

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 Commission⁸, 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.

Date

Maria Angeles Benitez Salas

(signed)

⁸ Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

| | |
|---------------------------------------|-------------|
| DG or Service concerned (name) | BEPA |
|---------------------------------------|-------------|

| Internal Control Standards Effectiveness | ICS prioritised in MP 2014? | Rationale for prioritisation in 2014 MP |
|--|------------------------------------|--|
| ICS 1 Mission | N | |
| ICS 2 Ethical and Organisational Values | Y | ICS 2.1. The Director General ensures that his/her staff are aware of relevant ethical and organisational values and the associated rules and procedures. In particular staff are made aware of the necessity to avoid conflicts of interest and the procedure to manage such situations should they arise, the rules regarding whistleblowing and the procedure to report fraud and irregularities. A solid and targeted antifraud strategy is organised at DG level. |
| ICS 3 Staff Allocation and Mobility | N | |
| ICS 4 Staff Evaluation and Development | N | |
| ICS 5 Objectives and Performance Indicators | N | |
| ICS 6 Risk Management | N | |
| ICS 7 Operational Structure | N | |
| ICS 8 Processes and Procedures | N | |
| ICS 9 Management Supervision | N | |
| ICS 10 Business Continuity | N | |
| ICS 11 Document Management | N | |
| ICS 12 Information and Communication | N | |
| ICS 13 Accounting and Financial Reporting | N | |
| ICS 14 Evaluation of Activities | N | |
| ICS 15 Assessment of Internal Control | N | |

| | | |
|---|---|--|
| Systems | Y | |
| ICS 16 Internal Audit Capability | N | |

| ICS effectively implemented on 31/12/2014? | ICS prioritised in MP 2015? | Comments |
|--|-----------------------------|---|
| Y | N | |
| Y | Y | <p><i>Following the opinion expressed by the Internal Audit Capability (IAC), BEPA has decided to prioritise the ICS 2 and is in the process of improving the efficiency of its internal control systems in the area of ethics, taking into account its reorganisation into a new entity EPSC</i></p> |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |
| Y | N | |

| | | |
|---|---|--|
| | | |
| Y | N | |

ANNEX 2: Human and Financial resources

| Human Resources by ABB activity | | | | |
|----------------------------------|---|--------------------------|--------------------|-------|
| Code ABB Activity | ABB Activity | Establishment Plan posts | External Personnel | Total |
| Management | Management of the European Political Strategy Centre | 3 | 1 | 4 |
| Policy advice | Policy advice | 20 | 7 | 27 |
| Policy strategy and coordination | Policy strategy and coordination for the European Political Strategy Centre | 11 | 1 | 12 |
| Total | | | 9 | 43 |

General remark: the above data rely on the snapshot of Commission personnel actually employed in each DG/ service as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.

As mentioned earlier, EPSC was created in November. As a new entity, EPSC was not subject to ABB screening during the two month-period that preceded the snapshot and as a result the snapshot had to be adapted to be more representative of the actual repartition of ABB activities in BEPA and EPSC.

Implementation of BEPA Global envelope as of 31 December 2014 (budget lines: XX 01 02 11 00 01 to XX 01 02 11 00 06).

| | Credits | Engagement | Payment | % EXECUTION |
|--------------------|---------|------------|---------|---------------|
| 25.010211.00 | 838.062 | | | |
| 25.010211.00.01.10 | | 125.000 | 109.557 | |
| 25.010211.00.01.30 | | 600 | 275 | |
| 25.010211.00.02.20 | | 210.722 | 141.531 | |
| 25.010211.00.02.40 | | 193.843 | 143.972 | |
| 25.010211.00.03 | | | | |
| 25.010211.00.04 | | | | |
| 25.010211.00.05 | | | | |
| 25.010211.00.06 | | | | |
| | 838.062 | 530.165 | 395.336 | 63,26% |

Annex 3 Financial Reports - DG BEPA - 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 25 Commission's policy coordination and legal advice | | | | | |
| 25 | 25 01 | Administrative expenditure of the Commission's policy coordination and legal advice- policy area | 0.84 | 0.53 | 63.26 % |
| Total Title 25 | | | 0.84 | 0.53 | 63.26% |
| Total DG BEPA | | | 0.84 | 0.53 | 63.26 % |

* 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).

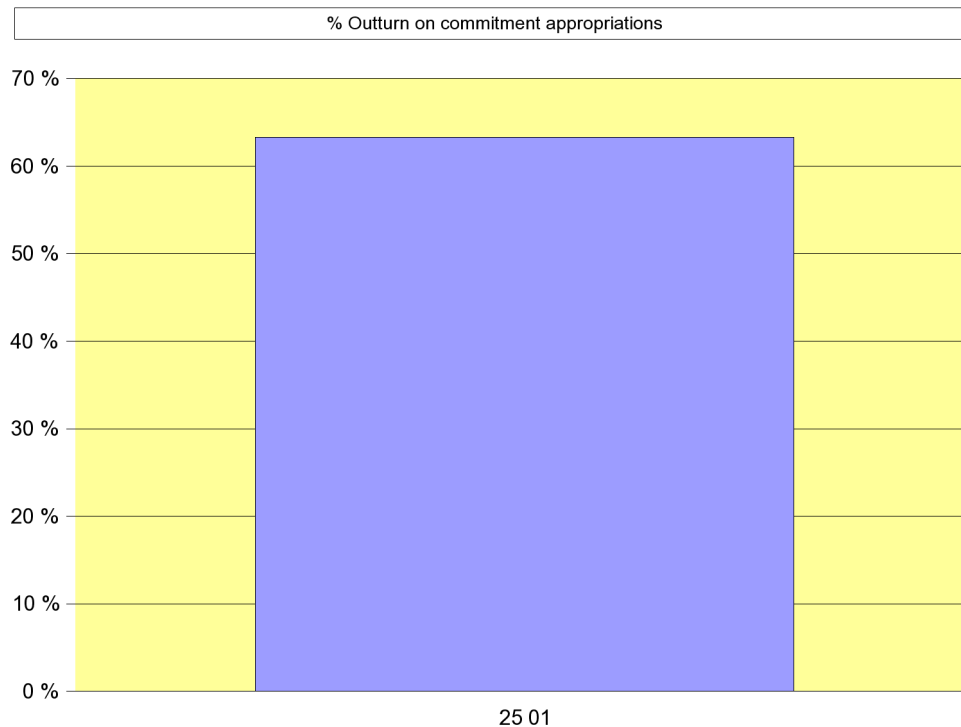
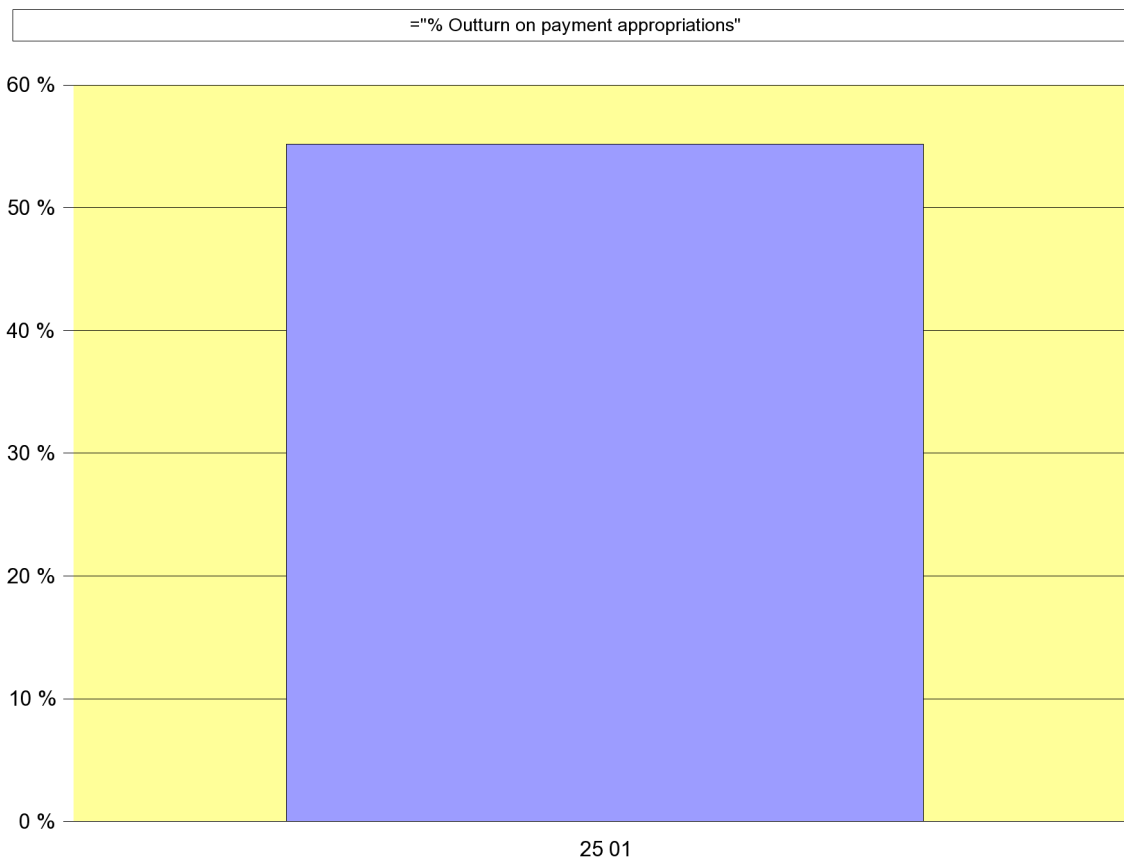


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)

| Chapter | | Payment appropriations authorised * | Payments made | % | |
|---|-------|---|---------------|-------|---------|
| | | 1 | 2 | 3=2/1 | |
| Title 25 Commission's policy coordination and legal advice | | | | | |
| 25 | 25 01 | Administrative expenditure of the `Commission-s policy coordination and legal advice- policy area | 1.25 | 0.69 | 55.16 % |
| Total Title 25 | | | 1.25 | 0.69 | 55.16% |
| Total DG BEPA | | | 1.25 | 0.69 | 55.16 % |

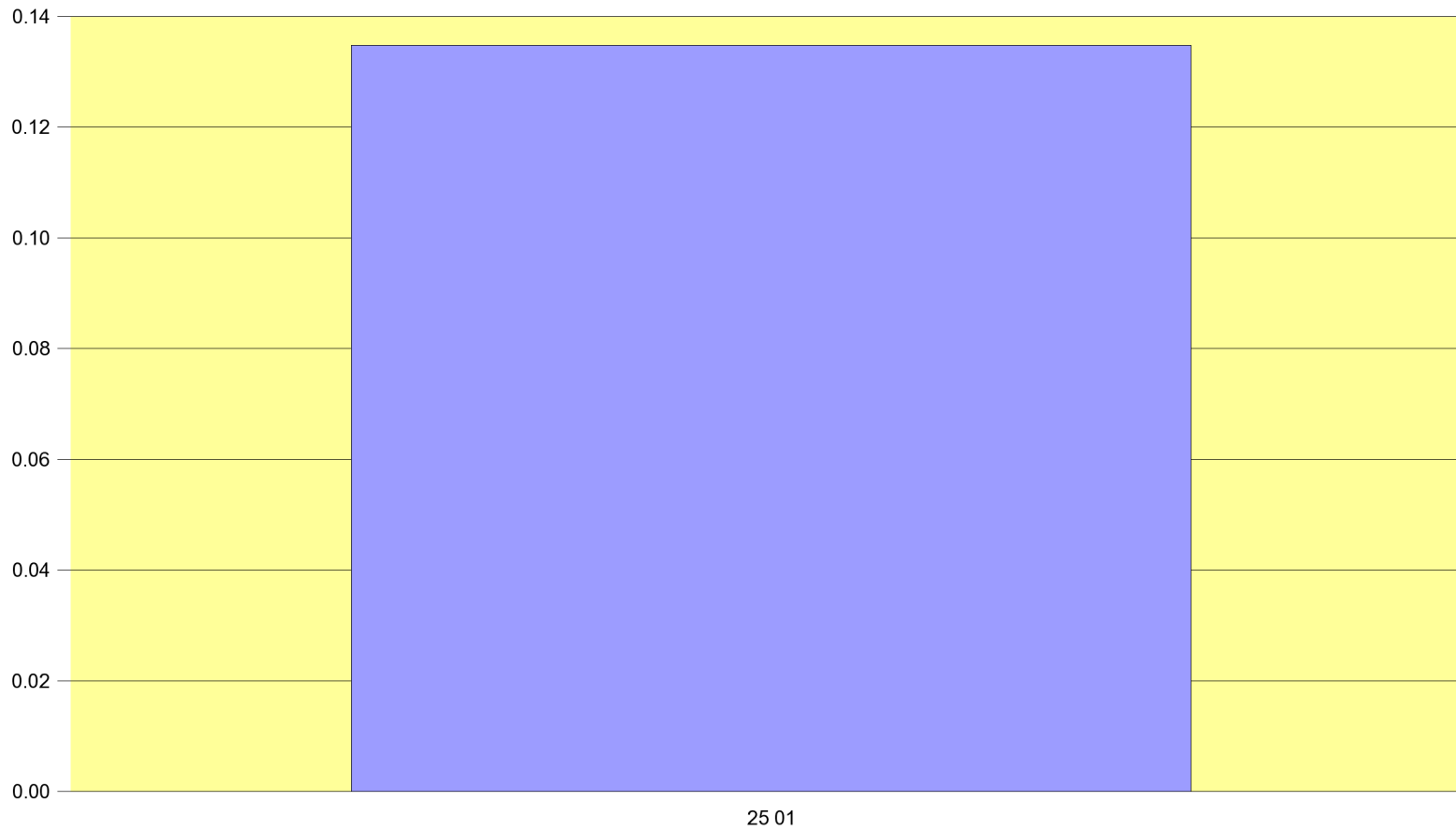
* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).



| 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 25 : Commission's policy coordination and legal advice | | | | | | | | | |
| 25 | 25 01 | Administrative expenditure of the Commission's policy coordination and legal advice- policy area | 0.53 | 0.40 | 0.13 | 25.43 % | 0.00 | 0.13 | 0.43 |
| Total Title 25 | | | 0.53 | 0.40 | 0.13 | 25.43% | 0 | 0.13 | 0.43 |
| Total DG BEPA | | | 0.53 | 0.40 | 0.13 | 25.43 % | 0 | 0.13 | 0.43 |

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.II. CURRENT ASSETS | | 0 |
| A.II.4. Exchange Receivables | | 0.00 |
| ASSETS | | 0 |
| P.III. CURRENT LIABILITIES | -481.82 | -481.82 |
| P.III.4. Accounts Payable | 0.00 | 0.00 |
| P.III.5. Accrued charges and deferred incom | -481.82 | -481.82 |
| LIABILITIES | -481.82 | -481.82 |
| NET ASSETS (ASSETS less LIABILITIES) | -481.82 | -481.82 |

| | | |
|--------------------------------------|--------------|-----------|
| P.I.2. Accumulated Surplus / Deficit | 1,838,887.78 | 515,703.6 |
|--------------------------------------|--------------|-----------|

| | | |
|--|---------------|-------------|
| Non-allocated central (surplus)/deficit* | -1,838,405.96 | -515,221.78 |
|--|---------------|-------------|

| | | |
|--------------|-------------|-------------|
| 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 | 22,519.95 | 30,007.3 |
| II.1.2. EXCHANGE REVENUES | 22,519.95 | 30,007.3 |
| II.1.2.2. OTHER EXCHANGE REVENUE | 22,519.95 | 30,007.30 |
| II.2. EXPENSES | 206,225.36 | 1,293,176.88 |
| II.2. EXPENSES | 206,225.36 | 1,293,176.88 |
| 11.2.10. OTHER EXPENSES | 206,225.36 | 1,292,902.91 |
| II.2.8. FINANCE COSTS | | 273.97 |
| STATEMENT OF FINANCIAL PERFORMANCE | 228,745.31 | 1,323,184.18 |

Explanatory Notes (facultative):

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

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

TABLE 6: AVERAGE PAYMENT TIMES FOR 2014 - DG BEPA

| Legal Times | | | | |
|------------------------------------|---------------------------------|--|-------------------|-------------------------------------|
| Maximum Payment Time (Days) | Total Number of Payments | Nbr of Payments within Time Limit | Percentage | Average Payment Times (Days) |
| 30 | 73 | 73 | 100.00 % | 9.12 |
| 60 | 2 | 2 | 100.00 % | 21 |

| | | | | |
|---------------------------------|-------------|-----------|-----------------|-------------|
| Total Number of Payments | 75 | 75 | 100.00 % | |
| Average Payment Time | 9.44 | | | 9.44 |

| Target Times | | | | |
|-----------------------------------|---------------------------------|---|-------------------|-------------------------------------|
| Target Payment Time (Days) | Total Number of Payments | Nbr of Payments within Target Time | Percentage | Average Payment Times (Days) |
| 30 | 10 | 10 | 100.00 % | 8.8 |

| | | | | |
|---------------------------------|------------|-----------|-----------------|------------|
| Total Number of Payments | 10 | 10 | 100.00 % | |
| Average Payment Time | 8.8 | | | 8.8 |

| 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 |
| 0 | 8 | 1 | 1.33 % | 75 | 13,542.91 | 6.07 % | 223,142.72 |

| 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 | 7=3-6 |
| | | | | | | | |
| Total DG | | | | | | | |

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

Annex 3 Financial Reports - DG BEPA
Report printed on 13/02/2015

**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 |
| | | | | | | |
| Sub-Total | | | | | | |

| 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 | | | | | | | | | | | | |
| CREDIT NOTES | | | | | | | | | 3 | 684.63 | | |
| Sub-Total | | | | | | | | | 3 | 684.63 | | |

| | | | | | | | | | | | | |
|--------------------|--|--|--|--|--|--|--|--|----------|---------------|--|--|
| GRAND TOTAL | | | | | | | | | 3 | 684.63 | | |
|--------------------|--|--|--|--|--|--|--|--|----------|---------------|--|--|

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 BEPA

| | 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 |
|--|---------------------------------|---------------------------------|------------------|--|--|------------------|
| | | | | | | |
| | | | | | | |

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 | |
|-----------------|--|

| | |
|-----------------------------|--|
| Number of RO waivers | |
|-----------------------------|--|

Justifications:

Please enter the text directly (no copy/paste of formatted text which would then disappear when saving the document in pdf), use "ctrl+enter" to go to the next line and "enter" to validate your typing.

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

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

No data to be reported

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

| | | |
|--|--|--|
| | | |
|--|--|--|

Additional comments

| |
|--|
| |
|--|

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

BEPA has elaborated the following materiality criteria on the basis of the guidance provided by DG BUDG and the Secretariat-General in the standing instructions for the preparation of Annual Activity Reports.

This materiality criteria is limited to the financial management of the DGs activities. However, and even considering that BEPA didn't have spending programmes, the impact of our actions can be extremely important for the institution in terms of reputation.

The selected materiality criteria are the following:

Quantitative criteria

The proposed standard quantitative materiality threshold in the above-mentioned guidance is 2% of the payment budget of the ABB activity for the DG. BEPA took the view that this is an appropriate threshold.

Qualitative criteria

In qualitative terms, when assessing the significance of any weaknesses, the following are taken into account:

- A significant reputational risk for the DG or the Commission: BEPA was aware, as EPSC is now, that given the nature of its work and the its close relation to the President and his Cabinet, serious deficiencies in ethical standards could have a significant impact on the reputation of the Commission;
- The degree of effectiveness of the internal control systems in place, assessed on the basis of the results of the checks performed notably by the ICC, by the IAC, the ex-ante controls and exceptions reported in the exception registry.
- No critical findings identified by auditors.

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

Procurement direct management

The DG BEPA (renamed EPSC) is managing a small budget falling under heading 5 "Administrative expenditure": the procurement procedures are in general low value contracts (negotiated procedures under the threshold of 15.000 euro), mainly for the organisation of conferences, visitors' programme. The DG BEPA is mainly using existing framework contracts for its regular activities.

Stage 1: Procurement

A- Needs analysis and planning

Main control objectives: Effectiveness, efficiency and economy

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | How to estimate the costs and benefits of controls | Control indicators |
|---|---|---|---|---|
| The precise procurement needs are not always clearly defined due to the absence of work programme and the flexibility of DG BEPA reporting directly to the President and operating under his authority. | Decisions to procure are taken during management meetings with the Cabinet Hierarchical validation for all procurement procedures launched accompanied by a note to AO(s)D on justification and validation by AO(s)D | Coverage/Frequency: 100 % | Cost: FTEs linked to Management and Resource Unit Benefits : non-quantifiable qualitative benefits (reputational damage) | Total cost of controls/all expenditure executed during the year (payments made) |

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 | Control indicators |
|---|---|---|--|---|
| The needs are not well defined (operationally and/or economically) in the draft tender specifications documents | Standard templates developed for the preparation of tender specifications for use of framework contracts and launch of negotiated procedures. Financial circuit : AOsD approval on specifications Review by Management and Resource Unit of all procedures launched | Coverage/Frequency: 100% | Cost: FTE linked to Management and Resource Unit Benefits : non-quantifiable qualitative benefits (reputational damage) | Total cost of controls/all expenditure executed during the year (payments made) |

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 | How to determine coverage, frequency and depth | How to estimate the costs and benefits of controls | Control indicators |
|--|--|---|--|---|
| The evaluation process of the submitted offers by the contractor is biased or inaccurate or "unfair" | Documented evaluation by Management and Resource Unit of all offers received | Coverage/Frequency: 100% | Cost: FTE linked to Management and Resource Unit Benefits : non-quantifiable qualitative benefits (reputational damage) | Total cost of controls/all expenditure executed during the year (payments made) |

Stage 2: Financial transactions

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

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | How to estimate the costs and benefits of controls | Control indicators |
|--|---|--|--|--|
| <p>The services delivered by the contractor are not, totally or partially in compliance with the contractual terms and/or the amount to be paid is not correct with the applicable contractual provisions.</p> | <p>Operational and financial steps performed in accordance with the financial circuits (segregation of duties)</p> <p>Ex-ante verification performed centrally by Management and Resource Unit based on detailed check-lists</p> <p>Management of sensitive functions</p> | <p>Coverage/Frequency: 100% of the commitments and payments are controlled</p> <p>Review every 5 years</p> | <p>Costs: FTE linked to actors acting on financial circuit</p> <p>Qualitative and quantitative benefits :</p> <p>Detected error before payment Sound financial management and respect of contractual provisions and deterrent effect</p> | <p>Total cost of controls/all expenditure executed during the year (payments made)</p> <p>Efficiency time to payment Late interest payment</p> |

Stage 3: Supervisory measures

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

| Main risks It may happen (again) that... | Mitigating controls | How to determine coverage, frequency and depth | How to estimate the costs and benefits of controls | Control indicators |
|---|---|---|--|--|
| An error or non-compliance with regulatory and contractual provisions or a fraud is not prevented and corrected by ex-ante controls, prior to payment or prior to the awarding decision | Review of any events/problem signalled Review of exceptions and non-compliance reports | 100 % of the situations signalled At least once a year: evaluation of non-compliance and exceptions reported | Costs: estimation of staff involved Benefits: amount of payments made during the year for which there is reasonable assurance that were made free of material error (quantifiable) Deterrents and systematic weaknesses corrected to improve procedures and to better address related risks (not quantifiable) | Effectiveness: amounts associated with errors detected (related to fraud, irregularities and error) in % over total checked. |