



DG MOVE – AAR 2015 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 Section 2 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.

Date: 29 March 2016

[Signed]

Agnieszka KAZMIERCZAK

¹ 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.

ANNEX 2: Human and financial resources

Human Resources by ABB activity (31 December 2015)			
ABB Activity	Establishment Plan posts	External Personnel	Total
European transport policy	265	80	345
Horizon 2020 — Research and innovation related to transport	11	3	14
Policy strategy and coordination for the Directorate-General for mobility and transport	54	10	64
Shared management for Energy and Mobility and Transport	137	17	154
Shared Policy strategy and coordination for Energy and Mobility and Transport	1	0	1
Total	468	110	578

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.

Implementation of decentralised administrative authorised operations (payments and revenues) of their Global envelope as of 31 December 2015				
In EUR FMC: MOVE				
	Appropriations	Commitments	Payments	% Execution
06.010211.00	0			
06.010211.00.01.10	1 210 000	1 210 000	1 041 133	
06.010211.00.01.30	19 500	19 500	11 134	
06.010211.00.02.20	511 000	511 000	328 889	
06.010211.00.02.40	22 355	16 858	15 306	
06.010211.00.03	484 250	484 250	332 386	
06.010211.00.05	55 000	50 452	25 641	
06.010211.00.06	133 882	133 882	42 450	
	2 435 987	2 425 943	1 796 939	99.59%

ANNEX 3: Draft annual accounts and financial reports

Annex 3 Financial Reports - DG MOVE - Financial Year 2015

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

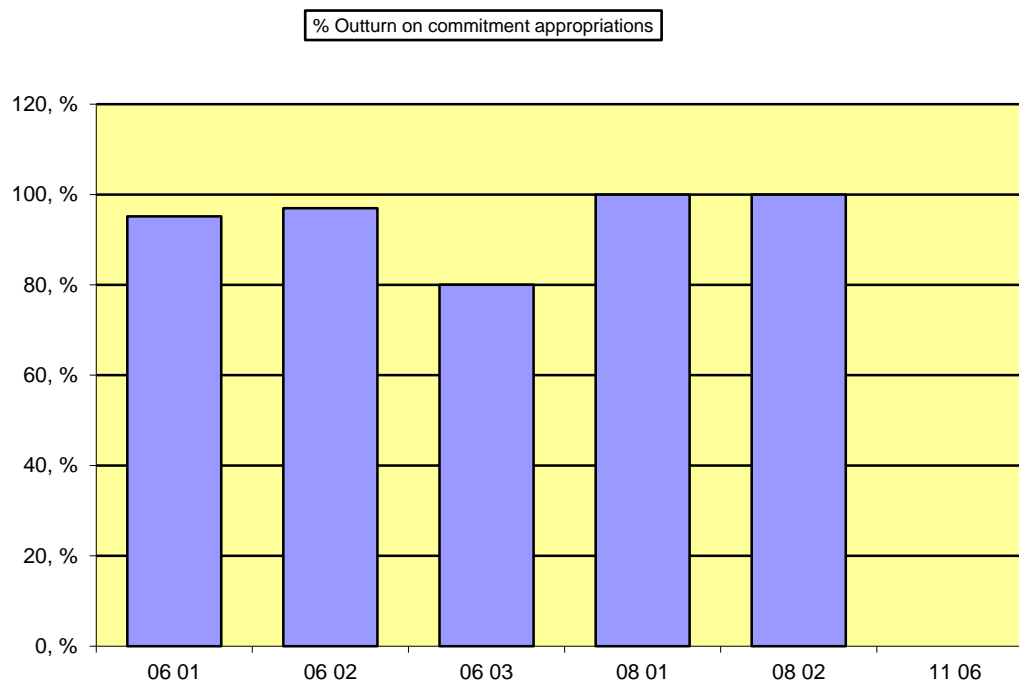
Table 14 : Contracts declared Secret

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

Additional comments

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2015 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 06 Mobility and transport					
06	06 01	Administrative expenditure of the 'Mobility and transport' policy area	28.25	26.89	95.18 %
	06 02	European transport policy	234.55	227.45	96.97 %
	06 03	Horizon 2020 - Research and innovation related to transport	123.30	98.68	80.03 %
Total Title 06			386.10	353.02	91.43%
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	3.79	3.79	100.00 %
	08 02	Horizon 2020 - Research	1	1	100.00 %
Total Title 08			4.79	4.79	100.00%
Total DG MOVE			390.89	357.81	91.54 %

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

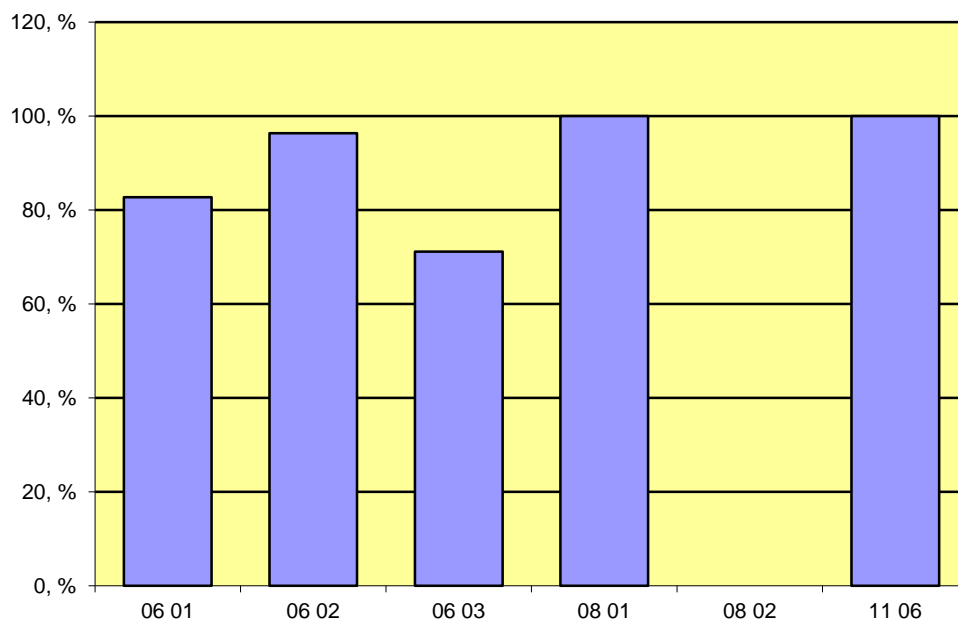


Note: The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2015 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 06 Mobility and transport					
06	06 01	Administrative expenditure of the 'Mobility and transport' policy area	31.85	26.35	82.74 %
	06 02	European transport policy	293.15	282.41	96.34 %
	06 03	Horizon 2020 - Research and innovation related to transport	116.75	83.07	71.15 %
Total Title 06			441.75	391.83	88.70%
Title 08 Research and innovation					
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	3.79	3.79	100.00 %
	08 02	Horizon 2020 - Research	0.50	0	0.00 %
Total Title 08			4.29	3.79	88.34%
Title 11 Maritime affairs and fisheries					
11	11 06	European Maritime and Fisheries Fund (EMFF)	0.11	0.11	100.00 %
Total Title 11			0.11	0.11	100.00 %
Total DG MOVE			446.15	395.73	88.70 %

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

= "% Outturn on payment appropriations"



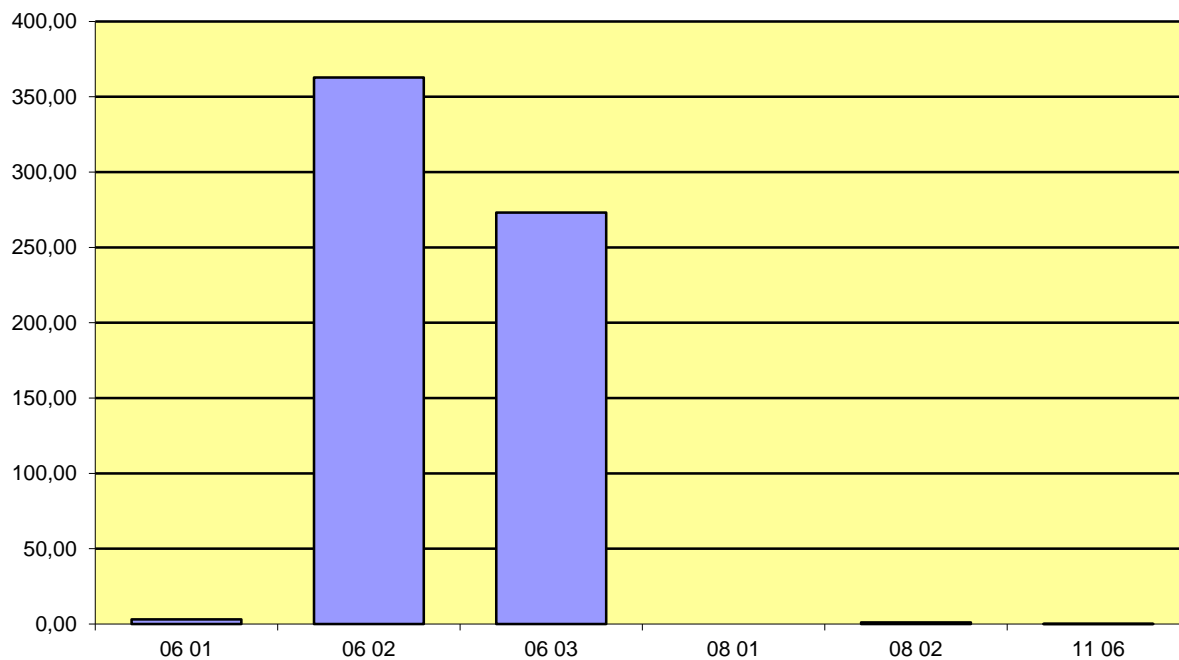
Note: The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2015 (in Mio €)

Chapter			2015 Commitments to be settled				Commitments to be settled from financial years previous to 2015	Total of commitments to be settled at end of financial year 2015 (incl corrections)	Total of commitments to be settled at end of financial year 2014 (incl. corrections)
			Commitments 2015	Payments 2015	RAL 2015	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 06 : Mobility and transport									
06	06 01	Administrative expenditure of the 'Mobility and transport' policy area	26.89	23.83	3.06	11.39 %	0.00	3.06	3.61
	06 02	European transport policy	227.45	104.53	122.92	54.04 %	239.83	362.75	465.51
	06 03	Horizon 2020 - Research and innovation related to transport	98.68	1.02	97.67	98.97 %	175.43	273.10	260.69
Total Title 06			353.02	129.37	223.65	63.35%	415.26	638.91	729.81
Title 08 : Research and innovation									
08	08 01	Administrative expenditure of the 'Research and innovation' policy area	3.79	3.79	0	0.00 %	0.00	0.00	0.00
	08 02	Horizon 2020 - Research	1	0.00	1	100.00 %	0.00	1.00	0.00
Total Title 08			4.79	3.79	1	20.88%	0	1	0
Title 11 : Maritime affairs and fisheries									
11	11 06	European Maritime and Fisheries Fund (EMFF)	0	0.00	0	#DIV/0	0.12	0.12	0.23
Total Title 11			0	0.00	0	#DIV/0	0.12	0.12	0.23
Total DG MOVE			357.81	133.16	224.65	62.78 %	415.38	640.03	730.04

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	2015	2014
A.I. NON CURRENT ASSETS	322,866,699.63	233,616,207.81
A.I.1. Intangible Assets	0.00	0.00
A.I.3. Invstmnts Acctnd For Using Equity Meth	93,100,000.00	0.00
A.I.4. Non-Current Financial Assets	202,487,202.79	202,487,202.79
A.I.5. LT Receivables	27,279,496.84	27,279,496.84
A.I.6. Non-Current Pre-Financing	0.00	3,849,508.18
A.I.7. OLD LT Pre-Financing		0.00
A.II. CURRENT ASSETS	414,295,159.73	141,614,689.11
A.II.2. Current Pre-Financing	205,495,539.07	16,721,255.35
A.II.3. Current Financial Assets	83,114,966.62	83,114,966.62
A.II.4. Exchange Receivables	316,263.75	373,077.19
A.II.5. Non-Exchange Receivables	184,375.95	448,629.68
A.II.7. Cash and Cash Equivalents	125,184,014.34	40,956,760.27
ASSETS	737,161,859.36	375,230,896.92
P.I. NET ASSETS/LIABILITIES	-1,356,634.38	-1,356,634.38
P.I.1. Reserves	-1,356,634.38	-1,356,634.38
P.II. NON CURRENT LIABILITIES	-2,340,236.00	-2,340,236.00
P.II.3. Long-term financial liabilities	-2,340,236.00	-2,340,236.00
P.III. CURRENT LIABILITIES	-2,249,251.08	-24,057,567.85
P.III.4. Accounts Payable	-2,249,251.08	-5,224,606.42
P.III.5. Accrued charges and deferred income	0.00	-18,832,961.43
LIABILITIES	-5,946,121.46	-27,754,438.23
NET ASSETS (ASSETS less LIABILITIES)	731,215,737.90	347,476,458.69
P.I.2. Accumulated Surplus / Deficit	519,270,703.30	266,530,494.66
Non-allocated central (surplus)/deficit*	-1,250,486,441.20	-614,006,953.35
TOTAL	0.00	0.00

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, 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 statement of financial performance 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.

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

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2015	2014
II.1 REVENUES	49,259.85	-26,016,082.16
II.1.1. NON-EXCHANGE REVENUES	324,283.73	-357,035.03
II.1.1.5. RECOVERY OF EXPENSES	381,379.57	-274,090.84
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-57,095.84	-82,944.19
II.1.2. EXCHANGE REVENUES	-275,023.88	-25,659,047.13
II.1.2.1. FINANCIAL INCOME	-34,504.64	-1,199,135.60
II.1.2.2. OTHER EXCHANGE REVENUE	-240,519.24	-24,459,911.53
II.2. EXPENSES	-7,774,655.14	278,756,290.80
II.2. EXPENSES	-7,774,655.14	278,756,290.80
II.2.10. OTHER EXPENSES	1,621,837.13	21,441,448.15
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	-10,133,544.49	54,212,432.91
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	779,582.18	108,321,518.26
II.2.6. STAFF AND PENSION COSTS		-36,234.00
II.2.8. FINANCE COSTS	-42,529.96	63,741.48
II.2.9. SHARE NET DEFICIT JOINT VENT & ASSOC		94,753,384.00
STATEMENT OF FINANCIAL PERFORMANCE	-7,725,395.29	252,740,208.64

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.

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

TABLE 6: AVERAGE PAYMENT TIMES FOR 2015 - DG MOVE

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)
20	1	1	100.00 %	16			
30	676	651	96.30 %	15.19	25	3.70 %	43.08
45	17	15	88.24 %	25.4	2	11.76 %	99
50	2	2	100.00 %	27.5			
56	1	1	100.00 %	22			
60	123	121	98.37 %	26.38	2	1.63 %	62
90	43	43	100.00 %	49.91			

Total Number of Payments	863	834	96.64 %		29	3.36 %	
Average Payment Time	19.81			18.82			48.24

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	57	50	87.72 %	10.74	7	12.28 %	25
30	145	135	93.10 %	15.70	10	6.90 %	58.8
75	8	7	87.50 %	43.43	1	12.50 %	78

Total Number of Payments	210	192	91.43 %		18	8.57 %	
Average Payment Time	18.1			15.42			46.72

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
1	42	130	15.06 %	863	34,183,383.59	8.99 %	380,399,752.35

Late Interest paid in 2015			
DG	GL Account	Description	Amount (Eur)
MOVE	65010000	Interest expense on late payment of charges	0.00
MOVE	65010100	Interest on late payment of charges New FR	19 177.15
			19 177.15

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 2015

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	
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	7,854.14	0	7,854.14	1,815.73	0	1,815.73	6,038.41
59	OTHER REVENUE ARISING FROM ADMINISTRATIVE MANAGEMENT	567,462.97	0	567,462.97	567,462.97	0	567,462.97	0
60	CONTRIBUTIONS TO UNION PROGRAMMES	1,014,159.04	0	1,014,159.04	887,389.16	0	887,389.16	126,769.88
66	OTHER CONTRIBUTIONS AND REFUNDS	5,427,251.02	365,655.59	5,792,906.61	5,223,569.52	209,144.01	5,432,713.53	360,193.08
90	MISCELLANEOUS REVENUE	57,095.84	50,131.52	107,227.36	56,879.11	0	56,879.11	50,348.25
Total DG MOVE		7,073,823.01	415,787.11	7,489,610.12	6,737,116.49	209,144.01	6,946,260.50	543,349.62

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

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

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2015	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Year of Origin (commitment)	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr
2004	1	2,924.67	1	2,924.67	1	2,924.67	100.00%	100.00%
2005	1	3,460.93	1	3,460.93	2	3,925.82	50.00%	88.16%
2007					1	59,022.84		
2008	2	28,483.00	2	28,483.00	4	30,015.85	50.00%	94.89%
2009	2	12,627.72	2	12,627.72	6	531,401.00	33.33%	2.38%
2011	2	11,237.22	2	11,237.22	5	380,572.97	40.00%	2.95%
2012					2	52,341.56		
2013					2	117,767.40		
2014					5	5,063,294.35		
No Link					8	1,014,159.04		
Sub-Total	8	58,733.54	8	58,733.54	36	7,255,425.50	22.22%	0.81%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									1	1,330.00		
NON ELIGIBLE IN COST CLAIMS	27	166,806.82	33	1,027,419.03			60	1,194,225.85	60	1,194,225.85	100.00%	100.00%
CREDIT NOTES	19	420,027.61	28	316,391.22			47	736,418.83	47	736,418.83	100.00%	100.00%
Sub-Total	46	586,834.43	61	1,343,810.25			107	1,930,644.68	108	1,931,974.68	99.07%	99.93%

GRAND TOTAL	46	586,834.43	69	1,402,543.79			115	1,989,378.22	144	9,187,400.18	79.86%	21.02%
--------------------	-----------	-------------------	-----------	---------------------	--	--	------------	---------------------	------------	---------------------	---------------	---------------

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

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2015 FOR MOVE

	Number at 01/01/2015	Number at 31/12/2015	Evolution	Open Amount (Eur) at 01/01/2015	Open Amount (Eur) at 31/12/2015	Evolution
2002	1	1	0.00 %	42,709.92	42,709.92	0.00 %
2011	6	4	-33.33 %	115,472.26	81,637.58	-29.30 %
2012	1	1	0.00 %	35,706.00	28,706.00	-19.60 %
2014	3	1	-66.67 %	221,898.93	53,589.60	-75.85 %
2015		6			336,706.52	
	11	13	18.18 %	415,787.11	543,349.62	30.68 %

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

TABLE 10 : RECOVERY ORDER WAIVERS IN 2015 >= 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	
-----------------------------	--

--

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG MOVE - 2015**Procurement > EUR 60,000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b)	2	3,450,000.00
Total	2.	3,450,000.00

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

Internal Procedures > € 60,000		
Procedure Type	Count	Amount (€)
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	2	3,450,000.00
Open Procedure (Art. 127.2 RAP)	15	39,578,654.00
TOTAL	17	43,028,654.00

**Additional
comments**

--

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

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	1
Total amount :	351,311.46

Legal base	Contract Number	Contractor Name	Description	Amount (€)
Art. 134.1(h)	0719655	BEBAU LOUISE LLC*	EU PARTICIPATION TO THE SHIFT2RAIL JOINT UNDERTAKING	351,311.46

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

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

ANNEX 4: Materiality criteria

Research programmes

The Standing Instructions for the preparation of Annual Activity Reports stipulate that the quantitative materiality threshold **must not exceed 2% of the authorised payments of the reporting year of the ABB expenditure**. However, the Guidance on AARs also allows a multi-annual approach, especially for budget areas (e.g. programmes) for which a multi-annual control system is more effective. In such cases, the calculation of errors, corrections and materiality of the residual amount at risk should be done on a "cumulative basis" on the basis of the totals over the entire programme lifecycle.

Because of its multiannual nature, the effectiveness of the Research services' control strategy can only be fully measured and assessed at the final stages in the life of the framework programme, once the ex-post audit strategy has been fully implemented and systematic errors have been detected and corrected.

In addition, basing materiality solely on ABB expenditure for one year may not provide the most appropriate basis for judgements, as ABB expenditure often includes significant levels of pre-financing expenditure (e.g. during the initial years of a new generation of programmes), as well as reimbursements (interim and final payments) based on cost claims that 'clear' those pre-financings. Pre-financing expenditure is very low risk, being paid automatically after the signing of the contract with the beneficiary.

The general control objective for the Research services, following the standard quantitative materiality threshold proposed in the Standing Instructions, is to ensure for each FP (and the Coal and Steel Research Fund for DG RTD), that **the residual error rate, i.e. the level of errors which remain undetected and uncorrected, does not exceed 2% by the end of each FP's management cycle**. The question of being on track towards this objective is to be (re)assessed annually, in view of the results of the implementation of the ex-post audit strategy and taking into account both the frequency and importance of the errors found as well as a cost-benefit analysis of the effort needed to detect and correct them.

Notwithstanding the multiannual span of their control strategy, the Director-Generals of the Research DGs (and the Directors of ERCEA, REA, and, for Horizon 2020, EASME and INEA) are required to sign a statement of assurance for each financial reporting year. In order to determine whether to qualify this statement of assurance with a reservation, the effectiveness of the control systems in place needs to be assessed not only for the year of reference but also with a multiannual perspective, to determine whether it is possible to reasonably conclude that the control objectives will be met in the future as foreseen. In view of the crucial role of ex-post audits defined in the common FP7 and future Horizon 2020 audit strategy, this assessment needs to check in particular whether the scope and results of the ex-post audits carried out until the end of the reporting period are sufficient and adequate to meet the multiannual control strategy goals.

The criteria for making a decision on whether there is material error in the expenditure of the DG or service, and so on whether to make a reservation in the AAR, will therefore be principally, though not necessarily exclusively, based on the level of error identified in ex-post audits of cost claims on a multi-annual basis.

Effectiveness of controls

The starting point to determine the effectiveness of the controls in place is the cumulative level of error expressed as the percentage of errors in favour of the EC, detected by ex-post audits, measured with respect to the amounts accepted after ex-ante controls.

However, to take into account the impact of the ex-post controls, this error level is to be adjusted by subtracting:

- Errors detected corrected as a result of the implementation of audit conclusions.
- Errors corrected as a result of the extrapolation of audit results to non-audited contracts with the same beneficiary.

This results in a residual error rate, which is calculated in accordance with the following formula:

$$\text{ResER}\% = \frac{(\text{RepER}\% * (P - A)) - (\text{RepERsys}\% * E)}{P}$$

where:

- ResER%** residual error rate, expressed as a percentage.
- RepER%** representative error rate, or error rate detected in the common representative sample, expressed as a percentage. For FP 7 this rate is the same for all Research services.
- RepERsys%** portion of the RepER% representing (negative) systematic errors, expressed as a percentage. The RepER% is composed of two complementary portions reflecting the proportion of negative systematic and non-systematic errors detected.
- P** total aggregated amount in euros of EC share of funding in the auditable population. In FP7, the population is that of all received cost statements, and the euros amounts those that reflect the EC share included in the costs claimed in each cost statement.
- A** total EC share of all audited amounts, expressed in euro. This will be collected from audit results.
- E** total non-audited amounts of all audited beneficiaries. In FP7, this consists of the total EC share, expressed in euro, excluding those beneficiaries for which an extrapolation is ongoing).

If the residual error rate is not (yet) below 2% at the end of a reporting year within the FP's management lifecycle, a reservation must be considered.

The Common Representative Audit Sample (CRAS) is the starting point for the calculation of the residual error rate. It is representative of the expenditure of each FP as a whole. Nevertheless, the Director-General (or Director for the Executive Agencies) must also take into account other information when considering if the overall residual error rate is a

sufficient basis on which to draw a conclusion on assurance (or make a reservation) for specific segment(s) of FP7/Horizon 2020. This may include the results of other ex-post audits, ex-ante controls, risk assessments, audit reports from external or internal auditors, etc. All this information may be used in assessing the overall impact of a weakness and considering whether to make a reservation or not.

If the CRAS results are not used as the basis for calculating the residual error rate this must be clearly disclosed in the AAR, along with details of why and how the final judgement was made.

In case a calculation of the residual error rate based on a representative sample is not possible for a FP for reasons not involving control deficiencies,² the consequences are to be assessed quantitatively by making a best estimate of the likely exposure for the reporting year based on all available information. The relative impact on the Declaration of Assurance would be then considered by analysing the available information on qualitative grounds and considering evidence from other sources and areas. This should be clearly explained in the AAR.

Adequacy of the audit scope

The quantity of the (cumulative) audit effort carried out until the end of each year is to be measured by the actual volume of audits completed. The data is to be shown per year and cumulated, in line with the current AAR presentation of error rates. The multiannual planning and results should be reported in sufficient detail to allow the reader to form an opinion on whether the strategy is on course as foreseen.

The Director-General (or Director for the Executive Agencies) should form a qualitative opinion to determine whether deviations from the multiannual plan are of such significance that they seriously endanger the achievement of the internal control objective. In such case, she or he would be expected to qualify his annual statement of assurance with a reservation.

Materiality is assessed for each Framework Programme

In 2015, the Research services managed financial operations under the seventh and Horizon 2020 framework programmes, and the Coal and Steel Research Fund. Each is managed under different sets of regulatory and contractual provisions. Therefore, the assessment of the performance of the internal controls has to take into account these differences.

However, it has to be noted that for Horizon 2020, very few payment against cost claim has been made and no audit has yet been carried out, thus no error rate has been calculated.

² Such as, for instance, when the number of results from a statistically-representative sample collected at a given point in time is not sufficient to calculate a reliable error rate.

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

A) Grant direct management – Research Programmes

This ICT will focus only on:

- Stage 2 (Contracting) for three H2020 grant agreements signed by DG MOVE on behalf of the Shift2Rail JU, as the JU is not yet financially autonomous;
- Stages 3 and 4 for FP7 and the cross-sub-delegations to other Commission services.

Stage 1 - Programming, evaluation and selection of proposals: not Applicable in 2015 for DG MOVE.

Stage 2 – Contracting (H2020)

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals contracted; SFM (optimal allocation of budget available); Compliance; Prevention of Fraud.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The description of the action in the grant agreement includes tasks which do not contribute to the achievement of the programme objectives and/or that the budget foreseen overestimates the costs necessary to carry out the 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.</p> <p>Hierarchical validation of proposed adjustments.</p> <p>Validation of beneficiaries (operational and financial viability).</p> <p>Systematic checks on operational and legal aspects performed before signature of the GA.</p>	<p>100% of the selected proposals and beneficiaries are scrutinised.</p> <p>Coverage: 100% of draft grant agreements.</p> <p>Depth may be differentiated; 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>Note that, given the</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>Value of grant agreements completed over budget requested in the corresponding proposals (%).</p> <p>Time-to-Grant</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	Signature of the grant agreement by the AO. Financial verification where necessary. Participant Guarantee Fund.	constraints on the time to grant set out in the Horizon 2020 legislation, "negotiation" of projects is kept to a minimum, as far as possible the positively evaluated projects are accepted without modification.		

Stage 3: Monitoring the implementation (FP7, cross-sub-delegations)

Main control objectives: ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions; ensuring that the related financial operations comply with regulatory and contractual provisions; prevention of fraud; ensuring appropriate accounting of the operations

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	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.</p> <p>The amounts paid exceed that due in accordance with the applicable contractual and regulatory provisions.</p>	<p>(1) FP7: Coordinators' day" events organised for H2020 (by DG RTD), but with a section on "how to avoid errors", which can have a positive impact on the ongoing FP7 cost claims, as some of the errors and most of the beneficiaries are common for the two programmes and amongst the RTD family.</p> <p>Operational and financial checks in accordance with the financial circuits.</p> <p>Operation authorisation by</p>	<p>100% of the projects are controlled, including only value-adding checks.</p> <p>The depth depends on risk criteria and on the results of ex-ante controls. However, as a deliberate policy to reduce administrative burden and to ensure a good balance between trust and control as well as payment deadlines, the level of verification at this stage is reduced to a minimum.</p> <p>Audit certificates (FP7):</p>	<p>Costs: Estimate of cost of staff involved in the management of running projects.</p> <p>Benefits: EU contribution claimed by the beneficiary, but rejected by staff.</p> <p>Reductions in error rates identified by audit certificates.</p> <p>Qualitative benefits due to operational review of projects and consequent corrective actions imposed</p>	<p>Effectiveness: % and value of reductions made to EU contribution paid out through the ex-ante desk checks / total value of EU contribution claimed.</p> <p>Efficiency: Time-to-pay: % of payments made on time Time-to pay: Net average time Overall cost of control: cost of control of monitoring the</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	<p>the AO.</p> <p>For riskier operations:</p> <ul style="list-style-type: none"> • <i>Enhanced ex-ante controls;</i> • <i>Scientific reviews if necessary, with on-site verification.</i> <p>If needed: application of:</p> <p><i>Suspension/interruption of payments;</i></p> <p><i>Penalties or liquidated damages (for FP7);</i></p> <p><i>Referring grant to OLAF.</i></p>	<p>- Required for any beneficiary claiming \geq EUR 375 000. The content of the audit certificates is analysed exhaustively and feedback is given to the Certifying Auditors who have to modify the certificate where appropriate.</p> <p>Riskier operations subject to enhanced controls and/or on-site controls and/ or ex-post on-the-spot audit.</p> <p>High risk operations identified by risk criteria. Red flags: e.g. suspicions raised by staff, audit results, EWS.</p>	<p>on projects.</p>	<p>execution up to payment included/ amount paid (%).</p>
As above	(2) Cross-sub-delegations	<p>Coverage: 100 %: Being a Commission service itself, the AOD of the cross-sub-delegated service is required to implement the appropriations subject to the same rules, responsibilities and accountability arrangements.</p> <p>Frequency:</p> <p>- The cross-sub-delegation agreements require the AOD's of cross-delegated services to report to DG MOVE on the use of appropriations.</p>	<p>Costs: not applicable.</p> <p>Benefits: The annual budget amount entrusted to the entity.</p>	<p>Effectiveness: Number of serious issues arising not identified through standard reporting channels.</p>

Stage 4: Ex-post controls

A - Reviews, audits and monitoring

Main control objectives: Measuring the level of error in the population after ex-ante controls have been undertaken; detect and correct any error or fraud remaining undetected after the implementation ex-ante controls; identifying possible systemic weaknesses in the ex-ante controls, or weaknesses in the rules.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The ex-ante controls (as such) do not prevent, detect and correct erroneous payments or attempted fraud to an extent going beyond a tolerable rate of error.</p> <p>Lack of consistency in the audit strategy within the family.</p> <p>Lack of efficiency for absence of coordination: multiple audits on the same beneficiary, same programme: reputational risk and high administrative burden on the beneficiaries' side.</p>	<p>FP7: As of 1st January 2014, the common ex-post control strategy for the entire Research family is implemented by a central service (CSC, DG RTD):</p> <ul style="list-style-type: none"> - At intervals carry out audits of a representative sample of operations to measure the level of error in the population after ex-ante controls have been performed; - Additional sample to address specific risks; - When relevant, joint audits with the Court of Auditors. <p>Multi-annual basis (programme's lifecycle) and coordination with other AOs concerned</p> <p>Validate audit results with beneficiary</p>	<p>Common Representative Sample (CRaS): MUS sample across the programme to draw valid management conclusions on the error rate in the population.</p> <p>Risk-based sample, determined in accordance with the selected risk criteria, aimed to maximise deterrent effect and prevention of fraud or serious error.</p>	<p>Costs: to be reported by DG RTD</p> <p>Benefits: budget value of the errors detected by the auditors.</p> <p>Non quantifiable benefits:</p> <ul style="list-style-type: none"> - Deterrent effect; - Learning effect for beneficiaries; - Improvement of ex-ante controls or risk approach in ex-ante controls by feeding back findings from audit. Improvement in rules and guidance from feedback from audit. 	<p>Effectiveness:</p> <p>Audit coverage: number of audits finalised & value coverage.</p> <p>Representative error rate.</p> <p>Residual error rate in comparison to the tolerable threshold.</p> <p>Efficiency:</p> <p>Cost of control of ex-post audits/value of grants audited (to be reported by DG RTD).</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	In case of systemic error detected, extrapolation to all the projects run by the audited beneficiary. If needed: referring the beneficiary or grant to OLAF.			
	(2) Cross-sub-delegations • Being a Commission service itself, the AOD of the cross-delegated service is subject to audits by the Internal Audit Service and the Court of Auditors.			

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; Ensuring appropriate accounting of the recoveries made

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The errors, irregularities and cases of fraud detected are not addressed or not addressed in a timely manner.	Systematic registration of audit / control results to be implemented and actual implementation. Validation of recovery in accordance with financial circuits. Authorisation by AO.	Coverage: 100% of final audit results with a financial impact. Depth: All audit results are examined in-depth in making the final recoveries. Systemic errors are extrapolated to all the non-audited projects of the same beneficiary.	Costs: Estimate of cost of staff involved in stage 4 overall (coordination and execution of the audit strategy as well as implementation of the audit results) Benefits: budget value of the errors, detected by ex-post controls, which have actually been corrected	Effectiveness: % of adjustments recovered /offset. Number/value/% of audit results pending implementation. Number/value/% of audit results implemented. Funding adjustments.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	Notification to OLAF and regular follow up of detected fraud.		(offset or recovered). Loss: budget value of such ROs which are 'waived'.	Efficiency: Efficiency Indicators: total (average) annual cost of implementing audit audits compared with benefits.

B) Indirect entrusted management DG MOVE

The ICT covers: (1) the operating (administrative) budget of the executive agency INEA, (2) the joint undertakings SESAR and S2R, (3) the financial instrument Project Bond Initiative, (4) the operating (administrative) budget of the decentralised agencies.

Stage 1: Establishment (or prolongation) of the mandate to the entrusted entity ("delegation act"/"contribution agreement"/etc.): Applicable for S2R JU and SESAR JU

Main control objectives: Ensuring that the legal framework for the management of the relevant funds is fully compliant and regular (legality & regularity), delegated to an appropriate entity (best value for public money, economy, efficiency), without any conflicts of interests (anti-fraud strategy) and gives all the references necessary for a smooth running of the new entity.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The establishment (or prolongation) act of the mandate of the entrusted entity is affected by legal issues, which would undermine the legal basis for the management of the related EU funds (via that particular entity).</p> <p>For PPPs: the evaluation method of the in-kind contributions provided by the industry partners is not clear.</p>	<p>Ex-ante evaluation</p> <p>Widespread consultation, internally and with external stakeholders.</p> <p>Hierarchical validation within the authorising department.</p> <p>Inter-service consultation, including all relevant DGs.</p> <p>Adoption by the Commission.</p> <p>Modalities of cooperation, supervision and reporting.</p> <p>Explicit allocation of supervision responsibility to individual officials (reflected in task assignment or function descriptions).</p>	<p>Coverage/Frequency: 100%/once and partial for amendments or extensions.</p> <p>Depth: Checklist includes a list of the requirements of the regulatory provisions to be complied with.</p> <p>Factors would be (i) whether it is an establishment or a prolongation, (ii) whether it involves selecting an entity and (iii) consistency with any other entities entrusted by the same DG or family.</p> <p>If risk materialised, all funds delegated during the year(s) to the entrusted entity would be irregular. Possible impact 100% of budget involved and significant reputational</p>	<p>Costs: estimation of FTEs involved in the preparation and adoption work.</p> <p>Benefits: Total budget amount entrusted to the entity if significant (legal) errors would otherwise be detected.</p> <p>DG MOVE reputation intact.</p>	<p>Effectiveness: Quality of the legal work (Basic Act, Legal and Financial Statement and DA); No ECA or OLAF criticism.</p> <p>Efficiency: Average cost of preparation, adoption work done compared with similar cases as benchmark.</p> <p>Cost-Effectiveness: Ratio FTEs/funds entrusted.</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
		consequences.		

Stage 2: Assessment and supervision of the entrusted entity's financial and control framework (towards "budget autonomy"; "financial rules")

Main control objectives: Ensuring that the entrusted entity is fully prepared to start/continue implementing the delegated funds autonomously with respect of all 5 Internal Control Objectives (*legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy*).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The financial and control framework deployed by the entrusted entity is not fully mature to guarantee achieving all 5 ICOs	<p>DG internal or independent external ex-ante assessment, conditional to granting budget autonomy;</p> <p>Hierarchical validation within the authorising department;</p> <p>Use of Model-or Framework-financial rules (MFF or FFF);</p> <p>Requiring justification and prior consent for any deviating financial rules;</p> <p>Standard business processes and IT tools;</p> <p>Secondment and selection of key staff;</p>	<p>Coverage/frequency: 100% of entrusted entities/once at the beginning and partial (problem focussed) for amendments or work arrangements.</p> <p>Depth: 100%</p>	<p>Costs: estimation of cost of staff involved in the ex-ante assessment process (which may include missions, if applicable).</p> <p>Benefits: The total budget amount entrusted to the entity if no significant system weaknesses are detected.</p> <p>DG's reputation remains intact.</p>	<p>Overall supervision cost per (type of) entrusted entity (%)</p> <p>Effectiveness:</p> <p>No ECA or OLAF criticism;</p> <p>Number of recommendations proposed to EE as result of assessment (i.e. deviations from EU FR identified);</p> <p>Quality of ex-ante assessment.</p> <p>Efficiency Indicators:</p> <p>Time-To-Implement recommendations (by the EE);</p> <p>Time-To-(Re)Assess.</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	Review of audit reports (IAS, ECA).			Cost-effectiveness: FTEs/funds entrusted.

Stage 3: Operations: monitoring, supervision, reporting.

Main control objectives: Ensuring that the Commission is fully and timely informed of any relevant management issues encountered by the entrusted entity, in order to possibly mitigate any potential financial and/or reputational impacts (legality & regularity, achievement of objectives, sound financial management, true and fair view reporting, anti-fraud strategy).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The Commission is not informed of relevant management issues encountered by the entrusted entity in a timely manner.</p> <p>The Commission does not react upon and mitigate notified issues in a timely manner.</p>	<p>(1) Executive Agency: INEA DG MOVE's Monitoring Strategy is integrated into the Memorandum of Understanding, which specifies the modalities and procedures of interaction between the Agency and its Parent DGs, notably:</p> <ul style="list-style-type: none"> Control activities via Steering Committee; Regular reporting from the agency (on quarterly basis); Liaison meetings at hierarchical level; A number of ad hoc meetings and regular contacts at working level; Regular updates on the achievements of the programmes objectives; Budgetary control via the commitment and payment 	<p>Coverage: 100% of the EA is monitored/ supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> Regular Steering Committee meetings; Regular reports on use of resources and performance of tasks; Parent DG's management meetings; Meetings related to programmes / activities; Monitoring of KPIs; Formal opinion on Annual Work Programme and Annual Activity Report. 	<p>Costs: Estimate of cost of staff involved in the actual monitoring of the entrusted entities.</p> <p>Benefits: The annual budget amount entrusted to the entity.</p>	<p>Effectiveness: Number of serious issues arising not identified through standard reporting channels.</p> <p>Number of serious IAS and ECA findings of control failures; budget amount of the errors concerned.</p> <p>Efficiency: % cost over annual amount paid / delegated.</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs benefits and of controls	Control indicators
	<p><i>appropriations;</i></p> <ul style="list-style-type: none"> <i>Formal opinion and formal consultation on key documents of the Agency such as the annual work programme and the annual activity report.</i> 			
As above	<p>(2) Joint Undertakings</p> <p><u>SESAR JU</u></p> <p>The following supervision mechanisms were applied:</p> <ul style="list-style-type: none"> <i>DG MOVE is a member of and chairs the SESAR JU Administrative Board. It therefore participates directly (in many cases with an effective veto right, particularly when acting in concert with Eurocontrol) in all the decisions affecting the budget, accounts, staff and progress of the JU. All documents related to these issues are evaluated by DG MOVE in cooperation with several other services to establish Commission's position in the Board.</i> <i>Audit issues are also coordinated through the Permanent Audit Panel assembling all the auditing bodies of the SESAR JU, to which DG MOVE also participates.</i> <i>Regular financial and technical reporting and meetings to</i> 	<p>Coverage:</p> <p>100% of the entities are monitored/ supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - Regular Administrative Board/Governing Board meetings; - Regular reports on use of resources and performance of tasks; 	<p>Costs: Estimate of cost of staff involved in the actual monitoring of the entrusted entities.</p> <p>Benefits: The annual budget amount entrusted to the entity.</p>	<p>Effectiveness:</p> <p>Number of serious issues arising not identified through standard reporting channels.</p> <p>Efficiency:</p> <p>% cost over annual amount delegated.</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs benefits and of controls	Control indicators
	<p><i>discuss the progress of the technical programme.</i></p> <ul style="list-style-type: none"> <i>DG MOVE participates in the Programme Committee chaired by the JU's Executive Director.</i> <i>DG MOVE regularly participates in working groups and evaluations (calls for tender, calls for proposals and staff selection) organised by the SESAR JU.</i> <p>S2R JU Monitoring will be performed through the supervision of the Governing Board (in which the Commission holds 50% of voting rights) and via regular evaluations by external experts (every 3 years and at the end of the programme, under the supervision of the Commission). Operational and financial reporting provisions are clearly set out in the Statutes of the S2R JU.</p>			
As above	<p>(3) Financial Instruments</p> <p>Project Bond Initiative</p> <ul style="list-style-type: none"> <i>This is a joint initiative by the Commission and the EIB.</i> <i>Commission's participation in the governance and supervision of the financial instruments managed by the EIB.</i> <i>Service Level agreement with DG ECFIN (acting as Asset</i> 	<p>Coverage: 100% of the entities are monitored/ supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - Regular Steering Committee meetings or similar; - Regular reports on use of resources and performance of tasks. 	<p>Costs: estimate of cost of staff involved in the actual monitoring of the entrusted entities.</p> <p>Benefits: The annual budget amount entrusted to the entity.</p>	<p>Effectiveness: Number of serious issues arising not identified through standard reporting channels.</p> <p>Efficiency: % cost over annual amount delegated.</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs benefits and of controls	Control indicators
	<p><i>Management Designated Service) for the supervision of technical reports and information regarding management aspects of the instruments.</i></p> <ul style="list-style-type: none"> • <i>Regular teleconferences and exchanges of information with DG ECFIN on the implementation of projects and management of assets entrusted to the EIB.</i> • <i>General supervision of the implementation of the financial instruments in the context of FIIEG.</i> • <i>Reception and analysis of monthly and quarterly operational reporting from the EIB.</i> 			
As above	<p>(4) Decentralised Agencies</p> <p><u>EASA, EMSA and ERA</u> EASA, EMSA and ERA are permanent EU bodies with legal, financial and administrative autonomy which have a clear governance set-up, documentation and procedures as required by the "Common approach to the decentralised agencies". The supervision of the decentralised agencies takes multiple forms:</p> <ul style="list-style-type: none"> • <i>DG MOVE is a member of the Management/Administrative Board;</i> 	<p>Coverage: 100% of the entities are monitored/ supervised.</p> <p>Frequency:</p> <ul style="list-style-type: none"> - Regular meetings; - Regular reports on use of resources and performance of tasks; - Formal opinion on Annual Work Programme and Annual Activity Report 	<p>Costs: estimate of cost of staff involved in the actual monitoring of the entrusted entities.</p> <p>Benefits: The annual budget amount entrusted to the entity.</p>	<p>Effectiveness: Number of serious issues arising not identified through standard reporting channels</p> <p>Efficiency: % cost over annual amount delegated.</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs benefits and of controls	Control indicators
	<ul style="list-style-type: none"> • <i>Budgetary control via the commitment and payment appropriations;</i> • <i>Quarterly indicators on budgetary and administrative performance of the Agency;</i> • <i>Regular contacts at all levels (Director-General, Director, Head of Unit, staff);</i> • <i>Formal opinion and formal consultation on key documents of the Agency like the annual work programme, the multi-annual staff policy plan;</i> • <i>A system of external and internal audits as well as procedures against fraud;</i> • <i>Involvement in audit and discharge procedures.</i> 			

Stage 4: Commission contribution: payment or suspension/interruption.

Main control objectives: Ensuring that the Commission adequately assesses the management situation at the entrusted entity, before either paying out the (next) contribution for the operational and/or operating budget of the entity, or deciding to suspend/interrupt the (next) contribution. **This is very closely linked to stage 3 above.**

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The Commission pays out the (next) contribution to the entrusted entity, while not being aware of the management issues that may lead to financial	See stage 3.	See stage 3.	See stage 3.	See stage 3.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
and/or reputational damage. Bad cash forecast leading to the Commission paying too much compared to the entity's needs.				

Stage 5: Audit and evaluation, Discharge for Joint Undertakings and Decentralised Agencies

Main control objectives: Ensuring that assurance building information on the entrusted entity's activities is being provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (on the 5 ICOs).

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The Commission has not sufficient information from independent sources on the entrusted entity's management achievements, which prevents drawing conclusions on the assurance for the budget entrusted to the entity – which may reflect negatively on the Commission's governance reputation and quality of accountability reporting.	(1) INEA: Subject to audit by the Internal Audit Service of the Commission and by the European Court of Auditors and DG MOVE uses their reports as an element of the supervision of these bodies.	Coverage: sample as needed (e.g. random/representative, value targeted, risk based). Frequency: whenever necessary. The depth depends on the type of entity and the level of risks assessed. Annual report of the ECA on all JUs.	Costs: the estimate of costs provided in stage 3 covers stages 3 to 5.	Effectiveness: Assurance being provided (via management /audit reporting); residual error rate within a tolerable range. Number of serious IAS and ECA findings of control failures. Efficiency: Note – it is not considered appropriate to separate the indicator by stage, it will be an overall indicator (stages 3-5 together).
	(2) Joint Undertakings Subject to audit by the Internal Audit Service of the Commission and by the European Court of Auditors and DG MOVE uses their			

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	<p>reports as an element of the supervision of these bodies.</p> <p>SESAR JU As required by the SESAR JU founding Regulation, each three years the Commission carries out an evaluation of the functioning and the results of the JU.</p> <p>S2R JU IAS / ECA (not audited yet)</p>			
	<p>(3) Financial Instruments Subject to audit by the European Court of Auditors and DG MOVE uses their reports as an element of the supervision of these bodies. Subject to external audits.</p>			
	<p>(4) Decentralised Agencies Subject to audit by the Internal Audit Service of the Commission and by the European Court of Auditors and DG MOVE uses their reports as an element of the supervision of these bodies.</p>			

C) CEF Debt Instruments

This ICT covers: Financial Instruments (FIs) entrusted to International Financial Institutions (IFIs) under indirect management (2014-2020), i.e. the Delegation Agreement (DA) signed by DG MOVE/DG ENER with the **European Investment Bank (EIB)** for the implementation of the Connecting Europe Facility Debt Instruments (CEF DI), including PBI and LGTT as from 2016.

This ICT will focus only on **Stage 1** (set up and design of the FI and designation of the IFI) as the other stages are not applicable for DG MOVE for 2015.

Stage 1 – Set-up/design of the Financial Instrument and designation of International Financial Institution

Main control objectives:

- Ensuring that the FI is adequate for meeting the policy or programme objectives (effectiveness); Compliance (legality & regularity); Prevention of fraud (anti-fraud strategy)
- Ensuring that the most promising IFI is pre-determined or selected to ensure that the FI is implemented effectively and efficiently; Sound financial management; Legality and regularity; Fraud prevention and detection.

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
The actions supported through the FIs (debt) do not adequately reflect the policy objectives for the CEF DI as set out in the Connecting Europe Facility Regulation (EU) 1316/2013.	<p>Hierarchical validation (incl. at DG level) of the:</p> <ul style="list-style-type: none"> • <i>Regulation (approved by the Legislative Authority);</i> • <i>Delegation agreement, including notably an ex-ante evaluation (required by RAP art. 224);</i> • <i>Annual work programme with an annual budget;</i> • <i>Inter-service consultation of relevant DGs (horizontal and operational).</i> <p>Formal adoption by the Legislative Authority (for the Regulation), by Commission</p>	<p>If risk materialises, the FI could become irregular or miss the achievement of the policy objectives.</p> <p>Possible impact 100 % of funds involved and significant reputational consequences.</p> <p>Coverage / Frequency for DA: 100 % / once</p> <p>Depth for DA: In-depth control, full engagement of operational and financial unit resources.</p>	<p>Costs: estimation of cost of staff involved in the preparation and validation of the delegated acts of the Financial Instrument including the ex-ante evaluation.</p> <p>Benefits: The total value of the FI (this is the maximum risk exposure if the basic acts are inadequate).</p>	<p>Effectiveness: Quality of the DA.</p> <p>Where applicable, opinions by advisory bodies (recommendations, actions taken).</p>

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	<p>decision (for the DA), by the Budgetary Authority (for the annual budget).</p> <p>Mid-term evaluation of CEF.</p>			
<p>The DA with the EIB for the FIs (debt) under CEF is inadequate in coverage of operational and management provisions (no compliance with Financial Regulation (FR) art. 140 and Rules of Application (RAP) art. 217 & 222-225)</p>	<p>The main principles were agreed with EIB in the Financial and Administrative Framework Agreement (FAFA) (managed by ECFIN).</p> <p>Adequacy of the DA signed between DG MOVE/DG ENER and the entrusted entity (EIB) (managed by ECFIN):</p> <ul style="list-style-type: none"> • <i>DA contains detailed provisions with regard to the follow-up on the achievement of policy objectives;</i> • <i>Fee payments to EIB are linked to achievement of measurable policy objectives;</i> • <i>DA was approved following Commission inter-service consultation (including all relevant DGs, horizontal and operational);</i> <p>Annual approval of work programme by the CEF DI Steering Committee.</p>	<p>Coverage / Frequency for annual work programme: 100% / annually.</p>		

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
<p>The selection of the IFI is not in line with FR and its RAP criteria, especially 'alignment of interests' (FR art 140.2e).</p>	<p>Selection of the EIB as entrusted entity:</p> <ul style="list-style-type: none"> • <i>In line with Art. 58.1(c)(iii) FR.</i> • <i>EIB explicitly indicated in the CEF Regulation as a possible entrusted entity.</i> <p>Alignment of interest with the EIB was achieved through:</p> <ul style="list-style-type: none"> • <i>Risk-sharing between EIB and Commission mandated under the CEF DI.</i> • <i>A fee structure to compensate the EIB for the implementation of the financial instruments which is linked to the achievement of the policy objectives.</i> 		<p>Costs: estimation of cost of staff involved.</p> <p>Benefits: Use of experienced entrusted entity in the field of European financing.</p> <p>Single entrusted entity for CEF DI, PBI and LGTT allowing full flexibility in budget implementation and use of funding in the most efficient and effective way.</p> <p>Only one counter-party for DG MOVE /DG ENER for implementation of CEF DI.</p>	<p>Effectiveness: Use of EIB as entrusted entity allowed full flexibility in negotiations taking also into consideration the IFI experience and procedures.</p> <p>Findings in audit reports</p> <p>Use of EIB avoided costly and lengthy selection procedure of IFI.</p>
<p>The IFI does not have the experience and financial capacities as well as the administrative & control capacities to ensure effective and sound implementation of the FI.</p>	<p>Ex-ante assessment of the EIB in accordance with articles 61(1) and 60(2) FR (the so-called six pillar assessment) successfully carried out prior to the signature of the FAFA.</p>			
<p>The RSM (Risk-Sharing Mechanism) is too generous to the IFI (risk of unbalanced risks).</p>	<p>Same controls as above.</p> <p>The EU's risk share is defined in the DA.</p>			

Main risks	Mitigating controls	Coverage, frequency and depth	Costs and benefits of controls	Control indicators
	The risk sharing model was agreed in line with horizontal guidance for FIs from DG BUDG and ECFIN. It was also subject to a formal Commission decision.			

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

SESAR JU (Single European Sky Air traffic management Research Joint Undertaking)

	Requirement	Information
1	Programmes concerned	FP7, TEN-T and Horizon 2020 multiannual Programmes
2	Annual budgetary amount entrusted to these bodies	In 2015, DG MOVE paid a net contribution of € 46.84 million ³ from the FP7 programme and € 35.76 million from the TEN-T programme and € 10.52 million from the H2020 programme.
3	Duration of the delegation	Following Council regulation 721/2014 of 16 June 2014, extending SESAR JU until 2024, the Commission signed a new general Agreement with SESAR JU on 19 December 2014, prolonging the activities until 31 December 2024 (Commission Decision C(2014)9835 dated 17 December 2014)
4	Justification of recourse to indirect centralised management	The aim of the SESAR JU is to rationalise and centralise all air traffic Management related R&D, with the full involvement of the relevant stakeholders. The SESAR JU is an EU body in the form of a PPP. The tasks entrusted to the JU could not have been carried out by the Commission because of the complexity of the programme and number of projects.
5	Justification of the selection of the bodies (identity, selection criteria, possible indication in the legal basis etc.)	The SESAR JU was established by the Council on the basis of Article 187 of the Treaty. There are two founding members mentioned in the founding Regulation (the EU, represented by the Commission, and Eurocontrol (Reg. (EC) 219/2007). All other members of the SESAR JU are selected through open competitive calls based on the criteria established in the SESAR JU Statutes.

³ This is the net actual amount paid to SESAR JU, after deduction of interests on prefinancing (€0.12 million) due to the Commission.

	Requirement	Information
6.	Synthetic description of the implementing tasks entrusted to these bodies	The SESAR JU is entrusted with the task to carry out and monitor all the relevant air traffic management research, development and validation activities in accordance with the European ATM Master Plan. The SESAR JU is also in charge of the maintenance of the Master Plan. For this purpose, the SESAR JU manages the FP7 and TEN-T and H2020 funds it is allocated, in accordance with its financial rules and under the supervision of its Administrative Board.

S2R JU (Shift2Rail Joint Undertaking)

	Requirement	Information
1	Programme concerned	H2020 Framework programme
2	Annual budgetary amount entrusted	In 2015, the Commission committed EUR 46.686.379 (incl. EFTA contributions) to cover both the administrative and operational budget of the Joint Undertaking. EUR 1.230.305 were paid in 2015 to cover the administrative expenditures, incl. staff costs. The remaining commitments will be consumed as of 2016 and according to the planning set up in the grant agreements.
3.	Duration of the delegation	31.12.2024
4	Justification of recourse to indirect centralised management	<p>The Shift2Rail Joint Undertaking (S2R JU) was established as a new public-private partnership, in accordance with Article 187 of the Treaty on the Functioning of the European Union (TFEU), and with the Horizon 2020 Regulation, to provide a platform for coordination of research activities with a view to driving innovation in the rail sector in the years to come.</p> <p>The Horizon 2020 Regulation emphasises the achievement of a greater impact on research and innovation by combining H2020 and private-sector funds in public-private partnerships in key areas where research and innovation can contribute to the Union's wider competitiveness goals, leverage private investment, and help tackle societal challenges.</p>

5	Justification of the selection of the bodies (identity, selection criteria, possible indication in the legal basis etc.)	<p>The Shift2Rail Joint Undertaking (S2R JU) was set up by Council Regulation (EU) No642/2014 of 16 June 2014 (S2R Regulation). The founding members of the S2R JU were listed in the S2R Regulation. They are the European Union plus eight major players from the rail industry having made a commitment of at least EUR 30 million to the S2R JU. Additional associated members are to be selected following an open call that was launched on 6 October 2014. The minimum conditions and key selection criteria for associated membership are laid down in the S2R Regulation. The results of the selection procedures have been confirmed by Commission Decision C(2015) 8674 final. In addition, the participation of the wider research community will be ensured by the JU via open calls reserved for non-members for a value of at least 30% of the EU contribution in the programme.</p>
6.	Synthetic description of the implementing tasks entrusted	<p>The S2R JU will manage the entire budget for rail research under Horizon 2020. The S2R JU is entrusted with the task of developing and ensuring the effective and efficient implementation of a strategic Master Plan, identifying the key R&I priorities to contribute to the achievement of the Single European Railway Area, to a faster and less costly transition to a more attractive, user-friendly, competitive, efficient and sustainable European rail system, and to the development of a strong and globally competitive European rail industry.</p> <p>The main bodies of the S2R JU are the Governing Board, in charge of strategic decision-making, and the Executive Director, responsible for day-to-day management. The European Commission and the industrial JU members have equal voting rights in the Governing Board.</p>

ANNEX 7: EAMR of the Union Delegations

N/A

ANNEX 8: Decentralised agencies

Name	Acronym	Policy concerned	Subsidy paid in 2015 by DG MOVE
European Aviation Safety Agency	EASA	Mobility and Transport - Aviation	EUR 37 428 353
European Maritime Safety Agency	EMSA	Mobility and Transport - Maritime	EUR 52 500 438
European Railway Agency	ERA	Mobility and Transport - Rail	EUR 26 345 000

ANNEX 9: Evaluations and other studies finalised or cancelled in 2015



DG MOVE_Annex
9_2015 AAR_final.xls

ANNEX 10: Specific annexes related to "Management of Resources"

Details for programmes under reservation provided under Section 3.2 of the AAR.

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

N/A

ANNEX 12: Performance tables

N/A