



2016

Annual Activity Report

European Anti-Fraud Office



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THE DG IN BRIEF

OLAF's mandate is:

- to conduct independent investigations into fraud, corruption and irregularities involving EU funds so as to ensure that EU taxpayers' money reaches projects that can stimulate the creation of jobs and growth in Europe;
- to investigate serious misconduct by EU staff and members of the EU institutions, thus contributing to strengthening citizens' trust in the EU institutions;
- to develop EU policies to counter fraud.

The Commission and the Member States are both required by the Treaty on the Functioning of the European Union (**Article 325 TFEU**) to counter fraud and any illegal activities affecting the financial interests of the Union. In addition, the Commission, in accordance with Article 317 TFEU, is responsible for implementing the EU budget, and must ensure that there is a framework in place to enable the effective prevention and detection of fraud. Within the Commission, anti-fraud responsibilities fall both on OLAF and on all services with responsibilities in the implementation of the budget. The modalities for the prevention, detection, investigation and sanctioning of fraud, and the respective responsibilities of the Commission and the Member States, vary depending on the method of implementation of the budget (direct, shared with Member States, or indirect).

In this context, **Regulation (EU, EURATOM) No 883/2013** concerning investigations conducted by the European Anti-fraud Office (OLAF)¹ empowers OLAF to conduct external administrative investigations at national level (Article 3 of Regulation 883/2013) and internal administrative investigations within the European Union institutions and bodies, wherever the EU's financial interests are at stake, as well as internal investigations concerning the discharge of professional duties (Article 4 of Regulation 883/2013).

OLAF operates within a complex institutional framework and cooperates with a group of bodies concerned either directly or indirectly with **anti-fraud issues**. These bodies fall into three sub-groups:

- a) Those located in the Member States or third countries, such as police and customs services, judicial authorities and administrative anti-fraud authorities;
- b) European Union bodies, such as the Investigation and Discipline Office of the Commission (IDOC), each institution's internal audit service, Eurojust, Europol; and
- c) International organisations such as the UN, the World Bank, the World Customs Organisation, etc.

As the Member States are responsible for managing around 80% of European Union expenditure as well as for the collection of traditional own resources, it is essential for the effectiveness of the Office to work closely with national authorities (police, customs, the courts, etc.). The Member States are responsible for criminal proceedings but the diversity of their judicial systems renders the Office's task particularly complex. Moreover, the effectiveness of the investigation stage may be reduced if the Member States do not adequately respond to the Office's requests for support.

¹ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999.

The Director-General of OLAF is responsible for the conduct of **OLAF investigations**. In order to guarantee the independence of OLAF in its investigative function, the legislation foresees that the Director-General of the Office does neither seek nor take instructions from any government or any Institution (including the Commission) as regards this function. If the Director-General of OLAF is of the opinion that the Commission has taken a measure that challenges his independence, he has the possibility of bringing a case against the Commission before the Court of Justice.

To strengthen OLAF's independence, the Office is subject to regular monitoring of its investigative function by a **Supervisory Committee**². The Committee comprises five independent members, having experience in senior judicial or investigative functions or comparable functions relating to the areas of activity of the Office. They are appointed by common agreement of the European Parliament, the Council and the Commission. Since 2013, the term of office of members is five years, not renewable. On 13 July 2016 two new members were appointed: Ms Grażyna STRONIKOWSKA and Ms Colette DRINAN, who has been elected as the Chair of the Committee. On 23 January 2017 another three members were appointed: Ms Maria Helena Pereira Loureiro Correia FAZENDA, Mr Petr KLEMENT and Mr Jan MULDER. The Supervisory Committee delivers opinions on its own initiative, at the request of the Director-General or at the request of an institution, body, office or agency, without however interfering with the conduct of investigations in progress. The Director-General of OLAF meets and exchanges views with the members of the Supervisory Committee on a regular basis. During 2016, the Committee transmitted to OLAF three Opinions, Opinion 2/2015 Legality check and review in OLAF, Opinion 3/2015 Opinion on the OLAF draft Investigation Policy Priorities (IPPs) for the year 2016 and Opinion 1/2016 OLAF's Preliminary Draft Budget for 2017³. The Supervisory Committee Activity Report for 2016 will, once adopted, will be published on:

<http://europa.eu/supervisory-committee-olaf/opinions-and-reports>.

The OLAF control system for its investigating function puts special emphasis on risks linked to the assurance of the quality of investigations, the protection of the individual rights of the persons concerned and the secure handling of sensitive documents.

OLAF has a small **operational budget** and limited financial transactions. In this context, in 2016 OLAF handled financial transactions linked to the Hercule programme (protection of EU financial interests) and the Anti-Fraud Information System (AFIS - cooperation with partners).

Organisational structure

OLAF's structure demonstrates a focus on the core business tasks (investigations and their support - Directorates A, B and C) and on anti-fraud policy (Directorate D). Two units, Unit 0.1 "Investigation Selection and Review" and Unit 0.2 "Human Resources and Budget", report directly to the Director General.

² <http://europa.eu/supervisory-committee-olaf/>

³ http://ec.europa.eu/anti-fraud/about-us/supervisory-committee/exchanges-between-olaf-and-its-supervisory-committee_en#sc%20opinions

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of OLAF to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁴.

The executive summary has four subsections:

- a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)
- b) The most relevant Key Performance Indicators (KPIs) for the illustration of policy highlights identified in the DGs 2016-2020 Strategic Plan
- c) Key conclusions on Financial Management and Internal control (executive summary of section 2.1)
- d) Information to the Commissioner

⁴ Article 17(1) of the Treaty on European Union.

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

OLAF's mission is to detect, investigate and work towards stopping fraud with European Union funds. In doing so OLAF contributes to protecting the EU's financial interests as per Article 325 TFEU. EU funds are not only spent by the EU institutions, bodies, offices and agencies alone, but to about 80% through shared management, i.e. at local, regional and national levels in the Member States. This raises the level of complexity substantially. The EU programmes and projects often involve actors – contractors and subcontractors and their staff – from multiple Member States. This makes the prevention and early detection of fraud a significant challenge, also because the applicable rules on financial management are numerous and often complicated. OLAF is also the primary service to investigate corruption, and serious misconduct in general, of EU staff and members of the EU institutions. In that respect, OLAF plays an important role in guaranteeing EU staff's integrity, which is an important precondition for the EU institutions to function efficiently.

The General objective 1 corresponds to the Commission's General objective for central services: *To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.* Almost all activities of the Office contribute to this General objective.

OLAF's investigative activities are covered by **Specific objective 1: Efficient and effective management of OLAF's investigations and coordination actions.** In 2016, OLAF reached all the targets falling under this objective. This includes also the three key performance indicators for OLAF.

The investigation support work is covered by **Specific objective 2: Provision of necessary IT tools to support OLAF's investigative activities**, where all targets were delivered and the **Specific objective 3: Compliance with legal obligations related to access to documents and personal data where only a few deadlines were not met.**

OLAF's anti-fraud and fraud prevention policy work contributes to the first General objective and mostly through the activities mentioned in **Specific objective 4: Protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners.**

In that regard, the following activities in 2016 are worth mentioning. The Container States Messages directory and the Import, Export and Transit directory, both created by the amendment of Regulation 515/97, became operational under the umbrella of the **Anti-Fraud Information System (AFIS)** on 1 September 2016. AFIS is a programme that assists the European Commission and the Member States in the protection of the EU financial interests and in particular in the fight against customs fraud. By doing this, AFIS also contributes to fair competition between legally operating traders/economic operators and reduces distortions of the internal market.

In 2016, 12 **Joint Customs Operations** (JCOs) were co-organised or supported by OLAF. The Virtual Operations Coordination Unit (VOCU) module of AFIS was used in 11 of these JCOs. Two JCOs used as well the Permanent Operational Coordination Unit (POCU) in OLAF. Four of the JCOs organised in cooperation with Member States (Estonia, Finland, Greece and the Netherlands) were financed by OLAF. One JCO was organised by the World Customs Organisation with intelligence support of OLAF.

The number of active customs fraud cases for which information is available in the Mutual Assistance databases of AFIS in 2016 was 13 800, an increase of 1 800 cases in comparison to the previous year.

In 2016 the EU ratified the **Framework Convention on Tobacco Control (FCTC) Protocol**, which is the first international treaty designed to tackle international tobacco smuggling. This major milestone falls under the Specific objective 5: *Reduction of illicit trade in tobacco products*.

The Hercule III Programme had its third year of implementation in 2016 after the entry into force of the new Regulation in March 2014. 46 grants agreements were concluded in 2016 for the technical assistance and training actions, covering support to Member States' authorities for the purchase of equipment and the organisation of training and conferences for staff and other professionals who contribute to the protection of the Union's financial interests. The budget for 2016 was almost entirely committed. By the end of 2016, the Commission received 121 applications for technical assistance, legal training and conferences. Work of the Hercule sector falls primarily under the Specific objective 6: *To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests*.

The second General objective corresponds to one of the ten policy priorities that President Juncker highlighted for this Commission, namely: *An Area of Justice and Fundamental Rights Based on Mutual Trust*. OLAF contributes to this objective as one of the Commission services responsible for advancing the negotiations on the **European Public Prosecutor's Office (EPPO)**. This is captured under the *Specific objective 7: Strengthened legal framework for protection of the financial interests of the EU*. Negotiations on the Proposal for a Council Regulation on the establishment of the EPPO continued in the Council throughout 2016. Furthermore, the co-legislators reached an agreement on a **Directive on the fight against fraud to the Union's financial interests by means of criminal law (PIF Directive)**, during a trilogue in November 2016; the Directive will be formally adopted in 2017. OLAF and DG Justice together represent the Commission in both negotiations.

b) Key Performance Indicators (KPIs)

Result/Impact indicator (description)	Target (or milestones)	Latest known results as per Annual Activity Report
Average duration of selections	Target 2020: No longer than 2 months	
	Results:	
	2016	1.7 months
	2015	1.7 months
	2014	2 months
	2013	1.8 months
	2012	1.4 months ⁵
	2011	6.8 months
Average duration of investigations	Target 2020: No longer than 20 months	
	Results:	
	2016	17.2 months
	2015	18.7 months
	2014	18.1 months
	2013	17.5 months
	2012	17.3 months ⁶
	2011	22.4 months
Percentage of investigations closed with recommendations	Target 2020: At least 45%	
	Results:	
	2016	59%
	2015	54%
	2014	59%
	2013	51%
	2012	32%
	2011	56%

⁵ This result is based on 11 months starting from 1 February 2012, the date on which significant changes were introduced to OLAF's investigative procedures and organisation. Including January, the average duration of the selection phase was 3.9 months.

⁶ As part of the changes introduced on 1 February 2012, the assessment phase was replaced with a selection phase. As a result, 419 cases, which were being assessed under the previous investigative procedure, were opened as investigation or coordination cases. This lowered the average duration of investigations and coordination cases for 2012.

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance statement of the European Commission, OLAF 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 standards, 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. OLAF has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended. Please refer to AAR section 2.1.3 for further details.

In addition, OLAF 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 2.1 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)

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration, have been brought to the attention of former Vice-President GEORGIEVA, until 31 December 2016 and Commissioner OETTINGER, responsible for Budget and Human Resources as of 1 January 2017.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG⁷

General objective 1: To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents

Impact indicator: Trust in the European Commission

Source of the data: Eurobarometer on Public Opinion in the European Union

Baseline 2015	Current situation	Target 2020
40% tend to trust	37% tend to trust	Increase

Impact indicator: Staff engagement index in the Commission

Source of the data: European Commission

Baseline 2014	Current situation	Target 2020
65.3%	64.3%	Increase

Investigative and coordination activities

OLAF's investigative and coordination activities have contributed to the Commission's General objective for central services, especially to the safeguarding of assets and resources. Despite OLAF being a subject to Commission-wide reductions in staff numbers and budget, the office achieved the set targets under the *Specific objective 1, Efficient and effective management of investigations and coordination actions*.

The average duration of the initial assessment of whether a case should be opened (1.7 months) remained well within the 'no longer than 2 months' target in 2016; as did the average duration of investigations (17.2 months) where the target for the year was set at 'no longer than 20 months'; 92% of all selections in 2016 was closed in less than two months compared to a target of 'at least 75%'; 59% investigations were closed with recommendations, while the target was 'at least 45%'; finally, 21% of on-going investigations lasted more than 20 months whereas the target for 2016 was 'less than 30%'. Furthermore, the amount of recoveries for the last two years (2015-2016) is well above the target. The recoveries in that period were more than triple compared to OLAF's administrative budget in the same period.

The rate of indictments by national judicial authorities following the receipt of judicial recommendations in the years 2009 to 2016 is with 44% below the target of 'at least 50%'. Because of the length of time which judicial proceedings can take, especially where complex investigations are involved, OLAF measures these results over a rolling 7-year period. The results for the latest 7 years confirm the results from the previous years, namely that about half of the cases submitted by OLAF to national judicial authorities lead to indictments. There continue to be significant differences between the indictment rates in individual Member States.

Fraud related to the EU budget as well as to the misconduct of EU staff and members of the EU institutions, can be properly tackled only at the EU level. Therefore, the EU's added value in this field consists of effectively and efficiently protecting its budget and the reputation of its institutions through conducting administrative investigations, enhancing the cooperation with the Member States (and other partners) and strengthening the legal framework to this end.

⁷ See footnote 2.

Specific objective 1: Efficient and effective management of OLAF's investigations and coordination actions		
Speedy initial assessment of whether a case should be opened		
Result indicator 1.1: Average duration of selections ⁸		
Source: CMS		
Baseline 2015	Current situation	Target 2020
2015: 1.7 months 2014: 2 months	1.7 months	No longer than 2 months.
Result indicator 1.2: Percentage of selections closed whose duration is no longer than 2 months		
Source: CMS		
Baseline 2015	Current situation	Target 2020
2015: 94% 2014: 70%	92%	At least 75%
Duration of investigations		
Result indicator 1.3: Average duration of investigations ⁹		
Source: CMS		
Baseline 2015	Current situation	Target 2020
2015: 18.7 months 2014: 18.1 months	17.2 months	No longer than 20 months.
Result indicator 1.4: Percentage of on-going investigations lasting more than 20 months		
Source: CMS		
Baseline 2011-2015 ¹⁰	Current situation	Target 2020
2011-2015: 28% 2010-2014: 31%	21%	Less than 30%
Result indicator 1.5: Percentage of investigations closed with recommendations		
Definition: In accordance with Article 11 of Regulation No 883/2013, on completion of an OLAF investigation, a Final Report shall be drawn up giving an account of the findings established and the conclusions of the investigation on the basis of which the Director-General may issue judicial, financial, disciplinary or administrative recommendations for action to be taken by the competent authorities of the Member States and/or responsible EU institutions, bodies, offices or agencies.		
Source of the data: OLAF's Case Management System (CMS)		
Baseline 2014	Current situation	Target 2020
		Explanation: as OLAF reached a recent record in % of recommendations closed in a year and as it is currently working in full capacity, with likelihood of further staff cuts, this target is ambitious and realistic at the same time.
59% - 147 investigations closed with recommendations 2013: 51% - 164 investigations closed with recommendations	59%	At least 45%

⁸ Including both the items that resulted in an investigation or coordination case and those that did not.

⁹ This indicator does not include coordination cases.

¹⁰ Baseline calculated as a five year average (2011-2015) with respect of an average duration of 20 months.

Result indicator 1.6: Results from the monitoring of the implementation of OLAF's recommendations

Definition: OLAF collects information from its partners (in particular EU institutions and Member States authorities) on the actions they have taken following recommendations made by the Office (including the recovery of funds and judicial or disciplinary follow-up). OLAF applies this as a general indicator to measure the value-added of anti-fraud action.

6.a. Financial recommendations => average amount recovered for last 2 years

6.b. Judicial recommendations => rate of indictment

6.c. Disciplinary recommendations => rate of administrative enquiries initiated

Source of data: Annual reporting by OLAF's partners and stakeholders

Baseline 2014, unless otherwise indicated			Current situation	Target: 2020 (unless otherwise indicated)
6.a Average amount recovered for last 2 years compared to the average OLAF's budget for the same time period			2015-2016: 3.3 : 1	A ratio of 2:1 or above between recoveries as a result of OLAF's investigations and OLAF's administrative budget
	Recoveries	Administrative budget		
2014	€ 206.4m	€ 57.2m	2015	
2015	€ 186.3m	€ 57.7m	2016	
6.b Average rate of indictment following OLAF's judicial recommendations issued in last 7 years 2007-2014: 53%			2009-2016: 44%	At least 50% for the reporting period 2013-2020 (seven-year average is being used already in OLAF's annual report)
6.c Average rate of actions taken by EU disciplinary authorities following OLAF's disciplinary recommendations in last 3 years 2012-2014: 60% ¹¹			2014-2016: 60%	At least 60% for the period 2015-2017

¹¹ This indicator was introduced in the OLAF Strategic Plan 2016-2020 and it replaced a former indicator present in the 2015 OLAF Management Plan ("rate of administrative enquiries initiated by EU disciplinary authorities following OLAF's disciplinary recommendations"). However, the baseline and target figures were not adapted to the new indicator, although they should have been reduced as the rate of enquiries initiated by will be above the rate of enquiries concluded with action.

Implementation of OLAF's Investigation Policy Priorities for 2016

At the beginning of the investigation selection phase, first OLAF's competence needs to be confirmed, followed by an assessment of whether there is sufficient suspicion in the allegation. If these two requirements are met, then OLAF decides whether or not to open an investigation based on the criteria set out in the Article 5(1) of Regulation 883/2013. This requires taking into account the Office's IPPs. OLAF shall also take into account whether opening an investigation would constitute an efficient use of the Office's resources and would respect the proportionality principle. In the proportionality check, the level of EU financial resources at risk is a relevant indicator.

The OLAF IPPs should not be used by other Commission services, EU bodies or national authorities as justification not to report a suspected fraud to OLAF.

The IPPs for 2016 were defined as follows:

IPP 1. Cases with indications of fraud or corruption in relation to transport and infrastructure network projects, in particular public procurement procedures;

IPP 2. Cases of fraud of significant impact or of a structural nature concerning specific projects (co)financed by the European Social Fund, the European Regional Development Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the Pre-accession Funds, in which action by the Member States or Candidate Countries may be insufficient;

IPP 3. Cases of fraud indicating possible abuses of origin rules, tariff classification in both preferential and non-preferential trade regimes and valuation-related fraud, in order to evade payment of conventional customs duty and anti-dumping duties;

IPP 4. Cases of smuggling of tobacco and counterfeit medicines into the EU; and illegal manufacturing of tobacco.

In total, 218 investigations were opened in 2016 based on information received by OLAF. Out of these, 67 fell under the 2016 IPPs (this represents 30% of opened cases). It is difficult to estimate to what extent the IPPs had a decisive effect on OLAF's case opening. The IPPs do not aim at excluding cases not falling under the IPPs. The table below provides an overview of the role of the IPPs for 2016 in opening decisions:

	Cases for which IPPs 2016 contributed to the opening of an investigation	
	Number	% of all IPPs used in 2016
IPP 1	13	19%
IPP 2	11	17%
IPP 3	33	49%
IPP 4	10	15%
<i>Total</i>	67	100%

Investigation support

OLAF progressed on its *Specific objective 2, Provision of necessary IT tools to support investigative activities*, by integrating a case management application (investigation workflow) and document management into OLAF Content Management (OCM). This represents a corporate improvement as two systems were used in the past for the investigative activities, one to manage cases and the other to manage documents. The development of OCM has been carried out in-house with internal available resources and with the expertise of external resources hired through the framework contracts already in place with the Directorate-General for Informatics. The first phase has been in production since the beginning of October 2016 and it focused on the core investigation activities. It includes electronic workflows for the selection, investigation, coordination and registry activities. There are two others phases foreseen to develop the reporting and monitoring functionalities.

Specific objective 2: Provision of necessary IT tools to support OLAF's investigative activities		
Supply Information and Communication Technology (IT) tools		
Result indicator 2: Internal users' degree of satisfaction with IT infrastructure and services		
Source: OLAF IT user satisfaction survey		
Baseline 2014	Current situation	Target 2020
98.5 % ¹²	98.3%	At least 90%
Main outputs in 2016:		
Description	Current situation	Target 2016
Deliver new OLAF Content Management (OCM) infrastructure	OCM Infrastructure is available. The 1st release is in production since October 2016.	3rd quarter 2016

OLAF progressed on its *Specific objective 3, Compliance with legal obligations related to access to documents and personal data*, by the timely handling of those requests. Persons affected by OLAF investigations can complain to the European Data Protection Supervisor (in relation to the processing of personal data) as well as the European Ombudsman (complaints on alleged maladministration). Both instances decide whether to open an inquiry and, in that case, transmit the complaint to OLAF for comments. In 2016, one complaint to the EDPS and two complaints to the European Ombudsman were received by OLAF. In all these cases, OLAF ensured a timely follow-up. Both inquiries by the Ombudsman were already closed in the course of the year. The figure of 82% results from the fact that other correspondence to the European Ombudsman on the follow-up to older closed inquiries has been included. Such correspondence was, in two instances, slightly delayed due to internal consultations and mobility in the service. Importantly, the European Ombudsman revised her procedures in the course of 2016. This implies that OLAF more often receives requests for follow-up on a complaint without formal deadlines. The present indicator will therefore have to be reviewed.

OLAF regularly receives requests for public access to documents pursuant to Regulation 1049/2001 as well as requests for access to personal data in accordance with Regulation 45/2001. In 2016, it responded to the 9 requests for access to personal data received (including requests requiring extensive research), all of which were in time. Of 33 replies to initial requests for access to documents, 31 were given within the deadline. Delays were incurred in two cases for administrative reasons. In five cases, OLAF further responded to confirmatory requests, four of which were in time. In one case the legal complexity of the matter and the resulting need for additional consultations led to a very slight delay.

¹² OLAF IT user satisfaction survey 2014.

Specific objective 3: Compliance with legal obligations related to access to documents and personal data		
Result Indicator 3.1: Timely replies to requests from the Ombudsman and the EDPS complaints¹³		
Source: CMS/Unit C.4		
Baseline 2015	Current situation	Target 2020
91%	Ombudsman 82% EDPS 100%	100% of replies within the timeframe foreseen by the relevant Regulations
Result Indicator 3.2: Timely replies to requests on access to documents and personal data¹⁴		
Source: CMS/Unit C.4		
Baseline 2015	Current situation	Target 2020
93%	94%	100% of replies within the timeframe foreseen by the relevant Regulations

¹³ The requests included are individual complaints, requests by the EDPS and requests from the Ombudsman.

¹⁴ The requests included are requests for access to documents, confirmatory applications for access to documents and requests on personal data. The figures take into account holding replies for requests falling under Regulation 1049/2001.

Anti-fraud policy, including fraud prevention

OLAF progressed on the *Specific objective 4, protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners*. In relation to the compliance of Member States with the obligation for reporting of fraudulent irregularities, OLAF made progress to ensure more consistent reporting and an increase in **reporting of fraudulent irregularities**. To that end several training sessions were organised for candidate countries and the manual for the Irregularities Management System (IMS) was revised. A draft of the guidance document on the reporting of fraudulent and non-fraudulent irregularities via IMS based on the new legal framework was prepared together with experts from the Member States during the three workshops organised in the course of 2016. It was presented at the plenary meeting of the COCOLAF Reporting and Analysis Group, held on 1 December 2016. The inclusion of additional points was requested by the Member States and therefore the document will be finalised in the first semester 2017.

On 17 July 2016, the Commission adopted the 2015 **Report on the basis of Article 325 (5)** of the Treaty on the Functioning of the European Union (TFEU), which requires the Commission, in cooperation with Member States, to submit every year to the European Parliament and the Council a report on the measures implemented to combat fraud and other illegal activities detrimental to the financial interests of the Union. The report was also presented to the Council Working Group on Combatting Fraud and to the Budgetary Control Committee of the European Parliament. This committee discussed the draft resolution of the EP on the report on 31 January 2017.

The signature of working arrangements between OLAF and **Europol** has been postponed as the latter has to implement the requirements of the new Europol Regulation first. Also the Europol Regulation has to become applicable before the signature of the working arrangements, as it contains provisions regulating the exchange of information between the two EU bodies. Therefore the signature will not be possible before May 2017, which is the date of application of the new Europol Regulation.

OLAF signs so-called **Administrative Cooperation Arrangements (ACAs)** with its investigative partners to clarify the practicalities of cooperation. Over the years since the establishment of OLAF, around 60 such arrangements have been concluded. In 2015 and 2016, OLAF took stock and reviewed these ACAs, re-evaluating the need for each of them and, in certain cases, taking a decision to terminate or update the ACA in question. The implementation of the decisions taken on the individual ACAs is still underway.

Following the adoption in September 2015 of an amendment to **Regulation 515/1997** on mutual administrative assistance in customs matters, the legal framework for mutual assistance was complemented in 2016 by the adoption of two Implementing Acts and one Delegated Act.

Moreover, the **Container States Messages (CSM)** directory and the **Import, Export and Transit (IET)** directory, both created by the amendment to Regulation 515/1997, became operational as from 1 September 2016 under the umbrella of the Anti-Fraud Information System (AFIS). The CSM directory contains messages recording physical movements of containers by maritime vessel whereas the IET directory contains data on goods entering, leaving and transiting the EU. AFIS supported mutual assistance activities including Joint Customs Operations co-organised by OLAF and Member States, or organised by Member States or the World Customs Organisation with the support of OLAF.

Given the fact that the amended Regulation 515/97 came into effect on 1 September 2016, the Administrative Arrangement for the **Anti-fraud Transit Information System (ATIS)** from 2011 had to be revised accordingly. ATIS is an important AFIS application which allows OLAF and Member States to significantly improve risk analysis and detect and fight fraud during transit movements. The revision process began in February and was successfully completed on 19 September 2016 with retroactive application as from 1

September. As a result of the revision, three new countries (Turkey, Serbia and the former Yugoslav Republic of Macedonia) joined the ATIS application. These countries already comprise approximately 10% of total transit messages currently exchanged in ATIS, which will significantly improve transit risk analysis capabilities in particular in the South-Eastern European region.

Specific objective 4: Protection of the financial interests of the EU by developing anti-fraud policy, legislation and enhancing the cooperation with the Member States and other partners			<input checked="" type="checkbox"/> Non programme-based
Result indicator 4.1: Compliance of Member States with obligations for reporting of fraudulent irregularities Definition: Legal bases for the reporting are the sectoral provisions and the supplementing Commission Regulations or Commission Delegated and Implementing Regulations applicable for the programming periods from 1989 to 2020. The analysis of fraudulent and non-fraudulent irregularities reported via IMS still shows significant differences in the level of reporting among and within Member States. These differences can be partly explained by different interpretations of the basic concepts concerning the obligation to report. Source: AFIS/IMS modules			
Baseline 2015	Current situation	Milestone 2017	Target 2020
Member States have been trained and are equipped to use IMS new modules.	IMS manual revised and updated. A training session for potential Candidate Countries took place in October 2016. A hands-on session for Serbian IMS liaison officers took place in December 2016.	Guidelines on reporting of fraudulent and non-fraudulent irregularities via IMS based on the new legal framework. Candidate Countries have been trained and are equipped to use IMS new modules.	A more consistent reporting from Member States and an overall increase in the fraudulent irregularities reporting.
Result indicator 4.2: Developing databases as a tool bringing added-value to customs investigations at national and European level, leading to additional investigations Source: Databases falling under Council Regulation (EC) No 515/97 as amended by Regulation (EC) No 2015/1525, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes			
Baseline 2015	Current situation	Milestone 2016	Target 2020
Adoption of amendment of Council Regulation (EC) No 515/97.	Delegated and Implementing Acts adopted in February and March 2016, respectively. CSM directory and IET directory operational since 1 September 2016	Adoption of implementing and delegated acts for modified Council Regulation (EC) No 515/97. Establish CSM directory and Import, Export and Transit directory.	Directories offer tangible benefits for national and European investigations.
Result indicator 4.3: Number of Joint Customs Operations (JCOs) (including EU wide and regional operations) supported/year Source: Databases falling under Council Regulation (EC) No 515/97 as amended by Regulation (EC) No 2015/1525, Council Decision 2009/917/JHA, Decision on the use of information technology for customs purposes			
Baseline 2014	Current situation	Target 2016-2020	
2 JCOs led by OLAF	0 JCOs led by OLAF in 2016 Because 4 JCOs were co-organised by a Member State and OLAF, there was no need for an OLAF-led operation.	2 JCOs per year led by OLAF	

Result indicator 4.4: Satisfaction by stakeholders with OLAF's support in the area of anti-fraud policy Definition: Level of satisfaction expressed by respondents, covering four categories of beneficiaries: (i) users of AFIS IT-applications; (ii) Hercule-funded conferences and training events; (iii) beneficiaries of Hercule-funded technical assistance; (iv) participants of conferences/training events organised by OLAF as well as of the AFCOS annual meeting. Source of data: Satisfaction surveys / feedback forms / evaluation forms			
Baseline 2014	Current situation	Milestone 2017	Target 2020
One standard question inserted in all satisfaction surveys / feedback forms / evaluation forms.	N/A Reporting to start in 2017	Start reporting in AAR on the basis of responses received during the year. At least 60% of respondents reply positively to OLAF's anti-fraud policy support.	At least 70% of respondents reply positively to OLAF's support in the area of anti-fraud policy.
Main outputs in 2016:			
Description	Indicator	Current situation	Target
Delegated and Implementing acts following adoption of amendments to Regulation 515/97 – No 2015/1525	Adoption of implementing acts by the Comitology Committee Adoption of the delegated act by the Commission	Implementing Acts were adopted on 10 March 2016 Delegated Act was adopted on 3 February 2016	1 st quarter of 2016
Annual Report (under Article 325(5) of TFEU) by the Commission to the EP and Council on the Protection of the EU's financial interests	Adoption by the Commission	Adopted on 14 July 2016	3 rd quarter 2016
Guidelines to the Member States following the adoption in 2015 of the delegated and implementing acts laying down the reporting provisions for all expenditure fields under shared management for the new MFF (2014-2020)	Adoption (in cooperation with MS).	Draft guidelines presented to the COCOLAF Reporting and Analysis group. Member States requested including additional points, therefore the adoption of the guidelines is postponed to first half of 2017.	2016
Amendment of Regulation 883/2013 concerning the Secretariat of OLAF's Supervisory Committee	Proposal tabled by the Commission	Proposal was tabled in March. The Regulation was adopted on 26 October, published on 23 November 2016 and applies from 1 January 2017.	1 st quarter 2016
Administrative cooperation arrangements (ACAs) set out practical details for the cooperation between OLAF and other entities, in particular in connection with investigations.	Number of newly established and revised ACAs	10 ACAs signed	5 ACAs
Establish new working arrangements with Europol	Signature	Postponed for 2017	2016
Revise working arrangements with the Supervisory Committee (SC)	Signature	Pending – the discussions are on-hold upon request from the SC	2016

Organise AFCOS seminar	AFCOS seminar has taken place	Done – AFCOS seminar took place on 1-3 June in Tirana, Albania	2016
Review of OLAF's ACAs	Finalise review	Done - The review was finalised for both the ACAs with Member States authorities and the ACAs with international organisations and 3rd countries authorities. Implementation of the decisions taken following the review has started in 2016 and will continue in 2017.	2016
Report on the key achievements of the Office in the OLAF Report 2015	Publication of the Report	Report published on 31 May 2016	June 2016
Availability of new irregularities reporting modules for the 2014-2020 period	IMS system fully operational in all Member States and candidate countries with reporting and analysis tools.	IMS is fully operational in all Member States and candidate countries.	End of 2016
IMS Communication	Number of communications exchanged with the Member States and the Candidate Countries via IMS to fulfil their irregularities reporting obligations under the different regulations.	43 229	22 500
Support Mutual Assistance in Customs Matters through the provision of secure information exchange tools for Joint Operations and specific Customs anti-fraud information exchange modules and databases such as the Customs Information System	Number of active customs fraud cases for which information is available in the Mutual Assistance databases	13 800 Although there was an increase in comparison with 2015 the target was not met due to delays in the AFIS work programme.	14 500
	Number of Joint Customs Operations (JCOs) per year led by OLAF	0 JCOs led by OLAF Because 4 JCOs were co-organised by a Member State and OLAF, there was no need for an OLAF-led operation.	2 JCOs
Review of ATIS (Anti-fraud transit information system) Administrative Arrangement of 2011	Adoption of renewed Administrative Arrangement	Amended Administrative Arrangement adopted on 19 September 2016 with retroactive application as from 1 September 2016	4th quarter 2016

Reduction of illicit trade in tobacco products

OLAF progressed on *Specific objective 5: Reduction of illicit trade in tobacco products* by achieving the following results. In 2013, the Commission published a comprehensive Strategy to step up the fight against the illicit tobacco trade. This Strategy was accompanied by an Action Plan with 50 actions to be implemented in close co-operation by the EU and its Member States. Most of these 50 actions have been completed in 2016; in some cases actions are still on-going.

As a major milestone, in 2016 the EU ratified the FCTC Protocol, following a Commission proposal. The FCTC Protocol is the first international treaty designed to tackle international tobacco smuggling. It sets out measures to secure the supply chain through the gradual creation of a global tracking and tracing system, licensing, due diligence and other record keeping requirements. It also foresees international cooperation through mutual assistance between authorities and increased sanctions. Other elements of the Strategy to fight the illicit trade of tobacco products concluded last year include a Commission's facility to analyse samples of seized cigarettes.

Moreover, a *Eurobarometer* survey on the public perception of illicit tobacco trade to raise awareness was published. The findings of the *Eurobarometer* should help Member States better target awareness-raising campaigns to fight cigarette smuggling.

Specific objective 5: Reduction of illicit trade in tobacco products		<input checked="" type="checkbox"/> Non-spending	
Result indicator 5.1: Implementation of the Strategy to step up the fight against cigarette smuggling and other forms of illicit trade in tobacco products and its Action Plan			
Definition: The Action Plan contains 50 actions that must be completed by a certain date, or in the “short”, “mid-“ or “long-term”.			
Source: COM (2013) 324 final, SWD (2013) 193 final			
Baseline 2013	Current situation	Target 2016	
Council adopted Conclusions concerning the Communication in December 2013.	Most actions mentioned in the Communication have been finalised, while a few are still on-going, as reported in the Commission's Implementation Report (Q2 2017)	Implementation of actions in accordance with the Action Plan by mid-2016.	
Result indicator 5.2: Increased coverage and use of IT tools to draw statistical information relating to illicit trade in cigarettes			
Definition: Expand coverage and use of IT tools on the illicit trade in cigarettes in order to promote use of IT applications by MS and OLAF and improve the availability of reliable statistics.			
Source: ToSMA, CigINFO			
Baseline 2014	Current situation	Milestone 2016	Target 2020
ToSMA was launched in 2014. CigINFO: Number of entries: less than 2000	ToSMA is fully operational, including historical data, and full coverage of the qualifying seizures was achieved. CigINFO: 1402 entries made by Member States. Some reported 50% less than in the previous years.	Coverage of more than half of the qualifying seizures in ToSMA. Increase number of entries in CigINFO by 5%.	Coverage of all qualifying seizures in ToSMA (100%). Increase number of entries in CigINFO by another 5% (annually).

Main outputs in 2016:			
Description	Indicator	Current situation	Target
EU Ratification of the FCTC-Protocol by the EU ¹⁵ and its Member States	Deposition of instruments of ratification	Council Decisions adopted on 17 June 2016 and instruments of ratification deposited on 24 June 2016	2nd half 2016
Conference to promote accession to the FCTC Protocol	Conference organised with at least 10 third countries	Conference postponed. OLAF organised a High Level Event on this issue, with participation of the FCTC Secretariat, in July 2016. Reflections are under way on the appropriate format, focus and time of another event, also in light of the limited available resources.	2nd half 2016
Commission/OLAF to assess the existing anti-contraband and anti-counterfeit agreement set to expire in 2016	Assessment completed	Assessment completed for PMI in the form of a staff working document on 24 February 2016	1st quarter 2016
OLAF/External contractor will analyse legislation and sanctions (criminal and administrative) applicable to illicit trade in tobacco products, compare the sanctioning practice within and amongst some MS and evaluate economic actors' market perspective	Signature of contract; interim reports; monitoring	Final report received from the contractor on 31 January 2017	4th quarter 2016
Eurobarometer Survey on public awareness about the effects of cigarette smuggling	Analysis of survey	Analysis finalised and published on 18 July 2016	2nd quarter 2016
A new laboratory facility for the analysis of seized cigarettes is established and beginning of operational analysis	Beginning of analysis of seizures in new laboratory and number of analysis carried out	Framework contract between OLAF and JRC extended in June 2016; analyses are on-going	New laboratory facility up and running by the end of 1st half 2016. For analysis: 100 tests in 2016.
Report on implementing the Strategy to step up the fight against cigarette smuggling and other forms of illicit trade in tobacco products	Adoption	Work still on-going; adoption scheduled during the second quarter of 2017 More time was needed for proper consultation of the report, including with the incoming political level.	4th quarter 2016

¹⁵ Council Decisions on the conclusion, on behalf of the European Union, of the Protocol to Eliminate Illicit Trade in Tobacco Products to the World Health Organization's Framework Convention on Tobacco Control; the Agenda Planning number is 2015/OLAF/001.

Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)

OLAF is responsible for the management of the Hercule III Programme¹⁶, which supports actions and projects that aim to protect the financial interests of the European Union. The general objective of the programme corresponds to OLAF's *Specific objective 6: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests*. The Programme has a budget of EUR 104.9 million for the period 2014-2020. It is implemented on the basis of annual work programmes setting out the budget and the funding priorities for a given calendar year. The annual work programme¹⁷ for 2016 made available a budget of EUR 14.5 million for the purchase of, for example, specialised technical equipment by law enforcement agencies in the Member States, such as customs or police forces. The financial support was used for the purchase of a wide range of equipment, such as scanners used in harbours or airports, digital forensic soft- and hardware, systems to track vehicles or the purchase and training of sniffer dogs. The Hercule III Programme also supported conferences, seminars and training events attended by staff of national administrations, law enforcement agencies and NGO's in order to strengthen mutual cooperation, staff exchanges or the exchange of best practices in the protection of the Union's financial interests. The Programme funded digital forensic training sessions aimed at improving the skills of its participants to secure evidence from digital devices in a rapidly evolving technological environment and helping them to stay in the forefront of the fight against fraud.

This was the third year of the implementation of the Hercule III programme and the first, tangible results of the activities funded since 2014 started becoming available in 2016. These results¹⁸ demonstrate the substantial contribution with the Programme's financial support to the protection of the Union's financial interests.

Specific objective 6: To prevent and combat fraud, corruption and any other illegal activities affecting the Union's financial interests			<input checked="" type="checkbox"/> Spending programme
Result indicator 6.1: The added value and effective use of co-financed technical equipment, as reflected by the users of the equipment in their final technical report and final implementation report of the action who expressed the opinion that the supported action was only made possible as the result of the Hercule grant.			
Source of data: final technical reports and final implementation reports			
Baseline 2014	Current situation	Target 2020	
N/A – New indicator	96%	More than 90%	
Main outputs in 2016			
Description	Indicator	Current situation	Target
Annual overview with information on the results of the Hercule III Programme in 2015	Commission Staff Working Document accompanying the PIF report 2015	Report adopted by the Commission on 14 July 2016 (SWD(2016)238	2016

European Public Prosecutor's Office and PIF Directive

¹⁶ Regulation (EU) No. 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No. 804/2004/EC, OJ L 84 of 20 March 2014, p. 6-13.

¹⁷ Adopted by Commission Decision C(2016)868 final of 17 February 2016.

¹⁸ The Commission transmits every year to the European Parliament and to the Council a report with an overview of the main results achieved in the framework of the Hercule III programme. In addition, the Commission publishes, inasmuch as these results do not endanger on-going operations, information on its website on seizures of smuggled cigarettes and tobacco or counterfeited products. The reports can be found on: https://ec.europa.eu/anti-fraud/policy/hercule-programmes/hercule-ii-reports_en

Under the political priority of the President Juncker named *An Area of Justice and Fundamental Rights Based on Mutual Trust* the need to "progress on new tools such as the **European Public Prosecutor's Office** (EPPO) which is designed to tackle criminal fraud which damages the EU budget" was specifically mentioned. OLAF progressed on *Specific objective 7: Strengthened legal framework for protection of the financial interests of the EU*, by participating in the continued legislative negotiations throughout 2016 on the EPPO and on a Directive on the fight against fraud to the Union's financial interests by means of criminal law (**PIF Directive**).

On 17 July 2013 the Commission proposed a Regulation on the establishment of a European Public Prosecutor's Office. The EPPO would investigate, prosecute and bring to judgment the perpetrators of offences affecting the Union's financial interests. This would be an important qualitative step towards a more effective fight against offences affecting the Union's budget. The proposal is based on the principles of effectiveness, independence and accountability. During the Justice and Home Affairs (JHA) Council in December 2016, the overall majority of ministers reaffirmed their commitment to establish the public prosecutor and, pending some final technical work, supported the text as it now stands. However, Sweden indicated it would not join the EPPO at this stage. Discussions will continue in 2017, most likely with the launch of an enhanced cooperation procedure.

The negotiations in informal trilogues with the co-legislators on the PIF Directive were concluded on 23 November. The trilogues were ongoing since October 2014. On 8 December 2016, the JHA Council found an agreement on the PIF Directive, paving the way for a formal adoption of the text in 2017. OLAF and DG Justice and Consumers together represent the Commission in these negotiations.

General objective 2: An Area of Justice and Fundamental Rights Based on Mutual Trust			
Specific objective 7: Strengthened legal framework for protection of the financial interests of the EU.			<input checked="" type="checkbox"/> Non programme-based
<p>Result indicator 7.1: Strengthened legal framework for protection of the financial interests of the EU.</p> <p>Definition: The PIF Directive aims at establishing minimum penalties and common definitions for crimes against the EU budget in all EU countries. The European Public Prosecutor's Office (EPPO) would investigate, prosecute and bring to judgment the perpetrators of offences affecting the Union's financial interests.</p> <p>Source of the data: The Commission report assessing the compliance of the Member States following the adoption of the PIF Directive and first activity reports by the EPPO.</p>			
Baseline 2012-2013	Current situation	Milestone 2016	Target 2020
The PIF Directive proposed in July 2012	Agreement between co-legislators reached during the trilogue in November 2016. Formal adoption by the EP and the Council pending.	Adoption of the PIF Directive by the EP and the Council	All Member States have taken the necessary measures in order to comply with this Directive.
The EPPO Regulation proposed in July 2013	During JHA Council in December, the majority of Member States indicated that the text negotiated in 2016 is a good basis for further discussions. Sweden indicated it would not join.	Making progress on the European Public Prosecutor's Office	[The final target to be determined following the outcome of the negotiations.]

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by the DG. This section is divided in two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant for the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial 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 reports from Authorising Officers in other DGs managing budget appropriations in
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports of the ex-post supervision or audit;
- the opinion of the internal auditor on the state of control, , and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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 complete coverage of the budget delegated to the Director-General of OLAF.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

2.1.1 Control results

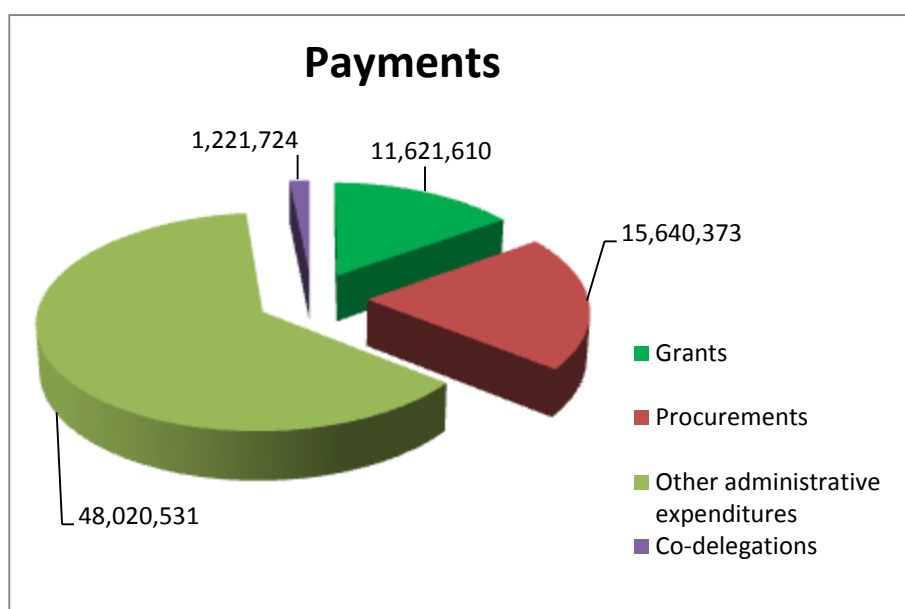
This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives¹⁹. The DG's

¹⁹ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying

assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

OLAF is a low spending DG in the Commission with a total budget of EUR 80 million (EUR 58.9 million administrative and EUR 21.1 million operational²⁰, managed through direct management).

As regards payments, OLAF has four main expenditure types for implementing its activities which are procurement (EUR 15.6 million), grants under direct management mode (EUR 11.6 million), co-delegations (EUR 1,2 million) mainly to HR & OIB,) and other administrative expenditures related to salaries, rent, experts and missions (EUR 48 million).



Coverage of the Internal Control Objectives and their related main indicators

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

OLAF 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 control objective is to ensure that the estimated error rate does not exceed 2% annually.

The financial circuit applied is a partially decentralised model for all transactions except for the pre-financing transactions where the centralised model is used. The operational units are responsible for the operational verifications. In OLAF, all files are verified by at

transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

²⁰ OLAF's operational budget finances activities in the framework of the Hercule programme, and the operation of the anti-fraud information system (AFIS).

least 3 persons (2 financial and 1 operational agent) before they are accepted and processed by the Authorising Officer by Sub-Delegation (AOSD).

Ex-ante controls are carried out by the FVA on every transaction (administrative, grants and procurement files) which requires an approval of the AOSD. During these ex-ante controls the legality and regularity of transactions are checked on the basis of checklists. When errors and/or weaknesses are noted these checklists are updated in order to cover the risk identified.

The accounts are checked on a monthly basis by the Accounting Correspondent supervised by the AOSD of the Budget Unit.

The fact that the DG's internal control system is effective, has been acknowledged by the IAS in their report issued in July 2016. This audit covered the controls carried out on procurement and grants procedures completed in 2015 and on the financial transactions executed in 2015. The IAS stated that there were no critical or very important issues and concluded the following:

"Overall, OLAF's management of grants, procurement and the related financial transactions complies with the applicable rules and regulations. OLAF manages the calls for proposals and tenders effectively and has in place adequate controls to review, report and monitor the expected results.

In particular, the audit team has identified the following strengths:

- well-organised and well-documented calls for proposals, with a clear file structure and complete documentation of the steps of the procedures;
- the expertise and knowledge of both operational and financial staff;
- a strong ex-post control strategy and reporting, with a combination of risk-based and random sampling, a clear description of the approach, the testing results and the proposals for improvement".

A register is kept for all exception and non-compliance events reported (each of them being signed at the appropriate management level). These cases were not of a nature or extent to lead, either to a reservation, or to the identification of a significant weakness in the internal control system and did not have an impact on the declaration of assurance of the AOD. The qualitative analysis of the registered exceptions and non-compliance events revealed that during the reporting year there were 17 events of non-compliance. These non-compliance events had no impact on the legality and regularity of the transactions.

Ex-post controls were carried out on 2016 expenditures. During the ex-post controls the regularity and legality of the transactions were verified. The controls were carried out on the basis of a sample composed of 28 transactions representing a value of EUR 4.4 million (in payments) which corresponds to 1.9% of the number of transactions and 16.1% in value of the total amount under review as of 31 December 2016. The sampling methodology applied was a combination of a risk-based approach (10 transactions) and a random selection (18 transactions).

The ex-post controls carried out did not lead to the identification of any significant financial error and allow OLAF to conclude that the control objective has been met as regards the control effectiveness on legality and regularity.

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

For OLAF, the estimated overall amount at risk at payment²¹ for the 2016 payments made is less than 1% (i.e. less than EUR 702 000). This is the AOD's best, conservative estimation of the amount of *relevant expenditure*²² during the year (EUR 70.18 million) 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 corrections²³ for those 2016 payments made are EUR 9 700. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure²⁴ of EUR 692 000.

²¹ In order to calculate the weighted average error rate (AER) for the total *relevant expenditure* in the reporting year, the *detected*, estimated or other equivalent error rates have been used.

²² "*relevant expenditure*" during the year = payments made, minus new pre-financing paid out, plus previous pre-financing cleared.

²³ Based on the 7 years historic average of recoveries and financial corrections.

²⁴ For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

Table X - Estimated overall amount at risk at closure

OLAF	"payments made" (FY; m€)	<i>minus</i> new prefinancing [<i>plus</i> retentions made] (in FY; m€)	<i>plus</i> cleared ^c prefinancing [<i>minus</i> retentions (partially) released and deductions of expenditure made by MS] (in FY; m€)	relevant expenditure (for the FY; m€)	Average Error Rate (<i>weighted AER</i> ; %)	estimated overall amount at risk <i>at payment</i> (FY;m €)	Average Recoveries and Corrections (<i>adjusted ARC</i> ; %)	estimated future corrections [and deductions] (for FY; €)	estimated overall amount at risk at closure (€)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10
24 01 ²⁵	55.27	0	0	55.267		0.570		0	0.55
24 02 ²⁶	15.40	9.693	3.368	9.074		0.082		0.009	0.08
24 04 ²⁷	5.84	0	0	5.837		0.060		0	0.06
Overall	76.5 mEUR	9.693mEUR	3.368mEUR	70.18	<1%	0.702mEUR; and max 1% of (5)	0.1%	0.01mEUR and 0.11% of (5)	0.692mEUR and 0.99% of (5)

^a New PF actually paid by out the DG itself during the FY (i.e. excluding any PF received as transfer from another DG)

^b In Cohesion, the (10%) retention made/released by the Commission

²⁵ Administrative expenditure of the "Fight against fraud" policy area

²⁶ Promoting activities in the field of the protection of the European Union's financial interests (Hercule III)

²⁷ Anti-fraud information system (AFIS)

^c PF actually having been cleared during the FY (i.e. their 'delta' in FY actuals, not their 'cut-off' based estimated 'consumption')

^d For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (*see the ECA's AR methodological Annex 1.1 point 7*), also our concept of "relevant exposure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions (partially) released and any deductions of expenditure made by MS in the annual accounts*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

^e For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate

^f [*preferably to be*] differentiated at a level lower than the DG total

^g In Shared Management, e.g.: "validated/adjusted error rates", "residual error rates at MS-level, as reported by the MS Audit Authorities and applied/adjusted/projected by the DG", etc.

^h Even though based on the 7 years historic average of recoveries and financial corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD [*has adjusted*] this historic average. Any coding errors, ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes) [*have been*] adjusted in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure for the current programmes in order to get the related estimated future corrections.

[*This may include considering a more recent historic average (e.g. AGRI taking the last 3 years as basis), considering the possibilities and/or limitations for ex-post control as altered for the current programmes delivery mechanisms (e.g. Cohesion/Research), or even considering that the ex-post future corrections would be 0.0% (e.g. DGs with entirely ex-ante control systems).*]

Cost-effectiveness and efficiency

Indicator: Percentage of budget execution (commitments) with respect to budget appropriations		
	Current situation	Target 2020
Administrative expenditure of the "fight against fraud" policy area	99.85%	More than 98%
Promoting activities in the field of the protection of the EU's financial interests (Hercule III)	98.47%	More than 98%
Anti-fraud information system (AFIS)	99.09%	More than 98%

Grants

Cost-effectiveness

OLAF launched three calls for proposals in 2016 and received 121 applications altogether. The success ratio 'value proposals received over budget available' is of 303% which illustrates the attractiveness of the programme towards beneficiaries. It is to be noted that programmes ran smoothly in 2016 without having any proposal challenged under the redress procedure and no litigation case reported.

The preparation, adoption and publication of the relevant documents (annual work programme, technical specifications, guidelines, forms) for the three calls required around EUR 96 600 which corresponds to an average cost of EUR 798 per application.

The cost of processing of the 121 applications received by the Commission can be estimated at EUR 289 000. These activities were carried out from June till the end of December 2016. In December 2016, the Commission was able to award 46 grants to 121 applicants (38%). The monitoring of on-going grant agreements as well as the examination of final reports can be estimated at EUR 276 000 in 2016.

As a result, the total cost of controls related to grants (i.e. including costs related to financial ex-ante and to ex-post controls) has been estimated at EUR 910 800 which corresponds to 7.8% of the total amount of transactions concerned (for a total of EUR 11.6 million in grants). These controls have led to the adjustment of 27 cost claims for a value of EUR 94 296 which corresponds to 1,6% (as compared to 2% last year) in value of cost claims submitted. The ex-post controls carried out covered 8 transactions on grants for a value of EUR 2 810 498 (representing 24% of the payments of 2016 for grants) and did not identify any financial error²⁸ that could have had a negative impact on the assurance.

OLAF has assessed its cost of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud which pleads for a strong control environment.

Indicator: Conclusion reached on cost effectiveness of controls	
Current situation	Target 2020
Yes	Yes
Indicator: Part of the cost of control in proportion of the budget controlled	
Current situation	Target 2020
7.8%	Grants: less than 15%

²⁸ No error on the legality and regularity was identified by the ex-post controls on 2016 expenditures.

Efficiency

The successful applicants were notified of the outcome of the evaluation procedure around 4.5 months after the deadline for submission of applications in June 2016 (as compared to 6.7 months in 2015). The rejected applicants could only be notified after the successful applicants confirmed their interest in receiving a grant. The rejected applicants received this notification around 5 months after the deadline. Most of the grant agreements with the successful applicants were signed before the end of 2016, which corresponds to around 2 months (2.2 months in 2015) after the notification on the outcome of the evaluation procedure and is well within the limits set in Article 128 of the Financial Regulation. The Commission informed all rejected applicants about the scores the application was given by the Evaluation Committee as well as the reasons and justifications given for these scores. Four rejected applicants requested additional information on the Commission's decision, but none of the applicants challenged this decision.

Indicator: Percentage of payments handled within the time limit (Art. 92.1 FR)	
Current situation	Target 2020
91.2%	More than 90%
Indicator: Percentage of applicants informed of the outcome of the evaluation of their application within the time limit (< 6months, Art. 128.2 FR)	
Current situation	Target 2020
100%	100%
Indicator: Percentage of grant agreements signed with applicants within the time limit (< 3 months, Art. 128.2 FR)	
Current situation	Target 2020
100%	100%

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

Procurements

In 2016, the procurement payments amounted to EUR 15 640 373.

OLAF launched 9 tendering procedures²⁹, 4 open procedures with publication in the Official Journal, 3 negotiated procedures because of technical reasons and exclusive rights and 2 low-value tender procedures with pre-notification on the OLAF website.

With respect to open procedures, there was no case where only one offer was received. Since 1 January 2016, OLAF also uses the eTendering module developed by the Publication Office for the publication of the tender documents and as an interface for receiving and answering requests for clarification by potential tenderers. OLAF received 26 requests for clarification regarding tenders and no complaints or litigation cases have been recorded.

The cost of the controls on procurement procedures related to 2016 was assessed at EUR 675 321 corresponding to 4.3% in value of the budget allocated to procurement. The ex-post controls carried out on procurements covered transactions for EUR 1 616

²⁹ Tendering procedures for amounts above EUR 15.000

430 (representing 10.3% of the value of the payments made in 2016 for procurements). The ex-post controls did not identify any significant financial error that could have had a negative impact on the assurance.

OLAF has assessed these costs of controls as adequate taking into account the atypical position of OLAF as the Office in charge of the fight against fraud which pleads for a strong control environment.

Indicator: Conclusion reached on cost effectiveness of controls	
Current situation	Target 2020
Yes	Yes
Indicator: Part of the cost of control in proportion of the budget controlled	
Current situation	Target 2020
4.3%	Procurements: less than 5%

Efficiency

As a consequence of a systematic and close monitoring of all transactions, OLAF managed to reduce the average payment time was 14,9 days for the reporting period 2016 (as compared to 15.9 days in 2015) and OLAF had to pay interest for late payments at only one occasion for an amount of EUR 242,34 (where 5 such events were noted in 2015).

Indicator: Percentage of payments handled within the time limit (Art. 92.1 FR).	
Current situation	Target 2020
98.4%	More than 90%

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

Overall conclusions

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

In view of these results, and in compliance with Article 66.2 of Financial Regulation, OLAF considers reviewing its financial circuits by the end of 2017 in order to look for possibilities for a leaner and less burdensome control system.

Fraud prevention and detection

OLAF adopted its first anti-fraud strategy in December 2013. The review carried out in December 2015 confirmed the initial strategy's accuracy and concluded that there was no need for an update. Subsequently, in 2016 OLAF continued the implementation of its action plan by endorsing the Security Procedure for intra-muros³⁰. No case of fraud having an impact on the EU budget managed by OLAF has been identified.

³⁰ 'Intra-muros' service providers refers to individuals working for a contractor which has signed a contract with the Commission for the delivery of contractual services to be performed on Commission premises and generally using the Commission's technical means and facilities.

The controls aimed at preventing and detecting fraud are not essentially unlike those intended to ensure the legality and regularity of the transactions. Each year, OLAF assesses the risk of fraud in the context of its self-risk assessment exercise. The fraud risks are mitigated by the specific controls implemented. Activities and operation that are at a higher risk of fraud are subjected to more in-depth monitoring and control.

In 2016, OLAF continued its awareness campaign on Ethics amongst staff. This initiative is aimed at ensuring that OLAF's staff lead by example by setting standards of professional conduct in terms of independence, integrity, impartiality and objectivity. This awareness campaign is also aimed at ensuring that OLAF's staff is aware of its rights and obligations in their relations with the public (duty of confidentiality).

With regards to the type of core business of OLAF the fraud prevention and detection system put in place is assessed as sufficient and adequate.

Indicator: Updated anti-fraud strategy of OLAF	
Current situation	Target 2020
Date of the last update 8/12/2015, next update foreseen by mid-2017	Update every year, as set out in the AFS
Indicator: Percentage of new comers trained on Ethic's matters	
Current situation	Target 2020
100%	100% target population reached
Indicator: Regular monitoring of the implementation of the anti-fraud strategy and reporting on its result to management	
Current situation	Target 2020
In June 2016 and December 2016 in the framework of the Management Plan mid-term review and preparation of the next Management Plan.	Twice per year

Other control objectives: safeguarding of assets and information, reliability of reporting (if applicable)

In the context of the Ethics training sessions a special emphasis is given to the safeguard of information by ensuring that everyone knows the treatment to be given to sensitive information. Moreover, during the welcome session for newcomers a training session is given on the protection of personal data.

As mentioned above, in June 2016, OLAF Management endorsed the Security Procedure for intra-muros with particular attention to the "Declaration of confidentiality and of absence of conflict of interest". A document has been established laying down the security procedure, back ground information, workflow, scope and responsibilities.

OLAF considers that the procedures put in place to ensure safeguarding of the information is proportionate and adequate.

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

OLAF is audited by both internal and external independent auditors: its internal audit function (IAF), the Commission internal audit service (IAS) and the European Court of Auditors (ECA).

Furthermore, OLAF's investigative function is regularly monitored by OLAF's Supervisory Committee, in accordance with Article 19 of Regulation 883/2013.

Internal Audit Function (IAF)

The Commission decided³¹ to centralise the internal audit function in the Internal Audit Service (IAS) and that by the end of February 2015, the internal audit function in the individual Directorates-General, Services, Offices and Executive Agencies would cease to exist. As per the Specific provisions concerning administrative cooperation between OLAF and the IAS², the scope of IAS audits and consulting services will not cover issues which fall under the Director-General's independence in the execution of his duties with respect to investigations as described by Article 17 of Regulation 883/2013 and Articles 3, 5 and 6 of Commission Decision 1999/352, that the Office is not reporting to the Commission, unless specifically requested by the Director-General of OLAF in writing. In order to cover processes and procedures which are not covered by the IAS OLAF management decided to appoint a new Internal Audit Function (IAF). The appointment and The Charter for the new IAF was consulted with the IAS. The former OLAF's Internal Audit Capability (IAC) handed over to the IAS the follow-up of IAC previous audits on the management and control systems for which OLAF reports to the Commission.

OLAF's Internal Audit Function performed a comprehensive audit (compliance and performance) on the use of the databases for OLAF investigations. The audit report included 5 recommendations: 3 very important and 2 important. The OLAF Directors' Meeting of 15 February 2017 accepted the five recommendations and agreed the preparation of an action plan for their implementation.

There are no open recommendations rated as "very important" from previous OLAF-IAF audits. Regarding the 3 (important) outstanding recommendations from previous IAF's audits, the 3 recommendations have been reported to the IAF by the relevant units as implemented and ready for review. Nevertheless, the IAF has not performed a formal follow-up audit of these recommendations in 2016.

Internal Audit Service (IAS)

Based on:

- all work undertaken by the IAS in the period 2014-2016, namely,
 - Audit on the adequacy and effective implementation of DGs' Anti-fraud strategies (2015), including a follow-up engagement in

³¹ Minutes of the 2104th meeting of the Commission held on Wednesday 5 November 2014.

2016. The latter audit focused on the specific recommendations in the original audit (*'Overall management of the delivery and effectiveness of the Commission's Anti-Fraud Strategy* (Important), *'Reinforcing integration of the DGs' Anti-Fraud Strategies into the internal control system by providing more targeted guidance* (Very Important) and *'Communication and stakeholder management* (Important)). The assessment of the state of implementation was based on a desk review of evidence provided by OLAF and IAS concluded that all the recommendations have been adequately and effectively implemented.

- Audit on procurement and grants in OLAF (2016)
- Audit on performance and coordination of Anti-fraud activities in the Traditional Own Resources area (2016)
- Audit on governance, planning, monitoring and implementation of the OLAF supervisory Committee (2016)
- all work undertaken by the former OLAF's IAC, namely,
 - Performance audit of the Anti-fraud Information System (AFIS) (2014)

This audit was carried out in 2013-2014 by the former Internal Audit Capability (IAC) of OLAF. Following the abolishment of the IACs across the Commission and the transfer of their responsibilities to IAS, in 2015 the latter performed a first follow-up of the recommendations addressed to OLAF, followed by a second assignment in 2016. Based on the results of these audits, IAS concludes that 4 recommendations (important) still remain to be addressed.

The corresponding actions plans have been elaborated and OLAF expects these to be completed by the end of 2017.

and taking into account that:

- for the accepted recommendations made by the IAS and the IAF in 2014-2016, management has adopted plans to implement them which the IAS considers adequate to address the residual risks identified by the auditors,
- the implementation of these plans is monitored through reports by management and through follow-up audits by the IAS,
- management has assessed a number of action plans not yet followed up by the IAS as implemented, and
- management has not rejected any critical and/or very important recommendations,

the IAS concludes that the internal control systems audited are overall working satisfactorily. However, particular attention is drawn to the combined effect of the three very important recommendations on Anti-fraud in the area of Traditional Own Resources.

OLAF expects to have these recommendations implemented as soon as possible in accordance with the action plan submitted to the IAS.

European Court of Auditors (ECA)

In its annual audit on the reliability of accounts of the Commission for financial year 2015, the ECA concludes that no major findings occurred.

At the date of the finalisation of the AAR no open recommendation was reported.

OLAF Supervisory Committee (SC)

The mandate of the Supervisory Committee is to monitor OLAF's investigative function in order to reinforce the Office's independence as outlined in the OLAF Regulation. The Supervisory Committee delivers Opinions, which can include recommendations, to OLAF's Director-General. In June 2016 and January 2017 two and three new members respectively took office, meaning that the entire Committee was renewed in this period of time.

During 2016, the Committee transmitted to OLAF three Opinions, Opinion 2/2015 Legality check and review in OLAF, Opinion 3/2015 Opinion on the OLAF draft Investigation Policy Priorities (IPPs) for the year 2016 and Opinion 1/2016 OLAF's Preliminary Draft Budget for 2017. These Opinions included in total 14 recommendations.

OLAF reports yearly to the Supervisory Committee on the implementation of the Committee's recommendations. The latest report of 16 February 2017 shows that OLAF has implemented 9 out of the 14 recommendations issued by the Supervisory Committee in 2016, while the implementation of one recommendation was ongoing. Four recommendations were not considered as applicable. OLAF regards this as a satisfactory rate of implementation which, as such, does not have any material negative impact on the achievement of the internal control objectives or on assurance.

OLAF's recent and past reporting on the implementation of the Supervisory Committee's recommendations is publicly available on OLAF's website:

https://ec.europa.eu/anti-fraud/about-us/supervisory-committee/exchanges-between-olaf-and-its-supervisory-committee_en#sc%20other

Overall conclusion

The audit work and opinions by both internal and external auditors reveals that the internal control system in place at OLAF gives reasonable assurance regarding the achievement of the business objectives.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

OLAF 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.

OLAF annually assesses the effectiveness of its key internal control systems, including the processes carried out by implementing bodies in accordance with the applicable Commission guidance. The assessment relies on a number of monitoring measures and sources of information including a management risk assessment, monitoring of reported instances of exceptions, non-compliance events and internal control weaknesses related to audit findings.

As regards the exception and non-compliance events reported, it has been confirmed that none of these cases were of a nature or extent to lead either to a reservation, or to the identification of a significant weakness in the internal control system and did not have an impact on the declaration of assurance of the AOD.

OLAF has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and functioning as intended.

2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2 and 2.1.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

In view of the control results and all other relevant information available, the AOD's best estimation of the risks relating to the legality and regularity for the expenditure authorised during the reporting year (EUR 76.5 million) is between 0% and 1%, which implies an amount at risk below EUR 765 000.

The internal control strategy foresees the implementation of further controls during subsequent years aimed to detect and correct these errors. It is not possible to identify the specific errors and amounts which will be effectively corrected in the coming years, yet the implementation of these corrective controls since 2010 have resulted on average in recoveries and financial corrections representing 0.1% of the average payments over the same period. This percentage applied to this year's payments made (resulting in EUR 82 108) provides the best available indication of the corrective capacity of the ex-post controls systems implemented by the DG.

Taking into account the conclusions of the review of the elements supporting assurance and the expected corrective capacity of the controls to be implemented in subsequent years, it is possible to conclude that the internal control systems implemented by OLAF provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

OLAF has sufficient reasonable assurance that a reservation on the declaration is not seen as necessary.

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.

2.1.5 Declaration of Assurance

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of OLAF

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view³².

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 limited conclusion of the Internal Auditor on the state of control, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors 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.

Brussels, 31 March 2017

(signed)

Giovanni KESSLER

³² True and fair in this context means a reliable, complete and correct view on the state of affairs in OLAF.

2.2 Other organisational management dimensions

2.2.1 Human resource management

Despite the continued efforts undertaken to accelerate the recruitments on vacancies, the vacancy rate has increased by 3.4% since end of 2015 and reached 6.7% at the end of 2016, which is above the Commission's average. The highest number of vacancies could be observed in the last quarter of 2016 and was mainly due to early retirements and spontaneous mobility. Concerns arising from the establishment of EPPO and its future location, combined with the fact that the EPSO competitions for investigators launched in early 2016 were put on hold for issues related to the language regime, may also have negatively affected the recruitment possibilities on vacancies.

The female representation in middle management has significantly increased from 10.5% in 2013 to 30% at the end of 2016. OLAF will continue its effort to reach the Commission's target set at 40% by the end of 2019.

Throughout 2016 particular attention was given to improving the management of working conditions. Tailor made trainings on the working conditions rules and procedures have been provided to each Unit in order to improve the absence management. Statistics on absences and time management have also been sent to the managers in order to improve the monitoring of sick leaves and the application of flexitime.

Continuous learning and development is a key priority in order to further professionalise OLAF staff in their domain. In 2016, as foreseen in OLAF's HR Strategic Plan, a learning path (mandatory and recommended trainings) has been established for the new investigators indicating all the mandatory trainings which they have to follow within a period of 18 months following their appointment. Based on the number of new investigators, one session of mandatory trainings was organised in 2016 and a new session is planned for early 2017. Moreover, a more specific learning path has been developed for all investigators with mandatory and recommended trainings per Unit taking into account the specificities of each entity. Unit 02 has also made an inventory of all the investigative trainings followed by the investigators in order to monitor the completion of each individual's learning path. The learning path for investigators and the inventory of trainings followed should serve as a basis for the discussion with the investigators on their training needs for 2017 and beyond.

In addition to the specific investigative training for newcomers, OLAF staff has the opportunity to benefit from external and internal trainings. Eight internal trainings have been organised in 2016, either by OLAF colleagues or by colleagues from other DGs in order to share knowledge and improve procedures/practices between the Services.

Enhancing the communication at the different levels of OLAF is one of the main concerns of staff. Therefore, senior and middle management organised regular meetings and "questions & answers" sessions with their staff in 2016, as well as more informal events such as breakfasts or specific celebration events. This contributes to promote efficient professional and personal communication and strengthens cooperation between all layers of the organisation.

In 2016, a new OLAF Intranet has been launched. OLAF Intranet joined the MyIntraComm portal and is one of the first fully responsive Intranet in the Commission, which means that information is easily readable from a desktop, tablet or smartphone. With a design in line with the Commission's visual identity, My OLAF Intranet provides information easily reachable via 'sitemaps' or the 'AZ index', news sorted in topics and a "Spotlight". More prominent interactive features and a new section 'Life in OLAF' focusing on people make it a lively and interactive tool.

Team building events can contribute to enhance common understanding and sharing

about the team's work and challenges. Therefore, nine team building events were organised in 2016, which is an increase by 29% compared to 2014. Unit 02 ensures that the team building events financed by OLAF focus on work related issues and that they have an impact on the teams' effectiveness.

In OLAF HR Strategic Plan 2014-2016, one of the actions proposed to enhance internal communication and improve the sharing of knowledge was to offer more lunchtime debates to OLAF staff. Participating in a lunchtime debate is a good opportunity to learn about OLAF policies, activities and other more general topics. The number of lunchtime debates has continued to increase in 2016 and has now attained its cruising speed with 18 lunchtime debates a year. The number of participants has more than doubled compared to 2014 with 1052 participants in 2016. The high level of participation shows that there is a real interest of staff in participating in these " knowledge sharing " events.

A new talent management policy has been launched in 2016 across the Commission. Subsequently, OLAF participated in the first middle management mobility exercise. Regular invitations to participate in management trainings have been sent to OLAF managers in order to enhance their managerial competences. More specific information on coaching and management training has also been given to newly appointed or potential managers. In 2016, a 360° exercise has been organised for the Director and the Heads of Unit in Directorate D.

Systematic exit interviews were proposed to staff leaving OLAF due to retirement, end of contract, personal long term leave or mobility. Departing staff had the possibility of providing oral or written feedback on a questionnaire. In 2016, Unit 02 held 21 exit interviews. The feedback received from departing staff provided valuable information on staff engagement issues, job satisfaction levels, as well as other areas of improvement.

In order to improve the onboarding process of new staff members, the welcome procedures have been reviewed and further developed by Unit 02. The project has been approved by the senior management and gradually implemented during the first half of 2016. OLAF newcomers are now contacted before their arrival and receive information as regards the arrival arrangements and the contact persons in case of questions or problems. They also receive a personalised welcome letter and a welcome pack containing useful information on various operational and administrative aspects of their work in OLAF. Managers have also been provided with the Guide on Welcoming Newcomers, developed by Unit 02, offering guidance and useful tips for successful integration of new staff members.

Examples of initiatives to improve economy and efficiency of financial and non-financial activities of the DG

With respect to procurement, since 1 January 2016 OLAF uses the eTendering module developed by the Publications Office for the publication of the tender documents and as an interface for receiving and answering requests for clarification by potential tenderers. Additionally, as a consequence of a systematic and close monitoring of all transactions, OLAF managed to reduce both the time-to-pay and the number of cases where interest for late payments had to be paid (see also 2.1.1). Within the context of grant management, improved internal work-flows resulted in a significant reduction of both the time-to inform and the time-to grant (see also 2.1.1).

2.2.2 Better regulation (only for DGs managing regulatory acquis)

Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.

Indicator 1: Percentage of Impact assessments submitted by OLAF to the Regulatory Scrutiny Board that received a favourable opinion on first submission.

Explanation: The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.

Source of data: Internal consultations

Baseline 2015	Milestone 2016	Current situation	Target 2020
N/A – no impact assessments were conducted during 2014-2015	Positive trend compared to DG's 2014 situation.	No impact assessments were conducted in 2016	Positive trend compared to DG's 2016 situation.

Indicator 2: Percentage of the DG's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years.

Explanation: Better Regulation principles foresee that regulatory acquis is evaluated at regular intervals. As evaluations help to identify any burdens, implementation problems, and the extent to which objectives have been achieved, the availability of performance feedback is a prerequisite to introduce corrective measures allowing the acquis to stay fit for purpose.

Relevance of Indicator 2: The application of better regulation practices would progressively lead to the stock of legislative acquis covered by regular evaluations to increase.

Source of data: Internal consultations

Baseline 2015	Milestone 2016	Current situation	Target 2020
Percentage of the DG's primary regulatory acquis covered by retrospective evaluations and Fitness Checks' findings not older than five years. 0%	Positive trend compared to baseline	0% Evaluation of Regulation 883/2013 is currently ongoing and is due to be finalised in 2017	Positive trend compared to interim milestone

Main outputs in 2016:

Description	Indicator	Current situation	Target
Finalise the tender procedure for awarding of the external contractor for the Evaluation of Regulation 883/2013	Contract awarded	Contract awarded in September 2016	3 rd quarter 2016
Organise the stakeholder conference on the relation between EPPO and OLAF	Conference has taken place	Stakeholder conference postponed to 1 st quarter of 2017 in order to better align it with the timing of the external study	4 th quarter 2016

2.2.3 Information management aspects

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator 1: Percentage of registered documents that are not filed³³ (ratio)		
Source of data: <i>Hermes-Ares-Nomcom (HAN)³⁴ statistics</i>		
Baseline 2014	Current situation	Target 2020
1.08%	0.1%	Not more than 1%
Indicator 2: Percentage of HAN files readable/accessible by all units in the DG		
Source of data: <i>HAN statistics</i>		
Baseline	Current situation	Target 2020
0.16%	0.14%	Positive trend compared to baseline
Indicator 3: Percentage of HAN files shared with other DGs		
Source of data: <i>HAN statistics</i>		
Baseline	Current situation	Target 2020
0%	0%	Positive trend compared to baseline

³³ Each registered document must be filed in at least one official file of the Chef de file, as required by the e-Domec policy rules and by ICS 11 requirements). The indicator is to be measured via reporting tools available in Ares.

³⁴ Suite of tools designed to implement the [e-Domec policy rules](#).

2.2.4 External communication activities

In 2016, the OLAF Press team focused on promoting the work of OLAF as a dedicated service that helps ensure European money is not lost to fraud, but is spent in a manner that contributes to growth and job-creation. The Office both consolidated and increased its communication output – for example, and among other numerous communication initiatives, the Office published 29 press releases, memos, news items and speeches, and organised 41 interviews and background discussions with journalists. These actions were geared towards developing and maintaining a positive relationship with journalists in Brussels and beyond, with the end goal of both informing our target audiences on why enforcing a policy of zero tolerance to fraud is essential, and empowering them to take an active stance in fraud prevention and deterrence. To facilitate that, OLAF organised topical briefings for journalists, enabling them to familiarise themselves with OLAF's work, and offering them the opportunity to get first-hand information from OLAF experts. The Press team also organised joint press conferences with several of OLAF's operational partners in order to leverage the power of common approaches and messages geared towards fighting fraud and corruption. It also organised several visits for journalists working at national level, who could meet OLAF Management and understand OLAF's day-to-day work. Moreover, in an attempt to better engage directly with our readers, in 2016 OLAF has become active on Twitter. This has proven to be very successful, and by the end of the year, the Office was followed by almost 900 Twitter users, had live-tweeted several events, and boasted a very good engagement rate. By using the social media channel, the Office was also able to engage with OAFCN services online, thus showcasing their work and achievements. Throughout the year, the Office strived to present OLAF's work in a clearer and more engaging fashion, by both writing in an accessible manner and by using graphs and illustrations. Our goal was to reassure European citizens that EU funds are indeed well-protected, and that any defrauded funds are progressively returned to the EU budget.

Objective: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.

Indicator: Percentage of EU citizens having a positive image of the EU

Definition: Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual DGs' actions may only make a small contribution.

Source of data: Standard Eurobarometer (DG COMM budget) [monitored by DG COMM [here](#)].

Baseline: November 2014	Current situation	Target: 2020
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%		Positive image of the EU ≥ 50%

Annual communication spending (based on estimated commitments):

Baseline 2015:	Target 2016:	Total amount spent	Total of FTEs working on external communication
EUR 154 206	EUR 70 000	EUR 77 663	4