

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 Director-General on the overall state of internal control in the DG.

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, 25 March 2014

[signed]

*Pamela BRUMTER-CORET
Director 'Resources and Communication'*

¹ SEC(2003) 59 of 21.01.2003.

ANNEX 2: Human and Financial resources

Human Resources by ABB activity				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
12 02	Internal market policy	80	17	97
12 04	Free movement of capital, company law and corporate governance	59	15	74
12 AWBL-01	Administrative support for the Directorate-General for the Internal Market	51	10	61
12 AWBL-02	Public procurement	48	2	50
12 AWBL-04	Financial markets	46	17	63
12 AWBL-05	Financial institutions	76	19	95
12 AWBL-06	Knowledge-based economy	41	14	55
12 AWBL-07	External dimension of the internal market	21	2	23
12 AWBL-08	Policy strategy and coordination for the internal market	37	7	44
12 AWBL-09	Internal market for services	65	9	74
Total		524	112	636

Source: InfoView

Financial Resources by ABB activity Implementation of Commitment Appropriations (CA) Commitments accepted C1 (in 2013) and C8 (automatic carry forward from the previous year)				EUR
Code ABB Activity	ABB Activity	Operational expenditure	Administrative expenditure	Total C1 Total C8 TOTAL
	Administrative expenditure of the Internal Market Policy area			628.439.27 (C1) 581.505.80 (C8) 1.209.945.07 (CA for technical assistance only)
	12 01 02 01		External staff	
	12 01 02 11		Other management expenditure	3.551.414.68 (C1) 863.439.67 (C8) 4414854.35
	12 01 04 01		Implementation and development of the internal market	695.738.25 (C1) 342.401.11 (C8) 1.038.139.36
12 02	Internal market policy 12 02 01	Implementation and development of the internal market		6.573.163.03 (C1) 9.383.359.69 (C8) 15.956.522.72
	12 02 02	Internal Market Governance Tools		2.700.000.00 (C1) 983.865.08 (C8) 3.683 865.08
	12 02 03	Pilot project — Single Market Forum		00.0 334.498.45 (C8) 334.498.45
	12 02 04	Pilot project — Capacity building of end-users and other non-industry stakeholders for Union policymaking in the area of financial services		1.500.000.00 (C1) 146.393.20 (C8) 1.646.393.20
	12 02 05	Preparatory action — Single Market Forum		1.156.925.21 (C1) 1.156.925.21

		Pilot project — the promotion of employee ownership and participation		295.248.66 (C1) 295.248.66
	12 02 06			
12 04	Free Movement of Capital, company law and corporate governance 12 04 01	Specific activities in the field of financial services, financial reporting and auditing		7.650.000.00 (C1) 1.861.444.06 (C8) 9.511.444.06
	12 04 02 01	European Banking Authority — Contribution to Titles 1 and 2		7.833.000.00 (C1) 630.828.00 (C8) 8.463.828
	12 04 02 02	European Banking Authority — Contribution to Title 3		1.122.000.00 (C1) 106.634 (C8) 1.228.634.00
	12 04 03 01	European Insurance and Occupational Pensions Authority — Contribution to Titles 1 and 2		5.125.681.21 (C1) 405.600.00 (C8) 5.531.281.21
	12 04 03 02	European Insurance and Occupational Pensions Authority		1.096.270.98 (C1) 95.360.00 (C8) 1.191.630.98
	12 04 04 01	European Securities and Markets Authority — Contribution to Titles 1 and 2		5.663.000.00 (C1) 583.848.00 (C8) 6.246.848.00
	12 04 04 02	European Securities and Markets Authority		1.251.000.00 (C1) 128.152.00 (C8) 1.379.152
	TOTALS			46.841.881.29 (C1) 16.447.329.06 (C8) 63.289.210.35

ANNEX 3: Draft annual accounts and financial reports

AAR 2013 Version 2

Annex 3 Financial Reports — DG MARKT — Financial Year 2013

Table 1: Commitments

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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 02 Enterprise					
02	02 02	Competitiveness, industrial policy, innovation and entrepreneurship	0.17	0.17	99.05 %
Total Title 02			0.17	0.17	99.05 %
Title 12 Internal market					
12	12 01	Administrative expenditure of the `Internal market-policy area	5.02	4.88	97.27 %
	12 02	Internal market policy	12.64	12.23	96.69 %
	12 04	Free movement of capital, company law and corporate governance	42.73	40.58	94.98 %
Total Title 12			60.39	57.69	95.53 %
Total DG MARKT			60.56	57.86	95.54 %

* 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).

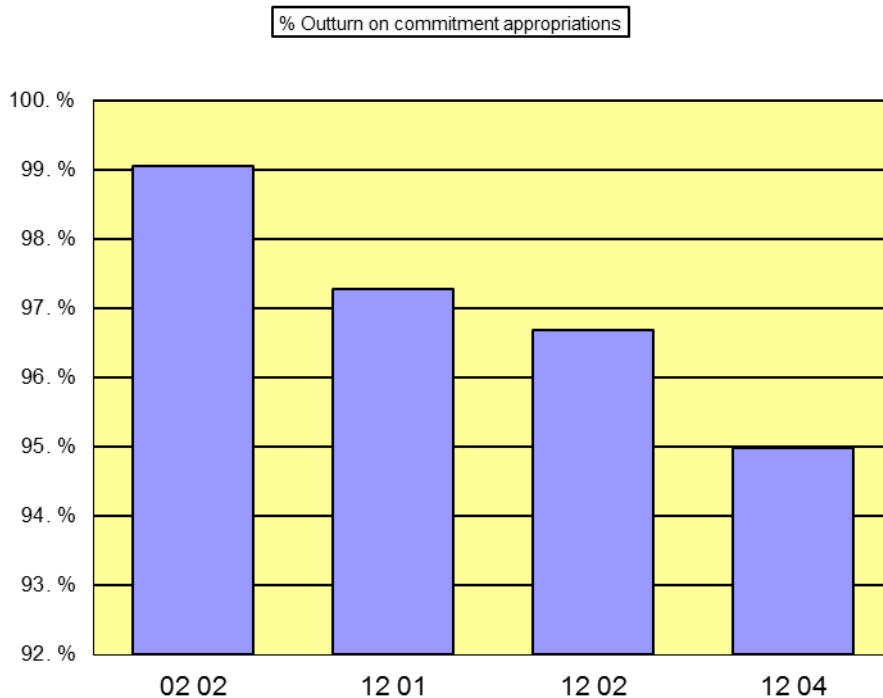


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2013 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 02 Enterprise					
02	02 02	Competitiveness, industrial policy, innovation and entrepreneurship	0	0	
Total Title 02			0	0	
Title 12 Internal market					
12	12 01	Administrative expenditure of the Internal market- policy area	6.97	4.04	57.94 %
	12 02	Internal market policy	13.16	12.76	96.90 %
	12 04	Free movement of capital, company law and corporate governance	41.06	39.69	96.65 %
Total Title 12			61.2	56.48	92.29 %
Total DG MARKT			61.2	56.48	92.29 %

* 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"

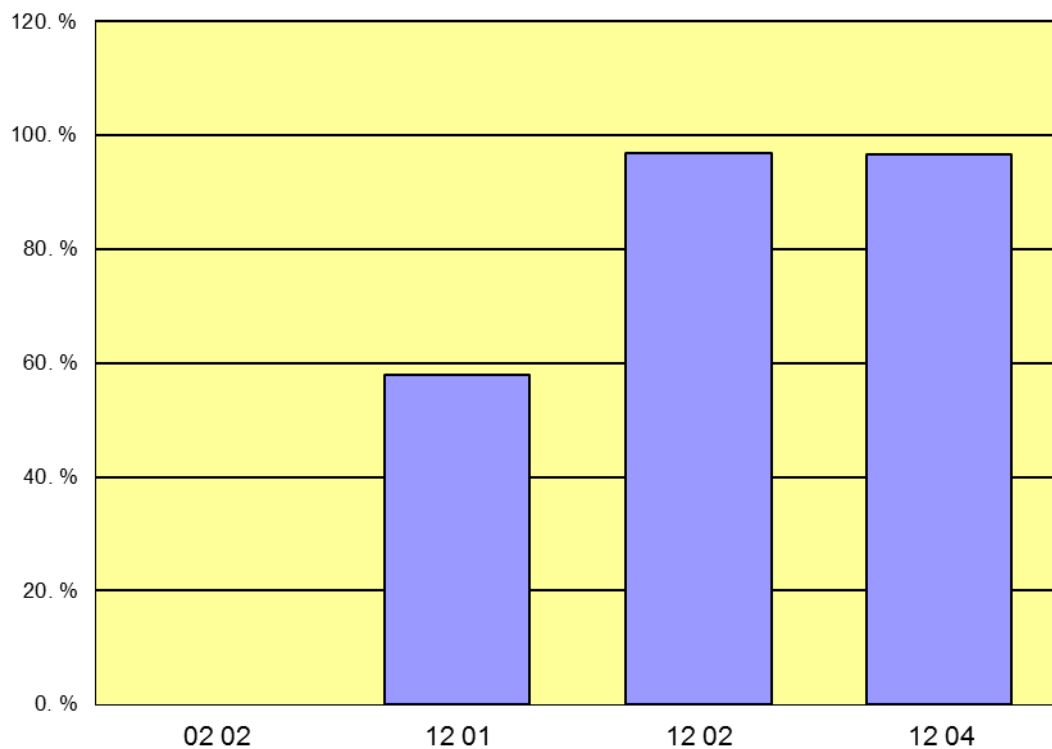


TABLE 3: BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2013 (in Mio €)									
Chapter			2013 Commitments to be settled				Commitments to be settled from financial years previous to 2013	Total of commitments to be settled at end of financial year 2013(incl corrections)	Total of commitments to be settled 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 02: Enterprise									
02	02 02	Competitiveness, industrial policy, innovation and entrepreneurship	0.17	0.00	0.17	100.00 %	0.28	0.45	0.28
Total Title 02			0.17	0.00	0.17	100.00 %	0.28	0.45	0.28
Title 12: Internal market									
12	12 01	Administrative expenditure of the Internal market- policy area	4.88	2.57	2.31	47.42 %	0.00	2.31	1.96
	12 02	Internal market policy	12.23	4.06	8.17	66.83 %	2.15	10.32	11.08
	12 04	Free movement of capital, company law and corporate governance	40.58	37.79	2.79	6.87 %	1.92	4.71	4.54
Total Title 12			57.69	44.41	13.27	23.01 %	4.07	17.34	17.57
Total DG MARKT			57.86	44.41	13.44	23.23 %	4.35	17.79	17.85

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

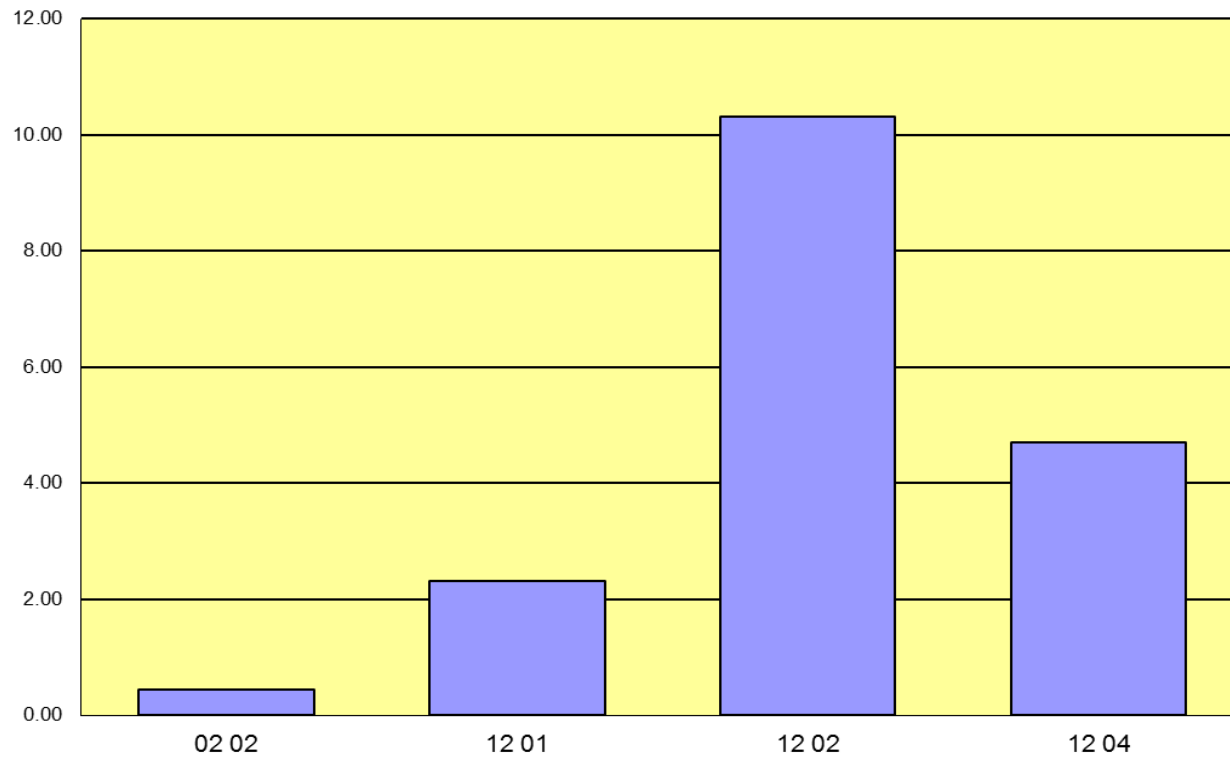


TABLE 4: BALANCE SHEET

BALANCE SHEET	2013	2012
A.I. NON CURRENT ASSETS	0	0
A.I.2. Property, plant and equipment	0.00	0.00
A.II. CURRENT ASSETS	12 422 187.61	10, 497 547.85
A.II.2. Short-term Pre-Financing	10 599 301.54	3 101 658.96
A.II.3.2. Current Receivables and Recoverables	1 822 886.07	7 395 888.89
ASSETS	12 422 187.61	10 497 547.85
P.III. CURRENT LIABILITIES	-3 243 291.23	-3 692 507.02
P.III.4. Accounts Payable	-3 243 291.23	-3 692 507.02
LIABILITIES	-3 243 291.23	-3 692 507.02
NET ASSETS (ASSETS less LIABILITIES)	9 178 896.38	6 805 040.83
P.I.2. Accumulated Surplus / Deficit	3 671 494.48	0
Non-allocated central (surplus)/deficit*	-12 850 390.86	-6 805 040.83
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: ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT	2013	2012
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	42 576 058.32	38 102 632.9
II.1.1. OPERATING REVENUES	-91 353.42	963 455.32
II.1.1.2. Other operating revenue	-91 353.42	963 455.32
II.1.2. OPERATING EXPENSES	42 667 411.74	37 139 177.58
II.1.2.1. Administrative Expenses	1 317 468.29	1 456 160.26
II.1.2.2. Operating Expenses	41 349 943.45	35 683 017.32
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	-43 337.75	-59 317.69
II.2.1. FINANCIAL OPERATIONS	-43 337.75	-59 317.69
II.2.1.1. Financial revenue	-54 541.63	-82 137.00
II.2.1.2. Financial expenses	11 203.88	22 819.31
ECONOMIC OUTTURN ACCOUNT	42 532 720.57	38 043 315.21

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TABLE 6: AVERAGE PAYMENT TIMES FOR 2013 — DG MARKT

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	549	481	87.61%	16.72	68	12.39%	86.97
45	17				17	100.00%	95.29
60	1	1	100.00%	42			

Total Number of Payments	567	482	85.01%		85	14.99%	
Average Payment Time	27.55			16.78			88.64

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	10	8	80.00%	10.5	2	20.00%	26
30	201	139	69.15%	17.94	62	30.85%	104.47

Total Number of Payments	211	147	69.67%		64	30.33%	
Average Payment Time	43.16			17.54			102.02

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
1	44	102	17.99%	567	2 490 270.80	5.33%	46 706 924.00

Late Interest paid in 2013			
DG	GL Account	Description	Amount (Eur)
MARKT	65010100	Interest on late payment of charges New FR	11 203.88
			11 203.88

TABLE 7: SITUATION ON REVENUE AND INCOME IN 2013

Chapter		Revenue and income recognised			Revenue and income cashed from			Outstanding
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	balance
		1	2	3=1+2	4	5	6=4+5	7=3-6
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	82 137.43	51 439.56	133 576.99	73 449.07	51 439.56	124 888.63	8 688.36
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	603 642.07	0	603 642.07	603 642.07	0	603 642.07	0
66	OTHER CONTRIBUTIONS AND REFUNDS	3 136 551.9	7 262 214.63	10 398 766.53	1 376 993.09	7 262 214.63	8 639 207.72	1 759 558.81
71	FINES	250 000	0	250 000	250 000	0	250 000	0
Total DG MARKT		4 072 331.4	7 313 654.19	11 385 985.59	2 304 084.23	7 313 654.19	9 617 738.42	1 768 247.17

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

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2013 Year of Origin (commitment)	Irregularity		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2010	1	261 000.00	1	261 000.00	1	261 000.00	100.00 %	100.00 %
2011	1	336 000.00	1	336 000.00	1	336 000.00	100.00 %	100.00 %
2012	1	6 642.07	1	6 642.07	6	3 143 193.97	16.67 %	0.21 %
Sub-Total	3	603 642.07	3	603 642.07	9	3 990 193.97	33.33 %	15.13 %

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									1	7 955.90		
CREDIT NOTES	1	2 865.48	1	4 181.76			2	7 047.24	47	297 679.04	4.26 %	2.37 %
Sub-Total	1	2 865.48	1	4 181.76			2	7 047.24	48	305 634.94	4.17 %	2.31 %
GRAND TOTAL	1	2 865.48	4	607 823.83			5	610 689.31	57	4 295 828.91	8.77 %	0.16 %

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

	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	4		-100.00 %	7 313 654.19		-100.00 %
2013		2			1 768 247.17	
	4	2	-50.00 %	7 313 654.19	1 768 247.17	-75.82 %

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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No data to be reported

TABLE 11: CENSUS OF NEGOTIATED PROCEDURES — DG MARKT — 2013

Negotiated procedures above €60.000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b) Rules of application of the Financial Regulation	1	202 972.00
Art. 134.1(e) Rules of application of the Financial Regulation	1	63.17 (unit price per eligible enquiries over 16.000)
Total	2	

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

PROCEDURES	Amount (EUR)	Comments
18 Open tender procedures (Art. 127.2 RAP)	3 742 183.00	Value of awarded and signed contracts following open procedures. (excluded framework contracts and specific contracts)
1 Negotiated procedure (Art. 134.1(b) Rules of application of the Financial Regulation)	202 972.00	
1 Negotiated procedure (Art. 134.1(e) Rules of application of the Financial Regulation)	63.17	Negotiation of the Unit price only
5 Negotiated procedure low value contracts(Art. 137 Rules of application of the Financial Regulation)	176 522.50	
2 Re-opening of competition within framework contracts	1 196 287.50	

Additional comments

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

No data to be reported

ANNEX 4: Materiality criteria

The control objective is that the estimated error rate — referring to authorised financial operations that do not comply with the applicable contractual or regulatory provisions — should not exceed 2% of the total annual expenditure.

For the purpose of assessing the significance of any weakness and determining materiality criteria, DG MARKT considers the following factors in both quantitative and qualitative terms: the nature and scope of the weakness; the duration of the weakness; the existence of mitigating controls which reduce the impact of the weakness and the existence of effective corrective measures.

Quantitative and qualitative indicators are provided by the irregularities/errors (estimated in financial terms) that have emerged from the ex-post financial reviews performed annually by the Internal Audit Capability on about 50 transactions.

DG MARKT also performs a qualitative analysis of the registry of the annual exceptions and internal control weaknesses. The assessment of weaknesses having a significant impact — which would qualify as a material error- is made in consideration of:

- any significant reputational risk for the DG and the Commission;
- repetitive or systemic errors/ errors that have gone uncorrected;
- any significant weakness in the internal control system which would lead to a failure in identifying any major risk with a financial or policy impact, and/or establishing an adequate action plan to mitigate those risks.

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

Grants direct management

Stage 1 — Programming, evaluation and selection of proposals

A — Preparation, adoption and publication of the Annual Work Programme and Calls for proposals

Main control objectives: Ensuring that annual work programme (AWP) and calls are adequate to facilitate the selection of the most promising projects for meeting 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
<p>The annual work programme and the subsequent call for proposals do not adequately reflect the policy objectives, priorities; and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals</p> <p>Call for proposals is published prior to the adoption of the AWP</p>	<p>Explicit allocation of responsibility to individual officials (reflected in task distribution)</p> <p>Hierarchical validation within the authorising department and the operational department</p> <p>Inter-service consultation including all relevant services</p> <p>Adoption by the Commission</p>	<p>If risk materialises, all grants awarded during the year under this work programme or call would be irregular</p> <p>Possible impact: 100% of budget involved and significant reputational consequences</p> <p>Coverage / Frequency: 100%</p> <p>Depth: N/A</p>	<p>Costs: Estimation of cost of staff involved in the preparation and validation of the annual work programme and call for proposals</p> <p>Benefits: The (average annual) total budgetary amount of the annual work programmes or calls with significant errors detected and corrected</p>	<p>Effectiveness: Budget amount of the work programmes concerned (€)</p> <p>For grants awarded following the call for proposals — Value of proposals received over budget available (%)</p> <p>Efficiency: Estimate of average cost (€) of preparation, adoption and publishing an annual work programme and call for proposals, compared with evolution over time</p>

B — Selecting and awarding: Evaluation, ranking and selection of proposals

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected (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 evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures, and/or with the essential eligibility, selection and award criteria defined in the annual work programme and subsequent call for proposals	Appointment of staff (e.g. policy officers) as members of the evaluation committee	100% vetting for technical expertise and independence (e.g. conflicts of interests)	Costs: Estimation of cost of staff involved in the evaluation and selection of proposals Benefits: Compare selected list with a random allocation of the available budget. Benefit equals value of deserving projects otherwise not selected plus value of non-deserving projects that would have been selected (=amount redirected to better projects)	Effectiveness: No of cases of litigation Budget amount of the call concerned (€) Efficiency: Estimate of average cost (€) per selected proposal % cost over annual amount disbursed in grants Time (in days) from proposal submission deadline to informing the applicants on evaluation results (compared with allowed maximum of 180 days)
	Assessment of proposals by staff (members of the evaluation committee)	100% of proposals are evaluated		
	Equal treatment of applicants in processing the requests for additional information			
The grant application does not contain all information and supporting documents required for its evaluation	Review and hierarchical validation of ranked list of proposals by the authorising department and the AO	Coverage: 100% of ranked proposals Depth depends on risk factors: e.g. conflicts of interests		
	Redress procedure	100% of contested decisions are examined		

Stage 2 — Contracting: Transformation of selected proposals into legally binding grant agreements

Main control objectives: Ensuring that the funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); 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 work programme</p> <p>The beneficiary lacks operational and/or financial capacity to carry out the work programme</p> <p>Procedures do not comply with regulatory framework (e.g. the grant agreement does not contain all applicable provisions; the grant agreement is signed late)</p>	<p>Validation of beneficiaries (operational and financial viability)</p> <p>In-depth financial verification and taking appropriate measures for high risk beneficiaries</p> <p>Use of standard grant agreement templates which include control provisions</p> <p>Signature of the grant agreement by the AO</p>	<p>100% of the selected proposals and beneficiaries are scrutinised</p> <p>Coverage: 100% of draft grant agreements</p> <p>Depth may be determined after considering the type or nature of the beneficiary; and/or the total value of the grant</p>	<p>Costs: Estimation of cost of staff involved in the contracting process</p> <p>Benefits: Difference between the requested EU funding of the selected proposals and that of the corresponding grant agreements</p>	<p>Effectiveness: Amount of EU funding (€) proposed by beneficiary that was rejected (not included in the grant agreement budget)</p> <p>Efficiency: Grant value in the completed grant agreements over budget requested in the corresponding proposals</p> <p>Time (in days) from informing the applicants on evaluation results to signature of the grant agreement (as compared with allowed maximum of 90 days)</p>

Stage 3 — Monitoring the execution. This stage covers the monitoring of the operational, financial and reporting aspects related to the project and grant agreement

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 work programme of the beneficiary is not, totally or partially, carried out in accordance with the provisions of the grant agreement and/or the amounts paid exceed those due in accordance with the applicable contractual and regulatory provisions</p> <p>Changes to grant agreements are not properly documented or authorised</p> <p>Payments to beneficiaries are made late</p>	Operational and financial checks in accordance with the financial circuits	100% of the transactions are controlled and authorised	<p>Costs: Estimation of cost of staff involved in the actual management of grants</p> <p>Benefits: Amount of the costs claimed by the beneficiary, but rejected by the DG</p>	<p>Effectiveness: Number of grants with cost claim errors</p> <p>Amount (€) of the cost items rejected (total ineligible costs)</p> <p>% of value of cost claims items adjusted over cost claims total value</p> <p>Number of potential fraud cases.</p> <p>Efficiency: Estimate of cost/benefit ratio</p> <p>Estimate of average cost (€) per open grant</p> <p>Average time to pay (in days)</p> <p>Time (in days) from sending the debit note until day of cashing</p>
	Operation authorisation by the AO			
	On-the-spot verifications	100% of beneficiaries (once every two years)		
	Validate verification results with beneficiary	Depth: depends on risk criteria		
	If needed: application of suspension/interruption of payments, penalties	Depth: depends on results of ex-ante controls		
	If needed: referring the beneficiary or grant to OLAF			

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 debt

Stage 4 — Ex-post controls

A — 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
The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud	Desk reviews of a representative sample of transactions to determine effectiveness of ex-ante controls & consider findings for improving the ex-ante controls If needed: referring the beneficiary or grant to OLAF	Random sample sufficiently representative to draw valid management conclusions	Costs: Estimation of cost of staff involved in desk reviews Benefits: Budget value of the errors detected during desk reviews	Effectiveness: Amount of errors concerned (€) Number of transactions with errors Efficiency: Ratio of annual cost of desk reviews compared with benefits

B — Implementing results from ex-post audits/controls

Main control objectives: Ensuring that the results from the ex-post controls lead to effective recoveries (legality & regularity; anti-fraud strategy); Ensuring appropriate accounting of the recoveries made (reliability of reporting)

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 errors, irregularities and cases of fraud detected are not addressed or not addressed timely Lessons learned from the implementation of audit results are not exploited to reinforce	Systematic documentation of audit / control results to be implemented Financial operational validation of recovery in accordance with financial circuits	Coverage: 100% of final ex-post control results with a financial impact Depth: Consider 'extending' the findings of systemic errors into corrections of non-audited grants by the same beneficiary	Costs: Estimation of cost of staff involved in the implementation of the audit results Benefits: Budget value of the errors, detected by ex-post controls,	Effectiveness: Value of ex-post checks results pending implementation (€) Efficiency: Ratio of annual cost of implementing results of ex-post checks compared with benefits

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 control systems	Authorisation by the AO		which have actually been corrected	Time-to-recovery

Procurement direct management

Stage 1: Procurement

A- Planning

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

Ensuring efficient and effective organisation of the procurement procedure in order to obtain timely and relevant deliverables while allocating adequate resources to manage procurement procedures and complying with the established rules regulating the awarding of public contracts.

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> <p>Other suitable/similar solutions already exist or the objectives can be reached alternatively at a cheaper/ no cost.</p>	<p>Financing Decisions/list of studies to be procured are discussed and taken at management meeting/group responsible for assessing the needs of studies.</p>	<p>100% of the forecast procurements (open procedures) are justified in a note addressed to the AOSD.</p> <p>All key procurement procedures (generally with a value (€) equal or above the Directive threshold are discussed at management meeting / group responsible for assessing the needs of studies.</p>	<p>Costs: estimation of cost of staff involved</p> <p>Benefits: Amount of rejection of unjustified purchases.</p> <p>Amount saved from costs of litigations if discontinuation of the service is avoided.</p> <p>Amount saved from procuring expensive contracts when results/data are already available/can be reached otherwise.</p>	<p>Effectiveness: Number of projected calls for tenders cancelled; Number of contract discontinued due to lack of use (poor planning).</p> <p>Efficiency: Average cost per tender.</p>
	<p>Central financial Unit verifies the timing and planning of different procurement procedure</p>	<p>100% of the forecast procurements</p>		

B- Needs assessment & definition of needs

Main control objectives: Ensuring adequate needs analysis to demonstrate that public procurement is the most appropriate (Effectiveness, efficiency and economy) way of meeting the DG's objectives and operational needs and it is carried out in accordance with the established rules regulating the awarding of public contracts (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 best offer/s are not submitted due to the poor definition of the tender specifications</p> <p>Failing to identify relevant selection and award criteria to ensure either adequate capacity from contractors and satisfactory offers</p> <p>Biased offer due to rigged/unbalanced specifications</p>	<p>Operational verification to supervise definition of technical specifications.</p> <p>Verification by the Resources Unit (availed of expertise in procurement) of accuracy/completeness and clarity of tender documents</p>	<p>100% of the tender specifications are scrutinised.</p>	<p>Costs: estimation of cost of staff involved</p> <p>Benefits: limit the risk of litigation, limit the risk of cancellation of a tender.</p>	<p>Effectiveness: No of procedures where only one or no offers were received.</p> <p>No of requests for clarification regarding the tender specifications.</p> <p>Efficiency: Estimated average cost of a procurement procedure.</p>
	<p>AOSD's final supervision and approval of specifications (two different AOSD for amounts up to or > €60.000)</p>	<p>100% of the tenders above a financial threshold (e.g.>60.000 EUR) are reviewed by the AOSD and receive a second verification. Depth risk based, depends on the sensitivity of the file.</p>	<p>Amount of contracts for which the approval and supervisory control detected material error.</p>	

C – Selection of the offer & evaluation

Main control objectives: Ensuring that the offers are free from any fraud risks (Fraud prevention and detection), meet the E-E-E (Effectiveness, efficiency and economy) principles, and their evaluation is carried out in respect of the established rules regulating impartial evaluation (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 most economically advantageous offer not being selected, due to a biased, inaccurate or 'unfair' evaluation process</p> <p>Conflict of interests between evaluators and tenderers/candidates</p> <p>Overdependence on a limited pool of tenderers given the low number of economic operators able to provide the DG with specialised input.</p> <p>Corruption/manipulation of bids/collusive or bidding/phantom service providers</p>	<p>Formal evaluation process: appointment of the Opening committee and Evaluation committee composed by at least three persons representing at least two organisational entities of the Service.</p> <p>The Award Decision file including the proposed contractor is reviewed -before the AOSD's signature –by the central Resouces Unit who verifies the presence of any red flags (2 ex-ante verifications if necessary)</p>	<p>100% of the offers analysed.</p> <p>Depth: in terms of justification of the draft award decision</p>	<p>Costs: estimation of costs involved</p> <p>Benefits: Compliance with FR. Difference between the most onerous offer and the selected one.</p> <p>Potential irregularities/ inefficiencies prevented (amount of procurement for which significant concerns are raised)</p>	<p>Effectiveness: Numbers of 'valid' complaints or litigation cases filed.</p> <p>Number of fraudulent cases detected/ Number of companies excluded from participation in pp/ awarding.</p> <p>Efficiency: Cost of successful tenders (i.e. average cost of the most economically advantageous tender procedure) (or average cost).</p> <p>Average cost of a tendering procedure.</p>
	<p>Opening and Evaluation Committees' declarations of absence of conflict of interests</p>	<p>All the members of the opening committee and the evaluation committee</p>	<p>Costs: estimation of cost of staff involved.</p> <p>Benefits: Amount of contracts for which the control prevented the risk of litigation or fraud.</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
	Exclusion criteria documented	100% is checked. Depth: required documents provided are consistent	Costs: estimation of cost of staff involved. Benefits: Avoid contracting with excluded economic operators	
	Standstill period, opportunity for unsuccessful tenderers to put forward their concerns on the award decision.	100% when conditions are fulfilled	Costs: estimation of cost of staff involved. Benefits: Amount of procurements successfully challenged during standstill period.	

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	Control indicators
<p>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 applicable contractual and regulatory provisions.</p> <p>Business discontinues because contractor fails to deliver/late delivery of results (e.g. to be used for impact assessments)</p>	<p>Operational and financial checks: checklist- based verification requiring two actors for both operational and financial level. This is in accordance with established financial circuits.</p> <p>Authorisation of AOSD</p> <p>For riskier operations, a second ex-ante in-depth verification before payment (checklist and ABAC signatures)</p> <p>A financial initiating agent (contracts officer) checks that the planning of deliverables is respected.</p>	<p>100% contracts are controlled.</p> <p>Riskier operations subject to in-depth controls. The depth depends on the amount and potential impact on the DG operations of late or no delivery</p>	<p>Costs: estimation of cost of staff involved.</p> <p>Benefits: Amount of irregularities, errors and overpayments prevented by the controls</p>	<p>Effectiveness: Number/ Amount of liquidated damages.</p> <p>Number of transactions 'refused for correction'.</p> <p>Efficiency: Average cost per payment made</p> <p>Average time (days) to payment/ rate of late interest payment</p>

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	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)	100% of contracts (either Contract award notices and Financial Transparency Register- FTS)	<p>Costs: estimation of cost of staff involved.</p> <p>Benefits: Amounts detected associated with fraud & error.</p> <p>Deterrents & systematic weaknesses corrected.</p>	<p>Effectiveness: Amount associated with errors detected ex-post (related to fraud, irregularity and error)</p> <p>System improvements made.</p> <p>Efficiency: Costs of the ex post review s and supervisory measures with respect to the 'benefits'.</p>
	Desk reviews (Accounting Correspondent and IAC) of a representative sample of transactions to determine effectiveness of ex-ante controls & consider findings for improving the ex-ante controls	Random and/or judgmental sampling. Depth: look for any systemic problem in the procurement procedure and in the financial circuits		

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

Not applicable

ANNEX 7: AARs of Executive Agencies (*if applicable*) and the EAMR of the Union Delegations (DG DEVCO only)

Not applicable

ANNEX 8: Decentralised agencies

Not applicable

ANNEX 9: Performance information included in evaluations

Title of the Evaluation:	STUDY ON THE IMPACT OF DIRECTIVE 2007/64/EC ON PAYMENT SERVICES IN THE INTERNAL MARKET AND ON THE APPLICATION OF REGULATION (EC) NO 924/2009 ON CROSS-BORDER PAYMENTS IN THE COMMUNITY
ABB activity:	Financial institutions
Type of evaluation:	Regulatory instrument
Summary of performance related findings and recommendations:	<p>Focus of the evaluation</p> <p>The study examined the effects of Directive 2007/64/EC on payment services in the internal market (PSD) and Regulation (EC) No 924/2009 on fees and charges for cross-border payments (Regulation 924). The research was required to assess the impact of the PSD on the single market and any problems that may have arisen and to include legal and economic information. It was also to identify areas where amendments to the PSD and/or the Regulation on cross-border payments might be considered appropriate.</p> <p>Main findings regarding efficiency, effectiveness, impact, and EU added value</p> <p>The study comes to the general conclusion that the PSD has, in the short period since its introduction, reached some of its general goals. Its positive impact in terms of shorter execution times and greater transparency are not only apparent in the observed practice but were confirmed by users and competent authorities. The PSD also substantially contributes to a wider single market in payment services and provides the legal framework to achieve this objective. However, not all of the objectives of the PSD have been achieved. This could be partially due to the relatively short period of time between the transposition of the Directive and the time the report was drafted.</p> <p>In particular, the study did not identify any substantial impact that the PSD has had so far on the market entry of new providers, technical innovations or efficiency in the provision of payment services. New cross-border provision of payment services has also been relatively limited so far. As a result, the PSD's effect from this perspective is relatively weak at the present time.</p> <p>Recommendations</p> <p>The analysis of the PSD and the impact it has had suggest that a number of changes could be made to the PSD to enhance its effect and to clarify a number of aspects in the following areas:</p> <ul style="list-style-type: none"> – Positive and negative scope: recommendation to extend the application of the positive scope and to provide greater legal certainty with regard to some provisions on the negative scope; – Options: recommendation to revise surcharging and to clarify the treatment of microenterprises; – Payment institutions: recommendation to revise provisions on deposits, initial capital, own funds and access to payment accounts; – Unauthorised payments: recommendation to clarify liability regime and burden of proof relating to unauthorised payments.
Availability of the report on Europa:	<p>Final report: http://ec.europa.eu/internal_market/payments/docs/framework/130724_study-impact-psd_en.pdf</p> <p>Annex: http://ec.europa.eu/internal_market/payments/docs/framework/130724_study-impact-psd-annex_en.pdf</p>

Title of the Evaluation:	REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL ON THE EVALUATION OF THE REGULATION (EU) NO 236/2012 ON SHORT SELLING AND CERTAIN ASPECTS OF CREDIT DEFAULT SWAP
ABB activity:	Financial services policy and financial markets
Type of evaluation:	Non-regulatory instrument, i.e. report from the Commission
Summary of performance related findings and recommendations:	<p>The European Commission prepared the report according to Article 45 of the Short Selling Regulation (SSR), which required it to report to the European Parliament and the Council on the appropriateness and impact of certain provisions of the Short Selling Regulation.</p> <p>The report evaluates the Short Selling Regulation. It focuses on assessing and reporting on the appropriateness of the notification and disclosure thresholds, the impact of the individual disclosure requirements, the appropriateness of direct, centralised reporting to the European Securities Markets Authority, the operation of certain restrictions and requirements under the SSR, and the appropriateness of restrictions on uncovered sovereign credit default swaps (CDS) and any other restrictions or conditions on short selling or CDS.</p> <p>In its report, the Commission concluded that, based on the available data, the SSR has had a positive impact in terms of greater transparency of short sales and reduced settlement failures, and a relatively mixed economic impact. The report did not suggest that the SSR had had any major negative economic impact which, in the Commission's view, would warrant a revision of the SSR in the short term.</p> <p>The Commission has concluded that the available evidence does not allow it to draw firm conclusions on the operation of the SSR framework which would warrant a revision of the legislation at this stage. The report states that the Commission will, therefore, continue monitoring the application of the SSR. In order to ensure that the short selling legal framework functions smoothly, the Commission considers that a new evaluation of the appropriateness and impact of the SSR, similar in scope to that specified in Article 45 SSR, could be carried out based on more empirical data and evidence and once the competent authorities have accumulated sufficient regulatory experience of applying the SSR. Such an evaluation could be concluded by 2016, i.e. three years after application of the Regulation.</p>
Availability of the report on Europa:	http://ec.europa.eu/internal_market/securities/docs/short_selling/131213_report_en.pdf

ANNEX 10: Specific annexes related to 'Management of Resources' (Part 2) (if needed- free format)

Not applicable

ANNEX 11: Specific annexes related to 'Assessment of the effectiveness of the internal control systems' (Part 3) (if needed- free format)

Not applicable