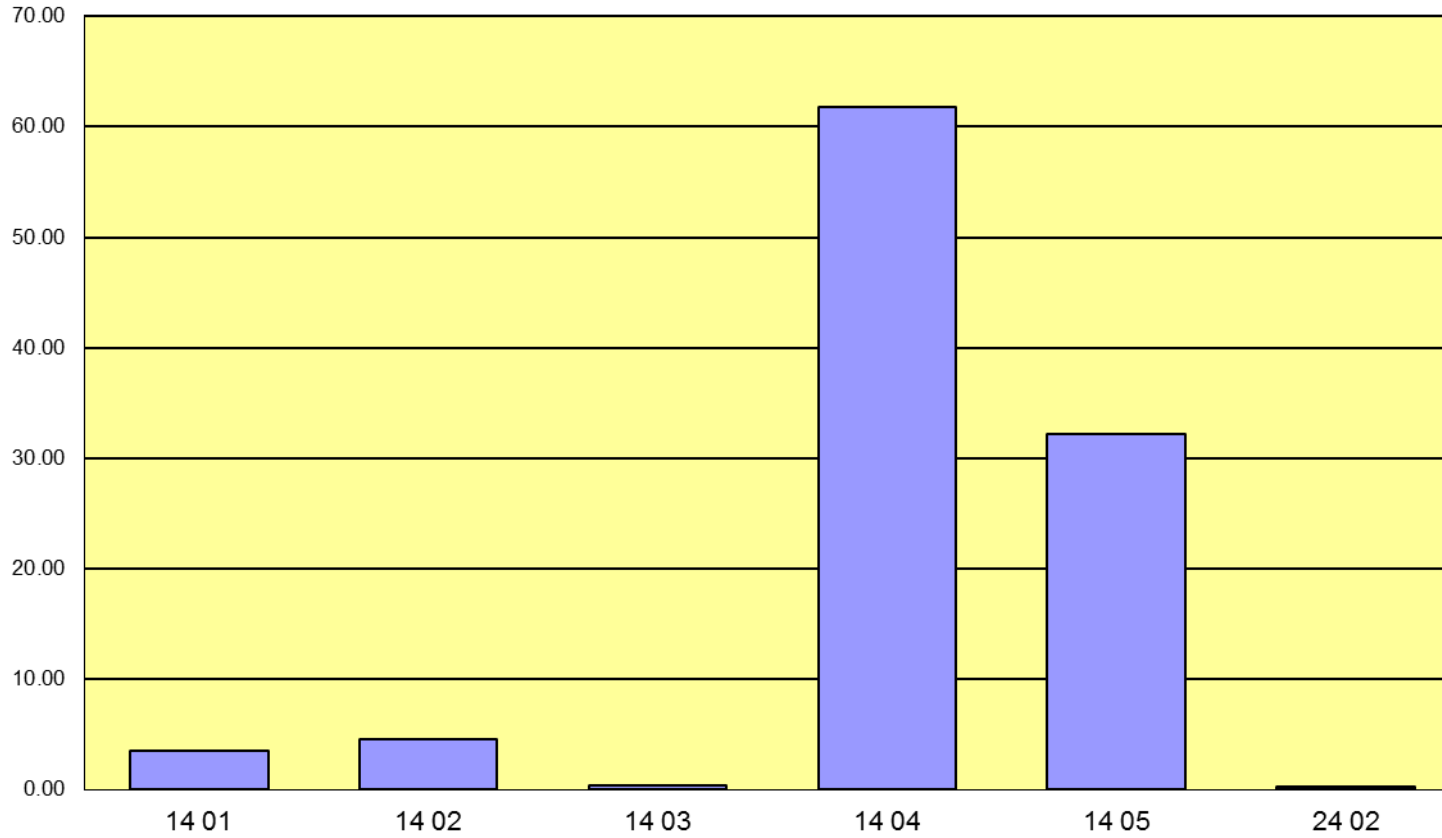


Note: The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2013 (in Mio €)									
Chapter			2013 Commitments to be settled				Commitments to be settled from financial years previous to 2013	Total of commitments to be settled at end of financial year 2013(incl corrections)	Total of commitments to be settled at end of financial year 2012(incl. corrections)
			Commitments 2013	Payments 2013	RAL 2013	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 14 : Taxation and customs union									
14	14 01	Administrative expenditure of the Taxation and customs union- policy area	6.755	3.233	3.522	52.14 %	0.000	3.522	3.830
	14 02	Policy strategy and coordination for the Directorate-General for Taxation and Customs Union	3.500	0.478	3.022	86.34 %	1.546	4.567	3.731
	14 03	International aspects of taxation and customs	1.178	1.056	0.122	10.34 %	0.244	0.365	0.385
	14 04	Customs policy	53.730	10.228	43.502	80.96 %	18.278	61.780	55.381
	14 05	Taxation policy	30.605	7.142	23.463	76.66 %	8.732	32.195	26.725
Total Title 14			95.767	22.137	73.631	76.88%	28.799	102.430	90.053
Title 24 : Fight against fraud									
24	24 02	Fight against fraud	0.452	0.235	0.218	48.14 %	0.000	0.218	0.118
Total Title 24			0.452	0.235	0.218	48.14%	0.000	0.218	0.118
Total DG TAXUD			96.219	22.371	73.848	76.75 %	28.800	102.648	90.171

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

"Breakdown of Commitments remaining to be settled (in Mio EUR)"



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

TABLE 4 : BALANCE SHEET

BALANCE SHEET	2013	2012
A.I. NON CURRENT ASSETS	11,182,529.89	7,418,720.26
A.I.1. Intangible Assets	6,059,145.34	5,847,194.62
A.I.2. Property, plant and equipment	5,123,384.55	1,571,525.64
A.II. CURRENT ASSETS	4,989,913.35	5,862,927.36
A.II.2. Short-term Pre-Financing	3,371,424.29	4,407,418.55
A.II.3.2. Current Receivables and Recovery	1,618,489.06	1,455,508.81
ASSETS	16,172,443.24	13,281,647.62
P.II. NON CURRENT LIABILITIES	0.00	0.00
P.II.4. Other long-term Liabilities	0.00	0.00
P.III. CURRENT LIABILITIES	-31,517,805.10	-17,663,863.05
P.III.4. Accounts Payable	-31,517,805.10	-17,663,863.05
LIABILITIES	-31,517,805.10	-17,663,863.05
NET ASSETS (ASSETS less LIABILITIES)	-15,345,361.86	-4,382,215.43

P.I.2. Accumulated Surplus / Deficit	0.00	0.00
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Non-allocated central (surplus)/deficit*	15,345,361.86	4,382,215.43
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TOTAL	0.00	0.00
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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 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT	2013	2012
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVIT	85,291,156.84	74,773,605.69
II.1.1. OPERATING REVENUES	-2,540,019.31	-1,309,836.54
II.1.1.2. Other operating revenue	-2,540,019.31	-1,309,836.54
II.1.2. OPERATING EXPENSES	87,831,176.15	76,083,442.23
II.1.2.1. Administrative Expenses	71,845,161.63	62,445,807.12
II.1.2.2. Operating Expenses	15,986,014.52	13,637,635.11
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT		522.65
II.2.1. FINANCIAL OPERATIONS		522.65
II.2.1.2. Financial expenses		522.65
ECONOMIC OUTTURN ACCOUNT	85,291,156.84	74,774,128.34

Explanatory Notes (facultative):

Tables 4 and 5 have been established according to the EU Accounting Rules and are based on 2013 provisional accounts as validated by DG BUDGET on 14/03/2014.

Intangible Fixed Assets (ITFA): a correction for the years 2010-2011-2012 has been booked on the 2013 provisional accounts following the audit of DG TAXUD IAC performed in 2013 and its interpretation of the application of the Accounting Rule n°6.

The net impact of this 2013 correction is the following: by 1,2 Mio € diminishing the Assets in the Balance Sheet (A.I.1 Intangible Assets) and increasing the Economic Outturn Account (II.1.2 Operating Expenses). The detailed impact of this correction is the following: write-off by 2,4 Mio € and post-capitalisation by 1,2 Mio €.

Tangible Fixed Assets (TFA): DG TAXUD additional manual intervention was necessary after the 2013 provisional accounts for the capitalisation of specific arrangements and hardware in the datacenter facilities managed by OIL for DG TAXUD.

The impact of this correction in 2013 is the following: by 2,1 Mio € diminishing the Economic Outturn

Account (II.1.2 Operating Expenses - II.1.2.1 Administrative Expenses) and increasing the Assets in the

Balance Sheet (A.I.2 Property, plant and equipment).

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 2013 - DG TAXUD

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	609	555	91.13 %	18.83	54	8.87 %	71.63
45	307	302	98.37 %	24.17	5	1.63 %	59.2
60	50	50	100.00 %	21.28			

Total Number of Payments	966	907	93.89 %		59	6.11 %	
Average Payment Time	23.79			20.74			70.58

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	71	68	95.77 %	13.51	3	4.23 %	21.67
30	756	670	88.62 %	21.05	86	11.38 %	60.77

Total Number of Payments	827	738	89.24 %		89	10.76 %	
Average Payment Time	24.56			20.36			59.45

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
20	38	111	11.49 %	966	3,224,476.78	4.44 %	72,693,482.68

Late Interest paid in 2013			
DG	GL Account	Description	Amount (Eur)

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

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2013								
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
60	CONTRIBUTIONS TO UNION PROGRAMMES	240,949.38	541,500.00	782,449.38	240,949.38	541,500.00	782,449.38	0.00
66	OTHER CONTRIBUTIONS AND REFUNDS	1,346,064.70	6,647.27	1,352,711.97	1,323,291.64	6,647.27	1,329,938.91	22,773.06
90	MISCELLANEOUS REVENUE	196,421.03	0.00	196,421.03	196,421.03	0.00	196,421.03	0.00
Total DG TAXUD		1,783,435.11	548,147.27	2,331,582.38	1,760,662.05	548,147.27	2,308,809.32	22,773.06

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

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2013	Irregularity		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Year of Origin (commitment)	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr
2010	2	7,302.39	2	7,302.39	4	29,680.94	50.00%	24.60%
Sub-Total	2	7,302.39	2	7,302.39	58	1,537,014.08	3.45%	0.48%

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									11	420,376.53		
NON ELIGIBLE IN COST CLAIMS	5	618.59	9	20,686.59			14	21,305.18	14	21,305.18	100.00%	100.00%
CREDIT NOTES	37	835,269.90	8	549.90			45	835,819.80	54	1,150,843.23	83.33%	72.63%
Sub-Total	42	835,888.49	17	21,236.49			59	857,124.98	79	1,592,524.94	74.68%	53.82%
GRAND TOTAL	42	835,888.49	19	28,538.88			61	864,427.37	137	3,129,539.02	44.53%	37.45%

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

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2013 FOR TAXUD

	Number at 01/01/2013	Number at 31/12/2013	Evolution	Open Amount (Eur) at 01/01/2013	Open Amount (Eur) at 31/12/2013	Evolution
2012	10		-100.00%	548,147.27		-100.00 %
2013		2			22,773.06	
	10	2	-80.00 %	548,147.27	22,773.06	-95.85 %

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

TABLE 10 : RECOVERY ORDER WAIVERS IN 2013 >= EUR 100.000

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

Total DG	
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Number of RO waivers	
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Justifications:

No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG TAXUD - 2013**Procurement > EUR 60,000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b)	1	750,000.00
Total	1.	750,000.00

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

Internal Procedures > € 60,000		
Procedure Type	Count	Amount (€)
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	1	750,000.00
Open Procedure (Art. 127.2 RAP)	5	243,276,366.18
TOTAL	6	244,026,366.18

Additional comments

This negotiated procedure relates to the increase of the IT Service Management (ITSM) framework contract (TAXUD/2007/CC/088) ceiling by 750.000 EUR.

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

DG TAXUD operates with a limited budget, which is spent essentially on the " Joint Actions" under the Customs 2013 and Fiscalis 2013 programmes and to finance contracts between the Commission and its contractors.

Within its financial circuits, DG TAXUD carries out extensive ex-ante controls which, based on analysis to-date, give a reasonable assurance of the legality and regularity of the underlying transactions.

4.1 Qualitative criteria for determining significant weaknesses

In relation to contracts, and this is particularly relevant for high value IT contracts, an important criterion is the analysis of procedures applied by DG TAXUD, made by the IAC, IAS and Court of Auditors.

A critical risk identified by auditors, would constitute the basis for serious analysis of the need for a reservation, especially where there is a serious risk to the reputation of the service or the institution arising from the lack of appropriate procedures or agreements.

A significant risk can exist in relation to the tender procedures, so a weakness in the internal procedures of TAXUD would be considered serious. The Public Procurement Committee in DG TAXUD pays particular attention to this kind of risks and examines issues of substance and principle that could potentially arise.

In relation to the "Joint Actions", the nature of the expenditure (largely reimbursement of costs), dictates that frequency of error allied to the overall amount at stake is an important criterion for determining a significant weakness. To date, although some minor errors have been uncovered, the overall picture is satisfactory. Ex-post controls, resulting in a total of 1,3 mil € recoveries relate to the recovery of unused pre-financing only. We do not consider this as "error" and therefore consider this to be without impact on the materiality criteria.

Detailed instructions prepared by the Commission services and made available to the Member States' administrations, help to ensure that transactions are dealt with in an appropriate manner. The Activity Reporting Tool (ART2) plays an important role in this respect.

4.2 Quantitative criteria for defining reservations

DG TAXUD control strategy is based on significant ex-ante verifications. It follows that in quantitative terms the percentage of error accepted following the application of such procedures should not be high. Thus, DG TAXUD would consider the error rate affecting over 2% of each of the budget areas to be a priori unacceptable.

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

5.1 Procurement

Stage 1: Procurement procedures

Planning, Needs assessment, Selection of the offer & evaluation

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
<p>The needs are not well defined (operationally and economically) and that the decision to procure was inappropriate to meet the operational objectives.</p> <p>Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement process)</p>	Publication of intended procurement	<p>100% of planned procurement procedures are defined in the appropriate financing decision.</p> <p>100% of planned procurement procedures are published on the TAXUD Europa website</p>	<p>Costs : staff involved</p> <p>Benefits : amount of unjustified procurement procedures</p>	<p>Effectiveness : number of planned procurement procedures cancelled</p> <p>Efficiency : cost of a tendering procedure</p>
	AOS justifies launching a procurement process	100% of planned procurement procedures justified – by note – by the concerned AOS		
	Decision are taken at management level	100% of procurement procedures are defined in the financing decision established following internal horizontal and hierarchical validation; inter-service consultation and finally adoption by the Commission		

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
Public procurement documents	Use of SECEM for mail	100% of tendering documents	Costs : staff involved	Effectiveness : Number of times

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
are leaked prior to publication and that the related procurement procedure needs to be cancelled	<p>communication on tendering procedures.</p> <p>Tendering specifications remain password protected until publication time.</p> <p>Paper versions are destroyed with shredders.</p>	secured until publication time	Benefits : limit the risk of litigation and cancelation	<p>a procedures needs to be retendered due to leakages.</p> <p>Efficiency : cost of a tendering procedure</p>

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The best offer(s) are not submitted due to the poor definition of the tender specifications</p> <p>Due to the complexity of some procurement procedures, inconsistencies between tendering documents may occur</p>	AOS approves the specifications	100% of the procurement specifications are scrutinised and validated by the AOS	<p>Costs : staff involved</p> <p>Benefits: limit litigation risk. Limit cancellation risk.</p> <p>Amount of procedures that could not be validated</p>	<p>Effectiveness: number of procedures with no offers. number of tendering procedures not accepted by financial unit</p> <p>Efficiency : average cost of a tendering procedure</p>
	Additional supervisory verification	100% of the procurement specifications are scrutinised by the financial unit (public procurement sector) prior to publication		
	Detailed cross-review of all tendering documents	100% of all tendering documents scrutinised by the operational unit and cross-reviewed and validated by the financial unit (public procurement sector)		

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 of 'unfair' evaluation	Formal evaluation process : opening and evaluation committee	100% of procurement procedures have a formally nominated opening and evaluation committee	<p>Costs : cost involved</p> <p>Benefits : compliance with FR/RAP</p>	Effectiveness: number of 'valid' complaints from unsuccessful tenderers. Number of CMP rejected procedures.

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
process	Opening and evaluation committee declare absence of conflict of interest	100% of members sign a formal declaration of conflict of interest and of confidentiality		Efficiency : average cost of a tendering procedure
	Opinion by consultative committee (TAXUD Public Procurement Committee- CMP)	100% of the procurement procedures are validated by the CMP: (1) by written procedure if the procedure's value is equal or less than 1 million Euro and (2) during a formal meeting for all other procedures	Costs : cost involved Benefits: amount of procedures that CMP rejects	
	Exclusion criteria documented	100% of procurement procedures have exclusion criteria checked by the AOS and validated by the financial unit (public procurement sector)	Costs : cost involved Benefits : avoid contracting with excluded economic operators	
	Standstill period, opportunity for unsuccessful tenderers to put forward their concerns on the decision	100% respected	Costs : cost involved Benefits : amount of procedures successfully challenged during the standstill	

Stage 2: Financial transactions – ex-ante controls (contracts, commitments, payments)

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	Control indicators
The products/services/works 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	Operational and financial checks in accordance with the financial circuits. Operation authorisation by the AOS (commitments)	- 100% of the contracts are controlled	Costs: estimation of cost of staff involved. Benefits: Total budget contracted in accordance with the applicable contractual and regulatory provisions	Effectiveness: Number/amount of credit note received Efficiency: - Average cost per contract prepared.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>applicable contractual and regulatory provisions.</p> <p>Business discontinues because contractor fails to deliver</p>	<p>Operational and financial checks in accordance with the financial circuits.</p> <p>Authorisation by the AOS (payments)</p>	<ul style="list-style-type: none"> - 100% of the payments are verified ex-ante following the controls embedded in the financial circuits - Extra ex-ante verification of about 5% of number of payments and 30% of the total amount paid²; (frequency: minimum one payment per week; based on risk and potential impact on the DG) 	<p>Costs: estimation of cost of staff involved.</p> <p>Benefits: Amount of irregularities, errors and overpayments prevented by the controls</p>	<ul style="list-style-type: none"> - % of costs dedicated to preparation and control of contracts over the total contracted amount - Average cost per payment processed. - % of costs dedicated to preparation and control of payments over the total paid amount

Stage 3: Supervisory measures

Main control objectives: ensuring that any weakness in the tendering procedures 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	Control indicators
<p>Knowledge/experience of past procurement procedures is not retained and/or not taken into account when preparing/evaluating new procurement procedures</p>	<p>Systematic “lessons learned” exercise after each procurement procedure</p>	<p>50% of the procurement processes (risk-based selection) is scrutinised during a lessons learned exercise</p>	<p>Costs : cost involved</p> <p>Benefits : limit litigation risk, limit retendering risk</p>	<p>Effectiveness: number reoccurrences of past detected procurement weaknesses.</p> <p>Efficiency : average cost of a tendering procedure</p>

² The extra ex-ante verification includes also payments paid for the grant agreements.

5.2 Grants

Joint Actions in the Customs 2020 and Fiscalis 2020 Programmes – Multi-beneficiary grant agreements

The grants awarded by DG TAXUD have certain specificities. More concretely, the beneficiaries of the grants are Member States customs and tax administrations and (potentially) candidate countries' customs and tax administrations and as beneficiaries they are designed directly by the legal bases (relevant programmes' Decisions). Therefore certain typical stages such as selection, evaluation and awarding and linked indicators are not applicable in DG TAXUD's context.

Stage 1: Programming

A. Programming

Main control objectives: Ensuring that the grants contribute the most towards the achievement of the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

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 annual work programmes and the subsequent grants do not adequately reflect the policy objectives and priorities.	<ul style="list-style-type: none"> - Horizontal and hierarchical validation within DG - Inter-service consultation, including all relevant DGs - Adoption via the Commitology procedure - Adoption by the Commission 	Coverage/Frequency:100%	<p>Costs:</p> <p>estimation of cost of staff involved in the preparation and validation of the annual work programme</p> <p>Benefits:</p> <p>Not quantifiable (resulting from the legal base)</p>	<p>Effectiveness:</p> <p>Total budget of the grant agreements</p> <p>Efficiency:</p> <p>% of total cost of the FTE involved in the process/ total budget of the grant agreements</p>

B. Selecting and awarding:

The beneficiaries of the grants in the scope of Customs 2013 and Fiscalis 2013 programmes (i.e. the Member States) are defined in the legal basis of both programmes. Therefore, the selecting and awarding step is not applicable in DG TAXUD's particular context.

Stage 2: Contracting:

Main control objectives: Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The description of the action in the grant agreement includes tasks which do not contribute to the achievement of the programme objectives and/or that the budget foreseen overestimates the costs necessary to carry out the action.</p> <p>Procedures do not comply with regulatory framework.</p>	<ul style="list-style-type: none"> - Validation via financial and contractual circuits within DG - Signature of the grant agreement by the AOS 	<p>Coverage: 100%</p>	<p>Costs: estimation of cost of staff involved in the contracting process.</p> <p>Benefits: Not quantifiable (resulting from the legal base)</p>	<p>Effectiveness: Total budget of the work program concerned</p> <p>Efficiency: % of total cost FTE involved in the process / total value of the work program concerned</p>

Stage 3: Monitoring the execution and desk reviews

A. Monitoring the execution

Main control objectives: ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed that due in accordance with the applicable contractual and</p>	<ul style="list-style-type: none"> - ART 2 IT system (comprising authorization and monitoring) 	<ul style="list-style-type: none"> - 100% of the project proposals are authorised by EC ex-ante via IT system to be in-line with the legal bases, work programs, and grant agreements <p>(project proposals are</p>	<p>Costs: estimation of cost of staff involved in the process</p> <p>Benefits: Amount of pre-financing paid in line with the grant agreements.</p>	<p>Effectiveness: Number of rejected individual project proposals. Number of approved individual</p>

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
regulatory provisions.		<p>usually multi-annual and comprise several specific actions organised during relevant years)</p> <ul style="list-style-type: none"> - 100% of the actual actions (linked to the proposals) are authorised via IT system considering the detail aspects of the actions (including relevant thresholds) <p>(Actions are specific unique events organised in order to achieve the objectives set up for the project proposals)</p>	Partly not quantifiable (reduces the possibility of errors for the ex-post control stage)	<p>project proposals.</p> <p>Efficiency Indicators:</p> <p>% of total ex-ante controls/ total value of operational payments made</p>
	<ul style="list-style-type: none"> - Operational and financial checks in accordance with the financial circuits. 	<ul style="list-style-type: none"> - 100% verified via the controls embedded in line the financial circuits - Extra ex-ante verification of randomly selected pre-financing; 		

B. Desk reviews

Main control objectives: Ensuring through the desk reviews that the declared expenditures comply with regulatory and contractual provisions (legality & regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information); ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information)

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
Declared expenditures do not comply with regulatory framework.	<p>Carry out desk reviews of a representative sample of operations to determine effectiveness of ex-ante controls (+ consider ex-post findings for improving the ex-ante controls).</p> <p>If error rate over tolerable threshold, control a risk based sample to lower the residual error rate below the tolerable threshold.</p>	<p>Representative sample:</p> <p>To verify representative sample taking into account the importance of the action and the budget involved.</p> <p>100% coverage of riskier operations</p>	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the desk reviews. <p>Benefits:</p> <ul style="list-style-type: none"> - budget value of the errors detected by desk reviews. 	<p>Effectiveness:</p> <p>Total amount of detected errors/irregularities</p> <p>Efficiency:</p> <p>% of total cost for desk reviews/ total value of operational payments made</p> <p>% of detected errors / total value of operational payments made</p>

Stage 4: Ex-Post controls

Reviews, audits and monitoring

Main control objectives: Measuring the effectiveness of ex-ante controls by ex-post controls; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls (legality & regularity; anti-fraud strategy); addressing systemic 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)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud.</p> <p>Declared expenditures do not comply with regulatory framework.</p>	<p>Ex-post control strategy:</p> <p>Based on the desk review and risk analysis results, carry out on spot audits performed by external independent contractor</p>	<p>Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate).</p>	<p>Costs:</p> <ul style="list-style-type: none"> - estimation of cost of staff involved in the audits. - Cost of the appointment of audit firms for the outsourced on-the-spot audits (if any). <p>Benefits:</p> <ul style="list-style-type: none"> - budget value of the errors detected by by the audits. 	<p>Effectiveness:</p> <p>Total amount of detected errors/irregularities</p> <p>Efficiency:</p> <p>% of total cost for audits/ total value of operational payments made</p> <p>% of detected errors / total value of operational payments made</p>

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: AARs of Executive Agencies

Not applicable

ANNEX 8: Decentralised agencies

Not applicable

ANNEX 9: Performance information included in evaluations

Title of the Evaluation:	Evaluation of the Scheme for the Suspension of Autonomous CCT Duties
ABB activity:	<i>Customs Policy (ABB 04)</i>
Type of evaluation:	Regulatory instrument (R)
Summary of performance related findings and recommendations:	<p>The autonomous suspensions scheme provides EU manufacturing businesses with an opportunity to import raw materials, semi-finished goods or components that are not available within the EU at zero or reduced duty rates. The cost savings from this are expected to stimulate economic activity within the EU, to improve the competitive capacity of these enterprises and, in particular, to enable the latter to maintain or create employment, modernise their structures, etc. The evaluation was to assess the achievement of these expected impacts, as well as possible unintended effect, and the way in which system was implemented.</p> <p>The evaluation concluded that the core rationale of the system remains valid and the scheme does generate economic benefits for EU producers that use tariff-suspended imports as inputs in their production process; the average cost savings measured as annual cost saving per TARIC code linked to a suspension were of approximately €600,000 (although contained within this average are huge variations) even if accruing, in the first instance, to a relatively small number of companies.</p> <p>These cost savings result in wider benefits, leading to higher profitability (or the reduction of losses), lower user / consumer prices, more efficient production methods, positive effects on employment, or any combination of these.</p> <p>All of the above were delivered through a system that was deemed managed efficiently and a vast majority of beneficiaries reported that the cost of applying the scheme is dwarfed by the benefits.</p> <p>The evaluation concluded no unintended adverse effect significant enough to call into question the overall effectiveness and justification of the scheme.</p> <p>The main recommendations included: (1) awareness raising activities, in particular amongst the SMEs, (2) greater transparency in dealings with the EU producers, (3) on the procedural level, to improve the objections procedure. Moreover, the evaluation recommended following up on the stakeholders' recommendation of opening up of the scheme, e.g. by lowering the duty savings threshold for an application to be eligible, by allowing trade associations to input more into decision-making, or by abolishing end-use controls.</p>
Availability of the report on Europa:	http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_suspensions_duties.pdf http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_suspensions_duties_annexes.pdf

Title of the Evaluation: Evaluation of the EU Customs Union	
ABB activity:	<i>Customs Policy (ABB 04)</i>
Type of evaluation:	Other (O)
Summary of performance related findings and recommendations:	<p>The evaluation assessed the uniformity and efficiency of the core processes of the Customs Union, the quality of services rendered, the effects of recent major policy initiatives, the achievement of its strategic objectives and the way the EU Customs Union absorbed the enlargement.</p> <p>Overall, the evaluation concluded that the EU performs efficiently with regard to the customs processes and the feedback from the stakeholders was positive, albeit with some differences depending on a sector. The recent initiatives (e.g. Safety and Security amendment, simplified procedures or E-Customs) brought overall positive effects on the customs processes both from the point of view of the Member States administrations as well as businesses. This relates to the overall underperformance of the Customs Union when it comes to the uniformity of application of its core processes; the businesses repeatedly highlighted the impact of differing interpretations of EU legislation by customs officers and national authorities and in consequence divergence of procedures. Having said that, the overall level of the quality of service provided by the customs authorities was deemed by the businesses as high and the service perceived customer-oriented. Also, the Customs Union accommodated the EU enlargement in an efficient and effective way.</p> <p>The objectives of the EU Customs Union, to protect the EU and to support its competitiveness were in general met. However, the evaluation concluded that the Customs Union was stronger in the traditional areas of customs competence than safety and security.</p> <p>The evaluation recommended further initiatives in the area of uniformity, focusing predominantly on interpretation and application of the EU Tariff and Customs Code (calculation of customs duties, classification of goods, customs valuation) and guidance on customs clearance processes, more uniform IT systems and processes which should be incorporated into the development and implementation of the UCC, and harmonisation of the IT treatment of customs matters to increase efficiency.</p> <p>In addition, the EU should improve the monitoring of how legislation is applied, for example through strengthening of the existing monitoring programmes on the application of legislation or extension of the Measurement of Results programme to also cover the application of legislation. The monitoring programme should also allow comparisons to be made between Member States and best-practice processes to be identified.</p> <p>Several actions can be taken in order to improve the uniformity of data management processes, including further integration of the IT systems, new working methods and monitoring of the EBTI (European Binding Tariff Information system), fostering the exchange of best practice between customs authorities and easing the administrative burden on economic operators.</p> <p>The efficiency could be further improved by increasing the exchange of electronic data, further simplifying the customs processes, and more. The EU should also engage in systematic evaluation of the actual collection of import duties in each Member State (for benchmarking). Further development of a common approach to risk management and a related control methodology will ensure better-targeted controls covering financial and non-financial aspects.</p>
Availability of the report on Europa:	http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_customs_union_en.pdf

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