

ANNEXES

ANNEX 1: Statement by the Resources Director

'I declare that, in accordance with the Commission communication clarifying the responsibilities of the key actors in the domain of internal audit and internal control in the Commission,¹ I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

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

Brussels, 24/03/2015

[signed]

*Pamela BRUMTER-CORET
Director of Resources and Communication*

¹ *Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission, Communication to the Commission (SEC(2003) 59; 21.1.2003).*

ANNEX 2: Human and financial resources

DG	Activity		Establishment plan posts	External personnel	Total
MARKT	12 02	Single market policy and free movement of services	227	41	268
	12 03	Financial services and capital markets	187	54	241
	12 AWBL-01	Administrative support for the Directorate-General for internal market and services	70	11	81
	12 AWBL-08	Policy strategy and coordination for internal market and services	48	11	59
MARKT	Total		532	117	649

FINANCIAL RESOURCES BY ABB ACTIVITY				
Implementation of commitment appropriations (CA)				
Credits available and accepted in 2014 (C1) and automatic carry-forward from previous years (C8)				
ABB activity — code	Official budget Item	Fund source	Credit available Amount (EUR)	Commitment accepted Amount (EUR)
Administrative expenditure – internal market and services policy — 12 01	12 01 02 01 External personnel	C1	724 828.00	724 828.00
		C8	561 703.30	561 703.30
			1 286 531.30	1 286 531.30
	12 01 02 11 Other management expenditure (see details in table below)	C1	3 327 401.00	3 323 654.29
		C8	1 322 008.96	1 322 008.96
			4 649 409.96	4 645 663.25
Single market policy and free movement of services — 12 02	12 02 01 Implementation and development of the internal market	C1	8 862 401.00	8 841 954.73
		C8	7 683 869.21	7 604 144.77
			16 546 270.21	16 446 099.50
	12 02 02 Internal market governance tools	C1	4 000 000.00	3 986 424.54
		C8	1 743 393.37	1 743 139.66
			5 743 393.37	5 729 564.20
	12 02 77 01 Pilot projects — Single Market Forum	C1	0.00	
		C8	5 834.54	5 834.54
			5 834.54	5 834.54
	12 02 77 02 Pilot project — Capacity-building for end users and other non-industry stakeholders for Union policymaking in the area of financial services	C1	0.00	
		C8	525 000.00	486 697.15
			525 000.00	486 697.15
	12 02 77 03 Preparatory action — Single Market Forum	C1	1 200 000.00	1 079 236.59
		C8	472 620.83	472 440.00
			1 672 620.83	1 551 676.59
	12 02 77 04 Pilot project — Promotion of employee ownership and participation	C1	0.00	
		C8	295 248.66	295 248.66

			295 248.66	295 248.66
	12 02 77 05 Pilot project — Capacity-building for end-users and other non-industry stakeholders for Union policymaking in the area of financial services	C1	1 750 000.00	1 750 000.00
			1 750 000.00	1 750 000.00
Financial services and capital markets	12 03 01 Standards in the fields of financial reporting and auditing	C1	6 800 000.00	6 800 000.00
			6 800 000.00	6 800 000.00
	12 03 02 European Banking Authority	C1	12 999 920.00	12 999 920.00
		C8	737 462.32	0.00
			13 737 382.32	12 999 920.00
	12 03 03 European Insurance and Occupational Pension Authority	C1	8 588 800.00	8 588 800.00
		C8	716 170.19	0.36
			9 304 970.19	8 588 800.36
	12 03 04 European Securities and Markets Authority	C1	10 368 000.00	10 368 000.00
		C8	712 000.93	0.00
			11 080 000.93	10 368 000.00
	12 03 51 Completion of previous activities in the fields of financial services, financial reporting and auditing	C1	0.00	
		C8	2 542 198.00	1 825 196.25
			2 542 198.00	1 825 196.25
	Total		75 938 860.31	72 779 231.80

12 01 02 11 — Other management expenditure (credits in 2014 (C1))

DG MARKT	Budget line	Credits	Commitments	Payments	Execution (%)
	12.010211.00	3 327 401			
	12.010211.00.01.10 Missions		1 463 090	1 233 360	
	12.010211.00.01.30 Representation		10 000	8 285	
	12.010211.00.02.20 Experts meetings		1 223 199	967 090	
	12.010211.00.02.40 Conferences		186 117	136 234	
	12.010211.00.03 Committees		120 000	115 334	
	12.010211.00.04 Studies/consultations		20 067	17 880	
	12.010211.00.05 IT		119 207	41 752	
12.	12.010211.00.06 Training		181 975	93 191	
12. Total		3 327 401	3 323 654	2 613 125	99.89 %

ANNEX 3: Draft annual accounts and financial reports

AAR2014 Version 0

Annex 3 Financial Reports - DG MARKT - 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

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2014 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 02 Enterprise and Industry					
02	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	0.00	0.00	
Total Title 02			0.00	0.00	
Title 12 Internal Market and Services					
12	12 01	Administrative expenditure of the Internal market and Services- policy area	4.05	4.05	99.90 %
	12 02	A Single Market Policy and Free Movement of Services	16.09	15.93	99.04 %
	12 03	Financial services and capital markets	50.29	41.89	83.30 %
Total Title 12			70.43	61.87	87.85 %
Total DG MARKT			70.43	61.87	87.85 %

* 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).

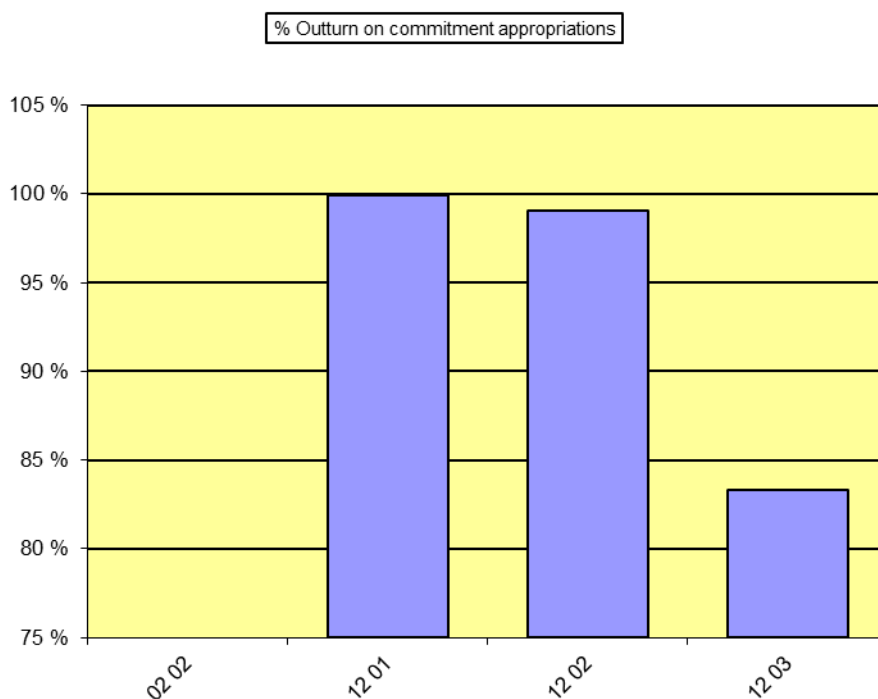


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 02 Enterprise and Industry					
02	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	0.42	0.42	100.00 %
Total Title 02			0.42	0.42	100.00 %
Title 12 Internal Market and Services					
12	12 01	Administrative expenditure of the Internal market and Services-policy area	6.00	4.35	72.48 %
	12 02	A Single Market Policy and Free Movement of Services	12.26	10.92	89.12 %
	12 03	Financial services and capital markets	49.61	41.81	84.29 %
Total Title 12			67.87	57.09	84.12 %
Total DG MARKT			68.29	57.51	84.22 %

* 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).

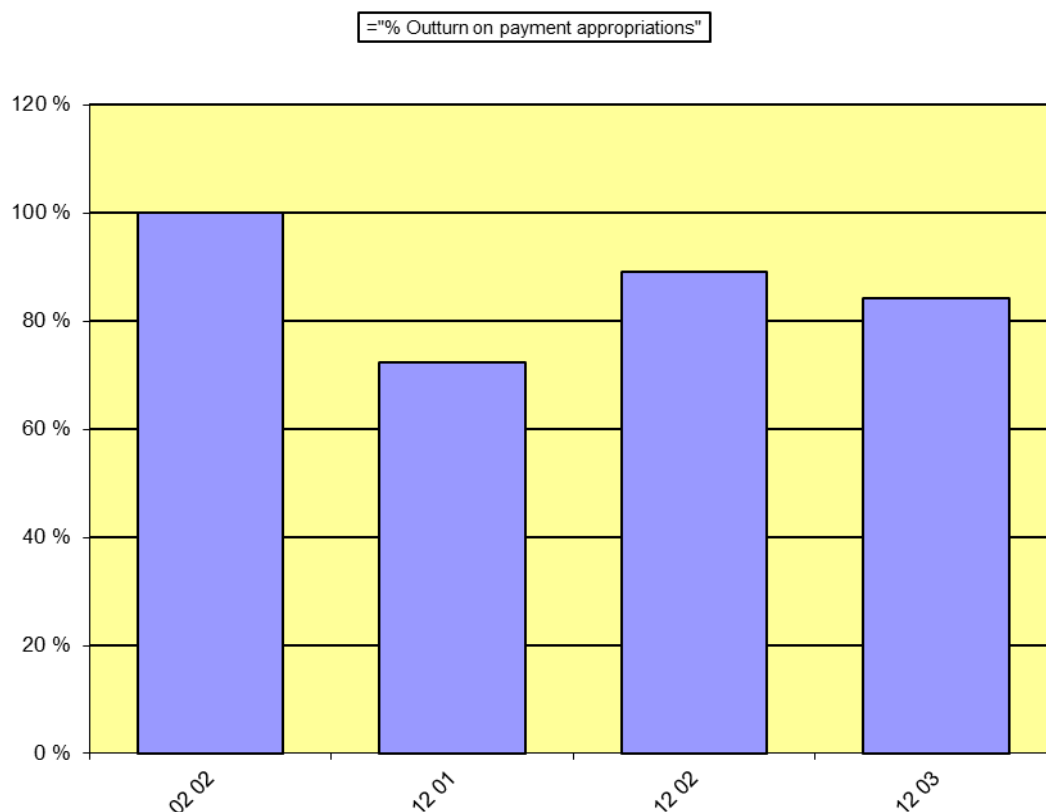


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)

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 02 : Enterprise and Industry									
02	02 02	Competitiveness of enterprises and small and medium-sized enterprises (COSME)	0.00	0.00	0.00		0.00	0.00	0.45
Total Title 02			0.00	0.00	0.00		0.00	0.00	0.45
Title 12 : Internal Market and Services									
12	12 01	Administrative expenditure of the Internal market and Services- policy area	4.05	2.84	1.21	29.78 %	0.00	1.21	1.95
	12 02	A Single Market Policy and Free Movement of Services	15.93	3.45	12.48	78.33 %	3.14	15.62	10.73
	12 03	Financial services and capital markets	41.89	39.99	1.90	4.54 %	0.00	1.90	4.71
Total Title 12			61.87	46.28	15.59	25.19 %	3.14	18.73	17.38
Total DG MARKT			61.87	46.28	15.59	25.19 %	3.14	18.73	17.83

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

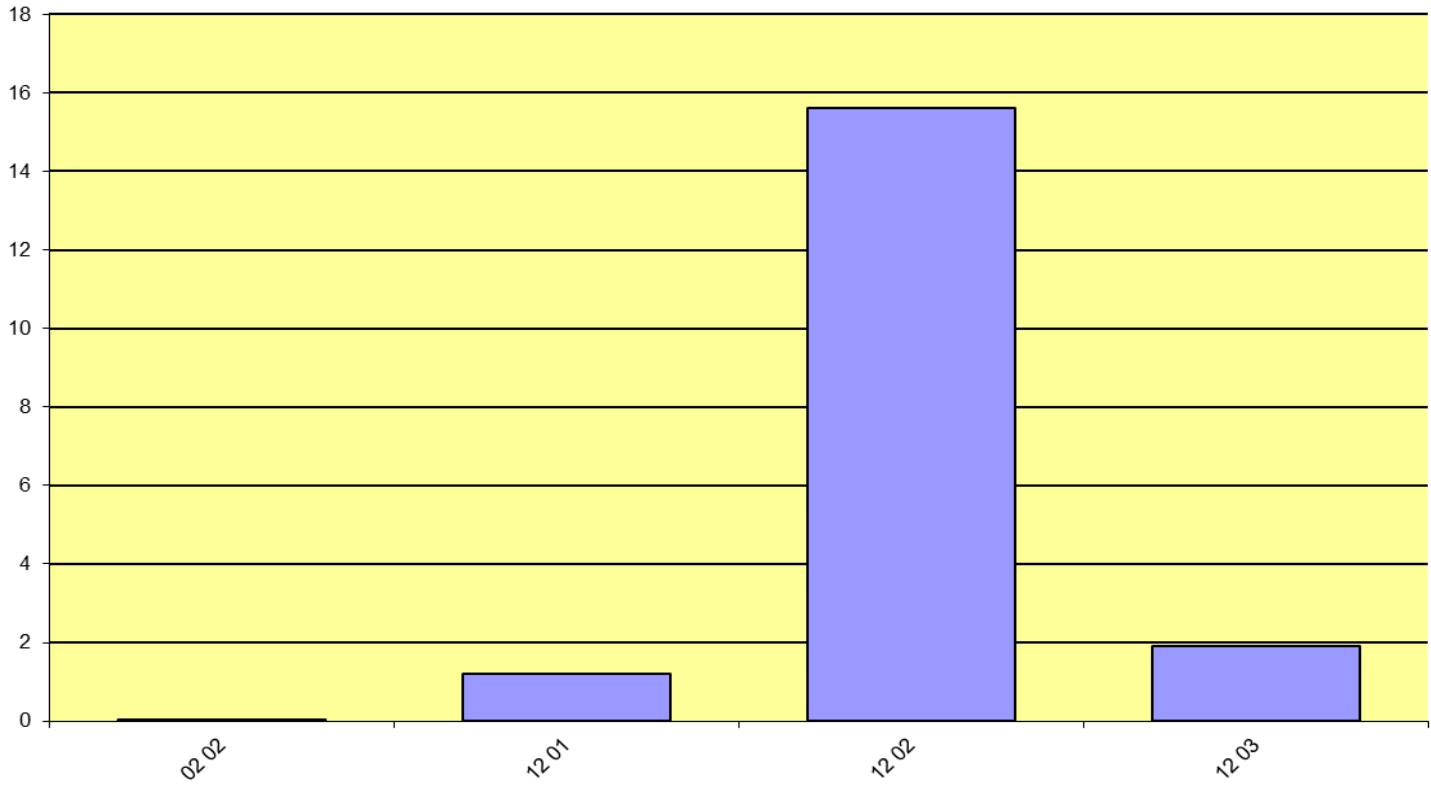


TABLE 4 : BALANCE SHEET

BALANCE SHEET	2014	2013
A.I. NON CURRENT ASSETS	0.00	0.00
A.I.2. Property, plant and equipment	0.00	0.00
A.II. CURRENT ASSETS	317 023.09	12 422 187.61
A.II.2. Current Pre-Financing	-70 914.18	10 599 301.54
A.II.4. Exchange Receivables	97.27	1 768 344.44
A.II.5. Non-Exchange Receivables	387 840.00	54 541.63
ASSETS	317 023.09	12 422 187.61
P.III. CURRENT LIABILITIES	-3 340 572.73	-3 243 291.23
P.III.4. Accounts Payable	-312 611.49	-215 329.99
P.III.5. Accrued charges and deferred income	-3 027 961.24	-3 027 961.24
LIABILITIES	-3 340 572.73	-3 243 291.23
NET ASSETS (ASSETS less LIABILITIES)	-3 023 549.64	9 178 896.38
P.I.2. Accumulated Surplus / Deficit	46 204 215.05	3 671 494.48
Non-allocated central (surplus)/deficit*	-43 180 665.41	-12 850 390.86
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	-21 316.00	-145 895.05
II.1.1. NON-EXCHANGE REVENUES	-387 840.00	-847 000.00
II.1.1.4. FINES	-387 840.00	-250 000.00
II.1.1.5. RECOVERY OF EXPENSES	0.00	-597 000.00
II.1.2. EXCHANGE REVENUES	366 524.00	701 104.95
II.1.2.1. FINANCIAL INCOME	0.00	-54 541.63
II.1.2.2. OTHER EXCHANGE REVENUE	366 524.00	755 646.58
II.2. EXPENSES	57 208 571.11	42 678 615.62
II.2. EXPENSES	57 208 571.11	42 678 615.62
11.2.10. OTHER EXPENSES	2 126 070.34	1 464 962.43
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	17 804 412.47	19 086 134.90
II.2.3. EXP IMPL BY OTH EU AGENC&BODIES (IM)	37 274 597.15	22 083 621.69
II.2.6. STAFF AND PENSION COSTS	0.00	32 692.72
II.2.8. FINANCE COSTS	3 491.15	11 203.88
STATEMENT OF FINANCIAL PERFORMANCE	57 187 255.11	42 532 720.57

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 MARKT

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)
25	1	1	100.00 %	9.00			
30	497	470	94.57 %	17.18	27	5.43 %	58.19
45	3	3	100.00 %	19.00			
60	31	31	100.00 %	22.77			
120	1	1	100.00 %	14.00			

Total Number of Payments	533	506	94.93 %		27	5.07 %	
Average Payment Time	19.57			17.51			58.19

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	8	7	87.50 %	12.29	1	12.50 %	28.00
30	110	98	89.09 %	20.03	12	10.91 %	62.50

Total Number of Payments	118	105	88.98 %		13	11.02 %	
Average Payment Time	23.96			19.51			59.85

Suspensions							
Average Report Approval Suspension	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	26	77	14.45 %	533	3 861 829.17	7.06 %	54 683 494.52

Late Interest paid in 2014			
DG	GL Account	Description	Amount (Eur)
FISMA	65010000	Interest expense on late payment of charges	3 050.36
FISMA	65010100	Interest on late payment of charges New FR	440.79
			3 491.15

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	
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	54 541.63	8 688.36	63 229.99	54 541.63	8 688.36	63 229.99	0.00
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	80 000.00	0.00	80 000.00	80 000.00	0.00	80 000.00	0.00
66	OTHER CONTRIBUTIONS AND REFUNDS	7 794 331.73	1 759 558.81	9 553 890.54	7 794 331.73	1 759 558.81	9 553 890.54	0.00
71	FINES	387 840.00	0.00	387 840.00	0.00	0.00	0.00	387 840.00
90	MISCELLANEOUS REVENUE	48 965.22	0.00	48 965.22	48 965.22	0.00	48 965.22	0.00
Total DG MARKT		8 365 678.58	1 768 247.17	10 133 925.75	7 977 838.58	1 768 247.17	9 746 085.75	387 840.00

**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
2013			9	7 794 331.73		
No Link			6	436 805.22		
Sub-Total			15	8 231 136.95		

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									1	140.75		
CREDIT NOTES									21	528 161.84		
Sub-Total									22	528 302.59		
GRAND TOTAL									37	8 759 439.54		

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

	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
2013	2		-100.00 %	1 768 247.17		-100.00 %
2014		1			387 840.00	
	2	1	-50.00 %	1 768 247.17	387 840.00	-78.07 %

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

No data to be reported

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

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art.134.1(b) Rules of application of the Financial Regulation (RAP)	1	160 000.00
Art.134.1(b) Rules of application of the Financial Regulation (RAP)	1	20 000.00
Negotiated procedure low value contracts (Art. 137 RAP)	4	140 949.00
Total	6.	320 949.00

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

Internal Procedures > €60,000		
Procedure Type	Count	Amount (€)
Open Procedure (Art. 127.2 RAP)	9	2 245 004.00
Framework contract with re-opening of competition (Art. 122.3(b) RAP)	1	331 200.00
Negotiated procedure (Art.134.1(b) RAP)	1	160 000.00
TOTAL		2 736 204.00

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

The control objective is for the estimated error rate (referring to authorised financial operations that do not comply with the applicable contractual or regulatory provisions) not to exceed 2% of total annual expenditure.

To assess the significance of any weakness and determining materiality criteria, DG MARKT considers the following factors in both quantitative and qualitative terms: the nature and scope of the weakness, its duration, the existence of mitigating controls that reduce its impact and the existence of effective corrective measures.

Quantitative and qualitative indicators are provided by:

- irregularities/errors (estimated in financial terms) that have emerged from the annual ex-post financial reviews by the internal audit capability on a sample of 20 to 50 transactions;
- ex-post checks by the Financial Resources and Internal Control Unit on a sample of all open commitments and payments processed in 2014;
- the registry of annual exceptions and non-compliance events (i.e. internal control weaknesses). Weaknesses having a significant impact (which would qualify as a material error) are assessed on the basis of:
 - any significant reputational risk for the DG and the Commission;
 - repetitive or systemic errors/errors that have gone uncorrected; and
 - whether they would lead to a failure in identifying any major risk with a financial or policy impact, and/or establishing an adequate action plan to mitigate those risks; and
- other errors detected ex post in the course of standard control or reporting activities, and which have been notified to the Internal Control Coordinator
- the values in 2014 of the control indicators applicable to the direct procurement and grants management

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

Grants direct management

Stage 1 — Programming, evaluation and selection of proposals

A — Preparation, adoption and publication of the annual work programme and calls for proposals

Main control objectives: Ensuring that the annual work programme (AWP) and calls for proposals are adequate in facilitating the selection of the most promising projects for meeting the policy or programme objectives (effectiveness); compliance (legality and regularity); prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The annual work programme and the subsequent call for proposals do not adequately reflect the policy objectives, priorities and/or the essential eligibility, selection and award criteria are not adequate to ensure evaluation of the proposals.</p> <p>Call for proposals is published prior to adoption of the AWP.</p>	<p>Explicit allocation of responsibility to individual officials (reflected in task distribution); hierarchical validation within the authorising and operational departments; inter-service consultation including all relevant services; adoption by the Commission</p>	<p>If risk materialises, all grants awarded during the year under this work programme or call would be irregular.</p> <p>Possible impact: 100% of budget involved and significant reputational consequences</p> <p>Coverage/frequency: 100%</p> <p>Depth: N/A</p>	<p>Costs: Estimated cost of staff involved in preparation and validation of annual work programme and call for proposals</p> <p>Benefits: The (average annual) total budgetary amount of the annual work programmes or calls with significant errors detected and corrected</p>	<p>Effectiveness: Budget amount of the work programmes concerned (€)</p> <p>For grants awarded following the call for proposals: value of proposals received as a percentage of budget available (%)</p>

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

Main control objectives: Ensuring that the most promising projects for meeting the policy objectives are among the proposals selected (effectiveness); compliance (legality and regularity); prevention of fraud (anti-fraud strategy)

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The proposals are not evaluated, ranked and selected in accordance with the established procedures and/or with the essential eligibility, selection and award criteria set out in the annual work programme and subsequent call for proposals.</p> <p>The grant application does not contain all information and supporting documents required for its evaluation.</p>	Appointment of competent staff (e.g. policy officers) as members of the evaluation committee	100% vetting for technical expertise and independence (e.g. conflicts of interests)	<p>Costs: Estimated cost of staff involved in evaluating, ranking and selecting proposals</p> <p>Benefits: Compare selected list with a random allocation of the available budget. Benefit equals value of deserving projects otherwise not selected plus value of non-deserving projects that would have been selected (=amount redirected to better projects)</p>	<p>Effectiveness: Number of cases of litigation</p> <p>Budget amount of the call concerned (€)</p> <p>Efficiency: Time to inform (days): average time to inform applicants of outcome of evaluation of application (as compared with allowed maximum of 180 days)</p>
	Assessment of proposals by competent staff (members of the evaluation committee)	100% of proposals are evaluated		
	Equal treatment of applicants in processing of requests for additional information	<p>Coverage: 100% of ranked proposals</p> <p>Depth depends on risk factors, e.g. conflicts of interests</p>		
	Review and hierarchical validation of ranked list of proposals by the authorising department and the AO	100% of contested decisions are examined		
	Redress procedure			

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

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

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	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 work programme</p> <p>The beneficiary lacks operational and/or financial capacity to carry out the work programme.</p> <p>Procedures do not comply with the regulatory framework (e.g. the grant agreement does not contain all applicable provisions or is signed late).</p>	<p>Validation of beneficiaries (operational and financial viability)</p> <p>In-depth financial verification and taking appropriate measures for high risk beneficiaries</p> <p>Use of standard grant agreement templates which include control provisions</p> <p>Signature of grant agreement by the AO</p>	<p>100% of the selected proposals and beneficiaries are scrutinised</p> <p>Coverage: 100% of draft grant agreements</p> <p>Depth may be determined after considering the type or nature of the beneficiary and/or total value of the grant</p>	<p>Costs: Estimated cost of staff involved in the contracting process</p> <p>Benefits: Difference between EU funding requested for selected proposals and that for corresponding grant agreements</p>	<p>Effectiveness: Amount of EU funding (€) proposed by beneficiary that was rejected (not included in the grant agreement budget)</p> <p>Efficiency: Time to grant (days): average time to sign agreements or to notify grant decisions (as compared with allowed maximum of 90 days)</p>

Stage 3 — Monitoring the execution (this stage covers the monitoring of the operational, financial and reporting aspects relating to the project and grant agreement)

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

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The work programme of the beneficiary is not, totally or partially, carried out in accordance with the provisions of the grant agreement and/or the amounts paid exceed those due in accordance with the applicable contractual and regulatory provisions</p> <p>Changes to grant agreements are not properly documented or authorised.</p> <p>Payments to beneficiaries are made late.</p>	<p>Operational and financial checks in accordance with the financial circuits</p> <p>Operation authorised by the AO</p>	<p>100% of transactions are controlled and authorised</p>	<p>Costs: Estimated cost of staff involved in actual management of grants</p> <p>Benefits: Amount of costs claimed by beneficiary, but rejected by DG</p>	<p>Effectiveness: Number or % of grants with cost claim errors</p> <p>Amount (€) of cost items rejected (total ineligible costs)</p> <p>Value of cost claims items adjusted as percentage of total cost claim value</p> <p>Number of potential fraud cases</p>
	<p>On-the-spot verifications</p> <p>Verification results validated with beneficiary</p>	<p>100% of beneficiaries (once every two years)</p> <p>Depth: Depends on risk criteria</p>		
	<p>If needed: application of suspension/interruption of payments, penalties</p> <p>If needed: beneficiary or grant referred to OLAF</p>	<p>Depth: Depends on results of ex-ante controls</p>		

Stage 4 — Ex-post controls

A — Reviews, audits and monitoring

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

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The ex-ante controls (as such) fail to prevent, detect and correct erroneous payments or attempted fraud.	Desk reviews of a representative sample of transactions to determine effectiveness of ex-ante controls and consider findings for improving them If needed: beneficiary or grant referred to OLAF	(Random) sample sufficiently representative to draw valid management conclusions	Costs: Estimated cost of staff involved in desk reviews Benefits: Budget value of errors detected during desk reviews	Effectiveness: Amount of errors concerned (€) Number of transactions with errors

B — Implementing results from ex-post audits/controls

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

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
Errors, irregularities and cases of fraud detected are not addressed (in time). Lessons learned from the implementation of audit results	Systematic documentation of audit/control results to be implemented Financial operational validation of recovery in accordance with financial circuits	Coverage: 100% of final ex-post control results with a financial impact Depth: Consider 'extending' the	Costs: Estimated cost of staff involved in implementing audit results Benefits: Budget value of actually corrected errors detected by	Effectiveness: Value of ex-post checks results pending implementation (€)

markt_aar_2014_annexes_final

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
are not exploited to reinforce the control systems.	Authorisation by the AO	findings of systemic errors into corrections of non-audited grants by the same beneficiary	ex-post controls	

Procurement direct management

Stage 1: Procurement

A – Planning

Main control objectives: Effectiveness, efficiency and economy; compliance (legality and regularity); ensuring efficient and effective organisation of the procurement procedure in order to obtain timely and relevant deliverables, while allocating adequate resources to manage procurement procedures and complying with the established rules regulating the awarding of public contracts.

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 needs are not well defined (operationally and economically) and the decision to procure was inappropriate to meet the operational objectives.</p> <p>Services are discontinued due to late contracting (poor planning and organisation of procurement process).</p>	<p>Financing decisions/list of studies to be procured are discussed and agreed by management/group responsible for assessing the needs for studies.</p>	<p>100% of forecast procurements (open procedures) are justified in a note to the AOSD.</p> <p>All key procurement procedures (generally with a value (€) at or above the Directive threshold) are discussed by management/group responsible for assessing the needs for studies.</p>	<p>Costs: Estimated cost of staff involved</p> <p>Benefits: Amount of unjustified purchases rejected</p> <p>Costs of litigation saved if discontinuation of service is avoided.</p>	<p>Effectiveness: Number of projected calls for tenders cancelled; number of contract discontinued due to lack of use (poor planning).</p>
<p>Other suitable/similar solutions already exist or the objectives can be achieved alternatively at lower/no cost.</p>	<p>Central financial unit verifies timing and planning of different procurement procedures</p>	<p>100% of forecast procurements</p>	<p>Amount saved from procuring expensive contracts when results/data are already available/can be obtained otherwise.</p>	<p>Efficiency: Average cost per tender.</p>

B- Needs assessment and definition of needs

Main control objectives: Ensuring adequate needs analysis to demonstrate that public procurement is the most appropriate (effective, efficient and economical) way of meeting the DG's objectives and operational needs and carried out in accordance with the established rules on awarding public contracts; 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
<p>The best offer(s) are not submitted due to poor tender specifications.</p> <p>Failing to identify relevant selection and award criteria to ensure either adequate capacity from contractors and satisfactory offers</p> <p>An offer is biased due to rigged/unbalanced specifications</p>	<p>Operational verification to supervise drawing-up of technical specifications</p> <p>Verification by the Resources Unit (with expertise in procurement) of accuracy/completeness and clarity of tender documents</p> <p>AOSD's final supervision and approval of specifications (two different AOSDs for amounts of €60 000 or more)</p>	<p>100% of tender specifications are scrutinised.</p> <p>100% of tenders above a financial threshold (e.g. € 60 000) are reviewed by the AOSD and receive a second verification.</p> <p>Depth: Risk-based (depends on sensitivity of file).</p>	<p>Costs: Estimated cost of staff involved</p> <p>Benefits: Limit the risks of litigation or cancellation of a tender.</p> <p>Amount of contracts for which the approval and supervisory control detected material error.</p>	<p>Effectiveness: Number of procedures where only one or no offers were received; number of requests for clarification regarding tender specifications.</p> <p>Efficiency: Estimated average cost of a procurement procedure.</p>

C – Selection of the offer and evaluation

Main control objectives: Ensuring that the offers are free from any fraud risks (fraud prevention and detection), comply with the E-E-E (effectiveness, efficiency and economy) principles and are evaluated in accordance with the established rules on impartial evaluation; 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
<p>The most economically advantageous offer is not selected, due to a biased, inaccurate or 'unfair' evaluation process.</p> <p>There is a conflict of interests between evaluators and tenderers/candidates.</p> <p>There is an overdependence on a limited pool of tenderers given the low number of economic operators able to provide the DG with specialised input.</p> <p>There is corruption or collusion, bids are manipulated or submitted by phantom service-providers.</p>	<p>Formal evaluation process: appointment of the Opening and evaluation committees composed of at least three persons representing at least two organisational entities of the service.</p> <p>The award decision file identifying the proposed contractor is reviewed (before the AOSD's signature) by the central Resources Unit, which checks for any red flags (two ex-ante verifications if necessary).</p>	<p>100% of offers analysed.</p> <p>Depth: In terms of justification of the draft award decision</p>	<p>Costs: Estimated costs involved</p> <p>Benefits: Compliance with FR; difference between most onerous and selected offers.</p> <p>Potential irregularities/inefficiencies prevented (amount of procurement for which significant concerns are raised)</p>	<p>Effectiveness: Number of 'valid' complaints or of litigation cases filed; number of fraudulent cases detected; number of companies excluded from participation in public procurement/awarding.</p> <p>Efficiency: Cost of successful tenders (i.e. average cost of 'most economically advantageous tender' procedure) (or average cost).</p> <p>Average cost of a tendering procedure.</p>
	<p>Opening and evaluation committees' declarations of absence of conflict of interests</p>	<p>All members of opening and evaluation committees</p>	<p>Costs: estimated cost of staff involved.</p> <p>Benefits: amount of contracts for which the control prevented the risk of litigation or fraud.</p>	

Main risks It may happen (again) that ...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
	Exclusion criteria documented	100% checked. Depth: required documents provided are consistent	Costs: estimated cost of staff involved. Benefits: Avoid contracting with excluded economic operators	
	Standstill period – opportunity for unsuccessful tenderers to put forward concerns on the award decision.	100% when conditions are fulfilled	Costs: Estimated cost of staff involved. Benefits: Amount of procurements successfully challenged during standstill period.	

Stage 2: Financial transactions

Main control objectives: Ensuring that the contract is implemented in compliance with the signed contracts

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 planned products/services/works are not, totally or partially provided in accordance with the technical description and requirements in the contract and/or the amounts paid exceed those due in accordance with the applicable contractual and regulatory provisions.</p> <p>Business is interrupted because contractor fails (on time) to deliver results (e.g. to be used for impact assessments).</p>	<p>Operational and financial checks: checklist-based verification requiring two actors for both operational and financial level (in accordance with established financial circuits)</p> <p>Authorisation by AOSD</p> <p>For riskier operations, a second ex-ante in-depth verification before payment (checklist and ABAC signatures)</p> <p>A financial initiating agent (contracts officer) checks that the planning of deliverables is respected.</p>	<p>100% contracts controlled.</p> <p>Riskier operations subject to in-depth controls. The depth depends on the amount and potential impact of late or no delivery on the DG's operations.</p>	<p>Costs: Estimated cost of staff involved.</p> <p>Benefits: Amount of irregularities, errors and overpayments prevented by the controls</p>	<p>Effectiveness: Number/amount of liquidated damages; number of transactions 'refused for correction'</p> <p>Efficiency: Average cost per payment and recovery order made</p> <p>Average time (days) to payment/number of late payments/rate of late interest payments</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
<p>An error, non-compliance with regulatory and contractual provisions, including technical specifications, or fraud is not prevented, detected or corrected by ex-ante control prior to payment.</p>	<p>Ex-post publication (possible reaction from tenderer/potential tenderer, e.g. whistleblowing)</p>	<p>100% of contracts (contract award notices or Financial Transparency Register – FTS)</p>	<p>Costs: Estimated cost of staff involved</p>	<p>Effectiveness: Amount associated with errors detected ex post (relating to fraud, irregularity and error)</p>
	<p>Desk reviews (by accounting correspondent and IAC) of a representative sample of transactions to determine effectiveness of ex-ante controls and consider findings for improving them</p>	<p>Random and/or judgmental sampling.</p> <p>Depth: Look for any systemic problem in procurement procedure and financial circuits</p>	<p>Benefits: Amounts detected associated with fraud and error</p> <p>Deterrents and systematic weaknesses corrected.</p>	<p>System improvements made</p> <p>Efficiency: Costs of ex-post reviews and supervisory measures as compared with 'benefits'</p>

Indirect management — Union contribution to the European supervisory authorities (ESAs)

The authorising officer by delegation of DG MARKT does not entrust ESAs with budget implementation tasks. However, as ESAs do not have a separate budget line in the Union budget nomenclature and their budget appears among other DG MARKT budget lines, DG MARKT is responsible for transferring the Union contribution (as determined by the budgetary authority) to the ESAs' administrative and operational budget.

Stage 1 — Establishment (or prolongation) of the mandate to the entrusted entity ('delegation act'/'contribution agreement'/etc.) — N/A

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

Main risks <i>It may happen (again) that ...</i>	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
N/A				

Stage 2 — Ex-ante (re)assessment of the entrusted entity's financial and control framework (towards 'budget autonomy'; 'financial rules') — N/A

Main control objectives: Ensuring that the entrusted entity is fully prepared to start/continue implementing the delegated funds autonomously with respect to all five ICOs.

Main risks <i>It may happen (again) that ...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
N/A				

Stage 3 — Operations: monitoring, supervision, reporting ('representation'/'control with or around the entity')

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

Main risks <i>It may happen (again) that ...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
<p>Due to insufficient cooperation, supervision and reporting arrangements, the Commission is not informed (in time) of relevant management issues encountered by the entrusted entity and/or does not react (in time) to issues by mitigating them or entering a reservation; this may reflect negatively on the Commission's governance reputation and quality of accountability reporting.</p>	<p>Monitoring or supervision of entrusted entity (e.g. review of management reports, representation and intervention on the board, scrutiny of annual report, etc.). <u>If appropriate/needed:</u></p> <ul style="list-style-type: none"> - reinforced monitoring of operational and/or financial aspects of the entity; - potential escalation of any major governance-related issues with entrusted entities; - referral to OLAF 	<p>Coverage: 100% of entities are monitored/supervised</p> <p>Frequency: Before every board meeting and on receipt of key management reports/documents</p> <p><u>In the event of</u> operational and/or financial issues, measures are reinforced.</p> <p>Depth: Depends on the riskiness of the identified issues, if any</p>	<p>Costs: Estimated cost of staff involved in actual (regular or reinforced) monitoring of entrusted entities</p> <p>Benefits: Total budget amount entrusted to entity, possibly at 100%, if significant errors would otherwise not be detected</p>	<p>Effectiveness: Quality of management reports received; number of issues under reinforced monitoring; number of IAS and ECA findings of serious control failures; budget amount of errors concerned</p> <p>Efficiency: Cost/benefit ratio; average supervision cost per entrusted entity</p>

Stage 4 — Commission contribution: payment or suspension/interruption and recovery of unused contribution

Main control objectives: Ensuring that the Commission assesses fully the management situation at the entrusted entity, before either paying out the (next) contribution for its operational and/or operating budget or deciding to suspend/interrupt the (next) contribution (legality and regularity, sound financial management, anti-fraud strategy)

Main risks <i>It may happen (again) that ...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
N/A The costs of staff involved in financial circuits for the contribution payments/recoveries to/from the entrusted entities are identical to those applied for the execution of the DG's budget. Please refer to the ICT (direct procurement management — financial transactions)				

Stage 5 — Audit and evaluation, discharge for decentralised agencies — N/A

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

Main risks <i>It may happen (again) that ...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
N/A				

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

Not applicable

ANNEX 7: EAMR of the Union Delegations

Not applicable

ANNEX 8: Decentralised agencies

For 2014, the EU's total budgeted contribution allocated to the agencies below was EUR 33 211 340,² including the recovery of surplus from the 2012 Union contribution (as assigned revenues). In addition, EUR 1 881 930 was made available to the ESAs as recovery of the surplus from national authorities' contributions in 2012.

Agency	Policy	Subsidy paid by DG MARKT in 2014 (EUR)
European Banking Authority (EBA)	Financial services	14 099 982
European Insurance and Occupational Pensions Authority (EIOPA)		8 865 730
European Securities and Markets Authority (ESMA)		12 127 558

² The original amount (Commission Decision C(2014) 51 final) was EUR 31 956 720.

ANNEX 9: Performance information included in evaluations

<p>Title of evaluation:</p>	<p>Report from the Commission to the European Parliament and the Council on the operation of the European supervisory authorities (ESAs) and the European System of Financial Supervision (ESFS)</p>
<p>ABB activity:</p>	<p><i>Article 81 of the ESAs’ founding Regulations (Regulations (EU) Nos 1093, 1094 and 1095/2010) requires the Commission to prepare a report on the experience acquired as a result of the ESAs’ operations and procedures laid down in the Regulations.</i></p>
<p>Type of evaluation:</p>	<p>Non-regulatory instrument, e.g. report from the Commission</p>
<p>Summary of performance-related findings and recommendations:</p>	<p>Briefly describe the focus of review: The report assesses in detail the functioning of the ESAs from their inception to December 2013.</p> <p>Main findings regarding efficiency, effectiveness, impact and EU added value: The review showed that the ESAs performed well overall in their first three years of operation. They successfully built functioning organisations, started delivering on their mandates and developed their own profiles. Notably by preparing uniform standards and contributing to supervisory convergence and coordination, the ESAs successfully helped to shape the development of a single rulebook applicable to all Member States and thus the smooth functioning of the single market. The review revealed some areas where further improvements achievable in the short and medium term would allow the ESAs to deliver fully on their mandates. Any future action will have to take account of the establishment of banking union.</p> <p>Recommendations: Areas for improvement include:</p> <ul style="list-style-type: none"> • the governance of the ESAs, in particular to improve further the capacity of the board of supervisors to take decisions in the interests of the EU as a whole; • possible revision of funding arrangements so that the ESAs can perform their broad range of tasks, taking into account EU and national budgetary constraints; and going forward, the ESAs delivering in a more balanced way on their full spectrum of tasks; in particular, they should put more emphasis on consumer/investor-protection-related issues, making full use of their powers, and to supervisory convergence.

Availability of report on http://ec.europa.eu/finance/general-policy/docs/committees/140808-esfs-review_en.pdf
 Europa:

Title of evaluation:	Evaluation of <i>Your Europe</i> advice service (Invitation to tender MARKT-B.TF1/7/2013 under multiple framework service contract with reopening of competition PO/2012-3/A3, Lot 1 — provision of services in the field of evaluation of communication activities)
ABB activity:	Internal market
Type of evaluation:	Non-regulatory instrument: evaluation of an assistance service
Summary of performance-related findings and recommendations:	<p>The objective was to provide DG MARKT with an assessment of the extent to which the <i>Your Europe</i> advice (YEA) service meets the needs of its users, user satisfaction, the quality of the service, its accessibility and visibility as the second-line service on the <i>Your Europe</i> portal, and its organisational and cost efficiency.</p> <p>Key findings:</p> <p>YEA meets the objective of providing a fast, high-quality service and offering advice that empowers its users. The reach of the service is limited, however, given the number of EU citizens who may require personalised legal advice and assistance on their EU rights.</p> <p>The service meets the needs of a large majority of its current users. Only a sixth of all users felt that the service did not fully meet their needs, mostly because answers were incomplete, unhelpful or did not contain enough practical guidance.</p> <p>The evaluation did not identify any unmet needs of potential users that the service should address. However, the data suggest that the citizens who submitted ineligible enquiries could be given better information as to why their case was rejected.</p> <p>Users are satisfied overall with the quality of the replies. In total, 80% are satisfied or very satisfied with the service received.</p> <p>The findings suggest that almost all users receive replies in their preferred language and are satisfied with the time it took. User satisfaction diminishes considerably when replies are provided after the one-week deadline.</p> <p>While a majority of users are quite satisfied with the signposting offered by the service, the level of satisfaction in this area was generally lower than with the other aspects of the service. This is because of irrelevant, insufficiently precise or (in some cases) non-existent signposting.</p> <p>Rates of satisfaction with replies differ significantly across countries. Judging by the survey, users in Romania, Ireland, Finland,</p>

	<p>Austria, Bulgaria and the UK are particularly satisfied with the service, while those in Sweden, Cyprus, the Czech Republic and Poland are far less so. As yet, it is unclear whether the differences stem from varying quality in YEA experts' work or culturally predetermined user expectations.</p> <p>Generally, the type of question raised does not impact on satisfaction. The users surveyed were satisfied overall with the replies across all the main topics addressed by the service. However, satisfaction was somewhat lower for enquiries relating to tax and social security issues, mostly because experts' knowledge was outdated, practical guidance was lacking, or users received insufficient explanations of the relevant legislation and incomplete answers.</p>
Availability of report on <i>Europa</i> :	No

ANNEX 10: Specific annexes related to "Management of Resources" (Part 2) (if needed - free format)

Not applicable

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (Part 3) (if needed - free format)

Not applicable