



2015

Annual Activity Report

Paymaster's Office

Foreword

2015 has at first sight been a challenging year for the PMO, consequence of a serious disruption in the workflow for medical reimbursements claims. But the underlying trend remained one of consistent progress. The PMO secured a symbolic breakthrough towards fulfilling its vocation to become the settlement and payroll office for the whole of the European Union Institutions, agencies and other bodies. A service level agreement was signed with the Court of Auditors, devolving all powers ranging from establishment of entitlements to the payment of salaries and posting of related accounting entries. This important feat is a tribute to the efforts made in increasing the efficiency and effectiveness of the operational structure while keeping the modernisation of our information systems on track. Indeed, the PMO succeeded in reorganising and extending operational activities, resulting in the reassignment of 19 persons to other operational activities. This overhaul led to the improvement of communication with affiliates, a top priority in the 2015 management plan. The targets inserted in the 2015 Management Plan in this respect have been achieved. The PMO has also proven to have a large capacity to adapt to new challenges, even under time pressure. The creation of the new EU 'Laissez Passer' service illustrates this perfectly. In conclusion, the year 2015 has been as much a challenging as a rewarding year for the PMO. Not only have the main objectives been reached, the PMO has also seized the opportunity of clarifying its long term strategy in its very first Strategic Plan.

Table of Contents

INTRODUCTION	4
THE PMO IN BRIEF	4
EXECUTIVE SUMMARY	6
POLICY HIGHLIGHTS OF THE YEAR (EXECUTIVE SUMMARY OF SECTION 1)	6
ACTIVITIES AND RESOURCES 2014-2015	8
KEY PERFORMANCE INDICATORS	10
KEY CONCLUSIONS ON MANAGEMENT AND INTERNAL CONTROL (EXECUTIVE SUMMARY OF SECTION 2)	12
INFORMATION TO THE COMMISSIONER	12
KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE PMO	13
ACHIEVEMENT OF SPECIFIC OBJECTIVES	13
1.1.1 CORRECTLY ESTABLISH AND MANAGE INDIVIDUAL RIGHTS AND PAY SALARIES, PENSIONS AND ALLOWANCES ON TIME	13
1.1.2 TIMELY REIMBURSE EXPENSES AND OPTIMISE MANAGEMENT OF FUNDS, IMPLEMENTING RULES AND CONTRACTS	14
1.1.3 ENSURE A TIMELY DISTRIBUTION OF PERTINENT INFORMATION AND CLIENT SERVICES OF HIGH QUALITY	15
1.1.4 MANAGEMENT, ENGAGEMENT AND COMMUNICATION	15
1.1.5 ENSURE SOUND FINANCIAL MANAGEMENT, EFFECTIVE INTERNAL CONTROL, RISK MANAGEMENT AND BUSINESS CONTINUITY; MEASURE AND REPORT ON PERFORMANCE	16
1.1.6 ENSURE THE DEVELOPMENT OF THE RIGHT IT SYSTEMS THAT OPTIMALLY ASSIST PMO STAFF IN THE ACCOMPLISHMENT OF THE OBJECTIVES	17
1.1.7 CONCLUSION ON THE IMPLEMENTATION OF 2015 OBJECTIVES	18
SPECIFIC EFFORTS TO IMPROVE 'ECONOMY' AND 'EFFICIENCY' OF SPENDING AND NON-SPENDING ACTIVITIES.	19
1.1.8 IMPLEMENTATION OF REVISED INTERNAL CONTROL METHODOLOGIES	19
1.1.9 OVERHAUL OF THE ORGANISATIONAL STRUCTURE IN SEVERAL UNITS	19
MANAGEMENT AND INTERNAL CONTROL	21
CONTROL RESULTS	22
1.1.10 EX-ANTE AND EX-POST CONTROL – KEY INDICATORS	23
AUDIT OBSERVATIONS AND RECOMMENDATIONS	33
1.1.11 AUDITS CARRIED OUT BY THE IAS AND DG BUDG	33
1.1.12 IAS OPINION	34
1.1.13 COURT OF AUDITORS	35
1.1.14 CONCLUSION	35
ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS	35
CONCLUSIONS AS REGARDS ASSURANCE	38
1.1.15 REVIEW OF THE ELEMENTS SUPPORTING ASSURANCE	38
1.1.16 OVERALL CONCLUSION ON ASSURANCE	38
DECLARATION OF ASSURANCE	39

INTRODUCTION

The PMO in Brief

The mission of the PMO is to provide a high quality and user friendly service to beneficiaries from the European Commission and many of the other EU institutions, agencies and other bodies, by promptly and accurately managing, establishing and paying individual entitlements and expenditure, providing clear and relevant information and ensuring efficient and effective controls. The PMO ensures the:

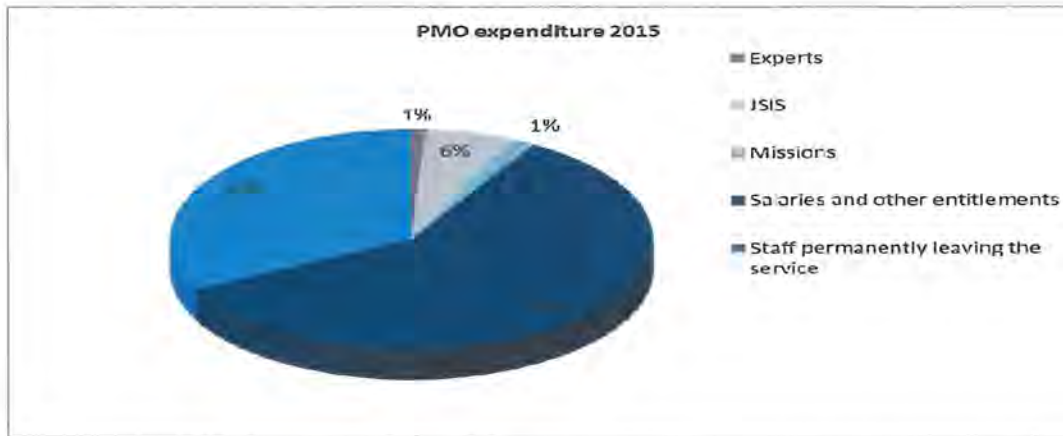
- establishment of individual financial rights for staff, pensioners and rights holders;
- payment of salaries, pensions and related entitlements;
- reimbursement of health insurance, mission and expert claims;
- delivery of EU laissez-passer and handling of third-country visas for staff.

To illustrate the weight of the different operational domains and related controls, this table and graph show the total payments¹ carried out per main type of PMO activity.

PMO expenditure 2015	Expenditure (rounded figures)	Percentage (rounded figures)
Experts	35,694,744	1.0 %
Joint Sickness Insurance Scheme (JSIS)	289,584,557	6.0 %
Missions	83,057,961	1.5 %
Salaries and other entitlements	2,932,623,406	59.0 %
Staff permanently leaving the service	1,621,141,463	32.5 %
Total	4,962,102,131	100 %

¹ The total shown here is some EUR 1 billion higher than total commitment appropriations shown in Annex 3, due to:

- extra-budgetary managed funds: JSIS and Unemployment Fund: EUR 290 million and EUR 24 million respectively;
- expenditure in areas where the PMO only manages payment appropriations:
 - 'Research expenditure' (salaries of officials, contract staff and SNEs) EUR 528 million;
 - 'Experts and missions' – 'contract staff in delegation': EUR 115 million and EUR 35 million respectively.



In order to achieve their respective goals, the Offices have a certain degree of autonomy for reasons of economy and quality of service.

The PMO has a specific management and supervision structure:

- The Director is the authorising officer by delegation and has the responsibility of producing a declaration of assurance and an annual activity report;
- The activities of the PMO are supervised by a Management Board, chaired by the Director General of DG HR and composed of eight members representing the main stakeholders and clients of the Office;
- The entity enjoys a certain degree of autonomy in the fields of financing and staff; through a flexible use of its operating budget and a staffing table independent from the Commission.

EXECUTIVE SUMMARY

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

Policy highlights of the year (executive summary of section I)

In 2015, in spite of constrained resources² and a continued increase in workload (+ 11.61 % compared to 2014), the PMO has overall managed to maintain the high levels of service established in previous years. The following achievements are particularly worth highlighting:

- PMO's inter-institutional role and vocation to gradually become the settlement and payroll office of the European Union was confirmed by the conclusion of a new **Service Level Agreement (SLA) with the Court of Auditors** devolving all powers ranging from establishment of entitlements to the payment of salaries and posting of related accounting entries. This inter-institutional subdelegation of powers is unprecedented. Furthermore, a significant SLA with the Council entered into force on 1st January 2015, whereby all powers ranging from the establishment to the payment of pension entitlements were devolved to the PMO.

² The average workload is the weighted average of the increase in files processed per activity (cf. reference in 'The Year in Brief') versus the number of staff working in the respective activity (with exception of the number of establishment of entitlements', as these are based on estimated figure).

- **Effectiveness and efficiency of operational structure:** the efficiency of operations has been a focal point in 2015, with an overall increase in efficiency as a result. This is an important process in the context of budgetary restrictions and continuously increasing volumes and additional tasks and responsibilities. Specifically in the units dealing with the establishment of entitlements, improvements in organisational structure, rationalisation of controls and focused developments in information systems led to the redeployment of 19 staff members to other activities, notably to the JSIS (Joint Sickness Insurance Scheme).
- **Special focus on the modernisation of Information Systems (IS) for the PMO and its clients** resulted in the achievement of the set target of 83 % of planned IT developments. The transition of essential (back office) activities to the new sickness insurance information system AssMal2, has proven to be a resource consuming challenge. The redeployment of staff as a result of efficiency gains in the operational structure combined with careful monitoring and close management of the exercise allowed the PMO to eventually complete the transition successfully. Handling and reimbursement times fell back to 14 days, well below target, in the last quarter of 2015.
- **Communication with affiliates**, one of the major challenges in 2015, has strongly improved. While the target set at less than 10 % of PMO Contact queries not handled within 15 working days has not quite been achieved (the result for 2015 is 14 %), the average time to reply to an incoming call decreased from more than 20 minutes to below 5 minutes in 2015, significantly below the set target of 10 minutes.
- The **new EU *Laissez-passer* service**, set up by the PMO in close collaboration with DG HR, has been rolled out at very short notice in 2015. The service was fully operational in a matter of weeks, ensuring the enrolment and issuance of EU *Laissez-passer* for the all EU institutions, agencies and other bodies.

The next page shows the evolution of activities over the years 2014-2015. The following section, the executive summary, gives further details on the accomplishment of the abovementioned objectives.

All data included in the annual activity report were extracted from PMO databases.

Activities and resources 2014-2015

(Post and/or person excl. external personnel) / (Payment appropriations in EUR million)

Activities	Short description	2014			2015			Evolution	
		Number of files	Human resources	Total spent	Number of files	Human resources	Total spent	Files	HR
Establish individual rights	Establishment, management and payment of the financial entitlements of staff in activity.	138,734	68	2,847.3	148,796	66	2,892.8	7.3%	-2.9%
Calculation and payment of salaries per month		40,602	67		41,058	65		1.1%	-3.0%
Calculation and payment of pensions per month	Establishment of rights and payment of pensions and other indemnities to all former staff under Staff Regulations and CEOS.	21,276	42	1,458.4	21,978	43	1,563.0	3.3%	2.4%
Manage transfers of pension rights	Management of transfers of pension rights from external schemes towards the Pension Scheme of the European Union's Institutions.	3,504	28	-91.3	3,672	24	- 93.4 ⁽¹⁾	4.8%	-14.3%
Manage severance grants and transfers 'OUT' of pension rights	Establishment of rights and payment of capitals representing acquired pension rights towards external pension schemes, and severance grants for all former staff linked to termination of service.	784	9	34.7	728	7	33.9 ⁽¹⁾	-7.1%	-22.2%
Calculation and payment of unemployment allowances	Establishment of rights and payment of unemployment benefits for former temporary and contract staff.	2,399	11	24.3	1,742	10	24.6	- 27.4%	-9.1%
Calculation and reimbursement of sickness insurance expenses (JSIS)	Calculation and reimbursement of sickness / accident insurance expenses.	2,581,835	203	281.5	2,888,521	213.5	289.6	11.9%	5.2%
Calculation and reimbursement of accident insurance expenses		1,765	22	⁽²⁾	1,922	15.5	⁽²⁾	8.9%	-29.5%
Calculation and reimbursement of mission expenses	Calculation and reimbursement of mission expenses.	111,434	59	79.1	138,985	52	83.0	24.7%	-11.9%
Emission of visas	Issuing visa for staff going on mission or taking up duties in EU delegation.	4,218	5	0.1	4,161	5	- 0.1	-1.4%	0.0%

Activities	Short description	2014			2015			Evolution	
		Number of files	Human resources	Total spent	Number of files	Human resources	Total spent	Files	HR
Enrolment and Issuance of <i>Laissez-passer</i> (new activity)	Manage the full operational process of EU <i>Laissez-passer</i> (from the reception of applications and the registration of biometric and biographical data to the delivery of the <i>Laissez-passer</i> to applicants)	N/A	N/A	N/A	2,828	9			
Calculation and reimbursement of experts' expenses	Reimbursement of travel and / or residence expenses for government and private experts' called in the various working groups of the Commission, and the costs associated with the holding of these meetings.	68,474	17	36.2	67,199	17	35.7	-1.9%	0.0%
Manage daily allowances for SNEs	Manage daily allowances for SNEs.	1,764	1	43.4	1,880	1	39.8	6.6%	0.0%
Other				6.9			3.2		
Total operational activities		2,976,789		4,811.9	3,323,470		4,931.6	11.6%	
Total operating expenditure				42.9			43.6		
Operational activities headcount			532			528			-0.8%
Horizontal activities headcount (overhead)			36			35			-2.8%
Total			568	4,854.8		563	4,975.2		-0.9%

(1) Transfer IN and OUT, amount not included in the total operational expenditure of EUR 4,661.1 million.

(2) Amounts spent by the Commission, included in JSIS, the rest is paid by insurance companies and is not included in this table.

Key Performance Indicators

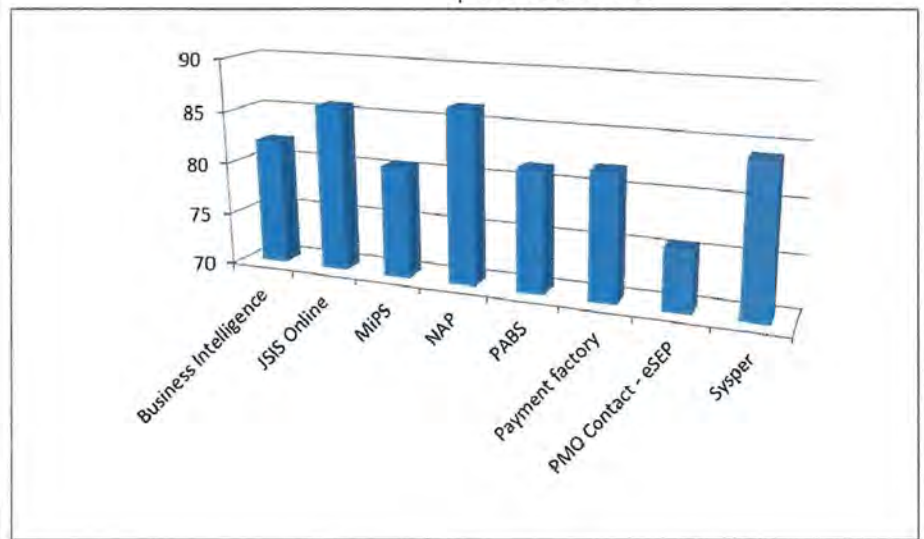
This subsection presents the five most relevant key performance indicators for the policy (upper part of the table) and for the DG (lower part of the table).

	TARGET	RESULT												
1. Average time taken to reply to enquiries through the: <ul style="list-style-type: none"> 'PMO Contact Call Centre' 'PMO Contact Online' 	<p>☺ Average time to reply to drop below 10 minutes by end-2015</p> <p>☹ < 10 % of monthly volume of questions not answered within 15 working days</p> <p>☺ Average time taken to reply (14 days in 2014)</p>	<p>< 5 minutes</p> <p>14 %</p> <p>< 11 days</p>												
2. Average time taken to treat claims	<p>☺ Unemployment: 100 % paid within 20 calendar days.</p>	<p>100 % paid within 20 calendar days.</p>												
	<p style="text-align: center;">% of claims reimbursed later than 30 days</p> <table border="1"> <caption>% of claims reimbursed later than 30 days</caption> <thead> <tr> <th>Category</th> <th>Objective (less than)</th> <th>Result (% greater than 30 days)</th> </tr> </thead> <tbody> <tr> <td>reimbursement of mission expenses</td> <td>5%</td> <td>4%</td> </tr> <tr> <td>reimbursement of experts expenses</td> <td>5%</td> <td>36%</td> </tr> <tr> <td>reimbursement of medical expenses</td> <td>5%</td> <td>36%</td> </tr> </tbody> </table>		Category	Objective (less than)	Result (% greater than 30 days)	reimbursement of mission expenses	5%	4%	reimbursement of experts expenses	5%	36%	reimbursement of medical expenses	5%	36%
Category	Objective (less than)	Result (% greater than 30 days)												
reimbursement of mission expenses	5%	4%												
reimbursement of experts expenses	5%	36%												
reimbursement of medical expenses	5%	36%												
	<p style="text-align: center;">Claims reimbursed after no later than 15/20 days</p> <table border="1"> <caption>Claims reimbursed after no later than 15/20 days</caption> <thead> <tr> <th>Category</th> <th>Objective (less than)</th> <th>Result (Average time in days)</th> </tr> </thead> <tbody> <tr> <td>reimbursement of mission expenses</td> <td>15</td> <td>15</td> </tr> <tr> <td>reimbursement of experts expenses</td> <td>20</td> <td>22</td> </tr> <tr> <td>reimbursement of medical expenses</td> <td>20</td> <td>27</td> </tr> </tbody> </table>		Category	Objective (less than)	Result (Average time in days)	reimbursement of mission expenses	15	15	reimbursement of experts expenses	20	22	reimbursement of medical expenses	20	27
Category	Objective (less than)	Result (Average time in days)												
reimbursement of mission expenses	15	15												
reimbursement of experts expenses	20	22												
reimbursement of medical expenses	20	27												
3. Control on establishment of entitlements, correct calculation and payment of pensions and salaries	<p>☺ Ex-ante, a posteriori and ex-post control reveal that the establishment of salaries, pensions and related entitlements have been carried out without material errors. The payment of these entitlements has also been carried out without material errors, as indicated through ex-post verification.</p>													
4. Financial transactions: Error rate	<p>☺ Error rate of < 1 % of the amount paid annually.</p>	<p>< 1 %</p>												

5. Percentage of programmed project milestones mentioned in the IT Strategy timely implemented.

☺ 85 % of IT milestones timely implemented

83 % of modules operational. For further details: cf. reference in Heading 1.1.6.



Key conclusions on management and internal control (executive summary of section 2)

In accordance with the governance statement of the European Commission, the PMO carries out its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. The PMO has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.4 for further details.

Furthermore, the PMO has taken measures to further improve the efficiency of its internal control systems in the area of "Staff allocation and mobility" (ICS 3), and "Processes and procedures" (ICS 8)); these measures are thoroughly documented in Section 2 of the AAR.

In addition, the PMO has systematically examined the available control results and indicators, including those aimed at supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of Vice-President GEORGIEVA, responsible for Budget and Human Resources.

KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE PMO

While as an administrative support service the Paymaster's Office (PMO) is not in the frontline for delivering on the ten priorities of the Juncker Commission, it has a fundamental role to play to ensure that the institution is capable of mobilising all its strengths behind these priorities. The general objective to which the PMO contributes can be defined as follows: "To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents."

The pursuit of the following specific objectives has contributed to achieving this objective:

Achievement of specific objectives

1.1.1 Correctly establish and manage individual rights and pay salaries, pensions and allowances on time

All targets related to the specific objectives have been met. Further details on the main outputs related to this objective can be found in Annex 12, item 1.1.

Specific objectives (all non-spending)		
1 Establish and manage all rights and obligations related to the Staff Regulations accurately and within a reasonable delay at each event having an impact on an individual's rights (entry into service, departure, birth, marriage, pension transfer, etc.).		
2 Ensure the correct calculation of salaries for all EU institutions, agencies and other bodies, payment of salaries for the Commission, and payment of pensions and unemployment allowances for all EU institutions, agencies and other bodies.		
Result indicator	2015 Target	Current situation (as achieved)
1 Entitlements: number of entitlements established correctly, correct calculation and payment of pensions and salaries.	Error rate < 1 % of the amount established annually.	< 1 %
2 Time to execute the payment.	Unemployment: 100 % paid within 20 calendar days.	100 %
3 Number of Article 90 complaints upheld.	< 10 % of complaints received upheld.	8 %

1.1.2 Timely reimburse expenses and optimise management of funds, implementing rules and contracts

In 2015, the planned phase-out of an important IT module in the JSIS AssMal2 Information System resulted in a number of complications. This had a strong impact on the average reimbursement time of claims. The increase with +/- 12% of the total number of reimbursement claims received only added to the impact on the reimbursement time. As a result of these main events, the total average reimbursement time increased from 14 days in 2014 to 27 in 2015.

The reinforcement of JSIS staff as a result of efficiency gains in the operational structure combined with careful monitoring and close management of the exercise allowed the PMO to eventually complete the transition successfully. As a result, the average reimbursement time decreased to 14 days - below the set target for 2015 - in December.

In the field of expert claims, the need for training new staff had an enduring effect in 2015, with reimbursement times finally dropping significantly below the 20-day target in the last months of the year.

Further details regarding the main outputs related to this objective can be found in Annex 12, item 1.2.

Specific objectives (all non-spending)			
1 Ensure the prompt and accurate reimbursement of medical, mission and experts expenses.			
2 Ensure the effective management of contracts, implementing rules and the Joint Sickness Insurance Scheme and the unemployment fund including their financial balance.			
Result indicator	2015 Target		Current situation (as achieved)
1 Average reimbursement time.	Experts:	20 days	Experts: 22 days
	Missions:	15 days	Missions: 9 days
	Medical expenses:	20 days	Medical expenses: 27 days
Average reimbursements paid after 30 calendar days.	Experts:	< 10 %	Experts: 36 %
	Missions:	< 5 %	Missions: 2 %
	Medical expenses	< 10 %	Medical expenses 36 %
Average reimbursements paid within 20 calendar days.	Unemployment:	100 % paid within 20 calendar days.	Unemployment: 100 % paid within 20 calendar days.
2 Financial transactions: Error rate.	All reimbursements:	financial error rate < 1 % of the amount paid annually.	All types of reimbursements: financial error rate < 1 % of the amount paid annually.
3 JSIS: financial balance.	The operational deficit may not exceed 5 % of the JSIS global assets, while bearing		The final accounts for 2015 are not yet available. Meanwhile the cash-based

Result indicator	2015 Target	Current situation (as achieved)
	<p>in mind the medium term goal of achieving an operational equilibrium.</p> <p>The JSIS global assets may not decrease by more than 5 % compared to the previous year.</p>	situation on 31/12/1015 indicates that the 2015 targets have been achieved.
4 Unemployment fund: financial balance. (The evolution of the Fund will be closely monitored and reported to the DG HR in case of a significant deterioration)	Immediate reporting to DG HR in case the unemployment fund falls below EUR 3 million.	The fund did fall below EUR 3 million in 2015; this has been reported to all stakeholders and addressed in a working group with DG HR and DG BUDG that follows up on the situation.
5 Visas	100 % of visas delivered on time	100 % of visas timely delivered

1.1.3 Ensure a timely distribution of pertinent information and client services of high quality

Communication with the affiliates is an important objective for the PMO. The results for 2015 show the major improvements achieved in this field.

Further details on the main outputs related to this objective can be found in Annex 12, item 1.3.

Specific objectives (non-spending)		
Result indicator	2015 Target	Current situation (as achieved)
Provide prompt, good quality and relevant information and ensure high quality client services across the board.		
1 Average time taken to reply to enquiries through the 'PMO Contact Call Centre'.	Average time to reply to drop below 10 minutes by end-2015.	< 5 minutes
2 Average time taken to reply to enquiries through the 'PMO Contact Online'.	< 10 % of monthly volume of questions not answered within 15 working days	14 % However, average time taken to reply: < 11 days

1.1.4 Management, engagement and communication

All targets related to the specific objectives have been met. Further details on the main outputs related to this objective can be found in Annex 12, item 1.4.

Specific objectives (non-spending)		
Recruit, train, assess, motivate and retain highly qualified staff so that operations of the Office are conducted in an effective and efficient way and the promotion of equal opportunities is ensured. Continue to develop, implement, monitor and adapt an effective internal communication strategy.		
Result indicator	2015 Target	Current situation (as achieved)
1 Satisfaction rate with 'My PMO' website. Percent of staff having valid objectives in Sysper	At least 70 % are satisfied with 'My PMO' website (staff survey) 100 % of relevant job descriptions and objectives validated in Sysper.	All efforts were concentrated in the analysis and follow-up of the 2014 Commission Staff Survey. An internal staff survey will be launched in 2016. 82% -> the current appraisal exercise will be used to reach the 100% target.
2 Absenteeism rate	Quarterly monitoring of absenteeism statistics and follow up of absenteeism patterns.	Following an IAS audit, the identification of a reference sickness absence rate (for PMO) and regular monitoring of these statistics are intended by end-2016, on the basis of input by DG HR and the delivery by DG HR of relevant data and tools.

1.1.5 Ensure sound financial management, effective internal control, risk management and business continuity; measure and report on performance

All targets related to the specific objectives, with exception of the targets related to the implementation of audit recommendations, have been met. In the 2014 AAR, mention was made of a growing number of recommendations oriented towards IT developments. This year, all seven recommendations carried over from 2014 and outstanding on 31 December 2015 are depending on developments of information systems. This requires extended implementation times and development capacity from DG DIGIT. As a result, it has not been possible to achieve the 80 % mark. The same issue resulted in the number of very important recommendations not being reduced to zero at year-end.

Further details on the main outputs related to this objective can be found in Annex 12, item 1.5.

Specific objectives (all non-spending)
1 Manage the spending of financial resources in such a way that sound financial management is ensured throughout the Office's activities.
2 Maintain and report on an effective and reliable internal control system, manage and mitigate specific and critical risks, ensure the ability of the PMO to respond to critical events

Specific objectives (all non-spending)		
in order to assure continuity of service, and report on key performance indicators.		
Result indicator	2015 Target	Current situation (as achieved)
1 Average delay to recover undue payment.	95 % of recovery orders established within 5 working days after pre-information deadline.	95 % of recovery orders established within 5 working days after pre-information deadline.
2 Quality of AAR (Court of Auditors) and inclusion of the harmonised cost efficiency indicators in the AAR.	A 100% integration of cost efficiency indicators in the AAR.	A 100% integration of cost efficiency indicators in the AAR.
3 Financial transactions: Error rate.	< 1 %	< 1 %
4 Open discharge recommendations.	0	0
5 IAS/ex-IAC recommendations due in 2015: Proportion reported closed.	80 %	70 % (14/20) of due recommendations closed on 31 December 2015. (cf. reference in Heading 2.3.1 .)
6 Number of critical/very important IAC/IAS recommendations overdue for more than 12 months.	IAC/IAS: 4	IAC/IAS: 2 (cf. reference in Heading 2.3.1)
7 Number of critical risks identified and percentage of critical risks reported in the Management plan. Source: PMO source of data.	3 critical risks and 100 % reported	3 critical risks and 100 % reported.
8 Anti-fraud: percentage of OLAF and IDOC ³ final case reports (transmitted to PMO) for which follow-up has been established.	100 %	100 %
9 Timely publication of monthly statistics and regular report to the Management board.	Monthly, ≤ 15th of the month.	Monthly, ≤ 15th of the month.

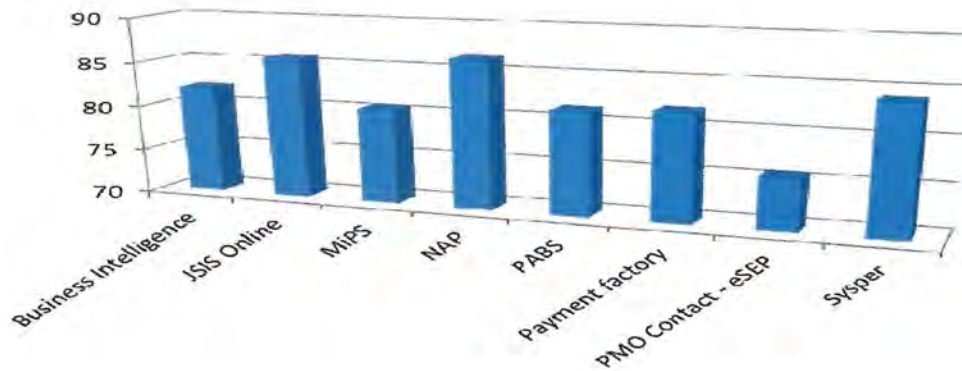
1.1.6 Ensure the development of the right IT systems that optimally assist PMO staff in the accomplishment of the objectives

Specific objectives (non-spending)		
Ensure the development and deployment of effective IT systems so as to ensure high levels of client service and adequate support for PMO staff in their daily work.		
Result indicator	2015 Target	Current situation (as achieved)
Percentage of projects or programmed milestones of	Full implementation.	83 % (weighted average)

³ Investigation and Disciplinary Office of the Commission.

Specific objectives (non-spending)

projects mentioned in the IT Strategy implemented on time.



This graph and table show the evolution of the number of tasks to be implemented (closed) in 2015. With courtesy to a more precise weighting method, the 2015 results give a very precise view of the current state of IT development. A better definition and assignment of the tasks in the 2015 Management Plan allowed for significant progress compared to last year's results. With a 83 % degree of implementation it is safe to say the set target has been achieved.

Projects	Percentages
JSIS on line/AssMal ² : JSIS management	86 %
Corporate reporting & Business Intelligence	82 %
MiPS: Missions order and reimbursement management	81 %
NAP: Payroll System	87 %
PABS & SysPer-Pensions: Pensions scheme and post activity management	82 %
Payment Factory: Streamlines payment processes and debts management	82 %
PMO Contact: Single Point of Contact	76 %
SysPer-Rights: Pecuniary rights management	84 %
Global rate	83 %

1.1.7 Conclusion on the implementation of 2015 objectives

Assessing all objectives and achievement of related indicators, the PMO has implemented all activities planned in the 2015 management plan with satisfactory results.

Specific efforts to improve 'economy' and 'efficiency' of spending and non-spending activities.

According to the financial regulation (art 30), the principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units, etc.) and according to the principle of economy (e.g. the procurement rules ensure procurement in optimal conditions).

The PMO is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations. The following two initiatives show how these principles are implemented in our service:

1.1.8 Implementation of revised internal control methodologies

The process of remodelling and redrafting the control methodologies has been continued in 2015. The exercise set out to optimise effectiveness, efficiency of the existing control strategies at the different operational units, while respecting the principle of economy. In three operational units, dealing with reimbursement of medical, mission and expert claims, the exercise of remodelling and redrafting of the current control methodologies had already been finalised. The year 2015 has been dedicated to the implementation of the revised control structure in these units, with success. The control strategies result in an extrapolated error rate representative for the whole population, combined with risk-based controls. This was achieved applying fewer resources resulting in more effective conclusions on the internal control system.

1.1.9 Overhaul of the organisational structure in several units

The unit handling mission claims underwent an entire revision of its workflow, following the recommendations issued by an IAC audit on 'the effectiveness and efficiency of the mission management workflow'. A material result of this process is the revision of the control structure, notably through introduction of a risk based component. This has led to a more economic use of resources and freed part of the staff who were redeployed to other areas that could benefit from additional human resources.

The revision of the organisational structure of the units dealing with the establishment of entitlements – with as main driver the continued developments of the information systems – led to a more efficient structure and redeployment of 19 staff members to other activities. The main beneficiary is the Joint Sickness Insurance Scheme (JSIS), involved in a large transition of back-office activities from the old to the new AssMal2 information System. The additional resources allowed the JSIS to eventually

tackle the difficulties and delays related to the overhaul of IT systems. The continued development of JSIS will benefit the quality of service delivery and render internal control increasingly efficient.

MANAGEMENT AND INTERNAL CONTROL

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by the management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director.

The reports produced are:

- the reports on ex-ante/a posteriori/ex-post supervision;
- the reports by AOSDs;
- the registry of exceptions;
- the reporting on fraud prevention and detection (in the framework of the anti-fraud strategy);
- the opinion, observations and recommendations of the Internal Audit Capability (IAC), Internal Audit Service (IAS) and European Court of Auditors (ECA).

This section reports the control results and other relevant elements that support the management's assurance on the achievement of the internal control objectives⁴. It is structured in three separate sections: (1) the PMO's assessment of its own resource management; (2) the assessment of activities carried out by other entities to which the PMO has entrusted budget implementation tasks; and (3) the assessment of audit results, including the implementation of audit recommendations.

The administrative Offices' core business consists in providing support to the Commission as well as other institutions and agencies. Hence, the PMO's expenditure is exclusively administrative in nature and it is implemented under centralised direct management.

The main activities of the PMO are the establishment and payment of salaries, pensions and associated entitlements, and the reimbursement of expense claims. Decisions taken on entitlements - linked for example to salaries & pensions - often have important and long term financial implications. The PMO's work is characterised by the variety and complexity of the legal and regulatory framework that underlies the payment conditions, by the large number of claims processed and by the shared responsibility with other services.

Some tasks are entrusted to other Commission DGs where they are managed under the same Commission rules, implying the PMO can rely on the other

⁴ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

DG's control systems. No problems regarding the delegations were signalled to the PMO by the concerned entities. The details regarding the subdelegated tasks can be found in Annex 11, item 1.3.

Control results

This section reports and assesses the elements identified by the management that support the assurance on the achievement of the internal control objectives. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

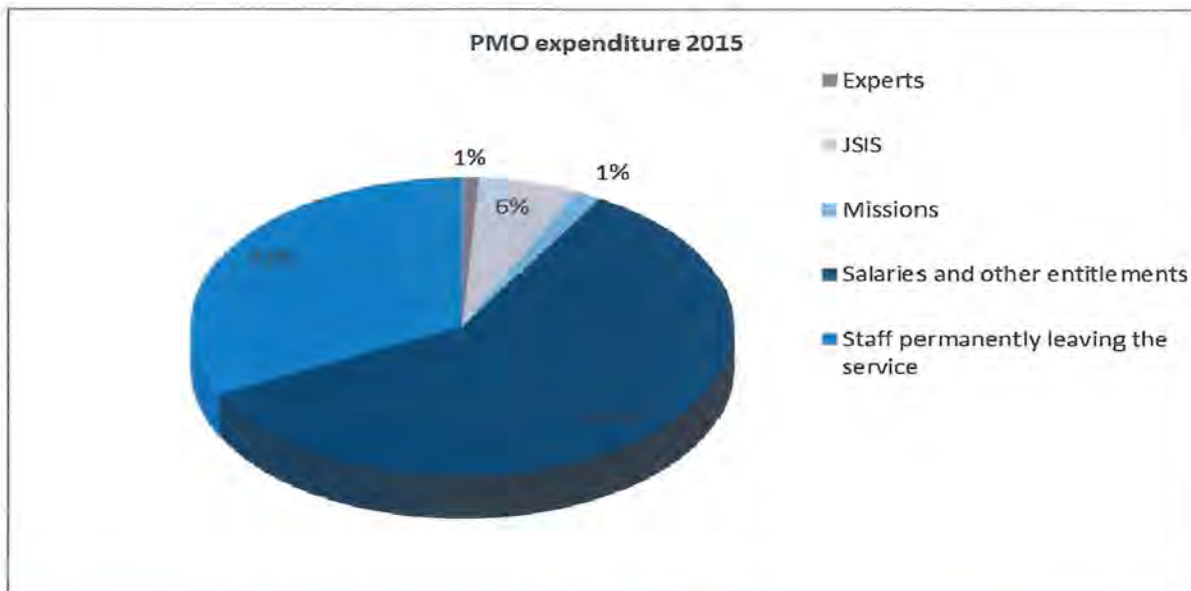
The PMO has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of commitments as well as the nature of the payments concerned. The control objective is to ensure that the residual error rate does not exceed 2 % (cf. materiality criteria in annex 4).

To illustrate the weight of the different operational domains and related controls, this table and graph show the total payments⁵ carried out per main type of PMO activity.

PMO expenditure 2015	Expenditure (rounded figures)	Percentage (rounded figures)
Experts	35,694,744	1.0 %
JSIS	289,584,557	6.0 %
Missions	83,057,961	1.5 %
Salaries and other entitlements	2,932,623,406	59.0 %
Staff permanently leaving the service	1,621,141,463	32.5 %
Total	4,962,102,131	100 %

⁵ The total shown here is some EUR 1 billion higher than total commitment appropriations shown in Annex 3, due to:

- o extra-budgetary managed funds: JSIS and Unemployment Fund: EUR 290 million and EUR 24 million respectively;
- o expenditure in areas where the PMO only manages payment appropriations:
 - 'Research expenditure' (salaries of officials, contract staff and SNEs) EUR 528 million;
 - 'Experts and missions' – 'contract staff in delegation': EUR 115 million and EUR 35 million respectively.



Control effectiveness as regards legality and regularity

1.1.10 Ex-ante and ex-post control – key indicators

The PMO control strategy – more details can be found in annex 5 – is based on the principle that the establishment of an entitlement or the request for reimbursement is examined by a case handler who compares the submitted documents to the relevant eligibility criteria. Every decision is taken under supervision of a verifying agent and/or head of sector. Depending on the complexity of the claim, a more detailed analysis will be carried out to arrive at a sound decision.

Every error found is corrected. Given the repetitiveness of the main PMO activities, this leads to a continuous adjustment and improvement of the internal control system. Corrective measures are taken when an error is linked to a system weakness. Such measures might involve: training, reallocation of files, tighter verification or even focused ex-post checks.

The results of ex-post controls are analysed and they too may result in corrective measures. When the results of an ex-post control indicate a need to take further action, a detailed action plan is formulated.

2.1.1.1 Ex-ante control in 'salaries, post-activity and associated entitlements'

Salaries and associated entitlements

In 2015, the ex-ante controls linked to entitlements were further improved and automated in line with recent IT management system developments.

To confirm a beneficiary's continued right to entitlements, granted on a

provisional basis, the PMO must systematically receive and verify the validity of related supporting documents via *a posteriori controls*⁶. These checks complement the ex-ante controls. The PMO thus relies on up-to-date and accurate information provided. For different reasons, staff members do not always transmit the relevant information on time leading to possible inaccurate amounts being paid. The corrections carried out in previous years following the results of a posteriori checks, led to an amount of EUR 743,086 recovered in 2015. A total of 100 days, or +/- 0.45 FTE, were invested in the checks, making this a cost-effective control.

Bearing in mind the conclusions of the Court of Auditors regarding the 'allowances of like nature received from other sources' and the situation of the spouse, the PMO has created the possibility to declare changes in family situation in SysPer. The necessary IT development allowing the possibility to send reminders to all staff to update their situation is programmed in 2016.

Post-Activity (staff permanently leaving the service) and associated entitlements

Every pension file opened or closed is submitted to detailed ex-ante scrutiny organised on two levels. Firstly, each file is verified in detail (establishment of the entitlement) and secondly, a cross-check is carried out by a separate team. The role of these controls cannot be underestimated, as they play a leading role in keeping the error rate down to a level below materiality level.

Conclusion for ex-ante controls in Salaries, Post Activity & Associated Entitlements: Every transaction is subject to ex-ante verification (100 % control). All errors are corrected retroactively and the results of corrections favourable influence the accuracy of future transactions. The ex-ante controls reveal no material errors.

2.1.1.2 Ex-post control in 'salaries, post-activity and associated entitlements'

All ex-post control activities are risk-based to select areas most susceptible to material financial errors. As a result, it is not possible to extrapolate the financial error rate to all PMO expenditure and the results represent a pessimistic view of the situation.

Scope ex-post	Numb	Total	% Value	Financial	Financial
---------------	------	-------	---------	-----------	-----------

⁶ A posteriori controls are associated with payments that were carried out on the basis of limited ex-ante controls i.e. before the documents attesting to a beneficiary's entitlement had been received. These controls may be considered as the 'finalisation' of ex-ante controls. The adjustments made, pursuant to the a posteriori controls are considered as 'regularisations' and not 'errors'.
Examples of three a posteriori controls carried out in 2014 can be found in Annex 11.

control (expenditure areas)	er of files verified	amount verified (euro)	Total populati on checked	error rate 2015	error rate 2014
Salaries and associated entitlements incl. specific anti-fraud controls	197	46,976,257	1.60 %	0.09 %	0.16 %
Post-Activity	63	463,902	0.03 %	0.01 %	0.11 %
Total (estimated %)	237	47,440,159	1.04 %	0.09 % estimated	0.16 % estimated

Conclusion for ex-post controls in 'salaries, post-activity and associated entitlements': The table above provides an overview of the ex-post controls carried out in the riskier aspects of the main expenditure areas in 2015 and shows a total financial error rate estimated at 0.09 % (total financial error/total amount verified), confirming the accuracy and quality of transaction processing by the PMO and the effectiveness of the ex-ante controls. Annex 11 gives further insight in the ex-post controls carried out.

2.1.1.3 Ex-ante control in reimbursement of medical, expert and mission claims

The ex-ante control in the area of reimbursement of claims (medical, mission and expert) is based on statistical random sampling, leading to a representative error rate that can be extrapolated to the entire population of claims.

Medical claims

A daily sample is taken from the entire population of incoming reimbursement claims and invoices from the previous day. The 3 % sample is composed of 50 % random-based and 50 % from risk-based selected reimbursement claims. The risk-based component is drawn from the most error-prone types of transactions.

Further, a supplementary ex-ante control concerning claims processed 'on line' on the basis of scanned documents instead of paper originals is taken on a daily basis, composed of 5 % of claims processed the previous day.

Scope ex-ante control	Number of files verified	Total amount verified (euro)	% Value Total population checked	Financial error rate
Medical Claims (Reimbursements)	37,103	33,186,507	11.46 %	0.48 %

The very low error rate established in 2015, confirming the downward trend from the previous years (in 2014, the total error rate was 0.57%), has allowed the PMO to revise the current control strategy, increasing the cost-efficiency of internal control in the JSIS. This revision will be carried out in 2016.

Expert claims

Every day a random sample of 5 % of the expert claims received during the previous day is verified. To increase cost-efficiency while preserving a sample size that allows the results of ex-ante control to be extrapolated to the entire population of claims, the size of the sample will be reduced to 3.5 % in 2016.

Scope ex-ante control	Number of files verified	Total amount verified (euro)	% Value Total population checked	Financial error rate
Expert claims (Reimbursements)	2,865	2,697,331	7.56 %	1.57 %

Mission claims

The ex-ante control covered a total of 6.6 % of the mission claims processed in 2015 (down from 8.5 % in 2014). The revised control structure – launched end of August 2014 - only requires a sample of 2,4 % of processed claims. As a result, the process meets cost-efficiency criteria and results in an error rate representative for the entire population of mission claims.

Scope ex-ante control	Number of files verified	Total amount verified (euro)	% Value Total population checked	Financial error rate
Mission claims (Reimbursements)	8,963	4,330,896	5.21 %	0.41 %

Conclusion for ex-ante controls in the area of medical, expert and mission claims: The results show that the total financial error rate of the ex-ante controls remains well below the materiality threshold of 2 %, set forward by the Court of Auditors.

2.1.1.4 Ex-post control in reimbursement of medical, expert and mission claims

All ex-post control activities are risk-based to serve two purposes: on the one hand, the production of a representative ex-ante error rate for the global population, allowing for resources to be dedicated to the few areas identified in the risk analysis as most susceptible to material financial errors. On the other hand, the risk-based ex-post control also focuses on quality of ex-ante control to provide feedback on their functioning and improve the internal control system as a whole. As these controls are meant to single out specific risks in often small subpopulations, it is not possible to extrapolate of the financial error rate to all PMO expenditure.

The table below provides an overview of the ex-post controls carried out in the riskier aspects of the main expenditure areas in 2015.

Scope ex-post control (expenditure areas)	Number of files verified	Total amount verified (euro)	% Value Total population checked	Financial error rate 2015	Financial error rate 2014
Missions	602	269,251	0.32 %	0.21 %	0.76 %
Experts	445	821,562	2.30 %	0.12 %	1.16 %
JSIS – Joint Sickness Insurance Scheme	1,522	1,465,105	0.51 %	0.91 %	1.22 %
Total (estimated %)	2,569	2,555,918	0.63 %	0.58 % estimated	1.15 % estimated

The results of the ex-post control are encouraging as the error rates even in these more error prone samples are consistently below 2 %. In addition to the representative error rate calculated in the ex-ante control well below the 2 % threshold, global control results give a high degree of assurance.

Conclusion for ex-post controls in reimbursement of medical, expert and mission claims: The total financial error rate of all ex-post controls in the higher risk areas remains well below the materiality threshold of 2 %; confirming the accuracy and quality of transaction processing by the PMO and the effectiveness of the ex-ante controls. Further details regarding ex-post control results, conclusions and actions taken are documented in Annex 11, 1.2 Ex-post control in reimbursement of medical, expert and mission claims. The overall ex-post financial error rate, taking into consideration it was focused on high risk areas, remains at 0.58 %.

2.1.1.5 Ex-post control in financial transactions, validated by the Authorising Officers by Sub Delegation (AOSD)

The financial transactions⁷ are managed by the PMO's Budget and internal control Unit in Brussels. All transactions are subject to ex-ante controls.

A wide-ranging ex-post control exercise was carried out covering 39 different types of transactions so as to cover (virtually) all activities managed by the budgetary sector. 66 transactions were selected and reviewed on the basis of a risk analysis. No financial errors were identified.

Scope ex-post controls	N° of files verified	Total amount verified	% Value Total population checked	Financial error rate
39 different types of financial transactions	66	489 MEUR	9.85 %	0.00 %

⁷ Except for expert reimbursements - PMO.5 Luxembourg- and the medical claim reimbursements that fall under the responsibility of the settlements offices in Luxembourg, Ispra and Brussels.

2.1.1.6 Overall conclusion

The overall conclusion on the basis of all controls carried out by the PMO units throughout 2015 confirms the high quality of internal control and the global financial error rate remaining largely below 2 % (cf. materiality criteria in Annex 4). Given that this error rate is calculated using risk-based sampling and that all identified errors are corrected, the residual financial error rate can be considered as significantly lower. Moreover, the beneficiaries of PMO payments (staff and their families) represent a population that remains stable over time. This implies that corrections made following the identification of errors have a positive impact not only on the past but also in the future.

Risk-types / Activities	Correct implementation of the staff regulations regarding entitlements and reimbursement of several categories of expenditure	ICO indicators available at this level	Independent info from auditors (IAS, ECA) on assurance or on new/overdue critical recommendations.
Management (establishment/modification) of salaries, post-activity and related entitlements	€ 4,553,764,869	RER = 0.35 %	Y
Management of medical, expert and mission claims	€ 408,337,262	RER = 0.56 %	Y
Totals (coverage)	€ 4,962,102,131	RER = 0.37 %	Y
ICO-related indicators available at this level	RER = 0.37 % CEC = yes AFS = OK Amount at risk: 18.23 M€ Corrective capacity: 0.02%		N/A
Links to AAR Annex 3	Overall total = 3,888 M€; see Table 2 – payments made	n/a	n/a

The total shown here is some EUR 1 billion higher than total commitment appropriations shown

in Table 2 of Annex 3, for the following reasons:

- The presence of extra-budgetary managed funds: JSIS and Unemployment Fund: EUR 290 million and EUR 24 million respectively. The controls on these funds are documented in the section 'other control objectives', pages 29-30;
- expenditure in areas where the PMO only manages payment appropriations, subjected to the same controls as the PMO's own appropriations:
 - 'Research expenditure' (salaries of officials, contract staff and SNEs) EUR 528 million;
 - 'Experts and missions' – 'contract staff in delegation': EUR 115 million and EUR 35 million respectively.

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

For the PMO, the estimated overall amount at risk⁸ for the 2015 payments made is 18.23 M€ (compared to 38.90 M€⁹ in 2014). This is the AOD's best, conservative estimation of the operational amount of expenditure authorised during the year (4,962 M€).

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected.

The overall conclusion on the basis of all controls carried out by the PMO units throughout 2015 confirms the high quality of internal control and the global financial error rate remaining largely below 2 % (cf. materiality criteria in Annex 4). Given that this error rate is calculated using risk-based sampling and that all identified errors are corrected, the residual financial error rate can be considered as significantly lower. Moreover, the beneficiaries of PMO payments (staff and their families) represent a population that remains stable over time. This implies that corrections made following the identification of errors have a positive impact not only on the past but also in the future.

The results of cited ex-ante and ex-post controls carried out throughout the PMO in 2015 confirm that the total error rate remains consistently low. The ex-post results also provide assurance on the effectiveness of the ex-ante controls. The PMO continues to invest in improving its control strategy using the control results.

Control efficiency and cost-effectiveness

COST OF CONTROL

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls.

The PMO has produced an estimation of the costs of the main control processes. However, since a quantitative estimation of the volume of errors prevented and detected is not available, it is only possible to quantify a part of the related benefits, other than the amounts recovered as a result of these

⁸ In order to calculate the weighted average error rate (AER) for the total operational expenditure in the reporting year, detected, estimated or proxy error rates have been used (not the RER).

⁹ In 2014, the guidelines required the calculation of the amount at risk to be based on the total payment appropriations in table 2 of Annex 3, which does not include the expenditure in areas where the PMO only manages payment appropriations). Hence, the amount at risk for 2014 has been adjusted from 29.86 M€ to 38.90 M€.

controls.

In consequence, it is not possible to determine the cost-effectiveness of controls by comparing costs with benefits; it is necessary to consider the efficiency indicators retained. To do so, the PMO has defined efficiency measures for the controls associated with the core processes:

For controls related the 'establishment/modification of salaries, post-activity and related entitlements' (cf. Annex 5 – ICT 1), the operational activity representing 91.5 % of operational expenditure, the investment in control resources is difficult to determine as controls are embedded in day-to-day management of all files. Hence, the evaluation of control efficiency needs to be evaluated over time, through comparison of the efficiency in files managed per staff member. The table produced in the section 'The Year in Brief' (page 7-8) compares the global evolution of the workload (expressed in number of files) and the evolution in staff (expressed in Full Time Equivalents -FTE). The overall evolution of all operational activity (combining 'establishment of salaries, post-activity and related activities' and 'reimbursement of medical, mission and expert claims') is considered, as the 'reimbursement' activity only represents 8.5 % of global operational activity. The results show an 11.61 % – for all operational activity combined – increase in workload set against a 0.90 % decrease in staff FTE. This shows that over the course of one year, there is a significant increase in efficiency regarding the number of files handled per staff member.

For financial circuits an estimated EUR 402,000 was invested in controlling over 29,148 financial transactions¹⁰ (payment orders) worth EUR 4,581,833,000. Thus 0.01 % of the total amount paid was dedicated to control. Each financial transaction costs an estimated EUR 13.79.

For supervisory measures an estimated EUR 9,529 were invested in controlling 66 financial transactions worth EUR 489,021,552. The unique nature of the PMO's activity, consisting mainly of recurrent mass payments of wages and pensions, explains why a limited number of transactions cover a vast amount of payments. The ex-post control on financial transactions documented under heading 4.1.1.5 Transactions validated by the Authorising Officers by Sub Delegation (AOSD) further details this measure. As in previous years, no errors were found. Thus 0.002 % of the total values of transactions checked ex-post were dedicated to control. Each transaction or procedure checked ex-post costs an estimated EUR 144.

A second indicator shows the efficiency in payment processing through the total value of late interest paid. In 2015, no late interest has been paid, confirming the efficiency of the payment process.

The main benefits of control can be expressed in non-financial terms: an efficient and effective internal control system allows for accurate

¹⁰ Excluding expert reimbursements - PMO.5 Luxembourg- and the medical claim reimbursements that fall under the responsibility of the settlements offices in Luxembourg, Ispra and Brussels.

management of incoming claim and definition of entitlements at the source, avoiding errors with a long term impact. It also ensures compliance with regulatory provisions.

To reach an absolute conclusion as of the relative efficiency of the controls, it is preferable to analyse the evolution of these efficiency indicators over time. However, the results of the efficiency indicators from the previous and current year give the assurance that control management is highly efficient.

See also internal control templates in annex 5.

Fraud prevention and detection

The PMO has developed its anti-fraud strategy as programmed in the Commission's overall anti-fraud strategy¹¹. The latest status update shows that the action plan for 2014-2015 has reached a 95 % degree of implementation. The PMO will revise its current strategy in line with the new OLAF requirements expected to be issued in 2016.

In the regular ex-post supervision carried out, specific anti-fraud related checks are included.

The anti-fraud related key indicators, as set out in the anti-fraud strategy, are:

Objective	Indicator	Results 2015
Awareness raising of potential fraud among staff and beneficiaries	Number of items published (MyPMO, My IntraComm, PMO Newsletter, ...)	A reader-friendly summary of the anti-fraud strategy has been published on the intranet.
Detection of fraud	Number of cases transmitted to OLAF and IDOC	100 % of all potential cases are transferred to OLAF and IDOC, a result ascertained by the creation of a legal service at the PMO.
Reporting of fraud	Number (and amount) of recoveries following establishment of fraud	N/A

The authorising officers by sub-delegation (AOSD) report twice per year on their activities to the Director with the obligation to explicitly mention any anomalies that occurred. No material issues were reported.

¹¹ COM(2011) 376 24.06.2011.

The degree of implementation of the anti-fraud strategy, internal control results and the evaluation of the yearly risk analysis exercise covering also fraud-related risks, give reasonable assurance that the fraud risk is sufficiently managed and mitigated.

Other control objectives: use of resources for their intended purpose, reliability of reporting, safeguarding of assets and information

Due to the nature of the activities carried out by the PMO, management has a particular interest in the **management of information**. To obtain sufficient assurance that all data processed by the PMO is accurate and sufficiently protected, specific measures have been created and specific indicators are closely supervised.

- Granting of access to the Information Systems is centralised and a yearly verification of all persons being granted access is carried out.
- The exception registry is kept up to date on a day-to-day basis.
- Regarding the accuracy of data processing, a key performance indicator measures the number of article 90 complaints are upheld. The yearly number should not exceed 10 % of all complaints received. The percentage achieved in 2015 was 8 %.

The reimbursement of medical claims in the framework of the Joint Sickness Insurance Scheme (JSIS) and the payment of unemployment benefits, results in additional control objectives for the related JSIS fund and the Unemployment Fund. Hence, disregarding the fact that the PMO is not responsible for either fund, a number of control actions are carried out by the Office:

- JSIS: an independent audit is carried out every year by an external auditor, resulting in a clean audit opinion in the previous years, including the most recent audit report on financial year 2014;
- The evolution of the Unemployment Fund is carefully followed by the PMO. In 2015, the fund fell below EUR 3 million; this has been reported to all stakeholders and addressed in a working group with DG HR and DG BUDG that follows up on the situation.

In conclusion, both funds are submitted to follow-up controls set up by the PMO, revealing no material issues.

In all related aspects, no material anomalies were detected in 2015.

Audit observations and recommendations

This section reports and assesses the observations and conclusions reported by auditors which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

The PMO is audited by both internal and external independent auditors: the Commission internal audit service (IAS) and the European Court of Auditors (ECA). In 2015, DG BUDG issued an audit report following an audit of our local IT systems.

1.1.11 Audits carried out by the IAS and DG BUDG

In 2015, the **IAS** has completed one audit and one follow-up audit:

- An audit on Absenteeism

Audits	Results
Audit on the 'Effectiveness of the Management of Absenteeism in the Offices'	The audit resulted in two recommendations for the PMO. The action plan has been accepted and implementation of the actions has started.

- A follow-up audit on 'Local IT' and 'Audit NAP'

Audits	Results
Follow-up audit on 'HR IT Corporate Application – NAP' and 'Management of local IT'	The follow-up audit resulted in the IAS decision to accept and close the two recommendations declared as implemented. Also ref. item d.

An evaluation of all outstanding IAC recommendations has been carried out by the IAS in 2015. From the 20 recommendations outstanding as per 31 December 2014, a total of 14 or 70 % was reported closed by the management (two in January 2016). The outstanding recommendations relate to:

- Follow-up audit (IAC) 'Contracts related to the management of missions': the three outstanding recommendations have deadlines set in March 2016. The further actions require the further development of IT applications. Consequently, regarding the implementation of audit recommendations, the PMO is not entirely independent due to the majority of IT developments being carried out by DG DIGIT. Hence, the number of audit recommendations waiting further IT developments is as predominant as in 2014.
- Follow-up audit (IAC) on 'Effectiveness and efficiency of the mission management workflow': one recommendation is still open. The implementation of the action plan is on track.
- Follow-up audit (IAC) 'Management of accidents' insurance': after follow-up of all implemented recommendations, the IAS concluded that all but one recommendation could be accepted and closed. The reopened recommendation is heavily dependent on a long term IT

- application development.
- d. Two recommendations issued after the IAS audit of the 'HR IT Corporate Application – NAP', remain outstanding. Implementation is expected by March and May 2016.
 - e. 2 new recommendations resulting from the audit on absenteeism in the Offices were issued in 2015.

The overall conclusion of management is that the level of progress in all internal control related aspects is satisfactory and that the outstanding recommendations have no material impact on the global assurance.

1.1.12 IAS opinion

Based on:

- all work undertaken by the IAS in the period 2013-2015, namely, Audit on effectiveness of the management of absenteeism in the Offices (OIB, OIL and PMO) (2015)
- all work undertaken by the former IAC of your Office in the same period, namely, 'Audit on the effectiveness and efficiency of the mission management workflow'

and taking into account that:

- for the accepted recommendations made by the IAS and the IAC in 2013-2015, management has adopted plans to implement them which the IAS considers adequate to address the residual risks identified by the auditors,
- the implementation of these plans is monitored through reports by management and through follow-up audits by the IAS,
- management has assessed a number of action plans not yet followed up by the IAS as implemented, and
- management has not rejected any critical and/or very important recommendations.

Conclusion on the state of internal control

I, Philippe Taverne, conclude that the internal control systems audited are overall working satisfactorily although a number of very important findings remain to be addressed in line with the agreed action plans as listed in the appendix. Particular attention should be given to the impact of the delays observed in implementing four very important recommendations on the management of missions and accident insurance files.

1.1.13 Court of Auditors

As in previous years, the European Court of Auditors concluded in Chapter 9 on Administrative Expenditure of the Institutions - of which 60 % of all payments are HR-related: payment of salaries , pensions and related entitlements (9.3 in the report) - of the 2014 annual report, that the supervisory and control systems are effective (9.11 and 9.17 in the report). The Court further estimated, based on the audit results, the most likely error rate (related to ineligible and incorrectly calculated staff allowances and related benefits) to be 0.35 % (9.7 and graph 9.2 in the report). The overall administrative expenditure is not affected by a material level of error.

The Court clearly stipulates that no significant weaknesses were identified. However, the audit did note some persistent weaknesses in the management of social allowances, as it had in the previous year. The observation reissued by the Court in 2014, relates to the insufficient updating of family situations by staff members. The PMO acknowledged this weakness and reviewed its procedures to grant entitlements on a provisional basis, by giving them an expiration date. In addition, a systematic follow-up of the family situation will be ensured in the near future.

It is worth noting that every year, the European Court of Auditors audits a number of payment transactions in the framework of their DAS audit activities. In 2015, a sample of 43 payment transactions (mostly mass payments), was audited in order to verify the compliance of the transactions with legality & regularity criteria. No material errors were found.

1.1.14 Conclusion

The audit work and opinions by both internal and external auditors reveals that the internal control system in place at the PMO gives reasonable assurance regarding the achievement of the business objectives. Closing the recommendations issued both in 2015 and in previous years, reflected in the strong reduction of outstanding recommendations, remains an important indicator for management. In the 2016 management plan, the PMO aims to close all critical/very important IAS recommendations outstanding for more than 12 months.

Assessment of the effectiveness of internal control systems

The Commission has adopted a set of internal control standards, based on International good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

The PMO has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The inherent risks to which the PMO is exposed are related to the main fields

of activity:

- The establishment of entitlements requires profound knowledge and experience of the staff regulations and legality and regularity criteria. A decision on an entitlement has recurring material financial implications for a long period (depending on the nature of the entitlement);
- A reimbursement claim can result from a decision made by another service (recruitment, mission, leave, etc.) or from an individual request from a staff member. The vast number of claims, the shared responsibility with other services and the varying complexity are also inherent risks to the achievement of PMO objectives.

The Internal Control Template and the related control indicators are attached in Annex 5.

The PMO's annual review of its implementation of the Internal Control Standards (ICS- 15) was based on an initial desk review by the ICC staff, followed by a thorough evaluation by the PMO's management, responsible for the implementation of the Internal Control Standards. This has led to a documented 'top-down' assessment of the office's internal control status at the end of the reporting year, with respect to both the ICS compliance and the effectiveness of the control arrangements in place.

The 'bottom-up' information on internal control issues received through the AOSDs' Management Reports has been checked for confirmation or any counter-indications. No material issues regarding the compliance with the internal control standards were detected. The registry of exceptions did not register any internal control weaknesses.

Further to this, the yearly risk analysis exercise, carried out by the Internal Control Coordinator, enabled the Office to update its risk registry and help prioritise the Internal Control Standards for 2016. The risk analysis shows that the main risks are sufficiently managed by the Internal Control System.

The evaluation of the internal control standards did not reveal material issues with regards to the reasonable assurance given by the Director. The implementation of the standards shows no deterioration compared to previous years, and shows a general improvement on the standards. In particular the prioritised standards have improved compared to 2014.

In 2015, 4 sensitive posts are occupied by the same staff member for a period surpassing the five year threshold due to resource constraints. Risk analysis revealed that the most cost-efficient solution was to not remove the persons but add a level of supplementary review by management.

In the 2015 Management plan, the management meeting dedicated to the evaluation of the Internal Control Standards decided to prioritise two Internal Control Standards. Throughout 2015, these prioritised standards were closely followed and activities monitored.

ICS 3 – "Staff allocation and mobility"
ICS 8 – "Processes and procedures"

To have the right person at the right place at all times has been a prime objective of the PMO over the last years. The follow-up of staff turnover is done regularly and natural departures are also closely monitored. This follow-up is crucial to assess the needs to replace directly those leaving, re-assign the post to another unit or set aside the post for future usage or redeployment elsewhere in the Commission.

The technical improvements obtained in some of PMO's information systems are also a source of potential re-assignments, for instance to cope with new tasks following the signature of new SLAs with other institutions and agencies. The workflow simplifications generated by the new improvements of PABS, for example, allowed for a net reduction of 10 posts in the unit dealing with the file "transfer of pension rights". This reduction as well as several reorganisations done in different units (PMO.1, PMO.2, PMO.4 in January 2016 and PMO.8) allowed for better taking into account the service needs and facing the challenge of absorbing the "Laissez-Passer" service.

All these mobility opportunities were generally welcomed by our contractual agent population, for which mobility remains a concern. The different re-assignment exercises were framed by information sessions with the staff concerned – several in the presence of the Director – and followed-up by the Human Resources Unit. Training was offered to smoothly the transition from one job to the other and those involved were able to convey their mobility experience in short video interviews, published on PMO's intranet and viewed by a significant number of colleagues. These success stories are good incentives for those contemplating mobility but still not decided.

The need for mobility and the need to be able to use one's talents as best as possible was also raised in PMO's Away Day, organised in September 2015. To address these and other issues, two action plans were adopted, one at PMO level regarding the optimisation of PMO's working conditions and the other at HR unit level on HR-related matters. Issues like mobility and staff assignment are covered by both. The implementation rate and success of both plans will be assessed regularly in 2016.

Another ancillary aspect of PMO's focus on mobility and motivation is the management of its absenteeism. PMO has a strategy in this field and continued to monitor its absenteeism rates closely. In 2015 the IAS conducted an audit on the way the Offices managed absenteeism and on the corporate support given by DG HR. Following the recommendations made at the end of audit an action plan was drafted and adopted. Both the strategy and this action plan are important tools to avoid serious breaks in the quality and quantity of the service we deliver, as well as a negative impact on those present and their

motivation.

In order to improve and develop the internal control standards, specific attention will be directed to three specific standards: ICS 3 – 'Staff allocation and mobility', remains a priority, due to the continued development of IT applications with a major potential impact on working procedures and career of PMO staff. ICS 8 – 'Processes and Procedures' as the continuous optimisation and automation of the processes results in fundamental changes in working procedures, job descriptions and workload of staff requires the PMO's attention. Hence, further focus will be dedicated to assess the impact on processes and procedures. And finally, ICS 7 – Operational Structure, as current as well as future major IT developments, and their impact on the operational structure of the PMO need to be carefully assessed and possibly addressed.

In conclusion, the internal control standards are effectively implemented. In addition, the PMO has continued to take measures to further **improve the efficiency of its internal control** systems in the area of Processes and Procedures (ICS 8) where in the field of reimbursement of mission, expert and medical expenditure, the internal control methodology was reviewed entirely to improve efficiency and economy of control, while maintaining a high degree of effectiveness.

Conclusions as regards assurance

This section reviews the assessment of the elements reported (in Sections 2.1, 2.2, 2.3 and 2.4) and draws conclusions in support of the declaration of assurance and namely, whether it should be qualified with reservations.

1.1.15 Review of the elements supporting assurance

The information reported in Sections 1 and 2 stems from the results of management and auditor monitoring contained in the reports listed:

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director of the PMO.

1.1.16 Overall conclusion on assurance

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

DECLARATION OF ASSURANCE

I, the undersigned,

Head of Service of the PMO

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view¹².

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

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

Brussels,



Marc Lemaitre

¹² True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.

