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ANNEXES

ANNEX 1: Statement of the Resources Director

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission¹, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG.

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

Brussels, 27 March 2015

[Signed]

Jacky Marteau

Head of Unit²

¹ SEC(2003)59 of 21.01.2003.

² Exercising the function of Resources Director.

ANNEX 2: Human and Financial resources

Human Resources by ABB activity				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	7	1	8
24 03	Exchange, assistance and training programme for the protection of the euro against counterfeiting (Pericles 2020)	5	1	6
24 04	Anti-fraud information system (AFIS)	3		3
24 AWBL-01	Administrative support for the European anti-fraud office	31	6	37
24 AWBL-02	Fight against fraud	334	51	385
Total		380	59	439

Annex 3 Financial Reports - DG OLAF - Financial Year 2014**Table 1 : Commitments****Table 2 : Payments****Table 3 : Commitments to be settled****Table 4 : Balance Sheet****Table 5 : Statement of Financial Performance****Table 6 : Average Payment Times****Table 7 : Income****Table 8 : Recovery of undue Payments****Table 9 : Ageing Balance of Recovery Orders****Table 10 : Waivers of Recovery Orders****Table 11 : Negotiated Procedures (excluding Building Contracts)****Table 12 : Summary of Procedures (excluding Building Contracts)****Table 13 : Building Contracts****Table 14 : Contracts declared Secret**

Additional comments

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2014 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 24 Fight against fraud					
24	24 01	Administrative expenditure of the 'Fight against fraud- policy area	55,71	55,7	99,97 %
	24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	14,42	13,68	94,88 %
	24 03	Exchange, assistance and training programme for the protection of the euro against counterfeiting (Pericles 2020)	0,92	0,88	95,06 %
	24 04	Anti-fraud information system (AFIS)	5,95	5,93	99,58 %
Total Title 24			77	76,18	98,93%
Total DG OLAF			77	76,18	98,93 %

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

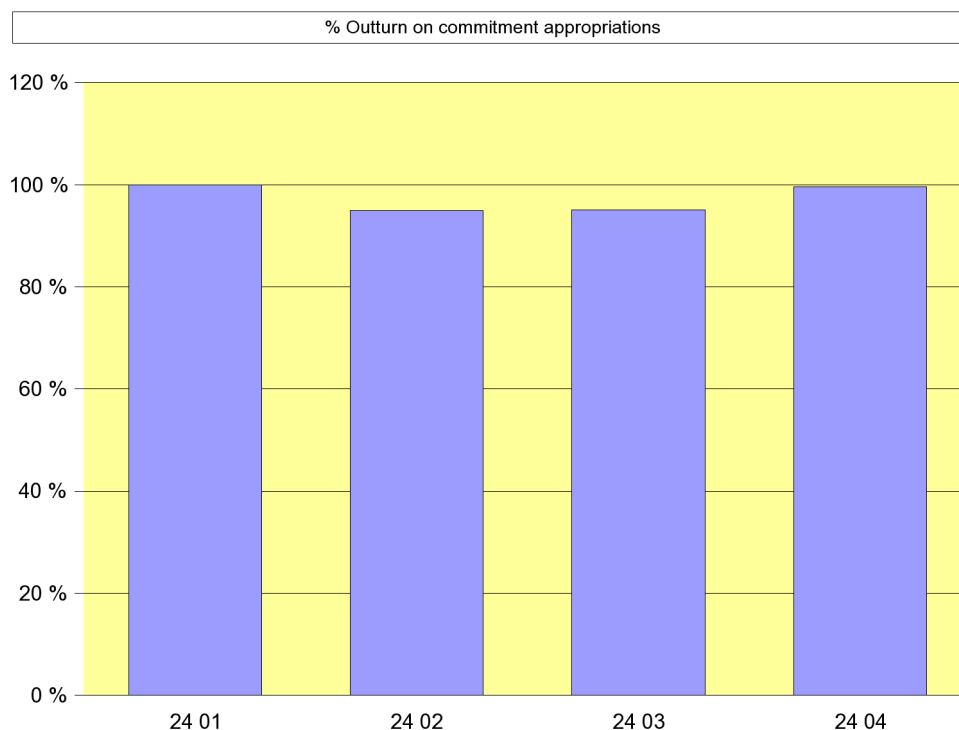


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)

Chapter		Payment appropriations authorised *	Payments made	%	
		1	2	3=2/1	
Title 24 Fight against fraud					
24	24 01	Administrative expenditure of the `Fight against fraud-policy area	64,29	55,47	86,27 %
	24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	12,69	11,94	94,08 %
	24 03	Exchange, assistance and training programme for the protection of the euro against counterfeiting (Pericles 2020)	0,81	0,75	92,15 %
	24 04	Anti-fraud information system (AFIS)	6,12	6,11	99,89 %
Total Title 24			83,91	74,26	88,50%
Total DG OLAF			83,91	74,26	88,50 %

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

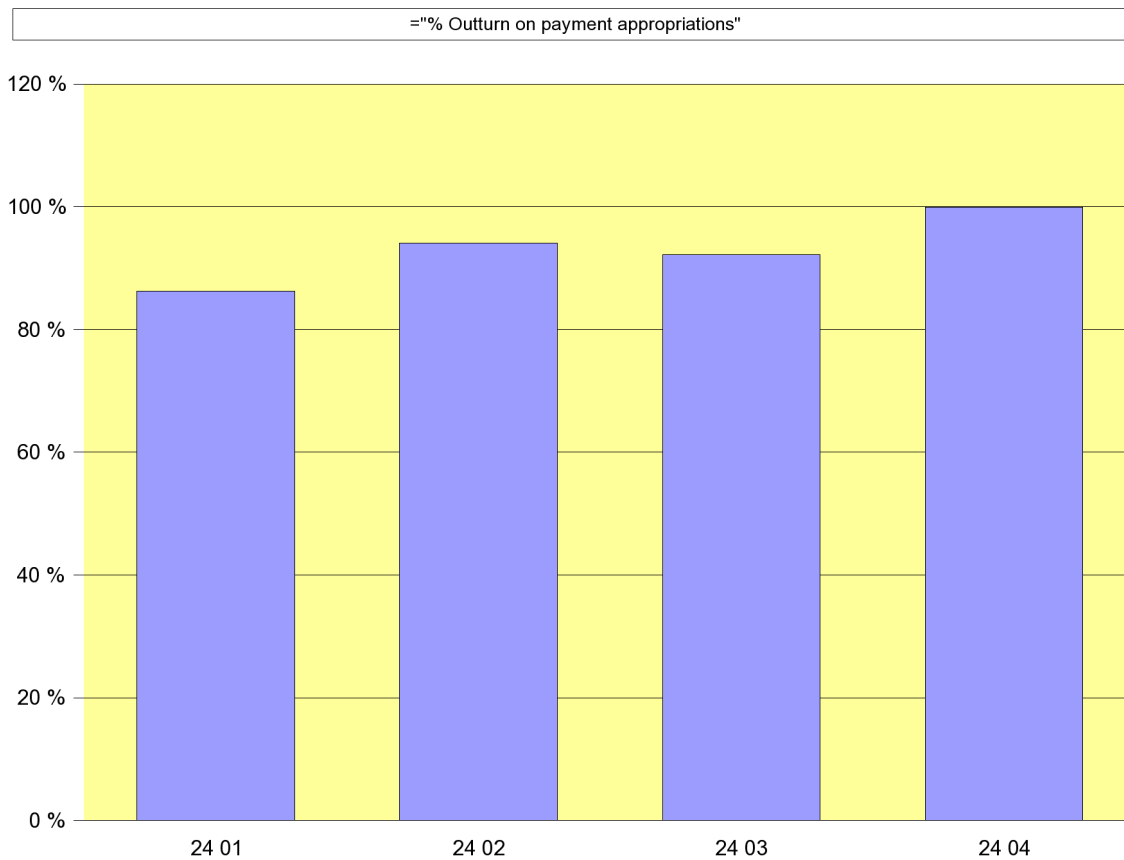
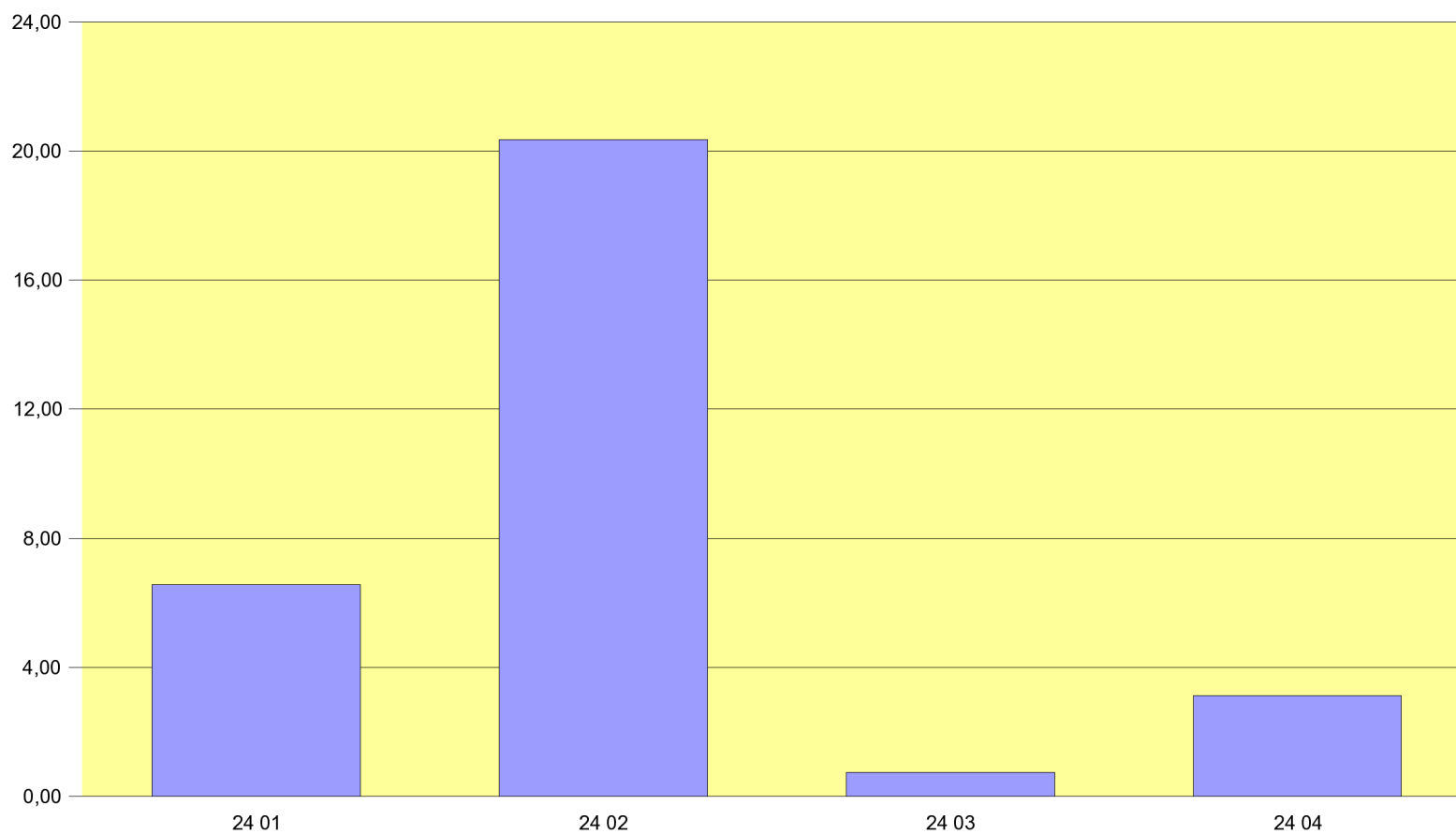


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)

Chapter			2014 Commitments to be settled				Commitments to be settled from financial years previous to 2014	Total of commitments to be settled at end of financial year 2014 (incl corrections)	Total of commitments to be settled at end of financial year 2013(incl. corrections)
			Commitments 2014	Payments 2014	RAL 2014	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 24 : Fight against fraud									
24	24 01	Administrative expenditure of the 'Fight against fraud- policy area	55,7	49,14	6,56	11,77 %	0,00	6,56	8,58
	24 02	Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)	13,68	1,65	12,03	87,96 %	8,32	20,35	24,23
	24 03	Exchange, assistance and training programme for the protection of the euro against counterfeiting (Pericles 2020)	0,88	0,28	0,6	68,51 %	0,14	0,74	1,39
	24 04	Anti-fraud information system (AFIS)	5,93	2,80	3,12	52,71 %	0,00	3,12	3,65
Total Title 24			76,18	53,87	22,31	29,29%	8,46	30,77	37,85
Total DG OLAF			76,18	53,87	22,31	29,29 %	8,46	30,77	37,85

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

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



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

TABLE 4 : BALANCE SHEET

BALANCE SHEET	2014	2013
A.I. NON CURRENT ASSETS	1.926.920,18	1.972.615,82
A.I.1. Intangible Assets	393.482,32	456.461,85
A.I.2. Property, plant and equipment	1.533.437,86	1.516.153,97
A.I.7. OLD LT Pre-Financing		0,00
A.II. CURRENT ASSETS	1.438.111,07	4.420.285,01
A.II.2. Current Pre-Financing	-271.059,05	2.943.270,39
A.II.4. Exchange Receivables	1.379.466,36	1.379.466,36
A.II.5. Non-Exchange Receivables	329.703,76	97.548,26
ASSETS	3.365.031,25	6.392.900,83
P.III. CURRENT LIABILITIES	-11.410.506,23	-9.714.786,48
P.III.3. Short-term financial liabilities		0,00
P.III.4. Accounts Payable	-4.572.742,61	-2.590.022,84
P.III.5. Accrued charges and deferred incom	-6.837.763,62	-7.124.763,64
LIABILITIES	-11.410.506,23	-9.714.786,48
NET ASSETS (ASSETS less LIABILITIES)	-8.045.474,98	-3.321.885,65
P.I.2. Accumulated Surplus / Deficit	30.252.664,38	9.315.104,27
Non-allocated central (surplus)/deficit*	-22.207.189,4	-5.993.218,62
TOTAL	0,00	0,00

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

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

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2014	2013
II.1 REVENUES	-7.652.958,45	-7.025.200,25
II.1.2. EXCHANGE REVENUES	-7.652.958,45	-7.025.200,25
II.1.2.2. OTHER EXCHANGE REVENUE	-7.652.958,45	-7.025.200,25
II.2. EXPENSES	33.331.255,94	27.962.760,36
II.2. EXPENSES	33.331.255,94	27.962.760,36
11.2.10. OTHER EXPENSES	12.618.664,14	11.750.303,23
II.2.2. EXP IMPLEM BY COMMISS&EX.AC	20.712.591,80	16.683.457,66
II.2.6. STAFF AND PENSION COSTS		-471.412,90
II.2.8. FINANCE COSTS		412,37
STATEMENT OF FINANCIAL PERFORMANCE	25.678.297,49	20.937.560,11

Explanatory Notes (facultative):

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

TABLE 6: AVERAGE PAYMENT TIMES FOR 2014 - DG OLAF

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	1997	1749	87,58 %	14,71	248	12,42 %	39,75
45	59	40	67,80 %	28,23	19	32,20 %	84,26
60	218	211	96,79 %	22,49	7	3,21 %	73,14
90	2	2	100,00 %	10			

Total Number of Payments	2276	2002	87,96 %		274	12,04 %	
Average Payment Time	19,16			15,8			43,69

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	16	16	100,00 %	8,19			
30	697	613	87,95 %	14,39	84	12,05 %	51,89

Total Number of Payments	713	629	88,22 %		84	11,78 %	
Average Payment Time	18,67			14,23			51,89

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
12	42	113	4,96 %	2276	4.337.484,98	4,00 %	108.393.113,84

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

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

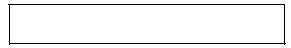


TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014

Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	739.164,64	0	739.164,64	739.164,64	0	739.164,64	0
66	OTHER CONTRIBUTIONS AND REFUNDS	132.155,5	0	132.155,5	0	0	0	132.155,5
90	MISCELLANEOUS REVENUE	8.167.795,95	0	8.167.795,95	8.067.795,95	0	8.067.795,95	100.000
Total DG OLAF		9.039.116,09	0	9.039.116,09	8.806.960,59	0	8.806.960,59	232.155,5

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

Annex 3 Financial Reports - DG OLAF
Report printed on 20/02/2015

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

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014 Year of Origin (commitment)	TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2009			3	771.947,48		
2011			2	69.576,26		
2012			2	7.163,13		
2013			6	193.609,86		
2014			8	1.297,20		
No Link			37	7.951.581,90		
Sub-Total			58	8.995.175,83		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS									55	598.647,50		
CREDIT NOTES									76	1.712.554,18		
Sub-Total									131	2.311.201,68		
GRAND TOTAL									189	11.306.377,51		

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors. The provisional closure will be based on the recovery context situation at 31/01/2015.

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2014 FOR OLAF

	Number at 01/01/2014	Number at 31/12/2014	Evolution	Open Amount (Eur) at 01/01/2014	Open Amount (Eur) at 31/12/2014	Evolution
2014		2			232.155,50	
		2			232.155,50	

TABLE 10 : RECOVERY ORDER WAIVERS IN 2014 >= EUR 100.000

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

Total DG	
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Number of RO waivers	
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Justifications:

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

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

No data to be reported

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

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Additional comments

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TABLE 13 : BUILDING CONTRACTS

Total number of contracts :

Total amount :

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

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

No data to be reported

ANNEX 4: Materiality criteria

OLAF used the following materiality criteria to assess the relevance of a reservation to the declaration:

Quantitative threshold

The quantitative threshold for materiality in OLAF is 2%, i.e. when the total amount of transactions affected by the deficiencies detected represents more than 2% of the amount for the budget line allocated to the ABB activity for the year concerned, the issue will be reported as material and thus may give rise to a reservation.

Qualitative criteria

As regards qualitative measures, OLAF identifies deficiencies to be relevant when considering the possibility of making a reservation to the declaration if they:

- (1) concern significant (repetitive) errors;
- (2) concern a significant weakness in one of the control systems;
- (3) risk compromising the Commission's reputation;
- (4) concern a breach of rights of individuals.

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

'GRANTS'- Stage 1 - Programming, evaluation and selection of proposals

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

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

Main control objectives: provide a brief description of the main control objectives

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The annual work programme and the subsequent calls for proposals do not adequately reflect the policy objectives, priorities, are incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the evaluation of the proposals.</p>	<p>Hierarchical validation within the authorising department Inter-service consultation, including all relevant DGs Adoption by the Commission Recommended: (1) Explicit allocation of responsibility to individual officials (reflected in task assignment or function descriptions) (2) Centralised checklist based on verification (3) Ex-post monitoring: lessons-learned survey/discussion with evaluators</p>	<p>If risk materialises, all grants awarded during the year under this work programme or call would be irregular. Possible impact 100% of budget involved and significant reputational consequences. Coverage / Frequency: 100% Depth: Checklist includes a list of the requirements of the regulatory provisions identified.</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the annual work programme and calls. Benefits: The (average annual) total budgetary amount of the annual work programmes or calls with significant errors detected and corrected.</p>	<p>Budget amount of the work programmes concerned. Effectiveness: Success ratio value proposals received over budget available. Efficiency: Average cost of preparation, adoption and publishing an annual work programme.</p>

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

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among (a good balance of) the proposals selected (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The evaluation, ranking and selection of proposals is not carried out in accordance with the established procedures, the policy objectives, priorities and/or the essential eligibility, or with the selection and award criteria defined in the annual work programme and subsequent calls for proposals.</p>	<p>Assignment of staff (e.g. programme officers) and/or Selection and appointment of expert evaluators (if foreseen as deviation from FR)</p>	<p>100% vetting for technical expertise and independence (e.g. conflicts of interests, nationality bias, ex-employer bias, collusion)</p>	<p>Costs: estimation of cost of staff involved in the evaluation and selection of proposals. Cost of the appointment of experts and of the logistics of the evaluation. Benefits: Compare selected list with a random allocation of the available budget. Benefit equals to value of deserving projects otherwise not selected plus value of non-deserving projects that would have been selected (=amount redirected to better projects).</p>	<p>Effectiveness: Proposals challenged under the redress procedure. Nb litigation cases reported. Efficiency Indicators: Average cost per number of proposal received. Number of selected proposals/total number of proposals received. Average cost per selected proposal.</p>
	<p>Assessment by staff (e.g. programme officers) and/or by independent experts (contractors)</p>	<p>100% of proposals are evaluated. Depth may be determined by screening of outline proposals (two-step evaluation).</p>		

	<p>Review (e.g. by a mixed panel) and hierarchical validation by the AO of ranked list of proposals</p> <p>In addition, if applicable: Opinion of advisory bodies; comitology; inter-service consultation and adoption by the Commission; publication</p>	<p>Coverage: 100% of ranked list of proposals. Supervision of work of evaluators.</p> <p>Depth depends of risk factors: e.g. conflicts of interests, nationality bias, ex-employer bias, collusion</p>		
	<p>Redress procedure</p>	<p>100% of contested decisions are analysed by redress committee</p>		

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

Main control objectives: Ensuring that the actions and funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The description of the action in the grant agreement includes tasks which do not contribute to the achievement of the programme objectives and/or that the budget foreseen overestimates the costs necessary to carry out the action.</p> <p>The beneficiary lacks operational and/or financial capacity to carry out the actions.</p> <p>Procedures do not comply with regulatory framework.</p>	<p>Project Officers implement evaluators' recommendations in discussion with selected applicants. Hierarchical validation of proposed adjustments.</p> <p>Validation of beneficiaries (operational and financial viability) and planning of (mid-term and final) evaluations.</p> <p>Signature of the grant agreement by the AO.</p> <p>In-depth financial verification and taking appropriate measures for high risk beneficiaries.</p> <p>Reinforce financial and contractual circuits.</p>	<p>100% of the selected proposals and beneficiaries are scrutinised.</p> <p>Coverage: 100% of draft grant agreements.</p> <p>Depth may be determined after considering the type or nature of the beneficiary (e.g. SMEs, joint-ventures) and/or of the modalities (e.g. substantial subcontracting) and/or the total value of the grant.</p>	<p>Costs: estimation of cost of staff involved in the contracting process.</p> <p>Benefits: Difference between the budget value of the selected proposals and that of the corresponding grant agreements.</p>	<p>Effectiveness: % of selected proposals with recommendations implemented in grant agreement.</p> <p>Efficiency Indicators: Value of grant agreements completed over budget requested in the corresponding proposals :</p>

Stage 3 - Monitoring the execution.

This stage covers the monitoring the operational, financial and reporting aspects related to the project and grant agreement

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions.</p>	<p>Operational and financial checks in accordance with the financial circuits.</p> <p>Operation authorisation by the AO</p> <p>For riskier operations, ex-ante in-depth and/or on-site verification.</p>	<p>100% of the projects are controlled, including only value-adding checks.</p> <p>Riskier operations subject to in-depth and/or on-site controls.</p> <p>The depth depends on risk criteria.</p>	<p>Costs: estimation of cost of staff involved in the actual management of running projects.</p> <p>Benefits: budget value of the costs claimed by the beneficiary, but rejected by the project officers. Budget value of the part of the grant not paid out as pre-financing for projects that have been stopped by the Commission. Budget value of penalties and liquidated damages</p>	<p>Effectiveness: Number of cost claims with adjustments . budget amount of the errors concerned . Success ratios; % of value of cost claims items adjusted over cost claims value.</p> <p>Efficiency Indicators: Cost/benefit ratio Average cost per open project. % cost over annual amount disbursed Time-to-payment.</p>
	<p>For high risk operations, reinforced monitoring</p> <p>Recommended: consider an <i>ex-ante</i> verification on-the-spot (OV and/or FV) - e.g. monitoring visit. Earmark projects for <i>risk-based expost</i> audit.</p>	<p>High risk operations identified by risk criteria.</p> <p>Red flags: delayed interim deliverables, suspicion of plagiarism, unstable consortium, requesting many amendments, EWS or anti-fraud flagging, etc.</p>		

	If needed: application of Suspension/interruption of payments, Penalties or liquidated damages. Referring grant to OLAF	Depth: depends from results of ex-ante controls.		
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Stage 4 - Ex-Post controls A - Reviews, audits and monitoring

Main control objectives: Measuring the effectiveness of ex-ante controls by ex-post controls; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls (legality & regularity; anti-fraud strategy); addressing systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management); Ensuring appropriate accounting of the recoveries to be made (reliability of reporting, safeguarding of assets and information).

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud.</p>	<p>Ex-post control strategy: Carry out audits or desk-reviews of a representative sample of operations to determine effectiveness of ex-ante controls (+ consider ex-post findings for improving the ex-ante controls).</p> <p>If error rate over tolerable threshold, control a risk based sample to lower the residual error rate below the tolerable threshold.</p> <p>Recommended: multi-annual basis (programme's lifecycle) and coordination with other AOs concerned (to detect systemic errors) Validate audit results with beneficiary</p> <p>If needed: referring the beneficiary or grant to OLAF</p>	<p>Representative sample: random or MUS sample sufficiently representative to draw valid management conclusions</p> <p>Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise error correction (either higher amounts or expected error rate).</p>	<p>Costs: estimation of cost of staff involved in the coordination and execution of the audit strategy .Cost of the appointment of audit firms for the outsourced audits.</p> <p>Benefits: budget value of the errors detected by the auditors.</p> <p>Loss: budget value of the errors that could be detected by audits (that would still be cost-effective), but which are beyond the maximum audit coverage allowed in the sectoral legislation.</p>	<p>Effectiveness: Representative error rate.</p>

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The ex-post controls focus on the detection of external errors (e.g. made by beneficiaries) and do not consider any internal errors made by staff or embedded systematically in the own organisation</p>	<p>An ex-post supervision strategy, performed by independent staff not involved in the operational and financial circuits allocated to the ICC. to be able to serve multiple purposes (e.g. overall assurance, largest corrections the sampling procedure is a combination of, respectively random/representative and risk-based.</p>	<p>Coverage: ideally, the random sample will be statistically representative to enable drawing valid management conclusions about the entire population during the programme's lifecycle.</p> <p>Sample coverage: A + B % in number and value, out of the 100% in number and value of the transactions, are re- checked during the programme's lifecycle (typically 5%-15%).</p> <p>Depth: desk review of all underlying elements and documents.</p>	<p>Costs: estimation of cost of staff involved in the supervision strategy (which may include missions, if applicable).</p> <p>Benefits: budget value of the errors detected by the supervisors.</p>	<p>Cost of controls:</p> <p>Number and value of ex-post audits carried out on grants:</p> <p>Number and value of detected errors corrected.</p>

B - Implementing results from ex-post audits/controls

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>The errors, irregularities and cases of fraud detected are not addressed or not addressed timely</p>	<p>Systematic registration of audit / control results to be implemented. Financial operational validation of recovery in accordance with financial circuits. Authorisation by AO</p>	<p>Coverage: 100% of final audit results <i>with a financial impact</i>. Depth: consider 'extending' the findings of systemic errors into corrections of non-audited projects by the same beneficiary</p>	<p>Costs: estimation of cost of staff involved in the implementation of the audit results. Benefits: budget value of the errors, detected by ex-post controls, which have actually been corrected (offset or recovered). Loss: budget value of such ROs which are 'waived' or have to be cancelled.</p>	<p>Effectiveness: Error rate of the ex-post controls</p>

Procurement - Stage 1: - A – Planning

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
<p>The needs are not well defined (operationally and economically) and that the decision to procure was inappropriate to meet the operational objectives</p> <p>Discontinuation of the services provided due to a late contracting (poor planning and organisation of the procurement process)</p>	Publication of intended procurements / Work programme	100% of the forecast procurements (open procedures with prior notification) are justified in a note addressed to the AO(D)	<p><i>Costs:</i> estimation of cost of staff involved and the related contract values (if external expertise is used).</p> <p><i>Benefits:</i> Amount of rejection of unjustified purchases.</p> <p>Estimation of litigation avoided and eventual discontinuation of the service provided.</p>	<p><i>Effectiveness:</i> Number of projected tender cancelled; Number of contract discontinued due to lack of use.</p> <p><i>Efficiency:</i> average cost per tender.</p>
	Validation by AO(S)D of justification (economic , operation) for launching a procurement process	100% of the forecast procurements		
	Decisions discussed/taken at management meeting	All key procurement procedures (> amounts and/or having significant impact on the objectives of the DG) are discussed at management meeting		

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

* **For Coverage frequency and depth:** Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

B - Needs assessment & definition of needs

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
The best offer/s are not submitted due to the poor definition of the tender specifications	AOSD supervision and approval of specifications	100% of the specifications are scrutinised. Depth may be determined by the amount and/or the impact on the objectives of the DG if it goes wrong	<p>Costs: estimation of cost of staff involved and the related contract values (if external expertise is used).</p> <p>Benefits: limit the risk of litigation, limit the risk of cancellation of a tender. Amount of contracts for which the approval and supervisory control detected material error.</p>	<p>Effectiveness: N° of 'open' or procedures where only one or no offers were received.</p> <p>N° of requests for clarification regarding the tender.</p> <p>Efficiency: Estimated average cost of a procurement procedure).</p>
	Additional supervisory verification by specialised expert actor or entity.	100% of the tenders above a financial threshold (e.g.>60.000 €) are reviewed. Depth risk based, depends on the sensitivity		

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

* **For Coverage frequency and depth:** Where applicable (i.e not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

C - Selection of the offer & evaluation

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

Main risks It may happen (again) that...	Mitigating controls (those in bold are strongly recommended)	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
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. Depth: all documents transmitted	Costs: estimation of costs involved Benefits: Compliance with FR. Difference between the most onerous offer and the selected one.	Effectiveness: Numbers of 'valid' complaints or litigation cases filed Efficiency: Average cost of a tendering procedure
	Opinion by consultative committee "CCAM/PPAG"	Risk based approach or threshold. Depth in terms of justification of the draft award decision	Costs: estimation of cost of staff involved. Benefits: Potential irregularities/ inefficiencies prevented (amount of procurement for which opinion raised significant concerns)	
	Opening and Evaluation Committees' declaration of absence of conflict of interests	100% of the members of the opening committee and the evaluation committee	Costs: estimation of cost of staff involved. Benefits: Amount of contracts for which the control prevented the risk of litigation or fraud.	
	Exclusion criteria documented	100% checked. Depth: required documents provided are consistent	Costs: estimation of cost of staff involved.	

Main risks It may happen (again) that...	<i>Mitigating controls</i> (those in <i>bold</i> are strongly recommended)	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
			Benefits: Avoid contracting operators with excluded economic	
	Standstill period, opportunity for unsuccessful tenderers to put forward their concerns on the decision.	100% when conditions are fulfilled	<i>Costs:</i> estimation of cost of staff involved. <i>Benefits:</i> Amount of procurements successfully challenged during standstill period.	

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

* **For Coverage frequency and depth:** Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

Procurement - Stage 2 - Financial transactions

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
The 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 For riskier operations, ex-ante in-depth verification.	100% of the contracts are controlled, including only value-adding checks. Riskier operations subject to in-depth controls. The depth depends on risk criteria.	Costs: estimation of cost of staff involved. Benefits: Amount of irregularities, errors and overpayments prevented by the controls	Effectiveness: % error rate prevented (amount of errors/irregularities averted over total payments) Number/amount of liquidated damages: Efficiency: Average cost per open project. disbursed %cost over annual amount: Time-to-payment Late interest payment paid
	For high risk operations, reinforced monitoring on deliverables timing. Management of sensitive functions	High risk operations identified by risk criteria. Amount and potential impact on the DG operations of late or no delivery		

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

* For Coverage frequency and depth: Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

Stage 3 - Supervisory measures

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

Main risks It may happen (again) that...	<i>Mitigating controls</i> (those in bold are strongly recommended)	How to determine coverage frequency and depth*	How to estimate the costs and benefits of controls	Possible control indicators
An error or non-compliance with regulatory and contractual provisions, including technical specifications, or a fraud is not prevented, detected or corrected by ex-ante control, prior to payment	Supervisory desk review of procurement and financial transactions	Representative sample. <i>Depth:</i> review of the procedures implemented (procurement and financial transactions)	<i>Costs:</i> estimation of cost of staff involved. <i>Benefits:</i> Amounts detected associated with fraud & error. Deterrents & systematic weaknesses corrected.	<i>Effectiveness:</i> Amounts associated with errors detected during ex-post controls: <i>Efficiency:</i> Costs of the ex post controls and supervisory measures.
	Ex-post publication (possible reaction from tenderer / potential tenderer such as whistle blowing)	Potentially 100%		
	Review of ex post results	100% at least once a year. <i>Depth:</i> look for any systemic problem in the procurement procedure and in the financial transaction procedure and any weakness in the selection process of the ex post controls		
	Review of exceptions reported	100% at least once a year. <i>Depth:</i> look for any weakness in the procedures (procurement and financial transactions)		
	Review of the process after each procedure	100%. <i>Depth:</i> review any significant problem that occurred		

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

* **For Coverage frequency and depth:** Where applicable (i.e. not 100% control coverage) describe the sampling approach e.g. random, risk based, stratified, representative

ANNEX 6: Performance information included in evaluations

In this Annex information is given as to which planned evaluations³ foreseen in the MP 2014 have been actually carried out in 2014. Also a key message on the main findings/ recommendations of each evaluation is provided.

Title of the Evaluation:	Evaluation of the Hercule II programme
ABB activity:	<i>Promoting activities in the field of the protection of the European Union's financial interests (Hercule)</i>
Type of evaluation:	Expenditure programme
Summary of performance related findings and recommendations:	<p>Overall, the evaluation concluded that the Programme has reached its objectives and intended impact, namely protecting the Union's financial interests, and that it delivered complementary results within the three different sectors:</p> <p>Technical Assistance, through the provision of equipment, has been highly effective in strengthening technical and operational support for the law enforcement and customs authorities.</p> <p>By supporting Trainings, Seminars and Conferences; the programme contributed to enhanced cooperation, increased exchange of experiences and information and built networks.</p> <p>IT Support has facilitated access to data and analysis, which was indicated to have improved investigations, monitoring and intelligence work in some Member States, although it has only contributed to a limited extent in others.</p> <p>The programme delivered EU added value in achieving its objectives which could not, or to a lesser extent, have been achieved with national means only. The programme is also complementary to other Commission's programmes in the same field, i.e. the Customs, Fiscalis or DG HOME programmes. Nevertheless, although the evaluation assessed that more could be done to enhance cooperation and communication between the Commission services.</p> <p>The programme has been efficient in reaching its desired effects and the resources were made available to the beneficiaries in due time, quantity and quality. Nevertheless, the evaluation showed that efficiency gains may be possible if Member States share best practices with respect to purchasing and procurement of equipment.</p> <p>Overall, the evaluation concluded that the results/activities delivered by the programme are sustainable.</p> <p>Additional monitoring requirements, in line with the existing reporting on results achieved with the technical equipment, would improve OLAF's ability to monitor the results achieved and the sustainability of the activities funded.</p>
Availability of the report on Europa:	Not yet

³ Surveys, rolling reviews, data collection, public consultations, legal implementation reports or other types of studies do not qualify as evaluations and do not need to be taken up in this Annex.