

ANNEX 1: STATEMENT OF THE RESOURCES DIRECTOR

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission ¹, I have reported my advice and recommendations to the Head of Service on the overall state of internal control in the Office.

I hereby certify that the information provided in Parts 2 and 3.1 of the present AAR and in its annexes 2 to 5 is, to the best of my knowledge, accurate and exhaustive.

Benoît MORISSET
Head of Unit
Finance - Procurement - Reporting

Signed

Marc SEGUINOT
Head of Unit
Personnel - Communication
Conferences - Health and Safety

Signed

¹ SEC(2003)59 of 21.01.2003.

ANNEX 2: HUMAN AND FINANCIAL RESOURCES BY ABB ACTIVITY

1. HUMAN RESOURCES

Code ABB Activity	ABB Activity	Human Resources by ABB activity				
		Establishment Plan posts	External Personnel	External personnel excluding interimaire	Total personnel	Total personnel excluding interimaire
26 AWBL-16	Administrative support for the Office for Infrastructure and Logistics in Luxembourg	33	37	36	70	69
26 AWBL-17	Management of buildings and expenditure (Luxembourg)	127	116	112	243	239
26 AWBL-18	Management of social welfare (Interinstitutional, Luxembourg)	4	130	115	134	119
	Total	164	283	263	447	427

Some additional key data:

- 42 selection panels for contract agents and officials were organised in 2010 (the target was: 20).
- The average job vacancy rate was 4,4% (target: 3,3%; Commission average: 5,1%).
- The percentage of female staff on AD posts (permanent and temporary) was 48% (target: 50%).
- For telework, 100% of eligible candidatures could be accepted (target met).
- The average number of training days per staff member was 7,6 (target: ≥ 10).
- 13 internal transfers took place in 2010.
- Of OIL's EU-12 recruitment targets, only the EU-2 target for AD officials remains relevant in 2011 (3 recruitments to be made).

2. FINANCIAL RESOURCES

(In Million
Euro)

Activity code ¹	Activity	Operational Expenditure ²	Administrative expenditure (DG managed) ³	Total
	Autres dépenses de gestion décentralisées - XX 01 02 11 01 à XX 01 02 11 06	0	1,68	1,68
26-AWBL-16	Administrative support for the Office for Infrastructure and Logistics in Luxembourg	0	9,13	9,13
26-AWBL-17	Management of buildings and expenditure (Luxembourg)	0	82,31	82,31
26-AWBL-18	Management of social welfare (Interinstitutional, Luxembourg)	0	17,03	17,03
	Total	0	110,15	110,15

Source : OIL6

¹ The budget allocation has been done using budgetary nature code (commitment appropriations - C1 credits except note ³). Compared to the AMP, the activity codes have been adapted to be in line with the reporting instructions.

² OIL manages only administrative expenditure

³ For the ABB activity "Management of the social welfare" following amounts have been added to the C1 credits: 5,2 millions for all restaurants, 6 millions for the CPE and 0,1 million for the "centre de santé" representing external funds (R0 credits).

Some additional key data:

- 3 562 payments were made in ABAC (2009: 3 301).
- 862 commitments (all workflows processed, including reinforcements and de-commitments) were made (2009: 697).
- 285 recovery orders were issued (2009: 361).
- 1 285 payments were made for catering (outside ABAC) (2009: 1 248).

Annex 3 Financial Reports - DG OIL - Financial Year 2010**Table 1 : Commitments****Table 2 : Payments****Table 3 : Commitments to be settled****Table 4 : Balance Sheet****Table 5 : Economic Outturn Account****Table 6 : Average Payment Time Limits****Table 7 : Income****Table 8 : Recovery of undue Payments****Table 9 : Ageing Balance of Recovery Orders****Table 10 : Waivers of Recovery Orders****Table 11 : Negotiated Procedures (excluding Building Contracts)****Table 12 : Summary of Contracts (excluding Building Contracts)****Table 13 : Building Contracts****Table 14 : Contracts declared Secret**

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations	Commitments made	%
		1	2	3=2/1
Title 26 : Commission's administration				
26 01	Administrative expenditure of Commission's administration policy area	100,19	99,32	99,13 %
Total Title 26		100,19	99,32	99,13 %
Title XX : Administrative expenditure allocated to policy areas				
XX 01	Administrative expenditure allocated to policy areas	1,23	1,14	92,65 %
Total Title XX		1,23	1,14	92,65 %
Total DG OIL		101,42	100,46	99,05 %

** 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)*

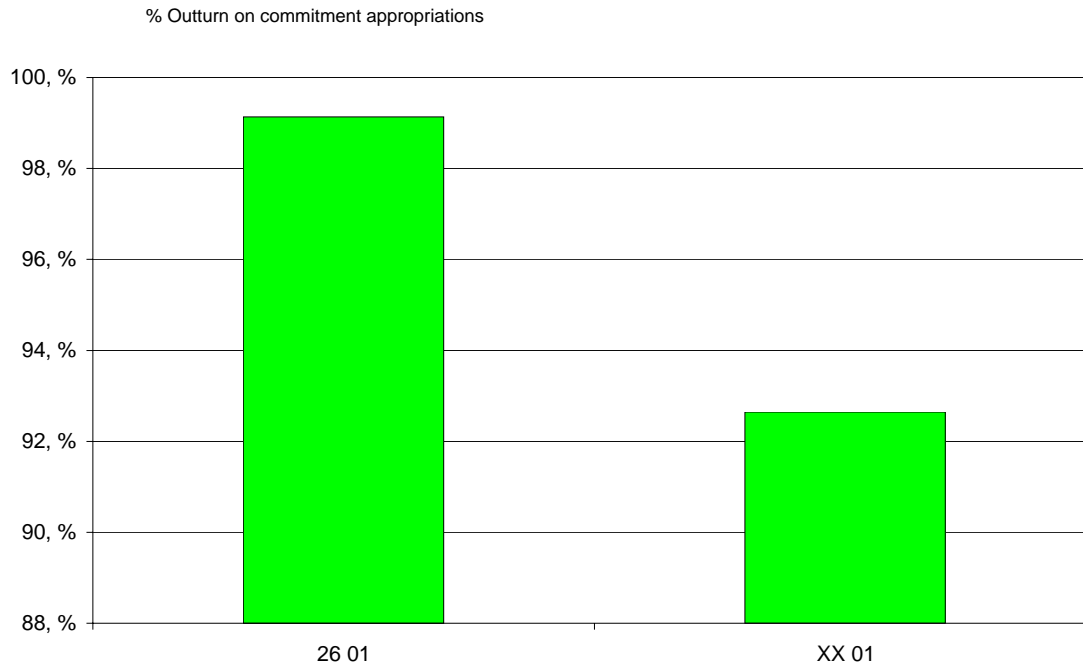


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Payment appropriations	Payments made	%
		1	2	3=2/1
Title 26 : Commission's administration				
26 01	Administrative expenditure of Commission's administration policy area	111,82	99,33	88,83 %
Total Title 26		111,82	99,33	88,83 %
Title XX : Administrative expenditure allocated to policy areas				
XX 01	Administrative expenditure allocated to policy areas	1,96	1,41	71,94 %
Total Title XX		1,96	1,41	71,94 %
Total DG OIL		113,78	100,74	88,54 %

* 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 payment appropriations

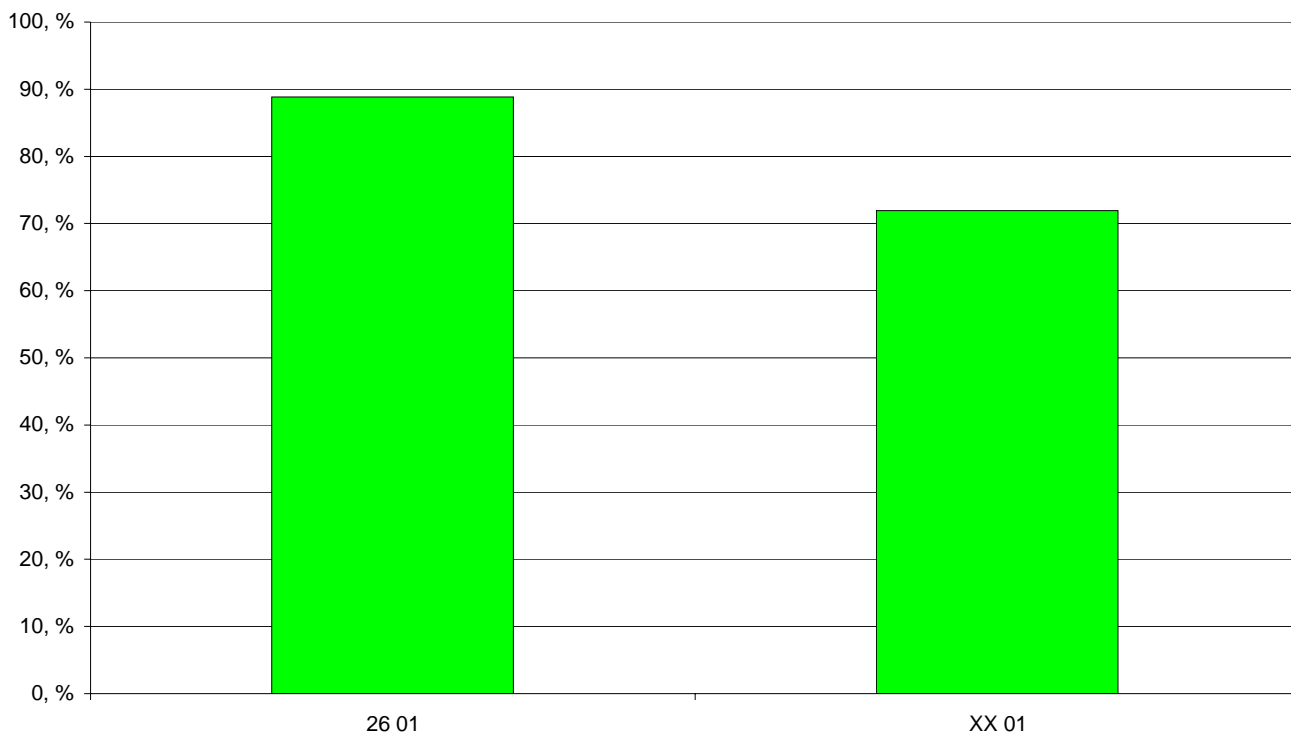


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio €)

Chapter		2010 Commitments to be settled				Commitments to be settled from financial years previous to 2010	Total of Commitments to be settled at end of financial year 2010 (incl.corrections)	Total of Commitments to be settled at end of financial year 2009 (incl.corrections)
		Commitments 2010	Payments 2010	RAL 2010	% to be settled			
		1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 26 : Commission's administration								
26 01	Administrative expenditure of Commission's administration policy area	99,32	90,08	9,24	9,31 %	0,09	9,33	12,44
Total Title 26		99,32	90,08	9,24	9,31 %	0,09	9,33	12,44
Title XX : Administrative expenditure allocated to policy areas								
XX 01	Administrative expenditure allocated to policy areas	1,14	0,78	0,36	31,34 %	0,00	0,36	0,73
Total Title XX		1,14	0,78	0,36	31,34 %	0,00	0,36	0,73
Total DG OIL		100,46	90,86	9,60	9,56 %	0,09	9,69	13,17

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

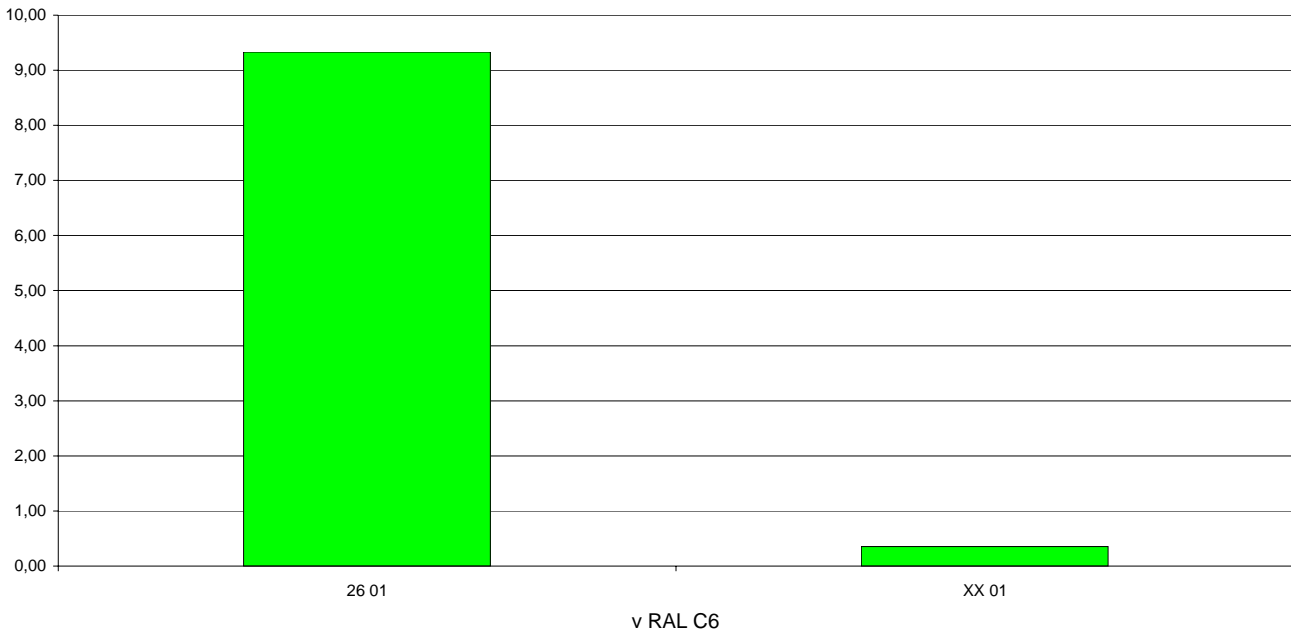


TABLE 4 : BALANCE SHEET OIL

BALANCE SHEET	2010	2009
A.I. NON CURRENT ASSETS	114.540.974,33	113.495.341,51
A.I.1. Intangible Assets	0,00	432,51
A.I.2. Property, plant and equipment	114.540.974,33	113.494.909,00
A.II. CURRENT ASSETS	2.511.787,96	10.678.975,47
A.II.3. Short-term Receivables	1.847.228,67	9.892.890,32
A.II.5. Cash and Cash Equivalents	664.559,29	786.085,15
ASSETS	117.052.762,29	124.174.316,98
P.II. NON CURRENT LIABILITIES	-101.334.317,84	-102.659.554,35
P.II.4. Other long-term Liabilities	-101.334.317,84	-102.659.554,35
P.III. CURRENT LIABILITIES	-3.661.039,67	-3.875.453,21
P.III.2. Short-term provisions	-700.000,00	0,00
P.III.4. Accounts Payable	-2.961.039,67	-3.875.453,21
LIABILITIES	-104.995.357,51	-106.535.007,56
NET ASSETS (ASSETS less LIABILITIES)	12.057.404,78	17.639.309,42
P.I.2. Accumulated Surplus / Deficit	0,00	0,00
Non-allocated central (surplus)/deficit*	-12.057.404,78	-17.639.309,42
TOTAL	0,00	0,00

* This figure is a balancing amount presented here so as to reflect the fact that the accumulated result of the Commission is not attributed to each DG

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Service. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Service's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General and Services, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 5 : ECONOMIC OUTTURN ACCOUNT OIL

ECONOMIC OUTTURN ACCOUNT	2010	2009
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	73.592.301,94	65.596.909,30
II.1.1. OPERATING REVENUES	-8.810.692,38	-26.455.993,04
II.1.1.1. Other operating revenue	-8.810.692,38	-26.455.993,04
II.1.2. OPERATING EXPENSES	82.402.994,32	92.052.902,34
II.1.2.1. Administrative Expenses	81.697.620,07	92.058.193,90
II.1.2.2. Operating Expenses	705.374,25	-5.291,56
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	4.212.464,01	5.452.035,65
II.2. FINANCIAL OPERATIONS	4.212.464,01	5.452.035,65
II.2.1. Financial revenue	-1.217.770,31	-232,09
II.2.2. Financial expenses	5.430.234,32	5.452.267,74
ECONOMIC OUTTURN ACCOUNT	77.804.765,95	71.048.944,95

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Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2010 - DG OIL

Legal Times							
Maximum Payment Time	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	3448	2079	60,30 %	19,42	1369	39,70 %	51,59
45	155	97	62,58 %	24,20	58	37,42 %	99,09
60	5	5	100,00 %	17,80			

Total Number of Payments	3608	2181	60,45 %		1427	39,55 %	
Average Payment Time	33,03			19,63			53,52

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	3608	2155	59,73 %	19,42	1453	40,27 %	53,23

Total Number of Payments	3608	2155	59,73 %		1453	40,27 %	
Average Payment Time	33,03			19,42			53,23

Suspensions							
Average Report Approval	Average Payment	Number of Suspended	% of Total Number	Total Number of Payments	Amount of Suspended	% of Total Amount	Total Paid Amount
0	50	43	1,19 %	3608	225.283,61	0,27 %	84.827.165,35

Late Interest paid in 2010			
DG	GL Account	Description	Amount (Eur)
DG OIL	65010100	Interest on late payment of charges New FR	681,75
DG OIL	Other GL	Interest on late payment of charges New FR	5 332,82
			6 014,57

Additional comments :

Figures displayed in paragraph 3.1.1.2 of AAR's core part (compliance with due dates of payments) are slightly different (3562 payments processed, average payment time 33,07 days) . These data stem from another BO report available in the Datawarehouse that is used for the monthly reporting of OIL payment deadlines.

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2010

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5	7=3-6	
Title 5: REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTION								
50	PROCEEDS FROM THE SALE OF MOVABLE PROPERTY (SUPPLY OF GOODS) AND IMMOVABLE PROPERTY	87.159,87	39.522,73	126.682,60	87.159,87	39.522,73	126.682,60	0,00
51	PROCEEDS FROM LETTING AND HIRING	805.147,77	0,00	805.147,77	805.147,77	0,00	805.147,77	0,00
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	207,97	0,00	207,97	207,97	0,00	207,97	0,00
55	REVENUE FROM THE SUPPLY OF SERVICES AND WORKS	258.079,58	23.306,64	281.386,22	135.203,43	23.306,64	158.510,07	122.876,15
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	2.395.412,68	26.113,68	2.421.526,36	2.354.574,34	26.113,68	2.380.688,02	40.838,34
58	MISCELLANEOUS COMPENSATION	686,78	0,00	686,78	686,78	0,00	686,78	0,00
	Total Title 5	3.546.694,65	88.943,05	3.635.637,70	3.382.980,16	88.943,05	3.471.923,21	163.714,49
Total DG OIL		3.546.694,65	88.943,05	3.635.637,70	3.382.980,16	88.943,05	3.471.923,21	163.714,49

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

RECOVERY ORDERS ISSUED IN 2010 Year of Origin (commitment)	No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount
2007	1	37.323,58	1	37.323,58
2009	20	309.458,88	20	309.458,88
2010	30	831.914,84	30	831.914,84
No Link	191	2.474.701,84	191	2.474.701,84
	242	3.653.399,14	242	3.653.399,14

EXPENSES

	Nbr	Amount
INCOME LINES IN INVOICES	0	

	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	0	

	No error / irregularity	
	Nbr	Credit Note Amount
CREDIT NOTES	505	-7.393.918,39

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2010 FOR OIL

Year of Origin	Number at 01/01/2010	Number at 31/12/2010	Evolution	Open Amount (Eur) at 01/01/2010	Open Amount (Eur) at 31/12/2010	Evolution
1994	1		-100,00 %	5.291,56		-100,00 %
2009	37		-100,00 %	527.025,04		-100,00 %
2010		17			163.714,49	
Totals	38	17	-55,26 %	532.316,60	163.714,49	-69,24 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2010 >= EUR 100.000

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
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Total DG OIL	
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Number of RO waivers	0
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Justifications:

No data to be reported

No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG OIL - YEAR 2010**Contracts > €60.000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 126 1b	5,	3.152.141,35
Total	5,	3.152.141,35

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

Internal procedures > €60,000	2009		2010	
	Contract Class	Count	Amount (€)	Count
Service	11,	13.433.399,43	17,	59.826.664,10
Supply	7,	4.476.297,11	2,	705.496,00
Works				
TOTAL	18,	17.909.696,54	19,	60.532.160,10

Procedure Type	Count	Amount (€)	Count	Amount (€)
Negotiated Procedure after publication of a contract notice Art. 127 IR			2,	2.539.666,35
Negotiated Procedure without publication of a contract notice Art. 126 IR	3,	497.032,88	4,	15.906.875,00
Open Procedure (Art. 122.2 IR)	10,	15.676.593,08	13,	42.085.618,75
Restricted Procedure(Art. 122.2 IR)	1,	1.040.000,00		
Service - Negotiated Procedure with a single offer (Art. 242 IR)				
Supply - International Open Procedure after publication of a contract notice (Art. 243.1 IR)	1,	88.162,00		
Supply - Local Open Procedure after publication of a contract notice (Art.. 243.1 IR)	1,	160.000,00		
Works International Open Procedure after publication of a contract notice (Art. 245.1 IR)	1,	187.908,58		
Accelerated Restricted Procedure after publication of a contract notice (Art. 140.3 IR)	1,	260.000,00		
TOTAL	18	17.909.696,54	19	60.532.160,10

External procedures > €10,000
Contract Class
TOTAL

Procedure Type
TOTAL

Additional comments

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TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	2
Total amount :	15.294.400,00

Legal base	Contract Number	Contractor Name	Description	Amount (€)
Art. 126 1h	0346750	KOWAC OBJEKTGESELLSCHAFT BURGERLICH EN RECHTS SOCIETE CIVILE*	LOCATION DU COMPLEXE " AILE D "	15.294.400,00

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)
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No data to be reported

ANNEX 4: MATERIALITY CRITERIA

1. Qualitative criteria

The qualitative criteria which OIL used to establish that it had no reservations relate to any factual event or significant weaknesses linked to the use of resources, sound financial management or legality and regularity of underlying transactions which might:

- harm the image and reputation of the Commission,
- entail legal liability for the Commission,
- relate to serious errors in the Office's internal control system.

Significant occurrence of errors in the underlying transactions (legality and regularity)	Ex post controls and audits did not point out any major system weaknesses with financial impact.
Significant control system weaknesses	No significant control weaknesses have been identified.
Non application of one or more internal control standards	The Internal Control self-assessment does not reveal any issues which have an impact on the declaration of assurance.
Insufficient evidence from internal control systems or audit coverage	In addition to ex-post controls and audits, OIL's exception register, AOSD reports and supervision tools ensure the extensive coverage of the activities of the Office.
Critical issues outlined by the European Court of Auditors or the Internal Audit Service	The 2009 European Court of Auditors DAS did not contain any observation on OIL.
Significant reputational events	Though payment times were significantly above target during the first half of 2010 following the implementation of SAM, the impact on late interest payments that had to be paid was low. No cases of possible fraud have been reported.
Litigations / potential litigations	There were no legal cases.

2. Quantitative criteria

In line with the guidelines annexed to Communication COM(2003) 28 of 21 January 2003, the Office considered that the materiality of any reservation should be subject, in quantitative terms, to a threshold of 2% of the budget allocated to the ABB activity concerned.

**ANNEX 5: INTERNAL CONTROL TEMPLATE
FOR BUDGET IMPLEMENTATION/PROCUREMENT**

1. Inherent nature and characteristics of the Service's policy environment and stakeholders

Summary:

OIL is a service provider dealing with office space acquisition and maintenance, social infrastructure and multiple internal services (transport, printing, mail, health and safety at work, value added tax exemptions, etc.).

The appropriations for which OIL is responsible are of an administrative nature only (OIL's own appropriations, centralised appropriations and appropriations received by sub-delegation from EPSO, PMO, DG DIGIT, Publications Office and SCIC). These appropriations are implemented under its full responsibility or sub-delegated. The recipients are exclusively suppliers of goods and services, providing these to the Commission on the basis of contracts (lease contracts, building maintenance contracts, security contracts, framework contracts for furniture or office supplies) or order forms for specific goods and low-value items.

In addition, because of its role in interinstitutional activities, the Office manages allocated revenue either from other institutions/equivalent bodies or from the users of various services. The types of revenue allocated are from the sub-letting of property, the sale of office supplies and furniture, catering services, the Interinstitutional Children's Centre (CPE) and the Fitness Centre.

One of the key activities of OIL is procurement. The main inherent risks in this environment for procurement activities are:

- The risk of choosing an inappropriate procurement procedure or of splitting purchases ("saucissonnage"). Procurement is highly regulated and relevant case law must be taken into account. In-depth knowledge is therefore necessary to manage procurement effectively.
- The risk of having contracts not corresponding to needs, due to the difficulty of adequately defining the services to be provided.
- The risk of over-dependency on specific contractors due to the limited number of potential or interested economic providers in some areas.
- The risk of substantial costs if procurement decisions are contested, even unsuccessfully, before the courts.
- A reputational risk for the Commission in case of fraud, crime, errors, or mismanagement of the procurement process.

Procurement for contracts >= €60 000

Management mode:

Direct centralised

Key figures:

In 2010, 25 contracts were signed (2009: 22; 2008: 17). Nine were under existing framework contracts (2009: 8; 2008: 2) and 17 resulted from 13 tenders launched in 2008 and 2009. Two procedures were negotiated procedures, the remaining ones open. The volume of new contracts signed in 2010 is mio € 72,4 (2009: mio € 7,7 without acquisition of the Foyer Européen; 2008: mio € 8).

	<p>18 (2009: 10, 2008: 10) contracts related to services and five to supplies (2009: 10; 2008: 2). There were no works contracts (2009: 2; 2008: 0) and no mixed contracts, consisting of supplies and services (2009: 0; 2008: 5). Contracts were concluded with 22 contractors in 2010 (2009: 18; 2008: 15).</p> <p>Contract duration is between six months and 15 years (the latter one is for technical assistance for the construction of the Jean-Monnet II building).</p> <p>Two important addenda were signed: one for the renting of wing D of the Drosbach building (€ 1 738 000 p.a.) and one for the extension of a cleaning contract for four months (€ 1 300 000).</p>
2. Management and control systems – the basis of the declaration of assurance	
Planning and selection process of contractors, including preventive controls	<ul style="list-style-type: none"> • Preventive actions are implemented with the aim of reinforcing sound financial management, and guaranteeing that the key principles of procurement are respected : openness and transparency, objectiveness, ensuring equal treatment, and consistency. • Procurement needs are clearly defined and justified from an economic or operational point of view and approved by the Authorising Officer by Delegation. • For contracts above € 60 000, an evaluation committee is set up to prepare the selection of the contractors. The members of evaluation committees sign a document reminding them of their obligation to declare any potential conflict of interest. • Before a contract is signed, contractors must show that they are not in one of the situations of exclusion specified in the Financial Regulation (e.g. bankruptcy, failure to pay tax or social security contributions, conviction of an offence concerning their professional conduct). • Staff are automatically alerted by the Early Warning Messages sent in ABAC via the computerised financial system and to the EWS network when the Commission is aware of any problems in this respect. • Information on exclusions has been shared with all organisations involved in managing EU money, including the Member States, since 1 January 2009 (Early Warning System). • The risk of over-dependency on specific contractors is duly analysed, based on the knowledge of the market. • Physical protection of the tenders submitted is ensured (locked room and segregation between original and copies).
Sensitive posts	<p>The rules on sensitive functions and their application in OIL were updated in the course of 2010 and are regularly discussed by management. In addition to the standard sensitive functions (heads of unit, authorising officers by (sub)delegation), some specific functions in connection with procurement, management of contracts, and financial and budgetary management have also been identified as sensitive and are monitored regularly. Mitigating measures are taken when necessary.</p>

<p>Communi- cation and information</p>	<ul style="list-style-type: none"> • Transparency measures: calls for tender are published in the Official Journal and on the EUROPA website. Updated information and FAQs are posted regularly on the website. • Adequate information is provided to unsuccessful tenderers. • A computerised accounting system is used to record the contracts and the transactions related to the contracts in ABAC. • Technical training in procurement are given to all staff involved in the procurement process. • All staff is obliged to alert the Head of Service or OLAF if they suspect any irregular, illegal or criminal activity.
<p>Detective and corrective controls: Performance monitoring, and verification of payments and milestones</p>	<p>The subdelegations and access rights in the financial and budgetary systems are approved by the Authorising Officer by Delegation. The authorising officers by subdelegation and the financial verifying agents are directly appointed by the Head of Service.</p> <p>The staff authorised to certify that invoices are correct are proposed by the authorising officers by subdelegation and appointed by the Head of Unit "Finance Procurement Reporting" (also Internal Control Coordinator). Twice a year, all financial delegations are approved by the Head of Service. Data on budget implementation are made available every week to the operational and financial initiating and verifying agents.</p> <p>Together with the reorganisation of OIL on 1 January 2010, financial workflows were partly simplified (commitments and recovery orders). For all types of transactions, the use of revised checklists and other templates for documenting the financial information facilitated a better communication of all financial actors.</p> <p>The information provided by the Authorising Officers by Subdelegation in their quarterly reports was improved, in particular regarding actions to be followed up. Observations issued by financial verifying agents were taken into consideration and action taken when possible.</p> <p>In addition to the data on budget implementation, made available every week to the operational and financial initiating and verifying agents, regular meetings were held with the financial correspondents of each unit, allowing to exchange on common issues of general interest.</p> <p>Payment deadlines were monitored regularly through monthly reports and actions taken to prioritise the most urgent payments, especially during the first semester.</p>
<p>Preventive and corrective controls and audit:</p> <p>Desk reviews, on-the-spot audits carried out either ex ante or ex post.</p>	<p>Significant progress was made in 2010 on the ex-ante control of financial transactions. New verifying agents joined the ex-ante team and the allocation of tasks was reviewed accordingly. The transition was facilitated by the application of the existing procedures, the introduction of new ones and their update during the year. In addition, the coordination with the ex-post control team was reinforced. As a result, long-term solutions to recurring problems (quality of the documents, evidence supporting the payment of invoices) were found and suggestions for improvement were reflected in procedures and instructions.</p> <p>The number of ex-ante observations in 2010 decreased by 46% for commitments and 26% for payments, compared with 2009. The percentage of transactions rejected for correction (SC code) was also reduced, due to</p>

	<p>the following elements: improved quality of financial files, continuous efforts to avoid payment delays and the better definition of cases requiring technical corrections in the system.</p> <p>The number of observations related to erroneous encoding of GL accounts remained stable due to recurring technical difficulties that were corrected at year-end through closure bookings. More observations were raised than in the past pointing out the need for a better documentation of the Certified Correct ("Conforme aux Faits"), in line with the clarifications added to the procedures.</p> <p>It should be noted that 32% of the observations on commitments and 15% of those on payments were issued for information purposes with a view to bringing specific remarks and suggestions to the attention of the AOSD and the other actors of the workflow.</p> <p>The ex-post control methodology was reviewed in 2010 and the ex-post control team is sufficiently well staffed (two full-time staff).</p> <p>The annual ex-post control programme for 2010 was completed as planned.</p> <p>The ex-post control in OIL is based on a sample that is partly random (8% of commitments, 5% of related payments, 5% of recovery orders) and partly based on risk analysis (an additional 7% of commitments, 5% of related payments and 5% of recovery orders). For each transaction selected, the related market procedure is checked systematically (except in case of high-value procedures, for which only contracts signed during the year in question are checked). The number of systematic checks was 44 per commitment, 55 per payment and 29 per recovery order.</p> <p>The current methodology focuses on analysing the entire financial workflow, starting from the procurement procedure, via the commitment, to the related payment(s), in accordance with the rules laid down in the Financial Regulation and its Implementing Rules (IR) (Art. 47 IR). The control is service-wide in scope and assesses OIL's financial management control framework, OIL's procedures and financial roles and responsibilities. OIL and OIB are working on the development of a common methodology.</p>
3. Feedback which enables control activities to be optimised	
<p>Verification that processes are working as designed</p>	<p>The following elements have been taken into consideration:</p> <ul style="list-style-type: none"> - the new procedures put in place by management, - the risk analysis, - the conclusions of ex-ante and ex-post controls, - the self-assessment of the internal control standards, duly evidenced by the consultant's reports, - the audit recommendations (Internal Audit Capability, Internal Audit Service, and Court of Auditors) and the respective follow up audits (in 2010 there were two), - the reports by the authorising officers by subdelegation, - the regular analysis of OIL's indicators.

Monitoring of performance by independent bodies, 3rd party auditors, externally contracted auditors	N/A
IAC, IAS, ECA recommendations on the functioning of the system and their follow-up	Please see part 3.1.2. of the report. An overview of the present situation of recommendations can be found below.
High-level management reporting and its role in identifying problem issues	<p>Every four months, all authorising officers by subdelegation reported their activities to the Head of Service, following a standard format in line with the charter of authorising officers by subdelegation.</p> <p>OIL's Management Committee met three times in 2010 (March, September, and December). In addition to the main SPP documents, the issues discussed included the multi-annual policy framework for real estate management, the occupation of the D wing of the Drosbach building, and OIL's cooperation with other Institutions.</p>

Overview of IAS/IAC audits:

Topic of the audit	IAS/IAC Year N	Open	Ready for Review	Closed
Buildings infrastructure managed by the European Commission of 2002	IAS 2002			7 → I
Data Centre – Operations and Security	IAS 2006			3 → 2 C → 1 VI
Financial Management and implementation of financial circuits	IAS 2006	4 → 1 VI → 2 I → 1 D		10 → 5 VI → 4 I → 1 D
Internal Control Standards and Inventory	IAS 2008		5 → 3 VI → 1 I → 1 D	8 → 2 VI → 6 I
Inventory Process	IAS 2009		4 → 1 VI → 3 I	
Ethique surtout pour ce qui concerne les relations avec les contractants	IAC 2007			4 → I
Implementation of the procedure of "conforme aux faits"	IAC 2008	1 → VI	9 → 5 VI → 4 I	
Implementation of the building policy	IAC 2010	3 → I	2 → 1VI → 1 D	
TOTAL		8	20	32

C = critical I = important
VI = very important D = desirable