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OFFICE FOR INFRASTRUCTURE AND LOGISTICS
LUXEMBOURG**

Head of Service



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OFFICE INFRASTRUCTURE AND LOGISTICS LUXEMBOURG (OIL) 2010 ANNUAL ACTIVITY REPORT

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1 POLICY ACHIEVEMENTS

1.1 SUMMARY OF ACHIEVEMENTS

The year 2010 marked a new departure for our building projects, in particular the future Jean Monnet 2 building on the Kirchberg plateau and the CPE V building for the Children's Centre in Bertrange/Mamer:

- An international architecture contest for JMO2 was launched by the Luxembourg authorities in cooperation with OIL on 17 March 2010. 54 applications were received, of which 8 were preselected. The results were announced on 16 December 2010. Negotiations by the Luxembourg authorities with a view to awarding the contract to one of the three prize winners are ongoing.
- Negotiations have also been ongoing with ABP (Administration des bâtiments publics) on the framework contract to be signed with the Luxembourg authorities as contracting authority (maître d'ouvrage) for JMO2.
- The construction of CPE V moved to the actual building phase and the project remains on schedule for occupation from September 2012. While the Luxembourg authorities are maître d'ouvrage, OIL is involved as an observer in planning and monitoring each phase of the project.
- The extension of CPE III was completed.
- The works on the European Court of Auditors' K3 extension progressed according to plan.
- New office space was rented in the D wing of the Drosbach building from end March 2010. Although all preparations had been completed to move DIGIT into its new premises from 1 July 2010 as planned, unforeseeable events made it necessary to postpone the start date for the move. The first phase of the move is now virtually complete.
- Overdue maintenance works in the BECH building were successfully negotiated with the building's owners and carried out.

The provision of child-minding and catering facilities remains a primary concern:

- We continue to provide high-quality day care and after-school care to all eligible children.
- The interinstitutional Children Centre's enrolment and re-enrolment procedures were simplified through the introduction of E-Kidreg, an online registration system.
- Thanks to the CPE III extension, all registrations for the study centre received during the registration campaign for 2010–2011, including those of priority level 3, could be accepted.
- OIL took a number of important measures to ensure the financial viability of its catering activity, in particular controlling its staffing costs. The operating deficit for 2010 was reduced to 129 000 euros, from 247 000 euros in 2009. Moreover, this deficit was mainly due to increases in staffing costs not yet reflected in the prices charged.

In addition:

- The full extension of EMAS to the Commission in Luxembourg was brought a step closer by the recruitment of an AD official, the setting up of an EMAS Coordination Committee and EMAS correspondents' network, and the preparation of the evaluation of the Drosbach and Hitec buildings in cooperation with DG HR.
- Due to a combination of factors, including but not limited to continued difficulties in integrating ABAC SAM in OIL's operations, OIL's payment times in the first half of the year were considerably above target. The issue was successfully addressed in the second half of the year.

- The works to modernise the JMO conference centre's audio equipment were completed, with DG SCIC's financial and technical assistance.
- As part of the implementation of a memorandum of understanding between OIL and HR.DS on the implementation of the Commission's health and safety policy, HR.DS visited OIL on 30 June and 1 July 2010 to perform an audit in order to identify any measures to be taken to fully implement Commission Decision C/2006/1623 on health and safety at work. An action plan was established in common agreement. In addition, the introduction of the SMT software program improved communication between the dispatching, health and safety, and maintenance teams.
- Further progress was made in documenting OIL's main procedures, which are now accessible to all OIL staff via intranet.
- A broad communication campaign was started. A survey was held to determine for which of OIL's activities and services information was insufficient. Newsletters on topical issues and a card presenting OIL's services and contact points were distributed to all Commission staff in Luxembourg.

OIL adopted a new structure on 1 January 2010. This reorganisation was followed by a voluntary mobility round for staff. The introduction of the new structure generally went smoothly. Nevertheless, a number of departures of key staff combined with a number of long-term absences imply that staffing will remain an important issue in 2011.

1.2 BUILDINGS AND RELATED EXPENSES

Description and general objectives:

Provide and maintain the infrastructure required so that the current and future services of the Commission in Luxembourg have the best possible working conditions and logistical support.

Specific objective 1.2.1:

To plan and carry out projects for new buildings so that requirements in terms of infrastructure are taken into account at a correct cost according to the market situation.

The majority of the outputs of the Management Plan (MP 2010) were realised, in particular as regards the provision of additional office space by the Drosbach building and as concerns the Interinstitutional Children's Centre (CPE). However, the preparations for the construction of the Jean Monnet 2 building are slightly behind schedule.

Main actions in 2010:

The Multiannual Policy Framework document (MAPF) for 2011-2015 was presented to the Management Committee on 6 December 2010.

The contract for renting an additional 6500 m² in wing D of the Drosbach building was signed on 31 March 2010. The space was received on 1 June 2010. The move of DG DIGIT from the Jean Monnet building started in October 2010. The first phase of the move (to wing D) was almost finished by December 2010. The second phase (to wing A) is to be finished by the summer of 2011.

The extension of the CPE III building was received on 18 June 2010. The 15 new classrooms have been occupied since the beginning of school year 2010-2011.

The construction of the CPE V building moved to the actual building phase. The building is on schedule to be opened for the beginning of school year 2012-2013.

As part of OIL's interinstitutional co-operation, OIL provides technical assistance to the Court of Auditors for the construction of their second extension (K3).

The international architecture competition for the future flagship building of the European Commission in Luxembourg, Jean Monnet 2, was organized in 2010. The jury awarded prizes to three projects in December.

Other actions had to be postponed:

The Luxembourg authorities are to award the contract for the conception phase of the Jean Monnet 2 building to one of the three prize winners in the architecture competition.

The interservice consultation concerning the project, the cost estimate and the framework contract for Jean Monnet 2 will be launched after the award of this contract and will thereafter be submitted to the budgetary authority. The negotiation of the framework contract with the Luxembourg authorities is ongoing.

The new structure of the Manuel Immeuble Type (Buildings Standards Manual) was validated by the Institutions in Luxembourg. Its delivery is planned for the first half of 2011.

Specific objective 1.2.2:

To plan and carry out the necessary maintenance of buildings and technical installations so that an effective and safe working environment is offered.

All outputs were realised according to the MP 2010, with the exception of the consumption of gas, which is dependent on the outside temperature throughout the year and was slightly higher than projected.

Main actions in 2010:

The Service Management Tool to register safety incidents and problems identified by the controlling body during periodical safety checks has been successfully implemented and adapted to OIL's needs. Further development of the IT interface automating some of the processes has been initiated.

A methodology for sample controls was developed. 233 sample controls of standard maintenance for the period March to December 2010 were carried out. The plan for the whole year had been 283.

297 controls were carried out with respect to specific works requested by the Commission. The plan for the whole year had been 240.

Electricity consumption was 21 kWh per m² in 2010 and did not exceed consumption in 2009 (22.5 kWh), as planned. Gas consumption was 2,34 m³ per m², vs. 2 m³ planned, due to adverse weather conditions in November and December 2010.

Specific objective 1.2.3:

To develop an innovative infrastructure in order to reduce the environmental footprint of Commission activities.

All outputs were realised according to the MP 2010.

Main actions in 2010:

The implementation of EMAS started with an internal evaluation (coordinated by DG HR) of two Commission buildings, Drosbach and Hitec.

High-level environmental quality criteria have been integrated in the Jean Monnet 2 project. Cost/efficiency analyses were carried out for the selection of environmentally friendly solutions in the case of 3 projects (as planned):

- 1) Jean Monnet conference centre – Renovation of audio-visual installations. Project delivered in November 2010.
- 2) BECH – Restaurant's conveyor belt. Project underway.
- 3) EUFO – Installation of a GTC system (Gestion Technique Centralisée). Call for tenders procedure completed. Project is programmed for 2011.

Specific objective 1.2.4:

Ensure quality concerning building maintenance and office space provision, according to OIL's Quality Charter.

All outputs were realised according to the MP 2010. Allocated spaces were made available on the agreed dates in the agreed quantity and the working environment was effective and secure.

Main actions in 2010:

According to planning, wing D of the Drosbach building has been made available to accommodate DG DIGIT as from July 2010. It comprises 6 500 m² of office space. The space includes a part that is designed to meet DIGIT's particular needs of open space layout for external personnel.

Corrective works have been systematically carried out following health and safety controls and recommendations. Corrective actions on non-conformities were followed up using the Service Management Tool software.

Major works carried out:

- Jean Monnet conference centre: Modernisation of audio-visual installations
- Jean Monnet data centre: Partial upgrading of heating, ventilation and air-conditioning installation
- Jean Monnet telecom rooms: Renovation of the installation for chilled water production
- Foyer: Replacement of the central fire detection system
- BECH building: Upgrading of GTC (Gestion Technique Centralisée) system
- EUFO building: Painting of façade, installation of an ammonia detection system, installation of a CO detection system in parking, refurbishment of data centre room for DG ENER
- Drosbach building: Installation of sun-blinds
- CPE I: repair of the ceilings of the whole building

1.3 HEALTH AND SAFETY AT WORK

Description and general objectives:

To implement measures to ensure the health and safety of all persons in the buildings of the European Commission in Luxembourg.

Specific objective 1.3.1:

To organise education and training for staff and members of the fire-prevention team, in order to ensure safety and the efficient evacuation of buildings in the event of emergency.

All outputs were realised according to the MP 2010, with the exception of one evacuation drill that could not be carried out as planned.

Main actions in 2010:

Practically all evacuations were carried out in less than ten minutes.

First aid and health and safety at work training was organised according to plan. The 2010 target of 50% of total target population (200 persons) trained in first aid was exceeded (104 persons).

100% of evacuation problems identified during the evacuation exercises were notified/ dispatched within 5 working days to the parties involved.

All non-conformities come to light during the evacuation exercises and real evacuations were documented in the evacuation report sent to fire wardens and staff. Excel sheets were completed by the Health and Safety at Work team with the new non-conformities noticed after each evacuation and discussed with HR.DS.

In 2010, 221 non-conformities were noted. At year-end, 214 of these had been resolved. Measures were in preparation for the remaining 7.

Main action not completed in 2010:

The number of evacuation drills per building fell short of the plan (one drill could not take place due to adverse weather conditions), but there were an additional 14 unplanned evacuations on top of the 28 drills carried out.

Specific objective 1.3.2:

To establish systems for building safety and full hygiene checks in order to ensure compliance with the Commission regulation on health and safety at work.

All actions planned in the MP 2010 for this specific objective have been completed:

All building security checks were carried out according to the annual planning. The Service Management Tool has improved the follow-up of, and reporting on, non-conformities.

The technical specifications for a new contract on periodical controls for building safety were prepared and the related IT facility management system call for tenders was launched.

The health and safety hygiene checks were carried out according to plan and the reports were prepared on time. The monitoring of the actions was assured.

Specific objective 1.3.3:

Participate with DG HR support in the analysis of our health and safety process, using OHSAS (Occupational Health, Safety and Security Standard) as a reference tool.

All actions planned in the MP 2010 for this specific objective have been completed:

All staff of the health and safety section as well as some representatives of the service desk (dispatching) participated in the OHSAS training on 6-7 October 2010 by DG HR/DS.

An OHSAS audit was carried out on 30 June and 1 July 2010. The results of this audit showed that health and safety matters are addressed in a professional manner by OIL. A list of actions for further improvement was prepared.

Specific objective 1.3.4:

To prevent or mitigate risks for specific OIL job categories following a risk assessment of workplaces.

The main action planned in the MP 2010 was to identify and assess the risks linked to specific OIL jobs. This has not been done yet.

Main actions not completed in 2010:

OIL's risk assessment will be based on the work already undertaken by OIB for the same categories of workplaces. The analysis of the documents provided by OIB is ongoing. A call for tenders to conduct the risk assessment of OIL-specific work places will be prepared.

1.4 EQUIPMENT, FURNITURE, SUPPLIES AND SERVICES

Description and general objectives:

To provide services in order to maintain an attractive and environmentally-friendly workplace.

Specific objective 1.4.1:

To optimise logistical services and modernise facilities offered to customers.

The main objectives in the MP 2010 were to maintain a high level of cleanliness in the buildings, timely delivery of furniture, office supplies and mail, and adequate inventory management.

Main actions in 2010:

The Jean Monnet conference centre has been renovated and equipped with a new recording system as planned.

The internal and external correspondence is collected and distributed twice to four times a day in each Commission building. There were no complaints.

Quality checks of the cleaning services and follow-up of the results are carried out on a monthly basis. The results of the checks confirm a high level of cleanliness in the Commission's buildings (98.4% vs. target 93%).

Inventory and stock management functionalities for furniture and office supplies have been implemented in ABAC SAM from January 2010 on. Technical problems encountered in the first three quarters of 2010 were resolved by ABAC SAM release 5, introduced on 22 November 2010. New procedures were implemented for writing off and reactivating goods. The inventory procedures were reviewed and updated in compliance with the new Commission rules on inventory management (C/2010/3248).

100% of print orders were delivered on time.

Subject to stock availability, most furniture and office supplies were delivered within 5 working days from receipt of the request (91% vs. 96% planned for office supplies and 88% vs. 90% planned for furniture, due to problems with ABAC SAM). The furniture is systematically checked before delivery.

The furniture for DG DIGIT's "open space" office layout in wing D of the Drosbach building has been delivered and installed.

Specific objective 1.4.2:

To improve the environmental performance of the Commission in Luxembourg (EMAS).

Main actions in 2010:

96% of eligible staff collected their Jobkaart for free transport on selected public bus and train lines (target: 95%).

The number of requests for bicycles increased by 38% (target: maintain stable).

In the framework of the interinstitutional Green Housekeeping group, OIL participated in an awareness-raising event on energy conservation held on the European Investment Bank's premises on 9-10 June 2010. OIL organised an awareness-raising campaign on mobility on 16-22 September 2010. One issue of the Eco-Journal was published. The aim of the publication is to raise staff awareness on the impact of their behaviour on the environment when exercising their everyday activities.

All Commission buildings are equipped for selective waste sorting. In 2010, 34% of the total waste was selectively sorted (stable in comparison with 2009, as planned). An awareness-raising event on waste sorting was organised on 7-11 June 2010.

1.5 MANAGEMENT OF SOCIAL WELFARE (INTERINSTITUTIONAL, LUXEMBOURG)

Description and general objectives:

To provide and manage the social infrastructure in order to improve staff welfare and facilitate their professional activity.

Specific objective 1.5.1:

To manage and develop childcare facilities in the best possible way, so that EU staff can reconcile their professional and family life.

Main actions in 2010:

For the interinstitutional Children's Centre, all applications for children in priority groups¹ 1 and 2 were accepted, as well as all applications of priority group 3 for the study centre received during the main enrolment campaign.

The average number of children present per class per month complied with the Luxembourgish law on childcare facilities.

A new electronic enrolment system for the centre, E-Kidreg, was introduced in 2010 for new enrolments (pilot phase). Feedback received from the parents was positive.

Specific objective 1.5.2:

To efficiently manage catering facilities in order to provide staff with healthy, balanced meals of high quality.

The main objectives of the MP 2010 included the submission of a proposal for a new accountancy and integrated stock and income system for the catering service, a call for tender for food supplies and one for vending machines.

Main actions in 2010:

The financial results of the catering activities could be improved. The deficit in 2010 amounted to 129 000 EUR compared to 247 000 EUR in 2009.

The action plan resulting from the catering quality survey was drawn up and partly implemented (e.g. pasta bar, improved salad bar, flexibility in the composition of one's meal).

The target "zero" for complaints about choice or staff behaviour was reached.

Food production standards were complied with.

Main actions not completed in 2010:

A proposal for a substitute solution for the accounting and integrated stock and income system for the catering service is being prepared.

¹ Priority 1: A single parent having sole responsibility for the child's upbringing and education.

Priority 2: - Parents who both work full-time.

- One parent working full-time and the other at least half-time.

Priority 3: One parent working full-time and one parent who works less than half-time or is unemployed.

The call for tenders for the catering supplies will be prepared with the help of a consultant. OIL aims at signing a contract by July 2012.

The call for tenders for the vending and coffee machines is planned for 2011.

Specific objective 1.5.3:

To promote leisure and sports activities in order to improve the working conditions of EU staff.

The main objectives of the MP 2010 were to increase attendance at the Fitness Centre, which is financed by membership fees, and to promote the activities organised by volunteers at the Foyer Européen.

Main actions in 2010:

The average weekly number of hours of sports classes in the Fitness Centre was as planned (31).

The average number of entries per month was as projected (1300; 1256 in 2009), although the swimming pool was closed in December for retiling.

The number of special weeks in the Foyer Européen was 16, instead of the 11 that were planned.

The CALux (Committee of the Heads of Administration in Luxembourg) decided in 2003 to subsidise the activities of the Foyer Européen. Since then an annual subsidy has been granted by the CAS (interinstitutional Social Activities Committee). The operational deficit in 2010 was 32 000 euros.

Main actions not completed in 2010:

The average number of guests per day in the Foyer Européen was lower than planned (32 vs. 38). The main reason is that beside the restaurant a new underground carpark was constructed, which impeded access to the building for the whole year.

1.6 HORIZONTAL ACTIVITIES

This area is largely covered by other parts of the report, namely annex 2 (human resources management), points 2.1.4, 2 1.5 and 3.1.1 (financial management) and annex 5 (contracts and calls for tenders).

2 MANAGEMENT AND INTERNAL CONTROL SYSTEMS

2.1 INTRODUCTION TO OIL

2.1.1 MISSION

The mission of OIL is to provide professional services for the Commission and other Institutions in Luxembourg by creating an innovative work environment and managing social infrastructure in a way that respects people and nature.

2.1.2 GENERAL INFORMATION

OIL is an administrative office with a Director/Head of Service who receives from the Commission the powers of Authorising Officer by Delegation. The Office works together with DG HR.D5, which is responsible for coordinating the Offices, and reports twice a year on its activities to the Commissioner and to its Management Committee chaired by DG HR's Director-General.

2.1.3 PRINCIPAL BENEFICIARIES OF OIL SERVICES

OIL is responsible for providing appropriate infrastructure and logistics for Commission directorates-general and services based in Luxembourg.

OIL also offers services such as management of building projects, delivery of office supplies, print services, mobility, safety and hygiene at work etc., to other Institutions in Luxembourg. These activities are either invoiced to the institutions (office supplies) or covered by inter-service agreements with appropriate compensation provided by the requesting institutions. Certain social services (childcare, catering and certain sports activities) are offered also to the staff of the other Institutions and European bodies located in Luxembourg. These activities are funded partly by users and partly by the budget of the Institutions and European bodies.

Furthermore, OIL is in charge of issuing certificates of value added tax exemption for goods and services purchased by DGs located in Luxembourg.

The following table provides an overview of interinstitutional activities (including Publications Office):

| | |
|---|--|
| <p>Building and related expenses</p> | <p>Interinstitutional management (Social Activities Committee and Committee of the Heads of Administration in Luxembourg)</p> <ul style="list-style-type: none"> • Management of the Foyer Européen <p>Office space for staff outside the Commission</p> <ul style="list-style-type: none"> • Sub-renting contract with EAHC (Executive Agency for Health and Consumers) and EFTA (European Free Trade Agreement) <p>Other activities managed by service-level agreement or other types of agreements</p> <ul style="list-style-type: none"> • Cooperation with the Court of Auditors on the construction of the new building K3 • Cooperation with the Publications Office for building management • Computer rooms including maintenance (Court of Justice, Publications Office) |
| <p>Equipment, furniture, supplies and services</p> | <p>Activities managed by service-level agreement</p> <ul style="list-style-type: none"> • Printing of documents (Court of Justice, Court of Auditors) • Office supplies (Translation Centre, Publications Office, Court of Auditors, Court of Justice, Executive Agency for Health and Consumers) • Delivery of furniture (Translation Centre, Publications Office, Executive Agency for Health and Consumers) • Transport of mail between Brussels and Luxembourg (with the European Parliament) |
| <p>Management of social welfare</p> | <p>Interinstitutional management (Social Activities Committee and Committee of the Heads of Administration in Luxembourg)</p> <p>Management of the CPE (Garderie and Study Centre)</p> <ul style="list-style-type: none"> • Fitness Centre: managed by the Commission but available to the staff of all the Institutions <p>Office space</p> <ul style="list-style-type: none"> • Offices made available to the Cercle Culturel and the Cercle Sportif <p>Legal advice to staff</p> <ul style="list-style-type: none"> • Services of a legal adviser available to current and retired officials and agents of the Institutions and Community bodies in Luxembourg |
| <p>Support activities</p> | <p>Interinstitutional procurement</p> |
| <p>EMAS</p> | <p>Green Housekeeping</p> <ul style="list-style-type: none"> • Awareness-raising campaigns • Participation in the interinstitutional working group |

2.1.4 FINANCIAL CIRCUITS

Based on the experience acquired since OIL was set up in 2003, the financial circuit model in use is the partially decentralised model (with counterweight). In this model, the financial unit is in charge of ex-ante financial initiation and verification tasks, with the operational units being responsible for operational initiation and verification and for the authorising role.

In 2010, the workflows for commitments and recovery orders were simplified in ABAC Workflow; the input of three agents in the budgetary systems is required instead of four actors previously.

With regard to OIL's catering activities, the model has been slightly adapted to take into account the following elements:

- Catering transactions are recorded in a separate software application (CIEL) under an ABAC exemption duly approved by DG BUDG.
- The Accountant of the Commission has extended his decision to subdelegate his accounting functions to the Head of Unit of OIL.06 (Finance, Procurement, Reporting) to mid June 2011.

2.1.5 BUDGETARY KEY FIGURES

OIL's own budget (commitment appropriations) is 24,4 million EUR, resulting solely from new appropriations. From its own budget, staff salaries (18,2 million EUR) and IT expenditure (0,9 million EUR) were subdelegated under the responsibility of PMO and DG DIGIT, respectively, in accordance with the internal rules.

In addition to these appropriations, OIL manages centralised appropriations in order to pay for the operating expenditure of the directorates-general based in Luxembourg (67,9 million EUR).

EPSO has subdelegated 240 000 EUR, PMO 1 200 000 EUR and the Publications Office EUR 30 000. These appropriations are implemented under the full responsibility of OIL. DG SCIC subdelegated 500 000 EUR in December 2010 to allow OIL to pay for new video conferencing equipment in the BECH and EUFO buildings.

In December 2010, OIL received an additional budget of 3 200 000 EUR that allowed the full anticipated payment of the planned fixtures and fittings of Drosbach wing D (the total cost of the planned works was 4 252 000 EUR). Also in December 2010, 689 000 EUR of appropriations were transferred to BUDG following their request to recover unused appropriations.

The budget implementation for 2010 amounted to almost 99% for commitments and 90% for payments. In 2009, comparative figures were 98,5% and 88% respectively. These amounts are consistent with forecasts for planned implementation of 2010 budget and show that annuality principles are complied with.

See table below (in EUR unless otherwise indicated):

Office for Infrastructure and Logistics Luxembourg
Annual Activity Report 2010

| Title | Found source | Initial budget | Final budget | Commitments execution | Commitments/ Credits | Payments execution | Payments/ Commitments |
|---|--------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| 1) Administrative expenditure title A7 | | | | | | | |
| Annual credits | C1 | 24.430.000,00 | 24.043.030,00 | 24.043.028,53 | 100,00% | 22.630.664,24 | 94,13% |
| Assigned revenue 2010 | C4 | | 394,86 | | 0,00% | 0,00 | |
| Income 2009 not used | C5 | | 15.513,26 | 15.513,26 | 100,00% | 15.513,26 | 100,00% |
| Annual credits 2009 committed but not paid | C8 | | 952.215,55 | 952.215,55 | 100,00% | 711.282,54 | 74,70% |
| Total 1) | | 24.430.000,00 | 25.011.153,67 | 25.010.757,34 | 100,00% | 23.357.460,04 | 93,39% |
| 2) Administrative centralised credits | | | | | | | |
| Annual credits | C1 | 67.928.000,00 | 70.957.853,00 | 70.954.079,03 | 99,99% | 65.099.223,37 | 91,75% |
| Assigned revenue 2010 | C4 | | 1.321.677,15 | 887.047,95 | 67,12% | 666.868,83 | 75,18% |
| Income 2009 not used | C5 | | 984.217,08 | 984.217,08 | 100,00% | 863.352,88 | 87,72% |
| Annual credits 2009 committed but not paid | C8 | | 8.437.471,11 | 8.437.471,11 | 100,00% | 7.673.521,46 | 90,95% |
| External income | R0 | | 5.973.938,02 | 5.157.168,45 | 86,33% | 3.075.897,56 | 59,64% |
| Total 2) | | 67.928.000,00 | 87.675.156,36 | 86.419.983,62 | 98,57% | 77.378.864,10 | 89,54% |
| 3) Credits subdelegated to OIL by PMO, EPSO, OPOCE et SCIC | | | | | | | |
| EPSO/OIL | C1 | 240.000,00 | 240.000,00 | 240.000,00 | 100,00% | 188.285,42 | 78,45% |
| EPSO/OIL | C8 | | 26.334,25 | 26.334,25 | 100,00% | 19.486,35 | 74,00% |
| PMO/OIL | C1 | 1.200.000,00 | 1.200.000,00 | 1.200.000,00 | 100,00% | 1.055.940,02 | 88,00% |
| PMO/OIL | C8 | | 148.926,31 | 148.926,31 | 100,00% | 144.203,94 | 96,83% |
| OPOCE/OIL | C1 | 30.000,00 | 30.000,00 | 30.000,00 | 100,00% | 20.000,00 | 66,67% |
| SCIC/OIL | C1 | 500.000,00 | 500.000,00 | 499.495,82 | 99,90% | 0,00 | 0,00% |
| DIGIT/OIL | C8 | | 180.000,00 | 180.000,00 | 100,00% | 180.000,00 | 100,00% |
| Total 3) | | 1.970.000,00 | 2.325.260,56 | 2.324.756,38 | 99,98% | 1.607.915,73 | 69,16% |
| Total 1 +2 +3 | | 94.328.000,00 | 115.011.570,59 | 113.755.497,34 | 98,91% | 102.344.239,87 | 89,97% |
| 4) Catering budget run by CIEL (estimation) | | | | | | | |
| Catering services | | 5.100.000,00 | 5.100.000,00 | 5.100.000,00 | 100,00% | 5.100.000,00 | 100,00% |
| Foyer européen | | 180.000,00 | 180.000,00 | 180.000,00 | 100,00% | 180.000,00 | 100,00% |
| Total 4) | | 5.280.000,00 | 5.280.000,00 | 5.280.000,00 | 100,00% | 5.280.000,00 | 100,00% |
| TOTAL 1 + 2 + 3 + 4 | | 99.608.000,00 | 120.291.570,59 | 119.035.497,34 | 98,96% | 107.624.239,87 | 90,41% |

The final implementation per management centre was as follows (in EUR unless otherwise indicated):

| Management centre | Initial budget | Final budget | Commitments execution | Commitments/ Credits | Payments execution | Payments/ Commitments |
|-------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| OIL only | 73.359.000,00 | 94.070.057,86 | 92.814.488,79 | 98,67% | 82.391.390,64 | 88,77% |
| OIL/PMO | 18.022.000,00 | 17.568.205,82 | 17.568.205,82 | 100,00% | 17.516.915,99 | 99,71% |
| OIL/DIGIT | 977.000,00 | 1.048.046,35 | 1.048.046,35 | 100,00% | 828.017,51 | 79,01% |
| Catering CIEL | 5.280.000,00 | 5.280.000,00 | 5.280.000,00 | 100,00% | 5.280.000,00 | 100,00% |
| EPSO/OIL | 240.000,00 | 266.334,25 | 266.334,25 | 100,00% | 207.771,77 | 78,01% |
| PMO/OIL | 1.200.000,00 | 1.348.926,31 | 1.348.926,31 | 100,00% | 1.200.143,96 | 88,97% |
| OPOCE/OIL | 30.000,00 | 30.000,00 | 30.000,00 | 100,00% | 20.000,00 | 66,67% |
| SCIC/OIL | 500.000,00 | 500.000,00 | 499.495,82 | 99,90% | 0,00 | 0,00% |
| DIGIT/OIL | | 180.000,00 | 180.000,00 | 100,00% | 180.000,00 | 100,00% |
| TOTAL | 99.608.000,00 | 120.291.570,59 | 119.035.497,34 | 98,96% | 107.624.239,87 | 90,41% |

2.1.6 WORKING ARRANGEMENTS BETWEEN OIL AND COMMISSIONER

The working arrangements with Vice-President Maroš Šefčovič were signed on 15 June 2010 (ARES(2010)376268). These refer in particular to two dedicated meetings per year between the Vice-President and OIL's Head of Service as authorising officer by delegation, in line with the timing of the Management Plan and the Annual Activity Report. A meeting took place on 19 July 2010.

In addition, the Head of Service met with the Vice-President on the occasion of his visits to Luxembourg (1 March, 16 December 2010) and had several meetings with the Head of Cabinet (28 January, 8 April, 20 September, 15 October, 3 December 2010).

2.1.7 MAJOR EVENTS OF THE REPORTING YEAR HAVING AN IMPACT ON REPUTATION

There were no major internal or external events with an impact on OIL during the reporting year.

2.2 THE FUNCTIONING OF THE ENTIRE INTERNAL CONTROL SYSTEM

2.2.1 COMPLIANCE WITH THE REQUIREMENTS OF THE CONTROL STANDARDS

At the end of 2009 and the beginning of 2010, an in-depth assessment of the internal control system had been carried out. End 2010 all risks identified in late 2009/early 2010 (including residual risks and mitigating measures) were re-assessed by the management. Of the then existing 43 risks, 2 were merged, 23 had been overcome because appropriate steps had been taken to eliminate them in the course of the year and one risk was added. As a result, the updated risk register of OIL now includes 20 risks. An assessment of the residual risk after controls was performed: in 19 cases the level of residual risk falls within the range 1 to 3 (low to medium) The risk of a lack of management and supervisory staff assessed as critical for 2010 was reduced, as more vacant posts than expected could be filled as a consequence of the availability of new reserve lists

The report below only refers to internal control standards for which OIL's implementation is not fully compliant with the requirements.

MISSION (ICS 1): PARTIAL COMPLIANCE WITH NEED FOR IMPROVEMENT

Whilst the mission statement of OIL is mentioned in every document of the SPP cycle and communicated to all staff through various channels (general assembly, management meetings, meetings with OIL's SPP correspondents), improvement is possible at unit level. One third of the units have already published their mission statements on OIL's website. This task will be completed in 2011 with the overhaul of OIL's intranet site.

INFORMATION AND COMMUNICATION (ICS 12): PARTIAL COMPLIANCE WITH MINOR NEED FOR IMPROVEMENT

Following the reorganisation of the Office at the beginning of 2010 and the request from the Management Committee to harmonise indicators of the Offices OIL and OIB, a common working group examined the indicators in the second half of 2010. As a result, revised indicators were agreed in late 2010 and reflected in the Management Plan 2011. Improvement will consist in setting up revised quarterly management scoreboards taking into account the common indicators agreed whilst ensuring consistency of data across all units.

2.2.2 EFFECTIVENESS OF IMPLEMENTATION OF THE PRIORITISED CONTROL STANDARDS

| <i>Standard</i> | <i>Effectiveness of implementation</i> |
|---|--|
| Standard 5: Objectives and performance indicators | The requirements for compliance are fully met. As regards effectiveness, efforts have to be focussed on the systematic monitoring of key performance indicators across all units, in the light of the revised indicators defined late 2010. The reporting on the state of play of large scale projects (CPE V and EMAS) will be incorporated in the management scoreboard. This standard will therefore remain a priority for 2011. |

| <i>Standard</i> | <i>Effectiveness of implementation</i> |
|---|--|
| <p>Standard 7: Operational structure</p> | <p>The requirements for compliance and effectiveness are fully met. The reorganisation that took place in 2010 has clarified the responsibilities of each unit and allowed to focus efforts on some of the major challenges assigned to OIL, such as building projects (JMO2 and CPE V), the implementation of EMAS, and health and safety at work.</p> <p>Financial delegations of responsibilities assigned by the Authorising Officer by Delegation have been duly established, in accordance with the reorganisation's objectives and the risks analyses made.</p> <p>The rules on sensitive functions have been reviewed, with a view to reducing the number of sensitive functions to a reasonable level. Appropriate arrangements were taken for individuals occupying a sensitive function subject to mobility for more than five years and one derogation granted to a person occupying a sensitive person for more than seven years.</p> <p>This standard will no longer be prioritised in 2011.</p> |
| <p>Standard 8: Processes and procedures</p> | <p>The requirements for compliance and effectiveness are fully met.</p> <p>An analysis of OIL's processes and procedures carried out in 2010 showed that they are well covered by both Commission instructions and, where necessary, supplemented by OIL procedures and guidelines.</p> <p>Existing and new procedures were revised mid 2010 by management, taking into account the reorganisation and other necessary updates. Special attention was paid to the documentation of control arrangements, appropriate segregation of duties and consistency between procedures. The procedures are now available on the intranet site of OIL. Continuous efforts will be made to update procedures at least once a year and whenever necessary.</p> <p>OIL has published the guidelines on security and protection of personal data on the intranet.</p> <p>This standard will no longer be prioritised in 2011.</p> |

| Standard | Effectiveness of implementation |
|--|---|
| <p>Standard 9: Management supervision</p> | <p>The requirements for compliance and effectiveness are fully met.</p> <p>The achievement of Management Plan objectives is monitored through management reporting, which includes the status of key performance indicators.</p> <p>Other controls are embedded in the workflows of the various systems, e.g. ABAC SAM and Workflow.</p> <p>Management regularly reviews all audit recommendations and actions and has taken measures to address the recommendations issued by the Internal Audit Service, the Internal Audit Capability and the European Court of Auditors.</p> <p>In spring 2010, a follow-up audit was carried out by the Internal Audit Service. All the recommendations on supervision have been closed.</p> <p>This standard will no longer be prioritised in 2011.</p> |
| <p>Standard 15: Assessment of internal control systems</p> | <p>The requirements for compliance are met. Requirements for effectiveness are partially met, with efforts to be made in involving management and staff in self-assessment.</p> <p>Based on the conclusions of the last assessment of the internal control standards finalised in early 2010, an additional AD post was allocated to the Internal Control Coordinator's unit to improve coordination and filled in September 2010.</p> <p>The 2010 assessment is largely based on the conclusions from 2009, updated as necessary. For 2011, a detailed internal control assessment involving all levels of staff is planned.</p> <p>This standard remains a priority in 2011.</p> |

2.2.3 CONCLUSION

In the light of the results of the assessment of the compliance and effectiveness of the internal control against the internal control standards, the results of controls, the risk analysis performed in the context of the management plan, and the implementation of the recommendations of the control bodies, OIL's control system can be considered to work as intended and to control adequately the risks that could keep the Office from achieving its objectives.

2.3 INFORMATION TO THE COMMISSIONER

The main elements of this report and assurance declaration were brought to the attention of the Office's Management Committee at a meeting held on 21 March 2011 (document MC-OIL-66) and Vice-President Šefčovič at a meeting held on 25 March 2011.

3 BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE

3.1 BUILDING BLOCKS TOWARDS REASONABLE ASSURANCE

3.1.1 BUILDING BLOCK 1: ASSESSMENT BY MANAGEMENT

OIL has put in place a number of control measures to ensure the legality and regularity of underlying transactions and to provide reasonable assurance.

The key controls are:

- systems of reporting to management covering operational and administrative issues,
- reports of the authorising officers by subdelegation to the authorising officer by delegation twice a year,
- ex-post controls,
- monitoring of average time needed per payment,
- a register of exceptions,
- analysis of compliance with internal control standards requirements,
- follow up of audit recommendations.

3.1.1.1 KEY INDICATORS IN LEGALITY AND REGULARITY AND SOUND FINANCIAL MANAGEMENT

The annual ex-post control programme 2010 for the checks of transactions was completed as planned. The number of errors of importance level 1² is 0.

The results of the controls show that the majority of the errors detected are formal. The number of more serious issues related to financial files has significantly decreased. The errors identified were assessed as low to medium risk after giving due consideration to significance, potential impact and continuous improvement efforts already made. Many of the desired operational, financial and compliance controls that are necessary to ensure that the risk of material loss is minimised and functional objectives are met, are in place, documented and performed as designed.

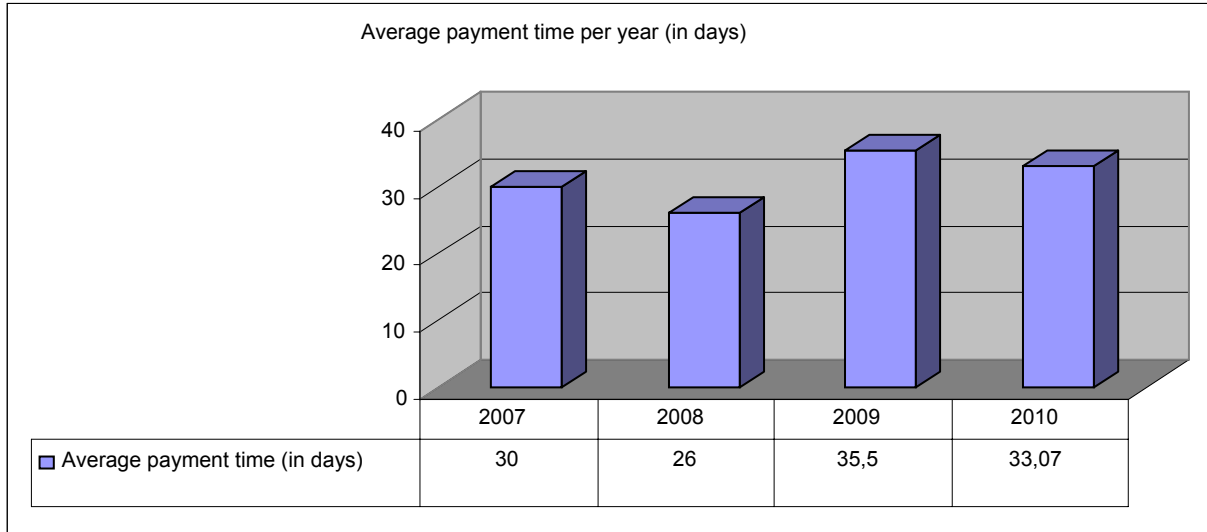
The controls revealed some weaknesses that need to be addressed:

- The subdelegation of signatures should be monitored, especially when organisational/personnel changes occur. Some improvement has been made in this field; nevertheless some progress is still to be made.
- The process of the documentation of the controls carried out under the CAF ("conforme aux faits", or "certified correct"): Continuous efforts will be made to improve it.
- The general quality of financial files: Since the procedure "quality of payment files" became applicable, there has been some progress, but this point requires continuous attention and follow-up.

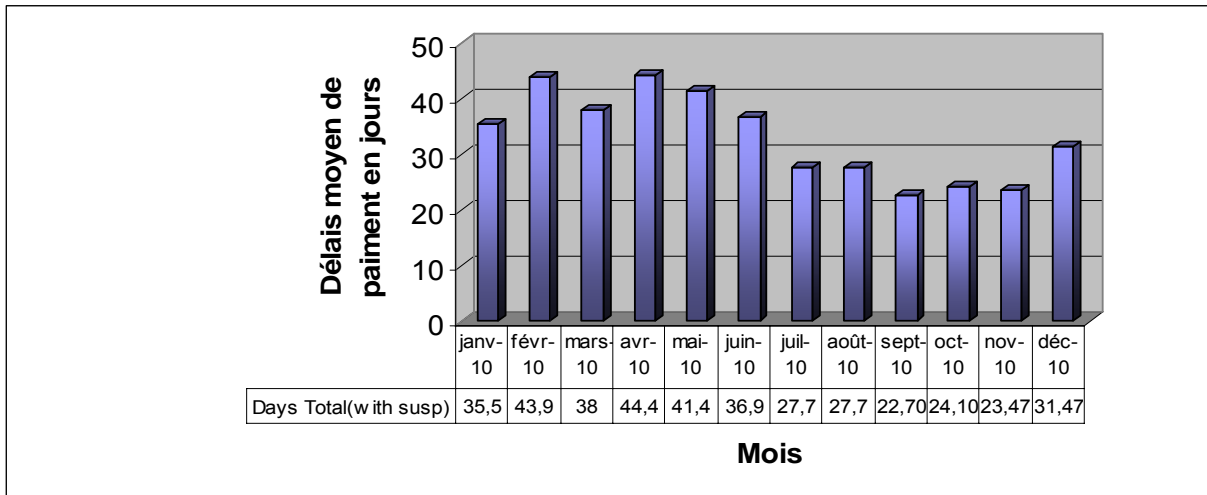
3.1.1.2 COMPLIANCE WITH DUE DATES OF PAYMENTS

2010 shows a slight overall reduction of the average time needed per payment in comparison with 2009³:

² Errors of importance level 1 are critical errors. They have such an impact in terms of financial, reputation, security, or safety risk that they are relevant for the statement of assurance of the AOD, for example because they would cause a serious scandal if leaked to the press or could expose the Commission to high-profile court cases it would probably lose.



This positive development is mainly due to training programmes, hiring more staff with a financial profile, improved support by the helpdesk of DG BUDG and a better functioning of ABAC SAM (Accrual Based Accounting, Supplies and Assets Management). The effect was particularly felt from July on, when the number of average days needed per payment significantly decreased:

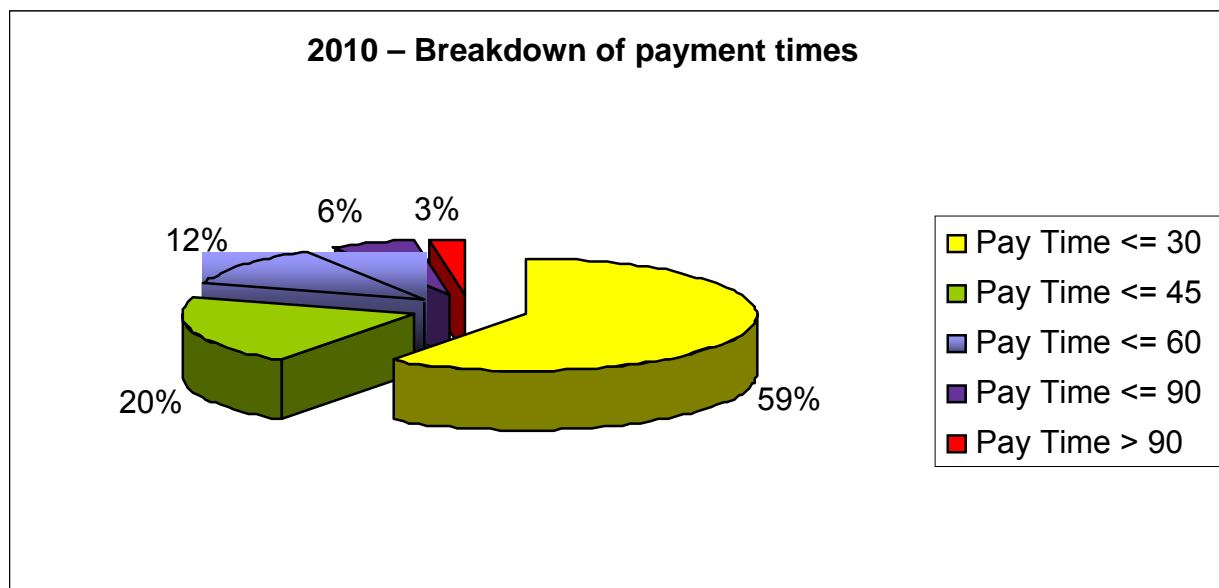


In 2010, 3 562 payments were made, approximately the same number as in previous years. 85% of the amounts and close to 60% of the invoices were paid within 30 calendar days or less (2009: 54%). In detail, the distribution of payment times in days was as follows:

³ It has to be taken into account that the following two elements make the figures for 2009 and 2010 difficult to compare:

- It was impossible to suspend invoices in ABAC SAM (Accrual Based Accounting, Supplies and Assets Management) before November 2010.
- ABAC SAM technically blocks invoices when the registration date is more than two months after reception. As a result, a fictitious reception date had to be entered.

Both effects compensate each other to a certain degree.



For 16 invoices late payment interest had to be paid, totalling € 6 015.

3.1.1.3 REPORTING OF AUTHORISING OFFICERS BY SUBDELEGATION

The reports submitted by the Authorising Officers by subdelegation (AOSD) mention no major problems during the year. Some AOSDs pointed out recurring problems in ABAC SAM during the first semester resulting in significant payment delays.

3.1.1.4 EXCEPTIONS REGISTER

An exceptions register was established in accordance with the procedure defined in 2009.

Fewer exceptions or derogations were identified than in 2009, whilst the types of exceptions are largely similar.

Half of the exceptions registered related to cases of "saisines a posteriori". In total these amounted to about 150 000 EUR (roughly 0,15% of the total amount of payments and 0,2% of the total number of payments). The amount and number of those cases were reduced by 50% in comparison with 2009.

Four exceptions related to staff allocation (replacement of statutory staff by interim staff needing access rights in the budgetary systems) and one to a person carrying out the same sensitive tasks for longer than seven years. Two other cases concerned the use of negotiated procedures to extend existing contracts for a few months until a valid new contract comes into effect.

3.1.1.5 ANALYSIS OF COMPLIANCE WITH INTERNAL CONTROL STANDARDS

Please see part 2.2 of this report and Annex 5.

3.1.1.6 SYSTEMS OF REPORTING TO MANAGEMENT COVERING OPERATIONAL AND ADMINISTRATIVE ISSUES

Please see part 2.2 of this report and Annex 5.

3.1.2 BUILDING BLOCK 2: RESULTS FROM AUDITS DURING THE REPORTING YEAR

3.1.2.1 IAC HR 2010 AUDIT ON THE IMPLEMENTATION OF THE REAL ESTATE POLICY AT OIL

The Internal Audit Capability (IAC) of DG HR carried out an audit on the procedures in place for new real estate projects, in particular the identification of needs and the management and supervision of real estate projects from the planning phase through reception of the works.

The IAC concluded on the need for a better methodology and guidelines for using external technical assistance for the management of projects and on the need to have a global planning per project.

OIL responded by putting in place the software tool MS Project, by adapting the training of the heads of section concerned and by setting up a new methodology for technical assistance.

3.1.2.2 ECA DAS 2010 AUDIT

The European Court of Auditors (ECA) launched their DAS 2010 audit in September 2010. The audit work is still ongoing. By the end of February 2011 there had been no major finding.

3.1.3 BUILDING BLOCK 3: FOLLOW-UP OF PREVIOUS YEARS' RESERVATIONS AND ACTION PLANS FOR AUDITS FROM PREVIOUS YEARS

3.1.3.1 FOLLOW UP ON IAS 2006 FINANCIAL MANAGEMENT AND IMPLEMENTATION OF FINANCIAL CIRCUITS

There is one very important recommendation outstanding, which refers to the imprest accounts.

Action will be taken in the framework of the tender procedure for food supplies, which is to be launched (please see also above under 1.5.2).

3.1.3.2 FOLLOW UP ON IAC 2008 ETHICS IN OIL

All recommendations were closed by the IAC during their follow-up audit in December 2010.

3.1.3.3 FOLLOW UP ON IAS 2008 INTERNAL CONTROL STANDARDS IN OIL

In spring 2010, the Internal Audit Service (IAS) carried out a follow up audit on their audit of the evaluation of targeted Internal Control Standards of May 2008.

They assessed that the recommendations resulting from this audit had been adequately and effectively implemented, with three exceptions that were reopened and resolved before the end of the year.

3.1.3.4 FOLLOW UP ON IAS 2009 AUDIT ON THE INVENTORY PROCESS AS MANAGED BY OIL

OIL carried out an assessment of the recommendation status in December 2010. The actions taken on the recommendations were sent for review to the IAS the same month.

The most important recommendation concerned the documentation of procedures and staffing within OIL.

The procedure for the management of real estate has been finalised. The assessment of the impact of the introduction of the new system ABAC SAM (Accrual Based Accounting, Supplies and Assets Management) in terms of staffing has been carried out.

3.1.3.5 FOLLOW UP ON THE IAC OPINION 2009 ON OIL⁴

There is one issue highlighted in the IAC opinion 2009 not yet regarded as implemented by management as of 31 December 2010, which concerns the strengthening of the coordination between OIL and its clients. Of the original three recommendations, two have been implemented. The one remaining recommendation concerning additional maintenance works will be implemented in the next contract for such works, for which the tender procedure is ongoing.

3.1.4 BUILDING BLOCK 4: ASSURANCE RECEIVED FROM OTHER AUTHORISING OFFICERS IN CASES OF CROSS-SUBDELEGATION

No specific issue was raised in the reports received from the authorising officers of DG DIGIT or PMO.

3.1.5 COMPLETENESS AND RELIABILITY OF THE INFORMATION REPORTED IN THE BUILDING BLOCKS

OIL manages only direct centralised expenditure, which has a low inherent risk. For 2010, the budget implementation indicators are satisfactory, in terms of both commitments and payments.

The reorganisation that took place in January 2010 was effective, after some adjustments in the workflows and systems, and facilitated the achievement of OIL's objectives.

The reports on 2010 submitted by the authorising officers by subdelegation, the quality of which has been enhanced over the past two years, cover reporting on both operational and financial objectives. No major issues were reported, except some recurring difficulties with late payments in the first semester. These problems were overcome with release 5 of ABAC SAM and payment times reached an average of below of 30 days in the last quarter of 2010. The conclusions of the ex-post controls for 2010 did not bring to light any issues of significant financial impact and even pointed out some improvements as regards the quality of the financial files and the application of the procedures.

⁴ Part of the OIL – IAC's opinion on the state of control in 2010

The self-assessment of the effectiveness of the internal control system and its compliance with the internal control standards is satisfactory. In particular, the risk analysis carried out in the context of the Management Plan has shown that risks are appropriately managed and mitigating actions are put in place where needed.

Continuous efforts have been made to further document processes, systems and workflows in procedures for the whole range of activities managed by the Office and to keep these procedures up to date, make them accessible to all staff, and ensure their application.

Feedback received during the year from external and internal auditors was constantly analysed and reflected if necessary in action plans. A positive statement of assurance was given by the Court of Auditors for the past few years on the Commission's administrative expenditure as a whole, and no major issues concerning OIL were raised in the Court's annual reports.

The monitoring of the action plans established in response to audit recommendations has continued. Several old recommendations have been closed by the IAS and IAC in the framework of follow-up audits and good progress has been acknowledged on the implementation of recent ones.

Based on the elements presented above, the information reported in the building blocks is deemed reliable and complete.

3.2 RESERVATIONS

OIL has no reservation for 2010.

3.3 OVERALL CONCLUSIONS ON THE COMBINED IMPACT OF THE RESERVATIONS ON THE DECLARATION AS A WHOLE

Not applicable

4 DECLARATION OF ASSURANCE

I, the undersigned, Mrs Marian O'Leary

Head of Service of OIL

In my capacity as authorising officer by delegation

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

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex post controls, the work of the Internal Audit Capability, 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.

Luxembourg, 31 March 2011

Marian O'LEARY

Signed

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