

2018

Annual Activity Report

Annexes

DG BUDGET

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ANNEX 1: Statement of the Director(s) in charge of Risk Management and Internal Control

I declare that in accordance with the Commission's communication on the internal control framework¹, I have reported my advice and recommendations on the overall state of internal control in DG BUDG

I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

Brussels, 8 April 2019

signed

***Daniela GHEORGHE
Director in charge of Risk Management and Internal Control***

¹ C(2017)2373 of 19.04.2017.

ANNEX 2: Reporting – Human Resources, Better Regulation, Information Management and External Communication

2.1. Human resource management

Objective: The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions

Indicator 1 : Newly appointed female managers in middle management

Source of data: HR 01.02.2018

Baseline (HR 01.05.2017)	Target (2019)	Latest known result (2018)
0	3	3

Indicator 2 : Percentage of staff who feel that the Commission cares about their well-being

Source of data: Commission staff survey

Baseline (2014 Staff Survey)	Target (2020 Staff Survey)	Latest known result (2018)
33.2 %²	40 %³	53 %

Indicator 3 : Staff engagement index

Source of data: Commission staff survey

Baseline (2014 Staff Survey)	Target (2020 Staff Survey)	Latest known result (2018)
67.4 %	70 %⁴	75 %

² Categories taken into account: slightly agree, agree.

³ This target aims at an improvement of the baseline (results of the 2014 Staff Survey).

⁴ This target aims at an improvement of the baseline (results of the 2014 Staff Survey).

Main outputs in 2018:

Description	Indicator	Target	Latest known result 2018
Flexibility of staff and building bridges across the DG	Number of "working together" traineeships per year	≥ 10	13
	Horizontal working groups	According to needs	Around 20 cross-directorate networks
Internal mobility favours the efficient and effective operation of the DG through increased motivation and broadened experience of staff, while ensuring continuity of service	Internal mobility rate (%)	≥ 5 %	7,9 %
High satisfaction rate enhances engagement and motivation of staff	Average satisfaction rate of DG BUDG staff on in house training	> 80 %	86.1%
	Perception of BUDG staff of balance between private and professional life	≥ 60 %	61% (above EC average: 57%)
	Perception of BUDG staff on equal opportunities as opposite gender	≥ 60 %	49% (EC average 50%)

2.2. Information management aspects

Objective : Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable

Indicator 1 (mandatory – data to be provided by DG DIGIT): Percentage of registered documents that are not filed (ratio)

Source of data: Hermes-Ares-Nomcom (HAN) statistics

Baseline	Target	Latest known result (2018)
0.08 %	0 %	0.31 %

Indicator 2 (mandatory - data to be provided by DG DIGIT): Percentage of HAN files readable/accessible by all units in the DG

Source of data: HAN statistics

Baseline	Target	Latest known result (2018)
97 %	97 %	91 %

Indicator 3 (mandatory data to be provided by DG DIGIT): Percentage of HAN files shared with other DGs

Source of data: HAN statistics

Baseline	Target	Latest known result (2018)
0 %	20 %	36 %

Indicator : Number of cases where an important document could not be retrieved and resulted in a report to the DMO

Source of data: register of "exceptions" to be created

Baseline	Target	Latest known result (2018)
0	0	0

Main outputs in 2018:

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result 2018</u>
Document management			
Important documents are registered, filed and retrievable	Percentage of registered documents filed in Nomcom	> 99 %	99.69 %
Access to important documents is guaranteed at the long term	Number of files with a retention code in Nomcom (Follow-up on archiving procedure in Hermes Preservation System)	100 % of files have a retention code	100 %
Documents are shared and reusable by other DGs.	Percentage of files accessible to other DGs	20% In 2018 the filing plan will be reviewed for the all DG, at this occasion we will further examine the accessibility of files	36 %
Internal Communication			
BUDG Management Video Readout	Regular publication on the next day after management meeting	> 90%	69 % - due to the very busy schedule of the Senior Management, many video readouts published latest two days after the management meeting. Due to a reduced number of viewers, the weekly readouts will be replaced by a weekly newsletter as from March 2019.
BUDG Units presentations on BUDGnet	Regular presentation of BUDG units on BUDGnet	At least 15 units	14 lunchtime conferences organised covering 8 BUDG units. Average of two publications a month on BUDGnet about activities of BUDG colleagues (work related and outside work events)

2.3. External communication activities

Objective: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU

Indicator 1 : Trust in the European Commission

Definition: Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual DGs' actions may only make a small contribution.

Source of data: Standard Eurobarometer (DG COMM budget) [monitored by DG COMM [here](#)].

Baseline: November 2014	Target: 2020	Latest known result (2018)
Eurobarometer n° 83 – Spring 2015: 40%	Increase	Eurobarometer n° 90 – Autumn 2018: Positive: 42 %

Indicator 2: Integrated Financial Reporting Package: Feedback from users based on on-line satisfaction survey

n/a (new indicator)	Majority positive feedback	No online satisfaction survey done. Generally, the feedback from stakeholders was positive. The new summary brochure was particularly well received.
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Indicator 3: MFF post 2020 communication activities: Feedback on the MFF communication campaign

n/a (new indicator)	Majority positive feedback	Numerous communication actions took place and were well received; this included a dedicated MFF presentation in all EU languages as well as brochures gathering all legal texts, which were deemed helpful for communication and in the process of negotiations.
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Indicator 4: MFF post 2020 communication activities: Eurobarometer survey

n/a (new indicator)	Improvement in citizens perception about the EU budget (benchmark : surveys 2015 and 2017)	Standard Eurobarometer of autumn 2018 (EB 90 Fir): - Gap between perceptions and expectations of Europeans regarding EU budget continues to exist. - Respondents most likely to think EU spends most of its budget on administrative and personnel costs and buildings. However, there was a slight decrease in this number, from 34% in April 2017 to 29% in 2018. - In reality, the EU spends less than 7% of annual budget on administration.
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Indicator 5: EU budget website migration and upgrade - Feedback from users based on on-line satisfaction survey

n/a (new indicator)	Majority positive feedback	The website migration was postponed to early 2019.
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Annual communication spending (based on estimated commitments):

Baseline (2017):	Target 2018: EUR 625 000	Total amount spent : EUR 630 000	Total of FTEs working on external communication
<p><u>BUDG budget: EUR 307 500</u></p> <p>Paper & e-publications = EUR 150 000</p> <p>Web mastering = EUR 157 500</p> <p><u>via COMM budget : EUR 140 000</u></p> <p>Conference on the future of Europe finances</p> <p>Communication material related to the future of Europe finances and post-2020 MFF</p>	<p>DG BUDG budget lines:</p> <ul style="list-style-type: none"> • 200 000 – publications (paper, e-publications and translations) • 5 000 open doors day – conferences, meetings • 270 000 web mastering – Technical Assistance <p>DG COMM budget line(s) – see ARES(2017)354436 as amended in April 2017:</p> <ul style="list-style-type: none"> • 50 000 4th Conference on EU Finances /MFF • 30 000 Public consultation and events in Member States on MFF post-2020 • 70 000 MFF post -2020 proposal communication material 	<p><u>BUDG budget: EUR 470.000</u></p> <ul style="list-style-type: none"> • Paper & e-publications layout and print, distribution, storage and graphic design resources <u>EUR 200 000</u> • Technical assistance, web mastering <u>EUR 270 000</u> <p><u>COMM budget: EUR 160 000</u> (see Ares(2018)829995 - 13/02/2018)</p> <ul style="list-style-type: none"> • Conference on Budget Focused on Results EUR 40.000 • Open doors day EUR 9.000 • Journalist seminar on the MFF EUR 35 000 • Europa Web transformation resources – Web mastering EUR 76 000 	7

ANNEX 3: Draft annual accounts and financial reports

See separate document

ANNEX 4: Materiality criteria

The activities of BUDG can lead to four types of reservations:

- ❖ Materiality criteria related to the **budget executed by BUDG** itself. As the budget managed directly by BUDG is rather limited, the main control indicators are based on results of ex ante controls, exception reporting, work done by the IAS, and feedback from the annual internal control review. Taking into account the low total amount of credits executed, reservations will be made if the residual risk of error on legality and regularity of the underlying transactions is higher than 2 %. In addition to the management of own credits, BUDG also covers horizontal financial activities such as treasury, guarantees such as those related to competition fines and VAT reimbursement. As these transactions are not directly linked to expenses, reservations will be made if fraud during the processing of these transactions in BUDG has been observed.
- ❖ As regards revenue financial operations relating to the collection and making available of **own resources**, BUDG analyses the systems set up by Member States and assesses whether they provide reliable assurance as regards the accuracy of the information provided and the legality and regularity of these operations. In case BUDG determines that it cannot rely on some of these systems for assurance purposes, it would qualify its annual Declaration of Assurance in case the amount of revenue concerned has the potential to exceed 1 % of the total relevant resource-segment (i.e. TOR, or VAT/GNI -based own resources).
- ❖ Materiality criteria related to **systemic responsibilities for BUDG**. BUDG has the responsibility at Commission level for: securing of resources needed to implement the European Union's policies; the management of the budgetary regulatory framework; the implementation of the budget in compliance with the rules; the preparation of the annual accounts of the institutions; and the contributing to sound financial management in Commission departments. Beyond its own operational responsibilities, it is a horizontal department operating as a service provider and thus also bears responsibility for the development and quality of the relevant processes. BUDG would consider making a reputational reservation (see below) if the review of the relevant processes, including those related to the Accountants responsibilities, identifies important weaknesses in the implementation of the underlying systems and tools or, in case of major changes, if the evidence on the outcome of the change was not yet available.
- ❖ Materiality criteria related to **reputation issues**. In line with the Commission's instructions, a combined or separate reputational reservation will be made for events that could cause serious damage (in terms of 'duration' + 'scope' of political/press/citizen attention) to the Commission's image due, for example, to financial fraud inside BUDG or serious breaches on provisions of the Treaty, linked to BUDG's activities.

ANNEX 5: Relevant Control Systems for budget implementation (RCSs)-

TOR, VAT and GNI

A –MS statements and collection of resources

Main control objectives: Timely and accurate collection of Own Resources from Member States

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)
Member States do not provide the corresponding underlying data	Calculation of the amounts requested in the monthly call for funds (VAT, GNI and corrections)	Exhaustive control (100 %)	Costs: estimation of cost of staff involved
Member States (MS) not paying amounts of Own Resources due or not paying them promptly.	Control of the TOR statements and introduction of information in the unit's database Control of receipt of VAT annual statements and entry of the data to the relevant data base		Effectiveness: % of national contributions and TOR amounts reported in the A statements made available timely Number of accounting documents generated for actual/potential corrective payments by Member States of principal or interest ⁵
(This risk is common to all three resources. BUDG monitors receipt of timely and full making available of resources)	Follow-up of related payments by using information received from the treasury: control of the correct amount and the respect of the due date. Delays in paying own resources give rise to payment of interest by the MS concerned.	100 % of MS contributions	Number of open infringement files and their annual variation Number of Commission infringement decisions taken (Art. 258 TFEU)
	Immediate reminders for the outstanding payments are sent, supported with contacts at high level. Infringement procedures are launched when necessary.	100 % of standing amounts are followed- up	Efficiency: Timely and comprehensive collection of Own Resources, considered free from material error (n.q)

⁵ Number generated by all control activities covering TOR.

Main risks It may happen (again) that...	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)
	Communication of elements that are considered relevant for units in charge of control of own resources (enrolment due to a specific demand resulting from a control report) in line with the internal rules.	100 % of relevant elements identified	Economy Low Proportion of overall cost of controls over total value of contributions dully collected and on time
	Contacts with MS aimed at preventing the risk materialising and to anticipate information on a possible delay on payments.	In case there is information suggesting Member States might delay payments.	
	Pre and post-event reminders (VAT)	100 % of MS	

B – Verification of TOR collected and VAT OR base calculation by MS/ Calculation of GNI contributions ⁽⁶⁾

Main control objectives: Obtain assurance on:

- a) The key procedures and systems in each MS that ensure correct and timely collection and making available of TOR.
- b) The data on which VAT and GNI OR contributions are calculated has been correctly compiled by Member States (including scrutiny of the adequacy of relevant systems and procedures).

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
Irregularities/errors in MS systems and/or statements might remain undetected and funds not duly collected. (TOR)	On-the-spot TOR inspections in Member States according to an annual programme, covering risk based selected customs areas and Member States' TOR accounting (A and B accounts).	Risk based annual inspection programme	<p>Costs: estimation of cost of staff involved and travel and subsistence budget for on the spot controls.</p> <p>Effectiveness: Timely assessment of Member States' write-off reports for irrecoverable amounts of TOR and of individual cases of financial responsibility.</p>
Economical operators are not providing complete and correct customs declarations reducing the amount of import duties payable and, consequently the TOR available to the EU budget	<p>Inspections are specially focused on Member States control systems and risk assessment for the performance of these controls.</p> <p>A database is maintained with reported cases of irregularities and fraud (it serves as an input to risk-based analysis of inspection programmes)</p>		<p>Reasonable assurance can be given on the compliance of total value of TOR collected with relevant regulation (q.)</p> <p>Continuous improvement of MS internal control systems for TOR collection for instance by providing common audit tools. (n.q.)</p> <p>Amounts of TOR corrected and recovered from MS derived from irregularities detected by controls (q.)</p> <p>Efficiency: Complete and timely implementation and reporting of TOR inspections in accordance with the annual programme</p>

⁶ Verification of the underlying data for GNI OR is managed by ESTAT with BUDG managing and undertaking only those aspects directly applicable to budget accounting. BUDG draws assurance of the correctness of the underlying data by attending GNI Committee meetings so as to be informed about the content and results of the verification programme operated by ESTAT. In order to present the whole control activity performed on GNI data at Commission level, and purely for information purposes, the [Internal Control Template of controls performed by ESTAT has been included](#).

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
	Assessment of Member States' write-off reports	100 % of Write- Off reports communicated via the WOMIS IT application	Economy: Proportion of overall cost of controls over total value of TOR collected and/ or over the total amount of errors detected and recovered from MS.
	Follow-up of individual cases of financial responsibility	100 % of cases detected	
<p>Member States may not have compiled their annual VAT statements in compliance with the legal requirements leading to incorrect VAT OR contributions being collected.</p> <p>Time-bar may be activated before statements are subject to verification</p>	<p>Annual programme of on-the-spot inspections (in conjunction with ESTAT for some areas) ensuring that every annual VAT statement furnished by every Member State is subject to checks on its accuracy and completeness.</p> <p>Annual programmes assembled on basis of risk of statements going out of time.</p>	<p>Annual programmes of inspections covering 100 % of statements for all Member States over a 2 to 3 year cycle</p>	<p>Costs: estimation of cost of staff involved and travel and subsistence budget for on the spot controls.</p> <p>Effectiveness:</p> <p>Obtain reasonable assurance that total value of VAT OR collected has been calculated on compliant VAT OR bases (q.).</p> <p>Provide reassurance to Member States that all are measured against the legal standard (n.q)</p> <p>Deter non-compliant behaviour and motivate Member States to fulfil obligations (n.q)</p> <p>Fulfilment of Commission legal obligation under Regulation 1553/89 (n.q)</p>
Incorrect amounts of VAT own resources being obtained because Member States fail to enact EU VAT legislation correctly	Scrutiny of infringement action taken by TAXUD to identify and follow-up all cases with the potential to affect the VAT base.	100 % of infringements are analysed and followed up if considered relevant to VAT OR.	<p>Ensure compliance of MS regulations on VAT with EU Regulation. (n.q.)</p> <p>Number of statements not subject to verification prior to becoming time-barred</p> <p>Efficiency: Complete and on time implementation of agreed programme of inspections throughout the cycle.</p>

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
			<p>Economy: Proportion of overall cost of controls over total value of VAT resources collected compliant with regulations.</p>
<p>Incorrect GNI contributions are calculated because of poor data from Member States</p>	<p>Member State provision of GNI data is subject to a peer-review system in the GNI Committee supplemented by ESTAT verification programme ensuring that data furnished by Member States is comparable, reliable and exhaustive.</p>	<p>Number of GNI committees organised (twice a year)</p>	<p>Costs: Estimation of cost of staff involved and travel and subsistence budget for on the spot controls.</p> <p>Effectiveness and Efficiency: See indicators reported by ESTAT in the ICT on the verification of GNI data</p> <p>Correct and compliant distribution of Member States share of GNI is calculated (n.q.)</p> <p>Economy: Compliant distribution of GNI achieved with a reasonable cost.</p>
<p>Incorrect GNI contributions are calculated because ESTAT provides BUDG with incorrect GNI OR data (B2)</p> <p><i>(GNI resource is the balancing resource and therefore there is no question of a shortfall in receipts but merely in the question of properly allocating their distribution across the MS)</i></p>	<p>MOU between ESTAT and BUDG covering respective, roles, parameters for setting reservations and flows of information.</p> <p>Information received from GNI Committee and via digest from ESTAT – reconciliation possible.</p>		

C – Follow-up of verification results

Main control objectives: Ensure that results from inspections are implemented (Funds recovered, corrections made, infringements initiated ...)

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
Anomalies identified might not be explained or resolved.	Following up financial consequences of TOR control activity: on the spot inspections, assessment of Member States Write-Off reports and of individual cases of financial responsibility.	100 % of irregularities detected , MS write-off reports and individual cases of financial responsibility	<p>Costs: estimation of costs of staff involved</p> <p>Effectiveness: Financial irregularities detected are corrected / recovered (q.)</p> <p>Deficiencies (administrative, legal and financial) detected in Member States local systems and procedures are corrected (n.q)</p> <p>Efficiency: % of financial irregularities followed up via recovery orders created and paid (TOR)</p> <p>Proportion of VAT reservations in place for more than 5 years.</p> <p>% of VAT and TOR reports presented at first available ACOR meeting.</p> <p>Economy:Proportion of overall cost of controls over total TOR/ VAT resources collected compliant with regulations and/ or over TOR irregularities recovered</p>
	Submit TOR and VAT inspection reports to ACOR for scrutiny and discussion in Committee	100 % of TOR and VAT inspection reports presented at ACOR	<p>Costs: estimation of cost of staff involved</p> <p>Effectiveness: Provide transparency of the control activity and assurance to Member States of equal measurement against agreed standards and equal treatment when performing controls.</p> <p>Areas for improvement detected are shared with all Member States</p> <p>(n.q.)</p>

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
	Follow up of apparent VAT anomalies and identified infringements via notification of reservations and monitoring progress until the reservation can be lifted and any necessary corrective action taken (follow-up database)	100 % of reservations are followed-up	<p>Costs: estimation of cost of staff involved.</p> <p>Amounts to be verified don't became time-barred (n.q)</p>
	Initiate infringements procedures against non-compliant Member States	100 % of applicable cases	<p>Costs: estimation of cost of staff involved.</p> <p>Effectiveness: Ensure compliance with Own Resources EU regulation(n.q)</p> <p>Provide legal clarity on the application and interpretation of the legal framework for Traditional Own resources (case law) (n.q)</p>
	Follow-up of TOR findings made by the ECA during its audits in Member States	100 % of findings followed-up	<p>Costs: estimation of cost of staff involved.</p> <p>Effectiveness: Ensure implementation of corrective/remedial action to resolve detected shortcomings and the recovery of amounts related to the errors detected (n.q)</p>

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
GNI irregularities/potential irregularities detected are not properly followed- up because no reservation is set	Guidelines agreed by ESTAT and BUDG on the correct use of GNI reservations (annex of MOU between the two DG').	100 % of reservations requested by ESTAT are properly and timely notified to MS	<p>Costs: estimation of cost of staff involved.</p> <p>Effectiveness: GNI data used for own resources calculation is correct and necessary corrective action is not time-barred.</p> <p>Percentage of communications from ESTAT regarding setting, lifting or varying GNI processed within 4 working weeks</p> <p>Efficiency: Compliant and timely management of GNI reservations</p> <p>Economy: results achieved with a reasonable cost.</p>

2- UK correction calculation

Main control objectives: Ensure that calculations on UK correction are correctly made.

Main risks	Mitigating controls	How to determine coverage frequency and depth*	Cost-Effectiveness indicators (three E's)
UK correction is incorrectly calculated	<p>Calculation of the correction is conducted separately by two different officials of the unit in charge.</p> <p>One of the main inputs for the calculation (allocated expenditure information) is checked and reconciled with accounting information.</p> <hr/> <p>Parallel calculation is made by two additional officials from a different unit in the DG.</p>	Yearly calculation	<p>Costs: estimation of cost of staff involved.</p> <p>Effectiveness: % error rate detected after calculation.</p> <p>Efficiency: Calculation is made correctly and on time.</p> <p>Economy: Proportion of overall cost of controls over total amount of amounts correctly calculated and paid. Amounts paid to the Member State concerned are accurate and ulterior corrections are avoided.</p> <p>(q)</p>

Verification of GNI data – ESTAT ICT⁷

Stage 1: GNI Verification - multiannual

Main control objectives: Ensure GNI data are consistent with ESA

Main risks	Mitigating controls	How to determine coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
GNI inventories of MS are not submitted on time in sufficient quality	Detailed GNI inventory guidelines and GNI Inventory Assessment Questionnaire	GNI inventories of all MS, depth of controls based on risk assessment	Effectiveness: Number of inventories available by the agreed deadline, number of requests to MS to submit revised inventories.
Reservations on GNI data are incorrectly set or not set at all	Detailed checks of inventories, cross-country analyses, carrying out of information visits including direct verification exercises. Peer review through participation of GNI Committee (GNIC) experts in GNI visits and communication of mission reports to the GNIC.	Sources and methods for estimation of GNI for all MS, depth of controls based on risk assessment	Effectiveness: Number of action points and reservations placed
Member States do not perform the work required to address action points and reservations	Detailed checks of applied methodology in MS's reports and other available information	Coverage: all MS	Effectiveness: Regular GNIC documents (twice a year) on the state of play of action points and reservations

⁷ In order to present the whole control activity performed on GNI data at Commission level, and purely for information purposes, the Internal Control Template of controls performed by ESTAT has been included.

Stage 2: GNI verification annual

Main control objectives: Annual opinion of the GNIC that GNI data are fit for purpose

Main risks	Mitigating controls	How to determine coverage, frequency and depth	Cost-Effectiveness indicators (three E's)
GNI data and/or quality reports are not submitted on time	Annual procedure to collect questionnaires and quality reports	Receipt of annual GNI questionnaire and quality report for all MS by the regulatory deadline	Effectiveness: Number of MS sending data and quality report by the regulatory deadline with no need to resubmit
GNI data or quality reports are not of sufficient quality	Quality checks done according to checklist (e.g. for completeness, plausibility, against published data)	GNI questionnaire and quality report for MS with need to resubmission	Effectiveness: Number of requests for MS to resubmit data or quality report
Opinion of GNI Committee is negative or not forthcoming	Checks by GNI team for possible deficiencies that might lead to a negative or no opinion	Advance contact with MS leading to submission of revised GNI data or quality report with deficiencies corrected	Effectiveness: Positive opinion of GNI Committee issued

Procurement and Administrative Expenditure

Stage 1 – Procurement

A - Planning

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

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
The needs are not well defined (operationally and economically) and that the decision to procure was inappropriate to meet the operational objectives	Communication of intended procedures to AO(D) and units concerned.	100 % of the forecast procurements (open procedures with prior notification) are justified in a note addressed to the AO(D)	<p>Costs: estimation of cost of staff involved</p> <p>Effectiveness: Number of projected tender cancelled.</p> <p>Number of contracts discontinued due to lack of use (poor planning).</p>
Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement process)	Validation by AO(S)D of justification (economic , operation) for launching a procurement process	100 % of the forecast procurements	<p>Compliance with Internal procurement procedures and regulations and avoid missed opportunity of getting the wished services via internal resources or a framework contract already in place (n.q)</p> <p>Estimated Value of contracts published in procurement process which will be spent (as a maximum) on correctly identified needs. (q.)</p> <p>Needs understood by the tenderer and maximise the probability of getting the right deliverable(n.q)</p> <p>Efficiency: Timely definition of needs.</p> <p>Economy:</p> <p>Proportion of overall cost of controls over total estimated (maximum) value of contracts.</p>

B - Needs assessment & definition of needs

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

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
The best offer/s are not submitted due to the poor definition of the tender specifications	AOSD supervision and approval of specifications	100 % of the specifications are scrutinised.	<p>Costs: estimation of cost of staff involved</p> <p>Effectiveness: N° of 'open' or procedures where only one or no offers were received.</p>
	Consultation of legal experts of the DG	Risk based, taking as criteria the level of sensitivity and complexity of the procurement process	<p>N° of complementary questions regarding the tender.</p> <p>Economy: Proportion of overall cost of controls over total estimated (maximum) value of contracts</p> <p>Estimated average cost of controls per procurement procedure. The quality of specifications approved is optimal to receive offers with prices and conditions according to internal expectations and market prices (n.q).</p>

C – Selection of the offer & evaluation

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

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
The most economically advantageous offer not being selected, due to a biased, inaccurate or 'unfair' evaluation process	Formal evaluation process: Opening committee and Evaluation committee	100 % of the offers analysed.	Costs: estimation of costs of staff involved
	Participation of a member of the financial cell in the Opening committee and Evaluation committee as observers and to provide technical advice if needed	100 % of procurement procedures	Effectiveness: Numbers of 'valid' complaints or litigation cases filed.
	Opening and Evaluation Committees' declaration of absence of conflict of interests	100 % of the members of the opening committee and the evaluation committee	Value of contracts as a maximum) will be granted to the best offer (value free of error) (q.)
	Exclusion criteria documented	100 % checked	Efficiency: Timely selection of offers
	Final verification /desk review on compliance with procurement procedures Authorisation by AO/AOD/AOSD	100 % of selected tenders by committee	Economy: Proportion of overall cost of controls over total estimated (maximum) value of contracts.
	Publication of the offer finally selected Standstill period (opportunity for unsuccessful tenderers to put forward their concerns on the decision)	100 % of procurement procedures	Estimated average cost of controls per procurement procedure. Compliance with FR and internal rules designed to guarantee that the best value for money offer is selected (n.q)

Stage 2 – Financial transactions

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

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
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. Business discontinues because contractor fails to deliver	Operational and financial checks in accordance with the financial circuits. Operation authorisation by the AO	100 % of financial transactions controlled (commitments, signature of contracts and payments)	Costs: estimation of cost of staff involved. Effectiveness: % error rate prevented (amount of errors/irregularities averted over total payments) Amount of irregularities, errors and overpayments prevented by the controls (q). Total amount of correct payments made during the year. Deterrence effect of controls (n.q) Efficiency: % of payments made on time Average time for payment Economy: Proportion of overall cost of controls over total amount of payments made Average control cost per financial transaction (commitments, signature of contracts and payments)
	Management of sensitive functions	Review of sensitive posts every five years or in case structure changes happen.	

Stage 3 – Supervisory measures

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

Main risks	Mitigating controls	How to determine coverage frequency and depth	Cost-Effectiveness indicators (three E's)
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	Supervisory desk review financial transactions	Representative sample (for financial transactions)	<p>Costs: estimation of cost of staff involved.</p> <p>Effectiveness: Amount of payments made during the year for which there is reasonable assurance that were made free of material error (q).</p> <p>Amounts associated with errors detected (related to fraud, irregularities and error). In % over total checked.</p> <p>N° system improvements made.</p> <p>N° of exception non-compliance / exception events reported to ICC and % of these reports giving place to control weakness</p> <p>Efficiency: Controls done on time before the payment is made</p> <p>Deterrents & systematic weaknesses corrected to improve procedures and to better address related risks (n.q)</p> <p>Economy: Proportion of overall cost of controls over total amount of payments made</p>

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

This annex *applies only to indirect management,*

n/a for BUDG

ANNEX 7: EAMR of the Union Delegations (if applicable)

n/a for BUDG

ANNEX 8: Decentralised agencies (if applicable)

n/a for BUDG

ANNEX 9: Evaluations and other studies finalised or cancelled during the year

n/a for BUDG

ANNEX 10: Management"

Specific annexes related to "Financial

Cost of controls:

Table Y Overview of the estimated cost of controls at Commission (EC) level:

TOR , VAT and GNI							
Ex ante controls			Ex post controls			Total**	
EC total costs (in EUR)	funds managed (in EUR)*	Ratio (%)*: Total ex ante control cost in EUR ÷ funds managed in EUR	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): Total ex post control cost in EUR ÷ total value verified and/or audited in EUR	EC total estimated cost of controls (in EUR)	Ratio (%)*: Total cost of controls ÷ funds managed
-	-	-	-	-	-	4.028.880,38	0.003%
PROCUREMENT AND ADMISTRATIVE EXPENDITURE							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: Total ex ante control cost in EUR ÷ funds managed in EUR	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): Total ex post control cost in EUR ÷ total value verified and/or audited in EUR	EC total estimated cost of controls (in EUR)	Ratio (%)*: Total cost of controls ÷ funds managed
175.080	36.977.762,09	0.47%	16.790	36.977.762	0.05%	191.870,00	0.52%
OVERALL estimated cost of control at EC level							
Ex ante controls			Ex post controls			Total**	
EC total cost (in EUR)	funds managed (in EUR)*	Ratio (%)*: Total ex ante control cost in EUR ÷ funds managed in EUR	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%): Total ex post control cost in EUR ÷ total value verified and/or audited in EUR	EC total estimated cost of controls (in EUR)	Ratio (%)*: Total cost of controls ÷ funds managed

175.080	36.977.762,09	0.47%	16.790	36.977.762	0.05%	4.220.750	0.003%
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** Controls in the OR area (income) due to their specific nature cannot be split in ex-ante and ex-post controls but as a total of funds managed (EUR 121 832 208 447). They have been split in different stages of controls as detailed in the body of the AAR (section 2.1.1) and following the relevant control systems detailed in Annex 5.

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

No further annexes needed on Internal Control

ANNEX 12:

Performance tables

SO1 : Drive the process of strategic budgetary planning: Ensure full implementation of the MFF, upgrade short, mid and long term financial forecasting, and prepare the proposals for the post 2020 MFF

Main political outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
MFF- proposal for the post-2020 MFF (Art. 25 MFFR)	Adoption by College May 2018	Prepare a comprehensive proposal for the future Multiannual Financial Framework (MFF) post 2020, including on own resources, to be presented in May 2018.	The Commission presented its proposal for the MFF 2021-2027 on 2 May 2018, which was accepted as a basis for negotiations.
Payment planning, monitoring and forecasting	Develop, refine and update scenarios on annual payment needs under the MFF for all (sub-) headings.	Manage the MFF on the basis of sound and regularly updated medium-term payments forecasts and inform the negotiations on the next MFF.	The Forecast Report was published on 10 October 2018 and presented at the Inter-institutional meeting on payment on 18 October 2018
Improving the consistency of reporting on Budget performance	<p>1. Programme Statements contain comprehensive information on programmes' progress and performance of the predecessor programmes</p> <p>2. Annual Management and Performance report (AMPR) provides a comprehensive narrative and examples on the EU Budget contribution to the EU policies</p>	<p>1. "Programme fiches" successfully integrated in the Programme Statements;</p> <p>2. Consolidation of the new framework of AARs + Annual Management and Performance Report and Integrated financial reporting package</p>	<p>The Programmes' Performance Overview is an extract of the Programme Statements. It provides a uniform and comprehensive presentation of each of the spending programmes, their performance framework, benefits for EU citizens, implementation status and highlights key achievements. The Overview is for the first time published in the IFRP 2017 and offers concise, uniform, quickly to grasp information for all EU spending programmes.</p> <p>The 2017 Annual Management and Performance Report provides an overview of the performance, management and protection of the EU budget. It explains how the EU budget supports the EU political priorities and describes both the results achieved and the role of the Commission in ensuring the highest standards of financial management.</p>

SO2: Manage the expenditure of the EU budget efficiently within the framework of the MFF: Ensure the adoption of annual budgets within the set deadlines that respond to the political priorities within the MFF. Make sure that budgetary implementation is in line with the annual budget and responds to an efficient use of resources. Allocate Resources to Commission services according to needs and promote efficiency

Main political outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
Establish an annual budget for 2019 according to needs within legal deadlines respecting the political priorities	<p>1. Difference between the Draft Budget (DB) and authorized budget</p> <p>2. Timely adoption of estimates and DB for 2019</p> <p>3. Timely adoption of amending letters & amending budgets aligned with political priorities</p> <p>4. Technical update of 2018-2020 financial programming after adoption of 2018 Budget and together with Draft Budget 2019</p>	<p>1. Difference < 1%</p> <p>2. Commission adopts estimates of expenditure by legal deadlines.</p> <p>3. Budget 2019 adopted by EP and Council before the end of 2018. All amending budgets approved by the budget authority by mid Dec. 2018</p> <p>4. Update sent to EP and Council by end-January 2018 and adopted together with DB 2019</p>	<p>1. The authorised budget was 0.1% higher than the Draft Budget (DB).</p> <p>2. The Statement of estimates was adopted on 23 May 2018 (SEC (2018) 250), i.e. well in advance before the 1 July Treaty deadline.</p> <p>3. The 2019 budget was adopted on 12 December 2018 together with the last Amending budget of the year (AB 6/2018).</p> <p>4. The technical update of the financial programming after the adoption of 2018 budget was sent on 25 January 2018. The statements of estimates for 2019 adopted on 23 May included also updated financial programming for 2020.</p>
Allocate Human Resources to Commission services to promote efficiency and alignment to political priorities	<p>Decision consistent with:</p> <ul style="list-style-type: none"> occupation of the establishment plan and corresponding salary credits and Commission policy orientations 	<p>Decisions in March and/or May, and December 2018.</p> <p>Continued progress made by other institutions and agencies.</p> <p>Pro-active monitoring of efficiencies.</p>	<p>Complementary Allocation for 2018 adopted on 11.7.2018.</p> <p>Final Allocation for 2019 adopted on 19.12.2018.</p> <p>Reserve pool maintained for new priorities.</p> <p>Optimised use of budget appropriations, and positive trend occupation of the establishment plan.</p>
Assess budgetary implications and ensure sound budgeting within the MFF for new legal acts/Commission decisions	Interservice consultations (ISC) processed on time	At least 95% of replies to ISC within normal ISC deadline	99.5% of replies were sent within the deadline
Annual budget implementation making use of transfers and carryovers	<p>Degree of annual budget implementation</p> <p>Number of transfers accepted by the budgetary authority</p> <p>Timely adoption of the justified carryover</p>	<p>Full implementation making use of transfers and carryovers</p> <p>Budgetary Authority approves all transfer requests;</p> <p>Decision taken by 15/2/2018</p>	<p>The 2018 budget was basically fully implemented both in commitments (99.9%) and payments (99.8%).</p> <p>All 35 budgetary authority transfers were adopted (as proposed by the Commission).</p> <p>The carry-over (from 2017-</p>

SO2: Manage the expenditure of the EU budget efficiently within the framework of the MFF: Ensure the adoption of annual budgets within the set deadlines that respond to the political priorities within the MFF. Make sure that budgetary implementation is in line with the annual budget and responds to an efficient use of resources. Allocate Resources to Commission services according to needs and promote efficiency

Main political outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
	requests		2018) decision was adopted on 7 February 2018 (C(2018)776 final)
Development of methodology for fee-funded agencies	Timely production of the working document on agencies, which accompanies the draft budget	Working document on agencies published together with DB 2019 Completing the work of Inter-institutional Group on Agencies Assessment of scope for increased fee-financing in next MFF	<p>The DB 2019 working document on agencies was published as planned on 8 June 2018.</p> <p>The IIWG on agencies completed its work with a final meeting of the three Institutions on 12 July 2018, covering the follow-up to be given to the Group's recommendations as agreed in October 2017.</p> <p>The scope for fee-financing in the next MFF was included in the agency proposals in the MFF proposal of 2 May 2018, as set out in a dedicated MFF fiche on agencies in July 2018.</p> <p>In November 2018, the cost-benefit analysis (CBA) for the delegation of the post-2020 spending programmes to executive agencies was launched, to start the work to be carried out in 2019.</p>

SO3: Efficiently and effectively manage and control the revenues of the EU budget, in particular the Union's own resources. Ensure the follow-up of the reflexion on future financing of the EU, including its related streams in other policy areas. Prepare the legislative proposals on own resources post 2020

Main political outputs – 2018

<u>Description</u>	<u>indicator</u>	<u>Target</u>	
Effective management of Member States' own resources payments	1. Timely and accurate collection of OR contributions and related payments 2. Opinion of the Court of Auditors	1. 100% ⁸ 2. Positive opinion	100% as of December 2018 Positive opinion by ECA for the year 2017
Management of VAT exemption pursuant to PPI (Protocol of Privileges and Immunities)	Timely and accurate recovery of VAT paid by the Commission services	All annual refund requests to be sent by 30/06/2018	All requests sent. Followed up where needed.
Control of the Union's traditional own resources (TOR)	1. Implementation and reporting of TOR inspections in accordance with the annual programme; review the risk-based approach for the annual programme for the next years 2. Timeliness of assessment of Member States' write-off reports and related financial impact	1. 100%; review presented to MS in the course of the year 2. All irregular TOR write-offs are made available to the EU budget	All inspections carried out (22 in 2018 and 4 in January 2019). Inspection to Hungary was added in the course of the year due to the risks identified. Altogether 234 write-off reports were assessed (including 115 requests for additional information) with a volume of EUR 113.2 million, for which in 33 instances Member States were invited to make available altogether about EUR 20.3 million. As a rule, these amounts were subsequently made available in due course.
Control of VAT-based own resources: Reasonable assurance that Member States' VAT statements are correct and comply with OR regulations	Degree of completion of agreed programme of inspections Go-live of a new IT tool known as VATRES that will help improving efficiency and control	100% Expected final delivery before end-February 2019	100% The statements' module is implemented and the 2017 statements were the first year to be encoded directly in VATRES. The reservations' modules are being implemented in February 2019. Software delivered for acceptance end of 2018
Establishment, in close co-operation with Eurostat, of GNI-based own resources	Agreement by the Member States in the November GNI Committee, for the calculation of annual VAT/GNI balances	Agreement reached on time	Agreement reached on time
Prepare COM proposals post 2020 on own resources; ensure the coordination within the Commission	Participation to other relevant inter service groups (e.g. digital taxation, VAT plan, energy and climate package)	Timely and good quality analysis carried out on all the new Own Resources candidates and clear picture on the feasible options together	Fulfilled. Own Resource Decision accompanied by a Staff Working Document. Implementing acts adopted, including an amendment of the VAT Based Own Resource regulation (1553/89/EC).

⁸ Cyprus had exceptionally a short delay of one day in making available own resources. This delays does not affect the overall result as it is less than 0,01% of the total

SO3: Efficiently and effectively manage and control the revenues of the EU budget, in particular the Union's own resources. Ensure the follow-up of the reflexion on future financing of the EU, including its related streams in other policy areas. Prepare the legislative proposals on own resources post 2020

Main political outputs – 2018

<u>Description</u>	<u>indicator</u>	<u>Target</u>	
(internal network)			
	Prepare the relevant legislative proposals based on the assessment of potential new own resources as approved by hierarchy	New own resources legislative package to be adopted by the Commission – together with new MFF Regulation – in May 2018	
Follow-up and take active part in the legislative process on future own resources	Participation/contribution to meetings of the Council working party on own resources and of the EP relevant fora	Timely input from the Commission	Commission provided a multitude of technical fiches, oral and PowerPoint presentations as well as oral and written replies to Member States' questions in order to drive the negotiating process forward under the Bulgarian and Austrian Council presidencies.
Calculation of Own Resources basis	Approval in the ACOR meeting (based on new ORD which entered into force on 01/10/2016 with retroactive effect from 1 January 2014 onwards)	Approval obtained on time	Approval obtained on time/ Fulfilled
Calculation of UK rebate	Approval in the ACOR meeting	Approval obtained on time	Approval obtained on time/ Fulfilled

SO4: Maintain a high quality central accounting / financial framework so as to deliver true and fair annual accounts, as well as to provide reliable and relevant financial information to all stakeholders

Main Political Outputs - 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known results</u>
Publication of the Commission and consolidated Annual accounts of the EU budget	1. Timely adoption by Commission 2. Positive DAS on annual accounts from ECA	1. Adoption: 30/6/N+1 2. Maintain the positive DAS on annual accounts	1. Adoption on 27/06/18 2. Positive opinion (DAS) received
Annual Accounts of all entities under the responsibility of the Accounting Officer of the Commission	1. Timely adoption by relevant authorities 2. Positive DAS on annual accounts from ECA	1. Adoption: 30/6/N+1 2. Maintain the positive DAS on annual accounts	1. All accounts adopted by 30/6/18 2. Clean opinions received for all sets of accounts
Integrated financial reporting package 2017	High quality and readable report, with a positive impact on discharge discussion	Publish the Integrated Financial Reporting Package (IFRP) which includes : <ul style="list-style-type: none"> EU Annual Accounts Annual Management and Performance Report including information on the protection of the EU Budget Report on the follow-up to the discharge for the 2016 financial year	IFRP published and included: <ul style="list-style-type: none"> EU Annual Accounts Annual Management and Performance Report Report on the follow-up to the discharge for the 2016 financial year Programmes Performance Overview
Issue reports that are required by the Financial Regulation or at the request of the Budgetary Authority	1. Reports are complete, timely and correct 2. Feedback received from ECA or the Budgetary Authority on the content and quality of the reports.	1. Timely issue/publication with regard to what is specified in the FR/RAP or as required by the final recipient of the report. 2. Positive feedback	1. All annual accounts adopted by 30/06/2018 (C6 was responsible for the budgetary part of the EC accounts, consolidated EU accounts, plus 2 institutions, 4 agencies and 5 joint undertakings in 2018). 2. Clean opinions received for all sets of accounts. 3. The report on budgetary and financial management was published by 31/03/2018. 4. The Financial Transparency System's website was updated with the data from the financial year 2017 by 30/06/2018. 5. The budgetary execution reports were published on a weekly and monthly basis; the reports on potentially abnormal RAL (PAR) and on payment times were prepared on a quarterly basis. The Active Monitoring and Forecast of Budget Implementation exercise was done 3 times last year (February, June and October).

			<p>6. EFTA result was produced in June 2018.</p> <p>7. The European Parliament welcomed the newly produced regular reports on Trust funds and the Facility for Refugees in Turkey.</p>
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S05: To support the Commission services and other bodies in the implementation of the EU budget via effective treasury management, timely execution of all payments , efficient collection of revenues and maintenance and development of a secure and high quality Information System (ABAC)

Main political outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
Efficient and effective Treasury Management and safekeeping of funds	<p>1. Lack of cash resources has no impact on the processing of authorised payments</p> <p>2. Execution of payments within one day after authorisation.</p> <p>3. Regular availability of cash forecasts at short and medium term</p> <p>4. Losses on bank balances</p> <p>5. DAS on the treasury tasks</p>	<p>1. No payments authorised are delayed due to lack of cash</p> <p>2. 98% of all payments</p> <p>3. Daily update for very short term and weekly for monthly forecasts</p> <p>4. losses on bank balances = 0%</p> <p>5. Positive DAS</p>	<p>Cash flow throughout the year was always sufficient to execute timely all authorised payments</p> <p>Over 99% of authorised payments executed within one day</p> <p>All foreseen cash forecasts regularly produced as planned</p> <p>No losses on bank balances in 2018</p> <p>Positive DAS received</p>
Ensure the budgetary financial year transition	<p>Timely opening in ABAC of the budget year (appropriations + RAL)</p>	<p>The commission's services were able to execute payments early in January. Interruption of payment operations not to exceed 7 days.</p> <p>Complete carry-forward expenditure by 11 January (if decision to postpone ABAC release of early January covering revision of financial regulation is taken)</p>	<p>Done</p> <p>Done, system reopened 11/Jan</p>
Efficient and effective Recovery and Fines Management	<p>Number and amount of open recoveries, at the end of 2018 in pre-litigation phase and due for more than six months.</p> <p>% of coverage of the fines and safeguard of the related financial assets in accordance with the applicable risk management policy</p> <p>Go-live of IT Tool (FINE) aiming to improve efficiency and control</p>	<p>Open recoveries at pre-litigation phase and due for more than six months below 20% of the total number and below 10 % of total amount of open recoveries at pre-litigation phase.</p> <p>100 %</p> <p>1st software delivery scheduled for March 2018 and final delivery end of 2018</p>	<p>Software delivered for acceptance end 2018. Go-live done in February 2019</p>

S05: To support the Commission services and other bodies in the implementation of the EU budget via effective treasury management, timely execution of all payments , efficient collection of revenues and maintenance and development of a secure and high quality Information System (ABAC)

Main political outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
Validation of local systems	<p>1. Timely evaluations according to the Work Programme</p> <p>2. Assurance is provided that local systems function well and they send reliable and complete data to the central accounting system</p> <p>3. Progressive roll-out of the new control strategy, shortening the cycle to less than five years</p>	<p>1. Completion of the Work Programme at year end</p> <p>2. Timely implementation of the recommendations issued by the validation team in BUDG</p> <p>3. New control strategy fully deployed</p>	<p>1. The work programme was updated on 10 July 2018 (ARES(2018)3671893) The various engagements were completed planned despite the severe staff shortages experienced in 2018.</p> <p>2. At the beginning of the reporting year 57 recommendations were open. During the last quarter of 2018, we reviewed the status of implementation and, as a result, 49 were closed. The assessment was completed in January. Risk scores were then revised accordingly.</p> <p>3. The new control strategy is now fully implemented. In 2018, we have developed a new methodology for the validation of joint undertakings and traditional agencies and validated the control systems in nine of these bodies.</p>
Ensure that the ABAC services are highly available within reasonable costs and efforts	<p>1. Number of incoming ABAC requests at the helpdesk are closed within 4 hours</p> <p>2. Availability of ABAC</p>	<p>1. > 80%</p> <p>2. Up time of ABAC > 95%</p>	<p>60,73%</p> <p>98,9%</p>
Continuous alignment of ABAC to legal (FR, MFF, ..) and new business needs	<p>1. Alignment of ABAC to the Financial Regulation revision 2018.</p> <p>2. Follow-up of the IAS Audit recommendations on the Manual Interventions in ABAC</p> <p>3. Enhanced electronic workflow and integration with ARES</p>	<p>1. ABAC is aligned to the new provisions of the Financial Regulation 2018 by the date of its entry into force.</p> <p>2. All recommendations have been appropriately addressed and implemented.</p> <p>3. A decision for implementation can be taken thanks to a clear cost/benefit analysis of</p>	<p>Done</p>

S05: To support the Commission services and other bodies in the implementation of the EU budget via effective treasury management, timely execution of all payments , efficient collection of revenues and maintenance and development of a secure and high quality Information System (ABAC)

Main political outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
		the solutions proposed for ABAC (and its next version SUMMA).	
Implementation of the new Corporate Finance Platform SUMMA to maintain a modern and high quality Information System	<p>1. The design phase of the SUMMA project results in a blue print with a list of functionalities (i.e. "open questions") that need to be configured and implemented after 2018. A prototype of SUMMA based on SAP's standard is available for demonstration purposes.</p> <p>2. The exact boundaries of the interoperability between SUMMA and eProcurement have been detailed.</p> <p>3. First iteration of a business solution and technical platform starting from SAP's S/4Hana</p>	<p>1. The SUMMA Project Charter contains an accurate revision of the project plan & cost and is presented to the IT Board in July 2018. The complete blue print for SUMMA is ready by December 2018.</p> <p>2. The scope of SUMMA versus eProcurement is presented to the IT Board in January 2018.</p> <p>3. End 2018</p>	<p>1. The IT Board approved the SUMMA Programme Charter in June 2018. A test SAP system ("sandbox") was put in place to demonstrate the SAP standard, which was used to identify the "open questions" versus the business requirements. This backlog of "open questions" was completed in November 2018.</p> <p>2. DG Budget and DIGIT agreed on a common architecture for SUMMA and eProcurement, and was presented to the 10th GPSB of 25 June 2018.</p> <p>3. The test SAP system was gradually configured until November 2018 to show the capabilities of SAP's S/4HANA.</p>

SO6: Promote consistency and simplification of the financial rules, sound financial management and cost-effectiveness of controls

Main Political Outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
FR Revision	<p>1. Conclusion and implementation of the revision of the EU Financial rules (Financial Regulation and consequential EU financial sectorial rules)</p> <p>2. Preparing and launching the ensuing alignment of</p> <ul style="list-style-type: none"> the rules on decentralised agencies, executive agencies, joint undertakings the Commission internal rules; as well as of the Financial and Administrative Frameworks Agreements concluded with Commission's major implementing partners; [the financial rules applicable to the EDF] <p>3. Simplifying and updating the guidance, Vade-mecum and model contracts, indirect management and grants agreements</p>	<p>1. Political agreement by end 2017, with formal adoption and an entry into force of in 2018 for most of the changes adopted.</p> <p>2. By the end of 2018:</p> <ul style="list-style-type: none"> Adoption of proposals of Commission delegated acts and start of the negotiations Launch of ISC on Commission internal rules Start negotiations of the revised FAFAs [adoption of Commission proposal and start of the negotiations) <p>3. Advance as much as possible in the update</p>	<p>1. The new Financial Regulation has entered into force on August 2nd 2018.</p> <p>2. The Commission has adopted revised internal rules in parallel with the entry into force of the new Financial Regulation. The Commission has adopted a new-delegated regulation for Union bodies on December 18th 2018. The inter service consultation for a new delegated regulation for public-private partnerships was launched in December 2018, for adoption by the College in early 2019. The EDF financial regulation was adopted in Autumn and entered into force simultaneously to Financial regulation</p> <p>3. New guidance on indirect Management has been published. Updated of the Vademecum of procurement and grants has been published as well as several model contracts and agreements. NEW Guidance on data Protection has been delivered following entry into force of ne EDPS regulation.</p>
Contribution to proposal for the post-2020 MFF (Art. 25 MFFR)	Alignment of the next generation of spending programmes to revised FR and to a common set of simplified financial rules (including an estimation of the impact in terms of control cost-effectiveness).	Adoption 1 st semester 2018 Validation of template for future basic acts in direct/indirect and shared management	The MFF proposal and the accompanying basic acts have been adopted in May and June 2018, based on the template and after detailed scrutiny on consistency with respect to this template and a series of horizontal issues.
Functioning of the Early Detection and Exclusion System and related guidance	<p>Regular annual reporting of number of cases treated</p> <p>Additional functionality requested and EDES IT tool becoming a corporate tool</p>	<p>10-20 cases treated</p> <p>End 2018</p>	<p>5-10 cases treated</p> <p>Merger with PIF Panel in the new Financial regulation</p> <p>New internal rules for the EDES panel were adopted in parallel with the entry into force of the new Financial Regulation.</p> <p>Publication of EDES Guidance in October</p>

<p>Implementation of the strategy for SEDIA (single financial portal), e-procurement and e-grants</p>	<p>Regular participation to the eGrants and eProcurement Steering Board (GPSB) and OPSYS Management Board as well as to different users groups</p>	<p>Launching on SEDIA by REA on January 2018</p> <p>Expanding eGrants to several more Specific programmes</p> <p>Finalising OPSYS pilot and building on corporate eProcurement</p>	<ul style="list-style-type: none"> • Improvements of the SEDIA Portal (Funding and Tenders Opportunities Portal - new portal FTOP in force end 2018) • First release of updated eSubmission platform (part of eProcurement); • Finalisation of the analysis on existing differences between LEF and SEDIA projects with a clear roadmap for alignment; <p>Active input in discussions related to convergence between future ABAC2/SUMMA and other eGovernance projects.</p>
<p>Promote simplification, coherence and sound financial management within the existing legal framework and act as sponsor/leader of financial community</p>	<p>1. Use – and monitoring – of simplification tools in the implementation of funding programmes</p> <p>2. Sponsor / leader of the financial Community: implementation of the specific measures agreed to increase efficiency in the Finance Community in the context of the Synergies and Efficiencies exercise in Financial Management</p> <p>3. Revised guidance on the estimation, assessment and reporting on the cost-effectiveness of controls</p> <p>4. Contributions to Inter-Service Consultations / Advice on the application of the Financial Regulation</p> <p>5. Feedback from users</p>	<p>1. Regular publication of a simplification scoreboard monitoring progress at Commission and Member States levels</p> <p>2. Timely implementation of agreed measures of the Action Plan</p> <p>3. BUDG guidance finalised by November 2018</p> <p>4. Timely, relevant and useful contributions and advice [see also SO2]</p> <p>5. Positive feedback</p>	<p>1. Instead of the simplification scoreboard, DG BUDG is closely following the treatment of simplification aspects in the negotiations of the various basic acts.</p> <p>2. Timely implementation of agreed measures of the Action Plan, in particular the entry into force of the revised Financial Regulation. In the framework of the preparation of the next Multi-Annual Financial Framework, further simplification and harmonisation will be considered, including on further externalisation.</p> <p>3. Done on time.</p> <p>4. More than 1072 ISC treated as Chef de file and associated with a 96.64% answered on time.</p> <p>5. Very positive feedback received from the clients on all the services provided by the Central Financial Service (87% for ABAC and financial training and 96% for the helpdesk service).</p>

S07: Drive the strategy of EU budget focused on results inside the Commission and engaging with the different stakeholders with a view to making progress throughout the current MFF along three axis (i) reinforced alignment with political priorities (focus), (ii) effectiveness in implementation (speed) and (iii) positive impact on the ground (impact).

Main Political Outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known result</u>
Drive the implementation of the BFOR initiative	<p>1. Lead the Inter-Service Working Group on Performance</p> <p>2. Define in collaboration with the DG, the system of indicators for the performance framework of each single programme</p>	<p>1. Three meetings during 2017 to drive strategy inside the Commission</p> <p>2. Deliver a system of indicators for the next MFF.</p>	<p>2018 has been a very peculiar year for the work on the performance framework.</p> <p>Building on the work done for promoting the culture of performance and a common approach across the EC services; for gathering and structuring performance information for annual reporting; and for designing the architecture for the performance framework of the next generation of Programmes, DG BUDG has harvested a first important result proposing a set of indicators (core performance indicators).</p> <p>Those indicators will serve as “pointers” for reporting on programme performance in a coherent and consistent way.</p> <p>Each programme basic act includes a set of core performance indicators for annual reporting on performance.</p> <ul style="list-style-type: none"> – Provided guidance to EC services for selecting a coherent set of indicators relevant to specific objectives, of high quality and with a minimum burden for collection. – Provided guidance to EC services for ensuring link between objectives and performance indicators and alignment with EU priorities. <p>Indeed, DG BUDG has initiated a process that will serve as gear for further expanding and refining a performance informed budgeting.</p> <p>In strict collaboration with the SG the activities of the Monitoring & Evaluation network has been set up and kick-started.</p>
External Communication and dialogue on BFOR	<p>1. Organise the experts meetings in order to keep an open dialogue with our main stakeholders regarding performance</p>	<p>1. Three Expert meetings during the year with a consistent set of conclusions</p>	<p>In 2018 the communication with stakeholders has been streamlined in consideration of the disclosure of the next MFF Programmes proposals and DG BUDG has more intensively collected input for integrating stakeholders’ views in the architecture proposed for the next MFF.</p>

	2. "EU Budget for results" project database ("web app") supporting the communication on EU budget focused on results	2. The database will progressively connect to sectorial databases – to be completed by end 2018	Work on the "EU Results" database continued in the course of 2018 with DIGIT in particular, focusing on ensuring establishing a data collection framework (data lake) that can serve as the basis of the project. A relaunch of the project on a broader scale is planned for 2019.
4th Conference on future of EU Finances	1. Conference attendance 2. positive media coverage / high social media impact	1. at least 700 registrations (attendance at full room capacity) 2. number of tweets, shares, viewings of web streaming	Full capacity with 546 attendants. In 2018, the Conference had a special setting focussing on the proposal of the next MFF put forward in June by the Commission. The Conference was the 10th most followed individual event hosted on ec.europa.eu in 2018 (Web streaming: 1496 connections)
Contribution to proposal for the post-2020 MFF (Art. 25 MFFR)	Participation in the preparatory and subsequent negotiations providing input for the qualitative part of the MFF proposals, for the system of indicators to measure performance for the spending programmes and the performance related provisions in the legal basis.	Adoption by College May 2018	Done, in the frame of specific programme proposals made in May and June 2018.

SO8: Ensure effective management of the relations with the European Court of Auditors, the EP's Budgetary Control Committee (CONT) and the Council paving the way to the Commission's annual discharge.

Coordinate follow up to the recommendations of the Court of Auditors, the EP and the Council inter alia via the support to improvements of national Public Internal Control systems in Member states, candidate countries and neighbourhood countries.

Main Political Outputs – 2018

<u>Description</u>	<u>Indicator</u>	<u>Target</u>	<u>Latest known results</u>
EP grants 2016 Discharge	Discharge resolution adopted	Adoption by EP plenary in April 2018.	2016 discharge resolution adopted in April 2018
Reply to ECA annual report for the financial year 2017 (Art. 162(4) FR); Reply to ECA Special Reports (Art. 163(1) FR)	Timely delivery of quality replies to ECA annual report & Timely delivery of quality replies to ECA Special reports.	Annual Report: Legal deadline is 16/10/2018. However, in order to allow the ECA to publish its Annual report in September, replies should be transmitted to ECA mid-August 2018. Special reports: The procedure should be completed in 6 weeks.	Replies to the Annual Report delivered within the legal deadline Replies to 15 special reports delivered within the legal deadline Replies to 9 special reports delivered within 3 days of the legal deadline Replies to 6 special reports delivered with a delay of 5 or more working days
Maintain constructive relations with the ECA	Timely support to discharge correspondents	- Early mapping of ECA performance audits - Facilitate exchange of views between the ECA and discharge correspondents - Development on RAD for a more effective follow-up of ECA recommendations	DG BUDG had regular contacts with the ECA and other Commission departments to monitor and exchange views on ongoing performance audits. DG BUDG cooperated with DIGIT and the ECA on the preparation of future developments of RAD.
Develop an agreed a strategic approach by the EU-wide PIC Network for the PIC Conference in 2019	Working Group(s) of MS experts to identify good practices for the implementation of key internal control challenges.	First draft of discussion papers produced after two rounds of meetings with volunteer members of the Working Group(s).	A comprehensive review of the future role and scope of the PIC Network began in 2018. The results of that review will be followed up in 2019.
Provide technical guidance on PIFC and External Audit standards to candidate, potential candidate and relevant ENP countries, and provide assessment of reform progress (in line with Stabilisation and Association Agreement or Association Agenda).	Comprehensive technical guidance on PIFC and External Audit development to country counterparts is provided. Input and technical analysis are provided to NEAR and EEAS on PIFC and External Audit. Measureable achievements of PIFC implementation and for External Audit reform.	Provision of reasoned guidance on PIFC/External Audit policy documents and draft laws. Participation, or provision of BUDG LTT, in one formal Commission monitoring meeting per year. Pertinent information on PIFC/External Audit is included in Progress and Monitoring Reports.	Technical guidance on the scope and implementation approach for PIFC and External Audit reforms was provided as appropriate to all client countries, and timely input was submitted for all formal Commission monitoring and reporting mechanisms.