

13. Management of Resources

13.1 Budgetary and financial management

13.1.1 The Budget and its implementation in general terms

The Office's 2015 budget was adopted in November 2014 and amounted to EUR 384.2 million.

It was based on an estimate of 120 025 EUTM applications (105 334 direct EUTM applications, less 4 % for filings where no filing date could be granted, and 18 904 trade mark applications received through the Madrid Protocol) with a renewal rate of 60 %, and 102 275 RCDs with renewal rates of 48 % (first wave) and 28.8 % (second wave). All in all, 15.7 % of EUTM applications were expected to come through the Madrid Protocol; for the remaining 84.3 %, an e-filing rate of 96 % was assumed.

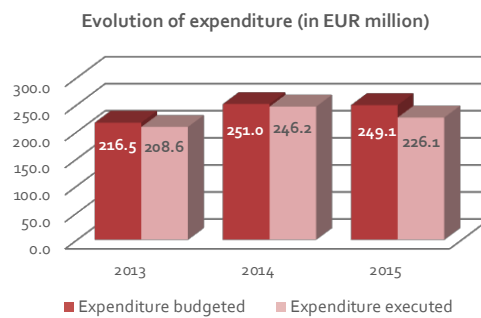
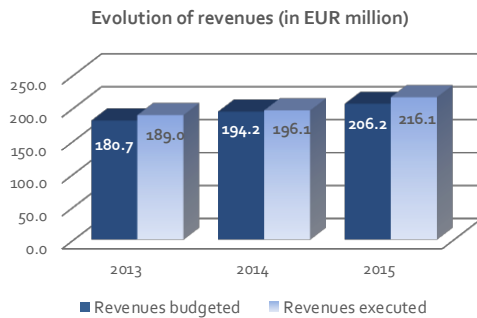
The total number of posts provided for in the establishment plan was 836. This represented a decrease of 1 % compared with 2014, in line with the endorsed roadmap on the implementation of the Interinstitutional Agreement (IIA), which called for the establishment plan to be reduced by 5 % by 2017.

Of the EUR 384.2 million referred to above, EUR 249.1 million correspond to the operational expenditure budget; the remaining EUR 135.1 million were reserved for unforeseen events.

<i>BUDGET FIGURES (in EUR million)</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Operational revenue	180.67	194.20	206.16
Balance from previous financial year	237.70	225.40	178.04
Total revenue	418.37	419.60	384.20
Operational expenditure	216.51	251.00	249.10
Expenditure for unforeseen events	201.86	168.60	135.10
Total expenditure	418.37	419.60	384.20

Of the EUR 249.1 million of operational expenditure, EUR 226.1 million were executed. Taking into account that the funds for operational expenditure were reduced by EUR 5.8 million in the course of the year as a consequence of transfers made, the final execution rate for 2015 was 92.9 %.

The two charts below show the evolution of the budgeted and executed revenues and expenditure over the last three years.

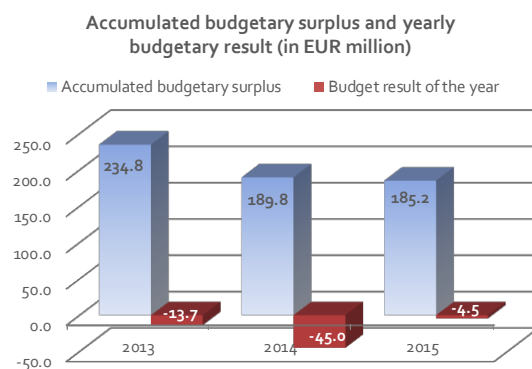


Relevant aspects of budget implementation that are not dealt with in the Annual Accounts⁶ will be reviewed on the following pages.

13.1.2 The evolution of the accumulated budgetary surplus and the yearly budgetary result

The accumulated budgetary surplus in the year 2015 is the consequence of the accumulated budgetary surplus of the year before and the 2015 budgetary result.

As can be seen in the chart, the accumulated budgetary surplus has decreased progressively during the last three years. This is a clear consequence of the implementation of the Strategic Plan and the important investments related thereto, which lead to yearly negative Budget results.



It should be noted that the Office also has a reserve fund of EUR 201.2 million in order to cover one year's expenditure. This reserve fund is not included in the accumulated budgetary surplus.

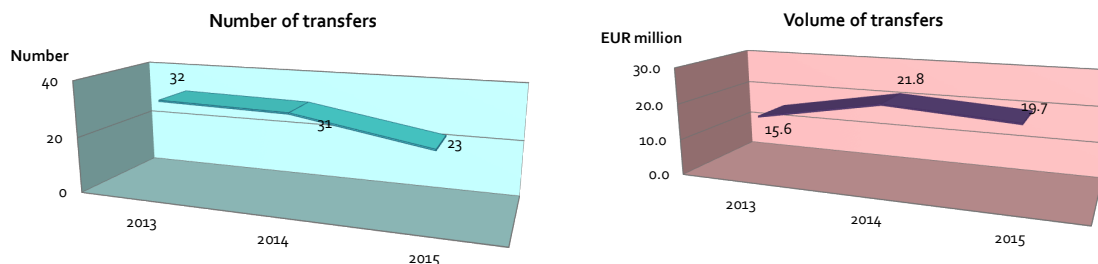
13.1.3 Number and volume of budget transfers

Despite the Office's planning efforts when drawing up its Budget for the following year, a certain level of flexibility is required to adapt specific budget items to the real needs that arise during the year of the budget implementation. Certain funds may need to be moved from one budget item to another depending on the surpluses or shortages in the various items.

During the period 2013-2015, the number of budget transfers was reduced. Nevertheless,

⁶ For more detailed information about the budget execution see also the annex related to the Final Annual Accounts.

there was an increase in their volume, particularly in 2014, 80 % of which corresponded to the need to accelerate the implementation of the Strategic Plan (e.g. the construction of the new building, the acquisition of immovable property) and expenditure relating to the Cooperation Fund, Convergence Programme and translations. This upward trend in volume was reversed in 2015.



This evolution of transfers in terms of volume, expressed in millions of euros, can also be observed in the proportion of transfers compared with the initial Budget. The proportion was lower in 2015 (7.9 %) than in 2014 (8.7 %). The vast majority of the transfers were the consequence of the implementation of the SP, the Office's reorganisation of October 2014, building-related expenditure and rearrangements within IT items.

Furthermore, due to a slower pace owing to the approval of the Amending Regulation, the postponement of the SP 2020, and the cancellation of the purchase of the second plot of land, an exceptional transfer was made to Title 10 for an amount of EUR 5.8 million.

More details about transfers can be found in Annex 16.5 related to transfers and the final annual accounts in Annex 16.9.

13.1.4 Budget revenues and payment of fees

The Office's revenue is generated by fees from the registration of trade marks, interest income and other operational revenue.

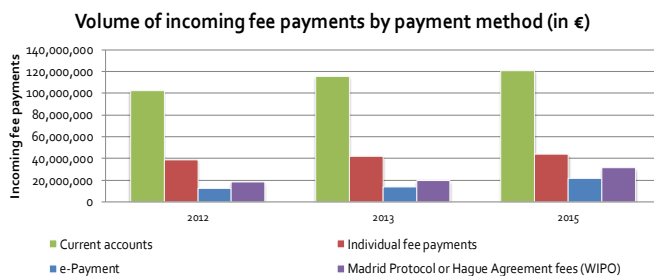
<i>BUDGET REVENUE EXECUTED (in EUR million)</i>	2013	2014	2015
Revenue generated by fees	186.40	194.20	212.61
Interest income	1.00	0.80	0.40
Other operational revenue	1.60	1.10	3.06
Total revenue	189.00	196.10	216.07

During 2015, the Office accrued⁷ 125 850 EUTM application fees (compared with 114 651 in 2014) and 103 140 design fees (compared with 97 978 in 2014) as revenue. EUTM and design fees recorded as revenue increased by 9.4 % compared with 2014.

⁷ This means that the fee payment has been received and the filing fee has been verified and included in the accounts.

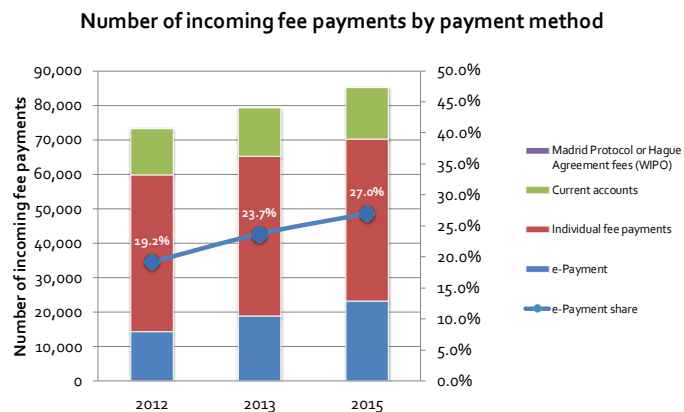
In 2015, 69 % of trade mark (EUTM) filings came from EU Member States and 31 % from non-EU countries. The leading countries were Germany (15.7 %), the USA (12.9 %), the UK (9.6 %), Italy (7.6 %), Spain (7.2 %), France (6.1 %), the Netherlands (3.5 %), Switzerland (3.1 %) and Poland (2.8 %).

The distribution of revenue from EUTMs and RCDs is relatively stable. In 2015, however, EUTMs slightly increased their share to 89 % of total fee revenue compared with 88 % in the two preceding years. The Office receives revenue not only from fees relating to the registration of trade marks and designs, but also from fees for post-registration procedures, such as renewals, recordals and inspections. Basic fees, fees for additional classes, international application fees and renewal fees made up 95.3 % of all EUTM fees received, compared with 94.7 % in 2014.



The fees are either paid from 'current accounts' (deposit accounts for larger clients), by bank transfer (individual fee payments), by credit card (e-payments), or directly from the World Intellectual Property Organization (WIPO) in Geneva (international registration procedures for trade marks and designs).

In 2015, 85 045 incoming payments from clients were received by the Office (+7 %), amounting to EUR 215.7 million (+14 %); this included 12 incoming payments from WIPO, corresponding to EUR 30.6 million (+63 %). The percentage of e-payments (payment by debit or credit card) has increased over the last few years.



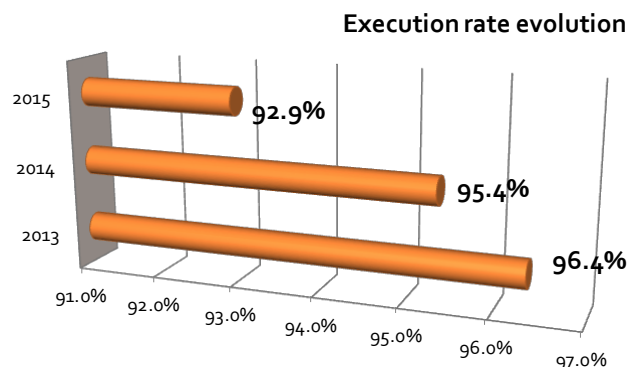
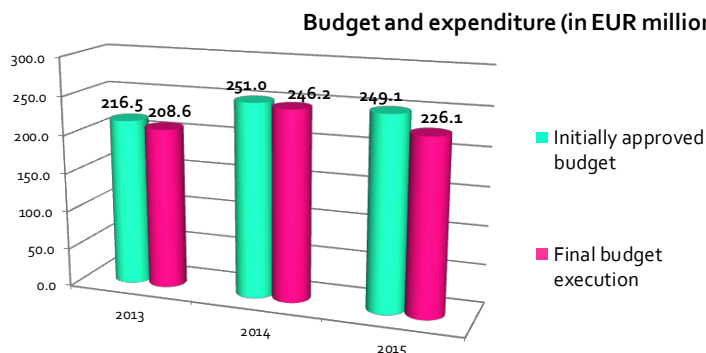
13.1.5 Expenditure and payments

The table below illustrates the Office's operational expenditure over the last three years. It includes not only expenditure relating to staff, but also all expenditure relating to the functioning of the Office, such as IT, buildings and equipment (operating expenditure), and all expenditure relating to core activities, such as mail dispatch, translations and cooperation activities with EU Member States (specific expenditure).

<i>BUDGET EXPENDITURE EXECUTED (in EUR million)</i>	2013	2014	2015
Staff expenditure	89.40	92.50	92.92
Operating expenditure	84.50	117.10	96.90
Specific expenditure	34.70	36.60	36.27
Total expenditure	208.60	246.20	226.09

The Office's Budget covers all its required expenditure, which is usually broken down into the following main categories:

- staff expenditure (salaries and social security expenses, travel expenses, welfare, medical service, etc.);
- buildings and equipment (all expenses related to the Office's premises, IT infrastructure and programming, technical and workplace-related equipment, telecommunications, postal charges, administrative translations, consultancy, etc.);
- expenditure related to the registration of trade marks and designs, as well as cooperation with National and Regional IP offices and support to the Observatory.

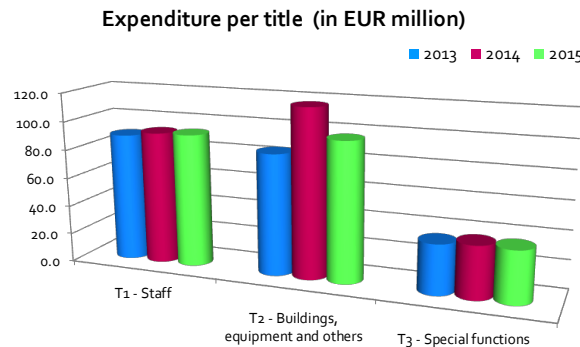


As indicated above, budget transfers were made during the year in order to adjust to the needs that arose. When the final Budget after budget transfers is compared with the executed expenditure, the execution rate decreased to 92.9 %.

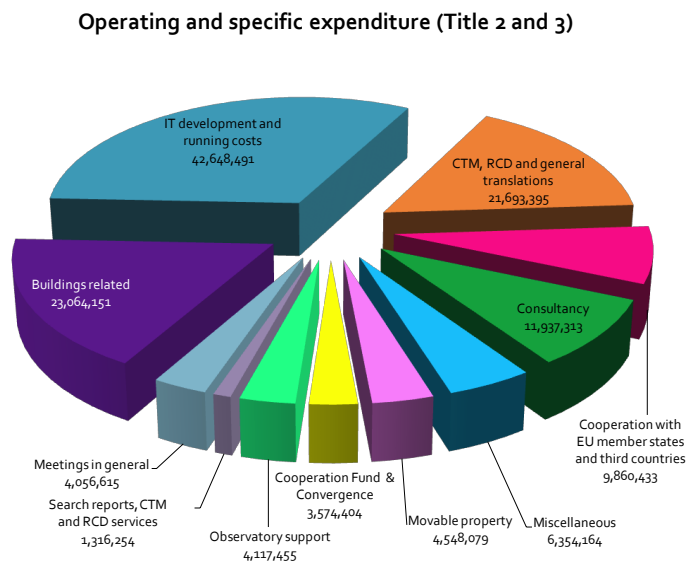
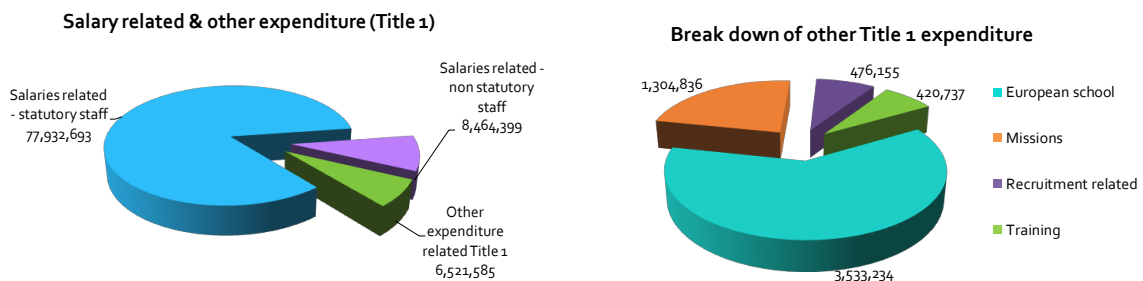
The reasons for this drop include the action taken by the Office to reduce the carry-over

from 2015 to 2016, staff expenditure being lower than planned (owing to staff departures and a slower pace in recruitment), a weighting factor for Spain that was lower than planned, the cancellation or postponement of some important IT projects, the Cooperation Fund's lower level of activity reaching its planned end, and savings in translations.

The following chart shows the evolution of the executed expenditure, focusing on the three main titles indicated above.

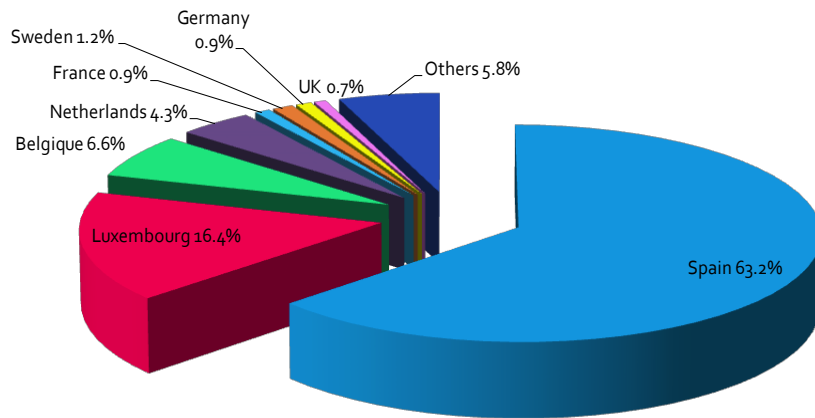


The chart shows a peak in 2014 in Title 2, related to buildings, equipment and other expenditure due to the implementation of the Strategic Plan.



13.1.6 Vendors and payment terms

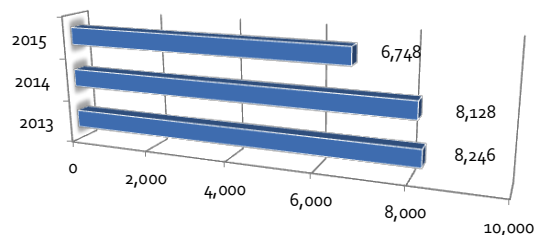
In 2015, approximately 63.2 % of purchases were from Spanish suppliers, while 36.8 % were from suppliers abroad: 16.4 % from Luxembourg, 6.6 % from Belgium and the remaining 13.8 % from other countries (figures expressed in terms of purchases; duty travel, committees, interviews and salaries are not included).



% of amounts paid to suppliers per country

Thanks to the grouping of invoices, the trend of former years of increasing invoices and reimbursements to third parties could be reversed. As a consequence, payment orders⁸ decreased by 1.4 % in 2014 and by 17 % in 2015.

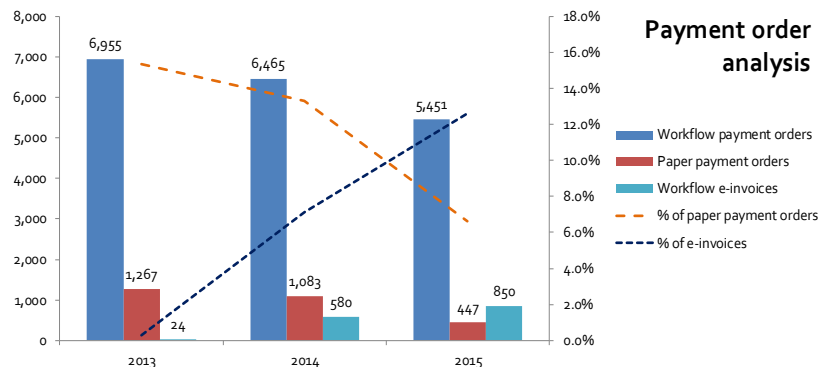
Evolution of number of payment orders



The majority of payment orders (invoices and reimbursements) are handled directly by the Office's accounting system SAP, which permits a paperless electronic workflow. However, due to the nature of certain reimbursement files, some 'paper' files still need to be handled. The proportion of these 'paper' files has decreased over the last three years as a result of further process improvements in the Office.

2014 was the first year in which the Office's e-invoicing tool, based on the e-PRIOR solution of the European Commission, was used for its suppliers. It had accounted for 15 % of invoices at the end of that year. Its use increased further to 25 % of all supplier invoices in 2015, representing 12.6 % of all payment orders.

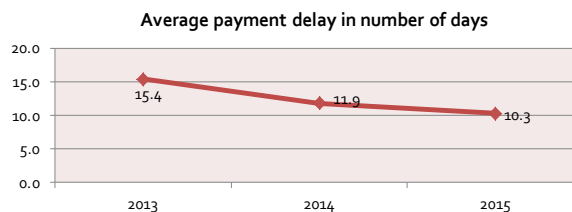
⁸ The 6 748 payment orders covered duty travel, working groups, seminars and meetings such as liaison, AB/BC meetings and cooperation meetings. The total number of payment orders carried out is lower than the total number of payment orders verified as the count is made at different times and may therefore relate to different financial periods.



The Office follows a policy of paying its suppliers and third parties as quickly as possible.

The official payment terms are 30 or 60 days, depending on the type of contract.

In 2015, the average payment delay was 10.3 days, which represents a 13 % improvement.

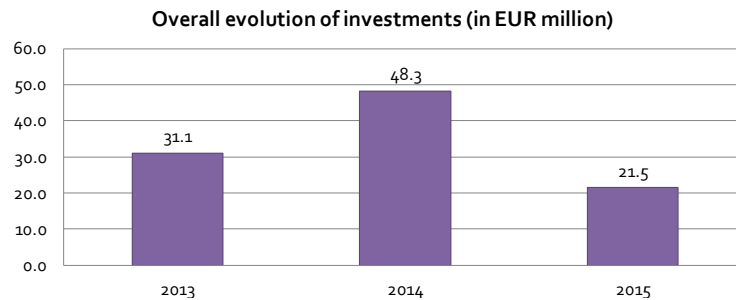


In addition to improvements made in previous years (e.g. streamlining of validation of SAP workflows, scanning of invoices), the grouping of invoices, the outsourcing of the keying-in of invoices and greater use of e-invoicing have allowed the average payment delay to be reduced further.

Since 2013, the number of invoices paid late has decreased by 90 % (from 154 to 14). In 2015, only one late payment resulted in interest being charged (EUR 450). This improvement is a consequence of enhanced follow-up of payments and their inclusion in the Register of Exceptions.

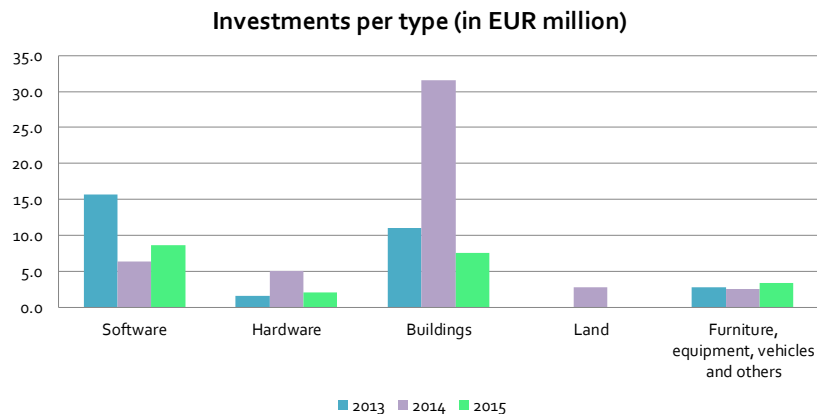
13.1.7 The investment perspective

In order to maintain the Office’s capacity and increase it even further, particularly in the light of the implementation of the Office’s Strategic Plan, investment in fixed assets has been very intense, particularly in 2014, although it then fell in 2015 when construction of the headquarters extension was completed.

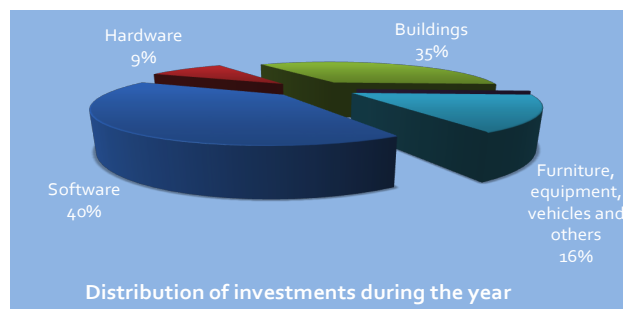


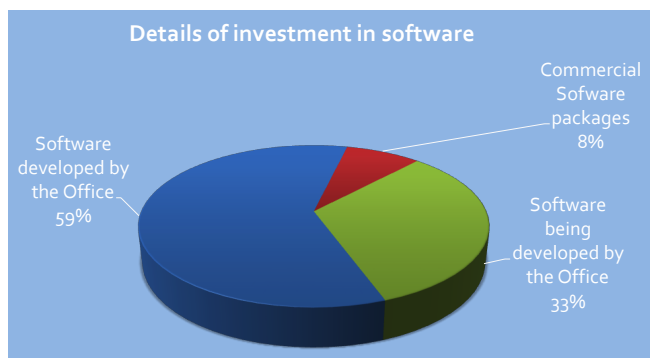
Investment amounted to EUR 21.5 million, of which EUR 7.5 million were for buildings, EUR 8.6 million for software, EUR 2.0 million for computer hardware and EUR 3.4 million for furniture, vehicles, security, equipment and other.

The major investment in buildings and land, in particular during 2014, is a direct and visible consequence of the implementation of the Strategic Plan.



If we look at the overall picture of the structure of the Office’s investments for 2015, the two assets that increased the most that year were software (40 %) and buildings (35 %).



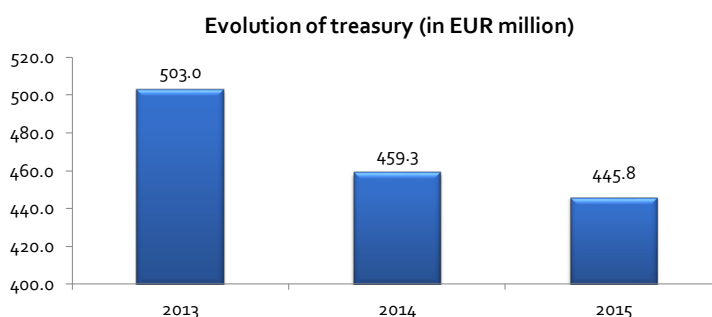


Of the total amount of investment in software (EUR 8.6 million), EUR 7.9 million correspond to software developed by the Office, of which EUR 2.8 million concern ongoing projects, and EUR 0.7 million correspond to investments in commercial software packages.

13.1.8 Treasury

The Office's treasury is composed of all funds deposited in current accounts and short term deposits. A detailed breakdown is available in the Annual Accounts (see enclosure). The overall treasury amount includes the accumulated budgetary surplus, the reserve fund, the appropriations carried over and advance payments by customers, in particular the current accounts.

The Office's treasury management is based on guidelines adopted by the Office's Budget Committee. They require that the financial entities with which the Office keeps its funds have at least an AA long-term rating with one of the credit agencies⁹. For operational banks¹⁰, the Office may, if no other options are available, hold a maximum amount equivalent to two months of payments with financial entities that do not comply with this requirement.



These amounts do not include the funds for EU projects agreed with the European Commission.

The Office's treasury, excluding funds from the EU-funded projects, decreased by EUR 13.5 million during 2015, from EUR 459.3 million in 2014 to EUR 445.8 million. This amount is composed of a positive cash flow of EUR 7.6 million generated by the Office's operating activity, a negative cash flow from the interest yielded by the Office's banks of

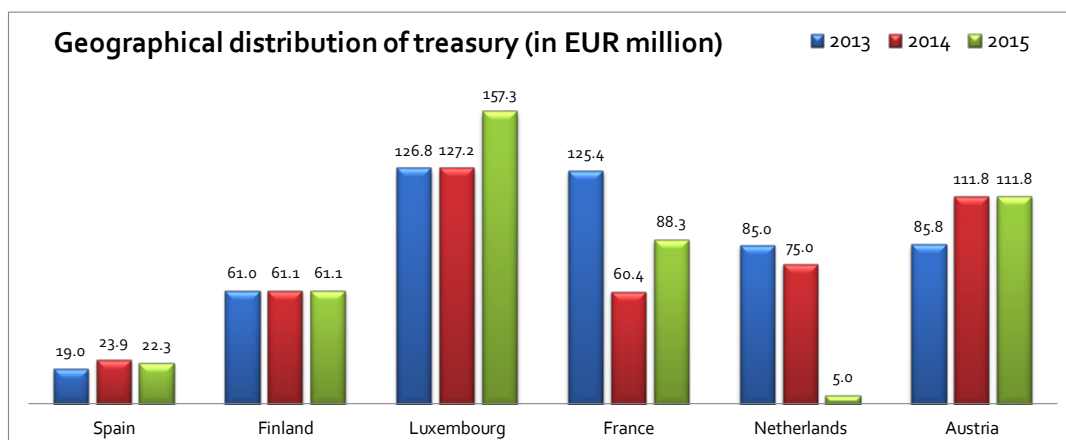
⁹ In accordance with recommendations issued in 2008 to the EU agencies by the Commission.

¹⁰ Banks used by the Office for handling incoming and outgoing payments.

EUR 0.1 million, and asset investments of EUR 21.2 million.

The Office's risk diversification strategy is based on four elements:

- the distribution of funds by category of bank, whereby 56 % of all funds are held in central bank accounts;
- a 25 % limit per counterparty established in the treasury guidelines;
- two months' coverage of outgoing payments for banks not complying with the AA criterion;
- the geographical distribution shown in the following graph.

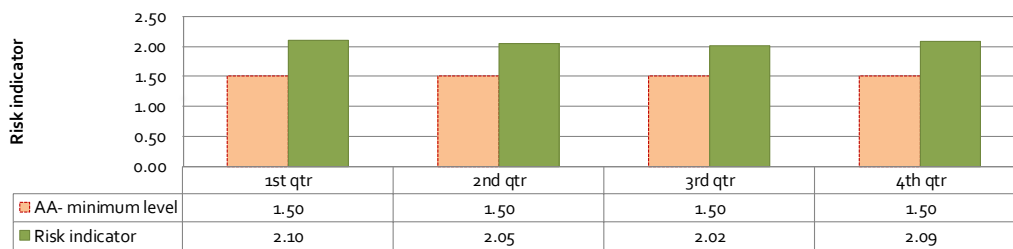


The Office receives its incoming fee payments through its operational banks BBVA (65 %) and CaixaBank (35 %).

All reimbursements to Office clients were made through BBVA and totalled EUR 1.05 million, compared with reimbursements of EUR 1.06 million in 2014.

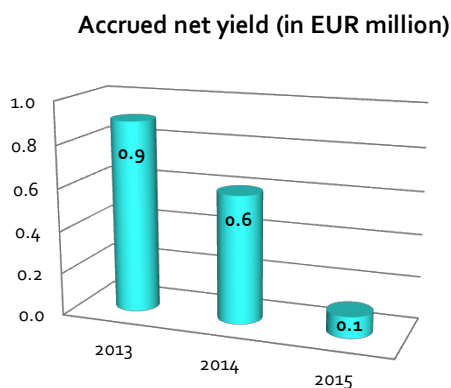
Outgoing payments to suppliers and third parties in 2015 represented 106.2 % of incoming funds from all clients (122.8 % in 2014), resulting in a total of EUR 232.3 million (EUR 238.6 million in 2014).

The Office follows up the credit ratings of its banks periodically and has defined its own indicator, which is included in the Office's Balanced Score Card. This indicator assigns points to each of the Office's banks according to their rating (e.g. 1.50 for an AA-, 3.00 for an AAA, 1.00 for an A). Funds deposited at each bank are then weighted accordingly. The evolution of the indicator during the year shows that the AA- credit rating is more than respected.



The Office has also established an internal treasury committee, composed of staff working both in accounts as well as outside the Finance Department, in order to give advice on issues related to treasury management. During 2015 and in view of the greater stability of the financial markets, the degree of diversification reached and the relative stability of the level of treasury, the committee carried out three general reviews of the treasury situation. Furthermore, the Office’s Budget Committee was informed about the treasury management situation at each of its 2015 meetings.

The Office’s policy is to benefit from interest generated mainly by short-term deposits and current accounts. As in former years and given the situation of the financial markets, security aspects had clear priority over yield in 2015.



Budgetary interest income is cash-based, whereas accrued interest income does not depend on when the interest credited by the bank is received.

The accrued net yield fell considerably during 2015 (as shown in the chart) as a consequence of negative interest levels set by the European Central Bank. The average yield in 2015, including negative interest, was 0.028 %, compared with the average monthly Euribor 2015 of –0.072 %.

13.1.9 Procurement and grants

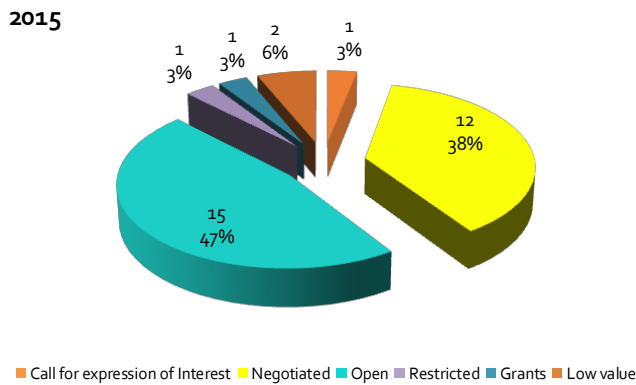
Procurement procedures with a value equal to or greater than EUR 60 000 were centralised under a specialised team. Following the centralisation process that took place in October 2014, procurement procedures with a value equal to or greater than EUR 15 000 are now also centralised under this team. Furthermore, the procurement team is, more than ever, offering support and ensuring compliance with financial, budgetary and legal rules.

The Office published its first call for proposals, the aim of which is to co-finance (up to a maximum of 80 %) initiatives for raising public awareness about the value and benefits of intellectual property, as well as about the damage caused by infringements, in line with Observatory activities and plans.

In 2015, the Office handled calls for expression of interest, open procedures, restricted and

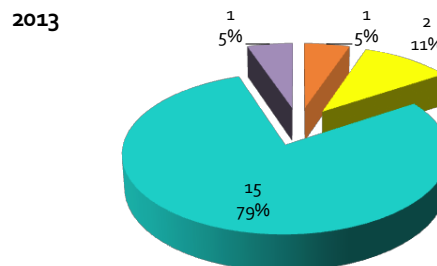
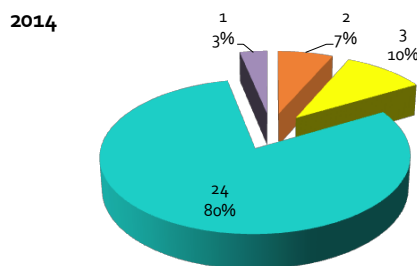
negotiated procedures, low-value contract procedures and grant procedures.

Procurement and Grant procedures (data in numbers and %)



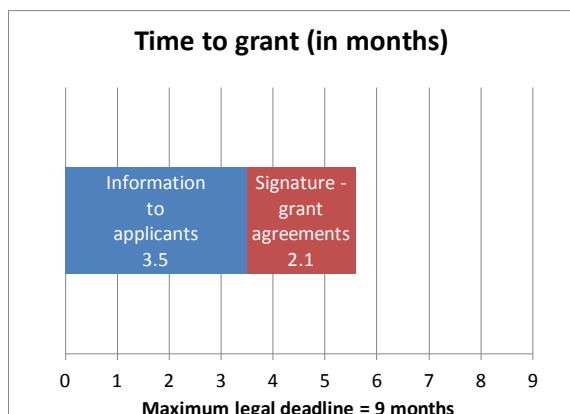
The chart gives an overview of the different procedures used, as well as total numbers for each procedure.

How the different procedures were used changed in 2015, compared with 2014. Grants and low-value procurement contract procedures were integrated and more negotiated procedures were carried out due to the need to renew several existing contracts under a negotiated procedure.



Apart from this conjuncture, the open procedure is still the one most frequently used.

The call for proposals for grants was very successful, with 130 applications received and 11 projects awarded, grant agreements signed and pre-financing paid in the same year.



The time to grant, that is to say, the time for informing applicants and signing the grant agreements, was 5.6 months; the Financial Regulation provides for a maximum of 9 months.

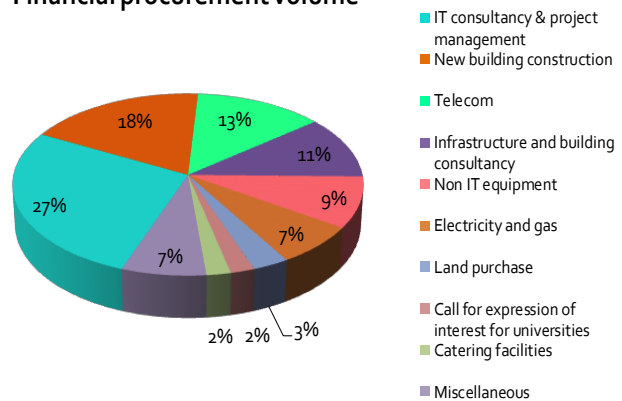
Of the maximum budget of EUR 500 000 available for the present call for proposals, EUR 498 852 were committed. The budget for this call was absorbed, with less than 1 % of the total available amount left. The pre-financing payments, representing 70 % of the maximum grant amount, were paid to the beneficiaries in an average of 10.3 calendar days, thus respecting the time limit

of 30 calendar days for such payments.

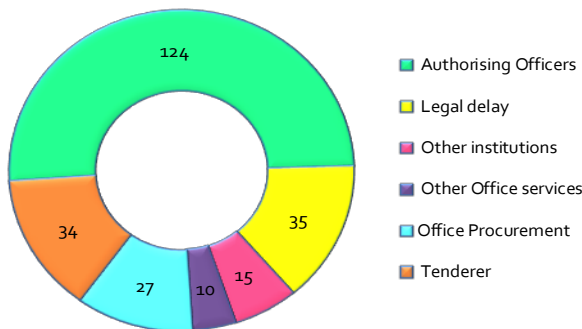
Procurement procedures < EUR 60 000

The financial procurement volume is determined by the duration of the contract as well as the yearly estimated consumption. The average duration of the various contracts signed in 2015 was 3.6 years, with the majority being of 4 years' duration. The financial procurement volume was distributed between the contracts signed in 2015. As can be seen from the chart on the right, the highest volume of financial procurement procedures related to IT consultancy and project management (27%), followed by new building construction (18%). The total procurement volume (starting in 2015) was EUR 88 969 486.31.

Financial procurement volume



Average time per stakeholders (in number of calendar days)



An analysis of the average time spent managing a call for tender procedure by the various stakeholders involved¹¹ gives the result seen in the chart on the left.

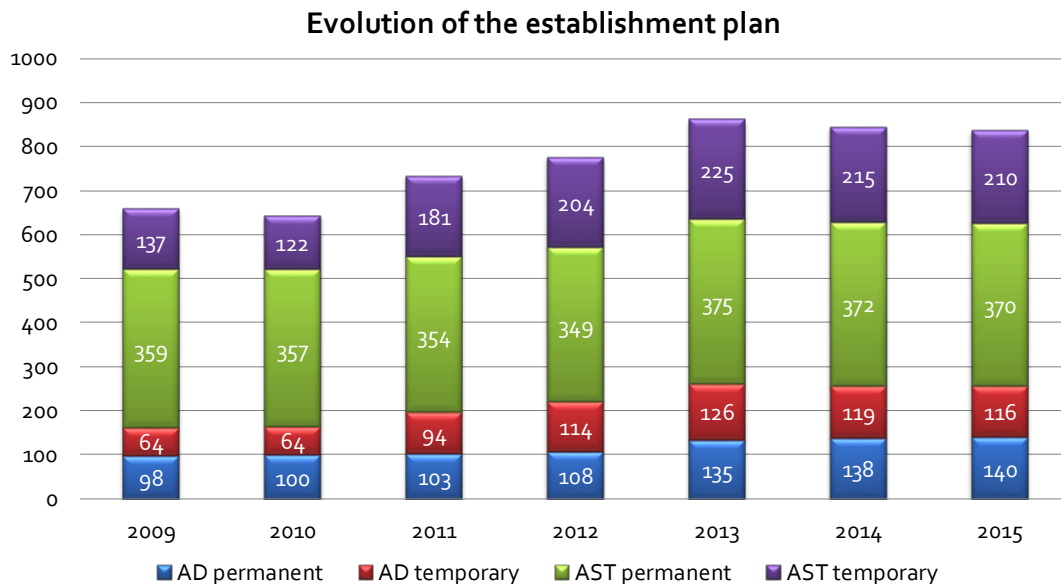
The greatest contribution to a call for tender (50% of total duration, 5% less than in 2014) is made by the authorising officers, who prepare technical specifications, validate tender documents, evaluate tenders and manage the award process up to the signature of the contract. The contribution made by procurement also decreased from 15% to 11% of the total time taken. The average duration of a procurement procedure was 245 calendar days in 2015.

¹¹ 'Legal delay' refers to actual legal delays (i.e. minimum period for the submission of offers — 52 calendar days from publication request for an open procedure or 14 calendar days for the standstill period) 'Other EUIPO services' includes the Legal Service, time spent on financial verification (if requested/required) and any other services involved in the procedure for whatever reason, except for the services of authorising officers and Procurement.

13.2 Human resources management

13.2.1 The establishment plan and its evolution

The establishment plan is comprised of permanent and temporary posts that are available in the Budget. The posts are allocated according to the Office workforce planning.



The Office implemented the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and on sound financial management. The strategy, endorsed by the Office's governing bodies, provided for a 5 % reduction of the Office's establishment plan — 2 % in 2014 by means of an amended Budget and an additional 1 % in annual reductions between 2015 and 2017.

Whereas the Office initially planned to absorb 50 % of the increases in volume of workload through internal productivity improvements, it now plans that, until 2017, all such increases should be absorbed within the historical growth, while striving to maintain the levels of quality and timeliness contained in the Service Charter.

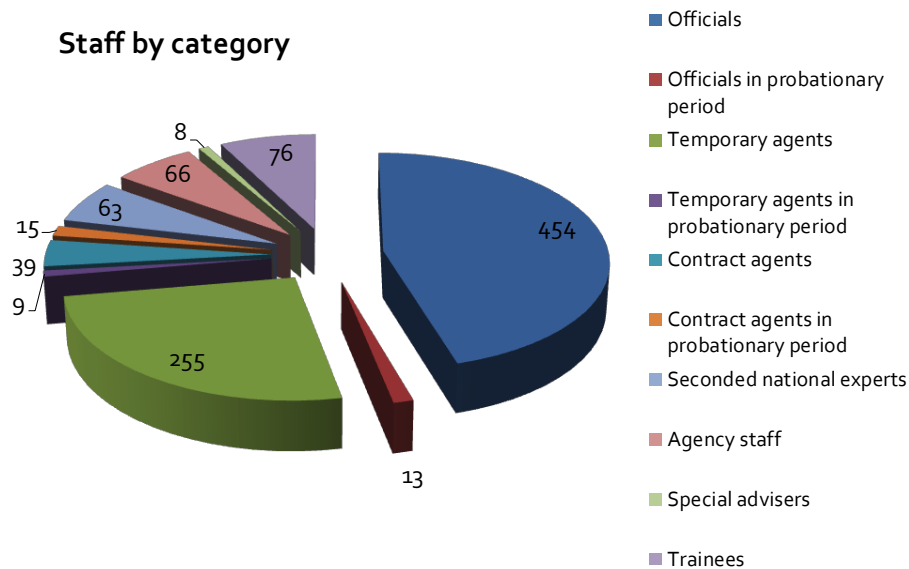
It is to be noted that if real growth in the Office business figures continues to deviate significantly from historical growth (11 % during 2015), the Office will go back to the Management Board to reassess the situation.

For the time being, and under current planning, the Office has systematically achieved and plans to continue achieving efficiency gains.

13.2.2 Staff composition

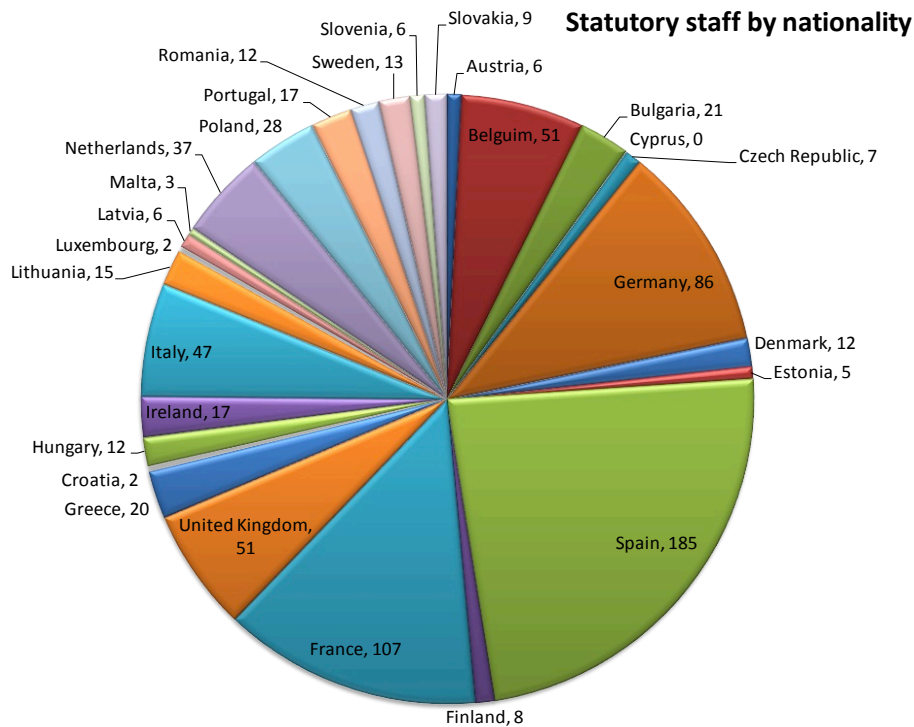
At the end of 2015, the Office had 793 statutory staff members; 467 of these were officials

(FT) of the European Union (13 on probation), while the remaining 326 were made up of 264 temporary agents (TA) (9 on probation) and 54 contract agents (CA) (15 on probation) as well as 8 special advisers (SA). In addition to the statutory members of staff, 76 trainees, 63 Seconded National Experts (SNE) from IP National Offices and 66 interims (agency staff) contributed to the activity of the Office.



In general, by the end of 2015, the distribution of staff by Member State origin had become more balanced. Whereas some countries saw their representation in terms of statutory staff at the Office reduced to some extent (e.g. Greece and Finland), the population of other nationalities grew slightly in 2015 compared with 2014 (e.g. Spain and Germany). Spanish was still the nationality with the highest proportion of staff, but this is inevitable, due to the location of the Office.

The 27 Member States (excluding Cyprus) were represented by the Office's statutory staff (FT, TA and CA) as follows, not taking into account special advisers:

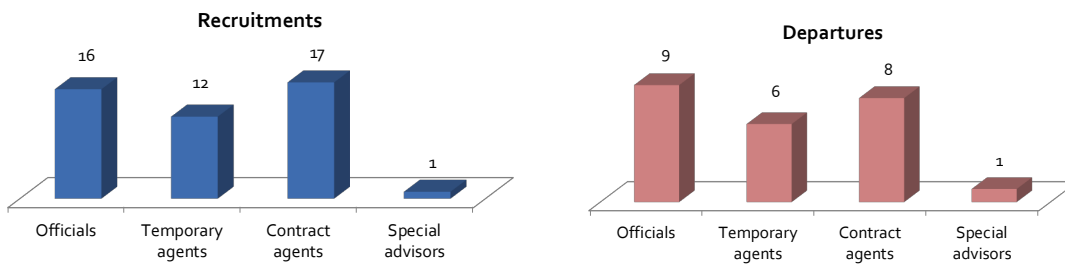


The majority of the Office's statutory staff was female (58.6 %) with a total of 465 women; the remaining 328 were men. The majority of officials working in the Office are female, recruited mainly from the AST function group. In the AD function group there are more male than female officials. Regarding the Office's managers, 30 % are female.

The average age for statutory staff was 46 in 2015. In particular, the average age of FT, TA and CA was 48, 43 and 41 respectively. In line with the Office's Strategic Plan 2011-2015, the Office endeavours to achieve an age balance to address the problem of mass retirement in 15-20 years and to ensure an appropriate balance in terms of gender and geographical representation.

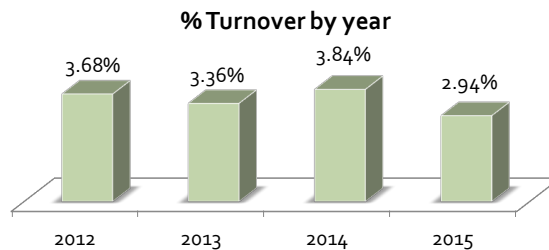
13.2.3 Recruitment and departures over the year

Recruitment and retention of highly qualified staff is linked to the first strategic goal of the Strategic Plan 2011-2015: building a strong and vibrant organisation. The number of staff recruited over the last few years has grown steadily to cope with the Office's additional tasks and increasing workload.



2015 also saw a total of 24 departures from the Office; the majority of these were officials who retired (9), followed by contract agents (8) and temporary agents (6), who left the Office due to the termination of their contracts, and one special adviser.

Turnover of Office staff was low during 2015, mainly because of the limited number of staff reaching retirement age or the end of their contracts in that year.



13.2.4 Internal mobility

Internal mobility refers to the movement of employees from one position to another within the Office. It is an efficient and cost-effective method of talent deployment. Internal mobility at the Office (and upskilling employees to assume new roles as and when they become available) can be seen as a dynamic internal process for using talent across the organisation and can be a good way of maintaining employee engagement and motivation. Staff already have a good understanding of the business and will therefore be productive and operational in a shorter time.

In 2015 there was a total of 83 internal mobility publications, of which 40 were covered by internal candidates. In 2014 and 2015, the Office also offered 8 permanent positions to temporary agents working at the Office, either by way of transfers as officials from another institution or by establishing them as officials, in their capacity as laureates of an EPSO competition.

13.2.5 Working conditions

In order to support the work-life balance, the Office permits various working-time arrangements, as provided for in the Staff Regulations (part-time work, parental or family leave, and leave on personal grounds). Use of these arrangements has tended to increase over the last few years. A flexitime scheme allows staff to organise their working time.

In 2015, more than 250 staff members benefited from teleworking agreements. The largest number of teleworkers can be found in the Office's core activities, the Finance Department

and the Boards of Appeal. The majority of both regular and occasional teleworkers are female.

13.3 Assessment by management

Assessment by management has to meet the requirements established in the Financial Regulation concerning internal control of budget implementation. It is based on the results of control procedures performed by Office staff and refers also to aspects of the legality and regularity of the underlying transactions carried out. This chapter explains and gives results for the various tools and control procedures put in place by the Office.

13.3.1 Office internal management bodies

The Management and Advisory Committee (MAC) is composed of the Executive Director, the Deputy Executive Director, the President of the Boards of Appeal, the Head of Cabinet, the Directors, the Chief Economist as well as the Heads of Services of the Internal Audit, the Corporate Governance Service and the Communication Service. The MAC meets on a regular basis to discuss and advise the Executive Director on important issues concerning the operations of the Office.

The Enlarged Management and Advisory Committee (EMAC) is composed of the MAC members, the Deputy Directors, all the Heads of Service and the Accountant. Team leaders can also be called to participate in the EMAC. It meets on a regular basis to look over the performance of Office activities, follow up on the Strategic Plan and revise the achievements of the goals established in the annual Work Programme.

13.3.2 Office management systems

The Office has implemented several interrelated management systems to ensure proper implementation and follow-up of the quality, performance and risk aspects of all its operations. These systems are managed by the Corporate Governance Service (CGS) to support sound and effective management practices throughout the Office. Quality, Performance and Risk Officers in the various departments ensure adequate liaison with the CGS.

- The performance management system offers the management effective statistical and performance reports to support the decision-making process. Two main tools are used for this:
 - a Balanced Scorecard, which translates the Office's mission and strategy into a comprehensive set of performance measures that provide the framework for a strategic measurement and management system;
 - the Office's Service Charter, which defines what users of our services can expect from us. It sets measurable standards in three areas: timeliness, accessibility and quality of decisions. It measures the Office's performance against the standards on a quarterly basis.
- The risk management system is a continuous, proactive and systematic process of identifying, assessing, and managing risks in line with the accepted risk levels,

carried out at every level of the Office to provide reasonable assurance as regards the achievement of its objectives.

- The Quality Management System is a framework that systematically documents and monitors process effectiveness to facilitate and ensure continual improvement. It is applied to all activities and to everyone at the Office in accordance with all the requirements of the ISO 9001 standard.

The Office's commitment to process efficiency, IT security, environmental management, accessibility and health and safety started in 2004, with the first certification in information security (ISO 27001), and was followed in 2008 by EMAS (environment), in 2013 by Quality Management (ISO 9001 for all Office activities), and then by Health and Safety (OHSAS 18001), and Universal Accessibility (UNE 170001).

Despite the often quite distinct subject matter of each individual system, their underpinning principles have many similarities. Therefore, in 2015 there was a big push to optimise efforts and integrate the management of all these systems and their certification into one simplified process. This will bring many benefits to the Office and help avoid repetition, save costs, optimise and improve the alignment of objectives, planning and practices, streamline documentation, and integrate both internal and external audits, which will in turn lead to lower costs and fewer work interruptions. The reduced need for multiple training sessions will, of course, also save time and effort.

In 2015, a working group began pulling the systems together to form a strong foundation on which to base the integration process that will be implemented in the future SP 2020. The first deliverables of this process have been the approval of a new and unique Office Integrated Management Systems Policy, which summarises the Office's commitments towards its staff, users and all stakeholders in general, and the 2015 Integrated Management System Review, which includes the annual management review of ISO 9001, OHSAS 18001 and ISO 27001.

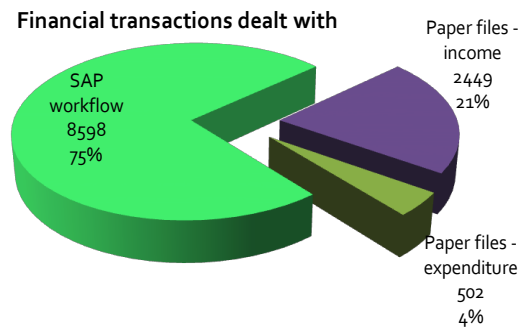
13.3.3 *Ex ante* verification

Ex ante verification is an essential element of the Office's internal control system. In line with the 'four-eyes' principle, the *ex ante* function verifies the legality and regularity of all financial transactions and ensures that all other tasks have been carried out correctly, in conformity with the requirements of the Financial Regulation and Rules of Application, Staff Regulations or any other legislation in force.

The Office has opted for a so-called decentralised model with counterweight. On the one hand, financial *ex ante* verification is carried out centrally within the Finance Department, focusing on the legality, regularity and compliance with the legal framework. On the other hand, the operational *ex ante* verification, including compliance with the principle of sound financial management is carried out by the responsible authorising officer when authorising an operation.

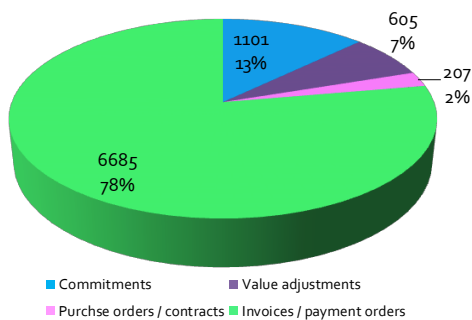
Financial transactions dealt with in 2015 by volume and %

During 2015, a total of 11 549 files were subject to *ex ante* verification; 56 exceptions were registered (see next chapter). The files included transactions treated in SAP and paper files that resulted in a payment via SAP, but not pure paper files, which are treated in their entirety through a paper workflow.



Several bilateral discussions were held with the various services and departments to improve the quality of these particular files. Additional guidance was given and training sessions were held to take into account the needs and requirements of the various financial actors.

Files checked directly using the SAP system



The Office's internal service standard of financially verifying a file within 3 working days was largely complied with: the average time taken was 0.93 calendar days or 0.63 working days.

The files checked directly using the SAP system relate to budget commitments, value adjustments (supplementary commitments and decommitments), purchase orders, invoices and payments.

Recovery orders, fee income and certain payments are dealt with using paper files. Other verification tasks dealt with include personnel decisions, monthly payroll, and delegations of authority, not to mention contracts and grant agreements.

13.3.4 Register of Exceptions

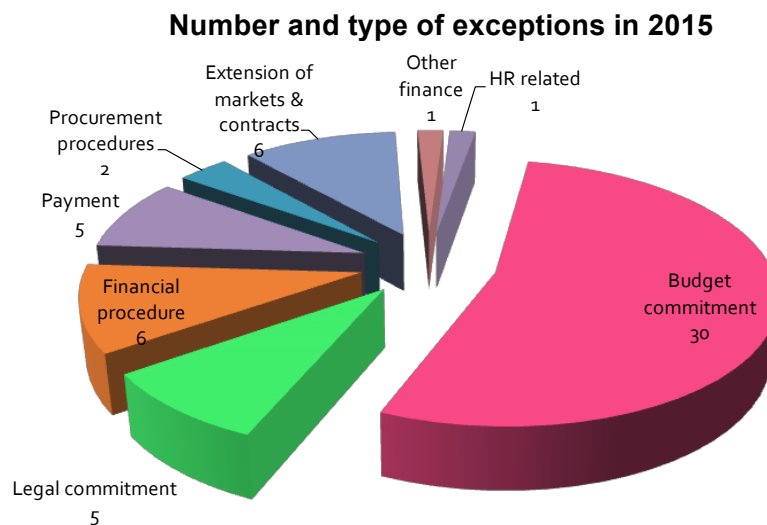
The Internal Control Standards for the Office adopted by the Budget Committee as required by the Financial Regulation call for the Office to implement a method to ensure that all instances of controls being overridden and all deviations from established processes and procedures are documented, justified and duly approved at the appropriate level before action is taken and logged centrally.

An exception is an instance of controls being overridden or a deviation from established procedures and processes; it includes any case where the established rules are not respected. 'Overriding of controls' means any action that goes against the results of previous controls. 'Deviations from processes or procedures' means replacing one or more steps of a process or procedure with others or none at all.

The Register of Exceptions came into force on 1 October 2012 and the initial limitation to financial transactions was removed on 15 January 2014. Exceptions are notified and communicated so that weaknesses and areas for improvement are identified and taken into account for the future. Exceptions are followed up and corrective and preventative measures implemented (such as coaching and training sessions, bilateral meetings and assisting in better planning of procurement procedures, to name but a few).

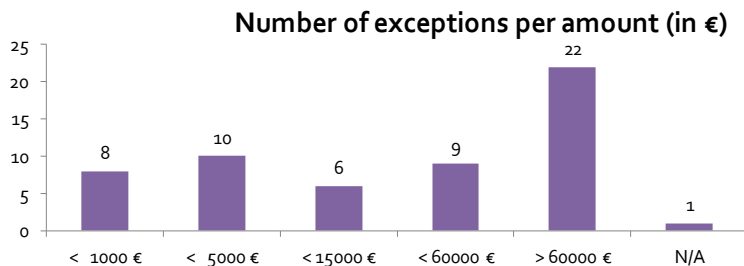
During 2015, 61 exceptions (out of a total of 11 549 files) were identified; notifications were sent to the relevant department. Of these, 56 exceptions were registered and recorded, representing just over 0.48 % of the total number of files dealt with. The 3 exceptions that were not recorded were deemed non-exceptions by the Responsible Authorising Officer. Upon additional information being provided to the Finance Department, another 2 exceptions were considered not to be exceptions after all.

The number of exceptions registered has dropped significantly, from 165 in 2013 to 104 in 2014, and then to 56 in 2015. Of the 56 exceptions registered, the majority (53.6 %) were due to budget commitments, 14.3 % to procurement issues, such as extensions of markets and contracts and other anomalies related to procurement procedures, and 10.7 % to incorrect procedures linked to lack of observance of the principle of annuality.



The remaining exceptions were linked to other issues, such as late payments (8.9 %), irregular legal commitments (8.9 %) and other categories that do not fall within any of the above; there was also an HR exception linked to the staff administrative life cycle (1.8 %).

However, when it comes to the financial impact of these exceptions, the majority identified (59 % of the total) were for less than EUR 60 000, while 43 % were for less than EUR 15 000.



13.3.5 Instructions according to Article 47(2) of the Office's Financial Regulation

Article 47(2) of the Office's Financial Regulation states:

An authorising officer by delegation or subdelegation who considers that a decision falling under his responsibility is irregular or contrary to the principles of sound financial management shall inform the delegating authority in writing. If the delegation authority then gives a reasoned instruction in writing to the authorising officer by delegation or subdelegation to implement the decision in question, the latter must implement it and may not be held liable.

Pursuant to Article 49(3) of the implementing rules, 'any instructions confirmed in the circumstances described in Article 47(2) of the Financial Regulation shall be recorded by the authorising officer by delegation responsible and mentioned in his annual activity report'.

No instructions falling under Article 47(2) of the Financial Regulation were given in 2015.

13.3.6 Authorising Officer delegation embedded in the financial management system

The Office has established a clearly defined system for the delegation of the powers of the Authorising Officer to delegated and subdelegated Authorising Officers. This system is based on the following elements:

- Decision of the Executive Director of the Office, which includes a comprehensive charter of the tasks and responsibilities of Authorising Officers by delegation and subdelegation.
- Implementation of these delegations in the Office's financial management system SAP, which guarantees that only authorised persons can accept financial transactions in the electronic workflow.

13.3.7 Network of administrative and financial officers and training in financial matters

Delegated and subdelegated Authorising Officers are supported by administrative and

financial officers, who ensure proper knowledge transfer in financial matters and form a network for sharing best practice among themselves. Eleven meetings took place in 2014.

13.3.8 External resources management system

The ERMS is a system aimed at supporting and promoting optimal use of external resources in the Office and providing valuable input for the Office's decision-making processes on sourcing. The system entered into force on 24 September 2013 and its use was extended to the entire Office early in 2014.

As a continuing consequence of rationalising the contractual landscape in the Office, many major contracts were closed or cancelled in 2015. There were 159 contracts running at the end of 2015, whereas at the end of 2014 the number of contracts running registered in the ERMS was 207. This represents a 22 % decrease. This trend is likely to continue in the quarters that follow as the complete cycle of the contracts in the ERMS will not be closed until all the financial transactions have been completed. In 2015, most of the major contracts that were subject to the ERMS were framework contracts (82 %), which follows the trend seen in 2014 (85 %).

The ERMS has been 100 % compliant; all framework and direct contracts have been registered and evaluated. The regular annual evaluation of the framework and direct contracts showed overall compliance with contractual conditions and satisfactory delivery of the services and goods.

A categorisation exercise was carried out to identify the strategically important vendors and related framework contracts. In 2015, this identified 12 strategic and 16 tactical vendors — with valid signed framework or direct contracts — out of 124 vendors identified and selected.

The Office's new organisation was implemented, integrating the ERMS into the activities of the Vendor Management Service. The process of concentrating the management of vendors and contracts within the Finance Department was completed in November 2015.

14. Management Assurance

14.1 Review of the elements supporting assurance

The review of the elements supporting assurance was based on a systematic analysis of the evidence available, as outlined in this report, in particular in the following parts:

- Chapter 13: Management of resources
- Annex 16.1: Audit, internal control standards, anti-fraud strategy
- Annex 16.2: Risk management
- Annex 16.5: Detailed list of transfers
- Annex 16.8: Management of resources — specific annexes
- Annex 16.9: Final Annual Accounts for the year.

This approach provides sufficient guarantees as to the completeness and reliability of the information reported.

In the light of the measures in place to ensure legality and regularity, in particular the performance, quality and risk management systems, *ex ante* verification, the systematic registration and follow-up of exceptions as well as the quantitative and qualitative nature of the exceptions, the system for the delegation of the powers of the Authorising Officer embedded in the Office's financial management system, the network of administrative and financial officers ensured by the Financial Regulation, the external resources management system, risk assessment and the opinions expressed in the final reports by internal and external auditors, it can be concluded that the Office's internal control systems are adequate and provide reasonable assurance, and that compliance with and implementation of the internal control standards are both satisfactory.

14.2 Reservations (if applicable)

Not applicable.

14.3 Overall conclusions on assurance

The Executive Director and his delegated Authorising Officer give reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcement are being implemented. As a result, there was no reason to introduce any reservation for the year 2015.

15. Declaration of Assurance

I, the undersigned, Executive Director of the Office,

In my capacity as Authorising Officer,

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

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 Service** and the **lessons learnt from the reports of the Court of Auditors** for the years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here that could harm the interests of the Office.

Alicante, 05 May 2016

António Campinos,
Executive Director

16. Annexes

16.1 Audit, control standards and anti-fraud strategy

16.1.1 Internal audit

The Office's Internal Audit Service assists management by providing independent, objective assurance and consulting services designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Service currently consists of a team of three auditors managed by the Internal Auditor, who reports to the Executive Director of the Office, and through him, to the Budget Committee, the Management Board and the European Court of Auditors.

Approved audit plan

Audit activities were based on the 2015 Audit Plan, the first and the last versions of which were approved by the then President of the Office in December 2014 and July 2015 respectively. The 2015 Audit Plan included 6 audits from 2014 and 15 new audits.

The selection of the new audits for 2015 is the result of an analysis that took into account the ISO 27001 three-year rolling plan, the Internal Control Standards, the Risk Register, the requests from departments, the audit universe coverage, as well as Internal Audit's professional judgement.

For the majority of the areas audited, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Office's overall framework relating to risk management, governance processes and the internal controls covered in the audits. However, there are some areas where further improvement is required.

Additional activities

In addition to the audit engagements specified in the 2015 Audit Plan, Internal Audit continued with the task of overseeing the implementation of the Office's Anti-Fraud Strategy, which was adopted by the Budget Committee in November 2014. This task concerns in particular the follow-up of action points, and the maintenance and eventual renewal of the Anti-Fraud Strategy every two years. Furthermore, Internal Audit attended, as an observer, the meetings of the Information Security Forum (ISF) and the Cooperation Fund Risk Management Group. Since 2015, it has also provided the Community Plant Variety Office with internal audit services.

Improvements in Internal Audit methodology, processes and systems

Internal Audit must continue to adapt and improve its methodology, use of technology and subject matter expertise, in order to meet the challenge of new and changing regulations, emerging risks and changes to the Office's internal and external environment. Some of the improvements made in these areas during the year are:

- **Methodology** — In 2015, Internal Audit proposed a series of improvements that were approved by the President in September 2015 to be implemented with the audits of the 2016 Audit Plan. The improvements concern:
 - separation of auditing activity from the subsequent definition and follow-up of action plans;
 - introduction of a classification scheme for both audit reports and audit findings, which will help to prioritise and focus effort on the essential issues;
 - revision of issues and the applied corrective actions, with an agreed deadline;
 - limiting the dissemination of audit findings to a specific audience.
- **Quality Assurance** — Internal Audit formalised a periodic quality assurance self-assessment to evaluate its conformance with professional standards. The self-assessment is performed yearly. An independent evaluation of the internal audit function, which is required to be performed at least every five years by IIA (Institute of Internal Auditors) professional standards, will take place in 2017.
- **Continuing Education** — Internal Audit members continued their training programme. The most important training activities were on data protection matters, fraud issues, procurement procedures and grants and the ISO 27001 Lead Auditor Certification of all IA members.

ISO 9001 internal assessment program

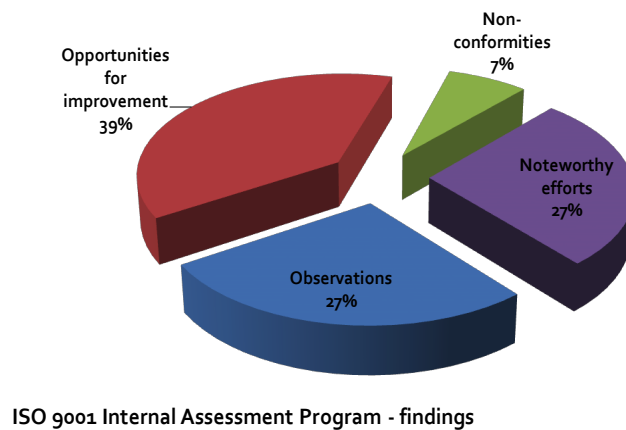
In 2015, 16 ISO 9001 internal audits were performed, involving more than 160 staff and 43 auditors, and with an output of 151 findings, which have been recorded in the Office Action Log. In line with the ISO 9001 standard and the procedure established at the Office, the continual improvement activities of the Quality Management System are recorded and followed up using this tool, where Quality Performance and Risk Officers document and track each finding along with its corresponding root cause analysis, corrective action and related plans.

After the first two years of implementation of the new approach to the ISO 9001 internal audits, it can be observed that all areas maintained their positive attitude towards this audit process and all participated positively (QPROs, Process Owners and experts) in the exercise. The Corporate Governance Service has implemented recommendations received by different sources, such as feedback from auditees and auditors. The main lessons learned from the 2015 ISO 9001 internal audits can be resumed as follows:

- **Incorporate the risk-based approach:** the new 2016 plan includes a new column to present the link between each of the ISO 9001 Internal Audits with the corporate/operational risks.

- Coordinate planning with the Internal Audit Service: this plan aims to avoid ‘over-auditing’ some of the departments where the results of previous audits were satisfactory and no major risks have been identified.
- Increase the sharing of information between the auditors: at least twice a year; CGS will organise meetings for this purpose. This will enhance cross-departmental collaboration and will facilitate the implementation of findings applicable to several departments.
- Involve specialists in other certified management systems (e.g. ISO 27001, OHSAS, etc.) where there are synergies; currently there are experts working in the Office with background in these fields. This activity is aligned with the integration of the management systems initiative.

From the internal assessment undertaken in 2014, a total of 151 findings were issued and registered in Office’s Action Log. The documented findings showed the positive approach used by auditors when looking at internal processes. Most of the issues identified were categorised as observations (41) and opportunities for improvement (58); only 11 nonconformities were raised. Noteworthy efforts (41) were captured in a register of best practice and published on the Office’s Management Systems website.



Follow-up of recommendations and action plans for internal audits

Audit reports contain findings and recommendations, and the audited units work on the definition and implementation of the corresponding action plans.

Impact of audit recommendations has been high, as recommendations/action plans have been implemented with a high degree of compliance and many within a relatively short period of time.

According to the internal audit methodology¹² for evaluating the compliance level of implemented action plans, overall full compliance reached 85 %, which is a very satisfactory result, above the target level of 80 %.

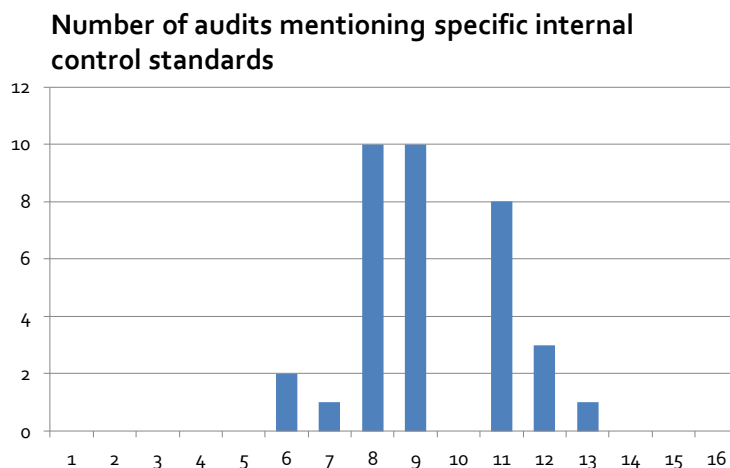
¹² The methodology distinguishes between action plan implementations that are: fully compliant implemented on time, fully compliant implemented with delay, partially compliant, non-compliant or not applicable any more. Overall full compliance is the percentage of action plans implemented fully (on time or delayed) and partially (applying a weighting factor of 0.3) in the total number of action plans closed.

16.1.2 Compliance and effectiveness of internal control standards

The internal control standards were adopted by the Office's Budget Committee on 4 May 2011, and include 16 revised standards on the basis of those adopted by the European Commission. They are designed to provide reasonable assurance regarding the achievement of objectives and are meant to provide:

- reliability and integrity of information;
- compliance with policies, plans, procedures, laws, and regulations;
- safeguarding of assets;
- economical and efficient use of resources; and,
- accomplishment of established objectives and goals for operations or programmes.

The Internal Audit Service evaluates the effectiveness of risk management, control, and governance processes. Thus, apart from carrying out audit engagements on specific ICS, the internal auditors examine the applicable internal controls in each audit engagement, which allows them to form a general opinion about their implementation.



Based on the work carried out during the year, reasonable assurance can be given that the internal controls checked in ICS audits and in the course of other audit engagements, in general, are well implemented. For two, some improvements in their implementation have been proposed.

16.1.3 Anti-Fraud strategy

After the then President's approval of the Office's Anti-Fraud strategy and its 2015-2016 action plan, the Budget Committee adopted the Anti-Fraud Strategy at its meeting in November 2014.

The objectives of the Office's Anti-Fraud Strategy are:

- to establish fraud prevention, detection and response measures and integrate them into the processes at the Office, including Enterprise Risk Management;
- to enhance staff awareness of fraud and ethics and develop an 'anti-fraud' culture at the Office;

- to enhance relations with stakeholders and external partners and reinforce cooperation with OLAF and the European Commission on combating fraud.

The 2015-2016 action plan is now being implemented, as a result of which fraud risk assessment has become part of the Office's yearly risk assessment exercise; a specific page on 'Ethics, Integrity and Anti-Fraud' has been created on the Office's Intranet site, guidelines have been adopted on the prevention and management of conflicts of interest, and information on the strategy is being given to newcomers to the Office.

A fraud-reporting and whistle-blowing procedure, including guidelines for the protection of whistle-blowers, and training in various formats on ethics and integrity are in preparation.

16.1.4 European Court of Auditors

In its latest available report, for the year 2014, the Court of Auditors concluded that it had obtained a reasonable basis for stating that 'the Office's annual accounts present fairly, in all material respects, its financial position as of 31 December 2014, and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the Accounting Rules adopted by the Commission's Accounting Officer' and that 'the transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects'.

However, the Court made a number of observations in its report on improvements for the future, which are reproduced below, together with the Office's replies and the state of play at the end of February 2016.

1. The Court questioned the amount spent on standby allowances (EUR 0.44 million in 2014 compared with EUR 0.40 million in 2013). Although the Office revised its policy and revised the number of roles entitled to standby duty allowances from 25 to 17 in November 2014, the financial impact was not seen until 2015. The Court also stated that there was room for improvement in control of the allowances paid.

The Office replied that it had dealt with this issue; however, due to the fact that the number of roles with standby duties was not reduced from 25 to 17 until late 2014, the financial impact was not noticeable until 2015.

State of Progress. The Office has further revised its policy and, as a consequence, further reduced the roles from 17 to 13, producing a reduction in costs of EUR 0.16 million in 2015 (the full financial impact will be seen in 2016, when the reduction will amount to EUR 0.18 million). This has taken place without any interruption to the Office's services; the Office has undertaken to provide its clients with a 24/7 service and ensure that its internet website is always available.

With regard to controls, the standby duty system carries out random controls by means of monthly 'test calls' and is designed to produce a report. In addition, a trimonthly 'presence control' has been introduced. As a result, the IT Department informs the HR department of staff members entitled to receive the allowance. Furthermore, additional controls are made to check that staff paid under this concept are not on sick leave, flexi-leave, holiday or duty travel.

2. The Court also noted that the amount of carry-overs cancelled from previous years had decreased from EUR 6.0 million (16 %) in 2013 to EUR 5.1 million (13 %) in 2014. In addition, the level of committed appropriations carried over to 2015 was high for Title 3, at EUR 14.1 million or 38 %.

The Office replied that it had reduced its cancellation rate of carry-overs from 16 % to 13 %. This was likely to be reduced further through the introduction of interim execution reports and mid-year reviews for important projects with the National and Regional IP offices.

State of progress. Additional measures (such as ‘permanencies’ during Christmas for paying invoices, specific new controls and the raising of awareness) have been introduced in relation to the 2015 closure, allowing the Office to reduce the rate of cancellation from 13.2 % in 2014 to 12.8 % in 2015. With regard to the high level of committed appropriations carried over, further measures have been put in place, leading to a reduction of the amounts carried over from 21 % in 2014 to 16 % in 2015 in Title 2 and from 38 % in 2014 to 35 % in 2015 in Title 3.

3. The Court further observed that the Office had not complied with the condition whereby provisions for the future remuneration of officials recruited before May 2014 should not be less than under the previous EU Staff Regulations. This had produced a total underpayment of EUR 96 998 for the period 2005 to 2014.

The Office replied that the Office had, like the other agencies, based its payment on the calculations and information from the Paymasters Office of the European Commission and that it intended to regularise the situation in 2015. For reasons of transparency, the Office had also included this in the Annual Accounts for 2014.

State of progress. The Office carried out the regularisations in 2015.

Overview of the corrective actions taken

In the report referred to, the Court also gave an overview of corrective action taken by the Office in response to the Court’s comments the previous year.

The only outstanding observation is that related to the high level of carry-overs and cancellation of carry-overs, which the Office is currently working on.

16.1.5 Certified management systems external audits

Every year the Office is externally audited on its certified management systems, namely, ISO 9001 (quality management), OHSAS 18001 (occupational health and safety), ISO 27001 (information security), EMAS (environmental management) and UNE 170001 (universal accessibility).

- The last EMAS external audit took place in June 2015. The audit’s conclusion was that evolution of the environmental management system had been positive and in line

with continuous improvement and the relevant environmental aspects. The auditors highlighted that the Office had made a significant effort with regard to internal communications on environmental awareness to all staff. Some opportunities for improvement were pointed out in areas such as waste management and performance indicators.

- The ISO 27001 external audit took place in September 2015. Its conclusions were very positive overall and no nonconformities were identified. The scope of this certification was extended for the first time, very successfully, to all Office activities. Auditors gave a positive opinion on the implementation of the Information Security management system.
- In October 2015, the Office successfully completed a full recertification audit of all Office activities, both for ISO 9001 and for OHSAS 18001, involving more than 100 people. The conclusions of the audit were very positive overall, clearly illustrating the efforts and improvements that the Office had made during the year. Auditors emphasised that they saw the Office's management systems as being more mature and that the Office was using those management systems to manage its work and priorities more efficiently.
- Some of the conclusions relate to how well the organisation has implemented the new teamwork approach, based on expansion of knowledge and collaboration. A special mention was also made of the use of performance metrics to improve efficiency, the implementation of risk management in each department and the Office-wide stakeholder engagement programme.
- The Office underwent the UNE 170001 (Accessibility) external audit in November 2015. The audit found no nonconformities, making only observations and pointing out opportunities for improvement and noteworthy efforts. In comparison with the accessibility audit that the Office underwent in April 2015, there was a definite improvement in the results, which proved the Office's determination to continually improve its functioning.

As part of the integration of these management systems, the Office is working on aligning the periods and dates of external audits to make them more user-friendly and reduce their impact on staff involved.

16.2 Risk management

16.2.1 Background

The Office Internal Control Standards (ICS), adopted by the Office's Budget Committee in 2013, required the performance of a risk management exercise, covering all areas of the Office, at least annually.

In January 2014, the Office adopted its Enterprise Risk Management (ERM) framework, which covers all phases of the risk management cycle. The Office ERM framework differentiates between two distinct but interconnected layers: i) the corporate layer, for risks that are important for the Office as a whole, and ii) the operational layer, for risks that have

an impact on a specific operational area but are not a top risk for the entire Office.

16.2.2 The annual risk assessment

The annual risk management exercise is a flexible exercise, based on management priorities and on a pre-agreed plan, which enables the assessment exercise to focus on particular areas, while covering the entire spectrum of Office activities. The 2014 exercise was devoted to the identification and assessment of the main corporate risks, which have since been followed on a quarterly basis.

Once the Corporate layer was successfully implemented, the 2015 exercise was devoted to:

- Updating the Office corporate risk register (included in the table below).
- Identifying the most significant risks for each of the operational areas, and establishing a formal process to manage these operational risks in the areas that did not have one.
- Identifying the main areas where fraud risks are more likely to occur, to feed the Office Anti-Fraud strategy (see paragraph 16.1.3). These areas have been broadly identified as the following, and the Office has taken measures on different fronts in order to mitigate these risks.
 - Schemes used by third parties to try to mislead Office users into paying for unsolicited services and that affect different steps of the EUTM and RCD management cycle (registration, renewals, changes in the Register, domain names, etc.).
 - Potential fraud risks linked to public procurement processes and/or recruitment of Office staff, which are traditionally the areas most prone to fraud.
 - Potential conflict of interest of Office examiners when dealing with EUTM and RCD owners and representatives, which could potentially lead to situations of favouritism, or even to fraud.

The estimated effort to perform the annual risk assessment in 2015 was substantially lower than in 2014 (a reduction of 58 % in the number of meetings required), demonstrating an increased level of maturity of the Office approach towards risk management.

16.2.3 External assessment of the Office's enterprise risk management (ERM) and internal revision of the framework

One of the areas that the external ISO 9001 external audit performed during 2015 focused on was the Office's practices in relation to risk management. The audit identified the Office Risk approach (both from a corporate and operational perspective) as a positive indication of the Office's Quality Management system.

In addition, and as foreseen in the framework, the Office's ERM was revised as part of the management review of the certified systems of the Office, proposing several improvements identified during the year, mainly relating to communication, an additional focus on opportunities, and clearer links between the different layers of the framework.

16.2.4 Benefits of the Office's ERM and evolution of Office corporate risks

The Office's Risk Management approach aims to be a management tool to anticipate potential problems and increase the likelihood of achieving the Office's objectives, by helping management to have a better understanding and control over the risks the Office faces. The main benefits and objectives of the risk approach are established in the framework, such as providing an aggregated view of the Office's risks, assurance about controls, transparency towards stakeholders, and support to the Internal Audit function for its yearly plan, and promoting an open proactive culture where problems are discussed before they appear.

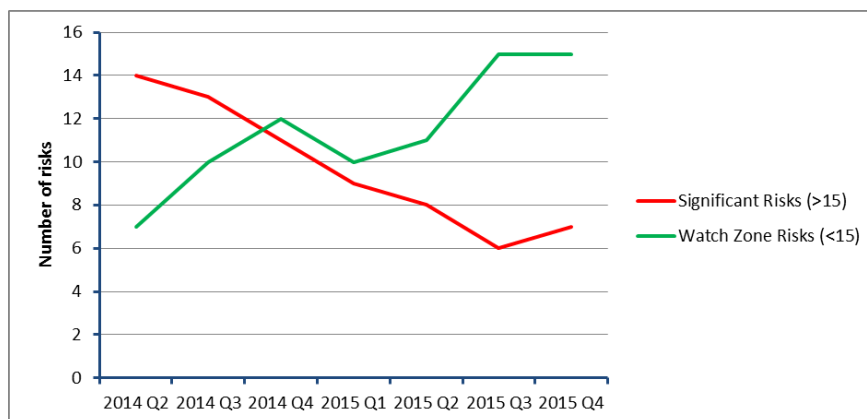
In addition to these generic benefits, the ERM framework has also contributed to the management of specific risks, by supporting risk owners across the Office. Below are some examples on how the Office has mitigated specific risks during 2015:

- **Uncertainty linked to the Legal Reform** — This has been the top risk for the Office for some time. The risk has evolved over time, as although there was a high level of uncertainty about the changes initially, currently the risk relates mostly to the successful implementation of changes, to the potential impact on Office finances and to the adaptation of the Office to the new governing provisions. The Office has taken a very proactive approach to managing the risks related to the Legal Reform from early in the process, adapting the mitigating actions according to the situation of the legislative developments.
- **EUTM/RCD renewals by non-legitimate requesters** — Following some issues reported by some users in relation to EUTM renewals, and in order to avoid the risk of continuation/extension of these schemes, the Office first introduced some temporary IT solutions to tackle this issue, and then undertook an analysis of the situation, supported by an internal audit carried out by the Office Internal Audit service. The Office internal assessment estimated the number of EUTM's affected to be 0.2 %. Nevertheless, the assessment recommends a number of IT developments that would further limit the risk of recurrence.
- **Changes in the Register by an unauthorised party** — One of the risks that could have an impact on the IP rights of the Office's users was further investigated. As in the previous risk, an internal assessment reviewed the current process to make changes in the Register. The assessment concluded that the controls are reasonable for mitigating this risk, and a number of IT improvements will be built into the system to further mitigate the risk.
- **Dependency on outsourced services** — The Office relies on external providers to deliver its products and services and this dependency posed a risk to the Office's activities on several fronts (retention of knowledge, continuation of services, confidentiality of some information, conflict of interests, etc.). The Office has proactively taken several measures to mitigate this risk, notably redefining how it deals with external providers and increased controls over the execution of these contracts. As a result, the Office no longer considers this dependency as being one of its top risks.
- **Coherence in communications with stakeholders and capitalising on knowledge** — the increased number of activities in which the Office is participating posed a risk to the coherence in communications with our stakeholders. A number of actions are taking place, such as monthly ICLAD/Observatory coordination meetings and a

monthly unified communication to users' associations in order to highlight any relevant information. The Office has also received positive feedback from stakeholders during 2015. While the risk is no longer considered a top risk for the Office, additional actions are foreseen aimed at improving how the Office works with its different stakeholders.

- Lastly, other risks that have been effectively managed through 2015 have been to strengthen controls around the go-live of IT projects by a stronger development cycle with emphasis on quality and readiness, successful completion of the Cooperation Fund programme targets, the inauguration of the Office's new building on time and without any significant problems, and the establishment of strong audit trails to prevent/detect misuse of the Office's data.

On an aggregated level, the Office's overall risk exposure also decreased during 2015, continuing the trend since the ERM framework was first implemented in 2014. The graph below shows that the number of risks that the Office considers significant has fallen progressively, by systematically taking proactive measures. The graph also shows that the number of risks included in the 'watch-zone' (i.e. risks that might not yet be significant but that the Office wants to monitor closely) have increased, also showing the proactiveness of the Office in relation to risks.



16.2.5 Business impact analysis

The Office's business impact analysis (BIA) assesses the criticality of the different services/activities performed by the Office, in order to prioritise continuity and disaster recovery efforts in the event of any disruption. Both BIA and BCP are part of the Office's internal control systems and have been put in place to mitigate the effects of business disruption and for contingency planning.

The current version of the BIA was developed in 2004, and while it has been updated regularly to reflect organisation, process or application changes, it was appropriate to undertake a new analysis rather than update the current BIA. The Office carried out this exercise during 2015 with the final BIA approved by the then President in November 2015. The next step is to perform a gap analysis between the new BIA requirements and the Business Continuity plan, to make sure both documents are aligned.

2016 Priorities

The Office has established the following priorities for 2016 in the area of risk management:

- maintenance of the ERM Corporate layer, including quarterly updates of the Office's Risk Register;
- all operational layers of the ERM becoming mature (independently managed but integrated in the overall Office ERM framework);
- risk-based approach embedded in certain Office processes;
- improved internal controls in certain areas (Business Continuity plan, Anti-Fraud strategy, evaluations and overall assurance activities);
- taking advantage of the synergies between systems and the new strategic planning cycle so that the Office can maximise opportunities.

Corporate Risk Register

Risk ID (Risk raised)	Risk Description	Risk Type (risk typology)	Existing Controls or actions already taken	Residual Risk Level Impact (I) Likelihood (L)	Risk Response Avoid/ Transfer/ Reduce/ Accept (watch)	Action Plan Summary Additional/ongoing actions to mitigate risk
2014_OH.03 (Q2/2014)	Distribution of unsolicited misleading invoices to Office users — When users file applications for trade marks or designs they systematically receive fraudulent/misleading invoices. The continuation of these schemes could damage the Office's reputation.	Safeguarding of assets information and staff	The Office is taking action on a number of fronts: information to users; IT investigations; Office Anti-Fraud strategy; legal action against fraudsters; cooperation with NO's, EUROPOL and the EC; Knowledge Circle enforcement	20 I (4) L (5)	Reduce	<i>Continue ongoing activities; Intensify information to the Office's users about the change to the Office's name and new fee structure.</i>
2014_OH.08 (Q2/2014)	Alignment between Budget, work programme, staff plan and Strategic Plan — Tight schedule for the alignment of all planning activities in line	Strategic/ Compliance with laws and regulations	The process 'A.01 — Define and implement strategy' defined and aligned with the Interinstitutional agreement.	16 I (4) L (4)	Reduce	<i>Development of an activity-based Budget covering all activities of the Office; New Project Management office under development; Integration efforts ongoing (Strategic Plan/Workforce planning/budget</i>

Risk ID (Risk raised)	Risk Description	Risk Type (risk typology)	Existing Controls or actions already taken	Residual Risk Level Impact (I) Likelihood (L)	Risk Response Avoid/ Transfer/ Reduce/ Accept (watch)	Action Plan Summary Additional/ongoing actions to mitigate risk
	with the Interinstitutional agreement.					<i>2016/WP 2016 and preliminary WP/budget 2017-2018-2019).</i>
2015_OH.01 A (Q3/2015)	Implementation of Legal Reform substance and IT changes — The new trade mark regulation, approved at the end of 2015, with entry into force in March 2016, involves a number of changes in the Office's practice and especially in the Office's IT systems that could potentially lead to problems when entering into production.	Operational / Compliance with laws and regulations	Creation of a knowledge circle on 'Legal Reform'; creation of a programme for the implementation of the Legal Reform changes; Office Business Continuity plan; Communication plan and strategy on Legal Reform in place.	15 I (5) L (3)	Accept (watch)	<i>Continue ongoing activities.</i>
2015_OH.01 B (Q3/2015)	Impact of Legal Reform on the revenue of the Office — One of the most significant changes introduced by the Legal Reform is the new fee structure to be charged to users. The impact of the reduction of fees is unknown and	Strategic	Several simulations on different scenarios were done by Budget team and Chief Economist. Definition of a long-term financial planning (revenue and expenditure) to assure the financial sustainability of the Office; long-term	15 I (5) L (3)	Reduce	<i>Implementation of the new fee in Front Office before 23/03/2016; close follow-up of payments to ensure users are charged with the applicable rates; provision in 2015 accounts to cover the amounts that have been accounted in 2015 as revenue and will be refunded in 2016.</i>

Risk ID (Risk raised)	Risk Description	Risk Type (risk typology)	Existing Controls or actions already taken	Residual Risk Level Impact (I) Likelihood (L)	Risk Response Avoid/ Transfer/ Reduce/ Accept (watch)	Action Plan Summary Additional/ongoing actions to mitigate risk
	depends on the market response to the new fee structure.		financial planning will be adjusted in accordance with the actual data during 2016.			
2015_OH.29 (Q4/2015)	Uncertainty linked to the judgment on the case regarding the award of a contract for IT services. The pending Court case regarding the award decision on an open tender procedure is close to being ruled (estimated Q1 2016). There is a risk that the Court might decide to annul the award decision and/or order the EUIPO to pay financial compensation. The financial compensation, if awarded, could have a severe impact on the Budget and reputation of the Office.	Compliance and regulations	The Office has already implemented improvements in the process for calls for tenders, emphasising clearness, transparency and unambiguity in the drafting of the technical specifications and the evaluation criteria.	15 I (5) L (3)	Reduce	<i>Assessment on the necessity of imparting training to technical experts/evaluators; evaluation of the necessity of preparing a budgetary reserve; analysis of the possible outcomes of the judgment and courses of action for each possibility.</i>
2015_OH.28 (Q4/2015)	Misuse of information on new trade marks in the EUIPO database — External entities systematically	Safeguarding of assets, information and staff		15 I (5) L (3)	Reduce	<i>Assessment of the situation during Q1 2016 to gain a better understanding of the magnitude of the schemes and a clearer view of the potential impact on our users;</i>

Risk ID (Risk raised)	Risk Description	Risk Type (risk typology)	Existing Controls or actions already taken	Residual Risk Level Impact (I) Likelihood (L)	Risk Response Avoid/ Transfer/ Reduce/ Accept (watch)	Action Plan Summary Additional/ongoing actions to mitigate risk
	<p>browse the eSearch plus database to identify new applications and register domain names with the same wording as newly filed trade marks and on the same date. The continuation of these schemes without concrete proactive measures from the Office might negatively damage the Office's reputation.</p>					<p><i>assessment of possible mitigating actions in coordination with EURid; warn users on the Office's website</i></p>
<p>2014_OH.04 (Q2/2014)</p>	<p>EUTM/RCD renewals by non-legitimate requesters — Potential fraudulent behaviour against the Office's users through unsolicited services.</p>	<p>Safeguarding of assets information and staff</p>	<p>Automatic message on website when renewal is requested for a second time; the Office's Anti-Fraud strategy and several actions are being taken as a result of this strategy; assessment of the magnitude of the problem: impact, root causes and possible action.</p>	<p>15 I (3) L (5)</p>	<p>Reduce</p>	<p><i>Improvements to the IT systems (part of IP tool); automatically inform the owner/representative; unblock renewals online.</i></p>

16.3 Administrative Board and Budget Committee

The Office's governance structure consists of a Management Board (formerly known as "Administrative Board") and a Budget Committee, each composed of one representative and one alternate from each Member State and, since 23rd March 2016, two from the European Commission and one from the European Parliament. The Office invites the EU National and Regional IP Offices, user associations and international organisations, such as the World Intellectual Property Organization (WIPO) and the European Patent Office (EPO), to the meetings of its governing bodies.

During 2015, the two bodies met in June and November and decided on the following significant items.

Administrative Board:

- favourable opinion on the Office's Guidelines for Examination ;
- favourable opinion on the Office's Guidelines revision process after the Legal Reform;
- decision to agree with the Office's recommendation to ask for derogation from application of the Commission rules relating to teleworking and to decide to empower the then President of the Office to prepare a draft decision on teleworking adapting the Commission decision to the specific needs of the Office and thereafter to submit the draft for the Commission's agreement under Article 110 of the Staff Regulations;
- decision to agree with the Office's recommendation to allow Commission Decision C(2015)4907 to enter into force at the end of the nine-month period to be applied in the Office by analogy;
- decision to empower the then President of the Office to submit the draft implementing rules for Article 51 of the Staff Regulations for the Commission's agreement in accordance with the procedure under Article 110 of the Staff Regulations.

Budget Committee:

- unanimous decision to give discharge to the then President of the Office in respect of the implementation of the Budget for the financial year 2013;
- adoption of the Office's new Financial Regulation and Implementing Rules, as submitted, allowing for formal adjustments to be made after the publication of the Office's revised founding act;
- decision to agree to the entry into force of the Financial Regulation and its Implementing Rules on the same date as the entry into force of the Office's revised founding act;
- unanimous adoption of the Budget for 2016, totalling EUR 398 043 067.

The governing bodies also endorsed the project deliverables of the Convergence Programme CP6 (creation of a common practice on the graphical representation of a design) and phase 1 of CP7 (creation of a harmonised database of product indications and search tool), which aims to establish common practices in the field of designs.

Finally, the governing bodies endorsed the extension of the Office's current Strategic Plan until June 2016 as well as the Work Programme of the Office for 2016.

16.4 Core business activity

3.2.1 European Union Trade Marks

	2011	2012	2013	2014	2015	Until 2014-12	Until 2015-12	Year to Year	Work Programme	2015	2015 / Work Programme
EUTM filed (direct filings)	89,358	91,980	96,097	100,317	108,515	100,317	108,515	8.17%	105,334	108,515 *	3.02%
% via E-filing	94.78%	95.60%	95.49%	96.52%	97.72%	96.52%	97.72%	1.25%	96.00%	97.72%	1.80%
% via Fast Track				1.56%	16.80%	1.56%	16.80%	978.69%	15.00%	16.80%	11.97%
International Registrations filed	16,585	16,029	18,201	17,183	21,886	17,183	21,886	27.37%	18,904	21,886 *	15.77%
EUTM settled in examination	98,185	99,143	102,660	102,998	109,700	102,998	109,700	6.51%	119,268	109,700	-8.02%
Optional Nat. Searches & paid	1,806	1,515	1,238	816	790	816	790	-3.19%	700	790	12.86%
EUTM published	98,820	98,591	106,504	109,518	120,856	109,518	120,856	10.35%	114,623	120,856	5.44%
EUTM registered	93,853	95,635	98,077	103,759	109,328	103,759	109,328	5.37%	105,505	109,328	3.62%
Oppositions filed (no dupl)	16,990	16,644	17,017	15,668	17,218	15,668	17,218	9.89%	16,511	17,218 *	4.28%
% via e-filing	32.59%	41.32%	45.64%	58.05%	75.78%	58.05%	75.78%	30.53%	60.00%	75.78%	26.30%
Oppositions settled	18,174	17,021	16,777	17,545	16,632	17,545	16,632	-5.20%	16,511	16,632	0.73%
Nr. OPP Decisions	6,337	5,850	6,278	6,400	5,474	6,400	5,474	-14.47%	6,166	5,474	-11.22%
Renewal (of ctm N-10)	20,539	20,985	28,328	27,169	26,153	27,169	26,153	-3.74%	32,399	26,153	-19.28%
% Renewal (of ctm N-10)	54.21%	57.79%	59.91%	56.81%	48.49%	56.81%	48.49%	-14.64%	60.00%	48.49%	-19.18%
Cancellations filed	1,098	1,282	1,399	1,407	2,048	1,407	2,048	45.56%	1,487	2,048 *	37.73%
Cancellations settled	984	1,034	1,377	1,348	1,400	1,348	1,400	3.86%	1,427	1,400	-1.89%
N° of decisions on substance	534	588	884	853	862	853	862	1.06%	959	862	-10.11%
Inspections filed	9,966	9,957	10,566	9,507	7,984	9,507	7,984	-16.02%	10,722	7,984 *	-25.54%
EUTM records filed	48,853	48,148	51,960	55,555	58,917	55,555	58,917	2.45%	59,358	58,917 *	-4.11%
International Applications	5,915	6,589	7,541	7,482	8,053	7,482	8,053	7.63%	8,384	8,053 *	-3.95%

3.2.2 Registered Community Designs

RCD registration filed (direct filings, no duplicates)**	78,802	83,135	86,850	87,533	86,127	87,533	86,127	-1.61%	91,581	86,127 *	-5.96%
% via e-filing	72.99%	77.88%	79.68%	85.17%	91.31%	85.17%	91.31%	7.21%	82.00%	91.31%	11.35%
RCD examined	82,172	83,700	87,797	89,611	86,974	89,611	86,974	-2.94%	91,581	86,974	-5.03%
RCD registered	77,875	78,603	84,010	85,391	82,598	85,391	82,598	-3.27%	88,834	82,598	-7.02%
RCD published	73,721	76,187	81,730	82,550	79,045	82,550	79,045	-4.25%	90,674	79,045	-12.83%
RCD deferred	9,145	9,392	9,941	11,053	10,358	11,053	10,358	-6.29%	10,074	10,358	2.82%
Renewal (of rcd N-5)	30,824	35,619	36,754	33,897	35,939	33,897	35,939	6.02%	34,905	35,939	2.96%
% Renewal (of rcd N-5)	46.01%	47.66%	49.65%	49.45%	50.13%	49.45%	50.13%	1.38%	48.00%	50.13%	4.44%
Renewal (of rcd N-10)			11,794	15,058	18,181	15,058	18,181	20.74%	18,411	18,181	-1.25%
% Renewal (of rcd N-10)			29.55%	28.68%	29.50%	28.68%	29.50%	2.86%	29.00%	29.50%	1.05%
IRCD Filed	8,841	9,163	9,854	10,302	11,373	10,302	11,373	10.40%	10,694	11,373 *	6.35%
RCD records filed	15,426	15,753	17,269	18,809	20,003	18,809	20,003	6.35%	17,890	20,003 *	11.81%
RCD invalidity filed	342	344	340	392	268	392	268	-31.63%	376	268 *	-28.72%
RCD invalidity decisions	175	311	270	331	226	331	226	-31.72%	300	226	-24.67%
RCD invalidity closed	212	387	372	425	296	425	296	-30.35%	376	296	-21.28%

3.2.3 Appeals

Appeals filed	2,622	2,339	2,602	3,284	2,611	3,284	2,611	-20.49%	3,200	2,611 *	-18.41%
Appeal decisions	2,166	2,513	2,568	2,783	2,935	2,783	2,935	5.46%	2,840	2,935	3.35%
Appeals closed	2,202	2,547	2,587	2,855	2,961	2,855	2,961	3.71%	2,890	2,961	2.46%
Cases lodged before GC	212	236	291	290	296	290	296	2.07%	333	296	-11.11%
Cases lodged before CJ	40	42	38	34	65	34	65	91.18%	33	65	96.97%

Core business statistics are also available on the Office's website.

These statistics were last updated on 24/01/2016.



4.1 Timeliness

Service Charter 2015											
Performance in objective time frame											
From 2014-10 to 2015-12											

Excellence	Compliance	Actions Need	2014-Q4	2015-Q1	2015-Q2	2015-Q3	2015-Q4
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4.1.1 Fast Track indicators 99% analysis

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
EUTM publication	<3 weeks	3 to 4 weeks	>4 weeks	✓	2.4	1.0	2.6	0.8	2.6	1.2	2.9	1.1	2.6	1.0
EUTM registration*	<17 weeks	17 to 19 weeks	>19 weeks	NA	NA	16.0	14.8	16.9	14.9	16.9	15.3	16.9	15.1	
RCD registration	<2 working days	2 to 3 working days	>3 working days	✓	2.0	1.0	1.0	1.0	1.0	1.0	2.0	1.0	2.0	1.0

* Fast Track go live on the 22th of November 2014. First EUTM applications registered on the 06 of March 2015.

4.1.2 EUTM direct filing indicators 99% analysis

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
EUTM publication, regular track	<8 weeks	8 to 11 weeks	>11 weeks	✓	7.0	4.1	7.7	2.6	5.4	3.0	5.3	2.6	5.1	2.6
EUTM registration, regular track	<22 weeks	22 to 25 weeks	>25 weeks	✓	21.7	19.2	21.3	18.7	22.0	16.9	19.4	17.0	19.4	16.7
EUTM examination done, regular track	<20 days	20 to 25 days	>25 days	✓	20.0	6.0	21.0	4.9	22.0	9.4	22.0	7.3	22.0	7.3
EUTM first action, regular track	<30 days	30 to 35 days	>35 days	✓	31.0	9.0	29.0	7.0	29.0	13.0	29.0	10.0	29.0	10.0
EUTM AG refusal decision	<10 weeks	10 to 20 weeks	>20 weeks	✓	18.4	5.1	17.9	5.3	18.0	5.6	17.7	5.9	16.7	6.4

4.1.3 EUTM: Opposition / Cancellation indicators 99% analysis

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
EUTM opposition admissibility	<16 days	16 to 25 days	>25 days	✓	13.0	2.7	14.0	2.6	15.0	4.0	13.0	1.0	12.0	1.0
EUTM opposition decision	<10 weeks	10 to 25 weeks	>25 weeks	✓	12.4	3.8	10.1	5.0	9.9	4.7	11.6	5.3	14.9	6.4
EUTM cancellation decision	<10 weeks	10 to 25 weeks	>25 weeks	✓	11.6	5.5	16.0	5.7	22.9	7.7	22.0	7.1	15.9	8.4

4.1.4 International Registration indicators 99% analysis

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
IR examination	<20 days	20 to 25 days	>25 days	✓	15.0	5.2	18.0	4.6	20.0	4.2	13.0	4.0	20.0	5.0
IR registration	<46 weeks	46 to 49 weeks	>49 weeks	✓	44.7	35.2	44.7	39.8	46.7	40.0	44.6	39.9	45.1	43.0
IR first action	<30 days	30 to 50 days	>50 days	✓	34.0	14.4	27.0	14.4	60.0	15.0	26.0	13.0	104.0	17.0

4.1.5 RCD indicators 99% analysis

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
RCD examination first action	<10 working days	10 to 20 working days	>20 working days	✓	11.0	3.8	9.0	3.7	9.0	4.1	10.0	5.0	10.0	5.0
RCD registration	<10 working days	10 to 20 working days	>20 working days	✓	14.0	4.6	8.0	2.9	9.0	4.1	10.0	4.0	9.0	5.0
RCD invalidity decision	<10 weeks	10 to 12 weeks	>12 weeks	✓	9.6	3.6	8.1	4.5	9.1	6.5	12.6	4.4	10.0	5.3

4.1.6 Appeals

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
Appeal reception (90%)	<10 days	10 to 14 days	>14 days	✓	6.0	2.0	5.0	2.0	3.0	1.0	2.0	1.0	3.0	1.0
Appeal decisions ex-parie (75%)	<8 months	8 to 16 months	>16 months	✓	5.3	2.8	5.5	2.6	5.3	2.6	6.0	2.9	6.2	3.0
Appeal decisions Inter-parie (75%)	<8 months	8 to 16 months	>16 months	✓	5.5	3.1	6.2	3.4	6.7	3.3	6.4	3.1	6.6	3.4

4.1.7 IP Management indicators 99% analysis

					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
EUTM transfers	<10 days	10 to 16 days	>16 days	✓	13.0	1.5	10.0	1.6	13.0	3.1	9.0	1.8	9.0	1.6
RCD transfers	<10 days	10 to 16 days	>16 days	✓	7.0	1.3	8.0	1.2	11.0	1.8	6.0	1.4	12.0	2.9

4.1.8 Finance indicator 99% analysis

					2014-Q4	2015-Q1	2015-Q2	2015-Q3	2015-Q4
Average payment time	<18 days	18 to 30 days	>30 days	✓	10	12	10	10	10

4.2 Accessibility

Excellence	Compliance	Actions Need	2014-Q4	2015-Q1	2015-Q2	2015-Q3	2015-Q4
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					MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG	MAX	AVG
Telephone calls to OHIM First Line	<15 seconds	15 to 20 seconds	>20 seconds	✓	15.0	5.9	15.0	5.8	15.0	5.6	14.6	5.5	14.4	5.6
Emails answered by Information Centre	<2 days	2 to 3 days	>3 days	✓	3.0	0.4	3.0	0.4	2.7	0.3	2.7	0.3	2.2	0.4
Complaints	<8 days	8 to 11 days	>11 days	✓	7.0	5.3	6.3	5.4	7.0	3.2	6.7	3.3	7.0	3.9
Website availability*	>99%	99% to 97%	<97%	✓	100.00%	100.00%	99.95%	100.00%	99.91%					

* Planned downtime is announced on EUIPO internet site 48 h in advance and is excluded outside office hours on Saturdays and Sundays

4.3 Quality of decisions (Ex post)

Excellence	Compliance	Actions Need	2014-Q4	2015-Q1	2015-Q2	2015-Q3	2015-Q4
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EUTM Examination Proceedings	>95%	95% to 90%	<90%	✓	90.20%	93%	92%	93%
EUTM AG Decisions	>98%	98% to 95%	<95%	✓	96.10%	99%	97%	99%
Opposition proceedings	>95%	95% to 90%	<90%	✓	93.90%	91%	97%	91%
Opposition decisions	>95%	95% to 90%	<90%	✓	92.30%	90%	94%	86%
Cancellation proceedings	>95%	95% to 90%	<90%	✓	93.90%	88%	91%	94%
Cancellation decisions	>95%	95% to 90%	<90%	✓	96.40%	96%	95%	98%
RCD publications	>95%	95% to 90%	<90%	✓	94.60%	95%	97%	94%
RCD invalidity proceedings*	>95%	95% to 90%	<90%	✓	97.40%	100%	100%	100%
RCD invalidity decisions*	>95%	95% to 90%	<90%	✓	84.60%	87%	88%	93%

* 2014-Q4 RCD Invalidity checks based on pilot results.

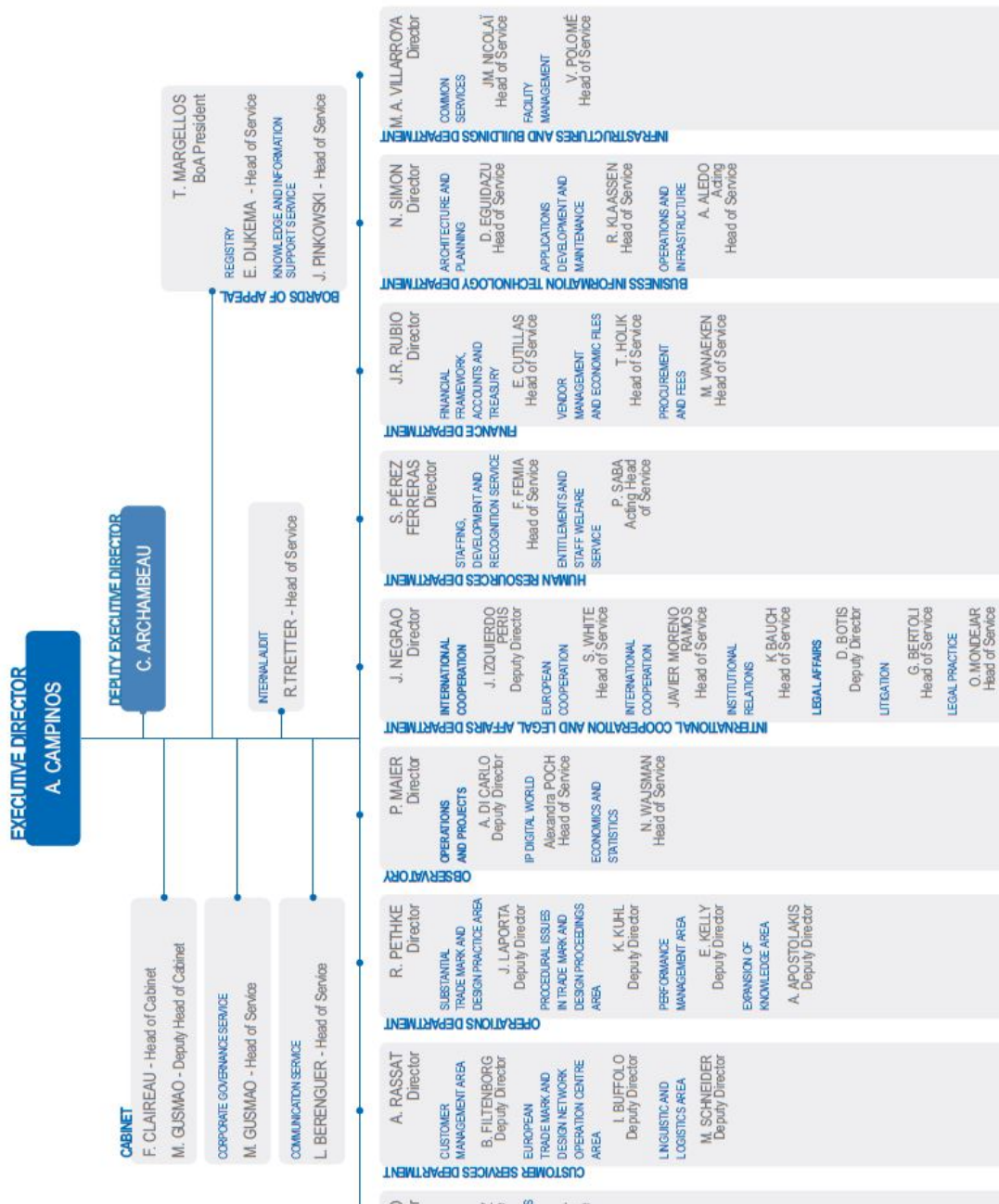
16.5 Detailed list of transfers 2015

From item	To item	Amount	Date of Execution	Reason
	260005 Limited consultations, studies and surveys (CSD)	170,000	14/01/15	Part of the tasks related with Customer Management area (Call center /first line) moved from IT to CSD therefore EUR 170 000 should be transferred from budget line 2141 to budget line 260005.
	260001 Limited consultations, studies and surveys (GENERAL)	600,000		With the reorganisation the Corporate Governance Service has been entrusted of two further tasks, Programme Management and Corporate Sustainability. These tasks were budgeted in budget line 2141 and should be re-allocated to item, Limited Consultations, studies and surveys, budget line 260001.
2141 Analysis, programming, preliminary analysis - Maintenance of applications		-770,000		With the reorganisation the Corporate Governance Service has been entrusted of two further tasks, Programme Management and Corporate Sustainability. These tasks were budgeted in budget line 2141 IT and should be allocated to budget line 260001. Additionally, part of the tasks related with Customer Management area (Call center /first line) moved from IT to CSD therefore EUR 170 000 should be transferred from budget line 2141 to budget line 260005.
	2125 Services of computer operations staff- Miscellaneous	400,000	11/03/15	The forecast for budget line 2125 for 2015 was based on the activities as planned in 2014. Due to the following reasons more funds will need to be transferred: 1. extension of service of IT experts to cover events in the conference rooms and auditorium of the new building, 2. due to the reorganization, BITD has taken over more tasks and consequently the cost of consultancy and support for the planning team has deviated from the initial forecast.
2102 Computer centre operations - Acquisitions and maintenance- Central hardware		-400,000		This budget line includes the purchase of equipment for a third data centre related to the backup centre project. The project is being reassessed and if confirmed, it will be delayed. Therefore part of the budget will not be utilised and is available for transfer to budget line 2125.
	260005 Limited consultations, studies and surveys (CSD)	1,000,000	08/05/15	1)EUR 850 000 are needed to cover the Deloitte consultancy needs of CSD for the period June - December 2015, mainly due to the joining of ETMDN area to CSD after the re-organization. In order to ensure continuity of all CSD projects. 2)EUR 350 000 are needed to cover the ES/Team Linguistic consultancy needs (in the ETMDN area) for the period April - September 2015. This expenditure is needed to ensure continuity of the project Terminology Database Content Improvement - ALISTA maintenance.
3521 Translation (IP rights)		-1,000,000		The CDT has reduced the fixed part of the price for CTM by EUR 1 million per year (from EUR 6.6 million to EUR 5.6 million). The final Agreement between CDT and OHIM with the reduced price was signed after OHIM's Budget 2015 was approved and adopted.
	2125 Services of computer operations staff- Miscellaneous	250,000	21/04/15	Some money was reserved in line 2102 for backup centre project. This included the setup of the new data centre in the new building, AE42, and the movement of the equipment from the old data centre in AE04 to this new one. As this movement is considered a professional service, and not hardware maintenance, it should be contracted using budget line 2125. For this reason, a transfer is needed from budget line 2102 to budget line 2125.
	2122 IT Infrastructure and Operation	600,000		There has been a policy change in the management of the data centre. Instead of investing in hardware purchases, OIS intends to contract more managed services from ITIOM provider. These services will be delivered as a package. This reduces the amount to be spent in hardware and software, but increases the cost of IT Operations. Apart from this, the cost of Operations has increased this year, compared to the previous one. Considering that there is some money available in budget line 2102, because the third phase of the backup centre project has been cancelled, a transfer can be done to budget line 2122.
2102 Computer centre operations - Acquisitions and maintenance- Central hardware		-850,000		Transfer to line 2122. There has been a policy change in the management of the data centre. Instead of investing in hardware purchases, OIS intends to contract more managed services from ITIOM provider. These services will be delivered as a package. This reduces the amount to be spent in hardware and software, but increases the cost of IT Operations. Apart from this, the cost of Operations has increased this year, compared to the previous one. Considering that there is some money available in line 2102, because the third phase of the backup centre project has been cancelled, a transfer can be done to line 2122. Transfer to line 2125. Some money was reserved in line 2102 for backup centre project. This included the setup of the new data centre in the new building, AE42, and the movement of the equipment from the old data centre in AE04 to this new one. As this movement is considered a professional service, and not hardware maintenance, it should be contracted using line 2125. For this reason, a transfer is needed from line 2102 to line 2125.
	1183 Removal expenses	70,000	27/04/15	An adjustment is necessary to cover the new provisions on budget line 1183 for the removals done. The estimation for 2015 done at the end of 2014 was not enough because during the 1st quarter of the year 2015 we received several exceptional requests for a very high amount.
1100 Basic salaries		-70,000		Given that the credit on this budget line is higher to what could be spent for the first Quarter (higher amount in case of newcomers and eventual increases of salaries), we suggest making the transfer from budget line 1100 to reinforce budget line 1183. An adjustment is necessary to cover the new provisions on line 1183 of removals done. The estimation for 2015 done at the end of 2014 was not enough because during the 1st quarter of the year we have received several exceptional requests of very high amounts.
	2144 Analysis, programming and others - Observatory	500,000	11/06/15	Budget estimations were made on the basis of known and approved projects and initiatives at the time. Nevertheless, the following circumstances have meant that estimations are proving shorter than actual needs: - A new and more ambitious strategy concerning the Orphan Works database has been designed requiring additional IT development costs; - The project to create an EU aggregator of legal offers has been recently endorsed by the IP in the Digital World Working Group. A project brief has been sent to the President for approval. The brief foresees to carry out a pilot during 2015 involving four countries (France, Latvia, Portugal and UK). Due to a planning mistake no budget was earmarked to finance this pilot even though the project was included in the 2015 Observatory Work Programme.
1100 Basic salaries		-202,000		The number of employees initially envisaged to arrive at the Office during the 1st quarter of 2015 was lower than foreseen due to a delay of starting date requested by some of the newcomers. Consequently, the total execution was lower than initially budgeted and therefore the savings can be used to fund other activities in the Office.
1600 Special grant European School		-298,000		The amount of the pro rata to be reimbursed by OHIM to the Commission is calculated as follows: Total complementary contribution in Euros * Total number of pupils of OHIM staff/Total number of pupils enrolled. The number of pupils enrolled at ESA on 15 september of the year N-1 such as communicated by ESA to its Administrative Board in its report on the beginning of the school year n-1/N. The difference will be offset with the amount established for the year N+1. Conclusion: because the number of OHIM pupils was lower than the estimate, the total execution was lower than initially budgeted and therefore the savings can be used to fund other activities in the Office.
	260004 Limited consultations, studies and surveys (OBSERVATORY)	1,000,000		Budget estimations were made on the basis of known and approved projects and initiatives at the time. Nevertheless, the following circumstances have meant that estimations are proving shorter than actual needs: - Costs of services provided by the new external supplier for consultancy (Deloitte) are higher than planned. This is especially the case for studies, where very specific technical expertise is needed and which are contracted as fix price projects; - The project to create an EU aggregator of legal offers has been recently endorsed by the "IP in the Digital World Working Group". A project brief has been sent to the President for approval. The brief foresees to carry out a pilot during 2015 involving four countries (France, Latvia, Portugal and UK). Due to a planning mistake no budget was earmarked to finance this pilot even though the project was included in the 2015 Observatory Work Programme.
2060 Acquisition of immovable property		-1,000,000		The acquisition of the plot "U.T.E. zona 1" is postponed.

From item	To item	Amount	Date of Execution	Reason
	342342 Support for the work of the Observatory -OBSERVATORY	500,000		Budget estimations were made on the basis of known and approved projects and initiatives at the time. Nevertheless, the following circumstances have meant that estimations are proving shorter than actual needs: - During the course of 2014 the Office has tried to obtain through the Observatory network data on the costs of enforcement, including the cost of storage and destruction, for both companies and national administrations. Unfortunately the approach did not give the expected results and at the end of last year it was decided to implement a new strategy consisting in setting up a professional pan-European survey with the assistance of an external supplier (GfK) with proven experience in this kind of surveys; - As a consequence of stakeholders' input during the last plenary meeting, the Office decided to carry out a test case to simulate searches by consumers for legal offers.
3521 Translation (IP rights)		-500,000		Volumes of CTM pages to be translated are less than initially foreseen (1-2% per month).
	2410 Telecommunications	100,000	12/06/15	The consumption in budget line 2410 is being higher than initially foreseen. The main reason for this deviation is the cost of cabling for the Data Centre, which has exceeded in more than EUR 250 000 the amount foreseen. Part of this deviation can be covered with some savings done with the new Telecommunications contracts, but these savings are not enough to compensate the whole deviation, and a transfer of EUR 100 000 is needed to cover the expenses foreseen until the end of the year.
2101 Computer centre operations - Licences and maintenance- Central hardware		-100,000		There is money available in this line because the final phase of the backup centre project has been cancelled. As this phase included the purchase of software, there was some money reserved in this budget line, which won't be used.
	2141 Analysis, programming, preliminary analysis - Maintenance of applications	400,000		When the budget for 2015 was prepared, the maintenance of some systems of the Academy (e-learning portal, Sharetron), and developments for Case Law, were foreseen in budget line 2144. The sum of these amounts was EUR 400 000. But these contracts, considering that they were included in development, have been charged on budget line 2141. So, it was needed to transfer this money from budget line 2144 to budget line 2141. But the Observatory had consumed this EUR 400 000 in budget line 2144 because they had new projects which were not initially foreseen in the budget. So, the Observatory asked for EUR 400 000 additional to be transferred, directly to budget line 2141. The following commitments need to be launched before end of June 2015: Core Business Maintenance EUR 770 000, OHIM Website maintenance EUR 853 000, SAP Maintenance EUR 364 000, Case Law EUR 100 000. Total EUR 2 087 000 More consumption is foreseen in this line until the end of the year, so another transfer will be needed, but as the projects have not been approved yet, the final amounts are still unknown.
2392 Translation (Administrative)		-400,000		Following the mid-year revision of OHIM's Translation Forecast, coordinated by CSD in May 2015, EUR 400 000 will not be needed and thus were identified as available for transfer. The main reasons are the lower volumes of pages that are being sent and will be sent for translation and/or modification to the CDT than initially planned by the different departments across OHIM by the end of 2015.
	2030 Cleaning and maintenance	1,083,000	29/06/15	The reason for this increase is the incorporation of new services to the contract of cleaning, treatments of residues and gardening, and to the contract of maintenance. An added cost is the inclusion of the gymnasium's contract on this budgetary line.
	2080 Studies and technical assistance in connection with the building projects	450,000		This increase is necessary to face the high number of new projects to executed this year: - AA3's call of tender and assessment. - 2 months of overlapping for consultancy's contract in forecast of a possible change of contractor - Fixed profile for the coordinator of health and security - Modification of the urban facilities (surrounding street) - Possible modifications of OD and AA1 (2nd and 3rd floors)
2040 Fitting out of premises		-1,533,000		Some projects are postponed to next year or have become unnecessary: Central low voltage switchboard improvements + electromagnetic isolation TC AE41 Roof Waterproofing Green Building Program Expand outdoor parking area and lighting installation Bridge and renovation of landscaping and lighting on municipal land Site fence completion (sea side) Restoring of municipal landscaping to original condition Sun blinds AE42 Less expense on replacement of lifts Less expense on catering facilities' project
	2230 New purchases, replacement, hire, maintenance, use and repair of vehicles	110,000		The increase is needed for the renting of buses and the purchasing of a new car.
2391 Services rendered by interpreters		-110,000		The amounts spent on services rendered by interpreters are lower than expected. The estimated usage for interpretation services both via Scic and Gopa seems to be less than originally foreseen.
	1149 Other allowances and repayments	36,000	28/07/15	• The estimation of the difference between the hotel cost in Bangkok and the rent was lower than the reality. • The rent in Bangkok is paid in TBH and this currency fluctuates a lot, increasing the cost of the rental. • The percentage of "conditions de vie" of each country outside the EU is reviewed every year and the Council decided, on December 2014, that for 2015 the percentage for China will increase from 20% to 25%. This decision increases the allowance "conditions de vie" to be paid to the agent.
1103 Fixed allowances		-36,000		Every year, less Assistants are entitled to receive the indemnity "secretarial allowance" due to the fact that when an AST6 is promoted to AST7, he/she automatically loses the right to said allowance with retroactive effect. In the past, this retroactive effect took place on 1 April, however changes in the SR makes this applicable on 1 January as from 2015.
	260007 Limited consultations, studies and surveys (ACADEMY)	49,000	28/07/15	Additional resources for the administration/content management of the OALP is required.
1120 Further training for the staff		-49,000		Execution on this item up to now is low and then allows full coverage of internal training until the end of the year.
	342002 Expenditure on cooperation activities with the EU Member States - ICLAD	116,500	17/08/15	Maintenance model: At the beginning of the year the amount of 330.000 € was foreseen for the budget line 342002 for the modality "b)" of the maintenance model where the OHIM reimburses the cost of the IT developer directly contracted by the national office. In 2014 when the 2015 budget was prepared it was impossible to foresee exactly how many offices will opt for this modality and from when. It seems that more offices have opted for this model than estimated, therefore we would need to transfer 116,500€ to commit for the maintenance model for the Latvian Office.
341102 Expenditure on the promotion of the Office, the CTM and the RCD - ICLAD		-116,500		Less activities are expected than originally thought and less events than planned. GI Conference (LA) will not take place.
	2125 Services of computer operations staff- Miscellaneous	115,000	18/09/15	Two transfers were done previously to cover the increase in the cost of consultancy and support for the planning team in this budget line, and the services for the movement of the data centre, initially planned on budget line 2102. Now, another transfer is needed to cover the following: 1) SOC (Service Organization Control) report for the Observatory, EUR 65 000. This was initially planned in line 2144 by the Observatory, but as it can't be considered development, it has to be executed from line 2125 2) Other technical consultancy services: EUR 50 000. The number of technical studies and installations in this line has been higher than expected, and then more money is needed to cover some pending contracts, like RightFax migration to Fax over IP, and Netbackup High Availability.
2144 Analysis, programming and others - Observatory		-65,000		This line is for Developments linked to the Observatory. When the budget was planned, the Observatory included in this line an amount to contract an audit study, SOC (Service Organization Control). As this activity can't be considered as development, this service should be contracted from budget line 2125, and the amount reserved for it (EUR 65 000) has to be transferred to that budget line.

From item	To item	Amount	Date of Execution	Reason
2101 Computer centre operations - Licences and maintenance - Central Software		-50,000		This line is for software purchase and maintenance. This includes purchases related to the backup center project. This project included the purchase of equipment and software licences for a third data center, which was cancelled. For this reason, part of the money reserved in this line won't be used and can be moved to cover the needs in line 2125.
	2070 Construction of Buildings	3,500,000	24/09/15	The Office should make an advance payment for the beginning of the works of design and build of phase III as mentioned in the conditions of the call for tender AO/007/15.
	2050 Security and Surveillance of premises	450,000		The amount is needed to reinforce the security systems of the security doors of AA1 and AA2 and to improve the access control system.
	2200 New purchases, replacement, hire, maintenance, use and repair of technical equipment and installations	170,000		The amount is needed in order to purchase two automated dishwashing systems and a cooking centre for the kitchen of AA1.
2060 Acquisition of immovable property		-3,500,000		The decision to acquire a plot near the Office has been reconsidered. Consequently, the amount of EUR 3 500 000, destined entirely for that purpose, will not be used.
250003 Meetings in General (IBD)		-620,000		As some events have been cancelled, the costs of organization are lower.
	1102 Expatriation and foreign residence allowance	180,000	27/10/15	The execution is higher than foreseen due to exceptional reimbursements made to several agents. In addition, at this moment, we foresee an increase of the salary at the end of the year with a retroactive effect from July 2015.
	1132 Unemployment insurance for temporary staff	50,000		The execution is higher than foreseen due to exceptional reimbursements made to several agents. In addition, at this moment, we foresee an increase of the salary at the end of the year with a retroactive effect from July 2015.
1100 Basic Salaries		-230,000		The total execution was lower than initially budgeted due to a higher number of requests for parental leave and resignations than expected and also due to a delay between the departure date and the date of replacement of an agent at the Office. Consequently, we suggest making the transfer from the line 1100 to reinforce the budget lines 1102 and 1132.
	2330 Legal Expenses and damages	56,000	27/10/15	The Office entered into a Framework Contract with the law firm of DLA Piper UK LLP (DLA) on June 12, 2014. On 12 of January 2015 the police department of Uppsala (Sweden) called Ms MELGAR of Litigation service to inform her that a number of individuals were arrested for fraud and money laundering following the discovery of thousands of fake invoices containing the logo and name of the Office. She required immediate cooperation to help the prosecutor in prosecuting the people arrested. The Office had then to ask for the immediate assistance of DLA Piper. The consequence is that we need to transfer EUR 56 000 from another budget line(s).
250002 Meetings in General (ICLAD)		-56,000		Some planned events did not take place, such as the Anti-Fraud Network Meeting and Other Network meetings.
				Transfer cancelled and replaced with adjustment no 9/2015.
	2410 Telecommunications	350,000	23/11/15	More funds are needed in this line for two main reasons: 1) An additional commitment is needed for the Fixed phone telecommunications contract to cover some additional services which were not included in the initial contract. 2) Additional cabling works are needed in both Data Centres, the main one in AE42 and the Disaster Recovery in Banco Sabadell. 3) Additional commitments are foreseen in the contracts of fixed and mobile telephony to cover consumption, which has exceeded the forecast.
2204 Electronic Office Equipment		-350,000		The consumption in this line has been lower than foreseen for the following reasons: 1) There was no need to buy desktop equipment this year (PCs, screens), because there was enough stock to cover the needs for the whole year. 2) In the initial forecast, the purchase of audiovisual equipment for the new building was included, but this has not been used because IBD has now its own contract for this equipment, which is now under their control.
	2210 New purchases, replacement, hire, maintenance, use and repair of furniture	240,000	25/11/15	An important part of the amount is needed to furnish the Presidency, the OD and the restaurant areas, and the rest is destined to purchase auxiliary furnitures.
	2080 Studies and technical assistance in connection with building projects	65,000		The amount is needed for the reinforcement of the assistance in Facilities Management, more particularly in order to manage and coordinate the works related with the corrective measures that have to be implemented in the buildings.
	2200 New purchases, replacement, hire, maintenance, use and repair of technical equipment and installations	100,000		The transfer is needed to acquire the following items: Audiovisual system RL223; extension Condeco system; audiovisual commercial areas; audiovisual restaurant; installation of a satellite.
	2230 New purchases, replacement, hire, maintenance, use and repair of vehicles	10,000		The amount is needed to pay the bus service provided for the last events of the year.
2020 Water, gas, electricity and heating and other miscellaneous expenditure		-275,000		The costs of energy supplies and costs for the compensation of carbon foot print are lower than expected.
2300 Stationery and office supplies		-140,000		The amount available is due to a substantial decrease of the consumption of paper, toner and envelopes.
	2070 Construction of buildings	1,200,000	04/12/15	The Office should make an advance payment for the beginning of the works of design and building of phase III as mentioned in the conditions of the call for tender AO/007/15.
2143 Analysis, programming and others - Cooperation Fund		-700,000		The budget of 2015 was planned to have Deployed Project Managers, Deployed Developers and Rollout teams in the National Offices during the whole year. The forecast was based on the consumption of 2014. Initial contracts were signed until September, with the intention to renew them until the end of the year. ICLAD notified IT that the limit for the Cooperation Fund (EUR 50 million) had been reached, so these contracts could not be renewed, and most of the Cooperation Fund activities had to be slowed down. For this reason, the contracts mentioned above were not renewed, and the money reserved for these renewals will not be spent.
2040 Fitting-out of premises		-500,000		The project of improvements of AA1 CPD has been cancelled.
	10100 Provision for unforeseen events	5,780,000	14/12/15	2015 will be a special year as far as the budget execution will be concerned. What was initially planned to be the last year of SP1 and the starting of SP2020, in parallel with the year of entering into force of the new Office's constituent act, has become a transition year between an extended SP1 and a not yet approved SP2020, in parallel with the year of the (partial) preparation of a future entering into force of the new Office's constituent act the year after. These elements, among others, will lead to an abnormally low level of budget execution. Moreover, specific events, not always under the control of the Office, have also contributed to reducing even more the expected level of budget execution. It can be mentioned in particular the decision of not to proceed with the planned and budgeted purchase of the second plot of land where the building skeleton is placed (decision taken once the Office realized that the requested price was well above the reasonable). The Office considered that, on the same basis that the T10 contains appropriations to be used, in case of need, as a provision for unforeseen events via a transfer to the operational Titles 1, 2 or 3, the same Title 10 could be exceptionally feed via a transfer with unused funds from Title 1, 2 or 3 when unforeseen events, preventing those funds to be used, have happened. This approach was informally checked with the ECA officials (who gave a favourable opinion) and was announced to the BC in its 2015 November's session.
2040 Fitting out of premises		-1,100,000		
2102 Computer centre operations - Acquisitions and maintenance - Central hardware		-320,000		
2122 IT infrastructure and Operations		-250,000		
2141 Analysis, programming, preliminary analysis - Maintenance of applications		-500,000		
2143 Analysis, programming and others - Cooperation fund		-1,190,000		
2144 Analysis, programming and others - Observatory		-60,000		
2204 Electronic Office Equipment		-170,000		
2392 Translations (Administrative)		-770,000		
2410 Telecommunications		-150,000		
250003 Meetings in General (IBD)		-520,000		
260004 Limited consultations, studies and surveys (Observatory)		-350,000		
260021 Limited consultations, studies and surveys (Cooperation Fund)		-400,000		

16.6 Organisation chart



This chart represented the situation at 22/03/2016.

16.7 Establishment plan

CUADRO DE EFECTIVOS STELLENPLAN ESTABLISHMENT PLAN TABLEAU DES EFFECTIFS TABELLA DELL'ORGANICO					Anexo 1 Anhang 1 Annex 1 Annexe 1 Allegato 1
PRESUPUESTO HAUSHALT BUDGET BUDGET BILANCIO	AMENDED BUDGET 2014		2015		
Categorias y grados Laufbahn- und Besoldungs gruppe Categories and grades Catégories et grades Categorie e gradi	Puestos permanentes Dauer planstellen Permanent posts Emplois permanents Posti permanenti	Puestos temporales Planstellen auf Zeit Temporary posts Emplois temporaires Posti temporanei	Puestos permanentes Dauer planstellen Permanent posts Emplois permanents Posti permanenti	Puestos temporales Planstellen auf Zeit Temporary posts Emplois temporaires Posti temporanei	
AD16	-	1	-	1	
AD15	-	3	-	3	
AD14	22	23	22	23	
AD13	30	6	32	7	
AD12	30	13	30	14	
AD11	14	33	12	33	
AD10	3	9	3	7	
AD9	5	12	11	12	
AD8	7	9	3	9	
AD7	-	10	-	7	
AD6	27	-	27	-	
AD5	-	-	-	-	
<i>Total</i>					
<i>Insgesamt</i>					
<i>Total</i>	138	119	140	116	
<i>Total</i>					
<i>Totale</i>					
AST11	25	7	27	7	
AST10	32	7	32	7	
AST9	34	18	38	22	
AST8	73	20	70	20	
AST7	46	21	41	17	
AST6	88	41	100	43	
AST5	45	68	33	66	
AST4	3	22	3	22	
AST3	26	11	26	6	
AST2	-	-	-	-	
AST1	-	-	-	-	
<i>Total</i>					
<i>Insgesamt</i>					
<i>Total</i>	372	215	370	210	
<i>Total</i>					
<i>Totale</i>					
<i>Total general</i>					
<i>Gesamtzahl</i>					
<i>Grand Total</i>	510	334	510	326	
<i>Total général</i>					
<i>Totale generale</i>					

16.8 Management of resources — specific annexes

16.8.1 Waived recovery orders

According to Article 62 of the Implementing Rules for the Financial Regulation, recovery orders waived involving an amount equal to or greater than EUR 1 000 are to be annexed to this report.

No recovery orders were waived in 2015.

<u>Recovery orders waived</u> 2015						
Doc. No.	Posted on	Issue date	Amount	Net due date	Clearing	Reason
<u>TOTAL</u>			0.00 €			

16.8.2 Negotiated procedures according to Article 30 of the Office's FR Implementing Rules

Article 30 of the Office's Implementing Rules for its Financial Regulation, referring to the report on negotiated procedures, states that 'Authorising officers shall record, for each financial year, contracts concluded under the negotiated procedures referred to in Articles 134(1)(a) to (g), 135(1)(a) to (d) and Articles 266, 268 and 270 of the IRGFR. If the proportion of negotiated procedures in relation to the number of contracts awarded by the same authorising officer increases appreciably in relation to earlier years or if that proportion is distinctly higher than the average recorded for the Office, the competent authorising officer responsible shall report to the Office setting out any measures taken to reverse that trend.

The following table shows the contracts concluded during the year, differentiated by procedure (for more information see also chapter on procurement and grants).

Summary of purchases used for procurement of goods and services in the year 2015									
PROCEDURE		PROPERTY TRANSACTIONS		PURCHASE OF GOODS		PURCHASE OF SERVICES		TOTAL	
		Number of contracts concluded	Value of contracts	Number of contracts concluded	Value of contracts	Number of contracts concluded	Value of contracts	Number of contracts concluded	Value of contracts
Method of award	Lowest priced tender	0	0	0	0	0	0	0	0.00
	Best value for money	7	8,242,662	75	7,519,106	360	72,891,371	442	88,653,139.35
	TOTAL	7	8,242,662.21	75	7,519,105.98	360	72,891,371.16	442	88,653,139.35
Negotiated procedure	60 000 euro or less	1	4,157	7	19,485	49	225,162	57	248,804.12
	Above 60 000 euro	4	914,671	2	83,609	13	137,202	19	1,135,481.19
	Urgent need	0	0	0	0	2	19,206	2	19,206.00
	Invitation to tender produced no results	0	0	0	0	1	67,780	1	67,780.00
	Additional contract tied by necessity to an original contract	1	1,327	10	459,913	45	1,803,016	56	2,264,255.58
	Other technical and/or legal reasons	0	0	0	0	0	0	0	0.00
	TOTAL	6	920,155.36	19	563,006.41	110	2,252,365.12	135	3,735,526.89
Frame work contracts (*)	Commission	0	0.00	37	2,864,076.75	85	3,347,081.41	122	6,211,158.16
	Other institutions/bodies	0	0.00	0	0.00	0	0.00	0	0.00
	TOTAL	0	0.00	37	2,864,076.75	85	3,347,081.41	122	6,211,158.16
							TOTAL	699	98,599,824.40

(*) Only framework contracts that have been negotiated by institutions or organisations other than the Agency.

16.8.3 Statistics on payments

The table below shows the payment orders to third parties, in terms of number and volume for 2015 and 2014, including average payment time and late payments.

TOTAL PAYMENT ORDERS (*)		
Year	Total Pmt. Orders	Total Amount
2015	6,748	153,855,737
2014	8,128	167,944,586

PAPER PAYMENT ORDERS (*)			In volume		In Euros
Year	Paper Pmt. Orders	Total Amount	% Paper	% WF	% Paper
2015	447	799,947	6.62%	93.38%	0.52%
2014	1,083	1,730,283	13.32%	86.68%	1.03%

WORKFLOW PAYMENT ORDERS AND E-INVOICES				
Year	WF Pmt. Orders	Total Amount	Average Payment Time (**)	
2015	6,301	153,055,790	10.32	days
2014	7,045	166,214,302	10.38	days

Invoices Paid On Time				
Year	WF Pmt. Orders	Total Amount	Average Payment Time (**)	
2015	6,287	152,934,015	10.25	days
	99.78%	99.92%		
2014	6,995	165,639,731	11.68	days
	99.29%	99.65%		

Invoices Paid Late				
Year	WF Pmt. Orders	Total Amount	Average Payment Time (**)	
2015	14	121,775	46.21	days (**)
	0.22%	0.08%		
2014	50	574,572	37.27	days (**)
	0.71%	0.35%		

Invoices with interests > 200 Euro					
Year	WF Pmt. Orders	Total Amount	Average Payment Time (*)		Total Interests
2015	1	17,397	174.00	days (**)	450
2014	1	63,348	56.00	days (**)	327

(*) Salaries not included

(**) Average Payment Time = Payment date - Invoice Reception date

The average payment time is not valuated for the paper payment orders for technical reasons.

16.8.4 Treasury guidelines

The Office's Budget Committee gave a positive opinion on the following guidelines in 2011.

Objectives

The objective of treasury management is to make the best use of the cash balances that the Office holds. 'Best use' means, on the one hand, generating contributions to income by

placing funds where they can earn a return while, on the other hand, ensuring that the capital itself is not placed at any risk of loss. The objective of this set of guidelines is to define a policy for the diversification of the treasury and the limitation of risks.

Definition of treasury management

Treasury management covers the management of the Office's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance associated with those risks.

Treasury management principles

1. Apart from seeking compliance with the Financial Regulation and the implementing rules of the Office, treasury will be managed with three main guiding principles:

Liquidity. Funds should be available for the Budget execution and to accomplish the Office's strategic goals.

Security. Risks related to the management of the funds of the Office should be mitigated, therefore risk management must be carried out.

Yield. Yields should reflect best market conditions available in accordance with the principle of sound financial management, while maintaining a high degree of security, as the latter will have a greater weight than the yield.

2. Treasury will be invested exclusively in euros, in order to avoid any exchange rate risks.
3. To the extent that the treasury is not required to meet the obligations as described above, it will be managed so as to generate revenue for the Office.

Diversification of risk

1. Financial entities with whom the Office keeps funds must have at least a long-term rating AA with one¹³ of the credit agencies below:

Moody's	Standard & Poor's	Fitch Ratings	Comments
Long-term	Long-term	Long-term	
Aaa	AAA	AAA	<i>Prime. Maximum Security</i>
Aa1	AA+	AA+	<i>High grade. Houte or good quality</i>
Aa2	AA	AA	
Aa3	AA-	AA-	

For **operational banks**, the Office may, if other options are not available, hold a

¹³ In accordance with recommendations issued in 2008 by the Commission to the EU agencies, please note that this is the minimum and that the Office's intention is to collaborate with financial entities assigned an AA rating by more than one credit agency, as in the current situation.

maximum amount to cover two months of payments with financial entities that do not comply with this requirement, **but will adopt additional safeguards to minimise its exposure if their credit rating falls below BBB-, or a level of a tier 1 capital (Basel III) of 9 % according to EBA standards.**

2. The Office should have a minimum portfolio of four¹⁴ financial entities.
3. The Office should not maintain a balance above 25 % of its total treasury with any counterparty.
4. The Office should seek the highest yield within the same level of security, independently of the jurisdiction or location of the financial entity within Europe.
5. The Office's treasury can be placed in bank deposits with a maximum maturity from the value date of 1 year, or in EU government securities and equivalents with a rating of a minimum AAA, with a maximum maturity from the value date of 1 year, provided that according to the liquidity planning these can be held to maturity.
6. When carrying out any investment, the Office will undertake the necessary analysis of feasibility with the legal framework and the corresponding risks and financial impact, including an analysis of possible opportunity costs previously.

Reporting

The Budget Committee will receive biannual reports on the performance of the portfolio, giving an indication of the proportion held in the various asset classes.

16.9 Final annual accounts for the year

All final annual accounts are published on the Office website. The final annual accounts for the reporting year can only be made available on 30 June of the following year, once the European Court of Auditors has issued its report.

¹⁴ This is current practice within the Office, but the intention is to have a larger portfolio.