

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 Director-General/Head of Service on the overall state of internal control in the DG/service.

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.

[Signed]

Gianmarco Di Vita

¹ SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and Financial resources by ABB activity

CODE ABB Activity	ABB Activity	Human Resources by ABB activity		
		Establishment Plan posts	External Personnel	Total
25 01 06	Better regulation and institutional development	77	14	91
25 02	Relations with civil society, openness and information	32	1	33
25 AWBL-01	Administrative support for the Secretariat-General	56	12	68
25 AWBL-02	Coordination within the Commission	99	11	110
25 AWBL-03	Coordination and relations with the other institutions	96	11	107
25 AWBL-09	Policy strategy and coordination for the Secretariat-General	22		22
25 AWBL-12	Logistical support for the Commission and protocol	140	12	152
	Total	522	61	583

IMPLEMENTATION OF THE GLOBAL ENVELOPE

BUDGET LINES CONCERNED: XX 01 02 11 00 01 TO XX 01 02 11 00 06
(based on information received from BUDG services following the 2012 Budget circular)

(IN EUROS)		APPROPRIATIONS 2010 (C1)			APPROPRIATIONS carried over (C8)	
BUDGET LINE*	BUDGET LINE DESCRIPTION	AVAILABLE APPROPRIATIONS 2010	COMMITMENTS 2010	PAYMENTS 2010	AMOUNTS OF APPROPRIATIONS CARRIED OVER FROM 2009	% IMPLEMENTATION ON APPROPRIATIONS CARRIED OVER FROM 2009
25.010211.00.01.10	Mission expenses	650.000,00	650.000,00	542.495,44	119.507,42	83.669,20
25.010211.00.01.30	Representation expenses	500,00	500,00	100,00	1.114,50	0,00
25.010211.00.02.20	Meeting costs	76.440,00	76.440,00	58.161,81	22.223,59	21.766,23
25.010211.00.02.40	Conference costs	75.000,00	75.000,00	46.321,21	17.246,48	10.919,68
25.010211.00.03	Meetings of committees					
25.010211.00.04	Studies and consultations	38.060,00	38.060,00	0,00	0,00	0,00
27.010211.00.04	Studies and consultations	0,00	0,00	0,00	149.888,00	149.888,00
25.010211.00.05	Development of management and information systems	3.027.000,09	3.026.648,32	956.409,54	1.560.786,22	1.553.755,24
25.010211.00.06	Further training and management training	204.696,00	198.032,65	63.618,09	87.347,67	87.255,40
26.010211.00.06	Further training and management training – ARIANE	569.909,00	569.909,00	165.697,14	257.585,49	257.585,49
	TOTAL	4.641.605,09	4.634.589,97	1.832.803,23	2.215.699,37	2.164.839,24

Annex 3 Financial Reports - DG SG - 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**

Additional comments

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title 25 : Commission's policy coordination and legal advice				
25 01	Administrative expenditure of Commission's policy coordination and legal advice, policy area	9,73	9,64	99,05 %
25 02	Relations with civil society, openness and information	4,22	4,17	98,87 %
Total Title 25		13,95	13,81	99,00 %
Total DG SG		13,95	13,81	99,00 %

* 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).

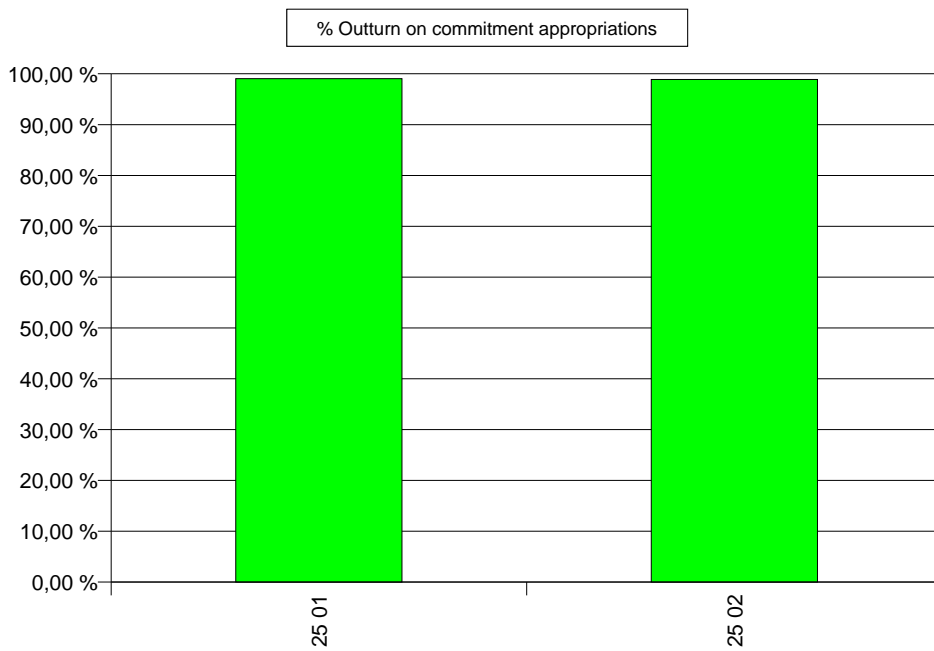


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title 25 : Commission's policy coordination and legal advice				
25 01	Administrative expenditure of `Commission's policy coordination and legal advice` policy area	14,00	7,72	55,18 %
25 02	Relations with civil society, openness and information	4,22	3,82	90,61 %
Total Title 25		18,21	11,55	63,38 %
Title 27 : Budget				
27 01	Administrative expenditure of `Budget` policy area	0,15	0,15	100,00 %
Total Title 27		0,15	0,15	100,00 %
Total DG SG		18,36	11,70	63,68 %

* 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).

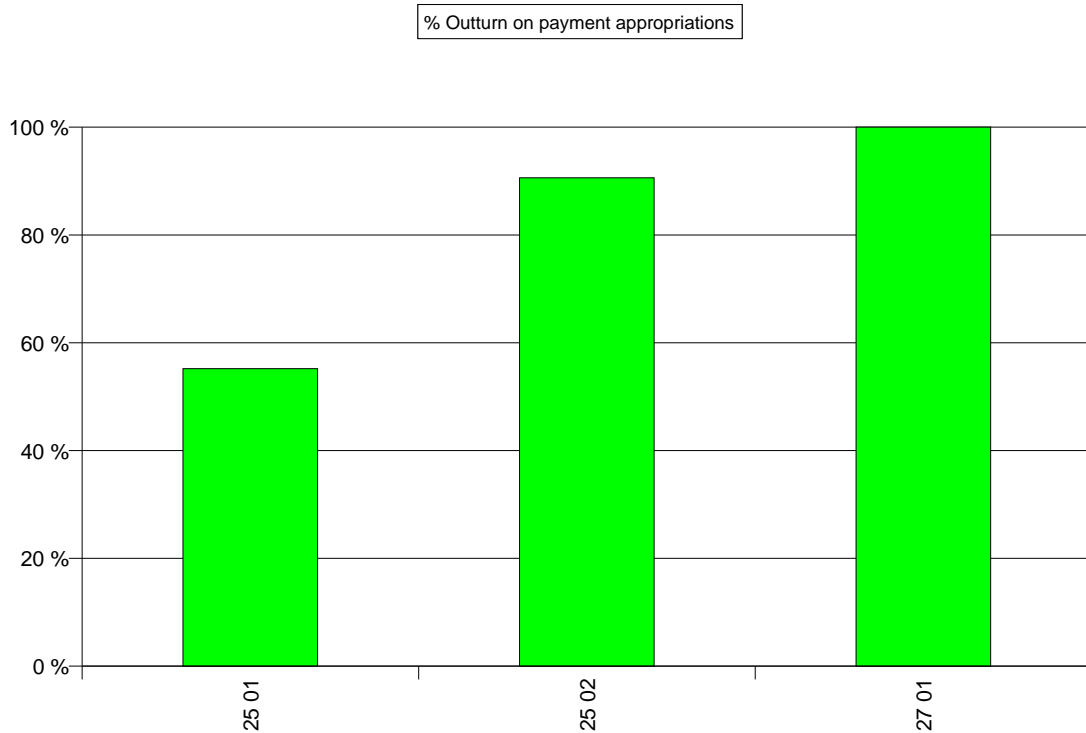


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio €)								
Chapter		2010 Commitments to be settled				Commitments to be settled from financial years previous to 2010	Total of Commitments to be settled at end of financial year 2010 (incl.corrections)	Total of Commitments to be settled 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 25 : Commission's policy coordination and legal advice								
25 01	Administrative expenditure of Commission's policy coordination and legal advice, policy area	9,64	3,59	6,05	62,78 %	0,00	6,05	4,27
25 02	Relations with civil society, openness and information	4,17	2,16	2,01	48,10 %	0,64	2,65	2,31
Total Title 25		13,81	5,75	8,06	58,35 %	0,64	8,70	6,57
Title 27 : Budget								
27 01	Administrative expenditure of Budget, policy area	0,00	0,00	0,00	#DIV/0	0,00	0,00	0,15
Total Title 27		0,00	0,00	0,00	#DIV/0	0,00	0,00	0,15
Total DG SG		13,81	5,75	8,06	58,35 %	0,64	8,70	6,72

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

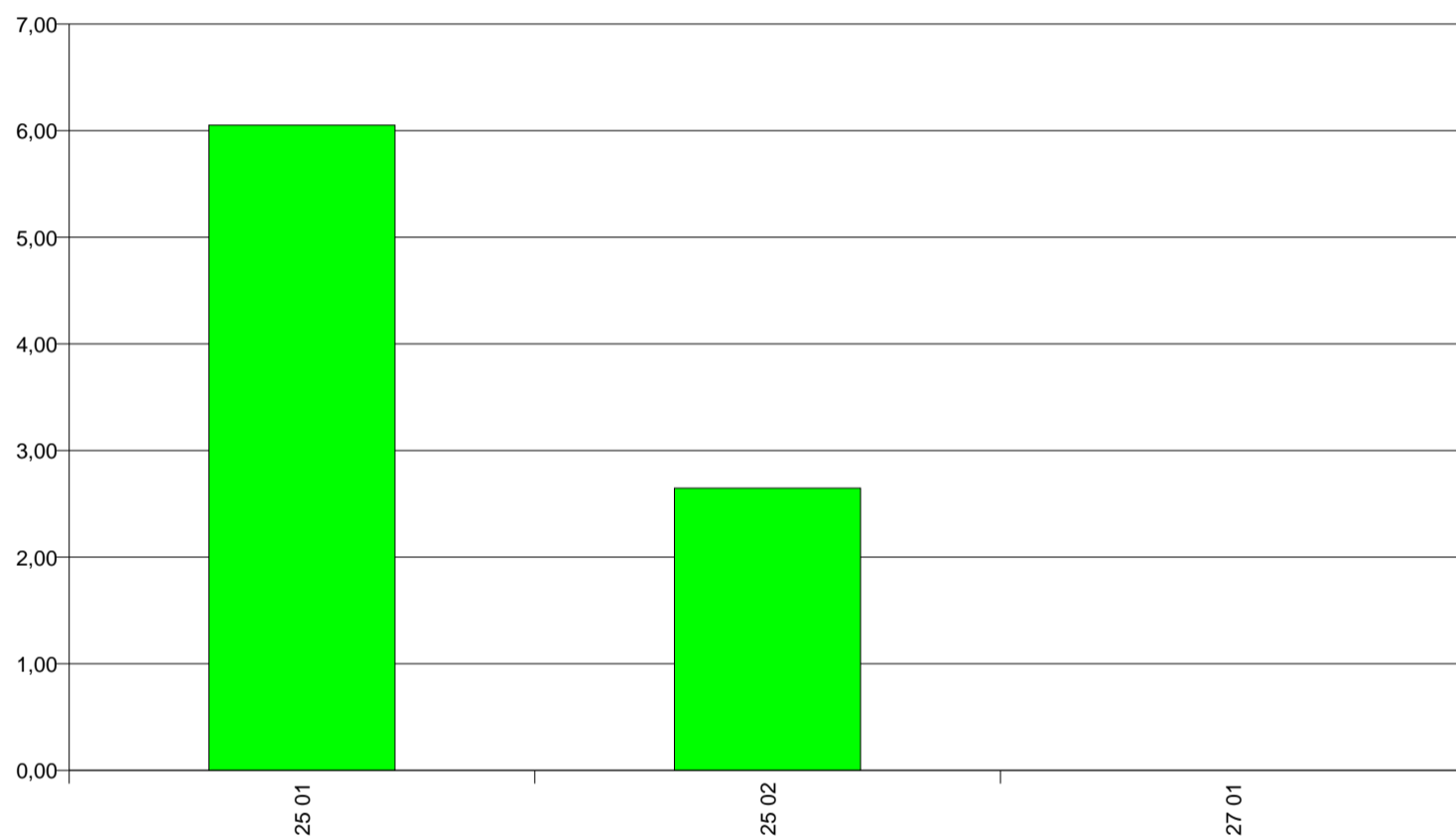


TABLE 4 : BALANCE SHEET

BALANCE SHEET	2010	2009
A.II. CURRENT ASSETS	2.002.304,85	-6.081,68
A.II.2. Short-term Pre-Financing	2.119.441,00	108.887,00
A.II.3. Short-term Receivables	-117.136,15	-114.968,68
ASSETS	2.002.304,85	-6.081,68
P.III. CURRENT LIABILITIES	-1.687.758,65	-1.251.189,66
P.III.4. Accounts Payable	-1.687.758,65	-1.251.189,66
LIABILITIES	-1.687.758,65	-1.251.189,66
NET ASSETS (ASSETS less LIABILITIES)	314.546,20	-1.257.271,34
P.I.2. Accumulated Surplus / Deficit	0,00	0,00
Non-allocated central (surplus)/deficit*	-314.546,20	1.257.271,34
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 Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General'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, 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

ECONOMIC OUTTURN ACCOUNT	2010	2009
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	9.444.888,62	3.236.443,64
II.1.1. OPERATING REVENUES	46.765,15	98.560,76
II.1.1.1. Other operating revenue	46.765,15	98.560,76
II.1.2. OPERATING EXPENSES	9.398.123,47	3.137.882,88
II.1.2.1. Administrative Expenses	9.237.810,16	2.281.569,28
II.1.2.2. Operating Expenses	160.313,31	856.313,60
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	-767.898,56	6.588.587,47
II.2. FINANCIAL OPERATIONS	-767.898,56	6.588.587,47
II.2.2. Financial expenses	-767.898,56	6.588.587,47
ECONOMIC OUTTURN ACCOUNT	8.676.990,06	9.825.031,11

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 Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General'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, 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 6: AVERAGE PAYMENT TIME LIMITS FOR 2010 - DG SG

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)
30	751	735	97,87 %	10,97	16	2,13 %	62,38

Total Number of Payments	751	735	97,87 %		16	2,13 %	
Average Payment Time	12,06			10,97			62,38

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)
30	751	735	97,87 %	10,97	16	2,13 %	62,38

Total Number of Payments	751	735	97,87 %		16	2,13 %	
Average Payment Time	12,06			10,97			62,38

Suspensions							
Average Report Approval Suspension Days	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	7	3	0,40 %	751	1.069,59	0,01 %	8.857.596,89

Late Interest paid in 2010			
DG	GL Account	Description	Amount (Eur)

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 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY/EU AGREEMENTS AND PROGRAMMES								
66	OTHER CONTRIBUTIONS AND REFUNDS	398,45	2.168,00	2.566,45	398,45	2.168,00	2.566,45	0,00
	Total Title 6	398,45	2.168,00	2.566,45	398,45	2.168,00	2.566,45	0,00
Total DG SG		398,45	2.168,00	2.566,45	398,45	2.168,00	2.566,45	0,00

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Annex 3 Financial Reports - DG
Report printed on 22/03/2011

**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
2008	1	2.566,45	1	2.566,45
	1	2.566,45	1	2.566,45

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	35	-290.857,03

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors. The provisional closure will be based on the recovery context situation at 28/02/2011.

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

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
2009	1		-100,00 %	2.168,00		-100,00 %
Totals	1		-100,00 %	2.168,00		-100,00 %

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
--	--------------------	-----------------------	--------------------------	------------------	---------------------	----------

Total DG	
----------	--

Number of RO waivers	0
----------------------	---

J u s t i f i c a t i o n s :

No data to be reported

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

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 126 1b	2	3.020.000,00
Total	2	3.020.000,00

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

Internal procedures > € 60,000	2009		2010	
Contract Class	Count	Amount (€)	Count	Amount (€)
Service	1	80.493,33	3	3.423.058,00
TOTAL	1	80.493,33	3	3.423.058,00
Procedure Type	Count	Amount (€)	Count	Amount (€)
Negotiated Procedure without publication of a contract notice Art. 126 IR			2	3.020.000,00
Open Procedure (Art. 122.2 IR)			1	403.058,00
Direct Agreement	1	80.493,33		
TOTAL	1	80.493,33	3	3.423.058,00

External procedures > € 10,000
Contract Class
TOTAL
Procedure Type
TOTAL

Additional comments

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)
-------------------	------------------------	------------------------	--------------------	-------------------

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)
-------------------	------------------------	------------------------	-------------------------	--------------------	-------------------

No data to be reported

ANNEX 4: Materiality criteria

The SG uses the guidelines provided in the communication COM(2003)28 of 21 January 2003. According to these, only material reservations can be used to qualify the annual declaration.

The process of deciding whether a deficiency is material consists of the following steps:

a) Identifying a deficiency (e.g.: a significant weakness of the control systems, insufficient audit coverage, a critical issue outlined by the European Court of Auditors, the Internal Audit Service and OLAF);

b) Determining if the deficiency falls within the scope of the AOD declaration (it relates to the *reasonable assurance concerning the use of resources, sound financial management or legality and regularity of underlying transactions*);

c) **Qualitative assessment:** assessing if the deficiency is significant in qualitative terms means analysing:

- the nature and scope of the deficiency,
- the duration of the deficiency,
- the existence of compensatory measures (mitigating controls which reduce the impact of the deficiency),
- the existence of effective remedial actions to correct the deficiencies (action plans and financial corrections) which have had a measurable impact;

d) **Quantitative assessment:** a deficiency which is significant from a qualitative perspective must be quantified in terms of "monetary value of the identified problem"/ "amount considered at risk". In line with the guidelines agreed centrally in the Commission, the SG applies the recommended threshold of **2%** i.e. when the value of the transactions affected by the deficiency represents more than 2% of the budget of one ABB activity of the DG;

e) For deficiencies which are considered significant from a qualitative point of view, but their financial impact is lower than the 2% threshold, the SG takes into account the potential **reputational consequences** they may entail. A reservation would be made if such a reputational event were to occur and negatively impact on the image of the Commission.

Additionally, the SG continues to apply another materiality criterion: its **systemic responsibilities**. Beyond its own operational responsibilities, the SG is a horizontal service operating as a service provider and thus also bears responsibility for the development and quality of a certain number of corporate processes. In particular, the SG has the responsibility at Commission level for the decision making process of the College, document management and crisis management (Argus).

ANNEX 5: SG Internal control template for budget implementation

1. Inherent nature and characteristics of the DGs policy environment and stakeholders

Summary:

The SG only managed appropriations falling under heading 5 of the financial framework "Administrative Expenditure". The SG managed a limited budget of € 9.7 million in 2010 for administrative expenditure and € 4.2 million for operational expenditure. As project owner for important corporate informatics projects, the SG cross sub-delegated € 4.5 million in 2010 to DG DIGIT and 0.9 million to OIB.

The Secretariat General buys mainly services in the area of information technology, document analysis and document management. There are approximately 1-2 tender procedures a year, for the rest the SG is generally using framework contracts concluded by other services for the selection of contractors:

- Informatics projects are managed through DG Informatics framework contracts.
- For studies, the SG usually needs to organise calls for tenders, and then the 'Comité de Pilotage' ensures the respect of rules and procedures.

Management mode/s:

The financial circuits implemented in the SG follow the centralised model (model 4) for the global envelope of administrative appropriations, except for informatics expenditures, and a partially decentralised circuit (model 2) is used for other expenditure including informatics expenditure.

For the centralised model (model 4), financial initiation and verification, as well as operational verification, are carried out by the financial cell of Unit R4 "Budget, Programming and Communication" and the role of Authorising Officer by Sub-delegation (AOS) is undertaken mostly by the Head of Unit R4 and the Resources Director. The functions of operational initiation are carried out by the operational units. Regarding missions, the role of AOS is decentralised at Director level.

For the partially decentralised circuit (model 2), the financial initiation and verification are centralised in the financial cell of Unit R4, whereas the operational initiation and verification and the role of the AOS is carried out by the operational units, namely the units R.3, R.4, B.5 and C3.

Key figures:

Appropriations: €4.22 million for the operational lines ("Relations with civil society, openness and information") and €9.73 million for "Administrative support for the SG".

Implementation for commitment appropriations for the overall budget was 99% and 99% for the global envelope of administrative appropriations. Concerning payment appropriations, the implementation rate of 64% is considered satisfactory.

The SG made 751 payments on its own budget lines, 735 of which (97.87%) were carried out in due time. This exceeds the target of 95% of on-time payments that the SG has set itself.

2. Management and control systems – the basis of the declaration of assurance

<p>Planning and selection process of contractors, including preventive controls</p>	<ul style="list-style-type: none"> • Preventive actions are implemented with the aim of reinforcing sound financial management, enhancing open and transparent procurement procedures, promoting accountability and integrity of financial and operational actors as well as the reporting of irregularities by staff (including measures ensuring effective protection of whistleblowers), and improving internal controls; • For high value contracts an evaluation committee is set up to prepare the selection of the contractors. Members of evaluation committees are asked to sign a document reminding them of their obligation to declare any potential conflict of interest; • Every member of staff with significant financial responsibility (AOS) is defined as having "sensitive functions". Once a jobholder performs the same sensitive functions for more than five years, a new risk analysis is carried out and mitigating controls are reinforced, the function is transferred or mobility applied. • Declaration of lack of conflict of interest (member of committee but also for the manager); • Before a contract is signed, contractors must show that they are not in one of the situations of exclusion specified in the Financial Regulation (eg bankruptcy, failure to pay tax or social security contributions, convicted of an offence concerning their professional conduct). Before each transaction is authorised, staff are automatically alerted by the computerised financial system if the Commission is aware of this or any similar problem. Information on exclusions will be shared with all organisations involved in managing EU money, including the Member States, with effect from 1 January 2009 (Early warning system); • An advisory body is consulted with regard to procurement files on a mandatory / voluntary basis (where applicable); • Physical protection of the offers submitted (locked room and segregation between original and copies).
<p>Communication and information</p>	<ul style="list-style-type: none"> • Transparency measures: calls for tender are published, when required by the Financial Regulation, in the Official Journal and the EUROPA website; • Adequate communication to unsuccessful tenderers; • Computerised accounting system is used to record the contracts and the transactions related to the contracts in ABAC; • Technical training in procurement is given to all staff involved in the procurement process; • All staff involved in financial management have the responsibility to alert the Secretary-General or OLAF if they suspect any irregular, illegal or criminal activity.
<p>Detective and corrective controls: Performance monitoring and verification of</p>	<p>Verifications are carried out at the financial initiation stage of operations. Information is verified by a financial verifying agent of the financial service. A second verification is performed in the final phase of the process, based on the supporting documents submitted with the final reports. Each person involved in the transaction has been nominated by the Authorising Officer to carry out the task and their names are recorded in the computerised financial system.</p>

payments and key milestones	
<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>Although the number of staff in the financial cell is limited, the segregation of duties is guaranteed in the financial circuits which have been established. The roles of the different actors together with the various authorisations granted (the sub-delegated authorising officers and authorisations to sign "certified correct" and "passed for payment") are documented and up to date. The ABAC access rights granted are documented in an Excel sheet.</p>
<p>3. Feedback which enables control activities to be optimised</p>	
<p>Verification that processes are working as designed</p>	<p>Self-assessment of the compliance with internal control standards is performed on an annual basis.</p> <p>Self-assessment of the effectiveness of the internal control arrangements is performed on an annual basis.</p> <p>Sub-delegated authorising officers report twice a year to the delegated authorizing officer. The financial cell provides them with execution tables on a monthly basis.</p>
<p>High level management reporting and its role in identifying problem issues</p>	<p>The President is informed twice a year (AAR and mid-year results of stocktaking exercise that includes an assessment of the implementation of internal control standards).</p>