

# 2014

## Annual Activity Report

### European External Action Service



29 April 2015

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# 1. INTRODUCTION

## 1.1. The EEAS in brief

The entry into force of the Lisbon Treaty in 2009 paved the way for the creation of the European External Action Service following the adoption of Council Decision (2010/427/EU) of 26 July 2010. The EEAS started effectively on the 1 January 2011.

Key tasks of the EEAS are to support the High Representative in fulfilling his/her mandate, i.e.:

- to conduct the Common and Foreign Security Policy of the European Union, including the Common Security and Defence Policy;
- in his/her capacity as President of the Foreign Affairs Council;
- in her/his role as Vice President of the Commission in charge of the coordination of other aspects of the Union's external action; and

Finally, the EEAS assists the President of the European Council and the President of the Commission in the area of external relations.

The EEAS with its Headquarters based in Brussels comprises also a network of almost 140 Delegations. In total EEAS staffing amounts to about 3,500, of which almost 2,000 work in Delegations. Delegations employ also about 3,500 Commission staff, bringing the total staff in Delegations close to 5,500. All staff members in Delegations, i.e. both EEAS and Commission staff, work under the authority of the Head of Delegation.

The EEAS is a so-called 'functional autonomous body of the Union' created by transferring staff from two existing institutions, i.e. the Commission and the General Secretariat of the Council. Moreover, the staff of the EEAS must also comprise a 'meaningful presence' of staff coming from the diplomatic services of the Member States. As for the latter, the Council decision establishing the EEAS stipulates that once the EEAS has reached its full capacity at least one third of AD staff should come from the diplomatic services of the Member States. This objective was reached less than three years after the creation of the EEAS.

The decision establishing the EEAS stipulates that the Commission remains responsible for the operational section of the budget, i.e. the responsibility of the EEAS is limited to the management of the administrative budget lines (salaries, running costs, security etc.). The total budget of the EEAS in 2014 amounted to €530 million. Furthermore, the EEAS received in 2014 a contribution of €263 million from the Commission in compensation for the management of Commission staff in the network of EU Delegations.

The decision establishing the EEAS foresaw, for mid-2013, a review on the organisation and functioning of the EEAS. This review contained a number of recommendations, some of which have been in the meantime implemented; others are still the subject of ongoing review. The Council, European Parliament and the Court of Auditors have examined the 2013 review in detail.

The reporting obligations of the EEAS are similar to that of European Union institutions. As for the budget, the EEAS is subject to a similar discharge procedure as that which is applicable to the European Union's institutions. In this regard the Annual Activity Report of the EEAS

focuses on the administrative and budgetary management. The Annual Activity Report contains the Declaration of Assurance of the Delegated Authorising Officer. In addition the High Representative issues annually a report on the Common Foreign and Security Policy. All of these reports are in the public domain and accessible on the internet.

## 1.2. The year in brief

The building up of the EEAS has continued in 2014. The progress realised since the establishment of the EEAS in 2011 was consolidated and initiatives were taken to further develop the EEAS in its role under the Lisbon Treaty. This is necessarily a gradual process. A process that must be underpinned by efficient administrative, human resources and financial practices.

Following the European elections of May 2015 and the formation of a new European Commission, HRVP Federica Mogherini assumed her function on 1<sup>st</sup> November. At the end of October, the Chief Operating Officer vacated his post. In her decision of 24<sup>th</sup> October, the HRVP designated the Managing Director for Administration and Finance as Chief Operating Officer ad-interim.

The Court of Auditors published in 2014 a special report on the establishment of the EEAS. The report sets out a number of recommendations, including recommendations on the simplifications of the administrative framework.

The year 2014 saw the start of the implementation of the reformed staff regulations. These reforms introduced important changes in the conditions of work of EEAS staff, both at HQ and also in Delegations. Maintaining our Delegations as an attractive working place remains an important objective.

Another important reform implemented in 2014 was the introduction of new method for the annual revision of salaries of local agents in Delegations. This has a direct impact on the working conditions of about 3,000 local agents. Local agents play a very important role in the EEAS' network of Delegations. The new salary method and improvements in the provision of the complementary health insurance contribute, within the budgetary constraints, to the consolidation of Delegations as being an attractive working place for our local staff. An effective social dialogue was instrumental in reaching agreement on this important reform.

Following a decision to extend the 2013 mobility decision the mobility exercise for 2014 was launched. As a result, 140 officials, both from headquarters and the Delegations, changed function as from 1<sup>st</sup> September 2014. The objective remains that progressively EEAS staff members are subject to mobility every four years.

Another important initiative was the development of a career policy for AD staff. Mobility and the creation of polyvalent profiles supported by targeted training are key features of this new framework. An important innovation is the creation of an "expert's careers" as an alternative to the traditional manager's career.

Continued good progress was made towards the objective of employing at least one third of Member States diplomats in the AD staff category. The objective of at least 33% of Member State diplomats under the AD grade of staff (administrators) was reached in 2013 and it

stands now at 33.4% (25% in headquarters and 45% in Delegations). The 12 Member States that have joined the EU since 2004, plus Croatia, now account for 18% of AD EEAS staff (HQ plus Delegations), approaching their share in the population of the Union.

The network of EU Delegations did not undergo any changes in 2014, no Delegations were closed, nor were any new ones opened. A lack of resources remains an important obstacle towards meeting demands to establish Delegations in more countries.

The implementation of an action plan with a view to addressing the issues underpinning the reserve on the management in HQ of Delegation security contracts given by the Chief Operating Officer, in the 2011 and 2012 Annual Activity Reports, have made it possible to lift the reserve in 2013. The shortcomings identified at the time have been largely addressed , although continued vigilance is necessary to ensure the required high level of security and protection of our staff and this in full respect of the procurement rules in force.

A low level of administrative errors was recorded at the level of ex-ante control. The results of the ex-post control show a level of material error well below the threshold of materiality.

In the framework of the 2012 discharge exercise, the Parliament granted in its resolution adopted on 3rd April 2014 the High Representative discharge in respect of the implementation of the budget of the EEAS for the financial year 2012. This followed the usual consultations between the EEAS, the Court of Auditors and Parliament.

## 2. POLICY ACHIEVEMENTS

### 2.1. A human resource policy that responds to the needs of a modern foreign service

Efficient human resources management is a key to the success of the EEAS. Certain HR requirements stem from the Council Decision that established the EEAS, others are justified in the interest of the service.

Important initiatives in support of efficient human resources management were:

- the implementation of the amended staff regulations;
- the preparation of a career development policy for AD grade staff;
- a new method to adjust annually the salaries of local agents in Delegations; and
- the conclusion of co-operation agreements for staff exchange programmes with different organisations creating opportunities for EEAS staff to familiarise themselves with other work environments, working practices etc.

### 2.2. Budget execution again satisfactory and agreement on simplification reached

The execution of the budget was satisfactory in 2014. Overall, the EEAS budget for 2014 of €518.6 million was executed at 31/12/2014 to 98.9 percent in commitments and 89.4 percent in payments. The rate of execution in payments will increase with payments made in 2015 on commitments carried over from 2014.

As stated in previous reports, the day-to-day budget execution in Delegations has been hampered by the fact that costs are shared between the EEAS and contributions from the Commission, with the Commission originating in both Heading IV and Heading V of the Commission's budget, as well as the EDF. The lack of equilibrium between the various budget sources has created serious difficulties to efficiently implement the budget. This situation will be partially resolved in 2015 following an agreement with the Commission to transfer to the EEAS budget the Commission's appropriations in respect of Delegations' common costs. For the time being EDF contributions are still managed separately.

### 2.3. Sustained initiatives in support of 'economy' and 'efficiency'

As the decision establishing the EEAS stipulates, *'unnecessary duplication of tasks, functions and resources with other structures should be avoided. All opportunities for rationalisation should be availed of'*.

Two good examples of rationalisation of scarce resources are 'co-location' and the sharing of information and reporting with Member States.

Co-location is the practice of sharing premises between EU Delegations and Member States' Embassies, cooperation offices and the offices of EU institutions and agencies. During 2014,

17 co-location memoranda of understanding were signed, bringing the total number of co-location arrangements to 50.

Sharing of information is another area where important efficiency gains can be realised. EU Delegations play a key role here, also because in many countries with EU Delegations only a few and in some cases not a single Member State Embassy is established. As an illustration, in 44 countries with an EU Delegation, fewer than 6 Member States are represented at Ambassador level. In most countries it has now become an established practice that reports (political reports, economic and trade reports etc.) of the Delegation are shared with Member States. The further development of the infrastructure for the secure exchange of information between Delegations and Member State Embassies will widen the scope for additional savings and enhanced efficiency.

### 3. MANAGEMENT OF RESOURCES

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 HRVP. It concerns:

- the reports prepared by (sub-delegated )Authorising Officers;
- the survey on compliance and effectiveness of Internal Control Standards;
- the reports produced in the framework of ex-post control supervision and/or audit;
- the reports of the support and evaluation missions carried out by the responsible Division;
- the opinion and the observations as reported by the Internal Audit Division (IAD);
- the observations and the recommendations reported by the Internal Audit Service (IAS); and
- the observations and the recommendations reported by the European Court of Auditors (ECA).

This section reports on the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives<sup>1</sup>.

#### 3.1. Management of human resources

At the end of 2014 the EEAS counted 3,478 staff members. 1,547 were employed at the EEAS Headquarters and 1,931 in Delegations. In addition, 3,447 Commission staff worked in Delegations under the authority of the Head of Delegation.

EEAS staff was made up of AD staff (945), AST staff (666), seconded national experts (407), contractual agents (347), local agents (1070) and junior professional in Delegations (43).

Effective management of Human Resources is particularly important given the unique characteristics of the EEAS (Headquarters and a highly decentralised worldwide network of almost 140 Delegations with a diverse staff composition and a rapidly changing environment). Human resources policies must therefore be adapted continuously, notably in terms of the allocation of staff resources, selection and recruitment, career framework and individual rights of staff.

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<sup>1</sup> 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 transactions, taking into account the multi-annual character of programmes as well as the nature of the payments (FR Art 32).

### ***Staffing management***

As in other EU Institutions, the EEAS must reduce statutory staffing levels by 1 percent annually during a period of five years in accordance with the Inter-institutional Agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management. This is equivalent to an annual reduction of 17 posts in the establishment plan. The cuts in 2014 concentrated on Headquarters in accordance with political priorities.

The DEVCO-led Workload Assessment in Delegations (WLAD) and the EEAS-led Zero-Based Review (ZBR) continued to be implemented in Delegations in 2014. This has necessitated the retrenchment of 117 local agents, i.e. 68 local agents under the WLAD and 49 local agents under the ZBR. As a result of these two initiatives the distribution of human resources is now better in line with the workload and political priorities.

Following the reform of the staff regulation, a new function group 'SC' was introduced for secretaries. Of the current AST population, 23 percent of posts were transformed into SC posts. However the existing AST jobholders concerned will remain in the AST category.

### ***Recruitment/selection/mobility/rotation***

The annual 2014 mobility exercise for AD grade officials involved 89 AD EEAS staff. For the AST group the mobility was voluntary and involved 30 staff. For the 2014 rotation exercise a total of 1,058 persons applied generating 4,587 applications for 161 posts. While merit is the main guiding principle in the rotation/mobility decisions, special attention is given to candidates who have never served in Delegations, to mobility between regions and to double postings for family reunification reasons.

The target that at least one third of EEAS AD staff should be Member States' diplomats was reached in 2013. Moreover, it should be noted that the 12 Member States that joined the EU since 2004 now account for 18% of AD EEAS staff (HQ plus Delegations), approaching the share of these Member States per the population of the Union.

In accordance with the Council Decision establishing the EEAS, from 1<sup>st</sup> July 2013 recruitment was opened to permanent officials from other EU institutions. This led to the recruitment of staff from the European Parliament, the Economic and Social Committee and from the Ombudsman.

The new voluntary staff mobility exercise for Delegations' contractual agents attracted 12 candidates, of which 11 were transferred to another Delegation and one returned to Headquarters. The 2015 mobility exercise for contractual agents was launched towards the end of the year.

### ***Seconded national experts (SNEs)***

The management of SNEs was simplified; their working conditions are now much closer to those of the rest of the EEAS staff.

### ***Junior Diplomats (JDs)***

A new secondment system for junior diplomats, i.e. diplomats with less than three years of professional experience in a Foreign Service, was developed. The junior diplomats are

seconded for a maximum period of 12 months. The secondment provides junior diplomats with an opportunity to familiarise themselves with the working methods of the EEAS and the decision making process of EU institutions in the field of external relations.

### ***Junior Professionals in Delegations (JPDs)***

The Young Experts in Delegation scheme was replaced by the new structure of Junior Professionals in Delegations (JPDs), managed by the EEAS.

In 2014 the EEAS recruited 43 JPDs for Delegations, out of a total of 83 JPDs. The remaining 40 JPD posts were assigned to the Commission.

### ***Exchange programs***

The EEAS signed cooperation agreements with 7 organisations, namely the African Union Commission, the College of Europe (Bruges), the Department of State of the United States of America, the European Parliament, the Australian Department of Foreign Affairs and Trade, the General Secretariat of the League of Arab States and the National Public Administration School from Poland (KSAP).

Within the framework of exchange programmes, the EEAS received diplomats from New Zealand, Switzerland, the United States of America, the African Union, the European Parliament, the Gulf Cooperation Council, the French Ecole Nationale d'Administration (ENA), the KSAP and a student from a Canadian University.

### ***Career policy***

As in previous years, the annual appraisal exercise and the promotion exercise were conducted as two separate exercises. The appraisal exercise was concluded in the first half of the year. The promotion exercise led to the promotion of 276 EEAS officials.

The EEAS 'Reclassification exercise for temporary agents' was concluded with the reclassification of 52 temporary agents.

Two consecutive reclassification exercises for contract staff were conducted in 2014. The 2013 reclassification exercise resulted in the reclassification of 22 contract agents, while the 2014 reclassification exercise concluded with the reclassification of 31 contract agents.

The appraisal tool for local agents, introduced in 2013, was further improved in 2014. In total 354 local agents were promoted.

### ***Training***

The EEAS offered 9,418 days of training to staff at HQ and in Delegations and 2,879 participants registered for training, representing an increase of 22% as compared to 2013. The participation of Delegation staff members decreased due to missions' budget constraints.

Cooperation with Member States was enhanced by opening 40 EEAS seminars to their participants.

### ***Rights and obligations***

Following the entry into force of the new Staff Regulations on 1<sup>st</sup> January, a number of changes in respect of individual rights, in particular for staff in Delegations, were implemented. This concerned inter-alia rules on removal, the taking up duty flights, leave days, and the establishment of living condition allowances and rest leaves. A new method was introduced for fixing the living conditions allowances and the granting of rest leave.

A new salary revision method for local agents was adopted in 2014. 183 new salary grids for 123 of the 139 delegations were approved, reducing an existing backlog. As a result good progress was made towards the objective of one salary review per year for each Delegation.

Finally, important improvements were introduced in the range of healthcare services covered by the complementary sickness insurance system for local agents (CSISLA).

### ***Social dialogue***

Following the entry into force of the amended Staff Regulations, the Administration engaged in a renewed social dialogue, with more than 20 meetings held at various levels. The ensuing dialogue contributed to the quality of the decision-making process and facilitated the phasing in of important human resources policies, such as the mobility for contract agents or the new career policy for AD grade staff.

For a number of matters impacting staff in delegations (such as the new salary method for local agents, the new methodology to fix living conditions allowances, the evacuation decision, etc.), the social dialogue was conducted in close co-ordination with the Commission. Joint participation in plenary sessions were organised periodically by the Commission's Local Staff Committee 'Outside EU' together with the EEAS Staff Committee, this also contributed to a harmonised approach and to the alignment of the HR policy of the two institutions.

### ***Other areas***

In October, a Framework Agreement was signed between the United States Department of State and the European Commission/the EEAS on the provision of assistance in respect of the medical evacuation of Ebola virus disease-infected patients. This framework agreement provided reassurance to expatriate staff members in Delegations that they would be evacuated to Europe in case of need.

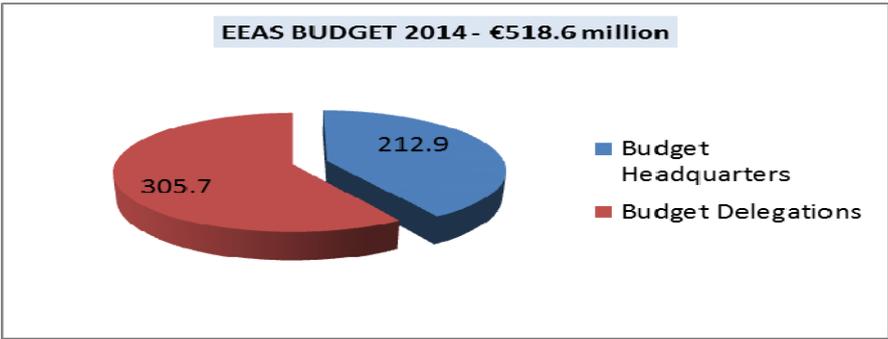
## **3.2. Management of financial resources.**

### **3.2.1. Implementation of the administrative budget**

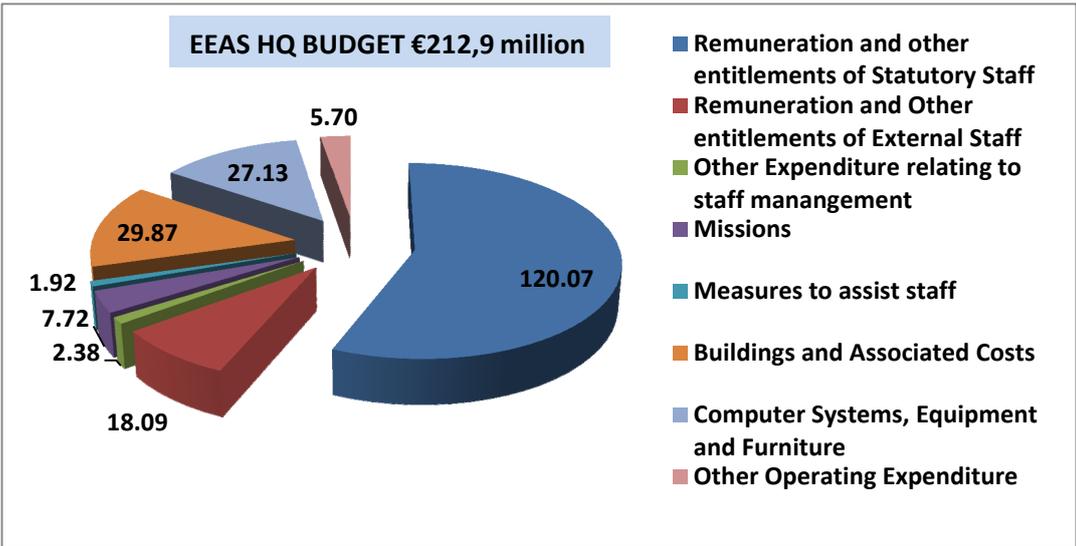
The draft budget for 2014 presented to the Budget Authority requested an amount of €529.6 million, representing an increase of 4.1% compared to the budget of 2013. This increase was considered necessary, notably to deal with increasing salary costs in accordance with the adaptations foreseen by the Commission since 2011, to cover increasing security costs and higher inflation outside of the EU.

A budget for the year 2014 of €518.6 million representing a 1.9% increase compared to 2013 was approved by the Budget Authority. The Budget Authority decided to take out of all institutions budgets the appropriations to cover salary adaptations pending the Court of Justice's ruling on the interpretation of the Staff Regulations on this point. Adjustments resulting from the reform of the Staff Regulations, notably its Annex X, were also included in the approved budget through an Amending Letter.

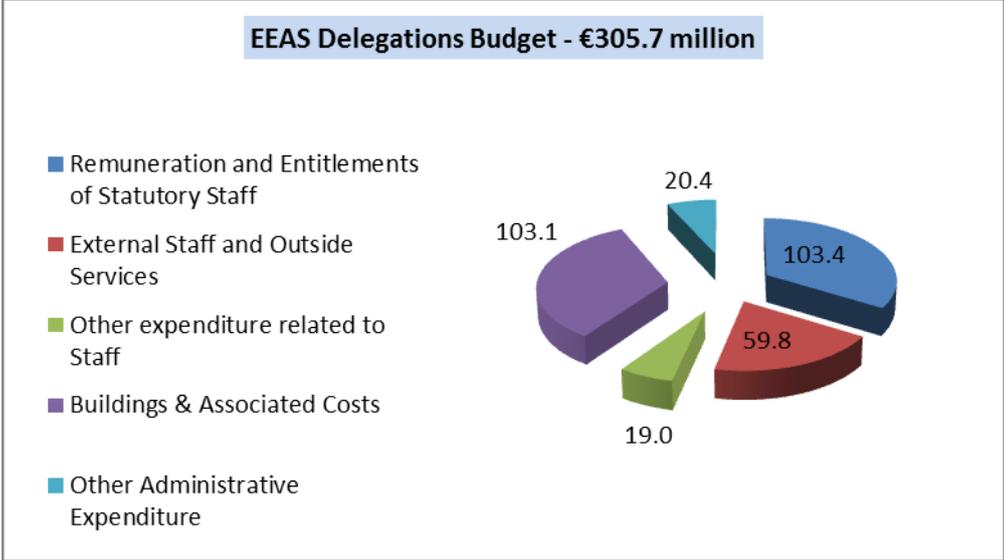
The budget of €518.6 million was split between Headquarters and Delegations as follows:



At Headquarters 65% of the budget (€138.2 million) was for salaries and other entitlements of statutory and external staff. Other significant costs in the budget at Headquarters relate to buildings and associated costs (14% or €29.9 million) and computer systems (including classified information systems), equipment and furniture 12.7% or €27.1 million:



The Delegations' budget of €305.7 million was divided between €103.4 million (33.7%) for the remuneration and entitlements of statutory staff, €59.8 million (19.6%) for external staff and outside services, €19 million (6.2%) for other expenditure related to staff, €103.1 million (33.8%) for buildings and associated costs and €20.4 million (6.7%) for other administrative expenditure.



In addition to the EEAS budget, a contribution of €271 million (excluding assigned revenues) was received from the Commission to cover the administrative costs of Commission staff working in Union Delegations. This was split between the Commission's Heading V, the administrative lines of operational programmes (ex-BA lines) and the European Development Fund (including €7.8 million of carry-over from previous years).

As in previous years, implementation of the budget of the EEAS continued to be a challenging exercise, particularly in relation to those Delegations where costs are shared between the EEAS and contributions from the Commission. The Commission contribution to the Delegations' administrative budget was spread over 33 different lines originating in both Heading IV and Heading V of the Commission's budget as well as the EDF. The lack of equilibrium between the various budget sources created serious difficulties to implement the budget, particularly in relation to shared costs in the Delegations such as the rent of buildings and security services which relate to both EEAS and Commission staff. This situation will be partially resolved in 2015 with the transfer to the EEAS budget of the Commission's appropriations in respect of Delegations' common costs, with the exception of the share financed by the EDF.

The execution of the budget for 2014 included the retroactive salary adjustment for 2011/2012 which was finally decided in early 2014. The payment of this, without an amending budget, was made possible by the frontloading of 2014 expenditure in 2013 and by careful management throughout the year.

As in 2013, efforts were made to maximise execution by anticipating as far as possible expenditure which would otherwise have to be paid in 2015. This was possible due to the

measures taken in 2013 to provide margins which exceeded the anticipated needs in relation to retro-active salary payments in 2014. These measures were again necessary in 2014 to cover anticipated shortages in 2015 as a result of the recent fall in the value of the Euro against other major currencies.

At times the availability of appropriations on certain budget lines was inadequate to deal with the actual expenditure on those lines and this has necessitated transfers either from Title to Title, Chapter to Chapter, or from Article to Article and also within articles. The budget authority was informed of the intended transfers on two occasions in accordance with Article 22 of the Financial Regulation. In absolute terms, the value of all transfers made within the EEAS administrative budget amounted to €12.8 million. Some carry overs were made in accordance with Article 13(2)(a) of the Financial Regulation after the Budget Authority had been informed (€1.65 million for the purchase of a residence in Albania and €2.3 million related to secure communications).

Some difficulties in budgetary execution were also encountered with the Commission's contribution to the administrative costs of the Delegations on ex-BA lines. In particular it was necessary to reinforce the ex-BA budget line 21.010401 (€2.58 million). This reinforcement was funded by internal transfers from the lines 21.010402 (€2.52 million), 21.010403 (€0.03 million) and 21.010404 (€0.03 million).

No difficulties were encountered with the execution of the Commission's contribution under Heading V. On the contrary, thanks to the front loading carried out in 2013 it was possible, at the request of DG BUDG due to an emergency situation connected with the evacuation of staff from certain buildings in Luxembourg, to return €4.49 million. In addition, some internal transfers for a value of €395,000 were made within the Commission's Heading V with a view to maximising the overall budgetary execution.

The final budget for EEAS HQ, after transfers, but excluding assigned revenues, amounted to €214.5 million. The execution in commitments as at the end of the year amounted to €210.8 million or 98.3% and in payments to €188.5 million or 88%.

The final EEAS budget for the Delegations, after transfers, but excluding assigned revenues, was €304.1 million. The execution commitments as at the end of the year was €301.9 million or 99.3 % and in payments to €274.9 million or 90.4%.

Overall, at the end of the year the EEAS 2014 budget of €518.6 million was executed at 98.9 % in commitments and 89.4% in payments. The rate of execution in payments will increase with payments made in 2015 on commitments carried over. In addition, carry-overs of appropriations amounting to €3,967 million were made under Article 13(2)(a) of the Financial Regulation for commitment in 2015. If fully committed in 2015 this would bring the rate of execution in commitments to 99.6%.

Furthermore, assigned revenues received during 2014 generated an additional €6.7 million in appropriations on EEAS budget lines. Of this, just €47,000 (1%) was committed and €46,000 paid in 2014. The remainder of €6.6 million will be carried over to 2015.

During 2014, assigned revenues carried over from 2013 of €5.6 million were also available on EEAS budget lines. At the end of 2014 commitments of €5.54 million (99%) had been made with payments amounting to €4.66 million (83%). The rate of execution in payments will

increase with payments made in 2015 on commitments carried over.

In total the EEAS has – during year 2014 – implemented a budget (from the EEAS and from the Commission) in commitment appropriations of €808 million with an implementation rate of 97.1% and in payment appropriations a budget of €896.6 million with an implementation rate of 86.2%.

### **3.2.2. Accounting function and information**

The EEAS, as a separate institution, is responsible for the preparation of its own accounts which are the subject of a discharge procedure similar to that of the Commission. The Accountant of the Commission is the nominated Accountant of the EEAS and the largest part of the accounting functions of the EEAS is de facto implemented by the services of the Accountant (DG BUDG).

The accounting correspondent for the EEAS works in close co-operation and co-ordination with the Accounting Officer services of DG BUDG. He also provides accounting assistance to the Delegations and act as an interface between the Delegations and DG BUDGET for the development and improvement of the ABAC<sup>2</sup> tools. The accounting correspondent for the EEAS also executes the actions required in the context of the year end procedures.

During the year the Court of Auditors raised no material observations on the accounts of 2013 and the Budget Authority gave a favourable discharge on the execution of the 2012 budget.

Continued efforts were maintained to contain the balance and number of outstanding open entries of the suspense accounts (also called "Hors budget" (HB) accounts), used in particular by Delegations. The use of suspense accounts in Delegations is necessary due to the nature of certain transactions, in particular: the retention of local taxes; social security contributions deducted from local staff salary payments; and the accounting for Value Added Tax reimbursable by the host country.

It is worth underlining that during year 2014 the actions foreseen by Internal Audit Division report 'Review of the Management of Suspense Accounts' (2011) were fully implemented.

The new procedure for a monthly automatic clearing of the open HB entries, introduced late in 2013, was applied throughout the year thus improving efficiency in the clearance of entries on these accounts. In addition, during the year 2014 the EEAS strengthened its accounting capacity following the decision to transfer the clearing process from DG BUDGET to EEAS MDR A1, the EEAS Budget Division. In fact, as from 1<sup>st</sup> November 2014, the clearing of Delegations' suspense accounts in SAP<sup>3</sup> is now done by a team of MDR.A1. As a result the number of outstanding entries was reduced to 40,398 at the end of the year, an improvement of 32.5% as compared to the end of 2013. Furthermore, the number of "overdue" items was reduced to 7,094 or 16.1% less as compared to end-2013.

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<sup>2</sup> ABAC refers to 'Accruals Based Accounting', the software package used for accounting by the EU Institutions.

<sup>3</sup> Systems, Analysis and Program Development, a software package used to manage business accounting processes.

The accounting information for the EEAS has been compiled in close co-operation between the Finance & Corporate Support function of the EEAS and the Accounting Officer's (DG BUDG.C) services.

Concerning the provisional annual accounts of the EEAS for the financial year 2014, the Accounting Officer concluded that the risk of material misstatement as a result of fraud in the 2014 EEAS financial statements has been mitigated (see Annex 4).

### **3.2.3. Control effectiveness as regards legality and regularity**

Internal EEAS control processes must ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multi-annual character of projects as well as the nature of the payments concerned. The control objective is to determine that the material error rate does not exceed 2% on an annual basis.

### **3.2.4. Ex ante control function and results**

The EEAS authorising officer has put in place financial circuits which incorporate 3 main functions: authorising officer, financial officer and desk officer (operational). Applying the 4-eyes principle means that every transaction has to be dealt with by at least two people.

Moreover, the person dealing with the verification cannot be subordinated to the initiator of the transaction. The verifying agent's role is to verify whether the operation is legal, regular and compliant with the principle of sound financial management; he cannot modify the operation that has been initiated. He must ensure that all tasks have been carried out correctly in conformity with the requirements of the Financial Regulation, the Implementing rules, and other sectorial rules in force.

Two ex-ante verification modes are in place in the EEAS:

- For financial transactions made in Delegations or at Headquarters for internal payments (staff entitlements, payments for services provided under service level agreements) the ex-ante verification is assured by the financial cell of the operational divisions; and
- For transactions in relation to the provision of goods and services at Headquarters, in particular real estate, informatics and security, the Contracts Division (MDR A2) ensures the ex-ante verification. It concerns an additional ex-ante verification function (independent from the Operational Divisions), introduced with a view to enhancing the quality of the processing.

During 2014 a total of 1,224 (transactions) budget commitments, amounting to €116.8 million, were the subject of ex-ante financial verification by the MDR A2 Division. Of these transactions 224, amounting to €26.4 million, had anomalies. The average rate of anomaly during 2014 was therefore 18% in number and 23% in amount. These anomalies concern matters such as respect of contractual obligations, availability of supporting documents, eligibility of expenditures, use of correct budget line etc.

During 2014 a total of 2,099 payments, amounting to €131.7 million was the subject of ex-ante financial verification audit by the MDR A2 Division. The average amount of each transaction verified amounted therefore to €62,743. Of these transactions 346, amounting to €24.2 million, had anomalies. The average rate of anomaly during 2014 was therefore 17% in

number and 18% in amount.

The rate of anomalies of transactions (commitments and payments) subject to financial verification was 18% in 2014 demonstrates the utility of ex-ante verification. Reducing the rate of anomalies requires a concerted training effort for all financial actors, and due priority has also to be given to ensuring business continuity in Operational Divisions, i.e. back-up staff have to be sufficiently trained to maintain controls in the absences of other staff.

The number of transactions subject to ex-ante verification by MDR A2 has grown steadily since 2011, even though a slight decrease was recorded in 2014. In 2014 the number of transactions verified amounted to 2,266, a decrease of 2.5 percent as compared to 2013. This decrease was a direct result of the introduction of 'lump-sum' payments in respect of the travel costs of staff changing their place of work. This has caused a decline in the number of transactions to be verified by MDR A2 by about 600.

### **3.2.5. Delegation support and evaluation and ex-post control function and results**

The EEAS 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 determine that the material error rate does not exceed 2% annually.

In September 2014 the Delegation Evaluation and Support Service and the Ex-Post Control Division were merged to form an Evaluation Division. The ex-post control function therefore now forms a part of the Evaluation Division. This was in order to have a comprehensive management information tool reporting to the Secretary-General which covers both: the requirements of article 5.5 of the Council Decision establishing the EEAS whereby "the operation of each Delegation shall be periodically evaluated by the Executive Secretary-General of the EEAS"; and article 66.9 of the Financial Regulation to provide information to the Authorising Officer by Delegation allowing the reporting "to his or her institution on the performance of his or her duties in the form of an annual activity report containing financial and management information... declaring that, except as otherwise specified in any reservations related to defined areas of revenue or expenditure, he or she has reasonable assurance...".

This new Division combines the qualitative-oriented approach of the former Delegation Support and Evaluation Service with the quantitative-oriented approach of the former Ex-post Control Division.

#### ***Ex-post control function and results***

The complete final results of the ex-post controls are set out under Annexes 4 and 5.

The material error rate is below the 2 percent material error threshold, above which a reservation may be given.

#### ***Evaluations of EU Delegations***

In 2014 the Evaluation Division carried out evaluations of 29 Delegations (Guinea Bissau, Mali, Senegal, Gambia, Pakistan, Bangladesh, Gabon, Congo, Morocco, Algeria, Jordan, Japan, South

Korea, Guatemala, Cuba, Hong-Kong, Taiwan, Israel, West Bank and Gaza Strip, Strasbourg, Uruguay, Paraguay, Haiti, Dominican Republic, Belarus, Armenia, Uganda, Chad, Dominican Republic).

Ten evaluation missions had to be postponed for budgetary and staffing reasons or reasons outside of the control of the Division, e.g. the situation in the Ukraine.

In its evaluations the Division covers the following three main areas:

- the implementation of and contribution to EU policies by EU Delegations, falling within the remit both of the EEAS and the Commission;
- the use and management of resources across all areas of activity, in relation to the objectives and responsibilities of the Delegation. This includes all staff irrespective of their origin, interaction with EEAS and Commission services in HQ and the general management environment in the Delegation; and
- the financial management and administration - this is for both Delegations and EEAS HQ Divisions.

The effective application of procurement rules and procedures remains a major challenge for Delegations. With a view to ensuring greater coherence and easier access to specific information much emphasis was given to facilitating access to relevant information, such as the finalisation of the Delegations' guide, and to dedicated training support.

In addition to the evaluation reports, which are short and action orientated, the missions of the evaluation team result in an operational and binding 'Action Plan' for each Delegation.

These action plans are adopted by the EEAS. Before their adoption in final form, the Action Plans are subject to the agreement of the Commission whenever there are budgetary or organizational implications for that Institution. The action plans are binding once established as final and there is a follow-up as to their implementation.

### **3.2.6. Control efficiency and cost-effectiveness**

Control activities in the EEAS are targeted at the prevention and detection of inaccuracies, irregularities and fraud. The EEAS has devoted adequate resources to ex-ante, ex-post, and internal audit functions while control is also exercised at operational level both in Delegations and at Headquarters.

In a strict sense, the benefits of control can be measured in the amount recovered by ex-post control. In terms of cost efficiency, the figures show a positive return for ex-post control activities. However, a complete picture of the resources invested by EEAS in control related activities has to include ex-ante control, Delegation evaluation and internal audit functions. Furthermore, the calculation must include estimates of the time devoted by all concerned officials and local agents in Delegations to activities that incorporate an element of control.

The total cost of control for 2014 is estimated to amount to €30.6 million. The details of this estimate are explained in the table below.

It is important to underline that the benefits of control can in no way be gauged in purely monetary terms. Most EEAS control activities aim at assuring respect of EU rules and regulations. Their existence constitutes an important factor in the prevention and deterrence of fraud. Controls are also aimed at reducing the impact of accidental errors, irregularities, miscalculations, etc. The existence of the control system in its broadest sense is therefore to

be seen essentially as a prevention, detection and deterrence system.

	2013				2014			
	FCT	AC	Missions & other costs	Total	FCT	AC	Missions & other costs	Total
Ex-post control	€ 1,452,000	€ 140,000	€ 207,407	€ 1,799,407	€ 2,398,000	€ 140,000	€ 444,041	€ 2,982,041
Delegation Evaluation and support	€ 1,848,000		€ 193,667	€ 2,041,667				
Ex-ante control	€ 1,320,000	€ 210,000	€ 200,000	€ 1,730,000	€ 1,320,000	€ 210,000	€ 200,000	€ 1,730,000
Internal Audit	€ 660,000			€ 660,000	€ 660,000			€ 660,000
HQ	€ 1,584,000	€ 420,000	€ 250,000	€ 2,254,000	€ 1,584,000	€ 420,000	€ 250,000	€ 2,254,000
DEL <sub>1</sub>	€ 23,380,000			€ 23,380,000	€ 23,046,000			€ 23,046,000
<b>TOTAL</b>				€ 31,865,074				€ 30,672,041
1								
1 AD per 140 DEL 200000€/y at 15%					1 AD per 138 DEL 200000€/y at 15%			
1 AST per 140 DEL 200000€/y at 50%					1 AST per 138 DEL 200000€/y at 50%			
1 AL per 140 37000€/y					1 AL per 138 37000€/y			

### 3.2.7. Fraud prevention and detection

#### 3.2.7.1. Relations with OLAF

Co-operation with OLAF continued as in previous years. Ongoing and new cases have been followed-up as appropriate in close co-operation with the Commission's services.

In 2014 the EEAS, DG DEVCO, DG ELARG and FPI finalised a common anti-fraud strategy for EU external relations for the period 2014 to 2015. This document builds upon a common strategy and sets out specific strategies and action plans for each of the participating services. The document was shared with all staff.

The effective implementation of control mechanisms already in place (ex-ante, ex-post and internal audit capabilities) is key in the prevention of fraud. Emphasis is thereby given to raising awareness and making available appropriate training opportunities.

The discussion on a new administrative arrangement between OLAF and the EEAS continued in 2014. The new administrative arrangement takes into account the new OLAF regulation that entered into force towards the end of 2013. The agreement was finally signed in early 2015.

#### 3.2.7.2. The setting up of a Financial Irregularities Panel

The EEAS signed in 2012 an amendment to the SLA with DG HR, under which the Financial Irregularities Panel of the Commission should be entrusted with EEAS cases, if any. No cases have been submitted since 2012.

## 3.3. Assessment of audit results and follow-up of audit recommendations

### 3.3.1. Internal audit function

#### *Internal Audit Division*

As foreseen by the Council Decision establishing the organisation and functioning of the EEAS<sup>4</sup>, an internal Audit Division has been set up in the EEAS. The mission of the Internal Audit Division is to assist senior management with independent, objective assurance and consulting services mainly to evaluate and improve the effectiveness of governance, risk management and control processes. To ensure independence vis-à-vis operational Divisions/Departments, the Division F1 reports directly to the Secretary-General.

Assignments of the Internal Audit Division cover the activities of the EEAS in relation

- to the management and control risks;
- to the monitoring of control systems, including financial, operational and management controls; and
- to performance assessment.

#### *The Internal Audit Service of the Commission*

As set out under the Financial Regulation, the Internal Auditor of the Commission (IAS) assumes the same function for the EEAS. An internal audit charter was signed for this purpose on 6<sup>th</sup> September 2011. Its audit scope includes all of the relevant departments in the General Secretariat of the Council and in the Commission which have been transferred to the EEAS with effect as from 1<sup>st</sup> January 2011.

It should be noted that the policymaking is clearly outside of the scope of the IAS.

### 3.3.2. Results from audits during the reporting year

#### 3.3.2.1. Internal audit division

Audits and consultancy activities of the Internal Audit Division (IAD) have been focused on the three following activities in 2014:

- Consultancy on the optimisation of the functioning of the administrative sections in Delegations (2013/2014). The report provide an overview of the different options for the

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<sup>4</sup> Council Decision of 26 July 2010 (2010/427/EU), Article 4.3(b).

improvement of both the organisation and the key management processes according to the different possible levels of implementation (local/regional/headquarters), while focusing in particular on the financial aspects of such a reform (financial circuits, functioning of the imprest accounts);

- An audit on the video-surveillance in the EEAS Headquarters buildings and the compliance with the data protection rules. The objective of this compliance audit was: to (i) verify that there is a documented and up-to-date video-surveillance policy in place and that this policy complies with the data protection legal framework; and (ii) check that the organisation is in fact operating in accordance with its policy.

A Satisfactory Opinion with Qualifications was expressed. All of the recommendations (4 classified "Important" and 1 classified "Very Important" on the security measures to protect the data) have been accepted by EEAS management.

- A financial audit on the management of payments, as from January 2011, relating to contracts with a specific security company.

The objective of this audit is to provide the EEAS with a reasonable assurance that the internal control system in place works properly and adequately. This reassurance should identify any matters that would enable further strengthening of controls by the authorising services in their dealings with third party contractors. The field work started in September 2014 and the final report is expected for June 2015.

### **3.3.2.2. Commission Internal Audit Service (IAS)**

During 2014 the IAS carried out two audits on the following subject:

- Audit on the budgeting process in the EEAS;

The objective of this audit engagement was to assess the process of establishing the EEAS budget with the principles of the Financial Regulation, effectiveness and efficiency taking into account the complex budgetary structures for the expenditure in Delegation.

Based on the results of their audit, the IAS has concluded that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives for the budgeting process, except for two issues (governance/policy steering, simplification of the budget structure) for which very important recommendations have been made.

These recommendations and two other recommendations classified "important" have been accepted by EEAS management.

- Audit on the recruitment and management of Seconded National Experts (SNEs) in the EEAS;

The main objectives of this audit were: to assess the design of the underlying processes implemented to recruit and manage SNEs, their effectiveness and also the compliance with the Decisions establishing the rules applicable to National Experts seconded to the EEAS.

Four recommendations have been made and accepted by EEAS management. The IAS

concluded that management should be strengthened regarding SNE Strategy and on the matter of 'conflict of interests' and 'security'.

### **3.3.2.3. European Court of Auditors (ECA)**

Following the DAS Audit 2013, the Court of Auditors published its observations in the 2013 Annual report of the Court of Auditors. The Annual Report recommended that for the correct calculation of family allowances further steps should be taken with a view to ensuring that staff provides documents on their personal situation on a regular basis. Initiatives were taken to remind staff of their obligation to provide duly updated and timely information.

The Court of Auditors launched in 2014 the DAS Audit 2014 and an additional audit into the management of buildings of the EEAS. This audit is ongoing.

### **3.3.3. Follow up of audits from previous years**

#### **3.3.3.1. Internal audit division**

As of 31<sup>st</sup> December 2014, 6 audits carried out by the Internal Audit Division before the setting up of the EEAS, with recommendations classified "Very important" and "Important" from an audit point of view, have been closely monitored by all of the Divisions concerned. Most of the recommendations have been followed and implemented.

Since the setting up of the EEAS, audits and consultancy activities of the Internal Audit Division (IAD) have been focused on two consultancy activities and one audit:

- Consultancy on a risk management framework for the EEAS (2011);
- Support to the Human resources screening exercise at Headquarters (2011/2012); and
- Audit on the management of the Service Level Agreements (SLAs) with the EC and the GSC (2012/2013).

Due to the wide scope of services covered by this audit, it was agreed to share the work by business area between the IAS (IT & Infrastructures) and the IAD (all the other services including the services provided by the EEAS to the EC and the GSC).

On the basis of the objectives and scope of this audit, the IAD and the IAS consider that the internal control for managing SLAs provides reasonable assurance regarding fulfilment of the objectives set for the SLAs. These two favourable audit opinions are however accompanied by reservations regarding several issues for which "very important" recommendations have been made.

For the SLAs audited by the IAD, 17 recommendations (important & very important) have been made and 16 have been accepted by the EEAS' management for which an action plan was drawn up. All the recommendations should be implemented no later than 1st quarter 2015.

Four recommendations (important and very important) have been also made by the IAS and accepted by EEAS management on the SLAs with the EC in the area of IT and infrastructure.

During the first half of 2015, the Internal Audit Division (IAD) will assess the level of implementation of its recommendations.

### **3.3.3.2. European Court of Auditors (ECA)**

During 2014 there were no reports and conclusions from the Court of Auditors that had a material impact on the EEAS.

In the Declaration of Assurance 2013, which was presented in 2014, there were no material errors reported and the error rate of the EEAS is well below acceptable levels.

The observations and conclusions made by the European Court of Auditors have been followed up internally by EEAS management.

## **4. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS**

The EEAS applies internal control standards, based on international good practice, which aim at achieving clearly defined policy and operational objectives. As regards financial management, compliance with these standards is compulsory.

The organisational structure and the internal control systems in support of achieving policy and control objectives is coherent with these standards and the risks associated with the environment in which the EEAS operates are duly taken into account.

### **4.1. Internal Control Standards and Financial circuits in HQ**

#### **4.1.1. Internal control standards**

The effectiveness of the internal control standards was assessed via an internal survey addressed to the management of the EEAS at the end of 2014. The survey's main objective was to assess the implementation of the EEAS' internal control standards and from the findings of this to draw-up a comprehensive action plan for implementation in 2015. The survey adopted a 'top-down' approach with regard to the ICS compliance of the control arrangements in place. Furthermore, the 'bottom-up' information on internal control issues obtained from AOSD Management Reports has been checked for confirmation or counter-indications.

Enhancing the effectiveness of the EEAS's control arrangements in place, by taking into account any control weaknesses reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

The general result of this assessment leads to the conclusion that the EEAS implements the internal control standards effectively. However, and in order to improve the application of these standards, measures will be taken to further improve the efficiency of internal control systems in the area of 'Business continuity'.

The results of the 2014 self-assessment of the ICS are detailed below:

Results on the 2014 EEAS review on		
Internal Control Standards for effective management / questions to measure compliance and effectiveness of the standard in the Service	Answers received from the MD	
	Complied with	
	Yes	No
<b>ICS1. Mission: Your Services (MD, Directions and Divisions) have up-to-date mission statements which are linked across all hierarchical levels and made known to staff.</b>		
1. Are the mission statements up-to-date and sufficiently instructive?	81%	19%
2. Are staff aware of the EEAS, their MD, Directorate's and Division's mission statements?	88%	13%
<b>ICS2. Ethical and Organisational Values: The EEAS ensures that his /her staffs are aware of relevant ethical and organisational values and the associated rules and procedures. In particular staffs are made aware of the necessity to avoid conflicts of interest and the procedure to manage such situations should they arise, the rules regarding whistleblowing and the procedure to report fraud and irregularities. A solid and targeted antifraud strategy is organised at EEAS level.</b>		
3. Are staffs sufficiently aware of the different requirements and provisions concerning ethics and integrity?	94%	6%
<b>ICS4. Staff Appraisal and Development</b>		
4. Staff performance is appraised according to rules and instructions set by the EEAS. As part of the appraisal dialogue and report, the learning and development needs of staff are discussed and recorded.	100%	
5. Managers support staff in developing knowledge and competencies useful for their job and career. Learning and development needs are defined on the basis of the policy goals of the EEAS and the staff profiles needed to reach those goals. The definition of needs respects the strategy, guidelines and instructions issued by the central services.	94%	6%
<b>ICS9. Management Supervision: Management supervises the activities they are responsible for. They keep track of main issues and ensure the follow-up of accepted audit and other recommendations e.g. linked to interval evaluations and reviews. Management supervision covers both legality and regularity aspects and operational performance and includes supervision of external bodies entrusted with the budget implementation tasks.</b>		
17. Are the supervisory activities sufficiently focused on high-risk areas?	94%	6%
18. Is there systematic follow-up of significant issues identified through the supervisory activities?	94%	6%
19. Do management have satisfactory evidence that key controls in place are operating as intended in practice (for example via the results of supervisory activities, audits, investigations and other relevant sources of information)?	88%	13%
<b>ICS10. Business Continuity: Adequate measures -including handover files and deputising arrangements for relevant operational activities and financial transactions -are in place to ensure the continuity of all service during "business-as-usual" interruptions (such as sick leave, staff mobility, migration to new IT systems, incidents, etc.).</b>		
20. Continuity of Service (Business-As-Usual): Are the EEAS's procedures to ensure continuity of service (handover arrangements, backup procedures, etc.) sufficiently known, readily accessible (in particular to new staff) and applied in practice?	88%	13%
21. Business Continuity Plan: Are management and relevant staff sufficiently aware and appropriately trained regarding the BCP? Do they know what to do in the immediate response to major disruption in order to minimise the risks to staff and assets? Is the BCP easily understandable and readily accessible to those who need it when they need it?	44%	56%

#### 4.1.2. Financial circuits at Headquarters

The EEAS, represented by the High Representative for Foreign Affairs and Security Policy, performs the duties of authorising officer in accordance with Article 65(1) of the Financial Regulation. The powers of authorisation have been delegated, in accordance with the Decision on the Rules of Application on the implementation of the Budget, to the Chief Operating Officer who in turn has the possibility to sub-delegate those powers to Managing Directors, Directors, Heads of Delegation and Heads of Division. In practical terms the budget is implemented at an operational level by the Heads of Division at Headquarters and by the Heads of Delegations throughout the network of Delegations.

For the purpose of its administrative budget implementation, the EEAS has adopted the following financial circuits at Headquarters:

- **EEAS STANDARD:** This is a fully de-centralised model with all operations, including operational and financial initiation and verification, taking place within the line manager's services. The operations processed using this circuit are those consisting of provisional commitments/de-commitments, accounting regularisations and payments to members of staff.

- EEAS STANDARD A2: Also de-centralised model with all operations, including financial and operational initiation, and operational verification, taking place within the line manager's services. However this model also contains an ex-ante financial verification which is carried out by a service independent of the line managers' services. This model is used in respect of procurement operations and/or payments to external service or goods providers.
- EEAS 'EXTRA LIGHT': - This is a fully de-centralised model with all operations, including operational and financial initiation and verification, taking place within the line manager's services. It is used in particular for low risk operations, for example the payment of mission expense claims which have been examined by the PMO for conformity with the mission guide and for other payments to EEAS staff members.

At Headquarters, the financial circuits are operated entirely by EEAS staff.

During year 2013, DG BUDGET performed an audit intended to evaluate the EEAS' financial system in conformity of Art.68(1)(e) of the financial regulation which foresees a validation process by the Accounting Officer of the financial system of the Institution.

The report, finalised in 2014 (Ares(2014) 333426 – 11/02/2014) concluded that, apart from some specific issues, the financial management system of the EEAS meets the validation criteria as laid down by the Accounting Officer. Moreover the validation team has recognised the continuous efforts made by the EEAS to improve controls. It was also noted that the accounting environment of the EEAS has particular difficulties, due to its wide scope and complexity.

A number of issues (9 in total) were identified that are currently being followed up in the framework of an action plan. It should be noted that the recommendation concerning the systematic use of provisional (global) commitments in Delegations is not agreed by the EEAS. If implemented, the number of budgetary commitments (about 5.000 currently) to be managed by the Delegations could quadruple. It has therefore been decided that the use of the current system of provisional commitments will be maintained. In due course, an amendment to the Financial Regulation could be proposed with a view to recognising the particular situation of EU Delegations.

## 4.2. Internal Control Standards and Financial circuits in Delegations

In order to establish a coherent framework of internal control in Delegations, and as agreed between the EEAS and the Commission, the Internal Control Standards (ICS) for effective management are also applied by Delegations.<sup>5</sup>

In order to assess the compliance and the effectiveness of the Internal Control Standards Delegations participate in an annual survey launched by the EEAS Headquarters. For this purpose, an online questionnaire was launched in October 2014. The questionnaire was developed by the EEAS in consultation with DG DEVCO and was integrated into the e-DAS application for the preparation of the Declaration of Assurance for administrative

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<sup>5</sup> Communication of the Commission on the revision of ICS and underlying framework (SEC(2007)1341)

expenditure. Part of the completed questionnaire became also input into the DEVCO-led External Assistance Management Report. This report on the management of development cooperation is prepared annually by Delegations.

The 2014 questionnaire consisted of two parts:

- Assessment of compliance with the Internal Control Standards; and
- Assessment of effectiveness of the implemented control arrangements.

#### 4.2.1. Effectiveness and compliance with Internal Control Standards

Each ICS relates to several actions to be implemented. Delegations were requested to indicate whether on 31 December 2014 each of the actions was “implemented”, “partially implemented”, “not implemented” or “not applicable”. A substantial number of Delegations used the possibility to provide comments; these comments are obligatory in case an action is not fully implemented.

	Implemented as of 31/12/2014	Partially Implemented as of 31/12/2014	Not Implemented as of 31/12/2014
ICS 1: Mission	75%	24%	1%
ICS 2: Ethical and organisational values	88%	11%	1%
ICS 3: staff allocation and mobility	65%	34%	2%
ICS 4: staff appraisal	75%	23%	2%
ICS 5: objectives and performance indicators	78%	21%	1%
ICS 6: risk management process	76%	23%	1%
ICS 7: operational structure	74%	17%	9%
ICS 8: processes and procedures	86%	12%	2%
ICS 9: management supervision	71%	18%	11%
ICS 10: Business Continuity	65%	30%	5%
ICS 11: Document management	75%	24%	1%
ICS 12: Information and communication	84%	13%	4%
ICS 13: accounting and financial reporting	84%	6%	10%
ICS 14: evaluation of activities	87%	9%	4%
ICS 15: assessment of ICS	84%	12%	4%
ICS 16: Internal audit capability	62%	4%	34%
	<b>77%</b>	<b>17%</b>	<b>6%</b>

Delegations were also asked to assess, based on experience and available information, if the systems in place provide reasonable assurance that the associated internal controls are effectively achieving their goals and work as intended. Therefore for each of 16 Internal Control Standards, Delegations had to indicate if the measures taken are (i) "effective", (ii) "partially effective", (iii) "not effective" or (iv) "not applicable". For this part of the exercise

comments were to be provided in all cases explaining the judgement on the degree of effectiveness.

The following table summarizes the results of this survey for the 16 ICSs:

	My assessment is positive	My assessment is positive but changes are needed	My assessment is negative in some respects	My assessment is negative
ICS 1: Mission	79%	19%	1%	0%
ICS 2: Ethical and organisational values	94%	6%	1%	0%
ICS 3: staff allocation and mobility	87%	10%	3%	1%
ICS 4: staff appraisal	80%	19%	1%	0%
ICS 5: objectives and performance indicators	81%	17%	1%	0%
ICS 6: risk management process	82%	16%	2%	0%
ICS 7: operational structure	86%	11%	2%	1%
ICS 8: processes and procedures	87%	12%	1%	0%
ICS 9: management supervision	91%	9%	1%	0%
ICS 10: Business Continuity	68%	25%	6%	0%
ICS 11: Document management	79%	18%	3%	1%
ICS 12: Information and communication	81%	15%	2%	1%
ICS 13: accounting and financial reporting	84%	14%	1%	1%
ICS 14: evaluation of activities	89%	10%	0%	0%
ICS 15: assessment of ICS	87%	12%	1%	0%
	<b>84%</b>	<b>14%</b>	<b>2%</b>	<b>0%</b>

#### 4.2.2. Financial circuits in Delegations

The financial circuits in use in Delegations during 2014 were the same as in the previous years:

- DEL\_NORM (IA – VA/IAH – AOSD) – this is the standard workflow in application in Delegations. The function of operational and financial initiation is performed by a 1st agent (accountant or administrative assistant). The operational and financial verification is performed by the Head of Administration/ Imprest Account Holder. The role of the AOSD role is performed by the Head of Delegation, or another AD official of the EEAS, following the authorised sub-delegations of signatures; and
- DEL\_SMALL (IA/IAH – VA – AOSD) – This second workflow permits the signature by the same AOSD, of both the VA and AOSD roles. It is used in absence of sufficient personnel. The responsible authorising officer shall define the framework for the use of these financial workflows.

These circuits are considered to be the most appropriate taking into account the nature of the transactions (entirely administrative expenditure) and the resources available to the EEAS.

In Delegations, where a large proportion of the personnel are Commission staff members, the role of initiating agent (both financial and operational) is often performed by Commission staff

working in the administrative sections of the Delegations. The roles of financial and operational verification of the administrative budget are restricted to EEAS staff members only. The function of sub-delegated authorising officer is performed by the Head of Delegation who is an EEAS staff member, or by another EEAS member of staff in the category AD.

As in a large number of Delegations there are only one or two EEAS AD staff (including the Head of Delegation), ensuring business continuity during absences for professional purposes, holidays or for other reasons, can be quite problematic. Good planning, anticipating as much as possible transactions prior to absences and the utilisation of remote authorisation devices can mitigate this problem. Nevertheless, the EEAS favours an approach which allows under certain conditions that Commission staff can intervene more extensively in the financial circuit for administrative expenditures.

## 5. MANAGEMENT ASSURANCE

This section reviews the assessment of the elements reported in Parts 2 and 3 and draw conclusions supporting of the declaration of assurance and namely, whether it should be qualified with reservations.

### 5.1. Review of the elements supporting assurance

#### 5.1.1. Assessment by Management at Headquarters – synthesis of the AOSD reports

In accordance with the Charter of tasks and responsibilities of authorising officers by Delegation, the sub-delegated authorising officers (AOSD) assist the delegated authorising officer in the drafting of the annual activity report. For this purpose, all the sub-delegated authorising officers have been asked to submit a report for the financial year 2014 based on a common template in order to consolidate the results and provide an overall assessment for the EEAS 2014 Annual Activity Report.

The analysis of the AOSD reports lead to the following conclusions:

- All Authorising Officers by Sub-delegation have provided a positive assurance with regard to the management of the budget entrusted to them with one Authorising Officer by Sub-delegation providing a 'relative positive assurance' for 'ICT related financial management'. The latter is motivated by concerns regarding business continuity.
- Continued progress has been made in the further development of the EEAS on the basis of efficient administrative, human resources and financial practices;
- Deficiencies identified in previous years are being addressed, in particular in the area of procurement of security services;
- A low level of administrative errors has been recorded, with a material error rate well below the 2 percent threshold of materiality;
- Several Authorising Officers by sub-delegation report improvements in the quality of financial management;
- Good progress has been made in practical providing support to the administrative management of Delegations. The introduction of MIPS, training support in the area of procurement and the new Delegations' Guide are examples of this;
- Following agreement with the Commission to transfer from 2015 onwards the budget for so-called 'communal costs' to the EEAS an important step has been made in the simplification of administrative management; and
- Lack of staff remains a critical issue, particularly with regard to the management of public procurement.

### 5.1.2. Assurance in Delegations – synthesis of the DAS of the Delegations

The requirement for Heads of Delegation to give a 'Declaration of Assurance' (DAS) and to provide an 'Annual Report' in their capacity of sub-Delegated Authorising Officer, stems from the provisions of the 'Financial Regulation' and 'Rules of Application' for the general budget of the EU.

This 2014 exercise was launched via an electronic application called 'e-DAS' incorporating also the internal control standard survey. At the date of drafting of this report (March 2014), all Delegations but one (Yemen) had completed the e-DAS questionnaire, including a Declaration of Assurance.

The e-DAS declaration and accompanying information are reviewed by the different departments of the EEAS Headquarters services. This constitutes a major 'building block', together with other elements, for the Declaration of Assurance of the Chief Operating Officer. Collectively the reports provide an overview of the administrative functioning of the EU Delegations' network.

With eight exceptions, all Heads of Delegations provided a Declaration of Assurance without a reservation. The eight Delegations of which the Head of Delegation did not provide a Declaration of Assurance are: Central African Republic, former Yugoslav Republic of Macedonia, Libya, Timor-Leste, USA, Uzbekistan, Yemen<sup>6</sup> and the OECD/UNESCO Delegation in Paris. The reservations were justified because of issues relating to procurement, scarcity of human resources and/or extremely challenging local (security) conditions. It is important to emphasize that in all these cases the material error was below the 2% threshold. In accordance with established practice, the Delegations concerned have been asked to develop an action plan with a view to addressing the shortcomings identified.

### 5.1.3. Follow-up of previous years' reservations

The reservation expressed in 2011 and 2012 regarding the management by Headquarters of security contracts for a number of Delegations was lifted in 2013. This followed the successful implementation of an action plan that addresses, on a permanent basis, the shortcomings which triggered the reservation: (i) late payments, (ii) a higher than average level of administrative errors and (iii) numerous contract extensions. On all of these three points progress was consolidated in 2014.

The procurement of security services for Delegations continued to benefit from dedicated support of HQ services. The HQ task force established in December 2013 continued to assist Delegations in the procurement of security services. The instruction given to the HQ services involved is to monitor closely the procurement of these services by Delegations.

Concerning other aspects of Delegations' activities, with the exception of those countries where local conditions continued to be uncondusive for normal functioning (e.g. Syria, Yemen

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<sup>6</sup> In view of the prevailing conditions, no Declaration of Assurance was provided by this Delegation.

and Libya), all issues arising from previous years were duly addressed and corrective measures were put into place.

## 5.2. Overall conclusion

In view of the control results and all other relevant information available, the Authorising Officer by Delegation's estimate of the risks relating to the legality and regularity for the expenditure authorised during the reporting year is between 0% and 2%, which implies an amount at risk of below €1.1 million.

The internal control strategy foresees the implementation of further controls during subsequent years aimed at detecting and correcting these errors.

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 controls systems implemented by the EEAS provide sufficient assurance adequately to manage the risks relating to the legality and regularity of the underlying transactions. Furthermore, it is concluded that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

## 6. DECLARATION OF ASSURANCE

I, the undersigned,

Chief Operating Officer ad-interim of the EEAS, in my capacity as authorising officer by delegation,

declare that the information contained in this report gives a true and fair view<sup>7</sup>.

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 work of the internal audit function, 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,

29 April 2015

(signed)  
Patrick CHILD

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<sup>7</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the EEAS.

## **ANNEXES**

### **2014 Annual Activity Report EEAS**

## **Annex 1 Statement of Managing Director for Administration and Finance**

## **Annex 2 Human resources**

## **Annex 3 Draft Annual accounts and financial reports**

Table 1:	Outturn on Commitment appropriations in 2014
Table 2:	Outturn on Payment appropriations in 2014
Table 3:	Breakdown of Commitments to be settled at 31.12.2014
Table 4:	Balance Sheet
Table 5:	Statement of financial performance
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Table 7:	Situation on Revenue and Income in 2014
Table 8:	Recovery on undue payments
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Table 11:	Census of negotiated procedures (excluding building contracts)
Table 12:	Building contracts signed in 2014
Table 13:	Contracts declared secret

## **Annex 4 Materiality criteria**

## **Annex 5 Ex-post control function and results**

## **Annex 6 List of acronyms**

## ANNEX 1

### Statement of Managing Director for Administration and Finance

*I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the EEAS, I have reported my advice and recommendations to the Chief Operating Officer on the overall state of internal control in the EEAS.*

*I hereby certify that the information provided in the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.*

*Brussels*

*30 March 2015*

*(signed)*

*Patrick CHILD*

## ANNEX 2: Human resources

Posts occupied on 31.12.2014	Officials		Temporary Agents		Contractual Agents	Seconded National Experts	Junior Professionals in Delegations	Local Agents	Total
	AD	AST	AD	AST					
Headquarters	407	446	153	29	162	350			1547
Delegations	212	191	173		185	57	46	1070	1934
Total	619	637	326	29	347	407	46	1070	3481

The above table provides a snapshot of EEAS staff actually employed as of 31 December 2014. These data do not necessarily constitute full-time-equivalents throughout the year or the posts in the authorised establishment plan.

## **ANNEX 3 – Draft Annual accounts and financial reports**

<b>TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2014 (in Mio €)</b>					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
<b>Title 1 STAFF AT HEADQUARTERS</b>					
1	11	REMUNERATION AND OTHER ENTITLEMENTS RELATING TO STATUTORY STAFF	119.86	119.82	99.97 %
	12	REMUNERATION AND OTHER ENTITLEMENTS RELATING TO EXTERNAL STAFF	19.55	18.94	96.87 %
	13	OTHER EXPENDITURE RELATING TO STAFF MANAGEMENT	2.54	2.46	96.78 %
	14	MISSIONS	7.97	7.79	97.84 %
	15	MEASURES TO ASSIST STAFF	1.90	1.76	92.24 %
<b>Total Title 1</b>			151.82	150.77	99.31%
<b>Title 2 BUILDINGS, EQUIPMENT AND OPERATING EXPENDITURE AT HEADQUARTERS</b>					
2	20	BUILDINGS AND ASSOCIATED COSTS	31.32	29.85	95.28 %
	21	COMPUTER SYSTEMS, EQUIPMENT AND FURNITURE	29.07	25.75	88.58 %
	22	OTHER OPERATING EXPENDITURE	6.53	6.14	93.99 %
<b>Total Title 2</b>			66.92	61.73	92.25%
<b>Title 3 DELEGATIONS</b>					
3	30	DELEGATIONS	589.28	571.94	97.06 %
<b>Total Title 3</b>			589.28	571.94	97.06%
<b>Total DG EEAS</b>			808.02	784.44	97.08 %

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

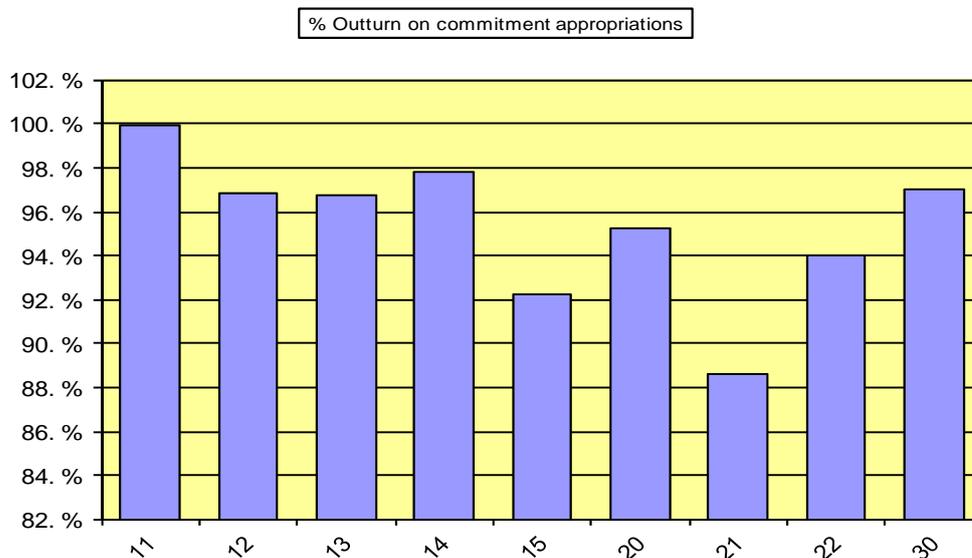


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
<b>Title 1 STAFF AT HEADQUARTERS</b>					
1	11	REMUNERATION AND OTHER ENTITLEMENTS RELATING TO STATUTORY STAFF	119.86	119.62	99.80 %
	12	REMUNERATION AND OTHER ENTITLEMENTS RELATING TO EXTERNAL STAFF	19.72	18.80	95.33 %
	13	OTHER EXPENDITURE RELATING TO STAFF MANAGEMENT	3.25	2.38	73.25 %
	14	MISSIONS	9.95	8.00	80.39 %
	15	MEASURES TO ASSIST STAFF	2.41	1.63	67.69 %
<b>Total Title 1</b>			155.20	150.44	96.93%
<b>Title 2 BUILDINGS, EQUIPMENT AND OPERATING EXPENDITURE AT HEADQUARTERS</b>					
2	20	BUILDINGS AND ASSOCIATED COSTS	34.32	29.57	86.16 %
	21	COMPUTER SYSTEMS, EQUIPMENT AND FURNITURE	42.29	22.08	52.22 %
	22	OTHER OPERATING EXPENDITURE	8.04	5.39	67.00 %
<b>Total Title 2</b>			84.65	57.04	67.39%
<b>Title 3 DELEGATIONS</b>					
3	30	DELEGATIONS	656.74	565.76	86.15 %
<b>Total Title 3</b>			656.74	565.76	86.15%
<b>Title X</b>					
X	X1		0	0	0.00 %
<b>Total Title X</b>			0	0	0.00%
<b>Total DG EEAS</b>			896.59	773.24	86.24 %

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

% Outturn on commitment appropriations

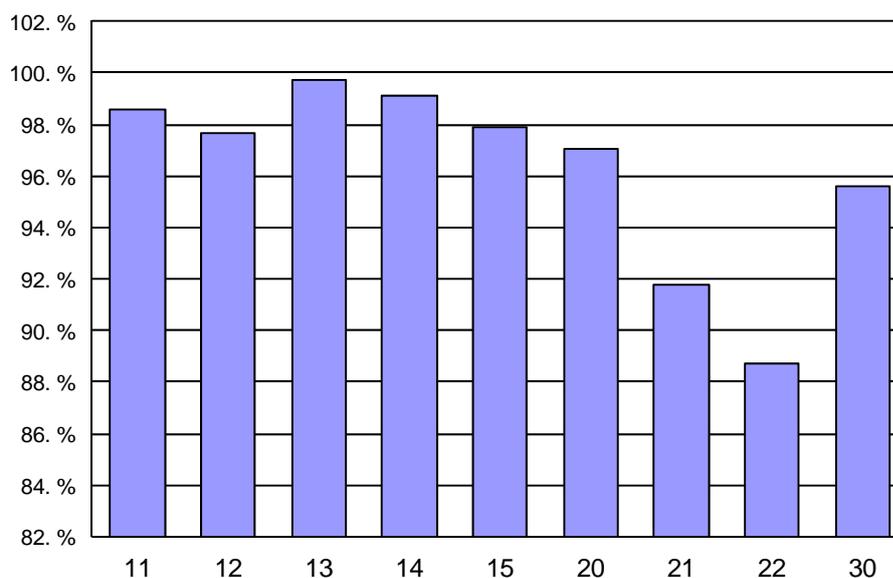


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)									
Chapter			2014 Commitments to be settled				Commitments to be settled from financial years previous to 2014	Total of commitments to be settled at end of financial year 2014 (incl. corrections)	Total of commitments to be settled at end of financial year 2013 (incl. corrections)
			Commitments 2014	Payments 2014	RAL 2014	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
<b>Title 1 : STAFF AT HEADQUARTERS</b>									
1	11	REMUNERATION AND OTHER ENTITLEMENTS RELATING TO STATUTORY STAFF	119.62	119.62	0.00	0.00 %	0.00	0.00	0.00
	12	REMUNERATION AND OTHER ENTITLEMENTS RELATING TO EXTERNAL STAFF	18.94	18.66	0.28	1.49 %	0.00	0.28	0.17
	13	OTHER EXPENDITURE RELATING TO STAFF MANAGEMENT	2.46	1.73	0.72	29.41 %	0.00	0.72	0.71
	14	MISSIONS	7.79	6.44	1.35	17.36 %	0.00	1.35	1.98
	15	MEASURES TO ASSIST STAFF	1.76	1.26	0.49	28.07 %	0.00	0.49	0.51
<b>Total Title 1</b>			150.5694161	147.72	2.85	1.89%	0	2.85	3.38
<b>Title 2 : BUILDINGS, EQUIPMENT AND OPERATING EXPENDITURE AT HEADQUARTERS</b>									
2	20	BUILDINGS AND ASSOCIATED COSTS	29.85	27.55	2.30	7.70 %	0.00	2.30	3.00
	21	COMPUTER SYSTEMS, EQUIPMENT AND FURNITURE	25.75	10.17	15.58	60.52 %	0.00	15.58	13.22
	22	OTHER OPERATING EXPENDITURE	5.64	4.21	1.43	25.40 %	0.00	1.43	1.87
<b>Total Title 2</b>			61.23	41.92	19.31	31.54%	0	19.31	18.09
<b>Title 3 : DELEGATIONS</b>									
3	30	DELEGATIONS	470.12	419.07	51.05	10.86 %	0.00	51.05	56.17
<b>Total Title 3</b>			470.12	419.07	51.05	10.86%	0	51.05	56.17
<b>Total DG EEAS</b>			681.92	608.71	73.21	10.74 %	0	73.21	77.63

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

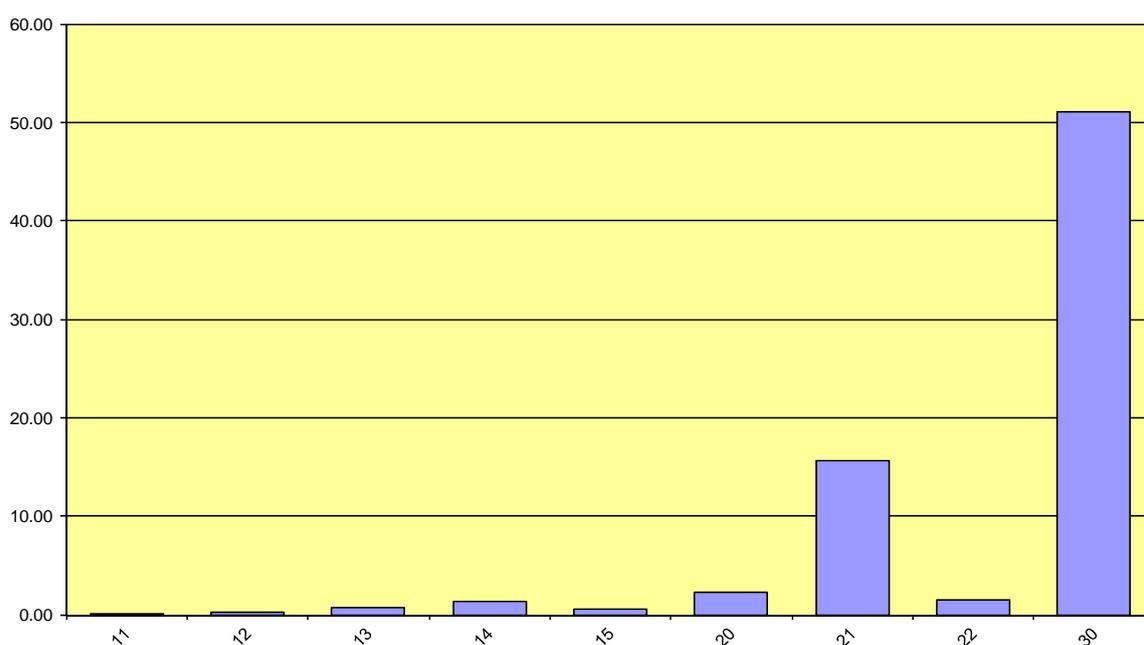


TABLE 4

**BALANCE SHEET**

	EUR '000	
	31.12.2014	31.12.2013
<b>NON-CURRENT ASSETS</b>		
<i>Intangible assets</i>	827	815
<i>Property, plant and equipment</i>	347 099	358 523
<i>Pre-financing</i>	–	1 128
<i>Exchange receivables and non-exchange recoverables</i>	4 490	4 336
	<b>352 416</b>	<b>364 802</b>
<b>CURRENT ASSETS</b>		
<i>Financial assets</i>	50 426	46 868
<i>Pre-financing</i>	4 402	318
<i>Exchange receivables and non-exchange recoverables</i>	40 847	32 697
<i>Cash and cash equivalents</i>	59 734	60 197
	<b>155 408</b>	<b>140 080</b>
<b>TOTAL ASSETS</b>	<b>507 824</b>	<b>504 883</b>
<b>NON-CURRENT LIABILITIES</b>		
<i>Financial liabilities</i>	(299 803)	(310 498)
	<b>(299 803)</b>	<b>(310 498)</b>
<b>CURRENT LIABILITIES</b>		
<i>Provisions</i>	(76)	(7 433)
<i>Financial liabilities</i>	(1 984)	(5 921)
<i>Payables</i>	(25 006)	(30 276)
<i>Accrued charges and deferred income</i>	(15 403)	(20 996)
	<b>(42 468)</b>	<b>(64 627)</b>
<b>TOTAL LIABILITIES</b>	<b>(342 272)</b>	<b>(375 125)</b>
<b>NET ASSETS</b>	<b>165 552</b>	<b>129 757</b>
<i>Accumulated surplus</i>	129 757	114 179
<i>Economic result of the year</i>	35 795	15 578
<b>NET ASSETS</b>	<b>165 552</b>	<b>129 757</b>

TABLE 5

## STATEMENT OF FINANCIAL PERFORMANCE

	EUR '000	
	2014	2013
<b>REVENUE</b>		
<b>Revenue from non-exchange transactions</b>		
<i>Recovery of expenses</i>	–	3 971
<i>Funds transferred from the Commission</i>	723 921	706 255
<i>Other non-exchange revenue</i>	44 065	40 324
	<b>767 986</b>	<b>750 549</b>
<b>Revenue from exchange transactions</b>		
<i>Financial income</i>	520	873
<i>Other exchange revenue</i>	31 913	34 716
	<b>32 433</b>	<b>35 589</b>
	<b>800 418</b>	<b>786 139</b>
<b>EXPENSES</b>		
<i>Operating costs</i>	–	(19)
<i>Staff costs</i>	(400 635)	(408 126)
<i>Finance costs</i>	(7 067)	(14 458)
<i>Administrative expenses</i>	(356 922)	(347 957)
	<b>(764 623)</b>	<b>(770 560)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>35 795</b>	<b>15 578</b>

**TABLE 6: AVERAGE PAYMENT TIMES FOR 2014 - DG EEAS**

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
1	4935	6	0.12 %	0.83	4929	99.88 %	13.39
2	662				662	100.00 %	12.63
3	563				563	100.00 %	13.58
4	670	64	9.55 %	2.89	606	90.45 %	13.48
5	346	5	1.45 %	5.00	341	98.55 %	13.64
6	262	40	15.27 %	3.37	222	84.73 %	16.51
7	262	66	25.19 %	5.97	196	74.81 %	18.21
8	211	77	36.49 %	6.64	134	63.51 %	16.05
9	233	144	61.80 %	7.30	89	38.20 %	20.89
10	349	73	20.92 %	5.77	276	79.08 %	24.79
11	267	42	15.73 %	8.83	225	84.27 %	28.52
12	202	3	1.49 %	10.25	199	98.51 %	25.47
13	161	103	63.98 %	12.75	58	36.02 %	21.67
14	260	59	22.69 %	9.22	201	77.31 %	26.68
15	303	176	58.09 %	10.80	127	41.91 %	31.10
16	113	72	63.72 %	13.43	41	36.28 %	23.49
17	120	50	41.67 %	11.97	70	58.33 %	29.63
18	211	26	12.32 %	18.00	185	87.68 %	32.22
19	22	21	95.45 %	16.00	1	4.55 %	73.00
20	104	24	23.08 %	11.25	80	76.92 %	32.41
21	43				43	100.00 %	25.50
22	104	45	43.27 %	21.11	59	56.73 %	27.50
23	89	88	98.88 %	20.67	1	1.12 %	85.00
25	32	29	90.63 %	17.33	3	9.38 %	32.50
26	15	14	93.33 %	26.00	1	6.67 %	50.00
27	21	20	95.24 %	27.00	1	4.76 %	36.00
30	146811	116292	79.21 %	15.34	30519	20.79 %	47.94
33	32				32	100.00 %	42.97
36	2	1	50.00 %	36.00	1	50.00 %	62.00
37	1	1	100.00 %	5.00			
41	1	1	100.00 %	21.00			
45	4468	4321	96.71 %	18.84	147	3.29 %	65.34
47	1				1	100.00 %	110.00
60	586	572	97.61 %	21.17	14	2.39 %	80.60
75	8	8	100.00 %	30.00			
90	77	68	88.31 %	37.69	9	11.69 %	141.56
<b>Total Number of Payments</b>	<b>162547</b>	<b>122511</b>	<b>75.37 %</b>		<b>40036</b>	<b>24.63 %</b>	
<b>Average Payment Time</b>	<b>21.65</b>			<b>15.46</b>			<b>40.62</b>

The maximum payment delays of between 1 and 29 days referred to in column 1 refer in the main to payments of salaries for local agents. The informatic system used for the calculation of these payments, automatically calculates the payment delay from the date the information is encoded in the system to the date foreseen for the payment of the salaries. Because these payments are made using the local bank accounts of the delegations, although the payments are in fact executed on time either by bank transfer or cheque, the payment date is recorded as the date of the bank statement on which the transaction finally appears. These payments (up to 9.313 payments) are therefore incorrectly classified by the ABAC accounting system as late, when in reality they have been paid on time.

TABLE 6 (cont'd)

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
5	4				4	100.00 %	23.25
9	4				4	100.00 %	26.33
10	3				3	100.00 %	14.00
12	1	1	100.00 %	12			
20	19	8	42.11 %	12	11	57.89 %	28.43
30	4237	3200	75.53 %	15.78	1037	24.47 %	48.01
45	2	2	100.00 %	39			

<b>Total Number of Payments</b>	<b>4270</b>	<b>3211</b>	<b>75.20 %</b>		<b>1059</b>	<b>24.80 %</b>	
<b>Average Payment Time</b>	<b>23.66</b>			<b>15.79</b>			<b>47.54</b>

Suspensions							
Average Report Approval Suspension	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	39	63	0.04 %	162547	3,754,285.55	0.50 %	753,468,431.61

Late Interest paid in 2014			
DG	GL Account	Description	Amount (Eur)
EEAS	65010100	Interest on late payment of charges New FR	22 057.65
			<b>22 057.65</b>

**TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014**

	Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	balance
		1	2	3=1+2	4	5	6=4+5	7=3-6
40	DEDUCTIONS FROM STAFF REMUNERATION	22,784,822.86	-	22,784,822.86	22,784,822.86	-	22,784,822.86	-
41	CONTRIBUTIONS TO THE PENSION SCHEME	15,740,216.83	-	15,740,216.83	15,740,216.83	-	15,740,216.83	-
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	427,366.19	-	427,366.19	427,366.19	-	427,366.19	-
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	273,621,724.66	13,565.49	273,635,290.15	273,543,820.67	13,565.49	273,557,386.16	77,903.99
90	MISCELLANEOUS REVENUE	586,011.66	-	586,011.66	586,011.66	-	586,011.66	-
<b>Total DG EEAS</b>		<b>313,160,142.20</b>	<b>13,565.49</b>	<b>313,173,707.69</b>	<b>313,082,238.21</b>	<b>13,565.49</b>	<b>313,095,803.70</b>	<b>77,903.99</b>

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS**  
**(number of recovery contexts and corresponding transaction amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014	Error		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
<b>2014</b>	1	14,989.75	1	<b>14,989.75</b>	2	15,905.15	50.00%	94.24%
<b>Sub-Total</b>	<b>1</b>	<b>14,989.75</b>	<b>1</b>	<b>14,989.75</b>	<b>64</b>	<b>214,449,185.99</b>	<b>1.56%</b>	<b>0.01%</b>

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC(incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS									1	67.69		
CREDIT NOTES									127	1,707,114.20		
<b>Sub-Total</b>									<b>128</b>	<b>1,707,181.89</b>		

<b>GRAND TOTAL</b>	<b>1</b>	<b>14,989.75</b>					<b>1</b>	<b>14,989.75</b>	<b>192</b>	<b>216,156,367.88</b>	<b>0.52%</b>	
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**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2014 FOR EEAS**

	<b>Number at 01/01/2014</b>	<b>Number at 31/12/2014</b>		<b>Open Amount (Eur) at 01/01/2014</b>	<b>Open Amount (Eur) at 31/12/2014</b>	<b>Evolution</b>
2011	2			7,449.05		-100.00 %
2012	4	3		17,238.64	16,489.63	-4.34 %
2013	12			236,388.56		-100.00 %
2014	1	20		196,930,065.78	209,059.77	-99.89 %
	19	23		197,191,142.03	225,549.40	-99.89 %

**TABLE 10 : RECOVERY ORDER WAIVERS IN 2014 >= EUR 100.000**

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

<b>Total DG</b>	
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<b>Number of RO waivers</b>	
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**TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG - YEAR 2014****Procurement > EUR 60,000**

<b>Negotiated Procedure Legal base</b>	<b>Number of Procedures</b>	<b>Amount (€)</b>
Art. 134.1(a)	1	1,181,518.00
Art. 134.1(c)	1	63,809.23
Art. 134.1(e)	1	181,400.00
Art. 135.1(a)	2	14,760,000.00
<b>Total</b>	<b>5.</b>	<b>16,186,727.23</b>

**Table 12: building contracts**

Total number of contracts: 158

Legal base: art. 134. 1(h)

Total amount: € 53,582,131,93 (the amounts correspond to the total duration of each contract which is variable)

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0611371	MIRAMONTES	ARGENTINA	ALQUILER INMUEBLE JUNCAL 3220	220,800.00
0694911	CJSC MATENA*	BELARUS	OFFICE RENT INCLUDING UTILITIES AND MAINTENANCE	349,506.58
0694530	PIROVA	BELARUS	ACCOMMODATION RENT	17,280.00
0694307	SEMENENYA	BELARUS	ACCOMMODATION RENT	72,000.00
0694503	VARIN	BELARUS	ACCOMMODATION RENT	150,000.00
0626440	ADJOVI	BENIN	AVENANT 1 AU CONTRAT DE BAIL LOGEMENT 45	54,881.65
0695576	FUNDACAO GUINEENSE PARA O DESENVOLVIMENTO EMPRESARIAL INDUSTRIAL - DR BARTOLOMEU SIMOES PEREIRA*FUNDEI	BISSAU	RENTAL OF BUILDING - UGPI / FUNDEI	92,300.00
0645393	LOPES DA FONSECA	BISSAU	RENTAL CONTRACT- BENEDITO DA FONSECA - IGNBK037	15,000.00
0640286	REZENDE DUPRET MIRANDA	BISSAU	RENTAL CONTRACT - RESIDENCE IGNBBL027	15,000.00
0646798	AVILES DE LEYTON	BOLIVIA	HOUSE RENTAL	77,052.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0675856	LOPEZ DE MERKEL	BOLIVIA	RESIDENCIA JDD DEL BOLL	141,740.00
0642660	DZEKO	BOSNIA	DELBIHS RESIDENCE LEASE 19/4/201/18/4/2024	828,000.00
0693797	BATCHELOR	BOSTWANA	DELBWAG - RENTAL OF RESIDENTIAL ACCOMODATION PLOT 282	75,872.00
0656232	DA ROCHA FILGUEIRAS	BRASIL	DELBRA-2014-05 - RENTAL DELBRA III	220,000.00
0632565	OUEDRAOGO BOUDA	BURKINA	LOCATION LOGEMENT ROTONDE L033 NC	35,000.00
0636764	BIGUMA	BURUNDI	DELBIDB-CONTRAT DE BAIL LOGEMENT K 014	54,000.00
0667735	HERTZ JEAN LOUIS PIERRE*ETS MAC PAC INTERNATIONAL	CAMEROUN	LOCATION D'UN ENTREPOT A USAGE DE GARDE MEUBLE	14,635.11
0682988	MBOMBO NJOYA PARDIGA	CAMEROUN	MBOMBO NJOYA - CONTRAT DE BAIL LOGEMENT K075 - CADILLA	18,111.00
0683022	MONNEYANG EDO	CAMEROUN	MONNEYANG - CONTRAT DE BAIL L073	18,111.00
0654023	BALLI-KEMBA	CENTRAFIQUE	DELCAFB KEMBA CONTRAT DE BAIL	167,333.00
0691493	BORONG	CENTRAFIQUE	DELCAFB SCI ADIJA CONTRAT DE BAIL BORONG 02	76,834.00
0672498	DESMAZES	CENTRAFIQUE	EEAS CONTRAT DE BAIL SUCCESSION DESMAZES LOGMENT OSCAR 05	9,146.94
0671252	LA PROMESSE SOCIETE CIVILE IMMOBILI ERE*	CENTRAFIQUE	CONTRAT DE BAIL LOGEMENT LIMA 04	60,369.81
0654473	MBOLI-GOUMBA	CENTRAFIQUE	DELCAFB MBOLI-GOUMBA CONTRAT DE BAIL	82,322.00
0651689	BEIJING FEIYU MICRO-ELECRONIC CO. L TD*	CHINA	LEASE CONTRACT- A B & C AREA(20140201-20160131)	1,880,717.76

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0623869	WEI	CHINA	LEASE CONTRACT - OFFICIAL SONIA ROZADA	210,000.00
0652382	ABOUBACAR SIDIKI MARA*ETABLISSEMENT S S M SANKARAN ETS SMS	CONAKRY	RESIDENCE SAKARAN AP 6B	110,400.00
0672245	KABA	CONAKRY	14 DELGINC CONTRAT DE BAIL LOGEMENT C. CASAS MINIERE CITE DPM	133,200.00
0652433	SOCIETE D'INVESTISSEMENT DES PROJETS DOMICILIAIRES ET CONSTRUCTION SA* SIPDC SA	CONAKRY	BAIL A LOYER ARTICLE 5 33A R2000	100,000.00
0655145	SOCIETE D'INVESTISSEMENT DES PROJETS DOMICILIAIRES ET CONSTRUCTION SA* SIPDC SA	CONAKRY	14 DELGINC BAIL 16A RESIDENCE 2000	63,000.00
0655169	SOCIETE D'INVESTISSEMENT DES PROJETS DOMICILIAIRES ET CONSTRUCTION SA* SIPDC SA	CONAKRY	14 DELGINC BAIL 41B RESIDENCE 2000	88,800.00
0680033	SOCIETE D'INVESTISSEMENT DES PROJETS DOMICILIAIRES ET CONSTRUCTION SA* SIPDC SA	CONAKRY	BAIL A LOYER ARTICLE 5 12A R2000	76,800.00
0694065	SOCIETE D'INVESTISSEMENT DES PROJETS DOMICILIAIRES ET CONSTRUCTION SA* SIPDC SA	CONAKRY	14 DELGINC BAIL 16B RESIDENCE 2000	76,800.00
0637515	SAMBA-M'VOUAMA	CONGO	LOCATION LOGEMENT AC	30,184.91
0665604	USINES TEXTILES AFRICAINE SARL*	CONGO KINSHASA	CONTRAT DE BAIL	216,000.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0665753	USINES TEXTILES AFRICAINE SARL*	CONGO KINSHASA	CONTRAT DE BAIL - LOGEMENT FRANCIS URENA-LARA	216,000.00
0665876	USINES TEXTILES AFRICAINE SARL*	CONGO KINSHASA	CONTRAT DE BAIL - LOGEMENT SANDRINE COETS	54,000.00
0673542	ABDU MOHAMMED	ERITREA	DELERI- HOUSE LEASE L047- OFFICAL ACCOMODATION	106,000.00
0646570	HABTESULUS GEBREZGI	ERITREA	DELEGATION ERITREA- HOUSE RENTAL -L046-OFFICAL ACCOMODATION	106,000.00
0692973	TESFAY GHEBREMICHAEL	ERITREA	DEEGATION ERITREA HOUSE RENTAL CONTRACT- JPD ACCOMODATION	24,000.00
0687043	BEZABEH	ETHIOPIA	DELETHA - LEASE CONTRACT - SUNHAYNAU PHILIPPE	143,000.00
0686680	HIDARU	ETHIOPIA	DELETHA-LEASE CONTRACT - DASPECT CARL	122,000.00
0687026	MOHAMED	ETHIOPIA	DELETHA - LEASE CONTRACT - SUNDBERG RUNA	122,000.00
0680825	WOLDESEMAYAT	ETHIOPIA	DELETHA - LEASE CONTRACT - VLEUGELS BIRGIT	125,000.00
0686681	WONDEMAGEGNE	ETHIOPIA	DELETHA-LEASE CONTRACT - PICCAGLI AUGUSTO	174,000.00
0686656	YIMAM	ETHIOPIA	DELETHA-LEASE CONTRACT - MOLERA GUI CLARA	116,000.00
0686972	YIMENU	ETHIOPIA	DELETHA - LEASE CONTRACT - CIRILLO LUCA	135,000.00
0665926	CHEN	FIJI	DELFIJIS - ACCOMMODATION RENTAL - 17 MA'AFU STREET, DOMAIN	97,000.00
0649603	TAPPOO LIMITED*	FIJI	DELFIJIS - BUILDING RENTAL DELEGATION OFFICE - TAPPOO CITY	2,382,000.00
0669711	TIKARAM ANIL KUMAR*TIKARAM & ASOCIA TES	FIJI	DELFIJIS - ACCOMMODATION RENTAL - 2 MAKITA STREET, DOMAIN	94,000.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0696121	HILERE COLOMBANI	GABON	BAIL LOG 54	41,634.59
0696057	IMP CONSEIL SA*	GABON	BAIL LOG 56	25,605.29
0696112	IMP CONSEIL SA*	GABON	BAIL LOG 50	69,974.10
0696106	LES PROVINCIALES*	GABON	BAIL LOG 64	177,355.24
0696071	POUYAUD BONNET DE BONNEFOY CHANTAL* EI CP IMMO	GABON	BAIL LOG 65	65,857.98
0667578	LOPES DA MOURA	GAMBIA	RENTAL BUILDING - FORTUNATO OLIVIO LOPES MOURA	52,400.00
0671529	BETBI LTD*	GEORGIA	OFFICE RENT	6,842,745.00
0562344	GRIMEC SA*	GUATEMALA	ALOJAMIENTO PARA AGENTE CONTRACTUAL JUAN MARÍA JIMÉNEZ BRAVO.	12,743.69
0678379	TORRES MC DONOUGH	HONDURAS	ACCOMMODATION CONTRACT CA HNDT	60,000.00
0669520	SUN HUNG KAI REAL ESTATE AGENCY LTD *SIGNATUREHOMES	HONG KONG	RENTAL CONTRACT - 24B TOWER 3, DYNASTY COURT, 23 OLD PEAK ROAD, HK. 16042014 - 31082016	222,642.00
0670820	THE REPULSE BAY COMPANY, LIMITED*	HONG KONG	SP - LEASE CONTRACT 01082014-31072016	265,570.00
0696739	AMRIT STEELS PRIVATE LIMITED*ASL	INDIA	LEASE OF OFFICE BUILDING	471,618.00
0674955	SETH	INDIA	LEASING OF BUILDING FOR DELEGATION OFFICE	1,611,000.00
0638475	ESTETIKA BINAGRIYA PT*	INDONESIA	RENTAL TEMPORARY ACCOMMODATION FOR HOD AT SHANGRI-LA RESIDENCES - 10/03/2014-09/05/2014	13,914.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0635341	UESISA SRL*	ITALY	RENT OFFICES IN ROME, VIA IV NOVEMBRE, 149 - FLOOR 3RD, 4TH - 2013-2018	1,512,017.00
0639702	SOCIETE CIVILE IMMOBILIERE PIERRE ET JARDINS	IVORY COAST	CONTRAT DE BAIL A USAGE HABITATIONS	6,869,151.48
0659564	AL NAKEEB	JORDANIA	DELJORA/ LEASE CONTRACT FOR HOD RESIDENCE FROM 15/6/2014 TO 14/6/2018	170,000.00
0688085	ARLIEVA	KIRGHIZSTAN	RENT OF RESIDENCE AT 15 RAZZAKOV STR APT 30	447,730.00
0625866	PALM CITY LIMITED*	LIBYA	PALM CITY- VILLA 1 HOD	589,000.00
0625898	PALM CITY LIMITED*	LIBYA	PALM CITY - TERRECED HOUSE 215	298,000.00
0625909	PALM CITY LIMITED*	LIBYA	PALM CITY - TERRACED HOUSE -220	298,000.00
0625937	PALM CITY LIMITED*	LIBYA	PALM CITY TERRACED HOUSE - 129	298,000.00
0625989	PALM CITY LIMITED*	LIBYA	PALM CITY - RENTING THE MAIN OFFICE	1,020,000.00
0626005	PALM CITY LIMITED*	LIBYA	PALM CITY- PIAZZA 6-7-15-36	529,020.00
0635408	FIDAHOUSSEN	MADAGASCAR	DELMDGA : LOCATION L074	55,900.00
0659587	TANNA	MALAWI	ACCOMMODATION - AREA 9/67, MTUNTHAMA DRIVE	211,200.00
0688176	AGENCE IMMOBILIERE SONINKARA SARL*A IS SARL	MALI	2014 DELMLIB - AVENANT N. 3 CONTRAT DE LOCATION IMMEUBLE L046	73,175.52
0688678	BANQUE DE DEVELOPPEMENT DU MALI SA* BDM	MALI	2014 DELMLIB LOCATION VILLA EX BASE - QUARTIER DU FLEUVE	73,175.52

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0688647	BATHILY	MALI	2014 DELMLIB CONTRAT DE LOCATION VILLA CITE NIGER - RUE 33	76,834.30
0688405	CHAGOURY NASSIM*AGENCE IMMOBILIERE MALIENNE AIM	MALI	2014 DELMLIB CONTRAT DE BAIL VILLA BADALA EST RUE 25 PORTE 238	43,905.31
0621991	BEN AMAR	MOROCCO	MOHAMMED BEN AMAR-LOYER LOGEMENT RAUL DE LUZENBERGER	46,543.00
0621745	BEN DAHMAN	MOROCCO	RAJA BEN DAHMAN-LOYER LOGEMENT MAXIME LA TELLA	24,074.00
0621752	EL HAMMAR	MOROCCO	LEILA EL HAMMAR-LOYER LOGEMENT TATIANA ROMON	12,018.00
0649010	TAZI MOUKHA	MOROCCO	KARIM TAZI MOUKHA-LOYER LOGEMENT VERONIQUE JANSSEN	14,310.00
0619143	GENERALE IMMOBILIERE DE MAURITANIE SA*GIM	MAURITANIE	DELEGATION NOUAKCHOTT-LOCATION BUREAUX	2,386,322.00
0693563	AUNG	MYANMAR	ACCOMMODATION RENT MRS.BRISSONNEAU	66,136.52
0677857	DAW KHIN MAR SWE	MYANMAR	ACCOMMODATION RENT	71,636.45
0693237	HTWE HAN*DAW	MYANMAR	ACCOMMODATION RENT MRS.SWANPEOEL	228,607.72
0693577	KHIN MAUNG SUNN	MYANMAR	ACCOMMODATION RENT MS.FACCHINELLO	63,819.65
0693243	MA YI YI SHWE	MYANMAR	ACCOMMODATION RENT MR. DURA	76,113.72
0643709	MYINT	MYANMAR	ACCOMMODATION RENT_MS.FARIA ISABEL	287,811.61
0693568	THE TOKYO ENTERPRISE COMPANY LTD*TT E	MYANMAR	ACCOMMODATION RENT F.CHEVREMONT	71,636.45

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0693564	THIDA AYE	MYANMAR	ACCOMMODATION RENT MR.DE RIVERA LAMO DE ESPINOSA	61,538.46
0657285	TIBONE	MYANMAR	DELBWAG - HOUSING FOR OFFICIALS STARTING 01 SEPTEMBER 2014	130,000.00
0678834	HINER	NEW YORK	RENTAL	55,000.00
0666331	HUNT	NEW YORK	RENTAL OF APARTMENT FOR OFFICIAL (L108 - F. PRESUTTI)	200,000.00
0646228	RIVER PLACE II LLC*	NEW YORK	RENTAL - ACCOMMODATION	150,000.00
0690276	ROONEY	NEW YORK	RENTAL TOWNHOUSE - L109 FOR G. VAN DEN AKKER - 225 WEST 22ND STREET, NY NY 10011	500,000.00
0666905	AWARA	NIGERIA	LEASE CONTRACT FOR AN OFFICIAL	104,469.82
0625556	AYONETE INVESTMENT SERVICES LIMITED *AISL	NIGERIA	LEASE OF A RESIDENCE	218,480.43
0693605	CJI NIGERIA LIMITED*	NIGERIA	LEASE OF 4 APARTMENTS	234,240.04
0656837	LE BRISTOL LIMITED*	NIGERIA	LEASE OF CONTRACT FOR AN APARTMENT	49,860.68
0656840	LE BRISTOL LIMITED*	NIGERIA	LEASE CONTRACT FOR AN APARTMENT	49,860.68
0656842	LE BRISTOL LIMITED*	NIGERIA	LEASE CONTRACT FOR AN APARTMENT	49,860.68
0656941	LE BRISTOL LIMITED*	NIGERIA	LEASE CONTRACT FOR A CONTRACTUAL AGENT	51,327.17
0680440	ONYEKWUSI	NIGERIA	LEASE OF RESIDENTIAL ACCOMMODATION	345,351.22

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0694392	ROCK-EDGE ESTATE AND PROPERTY DEVELOPMENT COMPANY LTD*REPDCL	NIGERIA	LEASE CONTRACT FOR 11 MONTHS	36,725.46
0694402	ROCK-EDGE ESTATE AND PROPERTY DEVELOPMENT COMPANY LTD*REPDCL	NIGERIA	LEASE CONTRACT FOR 11 MONTHS	36,725.46
0694480	ROCK-EDGE ESTATE AND PROPERTY DEVELOPMENT COMPANY LTD*REPDCL	NIGERIA	LEASE OF RESIDENTIAL ACCOMMODATION	8,333.34
0696436	INMUEBLES LIMATAMBO SA*	PEROU	DELPERL RENTAL OFFICES 2015	4,400,000.00
0694220	QUE	PHILIPPINES	HOD RESIDENCE	87,894.09
0645041	FOUR SQUARES GROUP OOO*	RUSSIA	FOUR SQUARES OOO / TEMP ACCOMMODATION OFF VAN DER WILDT- 15/02/2014-19/07/2014	17,000.00
0676252	FOUR SQUARES GROUP OOO*	RUSSIA	4 SQUARES GROUP OOO / AGENCY AGREEMENT FOR FINDING NEW RESIDENCE HOD 01.06.2014-28.05.2015	31,000.00
0683683	HOTEL MANAGEMENT COMPANY OOO*	RUSSIA	HOTEL MANAGEMENT COMPANY LLC / TEMPORARY ACCOMMODATION HOD 2014	5,700.00
0673281	ROSSIJSKAJA FEDERACIJA*FEDERATION D E RUSSIE RUSSIAN FEDERATION	RUSSIA	UPDK / LEASE OF APT. B301 & PARKING # 5 DONSKOY POSAD (IVANOVA-STAYKOVA) 01.09.2014-31.08.2017	168,000.00
0675385	ROSSIJSKAJA FEDERACIJA*FEDERATION D E RUSSIE RUSSIAN FEDERATION	RUSSIA	RUS / UPDK / RENT OF APT. A12-04 DOBRYNYA - PRZYWARA	38,000.00
0675449	ROSSIJSKAJA FEDERACIJA*FEDERATION D E RUSSIE RUSSIAN FEDERATION	RUSSIA	UPDK / RENT APT.B201 DONSKOY (BRIEDIS) - 01.10.2014-30.09.2017	107,000.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0685412	ROSSIJSKAJA FEDERACIJA*FEDERA TION D E RUSSIE RUSSIAN FEDERATION	RUSSIA	UPDK / DONSKOY POSAD LEASE B 704 (VASSEUR W.) + PARKING # 81 (2014-2015) 01.10.2014-30.09.2017	103,295.61
0657942	ZELENOVA ANNA GEORGIEVNA*	RUSSIA	ZELENOVA / APARTMENT FOR TEMPORARY RESIDENCE HOD - 10.10.2014-07.10.2015	516,000.00
0678961	ARABIAN HOMES CO LTD*	SAUDI ARABIA	HOUSING RENT FOR MR SALVATORE PANTALEO FROM 01/12/14 UNTIL 30/11/15	45,510.00
0639556	NESSER	SIERRA LEONE	ACCOMMODATION FOR CONTRACT AGENT- 19A OFF SPUR ROAD- A.A. CIRES	79,086.12
0653077	S.S.G. INTERNATIONAL (SL) LIMITED*S ECURITY SUPPORT GROUP INTERNATIONAL SSGI	SIERRA LEONE	SECURITY SERVICE TO OFFICES AND RESIDENCES	45,928.98
0653091	S.S.G. INTERNATIONAL (SL) LIMITED*S ECURITY SUPPORT GROUP INTERNATIONAL SSGI	SIERRA LEONE	SECURITY TO OFFICES AND RESIDENCES	45,928.98
0646858	HSBC INSTITUTIONAL TRUST SERVICES ( SINGAPORE) LIMITED*	SINGAPORE	OFFICE LEASE #37 AND #38	2,843,327.18
0667509	ABDELMONEIM MUSTAFA YOUSIF	SOUDAN	RENT OF A HOUSE	95,613.90
0683608	AL ABDULGHANI	SOUDAN	RENT OF APARTMENT	70,860.56
0627515	ROCKSHIELD INTERNATIONAL CO LTD*RSI	SOUDAN JUBA	TWO ADDITIONAL APARTMENTS NECESSARY DUE TO DECISION HOD/HQ FOR 2 MONTHS	18,000.00
0667781	ROCKSHIELD INTERNATIONAL CO LTD*RSI	SOUDAN JUBA	LEASE CONTRACT - 2 APARTMENTS COMBINED	89,545.56
0673313	ROCKSHIELD INTERNATIONAL CO LTD*RSI	SOUDAN JUBA	RENT OF 9 APARTMENTS	402,955.00
0678385	ROCKSHIELD INTERNATIONAL CO LTD*RSI	SOUDAN JUBA	ADDENDUN 2 - HEAD OF DELEGATION RESIDENCE	57,151.93

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0678471	ROCKSHIELD INTERNATIONAL CO LTD*RSI	SOUDAN JUBA	ADDENDUM 3 TO LEASE CONTRACT FOR RENTING 3 APARTMENTS	171,455.79
0626327	EA SHELWELL TRUST*	SOUTH AFRICA	DELZAFP - HOUSING OFFICIAL - 303 JUPITER STREET, WATERKLOOF RIDGE	68,877.07
0638160	ILUNGA	SOUTH AFRICA	DELZAFP - HOUSING OFFICIAL - 446 JULIUS JEPPE STREET, WATERKLOOF	76,530.08
0638549	PILLAY	SOUTH AFRICA	DELZAFP - HOUSING CA - 114 GRAKSOP ROAD, WATERKLOOF HEIGHTS	67,598.27
0678406	USINES TEXTILES AFRICAINE SARL*	SOUTH AFRICA	DELZARK - APPARTEMENT 146C, UTEXAFRICA	156,000.00
0665521	DE ALWIS	SRI LANKA	SRI LANKA:ACCOMMODATION FOR OFFICIAL-LEASE CONTRACT ICELAND APT 10-C-2	84,380.00
0667053	ESUFALLY	SRI LANKA	SRI LANKA:ACCOMMODATION FOR OFFICIAL: HYDE PARK 8/4	132,000.00
0667054	MOHAMED	SRI LANKA	SRI LANKA ACCOMMODATION FOR CA:MONARCH APARTMENTS	60,440.00
0675147	RAMAIAH	SRI LANKA	SRI LANKA: ACCOMMODATION FOR CA:ICELAND APARTMENTS	138,414.30
0669112	EGGER	SWITZERLAND	CORNELIUS KURT EGGER - LEASE CONTRACT BEATUSSTRASSE 18, 3006 BERN (RESIDENCE HOD)	1,531,044.00
0664953	AGENCE IMMOBILIERE LABORDE SARL*	TCHAD	LOGEMENT OSCAR 2 - CHEF SECTION DEVELOPPEMENT RURAL	164,645.00
0672473	ANABTAWI	TCHAD	LOGEMENT OSCAR 6 - CHEF ESCTION FINANCES&CONTRATS	131,716.00
0665041	ANDJAMI YOUSSOUBO	TCHAD	LOGEMENT LIMA 1 - ASSISTANT SECTION FINANCES CONTRATS	137,204.00
0440315	MITCHELL	TRINIDAD	DELTTOP - LEASE CONTRACT YOLANDA PALOMARES OTERO - K034	70,000.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0679571	TOM YEW	TRINIDAD	DELTTOP - LEASE CONTRACT YOLANDA PALOMARES OTERO	80,000.00
0683623	GUNAL INSAAT TICARET VE SANAYI AS*G UNAL CONSTRUCTION TRADE AND INDUSTRY	TURKEY	ADDENDUM TO LEASE CONTRACT FOR OFFICE BUILDING	1,007,096.00
0683808	NUROL GAYRIMENKUL YATIRIM ORTAKLIGI AS*NUROL REAL ESTATE INVESTMENT TR UST	TURKEY	ADDENDUM TO LEASE CONTRACT FOR HOD RESIDENCE	9,151.00
0667141	SOZMEN	TURKEY	RENTAL OF EU COMMON WORKPLACE IN GAZIANTEP	72,000.00
0685643	KHAKIMOVA	UZBEKISTAN	LEASE AGREEMENT - ASSUNTA TESTA	18,930.00
0685645	KHAKIMOVA	UZBEKISTAN	LEASE AGREEMENT - ANTON ATAYEE	22,387.00
0685644	KOBULOV	UZBEKISTAN	LEASE AGREEMENT - STEPHANE SOURDIN	80,960.00
0689811	XALQARO HAMKORLIK MARKAZI AK*	UZBEKISTAN	PARKING SPACE FOR DELEGATION'S CARS	1,302.00
0689812	XALQARO HAMKORLIK MARKAZI AK*	UZBEKISTAN	PARKING SPACE FOR DELEGATION'S CARS	1,428.80
0684022	CONG TY TRACH NHIEM HU U HAN CORALI S VIET NAM*LOTTE CORALIS VIETNAM CO MPANY LIMITED	VIETNAM	DELVNMH - LEASE CONTRACT OFFICE PREMISE B005	223,995.85
0670653	GRAND REINSURANCE COMPANY (PRIVATE) LIMITED*GRE	ZIMBABWE	DELZWEH - 140 TWICKENHAM LEASE - JPDS -9 MONTHS LEASE - 01.09.2014 TO 31.05.2015	22,879.04
0661463	OLRAY ENTERPRISES (PRIVATE) LIMITED *	ZIMBABWE	DELZWEH - OLRAY ENTERPRISES - 27 COSHAM LEASE AGREEMENT - 3 YEARS - 1 JUNE 2014 TO 31 MAY 2017	66,080.00

<b>Contract Number</b>	<b>Contractor Name</b>	<b>Country</b>	<b>Description</b>	<b>Amount (€)</b>
0655148	STANDARD CHARTERED BANK ZIMBABWE LT D*SCBZL	ZIMBABWE	DELZWEH-STANDARD CHARTERED BANK LEASE CONTRACT-01.07 2014	1,690,405.00
0655902	TOGGEN BERG INVESTMENTS (PRIVATE) L IMITED*	ZIMBABWE	DELZWEH - TOGGEN BERG INVESTMENTS - 27 COULL DRIVE LEASE CONTRACT - 2 YRS - 1 JULY 2014 TO 30 JUNE 2016	31,245.48

**TABLE 13: CONTRACTS DECLARED SECRET**

Total Number of Contracts:	1
Total amount:	4,447,572.80

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)
Art. 134.1(j)	689822	SECTRA-COMMUNICATIONS AKTIEBOLAG*	Service	B3 - SECTRA - EEAS-391-DIVB3-SUP/SER-FWC-2014	4,447,572.80

## ANNEX 4

### Materiality criteria

For the 2014 AAR exercise the EEAS has used the indicative quantitative threshold for materiality (i.e. the measurement of errors in budgetary execution having a potentially positive or negative financial impact) as being at 2% of the administrative budget consumed. This 2% limit has been applied to the three previous exercises and has now again been applied to the results of the controls over the execution of the 2014 administrative budget managed by the EEAS.

In monetary terms, this represents for the EEAS an amount of € 15.5 million (i.e. 2% of the annual administrative budget consumed in 2014 - at € 773 million).

From the ex-post controls upon the 2014 financial transactions related to the execution of the EEAS's administrative budget - a maximum rate of material error of 0.041 % was determined, with a residual error rate of 0.028%.

As the residual error rate is lower than the material error rate found in the core sampling - this validates the methodology applied and confirms that the material error rate in the global population of EEAS financial transactions should be between 0.00% and 0.041%.

## ANNEX 5

### Ex-post control function and results

For the 2014 exercise the ex-post control function has assessed the level of sound financial management applied in the execution of the EEAS' administrative budget, covering both EEAS HQ and the EU Delegations. This is used to support the annual 'Declaration of Assurance' both of the EEAS Chief Operating Officer and of the Heads of EU Delegations, as is required under article 66.9 of the Financial Regulation, per above.

For 2014, as for the 2013 budgetary reporting exercise, the Evaluation Division has applied the 'Monetary Unit Sampling' (MUS) method in the selection of samples of transactions for financial verification ex-post. Using the MUS method a core sample for ex-post controls was extracted from the global population of financial transactions used to execute the EEAS Administrative Budget.

In order to validate the results generated from the risk based MUS testing a 'Residual Error Rate' (RER) sampling and calculation was also made. These methods differ in that whereas the MUS method requires inter-alia the application of a risk analysis in the generation of the samples, the RER sample was chosen on a random sample basis from the global population, i.e. no risk analysis was applied.

To determine whether results from the MUS method indicate that the ex-post control strategy has been effective it is necessary to make a comparison of the 2 material error rates (by material here it is meant any error with a financial impact, i.e. which in total must not exceed the threshold of 2% of the administrative budget – above this level a reservation may have to be given) generated based on the ex-post controls, one from the core MUS sample and one from the RER sample.

If the error rate for the MUS sample controlled is greater than the error rate from the RER sample controlled then the risk based MUS sample is validated – i.e. the risk analysis used with the MUS is well founded. If the error rate for the MUS sample was lower than the error rate from the RER sample this would call into question the risk analysis and so the effectiveness of the ex-post control strategy. For the 2014 exercise the MUS error rate exceeds the RER error rate therefore the MUS results for the EEAS 2014 reporting exercise<sup>1</sup> are credible.

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<sup>1</sup> Please note, that the methodology applied for the risk analysis was the same for 2012, 2013, and 2014, but the risk factors and weightings scores were revised and the risk updated.

Population checked from the administrative budget:

Transactions		DELEGATIONS		DIVISIONS		Total Count	
		Count	Sum	Count	Sum	Count	Sum
Out of the Scope	Official staff salary****			153	247,117,442	153	247,117,442
	Imprest Account (petty cash)	8,967	5,574,897			8,967	5,574,897
	MIPS	6,380	2,591,677	4,340	2,644,263	10,720	5,235,940
	Surinam/Vanuatu ***	52	23,991			52	23,991
	Libya/Yemen***	887	4,754,331			887	4,754,331
	A Contractor audited			14	11,273,648	14	11,273,648
	Sampled but not checked	10	181,085			10	181,085
	Nov - Dec **	25,135	73,287,462	1,385	24,098,793	26,520	97,386,255
In the Scope	Not sampled	107,338	234,751,491	5,896	58,260,890	113,234	293,012,381
	Sampled *	2,374	53,569,139	199	55,115,575	2,573	108,684,714
Grand Total		151,143	374,734,073	11,987	398,510,611	163,130	773,244,684
Ratio (sampled/ scope)		2.2%	18.6%	3.3%	48.6%	2.2%	27.1%

\* Including 125 for RER and 30 for PREC

\*\* Does not include Official staff salary, Imprest Account, MIPS, Surinam/Vanuatu, Libya/Yemen

\*\*\* Including Imprest Account, MIPS, and Nov-Dec

\*\*\*\* Transaction EAS.616229 (social security) has been adapted to the correct population

The following transactions were outside of the scope of the ex-post controls actually carried out:

- The salaries managed between the EEAS and the European Commission under 'Service Level Agreements', as these would have to be jointly audited and they are subject to control by the Pay Master's Office (PMO);
- The payments registered in the 'Imprest Account' module (except for controls 'on-the-spot' carried out whilst on mission in the Delegation, as these payments tend to be for lower value amounts);
- The payments registered in the 'MIPS' module (also managed by another SLA signed with the European Commission under 'Service Level Agreements');
- The payments concerning the former Delegations Vanuatu and Surinam; because there were few payments issued and the amounts paid were low individually and globally;
- The payments concerning the Delegations Libya and Yemen; because supporting documents were not available due to local conditions;
- Some transactions were "Sampled but not checked"; it concerns a mission where the controller fell ill and was unable to complete the task;
- "A contractor not audited" means, that the contractor was taken out from the scope because he was subject to an in-depth financial audit by the Internal Audit Division;
- The period November to December 2014 - this is in order to produce results for publication in the AAR, for the period January to October, within a set period after the year-end - however, transactions for the last two months are still subject to standard controls by the official responsible (i.e. the sub-delegated authorising officer); and 6 evaluation missions were carried out in February 2015 which also verified transactions for the period November to December 2014; and
- The EEAS's revenues, due to investment of staff resources in other priorities.

For the 2014 administrative budget the following ex-post control activities were undertaken;

The number of Delegations controlled ex-post amounted to 139 (including 20 on-the-spot controls: Armenia, Belarus, Bolivia, Botswana, Cap Verde, Haiti, Indonesia, India, South Korea, Lebanon, Sri Lanka, Nepal, Philippines, Saudi Arabia, Senegal, Taiwan, Uganda, Washington, Venezuela, Viet Nam);

The number of Headquarters' Divisions controlled ex-post amounted to 13;

The number of reports to be issued will be 151<sup>2</sup>; and

The total number of transactions checked is 2,573.

Representativeness of the samples:

The Evaluation Division selected for verification 2.2% and 3.3% of the 2014 population of "Payment Request Headers" (i.e. requests for one or more payments) respectively for the Delegations and for the Headquarters' Divisions. These represent in monetary value terms 18.6% and 48.6% of their respective populations within the scope of controls.

Due to the fact that the samples selected covered the majority of the categories of expenditures for the 139 Delegations controlled and nearly all of the Divisions at Headquarters responsible for managing funds, they are considered as being representative of the transactions concerning the functioning of the EEAS Delegations and Headquarters' Divisions during 2014.

All of the transactions sampled were subject to ex-post financial controls; none of them were subject to ex-post administrative controls due to the investment of staff resources in other priorities. In relation to the latter the most frequent administrative errors arising in 2014 were:

- For the Delegations:
  - 1-An absence of tendering (21.4%);
  - 2-An absence of legal commitment (7.8%);
  - 3-The operations/services/building works performed were not in accordance with the contract/quotation or offer (6.9%);
  - 4-The analysis of the file found that the tender documentation is incomplete (5.9%);
  - 5- The AECC decision authorising the payment of an allowance and setting the amount has been lost or was not provided (4.6%); and
  - 6- The legal commitment model used does not comply with the EEAS model (3.0%).
- For the HQ Divisions:
  - 1- There was a problematic clause in the legal commitment (18.5%);
  - 2- The operations/services/building works performed were not in accordance with the contract/quotation or offer (14.3%);

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<sup>2</sup> A full EPC report will not be issued for the EEAS HQ Division CMPD/A2 as there was only one payment issued/sampled/checked. This statistic will also be a point of reference for the 2015 exercise.

- 3- An absence of tendering (9.5%);
- 4- An incorrect type of contract was used (9.5%);
- 5- A lack of information provided (8.5%); and
- 6- The budgetary commitment was created after the creation of the legal commitment (7.5%).

The Evaluation Division will issue recommendations to each of the entities controlled in order to assist them in remedying the issues identified during controls.

Material<sup>3</sup> errors:

It is very important to point out that when applying the established methodology, the value amount and percentage of material errors is very low, in fact the lowest to report for the Delegations since the EEAS has been established, at 0.05% for Delegations and 0.03% for HQ Divisions for 2014 - as compared with 0.06% and 0% for Delegations and HQ Divisions respectively for 2013. The combined error rate for HQ and Delegations combined is at 0.04% for 2014 as against 0.03% for 2013, however, this is not significant as it remains well below the 2% material error rate threshold, see footnote 3.

Material error / Sampling		Core sampling (+ top up)			Missions	Detection risk	Residual Error Rate
		Delegations	Divisions	Total			
Number	Total	16	9	25	6	0	2
	Population	1,833	186	2,019	417	13	124
	%	0.9%	4.8%	1.2%	1.4%	0.0%	1.6%
Euro	To be paid	€23	€0	€23	€0	€0	€0
	To be reimbursed	€25,325	€16,728	€42,053	€3,717	€0	€1
	Total	€25,848	€16,728	€42,576	€3,717	€0	€1
Population		€48,586,250	€4,933,795	€53,520,045	€4,628,737	€244,375	€291,557
%		0.053%	0.030%	<b>0.041%</b>	0.080%	0.00%	<b>0.028%</b>

*(Please note, that there are 63 transactions out of the total controlled where the material error, see footnote 3, is not quantifiable, i.e. it is impossible to calculate the financial impact: 63 for the core sampling and 0 for the 'Residual Error Rate' sampling.)*

The very low combined material error rate of 0.041%, for HQ Divisions and Delegations, provides strong evidence that the incidence of error across the whole population is low and that internal controls are well designed and operating effectively. These internal controls include ex-post control and its deterrent effects. The material error rate, again see footnote 3, is well below the threshold of 2% used by the EEAS, in determining whether or not there has been a correct implementation of the EEAS' Administrative Budget in accordance with the EU's Financial Regulation and Rules of Application.

<sup>3</sup> By material it is meant an error with a financial effect, either positive or negative, it is not meant that the error(s) exceeded a 2% threshold.

As the 'RER' is 0.028% and is lower than the 'MUS' core sample rate estimated at 0.041%, considering that the amount of budget spent is approximately equal for Delegations and HQ), it validates the risk analysis and provides a sound basis for the conclusion that the ex-post control risk analysis and MUS were well designed and applied.

#### *Appreciation of the results of the 2014 Ex-Post controls on the EEAS Administrative Budget*

The financial management of administrative expenditures by the EEAS Headquarters' Divisions and EU Delegations for the functioning of the EEAS did not result in a significant level of material error, i.e. errors with a financial impact, based on the ex-post control methodology applied.

This is characterized by a near negligible rate of financial irregularities which may lead to the emission of recovery orders, or compensatory payments, (at 0.041% of the sample for the Delegations and HQ Divisions combined).

As in the past, ex-post control results confirm the need to continuously promote the follow-up of ex-post control reports; and the need for further communication with colleagues in Delegations and HQ Divisions.

In the opinion of the Evaluation Division the Delegations that have been checked for 2014 have been seen to have made very significant efforts to apply the principle of sound financial management in order to achieve the objectives of economy, efficiency, and effectiveness.

Certain Delegations and several of the Headquarters' Divisions have nonetheless still encountered difficulties in complying with a number of financial and administrative rules, although these are of an administrative error nature (i.e. without a quantifiable financial impact) rather than of a material error nature (i.e. with a quantifiable financial impact).

The entry into force of the EU Delegations' Guide as from January 2014 has aided the administrative functioning of the Delegations; it has been promoted through training at seminars and at pre-posting events. The investment in the 'Low Value Contracts Guide' and training on procurement have also helped, as has the introduction of the 'Mission Processing System' (MIPS).

#### **Cost of controls for ex-post control Activities**

The primary objective of this activity is that the Declarations of Assurance of the Authorising Officer by Delegation, and Heads of Delegations and the annual reports of Authorising Officers by sub-Delegation receive as a 'building block' an independent opinion as to the level of sound financial management as practiced by them in their execution of the EEAS' Administrative Budget. This opinion is given in the form of ex-post control (EPC) reports on the basis of verifications of: samples of financial transactions executed; and the level of implementation of certain internal control standards - by the entity responsible.

As the EEAS is legally required under the EU's Financial Regulation and Rules of Application to give a 'Declaration of Assurance' the primary benefit of EPC is the assistance with the

fulfilment of this legal obligation. However, the benefit from the overall fulfilment of this legally required reporting obligation may only be classed as achieved or not, i.e. the overall benefit itself is not quantifiable in specific value terms. Nonetheless for EPC's function, as a 'building block', an analysis of the benefits in terms of control efficiency and cost-effectiveness may be made, see below.

The activity is effective in that for all EEAS entities managing funds an EPC report is generated. For 2014 the reporting concerns 13 Headquarters Divisions and 139 Delegations.

The costs below concern the actual 2014 exercise.

Costs of controls			EPC
Direct costs	FTE Officials	n	8.3
		€	1,094,500
	FTE CA	n	2
		€	140,000
	Expenditure[1]*	€	100,179
	total	€	1,334,679
Indirect costs			143,377
Overhead costs			
<b>Total costs</b>			<b>1,478,056</b>

Benefit of controls		EPC
Deterred		N.Q.
Prevented		
Detected	Material error	46,428
	Incorrect tendering	5,671,370
Corrected		
<b>Total findings</b>		<b>5,717,798</b>

Total expenditure (checked)	108,684,714
Overall cost-effectiveness[2]	<b>5.26%</b>

*Total findings / total expenditure (checked)*

Supervisory checks cost-effectiveness[3]	<b>3.9</b>
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*Total findings / total costs*

[1] Including the depreciation of IT developments over five years

[2] This figure is in percentage terms the total findings of the controls divided by the total value of the expenditures checked.

[3] This figure is a ratio for the total findings divided by the total costs.

## ANNEX 6

### List of Acronyms

ABAC	Accrual Based Accounting
AD	Administrator
AOSD	Authorising Officer by sub-delegation
AST	Assistant
BUDG	Directorate-General for Budget
CAMAR	Comité Achat Marchés RELEX
CE	Communauté Européenne
CFSP	Common Foreign and Security Policy
CHAR	Charlemagne Building
DAS	Annual Declaration of Assurance
DEL	Delegation
DG	Directorate-General
DG HR	Directorate-General for Human Resources
DSES	Delegation Support and Evaluation Service
DEVCO	DG for International cooperation and Development
ECA	European Court of Auditors
EDF	European Development Fund
EEAS	European External Action Service
EOMs	Election Observation Missions
EPC	Ex Post Control
EU	European Union
EUCI	European Union Classified Information
EU MS	EU Member States
FPI	Service for Foreign Policy Instruments
GL Account	General Ledger Account
GSC	General Secretariat of the Council
HQ	Headquarters
HR	High Representative of the European Union for Foreign Affairs and Security Policy
HRM	Human Resource Management
IA	Initiating Agent
IAH	Imprest Account Holder
IAS	Internal Audit Service

ICI	Industrialised Countries Instrument
ICMT	Internal Control Management Tool
ICS	Internal Control Standards
IfS	Instrument for Stability
IIA	Institute of Internal Auditors
MDR	Managing Directorate Resources
OLAF	European Anti-fraud Office
PMO	European Union Office for Administration and Payment
PPD	Press and Public Diplomacy
RELEX	Directorate-General External Relations
RO	Recovery Order
SDAO	Sub-delegated Authorising Officer
SEAE	Service Européen pour l'Action Extérieure
SLA	Service Level Agreement
SNE	Seconded National Expert
UN	United Nations
VA	Verifying Agent
VAT	Value-Added Tax
VP	Vice-President of the European Commission
WTO	World Trade Organisation