



2015

Annual Activity Report

**European Political
Strategy Centre**



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INTRODUCTION

The DG in brief

The European Political Strategy Centre (EPSC) reports directly to the President the European Commission and operates under his authority. It is composed of a professional staff of advisers, policy analysts and support staff with appropriate experience and track record, in order to provide professional and targeted policy advice to the President and the College.

EPSC's core tasks are strategic analysis and policy advice for the President on matters related to the policy priorities as defined by the President in his political guidelines presented to the European Parliament on July 15 2014, and outreach to decision-makers, think tanks and civil society at large.

The EPSC provides support to the President also on concrete initiatives, as well as policy advice of more long-term nature (ref C(2014) 9001/2).

EXECUTIVE SUMMARY

a) Policy highlights of the year

2015 marked the start-up phase of the European Political Strategy Centre: a novel think tank that reports directly to the President of the European Commission, tasked with providing the President and the College with strategic analysis and policy advice. In the course of its first year, not only did the EPSC recruit a professional and inter-disciplinary team of experts and think tankers, but it also immediately demonstrated its added value to the European Commission both internally and with the outside world. Evidencing such a successful performance are 40+ events and 30+ briefings and papers that provided policy input or intellectually accompanied Commission initiatives, delivered in parallel with the process of starting-up the organisation.

Based on its key performance indicators and as demonstrated by the growing demand for collaboration – both in-house and with external stakeholders – the EPSC successfully supported the development, promotion and communication of a number of Commission initiatives linked to the 10 Priorities of the Juncker Commission. In particular, full appreciation has been regularly expressed – in systematic meetings with the Cabinet as well as in the form of feedback to papers and events – with regards to the EPSC's ability to push the intellectual boundaries of policy thinking, while providing evidence-based and timely political and strategic advice.

EPSC incepted innovation not only in terms of policy and strategy but also in management and the way the Commission works and employs its resources. The design of meetings without "intellectual constraints" has allowed for greater institutional cooperation. The transformation of the 5th Floor's hall into an event space has made the use of resources more efficient and innovative.

2015 marked the revamp of the European Strategy and Policy Analysis System, following the launch of the report. The renovated ESPAS cycle introduced innovations such as the Young Talent Network – aimed at nurturing leadership and talent across the participating institutions – and systematic foresight exercises, in addition to the Annual Meeting.

Finally, the EPSC continued to ensure the secretariat of the European Group on Ethics (EGE) which in October 2015 finalised and adopted its Opinion on the Ethics of New Health Technologies and Citizen Participation. Given the nearing end of the mandate of the 2010-2016 of the EGE Group, the year 2015 also saw the preparations and institutional arrangements for the Commission to continue drawing on the best independent advice on ethical questions. The President of the Commission confirmed that ethical questions will need a dedicated Group of experts at the highest level. The future European Group on Ethics will report to the President, and to the College of Commissioners as a whole. President Juncker placed his Group under the direct responsibility of Commissioner Moedas. Consequently the EGE Secretariat moved from the EPSC to DG RTD.

b) Key Performance Indicators (5 KPIs)

In the year 2015, the EPSC adopted the following indicators to measure its performance:

Result/Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
Degree of satisfaction expressed by the recipients of EPSC advice, including the President, the Vice Presidents and their Cabinets	No quantitative target defined at this stage	Full satisfaction of the President and his Cabinet (Difficult to measure, given that it is a more qualitative evaluation by the President or his Head of Cabinet expressed orally to the DG in their regular meetings or in e-mails addressed to the Head of EPSC. No complaints made by the Cabinet.
Number of events successfully organised and briefing/papers prepared		Events: 40 Publications and briefs: 28
The respect of the ethical and organisational values	Attendance rate to ethics course in 2015: 100%	96 % of the staff
Sound and effective financial management , in particular number of days for payment execution per year	2015: ≤10 days	13,45 days The target was not reached in 2015, because the present indicator was defined before the revision of the organisational chart and the reduction of staff in the financial team.

c) Key conclusions on Management and Internal control (executive summary of section 2)

In accordance with the governance statement of the European Commission, the staff of DG EPSC conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG EPSC has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended. Please refer to AAR section 2.3 for further details.

In addition, DG EPSC has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2 for further details

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Information to the Commissioner(s)

The main elements of this report and assurance declaration have been brought to the attention of the Cabinet of the President.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG¹

1.1 ABB activity: Policy strategy and coordination and policy advice

Specific objective 1: Set up the organisation of the European Political Strategy Centre (EPSC)

Result indicator: Successful and timely completion of output defined below

Recruit Staff according to the new organisation chart of EPSC

Baseline	Target	Current Situation
NA	Set-up 100% by mid-2015	100%

The recruitment phase took place in the first semester of 2015 to hire a team of experts able to reply to the specific needs of an internal Commission think tank. The annex 2 – Human and financial Resources shows that the establishment plan has been completed.

Result indicator: Successful and timely completion of output defined below

Develop a medium-term strategic action plan for the EPSC

Baseline	Target	Current Situation
NA	Lay out and illustrate the proposed plan to the President by mid-2015	On-going

The regular (weekly) meetings between the EPSC leadership and the Head of Cabinet of the President and the participation of the Head of the EPSC in the daily cabinet meetings have played the strategic function outlined in the above indicator. The strategic insights resulting from these meetings have provided the basis for the drafting of the EPSC Strategic Plan 2016-2020. At the same time, the regular meetings will continue to play the strategic function of defining and refining the EPSC's planning and actions.

Result indicator: Successful and timely completion of output defined below

Re-arrange the office lay-out and adopts workplace solutions to better support of the activities of EPSC

Baseline	Target	Current Situation
NA	Complete the reorganization by mid-2015	Completed

The office lay-out has been completed with the fitting out of open spaces, collaborative spaces and meeting rooms to facilitate the organisation of meetings, conferences in a more innovative way.

¹ See footnote 1.

Result indicator: Successful and timely completion of output defined below		
Define a communication strategy for the EPSC including a new visual identity, a new website and an ad hoc social media strategy		
Baseline	Target	Current Situation
NA	Have the communication resources and platforms in place by mid-2015	Completed

EPSC has developed a new visual identity for its external and internal documents with the support of the outreach and communication team, composed of highly qualified staff. An editorial board has also been created to review all the documents produced internally by the different EPSC teams. A twitter account is active for the external communication.

Specific objective 2: Provide policy advice to the President, Vice Presidents and their Cabinets, in line with the ten policy areas by the Commission		
Result indicators: <i>Degree of satisfaction expressed by the recipients of EPSC deliverables</i> <i>Increase in requests for – and engagement in - various activities</i> <i>Solicited feedback from the President and Vice-Presidents</i>		
Main outputs in 2015:		
Description	Current Situation	Target
Support the development, promotion and communication of the “investment package” adopted by the College on 3 December 2014	High-Level Event on Better Economic Policymaking for the EU and on a proposed system for a European System Competitiveness Authorities Strategic Notes on Asian Infrastructure Investment Bank and Euro Plus Pact Five Presidents' Report Series	Help build consensus around the proposed measure within different types of stakeholders (multiple initiatives throughout 2015)

The EPSC has, since the beginning, been closely involved in the development of initiatives on economic governance and policymaking as well as communication of thereof. The inaugural public event of the EPSC was indeed focused on Better Economic Policy for the EU, which saw the participation of President Juncker and received fully satisfactory feedback from his cabinet – so much so that EPSC was encouraged to host a large economic conference, annually. The EPSC provided input and intellectually accompanied Stage 1 of the Five Presidents' Report on EMU Deepening through a combination of internal and external notes, briefings and events in daily contact with the relevant members of the Cabinet and Vice-Presidents.

Main outputs in 2015:		
Description	Current Situation	Target
Design and organise flagship event/conference on the Digital Single Market	High-level Hearing on <i>What Regulatory Environment for Online Platforms?</i> Strategic Note on Taking the Single Market into the 21 st Century	Simulate the debate around the digital agenda; key topics might include copyright and data protection (April/May 2015)

The EPSC has been involved since the beginning to intellectually support the development of the Digital Single Market Strategy, and also its relations with the parallel development of the Single Market Strategy – as illustrated in the relevant Strategic Note. The EPSC then contributed to the public consultation on online platforms by organising a hearing with leading experts – an innovating format to provide rigorous evidence to the policymaking process. These collaborations were welcome by the relevant cabinets and services that hope to continue with new initiatives in 2016.

Main outputs in 2015:		
Description	Current Situation	Target
Contribute to the mid-term review of Europe 2020 Strategy through targeted studies, position papers seminars and other activities	Strategic Note on Europe 2020 Review Supported and participated in the Commission's Delegation to the United Nations General Assembly	Support the review of the Europe 2020 Strategy in line with the Commission's political agenda

EPSC produced a Strategic Note that provided input to the College debate and is part of the Commission-wide team that intellectually accompanies the process review.

Main outputs in 2015:		
Description	Current Situation	Target
Develop ad hoc policy studies on other top priorities of the Commission , such as "Jobs creation" and the Energy Union	Ad hoc studies were not conducted, since the EPSC found that its most effective contribution came from the active and sustained provision of evidence-based input in development of initiatives such as the Energy Union Strategy (members of the Sustainable Development team are integral part of the Commission-wide Energy Union project team), and data foresight on economic and social policies	Complement the work of other Directorate Generals and services with targeted policy advice (multiple initiatives throughout 2015)

Main outputs in 2015:		
Description	Current Situation	Target
Prepare policy briefings and other supporting documents at the request of the President and Vice-Presidents	Prepared and delivered 30+ internal and public briefings on various topics, for instance : - Strategic Note on COP21 (in addition participation in the Commission's Delegation to COP21) - Strategic Notes on Legal Migration and Valetta Conference - Strategic Notes in Defence of Europe and on the applications of Art 42.7 (in addition In-house expert seminar on the Global Strategy)	Support the activities of the President, Vice-Presidents and their Cabinets (multiple initiatives throughout 2015)

EPSC was requested to support the President, Vice-Presidents and Commissioners' cabinets by delivering policy contributions in various areas which were not always clearly defined in the 2015 Management Plan. This not only show the unique added value of the EPSC to the policy process, but also the on-demand nature of much of the EPSC's way of working. Given its interdisciplinary nature and close link to the political priorities, it is hard for EPSC to plan a priori and comprehensively on all the outputs it will be called to deliver on. The above targets were completed with full satisfaction from the Commissioners and Cabinets involved to the point that they will likely have follow ups in 2016.

Specific objective 3: Outreach activities towards experts, opinion makers, academia and think tanks on issues relevant for the President and Vice-Presidents

Result indicators: - Endorsement of Commission's proposals by third parties
- Level of participation and general engagement in events organised by EPSC

Main outputs in 2015:

Description	Current Situation	Target
Coordinate the participation of the Commission to the World Economic Forum in Davos (January 2015)	Coordination of the participation of a delegation of 12 Commissioners	Maximise the effectiveness, visibility and resonance of Commission's participation (January 2015)

The EPSC coordinated the participation of a delegation of 12 Commissioners, receiving enthusiastic feedback both from the side of the Commission and the WEF, such that an equal number of Commissioners were invited to the 2016 Annual Meeting of the WEF where the Commission was dedicated an exclusive session.

Main outputs in 2015:

Description	Current Situation	Target
Build and maintain a database of EPSC stakeholders, both internal and external to the Commission	On hold pending the internal review of the project "Stakeholders relationship management" requested by the ABM Steering Group to DG CNECT	Improve, ease and speed up engagement with relevant stakeholders

Main outputs in 2015:

Description	Current Situation	Target
Create and publish a periodical newsletter for EPSC's stakeholders community	Inaugural thematic newsletter with a focus on EMU integration and the Five Presidents' Report	Help disseminate EPSC's and Commission's work within relevant stakeholders (multiple publications throughout 2015)

As part of its outreach efforts, the EPSC developed and published its first thematic newsletter on the Five Presidents' Report and the deepening of the Economic and Monetary Union.

Main outputs in 2015:		
Description	Current Situation	Target
Contribute to the Commission's overall communication strategy , also by supporting DG COMM and the SPP	Close coordination with SPP in the EPSC's organisation of events	Maximise the reach and impact of Commission's communication strategy

The EPSC's organisation and timing of events is closely coordinated with SPP, to mutually reinforce outreach efforts and activities. In addition, EPSC provided input and intellectually accompanied the communication dimension of a number of initiatives, such as the European Fund for Strategic Investment.

Specific objective 4: Continue the inter-institutional cooperation on foresight activities		
Result indicators: <i>Quality of EPSC's output and ability to influence the scenario generation process</i>		
Main outputs in 2015:		
Description	Current Situation	Target
Contribute to the ongoing reflections about the EMU and on forthcoming institutional issues Participate in the informal inter-institutional network of foresight activities (follow up of EPSAS)	Revamp the cycle of the European Strategy and Policy Analysis System Organised Annual Meeting in collaboration with EP Launched Young Talent Network	Provide a targeted policy advice Providing basis for an informed policy making on forthcoming issues

Under the EPSC's Chairmanship, the European Strategy and Policy Analysis System has developed a number of innovations, which have been welcome by the institutional partners as well as stakeholders involved in the ESPAS activities:

- Organisation, in collaboration with the EP, of the Annual Meeting, which featured leading European and international thinkers on the economic and technological revolution and was fully attended,
- Launch of the ESPAS young talent network, aimed at cultivating leadership in the Institutions, which increased the levels of inter-institutional collaboration and fostered talent,
- Conception of Horizon Scanning exercises, with the aim of building foresight capabilities across Institutions.

1.2 Horizontal activities

1.2.1 Policy strategy and coordination

Specific objective 1: Determine the general strategy of the EPSC and give the necessary impulse, direction and coordination to policy definition, preparation and implementation according to the Commission's policy objectives and the provisions of the Treaties. In parallel, secure effective and efficient representation of the EPSC interests and involvement in internal Commission deliberations and other external fora.

Result indicator #1: *Degree of achievement of the objectives (as reflected in the AAR)*

Baseline	Target	Current Situation
2014: 100%	2015: 100%	100%

Result indicator #2: *Delivery rate of the outputs of the MP*

Baseline	Target	Current Situation
2014: 100%	2016: 100%	100%

Result indicator #3: *Degree of satisfaction of the President and Vice-Presidents about the way in which EPSC activities are implemented*

Baseline	Target	Current Situation
2014: Not applicable	2016: Full satisfaction	2015: Full satisfaction

In the form of regular feedback at systematic meetings between the leadership of EPSC and the Cabinet, the EPSC received full satisfaction for its performance in 2015.

1.2.2 Management of the European Political Strategy Centre

Specific objective 1: Recruit, train, assess, motivate highly qualified staff and promote equal opportunities. Effective planning and management of HR in relation to EPSC priorities.

Result indicator #1: *Average rate of vacant posts*

Baseline	Target	Current Situation
2014: 3	2015: ≤ 3	<3

Result indicator #2: *Timely completion and delivery of appraisal reports*

Baseline	Target	Current Situation
2014: 100%	2015: 100%	100%

Result indicator #3: *Number of applications received (i.e. attractiveness of the EPSC)*

Baseline	Target	Current Situation
2014: ~100	2015: ≥ 100	>100

Specific objective 2: Plan, monitor and report on the spending of financial resources in a sound and efficient way. Maintain control procedures in order, so as to ensure the legality, accuracy and transparency of the transactions.

Result indicator #1: *Execution rate of the administrative budget*

Baseline	Target	Current Situation
2014: 64% in commitments; 55 % in payments	2015: ≥75% in both commitments and payments	90.49 % in commitments and 49,13 % in payments

The target was completed for the commitment appropriations, but not for the payment appropriations. The main reason is linked to the fact that the first semester of 2015 was dedicated to the start-up phase with definitions of tasks and recruitment of staff. DG EPSC was therefore fully operational after the summer break, which had an impact on the expenditure of payment credits.

Result indicator #2: *Number of days for payment's execution per year*

Baseline	Target	Current Situation
2014: 9 days	2015: ≤10 days	13,45 days

The target was not reached in 2015, because the present indicator was defined before the revision of the organisational chart and the reduction of staff in the financial team. It clearly impacted the delay of treatment of invoices, but the average payment time is still a good performance in view of the requirements of the Financial Regulations.

Examples of economy and efficiency: The organisation of the EPSC's events and conferences was managed internally by a small team of conference assistants with experienced know how, which resulted in savings in financial terms, because no high management fees were paid to outsource this service to an external PCO (Professional Conference Organiser). Moreover it provided a better service at the lowest cost, taking into account that conference assistants were involved in the complete process of conference organisations and could therefore identify bottlenecks, anticipate any logistics issues, in order to deliver the highest quality expected from an entity depending on the President's Cabinet.

2. MANAGEMENT AND INTERNAL CONTROL

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- The monthly financial reports to the AOSDS;
- the contribution of the Internal Control Coordinator, including the results of the Internal Annual Risk assessment exercise and the Internal Control Action Plan at the DG level;
- the observations and recommendations reported by the Internal Audit Service (IAS);
- the exceptions and non-compliance reports

2.1 Control results

EPSC manages only administrative appropriations in direct management covering administrative expenditure, such as conferences' costs, experts meeting organisation, studies, missions and communication costs (websites maintenance). The authorised budget for 2015 was equal to 816.270 euros.

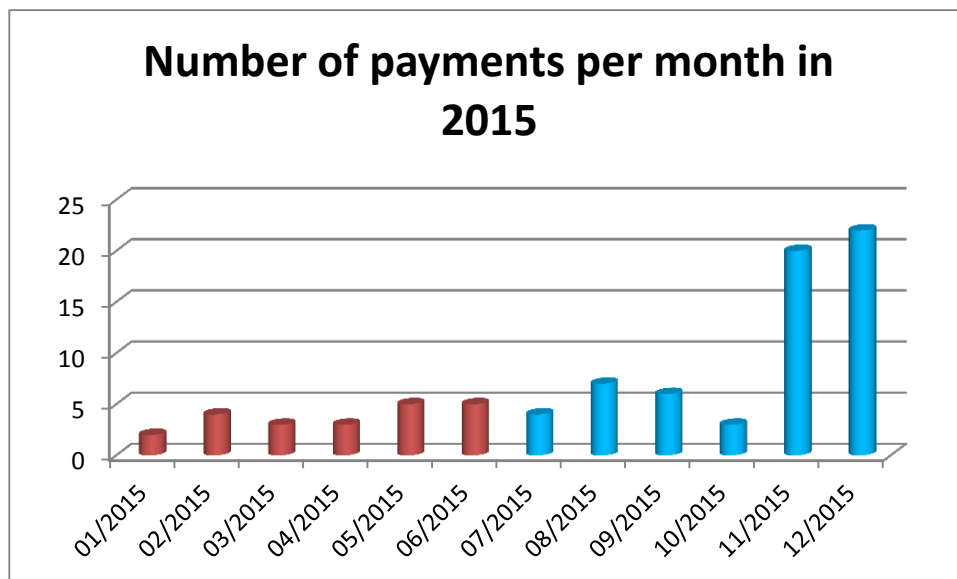
The summary table below is showing the split between the expenditure based on the use of public procurement procedures (mainly Framework Contracts, low value procedures and one contract linked to a call for expression of interest – visitor programme) and the expenditure related to administrative tasks (missions, reimbursement of experts etc;)

Expenditure type linked to Procurement	Commitment Appropriations (C1)	Committed Appropriations	%	Payment Appropriations (C1, C2)	Consumed Payments Appropriations	%
Admin Budget	510.635	433.016	84,80%	510.635	241.960	47,38%
Subtotal Procurement	510.635	433.016	84,80%	510.635	241.960	47,38%
Expenditure type non Procurement	Commitment Appropriations (C1)	Committed Appropriations	%	Payment Appropriations (C1)	Consumed Payments Appropriations	%
Representation costs	2.000	2.000	100%	2.000	648	32,39%
Missions costs (subdelegation PMO)	140.000	140.000	100%	140.000	85.757	61,26%
Experts meetings (subdelegation PMO)	163.635	163.635	100%	163.635	113.008	69,06%
Subtotal non Procurement	305.635	305.635	100%	305.635	199.413	65%
GRAND TOTAL	816.270	738.651	90,49%	816.270	441.373	54,07%
C8 Payment Appropriations carried forward	-	-	-	134.829	25.872	19,19%
C4 Internal assigned revenue	0	0	-	0	0	-
TOTAL BUDGET 2015	816.270	738.651	90,49%	951.099	467.245	49,13%

The execution of the budget in commitment appropriations is equal to 90, 49 % and to 49, 13 % in payment appropriations.

The execution rate is lower for the payment appropriations than last year due to the fact that EPSC started its full activities during the 2nd semester of the year, after a first semester dedicated mainly to the start-up phase and the recruitment of the staff.

The graph linked to the number of payments is showing an increase of the number of financial transactions after July 2015:



Coverage of the Internal Control Objectives and their related main indicators

- **Control effectiveness as regards legality and regularity**

DG EPSC has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

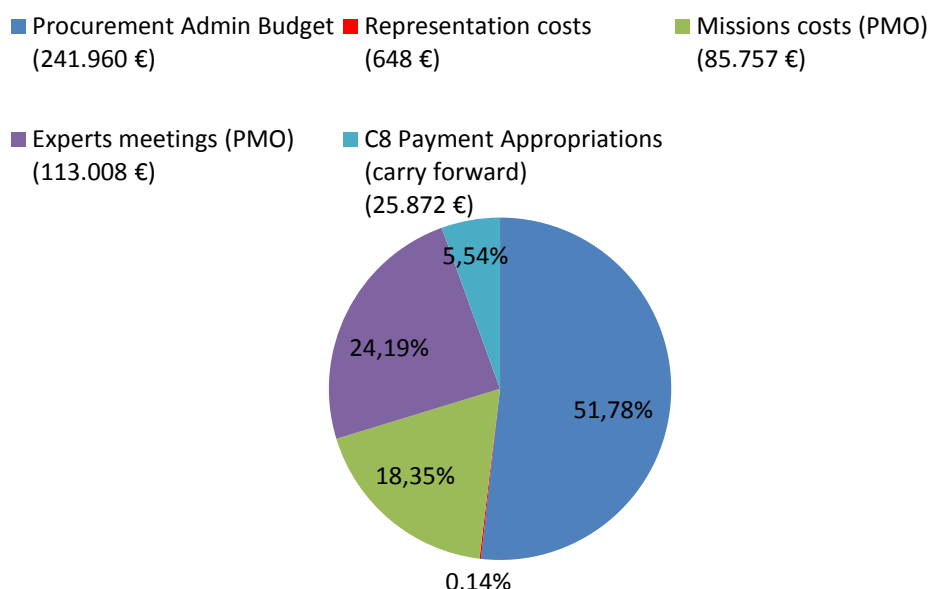
The internal control processes are designed to keep a balance between the control of risks relating to the legality and regularity of transactions and the principle of effectiveness, efficiency and economy of operations.

It is very important to underline that DG EPSC managed a small budget, implemented on a centralised basis (fully centralised model) covering only administrative expenditure of the global envelope.

The public procurement procedures are in general linked to the use of existing framework contracts, mainly for the organisation of conferences and to the launch of low value negotiated procedures (below 15.000 euros).

The chart below is showing the percentages of EPSC payments made based on public procurement procedures:

Consumed Payments Appropriations



51, 78 % of the consumed payments appropriations were linked to procurement and 42, 54 % of the consumed payments were related to missions and experts meetings managed by PMO based on detailed files prepared by the Management and Resource Unit (sub delegation).

EPSC had therefore a very limited number of financial transactions (84 payments in 2015), allowing a complete ex-ante verification of all transactions by the EPSC Management and Resource Unit and therefore reducing considerably the error rate (100 % ex-ante verification). Our control tools were structured and based on the segregation of tasks, implementing the "four eyes" principle. All commitments and payments were subject to the ex-ante control. It is important to emphasize that the limited number of transactions is very often of repetitive nature.

The control system was centralised, as the operational and financial verification functions for public procurement were performed by the Finance team (staff with experienced know-how). The systematic ex-ante control, before the award of contract or authorisation of payment, prevented errors and detected non-compliance with contractual provisions.

There are no supervisory ex-post controls, but the Internal Control Coordinator is registering exceptions or non-compliance events, which would allow the detection of weaknesses in the management of public procurement. The analysis of the exceptions registered in 2015 does not indicate any potential weakness of internal control.

The materiality criteria, in view of the annual risk of error (very low given the above), had definitely a financial impact lower than 2 % of the annual budget. It is nevertheless important to underline that DG EPSC having no ex-post control, the error rate was not quantifiable.

EPSC was therefore able to conclude that there were no indications that procurement procedures and payment transactions were illegal and irregular.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For DG EPSC, the estimated overall amount at risk² for the 2015 payments made is 9.345 €. This is the AOD's best, conservative estimation of the amount of expenditure³ authorised during the year (467.245 €) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections⁴ for those 2015 payments made are 514 €. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

DG EPSC	Scope: payments made (FY; €)	Error Rate (%)	Amount at risk (FY; €)	Estimated future corrections (FY; €)
ABB or other activity-level	as per AAR annex 3, table 2	Detected error rate, or equivalent estimate/proxy	= (2) x (3)	Avg % since 2009 0,11*, applied to FY payments made
25 01	467.245 €	= 2.00 %	9.345 €	514 €
Overall	467.245 €	= 2.00 %	9.345 €	514 €

* ARC figure provided is equal to 2, 86 %, but the rate of 0,11 % is the correct one, when the registration of 2013 credit note, which was not a recovery or a financial correction, is excluded from the calculation.

• **Efficiency and Cost-effectiveness**

Based on an assessment of the most relevant key indicators and control results, DG EPSC has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

The overall cost of control's indicator remains the same as the one of 2014 (see annex 5) for all expenditure and is equal to 67.000 euros (= 0,5 FTE). Nevertheless the overall cost control was higher than last year and represented 14,34 % of the total payment made (467.245 euro), but the quantifiable benefits are very difficult to evaluate and are mainly qualitative benefits due to the reputational damage to be taken into consideration as a major risk in the particular case of EPSC (element confirmed by the risk assessment exercise).

² In order to calculate the weighted average error rate (AER) for the total annual expenditure in the reporting year, detected, estimated or proxy error rates have been used (not the RER).

³ For executive agencies, the weighted average error rate is based only on the operational expenditure without the subsidy from the parent DGs.

⁴ This estimate is based on past performance, namely on the average recoveries and financial corrections (ARC) implemented since 2009 and applied to the payments of the year. The DG has adjusted this in view of the specificities of the DG's control system, [reason/argument: e.g. data includes ex-ante control elements, data includes exceptional corrections, past years data less relevant for current MMF, etc], with a view to maintaining the conservative character of the estimation.

This increase is mainly due to the fact that the consumed amount of payment appropriations is lower than last year (467.245 euro instead of 690.933 euros) with a volume of transactions more or less stable (84 payments instead of 75 payments). This result has to be analysed in the global context of the start-up phase of EPSC's activities, as described in point 2.1 (control results).

Moreover, EPSC was not managing any asset and sensitive information, which could have impacted the control cost.

The average payment time for 2015 corresponds to 13, 45 days, which is more than the one of 2014 but remains a good performance in view of the legal requirements.

All the present indicators confirmed the efficiency of the control system put in place to guarantee that procurement procedures and payment transactions are correct for the acceptance of the AOSD.

DG EPSC revised completely its financial circuits in 2015 due to the fact that the Management and Resource Unit staff was reduced, in particular for the financial team.

Based on the present approach, EPSC considered that its control procedures are as cost-effective as reasonably possible taking into account the necessary segregation of duties recommended by the Financial Regulations.

- ***Fraud prevention and detection***

DG EPSC has developed and implemented its own anti-fraud strategy since 2013, elaborated on the basis of the methodology provided by OLAF. It has been updated on 16/06/2015.

DG EPSC's anti-fraud strategy has been updated this year following the arrival of the majority of new staff members during the 1st semester of 2015 and the definition of a new organisational chart. An action plan has been carefully designed to cover, in particular, the ICS number 2 (the respect of the ethical and organisational values) which remains, due to the specific mandate of EPSC, a priority, in order to avoid any reputational risk.

The strategy took also into account the importance of the budget management, which is a small administrative budget with a high reputational risk reporting directly to the President's Cabinet.

OLAF has not initiated any case concerning EPSC's activities during the reporting year.

2.2 Audit observations and recommendations

During the period of reference, the Internal Audit Service (IAS), who became from 1st January 2015 the sole provider of internal audit services, took over a certain number of recommendations issued by the former IAC and concluded that the internal control systems audited are overall working satisfactorily.

Their conclusion was mainly based on the audit undertaken by IAC in the period 2013-2015, focusing on Ethics, for which recommendations were made.

The Management has implemented an action plan to address the residual risks identified by the auditors and continuous efforts are made, especially at the level of the staff, to raise the awareness of the ethics rules to be respected in the organisation.

2.3 Assessment of the effectiveness of the internal control systems

DG EPSC has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

EPSC has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

EPSC's internal Control Standard Action Plan was completely revised in 2015 to be in line with the fact that EPSC is a new entity with new staff members. Almost all the actions identified are implemented within the deadline.

EPSC is continuing being very vigilant regarding the implementation of the Internal Control Standard N.2 "Ethical and organisational values".

EPSC's staff is composed of a majority of external people, therefore EPSC management considered important to insist on the awareness of the provisions of this particular ICS. A management action plan has been designed and its implementation is a continuous process and foresees induction training, very detailed information in the welcome pack and mandatory courses on ethics for newcomers.

The risk assessment exercise's methodology was modified and a new risk register has been prepared based on the results.

The functioning of the internal control systems has been closely monitored throughout the analysis of the register of exceptions and non-compliance events (under IC8).

In conclusion, the internal control standards are effectively implemented and functioning. In addition, DG EPSC has taken measures to further improve the effectiveness of its internal control systems in the area of ethics.

2.4 Conclusions as regards assurance

The information reported in Section 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of EPSC.

DG EPSC has implemented all possible suitable ex-ante and ex-post controls, to the extent that they remain cost-effective and do not affect the other policy objectives.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

3. Declaration of Assurance

I, the undersigned,

Director-General of EPSC

In my capacity as authorising officer by delegation

declare that the information contained in this report gives a true and fair view⁵.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the opinion of the Internal Auditor on the state of control, for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution or those of the Commission".

Brussels,

Ann METTLER

(signed)

⁵ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

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 Commission⁶, 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

Maria Angeles Benitez Salas

(signed)

⁶ 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				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
Management	Management of the European Political Strategy Centre	9		9
Policy advice	Policy advice	20	5	25
Policy strategy and coordination	Policy strategy and coordination for the European Political Strategy Centre	10		10
Total		39	5	44

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.

	Crédits	Engagement	Paiement	% EXECUTION
25.010211.00	816.270			
25.010211.00.01.10		140.000	85.757	
25.010211.00.01.30		2.000	648	
25.010211.00.02.20		163.635	113.008	
25.010211.00.02.40		234.572	160.032	
25.010211.00.03				
25.010211.00.04		178.548	66.267	
25.010211.00.05				
25.010211.00.06		19.896	15.661	
	816.270	738.651	441.373	90,49%

ANNEX 4: Materiality criteria

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

This materiality criteria is limited to the financial management of the DGs activities. However and even considering that EPSC has only small administrative budget and no spending programmes, the impact of our actions can be extremely important for the Commission in terms of reputation.

In quantitative terms:

The proposed standard quantitative materiality threshold, taking into account the elements of the guidance, is 2% of the payment budget.

In qualitative terms:

When identifying the significance of any weakness, the following elements were taken into consideration:

- A significant reputational risk for the DG or the Commission: EPSC is aware, that given the nature of its works and its close relation with the President and his Cabinet, serious deficiencies in ethical standards could have a significant impact on the reputation of the Commission;
- The degree of effectiveness of the internal control systems in place, assessed on the basis of the results of the checks performed notably by the ICC, the IAS, the ex-ante controls and exceptions/non-compliance events reported in the register of exceptions.
- The absence of critical findings identified by auditors.