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COMMISSION STAFF WORKING DOCUMENT

Internal audit engagements finalised by the Internal Audit Service in 2018

Accompanying the document

**Report from the Commission to the European Parliament, the Council and the Court of
Auditors**

Annual report to the Discharge Authority on internal audits carried out in 2018

{COM(2019) 350 final}

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CONTENT OF THIS STAFF WORKING DOCUMENT

Section 1 of this document contains a summary of the internal audit engagements performed as part of the 2018 Internal Audit Service audit plan (reports issued in the period 1 February 2018 to 31 January 2019) and the principal recommendations (critical and very important recommendations ([1]).

The information contained in this document reflects the state of play when the audit engagements were finalised. Each audit followed the applicable standard professional validation and contradictory procedures between auditor and auditee at the time of the finalisation of the engagement. The enclosed summary of each engagement aims to provide a quick understanding of the audits and their main results and additional, up-to-date information is provided in specific sections by the auditees on the measures defined and/or already implemented after the finalisation of the internal audit engagements.

Section 2 of this document contains a summary of the results of the Internal Audit Service follow-up engagements performed in the period from 1 February 2018 to 31 January 2019 ([2]).

Section 3 provides a summarised overview of the 18 long overdue very important recommendations as at 31 January 2019.

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[1]   Important recommendations are not reproduced in this staff working document.
[2]   The summary reflects the assessment of the Internal Audit Service on the status of implementation of the audit recommendations at the end of the follow-up assignment. It does not take into account any further actions that may have been undertaken by the auditee and reported to the Internal Audit Service since the release of the Internal Audit Service follow-up note or report, which may have an impact on the status of the recommendation.

Section 1
Final reports

Horizontal audits

1. Audit on LIFE financial instruments: effectiveness and efficiency of the current framework in DGs CLIMA and ENV

The objective of the audit was to assess the adequacy, efficiency and effectiveness of internal controls put in place by the Directorate-General for Climate Action and the Directorate-General for Environment to monitor and supervise the implementation and performance of the two financial instruments under the LIFE 2014-2020 Programme.

No reservations regarding financial instruments under the LIFE Programme 2014-2020 were made in the 2017 annual activity reports of the Directorates-General for Climate Action and for Environment. The fieldwork was finalised on 21 September 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the ongoing efforts made by these two directorates-general to coordinate their monitoring activities and decisions towards the European Investment Bank. In addition, the Internal Audit Service acknowledges the good cooperation and exchange of best practices between the two directorates-general, such as the use of internally developed excel tools for monitoring the management of the funds for both instruments.

The Internal Audit Service identified one issue concerning the *visibility and promotion of the EU contribution to the financial instruments* and formulated the following very important recommendation:

The directorates-general should verify on a regular basis that the requirements of the delegation agreements are respected in practice and raise any issues with the European Investment Bank as appropriate. They should agree, together with the European Investment Bank, on a communication plan which builds on existing communication channels and which provides for a stronger role of the LIFE programme national contact points. This should be regularly monitored in the Steering Committee meetings and adjusted as necessary.

Additional information provided by Directorates-General CLIMA and ENV on the measures defined and/or implemented following the Internal Audit Service audit

The Directorate-General for Climate Action provided an action plan that was assessed as satisfactory by the Internal Audit Service to mitigate the risks identified. It has developed a communication plan for the promotion and visibility, which has been discussed in the Steering Committee meeting of November and will be further debated in the next Steering Committee. A task force group has been established in order to facilitate a more technical discussion with the European Investment Bank. The first meeting took place in March 2019. A new call for proposals was published on 21 December 2018, which has sparked interest in various Member States (Germany, Ireland, France, Latvia, Austria, Poland) [3].

The Directorate-General for Environment has submitted an action plan for the 'Natural Capital Financing Facility', the Financial Instrument it manages, but both the Directorates-General for Climate Action and for Environment provide the necessary funding, that the Internal Audit Service has assessed as satisfactory to mitigate the risks identified for the audited process.

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[3]   https://www.eib.org/attachments/documents/pf4ee_second_call_request_for_proposals_en.pdf.

The audit, the action plan and its implementation were discussed and agreed with the European Investment Bank in the Natural Capital Financing Facility Steering Committee on 12 February 2019. Visibility of the most recent operation was ensured through a signature event at the Biodiversity Conference on 23 May 2019 in Brussels and an accompanying press-release. An update of the communication plan is under preparation in view of agreement in the next Steering Committee.

2. Limited review on the reporting on the corrective capacity in DGs AGRI, BUDG, DEVCO, EMPL, REGIO, RTD and EASME

The objective of the limited review was to assess (i) the validity of the concept of the estimated amounts at risk at closure, (ii) how it is being applied and reported on by operational directorates-general/services in their respective annual activity reports, and, (iii) how it feeds into and is presented in the Annual Management and Performance Report.

There are no observations/reservations in the 2016 annual activity reports of the directorates-general and services reviewed that relate to the area/process reviewed. The fieldwork was finalised on 1 December 2017. All recommendations relate to the situation as of that date.

The Internal Audit Service identified one issue concerning the *Implementation of the reporting on the corrective capacity* and formulated the following very important recommendation:

The Directorate-General for Budget should modify the corporate instructions and instruct the directorates-general and the services to consider more carefully whether historical data is a sound basis for estimating future recoveries and corrections. Furthermore, it should require the directorates-general and services to disclose the main underlying assumptions in their annual activity reports and refer to those in the Annual Management and Performance Report.

The operational directorates-general should use more relevant data/information, where available, other than the historical averages to estimate future corrections or otherwise, use more recent data, which is likely to be more relevant for current programmes. Similarly, those directorates-general and services who faced historical data encoding issues, should use more recent data to ensure that the estimations are based on the most accurate data available.

Additional information provided by Directorate-General BUDG on the measures defined and/or implemented following the Internal Audit Service audit

The Directorate-General for Budget has further clarified the 2017 and 2018 corporate instructions and guidance for estimating the future corrective capacity in the annual activity reports.

The estimated future corrections are to be based, to some extent, on the actual historical average recoveries and corrections, but these are to be adjusted or replaced in order to come to the best conservative estimate of the future ex post corrections relevant for the current programmes.

The directorates-general duly disclose their main underlying assumptions of their estimate in their annual activity report. Those approaches are summarised in the Annual Management and Performance Report.

The recommendation regarding adapting the methodology for estimating corrective capacity of the Directorate-General for Agriculture and Rural Development, and disclosure thereof has been adequately and effectively implemented. In line with the agreed action plan, in its 2017 annual activity report, the Directorate-General for Agriculture and Rural Development based its estimated future recoveries, corrections and amount at risk on the historic average of the executed recovery orders and financial corrections over the period 2013-2017 and adapted it by excluding factors from the past years which are no longer relevant for the current common agricultural policy measures.

One part of an important recommendation concerning 'presentational issues in the annual activity report' (for example to explain the main underlying assumptions having an impact on the estimated amounts at risk) was addressed to the Directorate-General for Employment, Social Affairs and Inclusion. These issues were implemented in the framework of the 2018 annual activity report and the Internal Audit Service subsequently closed the recommendation.

3. Audit on EC-EEAS coordination in DGs DEVCO and NEAR and FPI

The objective of the audit was to assess the effectiveness and efficiency of coordination activities between the Commission services (specifically, the Directorate-General for International Cooperation and Development, the Directorate-General for Neighbourhood and Enlargement Negotiations and the Service for Foreign Policy Instruments) and the European External Action Service (EEAS) in areas relating to management of the EU delegations as well as programming and implementing external instruments.

There are no observations/reservations in the 2017 annual activity reports of the audited directorates-general and services that relate to the area/process audited. The fieldwork was finalised on 10 April 2018 for the work performed in EU delegations and on 11 September 2018 for headquarters. All recommendations relate to the situation as of this date.

The audit highlighted the following strengths:

- coordination in the management of EU delegations: The attendance and participation of all required services to the meetings of the EU delegations Committee and the comprehensive EU delegations minutes reflecting discussions held and positions expressed by all parties attending; the feedback provided by the Directorate-General for International Cooperation and Development, the Directorate-General for Neighbourhood and Enlargement Negotiations headquarters to the External Assistance Management Reports submitted by EU delegations; the enhanced coordination on EU economic diplomacy between Commission services and the European External Action Service;

- multiannual programming of the external assistance instruments: the practice put in place by the European External Action Service and the Directorate-General for Neighbourhood and Enlargement Negotiations to perform joint programming missions to the respective/eligible countries in the context of the update (mid-term review) of the multiannual programming for the European Neighbourhood Instrument; the practice put in place in the EU delegation Senegal to establish informal quality support groups / quality reviews of programming documents with the involvement and participation of both cooperation and political sections;

- risk management in general, and specifically on the budget support risk-management framework : the interaction in all sampled EU delegations (visited on the spot and analysed via desk review) of the cooperation and political section, with the latter being in charge for the assessment of the political risks, for the annual update of the Risk Management Framework;

- Service for Foreign Policy Instruments and Instrument contributing to Stability and Peace (IcSP) regional teams: the efforts undertaken by the Service for Foreign Policy Instruments regional teams to ensure efficient transfer of physical project files from EU delegations as well as the efficiency, despite the limited time since their set-up, in drafting authorising officer by sub-delegation (AOSD) reports (for Foreign Policy Instruments funding) and/or contributions to authorising officer by sub-delegation reports of Heads of Delegations;

- coordination and/or exchange of information regarding implementation of external assistance: the set-up of the budget support implementation modality in both the Directorate-General for Neighbourhood and Enlargement Negotiations and the Directorate-General for International Cooperation and Development: the involvement of the European External Action Service as well as the interaction between the European External Action Service, the EU delegations and the Commission is fully formalised and each party has a clear mandate in the Budget Support Steering/Financial Assistance Steering (BSSC/FAST) Committees, which is considered a best practice in terms of coordination; for Egypt, a Permanent country team has been put in place to identify how best to define a strategic relationship with Egypt. The Permanent Country Team is co-chaired by the

Directorate-General for Neighbourhood and Enlargement Negotiations and the European External Action Service. The minutes, distribution list and agenda items are considered as a good practice.

The Internal Audit Service identified one issue concerning the *country-level coordination between the Commission services* and formulated the following very important recommendations:

The Directorate-General for International Cooperation and Development and the Directorate-General for Neighbourhood and Enlargement Negotiations should:

- enhance/further develop the aid implementation dashboard in order to establish a consolidated portfolio of EU funded projects;

- undertake a feasibility study together (cost/benefit analysis) on the extension of the aid implementation dashboard towards areas of external cooperation;

- seek pragmatic solutions for the inclusion of funding from line directorates-general and/or other institutions such as the European Investment Bank;

- make good use of the aid implementation dashboard by:

- making EU delegations fully aware of the existence of the dashboard, its usage and related process requirements;

- setting a process through which line directorates-general have to share the information on their funded projects in third countries with EU delegations and/or headquarters.

Additional information provided by Directorates-General DEVCO and NEAR on the measures defined and/or implemented following the Internal Audit Service audit

Following the audit in the Directorate-General for International Cooperation and Development, the final audit report was published on 31 January 2019 and an action plan to address the recommendations was accepted by the Internal Audit Service. To improve country-level coordination with the European External Action Service, the directorate-general has undertaken a study to identify external cooperation financial flows beyond the Heading IV of the General Budget and to assess the feasibility of integrating them in the dashboard. If the conclusion of the study is positive, necessary processes for collecting information on funding from line directorates-general and European Investment Bank will be put in place. These flows will be integrated in the aid implementation dashboard. In parallel, a communication and awareness plan will be designed and implemented to maximise awareness and use of the Aid Implementation dashboard by the staff in EU delegations by the end of 2019.

The Directorate-General for Neighbourhood and Enlargement Negotiations is working together with the Directorate-General for International Cooperation and Development and the European External Action Service on the implementation of the very important recommendation related to the country level coordination and improving aid implementation dashboards. Once the feasibility study is finalised, a new version of dashboard will be developed and the Directorate-General for Neighbourhood and Enlargement Negotiations will issue a note informing EU delegations about its existence, usage and related process requirements. The Directorate-General for Neighbourhood and Enlargement Negotiations will align with the process set up by the Directorate-General for International Cooperation and Development to identify line directorates-general who need to share information on their funded projects in third countries with EU delegations and/or headquarters.

4. Audit on business continuity in DG COMM (DGs COMM and DIGIT)

The objective of the audit was to assess the adequacy of the design and the efficiency and effectiveness of the management and control systems put in place by the Directorate-General for Communication for its business continuity management. The aim of the audit was to help identify any possible weaknesses in Directorate-General for Communication business continuity processes and to recommend improvements where needed.

There are no reservations in the 2016 annual activity report of the Directorate-General for Communication that relate to the area audited. According to this annual activity report, during 2016 the directorate-general gave particular priority to addressing former Internal Control Standard no. 10 (business continuity). The fieldwork was finalised on 11 December 2017. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the efforts made by the Directorate-General for Communication to prepare for major disruptions and to mitigate the main inherent risks identified. In particular, the directorate-general put in place a number of key controls to improve its business continuity capability.

- *ex post* controls: as mentioned in the 2016 annual activity report, the Directorate-General for Communication performed *ex post*-controls on former internal control standard no. 10 (business continuity) in nine Representations and three Brussels-based units;

- knowledge of processes: the staff in the Directorate-General for Communication responsible for critical functions are very knowledgeable and experienced in its processes;

- useful leaflets with business continuity information: the Directorate-General for Communication has developed very useful information leaflets aimed at raising staff awareness of business continuity issues;

- training: the Directorate-General for Communication gave training on business continuity to critical staff in Representations and Headquarters;

- hand-over documentation: when a staff member changes post, it is mandatory for the colleague on mobility to draft hand-over documentation for the successor. The Internal Audit Service assessed two hand-over files and considered them adequate to facilitate a swift take-over of new tasks by a new staff member.

Moreover, the Internal Audit Service notes that during the course of the audit the Directorate-General for Communication reacted very promptly and constructively to the emerging issues identified and in a number of cases began to take corrective action either before the audit was finalised or very soon after.

The Internal Audit Service identified one issue concerning Business Impact Analysis and formulated the following very important recommendation:

The Directorate-General for Communication should finalise its update of the Business Impact Analysis, paying particular attention to ensuring that dependencies and resources for running critical and essential functions have been taken into account. The Directorate-General for Communication management should approve the Business Impact Analysis and ensure that it is kept up-to-date. The current overall Business Continuity Plan, tactical Business Continuity Plans and the relocation plans should be reviewed and aligned as necessary with the updated Business Impact Analysis.

Additional information provided by Directorate-General COMM on the measures defined and/or implemented following the Internal Audit Service audit

The very important Internal Audit Service recommendation related to business impact analysis was closed in 2018. A process for keeping the Business Impact Analysis up-to-date has been established. The Business Impact Analysis is presented for review and update to the 'risk management group' of the Directorate-General for Communication twice a year. In addition, updates are done on a systematic basis whenever new elements emerge, for instance, re-organisation of the directorate-general. The Business Continuity Plan has been revised following the establishment of the Business Impact Analysis.

5. Audit on 'synergies and efficiencies review' in DGs BUDG, COMM, DIGIT, HR, JRC, OIB, SCIC and SG

The main objective of the audit was to assess whether the Commission has put in place a clear framework and methodology, as well as sound processes and controls to ensure that the objectives of the Synergies and Efficiencies Review Communication are met and to assess the state of play of the Synergies and Efficiencies Review Communication approximately 2 years after its adoption. The first target dates are set for 2019. Therefore it is key for such a wide ranging initiative, with high levels of expectation, to take stock of the progress made so far, confirm or otherwise that it is on track and highlight as early as possible any areas for possible improvement/corrective action.

There are no observations/reservations in the 2017 annual activity reports of the Directorates-General for Budget, for Communication, for Informatics, for Human Resources and Security, the Joint Research Centre, the Office for Infrastructure and Logistics in Brussels, the Directorate-General for Interpretation and the Secretariat-General that relate to the area/process audited. The fieldwork was finalised in mid-June 2018. All recommendations relate to the situation as of that date. However, the situation was continuously evolving (as presented under key developments below) and various factors and new information have come to light since then. Where possible, these have been taken into account in finalising the audit engagement (the report was issued in January 2019) and include, for example, the impact of significant changes to the Commission corporate governance framework and the latest meetings of key corporate bodies ([4]).

The audit highlighted the following key developments and strengths:

- Coordination amongst actors and transparent reporting: under the lead of the Directorate-General for Human Resources and Security, domain leaders (DLs) meet regularly at operational and senior management levels to discuss issues related to the implementation of the synergies and efficiencies review and to help coordinate the work across the different domains through the domain leaders working group. The Directorate-General for Human Resources and Security, with help from the Directorates-General for Budget and the Secretariat-General, included a new synergies and efficiencies review annex to three Staff Allocation decisions published in 2017 and 2018 ([5]). The annexes, prepared based on input and discussions with the domain leaders presented the progress made in each domain. Additionally, significant efforts have been made to improve the way in which synergies and efficiencies review related information is reported. The Corporate Management Board proposed to seize the College in February 2019 on the state of play of the implementation of the Synergies and Efficiencies Review Communication, including proposals on how to continue to deliver synergies and efficiencies with high quality services, minimal disruptions and taking account of the evolving context. While the Internal Audit Service considers that this process could be even further improved, it nevertheless represents a significant development in monitoring and reporting arrangements. Moreover, the recently enhanced oversight role of the Corporate Management Board as regards the implementation of the synergies and efficiencies review suggests that it could be best placed to further oversee the continuous modernisation of the Commission's organisation and that a number of the components of the synergies and efficiencies review initiative could provide the key building blocks for this. The Internal Audit Service also notes the efforts to improve communication between the domain leaders and the individual/client directorates-general on the service provided. This is done through dedicated steering boards per project/domain ([6]) and networks ([7]) created and other tools adapted to each domain leader.

- Specific domain leaders developments: the Internal Audit Service acknowledged the progress made and achievements in each domain as regards the main actions listed in the Synergies and Efficiencies Review Communication ([8]). The Internal Audit Service noted during the audit that domain leaders and central services are continuously taking measures in order to improve the

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[4]   In particular the Group of Resource Directors meeting on 16 October 2018 and the Corporate Management Board meetings on 27 November 2018 and 18 December 2018.

[5]   SEC(2017) 230 Annex 3, SEC(2017)528 Annex 2 and SEC(2018)520 Annex 2.

[6]   For example DGx Steering Group for Human Resource Modernisation, Corporate Communication Steering Committee, Steering Board on Conference and Meeting Room Management, eGrants and eProcurement Steering Board.

[7]   Such as the Business Correspondent network, the Communication network and the Conference Correspondent network.

[8]   Paragraph 3 "Actions to boost efficiency and effectiveness of support communities" of the Synergies and Efficiencies Review Communication.

processes, with lessons learnt taken on board in order to deliver, as much as possible, the objectives of the Synergies and Efficiencies Review Communication.

The new human resources model has been rolled-out to all directorates-general in July 2017. This involved the transfer of around 400 human resource staff from directorates-general to Account Management Centres and the creation of a new Account Management Centres directorate in the Directorate-General for Human Resources and Security.

The three information and communications technology projects selected in the Internal Audit Service audit are at different levels of maturity. In order to optimise the synergies between eGrants and eProcurement project, a new governance structure has been created in May 2017 ([9]), involving a change in eProcurement's system architecture and business owner ([10]). As regards the local data centre centralisation (LDCC), as at July 2018, the Internal Audit Service notes that four directorates-general have been centralised ([11]).

The Corporate Communication Steering Committee was established on 4 April 2016 and the Communication Network, merging the work of the former External and Internal Communication Networks was created in July 2016. A Corporate Communication Contracts Team, has been set up early 2018 in the Directorate-General for Communication. The right of consent mechanism (whereby directorates-general should seek consent of the Directorate-General for Communication for external communication actions with a budget of EUR 1 million and above) was approved by the Corporate Communication Steering Committee in July 2016. By the end of 2018, 27 framework contracts were expected to be phased-out. The Commission's new external websites were launched in 2016 and are being gradually built up and custom information technology development has been further de-incentivised.

The new logistics delivery model was rolled-out to all directorates-general in April 2017. 18 proximity teams, managed by the Office for Infrastructure and Logistics in Brussels and delivering logistics services to all Commission buildings (except for the Berlaymont building) were created in April 2017.

The Directorate-General for Interpretation launched the steering board on events and meeting room management in September 2016. In 2017, the Directorate-General for Interpretation signed an inter-institutional framework contract on purchase, rent and maintenance of audio-visual equipment and services. In 2018 it finalised, with the cooperation of the Office for Infrastructure and Logistics in Brussels, the inventory of all meetings rooms in the Commission and presented its roll-out model for meeting room management to the Corporate Management Board in November 2018.

Regarding conference organisation, the Directorate-General for Interpretation set up an event register at Commission level in January 2017 and launched the Conference Correspondents network, which acts as a forum for information, discussion and dissemination of best practice for the professionalization of the community. The call for tendering a framework contract on Event Management Services was published in December 2018 (its signature is expected for 2019).

The Internal Audit Service identified two issues on *improving monitoring arrangements and reliability of savings estimates and on embedding the Synergies and Efficiencies Review culture Commission-wide* and issued the following two very important recommendations:

Improving monitoring arrangements and reliability of savings estimates

At the corporate level, the central services should define clear criteria for determining 'savings' and monitor closely the progress made towards achieving the target. Any significant change to the target should be

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[9]   eGrants and eProcurement Steering Board.
[10]   On 3 March 2017, the board endorsed the proposal of the Directorate-General for Informatics to entrust Joint Research Centre as Business Owner of the project instead of the Publications Office of the European Union (Corporate Management Board minutes).
[11]   Out of which two had been already centralised before the synergies and efficiencies review. 15 other directorates-general (out of 35) have started the process. According to the current planning, all directorates-general should have started migrating their local data centers to the corporate data centers by 2020.

presented quickly to the Corporate Management Board. Reported savings should be accompanied by the baseline figures and the date at which these were established. In addition, for certain domains for which the expected savings are highest, notably human resources and information and communications technology, the responsible domain leaders need respectively to demonstrate more clearly how those savings will be made to fill the gap between originally estimated targets in the synergies and efficiencies review and current revised ones.

Monitoring mechanisms should be put in place to ensure that the 'saved' resources are actually saved in practice, as resources which are declared as saved, but simply used in the same role outside the control of the domain leader concerned, are not really saved at all. The mechanisms for collecting posts and using research/operational budget lines should be clarified. Domain leaders should be invited to provide information on other (quantifiable) savings or (qualitative) benefits expected to be made when implementing the projects.

Embedding the Synergies and Efficiencies Review culture Commission-wide

a) Improving communication

The Directorate-General for Human Resources and Security, with the support of the domain leaders, should develop a communication campaign to explain the synergies and efficiencies review objectives, the domain leadership culture and potential added-value for the Commission as a whole. The Directorates-General for Human Resources and Security and for Budget should communicate the link between the resources directorates-general contribute as part of the synergies and efficiencies review and the resources they receive for their own priorities. Furthermore, they should communicate the incentives that new/alternative ways of working can bring over and above the formal staff allocation process. Domain leaders should continue the feedback exercise, which can feed into the appraisal exercise.

b) Providing assurances on quality of service/client satisfaction

The domain leaders should set up appropriate quality mechanisms to demonstrate the level of quality of their services to the client directorates-general (which should include publication of service catalogues, agreeing on the minimum service levels, effective monitoring based on SMART key performance indicators, feedback and provision for corrective/remedial actions) and take remedial actions when necessary.

Additional information provided by Directorates-General BUDG, COMM, DIGIT, HR, JRC OIB SCIC and SG on the measures defined and/or implemented following the Internal Audit Service audit

Building on the audit and on request of the Corporate Management Board, the Directorate-General for Human Resources and Security and the Secretariat-General – with contributions from all other Domain Leaders and the Directorate-General for Budget – drafted a new Communication on 'Synergies and Efficiencies initiative: stocktaking and way forward', which was adopted on 26 March 2019. The Communication takes stock of what has been achieved so far in the synergies and efficiencies initiative, assesses the challenges encountered and proposes a way forward to further modernise the Commission's organisational performance. In April 2019, the Internal Audit Service considered that the action plan implementing the three audit recommendations – coordinated by the Directorate-General for Human Resources and Security, with contributions from the Secretariat-General, the Directorate-General for Budget and the other Domain Leaders, was satisfactory to mitigate the identified risks.

The Directorate-General for Human Resources and Security is coordinating, in close cooperation with the Secretariat-General and the Directorate-General for Budget, the implementation of the actions defined in the above mentioned Communication and action plan. A number of actions have already been implemented. The phased savings and investments per domain, per directorate-general and per year, following consultations with the directorates-general, have been agreed by the Corporate Management Board. Arrangements are being put in place – in close cooperation with the other concerned services – for objectives, key performance indicators and savings implementation. A user-centric communication campaign around all modernisation measures flowing from synergies and efficiencies is now in development.

The Secretariat-General is working with the Directorates-General for Human Resources and Security and with the Directorate-General for Budget to define the mechanism for and scope of the annual monitoring and reporting to the Corporate Management Board and the Group of Resource Directors on overall project progress.

The Directorate-General for Communication is involved in the use of the new ATLAS tool to help services across the Commission identify jobs or activities that belong to the external communication domain. Further, the Directorate-General for Communication is also working on internal communication aspects of the initiative, both as contributor to the central campaign led by the Directorate-General for Human Resources and Security and within the communication domain itself, with the development of a new information portal to present its corporate services (ongoing).

The Directorate-General for Informatics provided inputs for the action plan, mostly as a contributor under the lead of the Directorate-General for Human Resources and security, or for a few points as a leader for the information technology domain. Some actions, included in the Synergies and Efficiencies Review Communication and falling in the remit of the Directorate-General for Informatics, are already advanced (local date centre consolidation, e-procurement, building blocks), reducing the risks accordingly.

Although the audit on 'synergies and efficiencies review' did not address the Joint Research Centre in its findings or recommendations, it was included in this review because it manages eProcurement, which is part of the Commission's synergies and efficiencies' processes.

In the Office for Infrastructure and Logistics in Brussels, the audit scope was limited to the centralisation of local proximity teams. The audit on 'synergies and efficiencies review' did not address the Joint Research Centre in its findings or recommendations. The Joint Research Centre was included in this review because it manages eProcurement which is part of the Commission's synergies and efficiencies' processes.

In the Directorate-General for Interpretation, there is a steering board on events and meeting room management since September 2016. In 2018 it finalised, with the cooperation of the Office for Infrastructure and Logistics in Brussels, the inventory of all meetings rooms in the Commission and presented its roll-out model for meeting room management to the Corporate Management Board in November 2018. The Directorate-General for Interpretation has renovated to-date over 50 meeting rooms in the Commission. The internal web-streaming capacity to provide life transmission from important events such as the State of the Union Speech has been significantly strengthened.

Regarding conference organisation in the Directorate-General for Interpretation, an event register at Commission level is available since January 2017, which gives an overview of the conferences organised by the Commission services throughout the year as well as the volume of budgets involved. The Conference Correspondents network acts as a forum for information, discussion and dissemination of best practice for the professionalisation of the community. As part of its efforts to professionalise the conference organisers' community in the Commission, the Directorate-General for Interpretation made available a range of web-based tools on conference organisation. An online participants' registration software was developed for the corporate use. The call for tendering a framework contract on Event Management Services was published in December 2018 (its signature is expected for 2019). The Directorate-General for Interpretation, in collaboration with the Directorate-General for Human Resources and Security and the other domain leaders will continue actively working to implement the actions under its responsibility.

6. Audit on dissemination and exploitation of Horizon 2020 results in DGs CNECT, RTD and CSC, REA and ERCEA

The objective of the audit was to assess the design of the dissemination and exploitation framework by the Common Support Centre and its effective implementation by a sample of Horizon 2020 implementing bodies ([12]).

There are no observations/reservations in the 2017 annual activity reports of the directorates-general in the audit scope that relate to the area/process audited. The fieldwork was finalised on 7 December 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- the processes for the evaluation of proposals and the monitoring of the dissemination and exploitation aspects in Horizon 2020 projects are supported by common information-technology tools designed by the Common Support Centre;

- the Common Support Centre set up the dissemination and exploitation practitioner's platform for the first dissemination and exploitation strategy (2015-2017) to collect dissemination and exploitation specific guidance and good practices and the Dissemination and Exploitation Net to coordinate and execute the revised dissemination and exploitation strategy (2018-2020) and its action plan;

- central reporting on the mandatory key performance indicators for dissemination and exploitation via the Horizon 2020 dashboard.

The Internal Audit Service identified one issue on *monitoring compliance with the dissemination and exploitation contractual obligations and reporting requirements* and formulated the following very important recommendation:

The Common Support Centre should:

- enhance and adopt the vademecum on data and results for the dissemination and exploitation activities during and after project implementation;

- collaborate with the Horizon 2020 implementing bodies to raise awareness amongst the project officers (POs) on their responsibility to monitor the dissemination and exploitation obligations and reporting requirements;

- define an approach to follow-up the exploitation activities after the end of the project and include measures to encourage the beneficiaries to continue reporting on peer-reviewed publications and patents to the Commission after the end of the projects;

- clarify the possible actions available for breaches of dissemination and exploitation contractual obligations, including practical examples of those that could justify the use of one of the dissuasive measures (e.g. grant reduction).

Additional information provided by Directorate-General of RTD on the measures defined and/or implemented following the Internal Audit Service audit

The action plan has been submitted to the Internal Audit Service. The section of the Horizon 2020 Vademecum on Dissemination and Exploitation will be updated, together with the 'Research and Innovation family', to reflect the recommendations of the Internal Audit Service audit report. The guidance documents will also be updated

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[12] Directorate-General for Research and Innovation, Directorate-General for Communications Networks, Content and Technology, the Research Executive Agency and European Research Council Executive Agency.

to reflect the updated section of the vademecum. An approach for following up the exploitation activities after the end of the project will be defined and included in the updated vademecum and guidance documents.

Dedicated communication will be conducted for the project officers, clarifying the legal consequences and possible actions concerning the breaches of 'Dissemination and Exploitation' contractual obligations. The communication will describe the approach for following up exploitation activities after the end of the project and will refer to the updated vademecum and the guidance documents.

Beneficiaries are legally obliged to report on their publications and patents. The Common Implementation Centre will do targeted communication to beneficiaries for promoting the use of the continuous reporting after the end of their projects and remind them on the residual obligations of their grant agreement as described in the online Horizon 2020 manual.

The services will be supported by the updated sections of the Horizon 2020 vademecum on 'Dissemination and Exploitation' and the open access/visibility of EU funding. The obligations for open access, EU funding visibility, etc. will also be emphasised in the training and communication on 'Dissemination and Exploitation'.

7. Consolidated report on Horizon 2020 project management and ex ante control audits in DGs RTD, DG CNECT, REA, ERCEA, INEA and EASME

The objective of the series of audits on Horizon 2020 project management and *ex ante* controls was to assess whether the Commission (i.e. the Common Support Centre and the selected Horizon 2020 implementing bodies) has designed and implemented (i) an effective project management process (ensuring that projects are effectively implemented by the beneficiaries in line with the grant agreement) and (ii) effective *ex ante* controls on Horizon 2020 grant payments (contributing to the assurance concerning the legality, regularity and sound financial management of expenditure).

The Internal Audit Service auditors identified the following good practices and strengths, some of which could serve as a basis for strengthening the grant management and *ex ante* controls processes across the Horizon 2020 implementing bodies:

- *Common Support Centre:* the Common Support Centre has provided central information-technology systems to support various processes, including project monitoring, *ex ante* controls and amendments for the whole research family. This facilitates the exchange of key documents (e.g. deliverables, periodic reports, amendment requests) between the Commission and the grant beneficiaries and the tracking of deadlines, which contributes to the overall efficiency of the process;

- *Directorate-General for Communications Networks, Content and Technology, Executive Agency for Small and Medium-sized Enterprises:* the responsible officers record in the common information technology system COMPASS detailed comments, justifications and additional checks related to the approval process for project amendments;

- *Directorate-General for Communications Networks, Content and Technology, Research Executive Agency:* the Directorate-General for Communications Networks, Content and Technology and the Research Executive Agency have established internal networks of project officers to ensure a coherent approach and overall coordination of the grant management process. In addition, the Directorate-General for Communications Networks, Content and Technology has appointed a single point of contact to actively collect good practices and know-how from the project officers and also to discuss with the Common Support Centre issues relating in particular to guidance and IT functionalities;

- *Innovation and Networks Executive Agency*: The Innovation and Networks Executive Agency has developed a Risk Assessment Document to support the project management process. It is filled in for each project following the grant agreement preparation phase. It includes a description of several risk factors (e.g. the number of partners, different funding ratios used). Based on this document, the Innovation and Networks Executive Agency decides on the type and intensity of monitoring activities proportionate to the project risk level/complexity. The document is updated at key milestones (e.g. end of the reporting periods, at handovers to other project officers). This

enables the Agency to revise the initial risk level of the project and to adapt the monitoring strategy for the project accordingly.

The Internal Audit Service did not formulate any critical or very important recommendations.

8. Audit on Connecting Europe Facility telecom governance in DGs CNECT, DGT, DIGIT, EMPL, GROW, JUST and SANTE

The objective of the audit was to assess the adequacy of the design and the effectiveness of the implementation of the Commission's Connecting Europe Facility telecom governance arrangements within the Commission.

There are no observations/reservations in the 2017 annual activity reports of the directorates-general in the audit scope that relate to the area/process audited. The fieldwork was finalised on 20 December 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- with an unchanged level of resources, and in an increasingly complex context given the growing number of Digital Service Infrastructures and implementing directorates-general, Unit CNECT.D1 has satisfactorily managed the annual Work Programmes preparation process;

- the governance arrangements between the Directorate-General for Communications Networks, Content and Technology and the Innovation and Networks Executive Agency, mandated with the implementation of Connecting Europe Facility telecom grants, are well established. The current written agreements between both provide a sound framework for the supervision of the Innovation and Networks Executive Agency by the Directorate-General for Communications Networks, Content and Technology;

- in 2015, the Directorate-General for Communications Networks, Content and Technology commissioned a study that provided an extensive and comprehensive analysis of the long-term sustainability of the Digital Service Infrastructures (which is an important element in the Connecting Europe Facility regulation);

- in 2017, the Connecting Europe Facility telecom communication strategy was harmonised at programme level, defining a communication action plan with targets and milestones.

The Internal Audit Service identified one issue concerning the *Connecting Europe Facility telecom performance framework* and formulated the following very important recommendation:

The Directorate-General for Communications Networks, Content and Technology, in cooperation with the other directorates-general implementing the Connecting Europe Facility telecom programme, should improve the current performance framework of the programme and duly monitor its progress and the results. In addition, the Directorate-General for Communications Networks, Content and Technology should exercise an oversight role and coordinate with the other Connecting Europe Facility telecom implementing directorates-general, so that each Digital Service Infrastructures has (as much as possible) SMART ([13]) objectives and associated RACER ([14]) indicators for results as well as for annual outcomes.

> **Additional information provided by Directorate-General CNECT on the measures defined and/or implemented following the Internal Audit Service audit**
>
> To address the recommendations, the Directorate-General for Communications Networks, Content and Technology together with the Directorate-General for Justice and Consumers, the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, the Directorate-General for Health and Food Safety, the

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[13]   SMART: specific, measurable, achievable, realistic and timely
[14]   RACER: relevant, accepted, credible, easy and robust

Directorate-General for Employment, Social Affairs and Inclusion, the Directorate-General for Informatics and the Directorate-General for Translation, envisages several actions including for example the preparation of a monitoring guidebook aimed to revise and improve the overall performance framework both at topic and programme level, the strengthening of the current internal governance arrangements by clarifying the distribution of roles and responsibilities between the different actors and existing structures, and implementation of a financial monitoring tool of the budget flexibility. The Directorate-General for Communications Networks, Content and Technology plans to implement all the actions needed for the implementation of all recommendations of the Connecting Europe Facility audit by Q4 2020.

The Directorate-General for Employment, Social Affairs and Inclusion updated the mission statement and Unit Management Plan of Unit EMPL.F.5 and published it on the intranet; the job description of the Head of Unit EMPL.F.5 has also been updated. Finally, the Directorate-General for Employment, Social Affairs and Inclusion is in the process of defining Key Performance Indicators and related targets concerning Electronic Exchange of Social Security Information part funded by Connecting Europe Facility Telecom. The Memorandum of Understanding with the Directorate-General for Communications Networks, Content and Technology is under finalisation.

9. Audit on the effectiveness and efficiency of the new Early Detection and Exclusion System in protecting the EU financial interests in DGs BUDG, DEVCO, REGIO and RTD

The objective of the audit was to assess whether the Commission has designed and implemented an effective and efficient control system for the management of the Early Detection and Exclusion System (EDES) aimed at protecting the EU budget, in line with the legal provisions.

There are no observations/reservations in the 2017 annual activity report of the Directorates-General for Budget, for International Cooperation and Development, for Regional and Urban Policy and for Research and Innovation and that relate to the area/process audited. The fieldwork was finalised on 10 October 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- using good practice from the World Bank suspension and debarment system: before designing and implementing the Early Detection and Exclusion System for the European Institutions, the Directorate-General for Budget performed an analysis of the suspension and debarment system in place at the World Bank Group. This enabled the Directorate-General for Budget to factor in the lessons learnt when setting up the Early Detection and Exclusion System. The system's Panel is, to a certain extent, similar to the Office of Suspension and Debarment within the World Bank Group. Both bodies assess the evidence underpinning specific cases and issue recommendations concerning the sanctioning of the economic operator breaching the rules;

- composition of the Early Detection and Exclusion System Panel: a key component of the system is its Panel ([15]), which is composed of an independent Chair, a Vice-Chair, two permanent members who are senior Commission officials, and the Authorising Officer responsible (AOR) representing the directorate-general bringing the case to the Panel. Subject to the approval of the Chair, observers may be present as well. The Commission was able to attract high-level individuals as Chair and Vice-Chair. Together with the internal standing members, this ensures that the Panel has the necessary expertise and experience to carry out its tasks effectively;

- integration of automatic Early Detection and Exclusion System checks into the Directorate-General for Research and Innovation IT system for grant management: the Directorate-General for Research and Innovation has integrated controls into the electronic workflow and grant management system COMPASS/SYGMA to check whether an economic operator receiving funds from Horizon 2020 programmes is registered for early detection or exclusion in the Early Detection and Exclusion System. The Directorate-General for Research and Innovation system automatically

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[15] The Panel assesses requests and issues recommendations for exclusion and financial penalty for cases referred to it by the Commission or other Institutions and bodies.

consults the Early Detection and Exclusion System database at several stages of the grant management process and therefore helps to provide an efficient and effective control during the workflow, mitigating the risk that an economic operator that represents a threat to the EU Budget may receive financial support from EU programmes.

The Internal Audit Service identified two issues concerning *guidelines and awareness raising* and concerning *applying EDES in practice* and formulated the following very important recommendations:

The absence of corporate guidelines and lack of awareness at operational level

At the corporate level, the Directorate-General for Budget should issue corporate guidelines, in addition to running training sessions, for the Early Detection and Exclusion System process to ensure a more harmonised process and to ensure that it is used as widely and frequently as possible across the Commission. These guidelines and training sessions should be regularly revised to reflect the development of the process. The guidance and awareness raising should also focus on the particularities of the Early Detection and Exclusion System process in indirect and shared management, both from the Commission's and external stakeholders' point of view.

At the local level, operational directorates-general should continue their effort to raise awareness about the Early Detection and Exclusion System process in general, including the specific requirements that apply to indirect and shared management, and remind staff of their obligation to use it. Furthermore, directorates-general should integrate Early Detection and Exclusion System related activities (such as awareness raising and training) into their Anti-Fraud Strategy.

The application of EDES in practice

The directorates-general should consider including steps in their internal control systems to cover the Early Detection and Exclusion System registration procedure (both exclusion and early detection). The directorates-general should finalise on a timely basis the assessment of their pending European Anti-Fraud Office cases and decide on the need to launch an Early Detection and Exclusion System exclusion procedure. In turn, the Directorate-General for Budget should, in cooperation with other central services (the Legal Service, the Secretariat-General and the European Anti-Fraud Office), actively monitor that directorates-general perform an adequate follow-up of the European Anti-Fraud Office cases and, where necessary, remind directorates-general of their responsibility to take prompt action.

To assess the benefit of consulting the Irregularities Management System (IMS), the Directorate-General for Budget should clarify, following consultation with concerned directorates-general, the practical design of the checks in the Irregularities Management System and how and to what extent they should be performed, bearing in mind the cost-effectiveness and efficiency of using the information contained in the Irregularities Management System.

The Directorate-General for Budget, together with the European Structural and Investment Funds directorates-general, should assess the cost and benefits of opening up ARACHNE for use in direct management and of implementing an exchange of information from the Early Detection and Exclusion System to ARACHNE on the publicly listed excluded entities. Finally, the Directorate-General for Budget should analyse the access logs of the Early Detection and Exclusion System database of the Member States' authorities and share the results with the directorates-general in shared management in order to better target awareness raising efforts.

Additional information provided by Directorates-General BUDG, DEVCO, REGIO and RTD on the measures defined and/or implemented following the Internal Audit Service audit

The final audit report was published on 25 January 2019. In February 2019, the Directorate-General for Budget has agreed with the Internal Audit Service an action plan to implement the related recommendations. In particular, the Directorate-General for Budget has finalised the corporate guide based on the Early Detection and Exclusion System and updated it to the new Financial Regulation. A Communication Plan endorsed by the Corporate Management Board in March 2019 is implemented by the Directorate-General for Budget in order to increase awareness. Moreover, the possible use of ARACHNE will be considered but is conditioned by a cost/benefit analysis, the availability of related budget appropriations, and the need to

respect fundamental rights. Increasing cooperation with the European Anti-Fraud Office is under way at directors' level and the follow-up of its reports is already addressed at the Corporate Management Board level, while particular attention is devoted to the follow-up of the Office's financial recommendations. Finally, the length of the Panel procedure is monitored under its new Rules of Procedure.

The Directorate-General for International Cooperation and Development services proposed an action plan to address the recommendations, which has been accepted by the Internal Audit Service. To improve guidelines on the Early Detection and Exclusion System, the Directorate-General for International Cooperation and Development Companion has updated chapter 13 on 28 May 2019 and will include guidance on the requirements of the system in indirect management in the future manual for the Contribution Agreement by the end of 2019. The Directorate-General for International Cooperation and Development will develop an awareness raising campaign in coordination with the Directorate-General for Budget, revise its existing training materials which provide information on the Early Detection and Exclusion System and conduct trainings for relevant staff. The Directorate-General for International Cooperation and Development will update its Anti-Fraud Strategy on the basis of the Commission's Anti-Fraud Strategy revision in 2019. In parallel with the strategy revision, the Directorate-General for International Cooperation and Development will update its internal procedures related to fraud and relations with the European Anti-Fraud Office. The Directorate-General for International Cooperation and Development will also review its internal control systems and include steps to cover the Early Detection and Exclusion System registration procedure (covering both, exclusion and early detection).

The recommendation has been accepted by the Directorate-General for Regional and Urban Policy and consequently an action plan has been submitted in February 2019 to the Internal Audit Service, without prejudice to the fact that in shared management transmission of information by Member States would require sector-specific rules. The Internal Audit Service has concluded that the action plan of the Directorate-General for Regional and Urban Policy is deemed to be satisfactory to mitigate the risks identified.

Concerning the Directorate-General for Research and Innovation, the final audit report was issued on 25 January 2019. The action plan has been prepared and takes into account all the points of the recommendations.

10. Audit on Intellectual Property Rights supporting activities in DGs COMM, DIGIT, GROW, JRC and OP

The objective of the audit was to assess the adequacy of the design and the efficiency and effectiveness of the governance, risk management and control processes put in place by the Commission to manage intellectual property rights (IPR).

There are no observations/reservations in the 2017 annual activity reports of the audited directorates-general that relate to the area/process audited. The fieldwork was finalised in November 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- the Central IP Service of the Commission (created in Joint Research Centre) is staffed with a competent team composed of specialists in the field of Intellectual Property Rights;

- the enhanced coordination between certain IP-intensive directorates-general (such as the Directorate-General for Communication and the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs) with the Central IP Service;

- the creation of an informative and updated webpage on the intranet site of the Commission (My Intracomm) where staff members of the Commission can obtain relevant information related to IP management;

- the Central IP Service offers numerous Intellectual Property Rights related training courses, which are open to all staff of the Commission. The courses are provided by specialised personnel and focus on specific issues such as procurement or social media.

The Internal Audit Service identified two issues concerning *corporate IPR management at the Commission* and the *corporate software policy* and formulated the following very important recommendations:

Corporate IPR management at the Commission

Joint Research Centre should: a) finalise the development of the dynamic IP inventory (to ensure that all the Commission directorates-general are able to continuously identify, classify and monitor Intellectual Property Rights protected intangible assets), b) follow-up with directorates-general and services on their obligation to identify and communicate the IP assets acquired/developed and c) develop clear guidelines to include initial assessment criteria to enable a consistent evaluation of IP assets to be made by the Central IP Service and the Intellectual Property Rights Correspondents.

Moreover, the Joint Research Centre should develop corporate risk management guidance for Intellectual Property Rights protected assets and ensure its dissemination and application by the Intellectual Property Rights Correspondents of the various directorates-general/services.

Finally, in the process of updating Communication SEC(2001)1397 ([16]), Joint Research Centre should discuss with the Secretariat-General and the Legal Service the cost-effectiveness of the existing decision making process when licensing or registering IP assets with a view to simplifying it. The IP delegation should be amended based on the outcome of this discussion.

Software and IT solutions

The Directorate-General for Informatics should update the 'General Terms and Conditions for Information Technology Contracts'. In addition, The Directorate-General for Informatics and the Joint Research Centre should jointly develop a software policy for the Commission to regulate the dissemination of software owned by the Commission.

Additional information provided by Directorates-General DIGIT and JRC on the measures defined and/or implemented following the Internal Audit Service audit

On the intellectual property rights management, the Internal Audit Service recommended to the Joint Research Centre the completion of a dynamic Intellectual Property inventory which now stands at more than 50% completion (EURECA). The existing vademecum on intellectual property rights provides a scheme for intellectual property rights management, it will be replaced by a more dynamic tool, to incorporate various aspects of intellectual property rights assets. The Internal Audit Service also requested that the Joint Research Centre seek simplification of the decision-making process when licencing out or registering the intellectual property rights assets; during 2018 the Joint Research Centre already initiated the appropriate discussions with other directorates-general in this respect. On the intellectual property rights software and information technology solutions, the Joint Research Centre together with the Directorate-General for Informatics will elaborate appropriate guidelines for establishing a Commission policy for regulating the dissemination of EU-owned software. A complete action plan has been submitted and accepted by the Audit Service.

As the Directorate-General for Informatics actions are closely related, the action plan submitted to the Internal Audit Service takes full account of the actions and implementation dates foreseen by the Joint Research Centre. As the first steps of implementation being planned for mid/end 2019, related risks are thus expected to decrease accordingly.

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[16]   Octroi de Pouvoirs Délégués dans le Domaine de la Propriété Intellectuelle, SEC(2001)1397.

Agriculture, natural resources and health

1. Limited review of the adjustment of the reported error rate by DG AGRI and the calculation of the amounts at risk at payment

The objective of this limited review was to assess the adjustment made by the Directorate-General for Agriculture and Rural Development to the error rates reported by Member States, the calculation of the amounts at risk at payment and the adequacy of the directorates-general own guidance.

In his 2016 annual activity report, the Director General of the Directorate-General for Agriculture and Rural Development qualified his declaration of assurance on the use of resources (implementation of the Common Agricultural Policy expenditure) by formulating three reservations: (1) for expenditure related to Market Measures, (2) for Direct Payments and (3) for Rural Development. The fieldwork was finalised on 2 February 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- following previous recommendations from the Internal Audit Service ([17]), the Directorate-General for Agriculture and Rural Development developed methodological guidance for adjusting the error rates in line with the requirements of the central services. The Internal Audit Service also acknowledges that starting with financial year 2016, the majority ([18]) of the control statistics/data are exclusively transmitted by the Member States to the Directorate-General for Agriculture and Rural Development via 'Statel/eDamis' ([19]). This has improved the Directorate-General's efficiency in analysing and treating the data;

- the Internal Audit Service notes that the Certification Bodies reports on year N become available only as of mid-February of year N+1 and their assessment is finalised in late March, while the annual activity report has to be finalised by 25 April ([20]). Given these time constraints, the Internal Audit Service recognises the efforts and commitment shown by the Directorate-General for Agriculture and Rural Development staff to assess all the information available which might require adjustments to be made to the error rates;

- the Directorate-General for Agriculture and Rural Development has well-established planning and coordination arrangements in place to support the adjustment process. For the 2016 annual activity report exercise, directorate AGRI-H 'Assurance and Audit' (H.1) set out internal milestones for the different steps and deliverables, which helped to ensure the timely completion of both the error rate adjustment process and the drafting of the relevant parts of the annual activity report. The Internal Audit Service also acknowledges that the operational units were actively involved in this process and, where relevant, contributed to the assessment by providing updates on the latest state of play as regards Partnership Agreements (PAs) action plans;

- a good practice was noted as regards the comprehensive way Unit AGRI.H.4 'Assurance and audit - Rural Development' documented its assessment of the applied adjustments.

The Internal Audit Service did not formulate any critical or very important recommendations.

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[17]   Final Report on the Limited Review of the Calculation and the Underlying Methodology of the Directorate-General for Agriculture and Rural Development Residual Error Rates for the 2012 Reporting Year of 26 March 2013.

[18]   Since 2014, first the direct payments and then gradually most of the remaining schemes' statistics were transmitted via 'Statel/eDamis'. As of 2016, 'Statel/eDamis' is used for ABB03 - European Agricultural and Guarantee Fund – direct payments (except cross-compliance) and ABB04 – EAFRD (except *ex post* controls). Market measures statistics are still transmitted via ISAMM.

[19]   Electronic channel for automated transmission of control data/statistics.

[20]   Instructions for the 2016 annual activity reports of 21 November 2016.

2. Audit on the implementation of payments and corrections in DG AGRI (shared management)

The objective of the audit was to assess whether the Directorate-General for Agriculture and Rural Development internal controls and procedures are effective in ensuring the correct execution of European Agricultural and Guarantee Fund (EAGF) payments to Member States, notably in respect of applicable regulatory ceilings and payments deadlines and the correct implementation of reductions and suspensions and financial corrections, including instalments and deferrals.

The fieldwork was finalised on 24 October 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the Directorate-General for Agriculture and Rural Development efforts to design, set up and operate a comprehensive system to control and manage the implementation of European Agricultural and Guarantee Fund payments and corrections, in particular in view of the complex legal framework governing this element of the Common Agricultural Policy. The auditors also acknowledge the efforts of the directorate-general to maintain relevant job descriptions and up-to-date back-up arrangements.

The Internal Audit Service did not formulate any critical or very important recommendations.

3. Audit on the management of Instrument of Pre-Accession for Rural Development II in DG AGRI

The objective of this audit was to assess whether the Directorate-General for Agriculture and Rural Development has put in place efficient and effective governance, risk management and internal control processes for implementing the Instrument of Pre-Accession for Rural Development II budget.

The aim of these controls is to ensure that financial assistance to beneficiary countries is implemented on time, in a legal and regular way and delivers on the objectives stipulated in the programmes and in the Instrument of Pre-Accession for Rural Development II legal bases.

No reservations regarding the management of Pre-Accession for Rural Development II were made in the 2017 annual activity report of the Directorate-General for Agriculture and Rural Development. The fieldwork was finalised on 23 November 2018. All recommendations relate to the situation as of that date.

The auditors found that the Directorate-General for Agriculture and Rural Development has established knowledgeable and committed teams to work on Pre-Accession for Rural Development II in both the operational unit (pre-accession assistance unit) and in the pre-accession team (assurance and financial audit unit).

The Internal Audit Service did not formulate any critical or very important recommendations.

4. Audit on the evaluation process in DG AGRI

The objective of the engagement was to assess the design and implementation of the controls put in place by the Directorate-General for Agriculture and Rural Development to ensure an effective management of the evaluation process.

The Internal Audit Service noted that the controls put in place by the Directorate-General for Agriculture and Rural Development for the evaluation process were effectively designed and implemented at the time of the audit.

The Internal Audit Service did not formulate any critical or very important recommendations. Given the positive outcome of the audit, no formal audit report, as envisaged in the Mutual Expectations Paper, was issued, but the results of the audit were communicated to the auditee in a closing note.

5. Audit on closure of the 2007-2013 European Fisheries Fund Operational Programmes in DG MARE

The objective of the audit was to assess the design and implementation of the controls put in place by the Directorate-General for Maritime Affairs and Fisheries to ensure the effective closure of the 2007-2013 European Fisheries Fund Operational Programmes.

The Internal Audit Service noted that the Directorate-General for Maritime Affairs and Fisheries' strategy for the closure of the 2007-2013 European Fisheries Fund Operational Programmes was effectively designed and implemented.

The Internal Audit Service did not formulate any critical or very important recommendations. Given the positive outcome of the audit, no formal audit report, as envisaged in the Mutual Expectations Paper, was issued but the results of the audit were communicated to the auditee in a closing note.

6. Audit on TRACES in DG SANTE

The objective of the audit was to assess whether the TRAde Control and Expert System (TRACES) is adequately managed to provide and maintain over time, a reliable and efficient service supporting official controls and trade operations.

There were no observations/reservations in the 2017 annual activity report of the Directorate-General for Health and Food Safety that relate to the area audited. The fieldwork was finalised at the beginning of January 2018. All recommendations relate to the situation as of that date.

The auditors recognise the ongoing efforts made by the Directorate-General for Health and Food Safety to provide through TRACES a reliable and efficient service to support official controls and trade operations. In particular, the audit highlighted the following strengths:

- the information technology activities in the Directorate-General for Health and Food Safety are supported by a quality assurance and security team staffed by experts in the field, responsible for security assurance and performance test activities of new versions of software, risk assessments and security plans of IT systems. The team was reinforced with a team leader in September 2017;

- the Directorate-General for Health and Food Safety has launched the digitisation of the certificates workflow in the border clearance process for TRACES. The objective is for the digital document to become the original document and for there to be full paperless workflow. This Directorate-General has started pilot projects with non-EU countries for the use of an electronic signature in TRACES;

- the development team for TRACES projects works under Agile@EC, a set of project methods for incremental and iterative software development, adapted for business environments with changing priorities. For each development iteration since March 2016, Directorate-General for Health and Food Safety has produced a progress report before and after each software integration. It also formalised an iteration plan in March 2017, which describes how to plan, manage and execute TRACES iterative developments;

- the team of Directorate-General for Health and Food Safety working on TRACES comprises competent and committed colleagues with experience of managing situations of extreme pressure and which require extensive coordination with other stakeholders.

The Internal Audit Service identified two issues concerning *IT governance* and *TRACES security* and formulated the following very important recommendations:

IT governance

To strengthen the information-technology governance structure, the Directorate-General for Health and Food Safety should:

- for each area of responsibility of the Directorate-General for Health and Food Safety – the 'Health' and the 'Food safety' pillars – organise regular meetings chaired by the respective competent Deputy Director-General or the Director-General on the definition, execution and prioritisation of information-technology activities;
- set up an 'information system steering committee (TRACES steering committee)' chaired by the Directorate-General for Health and Food Safety and involving all directorates-general using TRACES, as well as 'information-technology project steering committees' for each of the various TRACES projects per business domain;
- update and align the working arrangements with the participating directorates-general in TRACES and, in conjunction with these directorates-general, consider developing a model for TRACES cost sharing
- together with the participating directorates-general, the Directorate-General for Health and Food Safety should ensure that GovIS2 accurately reflects the ownership, modules, operations, projects and budget related to TRACES.

TRACES security

In order to strengthen TRACES security, the Directorate-General for Health and Food Safety should:

- perform an information security risk assessment and, in the event of high security risks, implement cost-effective mitigating measures;
- assess the feasibility of secure hosting for TRACES;
- improve controls related to the confidentiality and integrity of the information, such as access control and authentication, data masking and manual changes in the production environment;
- finalise and implement those procedures required to conform with the Commission's security standards, notably in relation to the information-technology security plan, to the development of a policy for logging and monitoring for TRACES based on business needs, as well as to vulnerability assessment and performance testing;
- ensure that the Local Information Security Officer reports periodically on information-technology security matters to the Directorate-General for Health and Food Safety's senior management and that he is involved on TRACES information-technology security-related advisory and monitoring activities.

Additional information provided by Directorate-General SANTE on the measures defined and/or implemented following the Internal Audit Service audit

The Directorate-General for Health and Food Safety accepted all recommendations and produced an action plan. Several actions are already on-going with deadlines in late 2019 or 2020 [21].

Concerning recommendation 1 on information technology governance, the Directorate-General for Health and Food Safety started implementing this recommendation on TRAde Control and Expert System governance; work is on-going as regards TRAde Control and Expert System steering committee and project steering committees. In addition, as regards food and feed safety, the Directorate-General for Health and Food Safety has set up a Working Group with the Member States to work on an implementing act on the functioning of the information management system for official controls [22]; this Working Group is actually the primary governance body for the certification implementation in TRAde Control and Expert System. With regard to information technology governance in general, the Directorate-General for Health and Food Safety's policy pillar meetings, chaired by the Director-General, started to include more general and specific steer on information technology matters.

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[21]   Full implementation of the action plan of the Directorate-General for Health and Food Safety depends on the application of the new control regulation (Regulation (EU) 2017/625) on 14 December 2019. By this date the use of TRACES will be officially covered by an active legal base and its usage will be mandatory for the business process supported by the Directorate-General for Health and Food Safety.

[22]   IMSOC: information management system for official controls; Article 134 of Regulation (EU) 2017/625 on official controls

The Directorate-General for Health and Food Safety has taken actions without delay also on recommendation 2 on information technology security: the weaknesses identified by the Internal Audit Service are addressed mainly by developing an 'Access Control and Authentication Management Plan' and a 'logging and monitoring policy document'; it is also reinforcing its code review procedure and seeing to the full implementation of the existing information technology security plan. The procedure of vulnerability assessment and performance testing, as applied since a few years, was formalised in late 2018.

7. Audit on monitoring and enforcement of EU health law in DG SANTE

The objective of the audit was to assess whether the Directorate-General for Health and Food Safety has put in place internal control systems that ensure the effective and efficient monitoring and enforcement of EU health law.

There are no reservations in the 2017 annual activity report of this Directorate-General that relate to the area/process audited. The fieldwork was finalised on 2 October 2018. All recommendations relate to the situation as of that date.

The auditors recognise the ongoing efforts made by this Directorate-General regarding the enforcement of EU health law and identified the following strength in particular:

The Directorate-General for Health and Food Safety performs a six-monthly internal 'coherence' exercise. This consists of an internal review covering infringements registered in NIF [23], EU Pilot cases and complaints registered in CHAP [24]. This exercise is used to prepare its six-monthly prioritisation of the cases and facilitates supervision by senior management as well as political oversight on alleged breaches of EU law.

The Internal Audit Service did not formulate any critical or very important recommendations.

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[23]   NIF is the corporate EU law infringements database.
[24]   CHAP is the corporate database for 'Complaints Handling – Accueil des Plaignants'.

Cohesion

1. Audit on the evaluation process in DG EMPL and DG REGIO

The objective of the audit was to assess if Directorates-General for Employment, Social Affairs and Inclusion and for Regional and Urban Policy effectively plan, design, conduct, report and follow-up on evaluations in accordance with the legal framework and Better Regulation requirements, and if they provide adequate methodological support to the evaluation activities by the Member States and make proper use of their results.

There are no observations/reservations in the 2017 annual activity reports of Directorates-General for Employment, Social Affairs and Inclusion and for Regional and Urban Policy that relate to the area/process audited. The fieldwork was finalised on 4 July 2018. All recommendations relate to the situation as of that date.

The auditors recognised the ongoing efforts made by the Directorates-General for Employment, Social Affairs and Inclusion and for Regional and Urban Policy to continuously improve the evaluation process and strengthen the evaluation capacity in the Member States. More specifically, the audit highlighted the following strengths:

- the directorates-general provide regular methodological guidance and support to the Member States on monitoring and evaluation;

- in order to strengthen capacity building in the Member States, the directorates-general jointly set-up an Evaluation Helpdesk, which provides methodological support, training and advice to the Member States in the areas of monitoring and evaluation. In addition, it supports the directorates-general in summarising the findings of the evaluations carried out by the Member States, which underpin the their various reports (e.g. Summary Report, Strategic Report, Annual Activity Report, Annual Management and Performance Report, and Cohesion Report). Furthermore, it supports the directorates-general in performing an in-depth review of the Member States' evaluation plans and carries out evaluation peer reviews;

- the directorates-general closely cooperate and coordinate their approaches regarding monitoring and evaluation systems (e.g. common guidance, consultation on each other's evaluation strategies, joint analysis of the evaluation results for the multi-fund Operational Programmes, collaboration on the directorates-general *ex post* evaluations).

- the Directorate-General for Regional and Urban Policy has followed up on the *ex post* evaluation 2007-2013 by creating a comprehensive action plan including outstanding actions to be completed which was approved by the Board of Directors;

- the Joint Research Centre in collaboration with the directorates-general provides – through its Centre for Research and Impact Evaluations (CRIE) – methodological support to the Member States in carrying out counterfactual impact evaluations;

- communication of *ex post* evaluation results (e.g. dedicated communication package covering visual communication methods on *ex post* evaluation results, public consultation, evaluation conference);

- the directorates-general are strongly engaged with all stakeholders including beneficiaries and scientific experts.

The Internal Audit Service did not formulate any critical or very important recommendations.

2. Review of the annual assurance packages by DGs EMPL, MARE and REGIO

The objective of the audit was to assess whether the review of the annual assurance packages (APs) by Directorates-General for Employment, Social Affairs and Inclusion and, for Maritime Affairs and Fisheries and for Regional and Urban Policy is effective in supporting the declaration of assurance by the Directors-General in their annual activity reports and is performed in a timely manner.

The Directorate-General for Regional and Urban Policy and the Directorate-General for Employment, Social Affairs and Inclusion and made the following reservations in their 2017 annual activity reports concerning the area/process under the scope of this audit engagement:

The Directorate-General for Regional and Urban Policy: concerning deficiencies in the management and control systems for the 2014-2020 programming period (PP) in nine Member States and one European territorial cooperation programme;

The Directorate-General for Employment, Social Affairs and Inclusion: concerning deficiencies in the management and control systems for the 2014-2020 programming period in six Member States.

The Directorate-General for Maritime Affairs and Fisheries did not include any reservation in its 2017 annual activity report regarding the 2014-2020 programming period (PP) or the area/process audited. The fieldwork of this audit was finalised on 27 July 2018, except for the follow-up work on the compliance audit missions, which was finalised on 18 September 2018. All recommendations relate to the situation as of those dates.

The Internal Audit Service acknowledges the efforts made by Directorates-General or Employment, Social Affairs and Inclusion, for Maritime Affairs and Fisheries and for Regional and Urban Policy to improve and further develop the process for the review of the assurance packages. The audit highlighted the following strengths:

- Reinforced accountability, control and assurance framework for the 2014-2020 programming period: the 2014-2020 programming period introduces the following major changes to the accountability provisions and the management and control systems (at Member State – Commission levels) compared to the previous programming period, which, from a design point of view, strengthen the accountability, control and assurance framework:

  - ✓ a twelve-month (i.e. annual) accounting period running from 1 July to 30 June;

  - ✓ a retention of 10% from each EU interim payment to protect the EU budget from legality and regularity issues, with reimbursement/recovery of the annual balance only due following the acceptance of the accounts by the Commission;

  - ✓ The Member States submitting to the Commission an annual assurance package containing five documents. Three of these documents are key elements for the Commission's assurance building process: (1) certified accounts for expenditure declared to the Commission in relation to the accounting period, (2) an annual control report prepared by the Audit Authority which discloses a residual error rate after the Audit Authority's verification of the financial corrections implemented by the Member States in the certified accounts, and (3) an audit opinion prepared by the authority on the accuracy of the accounts, the effective functioning of the system and the legality and regularity of the underlying transactions;

  - ✓ the obligatory application of net financial corrections where the Commission or the European Court of Auditors detect irregularities demonstrating serious system deficiencies, unless the Member States already identified these irregularities in the assurance documents or other national audit reports submitted to the Commission or has taken remedial corrective measures by the time of detection by EU audits.

- Common/consistent approach for the review of the assurance packages: as stated in a previous Internal Audit Service audit report, the directorates-general have set up several mechanisms to improve consistency, increase synergies and use their available competences and expertise in an efficient manner. These mechanisms include, amongst others, the initiative of the Directorates-General for Employment, Social Affairs and Inclusion and for or Regional and Urban Policy to share and pool audit resources and activities for the 2014-2020 programming period and increased coordination between the three directorates-general through a network of auditors (i.e. 'auditNET'). In particular, concerning the review of the directorates-general assurance packages, the three directorates-general have jointly developed:

✓ In May 2016, a common outline of the internal processes (including template letters and checklists) for the desk review of the assurance packages for the acceptance of accounts and the examination of legality and regularity aspects;

✓ In May 2017, a common methodology (i.e. Enquiry Planning Memorandum – EPM) for carrying out on the spot work on the assurance packages with two major risk based audit activities: (1) fact-finding missions and (2) compliance audits.

While there are certain differences between the three directorates-general in the practical implementation of the desk review process of the assurance packages (e.g. timing of the review), they are taking a consistent overall approach for both control activities (i.e. desk review and on the spot audit work) that support their review of the assurance packages.

- Continuous support to the Audit Authorities as acknowledged by the Internal Audit Service in a previous audit report, the directorates-general have put in place mature arrangements with the Audit Authorities to help them be better prepared to exercise their reinforced role in the 2014-2020 programming period. These include two main mechanisms, namely: (1) guidance documents and (2) regular meetings including at least two technical group meetings per year, bilateral annual coordination meetings with the Audit Authority of each Member States and the annual 'Homologues' Group meeting. In the early stages of the 2014-2020 programming period, the directorates-general focussed their support to the Member States on setting up their management and control systems and the designation process, while now the focus has naturally shifted to supporting the Member States to prepare the assurance packages adequately.

The Internal Audit Service did not formulate any critical or very important recommendations.

Research, energy and transport

1. Audit on ex ante controls on Horizon 2020 grant payments in DG CNECT

The objective of the audit was to assess the effectiveness of the *ex ante* controls on Horizon 2020 grant payments in the Directorate-General for Communications Networks, Content and Technology and their contribution to the overall assurance on the legality, regularity and sound financial management of the expenditure.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for Communications Networks, Content and Technology that relate to the area/process audited. The fieldwork was finalised on 18 April 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service acknowledges the ongoing efforts made by the Directorate-General for Communications Networks, Content and Technology to ensure the effective implementation of *ex ante* controls on Horizon 2020 grant payments. In particular, the Internal Audit Service highlights the following strengths:

- strong control environment: the strong control environment in the Directorate-General for Communications Networks, Content and Technology, including systematic reviews of the periodic reports by independent experts, is a solid basis on which the effective implementation of *ex ante* controls on Horizon 2020 grant payments is based;

- Operational Sector and Administrative and Financial Units (OS-AFU) Network: the agenda of the bimonthly meetings of the network systematically includes a point on Horizon 2020, to discuss in particular the grant payments process and to ensure that there is a coherent approach and overall coordination of the process.

The Internal Audit Service did not formulate any critical or very important recommendations.

2. Audit on legacy programmes in DG ENER – management of final payments and closure

The objective of the audit was to assess the compliance of the Directorate-General for Energy final payment (including implementation of *ex post* audit results) and closure processes for legacy programmes with the relevant rules and procedures.

The 2016 annual activity report of the Directorate-General for Energy included a reservation specifically on the area/process under the scope of this audit engagement. In particular, for the Seventh Framework Programme (FP7), the Directorate-General for Energy estimated a 'residual error rate' of 3.68%, which remains persistently above the 2% materiality threshold, and therefore maintained a reservation in line with similar reservations expressed by the other directorates-general of the research family. The fieldwork was finalised on 18 July 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the ongoing efforts made by the Directorate-General for Energy in ensuring the effective and timely processing of final payments and the closure of the legacy programmes with reduced staff numbers. The audit highlighted the following strengths:

- the Directorate-General for Energy has an effective *ex post* control function for the European Energy Programme for Recovery and Trans-European Networks for Energy programmes which ensures coverage of 100% of projects and beneficiaries;

- the Directorate-General for Energy has a well-established system for monitoring and reporting on the financial aspects of the implementation of the legacy programmes, which covers the most important areas such as invoice ageing, de-commitments, closed and terminated projects with 'reste à liquider'/outstanding commitments.

The Internal Audit Service did not formulate any critical or very important recommendations.

3. Audit on H2020 grant management (phase II) in ERCEA

The objective of the audit was to assess the effectiveness of the internal control system in place in the European Research Council Executive Agency to ensure the legality, regularity and sound financial management of Horizon 2020 grant payments and amendments.

There are no observations/reservations in the 2017 annual activity report of the European Research Council Executive Agency relating to the area/process audited. The fieldwork was finalised on 25 September 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service did not formulate any critical or very important recommendations.

4. Audit on grants management phase II: project management and payments for H2020 in INEA

The objective of the audit was to assess whether the Innovation and Networks Executive Agency has put in place:

a) an effective project management process to ensure that beneficiaries implement the Horizon 2020 projects that have been funded in line with the grant agreement; and

b) effective *ex ante* controls on Horizon 2020 grant payments (including Anti-Fraud checks and corrective mechanisms) to provide its Authorising Officer by Delegation with reasonable assurance on the sound financial management of Horizon 2020 and the legality and regularity of the underlying transactions.

There are no observations/reservations in the 2017 annual activity report of the Innovation and Networks Executive Agency that relate to the area/process audited. The fieldwork was finalised on 22 October 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- to aid the project management process, the Innovation and Networks Executive Agency has developed a risk assessment document which is filled in per project after the grant agreement preparation phase that includes a description of several risk factors (e.g. the number of partners, different funding ratios used). Based on this document, the Innovation and Networks Executive Agency decides on the type and intensity of monitoring activities proportionate to the project risk level/complexity. The document is updated at the key milestones (e.g. end of the reporting periods, at handovers to other Project Officers). This enables the Agency to revise the initial risk level of the project and to adapt the monitoring strategy for the project accordingly;

- the Innovation and Networks Executive Agency has developed a detailed checklist for *ex ante* controls that includes the main aspects not covered by the information-technology tools (Compass, Sygma) but which need to be verified by the Project Manager and the Financial Officer. It includes specific checks on the Certificate of Financial Statement, costs related to subcontracting or third parties, other direct costs, etc.

The Internal Audit Service did not formulate any critical or very important recommendations.

5. Audit on nuclear decommissioning and waste management programme implementation in JRC

The objective of the audit was to assess whether Joint Research Centre has set up adequate and effective management and control systems to implement the nuclear decommissioning and waste management programme.

There are no observations/reservations in the 2017 annual activity report of Joint Research Centre that relate to the area/process audited. The fieldwork was finalised on 13 November 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- the creation of a special Nuclear Decommissioning Department (G.III) and the centralisation of all Joint Research Centre nuclear Units in Directorate G (as part of the Joint Research Centre reorganisation in 2016);

- the involvement of Joint Research Centre senior management to manage long-pending strategic issues. Furthermore, discussions at directorate-general level and in the High Level Steering Committee helped to better cope with licensing and stakeholder management issues and to get a better insight, on the future development of the programme;

- the recent positive results in managing the Italian liabilities;

- the high level of professionalism and dedication of decommissioning staff and the demonstrated ability to cope with the short-term impact of long-term limitations on the implementation of the programme;

- the participation of the nuclear decommissioning Unit in the technical advisory group of the Organisation for Economic Co-operation and Development operative programme in nuclear decommissioning. This enables establishing contacts, sharing practical experiences and exchanging costs/failures that can help in managing difficulties encountered with the decommissioning and waste management programme.

Concerning the public procurement process:

- the increasing use of direct contracts with specific deliverables rather than quoted times and means contracts under a framework contract;

- the attempt to limit using expensive intra muros contractors permanently;

- the training of decommissioning staff on how to use correctly framework contracts.

The Internal Audit Service identified one issue concerning *HR management* and formulated the following very important recommendation:

Joint Research Centre should adequately staff the sites where decommissioning and waste management programme related activities are performed. Staff should have the relevant expertise and operational staff managing decommissioning procurement procedures and contracts should get adequate support from specialists.

Additional information provided by Joint Research Centre on the measures defined and/or implemented following the Internal Audit Service audit

The Joint Research Centre is reviewing existing competences and will elaborate a Human Resources plan in the field of decommissioning and waste management, for addressing the Internal Audit Service recommendations. The Joint Research Centre action plan was approved by the Internal Audit Service. More specifically, the Joint Research Centre sets out mitigating measures in the short and long run. In the short run, a thorough analysis-assessment of scenarios for all four relevant Joint Research Centre's sites is scheduled for end 2019, in the long term the appropriate timetable and strategy for the acquisition of missing staff/competences will be defined. Functions and competences of existing staff will be complemented by adequate training.

6. Audit on HR management – recruitment of temporary scientific staff in Joint Research Centre

The objective of the audit was to assess whether the management and control system set up by Joint Research Centre for the timely identification of the competences needed to achieve the objectives of the

directorate-general and the recruitment of temporary scientific staff that match those needs is adequately designed, compliant with the applicable rules and effectively implemented.

There are no observations/reservations in the 2017 annual activity report of Joint Research Centre that relate to the area/process audited. The fieldwork was finalised on 29 November 2018. All recommendations relate to the situation analysed as of that date.

Joint Research Centre has shown the strong will to invest into the development of its staff (including scientific staff) as a means to fulfil its future policy objectives. In its Strategy 2030, Joint Research Centre clearly states how recruitment, development and care of staff are central for the achievement of its strategic objectives.

The Internal Audit Service identified two issues concerning the *recruitment strategy* and the *monitoring of the recruitment process* and formulated the following very important recommendations:

Recruitment strategy

Joint Research Centre should complete the ongoing competency mapping at individual staff member level, carry out the subsequent gap analysis and develop subsequent consolidated human-resource recruitment plans.

Monitoring the recruitment process

Joint Research Centre should revise the existing indicators used for monitoring recruitment by setting specific targets for each indicator, periodically re-assessing those targets and ensuring that indicators provide meaningful information on the entire process. Joint Research Centre should also define indicators to measure the effectiveness of its actions to attract staff. Periodical updates on the evolution of the indicators should be provided to senior management.

Additional information provided by Joint Research Centre on the measures defined and/or implemented following the Internal Audit Service audit

The Joint Research Centre has adopted a tool for competency mapping after a pilot phase, and has analysed competency requirements per policy area allowing it to identify existing competences as well as recruitment needs. The staff competence mapping is ongoing and scheduled to be finalised by end 2019. An inventory of recruitment needs will be established per Directorate, covering a 2-yearly timespan as of beginning of 2020. A consolidated recruitment plan will be updated regularly as of 2020. Related indicators are currently under revision and their calculation methods will be defined for measuring the effectiveness for attracting new staff. In the meantime, the existing core indicators provide a control instrument for the overall recruitment process. The Joint Research Centre action plan was approved by the Internal Audit Service.

7. Audit on REA's preparedness to deliver SEDIA-related services

Since the Single Electronic Data Interchange Area project is still being rolled out, the Internal Audit Service decided to assess the current state of preparedness of the Agency to effectively deliver Single Electronic Data Interchange Area-related services, in order to highlight at an early stage any weaknesses that could later jeopardise the full achievement of the project's goals. The audit was due to examine the establishment of the necessary operational processes for the effective and efficient delivery of the services for which the Research Executive Agency is responsible.

In the period July to September 2018, the audit team performed the preliminary survey focusing their analysis on the following main areas:

- project governance arrangements and the Research Executive Agency organisational structure for providing Single Electronic Data Interchange Area-related services;

- processes and procedures;

- human resources;

- monitoring and supervision.

The Internal Audit Service noted that:

- the project governance arrangements introduced by the Research Executive Agency for the provision of the legal validation and financial verification services under the Single Electronic Data Interchange Area framework are adequate, and the Research Executive Agency's organisational structure supports the delivery of new services.

- the Agency has, together with stakeholders, put in place adequate processes and procedures for the provision of the validation services to clients.

- there are adequate business continuity arrangement in place.

- human-resource related aspects are adequately managed in terms of quantity and quality of staff necessary to deliver the services. The main challenges are well known and are being closely monitored.

- the Agency has designed an adequate monitoring and reporting system on the provision of Single Electronic Data Interchange Area-related services.

In view of these positive observations, the Internal Audit Service decided to close the audit after the preliminary survey. No formal audit report, as envisaged in the Mutual Expectations Paper, was issued, but the results of the Internal Audit Service preliminary survey were communicated to the Agency in a closing note.

8. Audit on H2020 grant management (phase II – project monitoring and ex ante controls) in REA

The objective of the audit was to assess whether the Research Executive Agency has put in place (1) an effective project management process (ensuring that projects are effectively implemented by the beneficiaries in line with the grant agreement), and (2) effective *ex ante* controls on Horizon 2020 grant payments (contributing to the assurance concerning the legality, regularity and sound financial management of the expenditure).

There are no observations/reservations in the 2017 annual activity report of the Research Executive Agency that relate to the area/process audited. The fieldwork was finalised on 24 September 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service acknowledges the ongoing efforts made by the Research Executive Agency in ensuring effective project monitoring and the implementation of *ex ante* controls on Horizon 2020 grant payments in the context of an increasing workload. In particular, the Internal Audit Service highlights the strong control environment implemented in the Research Executive Agency, including reviews of the periodic reports by independent experts and the internal networks of Project Officers, Financial Officers, Ethics Correspondents and Legal Officers, which is a solid basis for the effective implementation of the project management and ex ante controls on Horizon 2020 grant payments.

The Internal Audit Service did not formulate any critical or very important recommendations.

9. Audit on ex ante controls on H2020 grant payments in DG RTD

The objective of the audit was to assess the effectiveness of the *ex ante* controls on Horizon 2020 grant payments in the Directorate-General for Research and Innovation and their contribution to the overall assurance on the legality, regularity and sound financial management of the expenditure.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for Research and Innovation that relate to the area/process audited. The annual activity report concludes that the overall control system including *ex ante* controls and *ex post* controls, has achieved its objective of keeping

the error rate within the target range of 2 to 5%. The fieldwork was finalised on 12 June 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service did not formulate any critical or very important recommendations.

the error rate within the target range of 2 to 5%. The fieldwork was finalised on 12 June 2018. All recommendations relate to the situation as of that date.

External action

1. Audit on the Partnership Instrument in FPI

The objective of the audit was to assess the effectiveness and efficiency of the governance, risk management and control processes put in place by the Service for Foreign Policy Instruments for the selection and implementation of the Partnership Instrument (PI) operations, including the coordination of these processes with other directorates-general/services involved and the EU delegations (EU delegations).

The 2017 annual activity report of the Service for Foreign Policy Instruments included a reservation linked to the material multi-annual error rate for the former programme Cooperation with Industrialised Countries (ICI) which ended in 2013 but whose completion budget line is in the same budget chapter/activity as the PI. The fieldwork was finalised on 10 September 2018. All recommendations relate to the situation analysed as of that date.

The Internal Audit Service identified one issue concerning the *Implementation of PI projects: Control environment and HQ supervision* and formulated the following very important recommendation:

The Service for Foreign Policy Instruments should update the manual for supervision missions and ensure the independence of the function responsible for designing and implementing the control on the implementation of the financial circuits. Moreover, the Service for Foreign Policy Instruments should take measures to strengthen the control environment in the EU delegation US and ensure that the shortcomings found during the audit are addressed and do not reoccur in the future.

Additional information provided by the Service for Foreign Policy Instruments on the measures defined and/or implemented following the Internal Audit Service audit

The second recommendation (classified as very important) requested FPI: a) to remedy the weaknesses identified in the set-up of the control environment at HQ and EU Delegation US level; b) to ensure the independence between the design and the control functions of financial circuits, and c) to update the process manual for supervision missions and ensure appropriate reporting to the FPI Authorising Officer by Delegation on the outcome of supervision mission findings and the actions taken with regard to recommendations issued.

The Service for Foreign Policy Instruments accepted both recommendations and established an action plan to address them.

Concerning recommendation 2 a) the Service for Foreign Policy Instruments has already implemented the mitigating measures by ensuring that financial verification is undertaken by the Regional Team Americas within the financial circuit. In addition, Service for Foreign Policy Instruments has recruited an additional contractual agent for operational verification in the US delegation in line with the action plan.

The action addressing recommendation 2 b) 'in order to ensure the independence between the design and the control functions of financial circuits, the responsibility for each individual supervision mission is henceforth entrusted to a Service for Foreign Policy Instruments Head of Unit outside the contract and finance unit that is not directly concerned by the specific mission', has already been implemented as of October 2018.

The remaining recommendations will be implemented by the deadlines foreseen in the action plan (see immediately above) or latest end Q3 2019.

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2. Audit on the Neighbourhood Investment Facility and the Western Balkans Investment Framework in DG NEAR

The objective of the audit was to assess the adequacy and effectiveness of the management and coordination activities of the Directorate-General for Neighbourhood and Enlargement Negotiations for the implementation of the Neighbourhood Investment Facility (NIF) and the Western Balkans Investment Framework (WBIF).

There are no observations/reservations in the 2017 annual activity report that relate to the area/process audited. The fieldwork was finalised on 6 September 2018. All recommendations relate to the situation as of that date.

The auditors recognise the ongoing efforts made by the Directorate-General for Neighbourhood and Enlargement Negotiations to improve the design and implementation of the Neighbourhood Investment Facility and the Western Balkans Investment Framework. For example, in 2017 the Directorate-General for Neighbourhood and Enlargement Negotiations produced a vademecum that encompasses and clarifies all rules and guidance related to the Western Balkans Investment Framework. The Manual of procedures for the Directorate-General for Neighbourhood and Enlargement Negotiations also provides a useful explanation of the processes and key information sources regarding the Neighbourhood Investment Facility and the Western Balkans Investment Framework as well as the applicable rules and agreements with all International Financial Institutions involved.

The Internal Audit Service also identified some good practices during the audit fieldwork among which is the reporting on the financial leverage and the status of the loans associated with the Western Balkans Investment Framework grants and the guidelines for EU visibility that the EU delegation to Georgia shares with its implementing partners.

The Internal Audit Service identified four issues on *Neighbourhood Investment Facility: financial management, Neighbourhood Investment Facility: Commission monitoring and reporting at facility level, WBIF: monitoring at the facility level and Western Balkans Investment Framework: financial management and financial reporting* and formulated the following very important recommendations:

Neighbourhood Investment Facility: financial management

The Directorate-General for Neighbourhood and Enlargement Negotiations should clarify the rules for the calculation of the International Financial Institutions' remuneration for hybrid projects and provide guidance on the establishment of the final amount of the remuneration for those projects.

Neighbourhood Investment Facility: Commission monitoring and reporting at facility level

The Directorate-General for Neighbourhood and Enlargement Negotiations should establish a reporting mechanism and consolidate the information on the status and actual amount of the loans provided by the International Financial Institutions in order to calculate the actual leverage and ensure that the Neighbourhood Investment Facility annual report contains information on the ongoing and completed projects in terms of achievements and performance. The Directorate-General for Neighbourhood and Enlargement Negotiations should also revise the methodology for the calculation and reporting of the expected and achieved leverage on the basis of the signed contracts, signed loan agreements and the implementation reports of the International Financial Institutions.

Western Balkans Investment Framework: monitoring at the facility level

The Directorate-General for Neighbourhood and Enlargement Negotiations should ensure that the authority and responsibility of all the actors involved in the Western Balkans Investment Framework reporting process are clearly defined and reassess the scope of the monitoring responsibilities of the Western Balkans Investment Framework Secretariat. The Directorate-General for Neighbourhood and Enlargement Negotiations should clarify within the annual activity report the scope of the management declaration and ensure that the declarations provided by the partner International Financial Institutions are in compliance with the contractual arrangement i.e. adequately cover the Western Balkans Investment Framework contributions to the European Western Balkans Joint Fund and all ongoing individual European Western Balkans Joint Fund grants.

WBIF: financial management and financial reporting

The Directorate-General for Neighbourhood and Enlargement Negotiations should revise the guidelines on the preparation of the project forms to clarify when the payment schedules for the grants to be funded by the European Western Balkans Joint Fund should be prepared. In addition, The Directorate-General for Neighbourhood and Enlargement Negotiations should ensure that in the future the payments under WB-EDIF

(^{25}) equity funds are based on adequate disbursement forecasts to avoid excessive amounts of unused funds. The rules for the calculation of the fees due for cancelled or partially implemented grants should be clearly defined. The Directorate-General for Neighbourhood and Enlargement Negotiations should request from the EBRD (^{26}) regular financial information on the commitments and disbursements at project level, the fees due and paid and perform the clearing of the open pre-financing as appropriate.

Additional information provided by Directorate-General NEAR on the measures defined and/or implemented following the Internal Audit Service audit

Following the Internal Audit Service recommendations, the Directorate-General for Neighbourhood and Enlargement Negotiations will reinforce its financial monitoring and reporting, update guidelines and rules of procedures of the two investment facilities.

The Directorate-General for Neighbourhood and Enlargement Negotiations clarified minimum thresholds and provided guidance on the establishment of the final amount of remuneration for hybrid projects by the December 2018 fees agreement. The Directorate-General for Neighbourhood and Enlargement Negotiations will clarify the rules for the inclusion of the communication and visibility and audit costs in the basis of the calculation.

The Directorate-General for Neighbourhood and Enlargement Negotiations will propose a revision of the Western Balkans Investment Framework Rules of Procedure within the review of its architecture. The Directorate-General for Neighbourhood and Enlargement Negotiations will clarify within the annual activity report the scope of the management declaration and ensure that the declarations provided by the partner International Financial Institutions are in compliance with the contractual arrangement. Some of the issues were already addressed in the meeting between the Directorate-General for Neighbourhood and Enlargement Negotiations and the European Bank for Reconstruction and Development as Joint Fund Manager and will be further followed up.

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3. Audit on grant and procurement award process under European Neighbourhood Instrument direct management in DG NEAR

The objective of the audit was to assess whether the Directorate-General for Neighbourhood and Enlargement Negotiations Headquarter and the EU delegations manage grant and procurement award procedures under the European Neighbourhood Instrument in direct management effectively, efficiently and in accordance with the applicable procedures and guidelines to ensure legality and regularity of the underlying transactions.

The following observations/reservations were made in the 2017 annual activity report of the Directorate-General for Neighbourhood and Enlargement Negotiations concerning the area under the scope of this audit engagement:

Reservation 1: difficulties in monitoring adequately all projects (including grant and procurement under direct management) in Libya and Syria. The Directorate-General for Neighbourhood and Enlargement Negotiations is not in a position to perform all the checks it needs to do due to the instability in the countries and the lack of access to supporting documents.

Reservation 2: error rate above 2% in direct management grants covering the European Neighbourhood Instrument and other instruments managed by the Directorate-General for Neighbourhood and Enlargement Negotiations.

The fieldwork was finalised on 10 December 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

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²⁵ Western Balkans Enterprise Development Innovation Facility.
²⁶ European Bank for Reconstruction and Development.

- the guidance documents (Practical guide – PRAG, Manual of procedures – MAP) are quite comprehensive and detailed;

- staff are knowledgeable overall;

- the paper files are in general well maintained, procurement/grant award procedures are in general well documented, and the audit trail is ensured.

The Internal Audit Service identified one issue concerning *supervision missions* and formulated the following very important recommendation:

The Directorate-General for Neighbourhood and Enlargement Negotiations should revise the *Process Manual for Supervision Missions to Delegations* to improve the effectiveness of the supervision missions, in particular by: a) introducing risk-based planning of supervision missions; b) revising missions frequency; c) adapting the length of the on-the-spot visits to the requirements of the manual; d) issuing instructions on the finalisation phase of the mission (validation of issues, acceptance of recommendations, preparation of an action plan, follow-up), and e) establishing a procedure to disseminate the best practices identified and to anticipate potential problems in other EU delegations. the Directorate-General for Neighbourhood and Enlargement Negotiations should also ensure that the provisions of the *Process Manual* are adequately followed.

Additional information provided by Directorate-General NEAR on the measures defined and/or implemented following the Internal Audit Service audit

The Directorate-General for Neighbourhood and Enlargement Negotiations will update the Process Manual to improve the effectiveness of its supervisory missions to delegations. The Directorate-General for Neighbourhood and Enlargement Negotiations will also coordinate the annual and multiannual indicative planning of missions, in collaboration with contracts and finance units and the relevant operational units in order to adhere to the provisions of the process manual (including frequency, performance and follow-up). The Annual and Multiannual indicative plan will be submitted for the approval of the Financial Assistance Steering Committee at the beginning of each year.

4. Audit on the assurance building process in headquarters in DG DEVCO

The objective of the audit was to assess the adequacy of the design and the efficiency and effectiveness of the governance, risk management and internal control processes put in place for the assurance building process in the Directorate-General for International Cooperation and Development headquarters (HQ).

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for International Cooperation and Development that relate to the process audited. The fieldwork was finalised on 5 December 2018. All recommendations relate to the situation as of that date.

The audit work highlighted the following strengths:

- the overall efficiency of the process to prepare the annual activity report taking into account the need to consolidate information from a high number of EU delegations and the tight deadlines (External Action Management Reports – EAMRs – of 86 EU delegations to be submitted by end of January, External Action Management Reports of headquarters and Trust Funds (TF) managers' activity reports to be submitted by 15 to 20 February at the latest, draft annual activity report to be submitted to central services by end of February);

- the level of process automation reached in the External Management Reports of headquarters, since data are automatically uploaded into the application from the EU delegations' External Action Management Reports, the Key Performance Information dashboard and the audit module;

- the knowledgebase website of the Directorate-General for International Cooperation and Development includes all available guidance and instructions on the assurance-building process;

- the support provided by Directorate DEVCO.R staff to EU delegations and Directorates during the External Action Management Reports and External Action Management Reports of headquarters exercise;

- the overall periodic Key Performance Indicators monitoring process, involving Directorate DEVCO.R staff, finance and contract Units in each Directorate, geographic desks and EU delegations.

The Internal Audit Service identified one issue concerning *guidance, instructions and management declarations* and formulated the following very important recommendation:

The Directorate-General for International Cooperation and Development should establish specific guidance on the information to be summarised or reported for the status of management declarations in the External Action Management Reports of headquarters and monitor and report on it. It should also provide information in the annual activity report on the definition and content of this control element as well as on the status of management declarations and on their contribution to the assurance building process.

Additional information provided by Directorate-General DEVCO on the measures defined and/or implemented following the Internal Audit Service audit

The final audit report was published on 21 January 2019. The Directorate-General for International Cooperation and Development services proposed an action plan to address the recommendation, which has been accepted by the Internal Audit Service. The Directorate-General for International Cooperation and Development has implemented the actions defined in the action plan. Changes were made to the External Action Management Reports of headquarters for the reporting on 2018, which now include instructions and guidance on the definition of materiality at Directorate level. These reports were adapted to include specific guidance for the annual management declarations (specifying which information needs to be provided and what type of monitoring to be conducted). The 2018 annual activity report included information on the definition and content of this control element as well as on the status of management declarations and on their contribution to the assurance building process.

The Directorate-General for International Cooperation and Development considers that the recommendation has been fully implemented with the 2018 annual activity reporting process and is ready for review by the Internal Audit Service.

Education and citizenship

1. Audit on DG EAC's ex post financial audits, independent audit bodies' opinions and controls on grant proposal evaluation for Erasmus+ actions implemented by national agencies

The objective of the audit was to assess whether the audited key building blocks of control strategy of the Directorate-General for Education, Youth, Sport and Culture, for the Erasmus+ programme actions implemented by the National Agencies are adequate and effectively implemented to provide reasonable assurance on the legality and regularity of the underlying transactions executed by the National Agencies.

There are no observations or reservations in the 2017 annual activity report of the Directorate-General for Education, Youth, Sport and Culture that relate to the areas/processes audited. The fieldwork was finalised on 4 December 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the Directorate-General for Education, Youth, Sport and Culture's efforts to manage the implementation of the Erasmus+ programme in a complex environment involving a large number of implementing bodies (National Agencies, national authorities and Internal Audit Bodies). In particular, the Directorate-General for Education, Youth, Sport and Culture:

- regularly updates its control strategy based on lessons learnt by making changes to the procedures and revising guidance for the implementing bodies;

- ensures that its approach to various controls in the National Agencies is balanced by coordinating the audits and control visits, while applying the single audit principle to minimise the burden for beneficiaries and the National Agencies;

- staff implementing the control strategy are knowledgeable and motivated and have accumulated valuable experience in supervising the programme implementing bodies.

The Internal Audit Service did not formulate any critical or very important recommendations.

2. Audit on Erasmus+ and Creative Europe grant management Phase II (from project monitoring to payment) in EACEA

The objective of the audit was to assess if the Education, Audiovisual and Culture Executive Agency put in place an effective project management process to ensure that (1) beneficiaries implement the E+ and Creative Europe projects in line with the grant agreement, and (2) the underlying transactions (including payments) are legal and regular in order to provide the Authorising Officer by Delegation (AOD) with reasonable assurance regarding the sound financial management of the E+ and CE programmes.

The fieldwork was finalised on 17 December 2018. All recommendations relate to the situation as of that date.

In its 2017 annual activity report the Agency made a reservation related to "*Internal control system partially functioning due to Internal Control Component III 'Control Activities' and IV 'Information and Communication' needs major improvements in terms of documentation of the Education, Audiovisual and Culture Executive Agency procedures, guidelines and controls over their implementation*." This reservation also concerns the area under the scope of this audit engagement.

The Internal Audit Service recognises the Education, Audiovisual and Culture Executive Agency's ongoing efforts to:

- implement the recommendations of the Internal Audit Service audit on grant management phase I (from the call to the signature of contracts) in order to improve its internal control environment ([27]). In particular, in terms of guidelines, the Agency launched a cleaning up exercise and created a *single entry point,* i.e. a dedicated section 'Procedures' of its intranet which contains the procedures, instructions and checklists developed at Agency level. Moreover, the Agency has re-assessed its financial circuits taking into consideration the risks and the cost-effectiveness of controls and has identified the necessary changes that will be submitted to the attention of the incoming Director;

- improve the functionalities of PEGASUS (the local IT application for grant management) to make it more fit-for-purpose;

- train its staff to perform better their tasks;

- provide systematic statistical reports to support the monitoring of the main steps of the grant management process (i.e. payment execution, *ex post* audits, appeals, litigation cases).

The Internal Audit Service identified three issues concerning the *internal control system related to project management and payments, project monitoring* and *assurance on the functioning of the internal control system* and formulated one critical and two very important recommendations:

Internal control system related to project management and payments (very important)

The Education, Audiovisual and Culture Executive Agency should monitor centrally the correct implementation of the Agency's central guidance, including the alignment of the units' specific working arrangements with the central guidance. Attendance at mandatory training courses by the relevant staff members should also be monitored.

Project monitoring (very important)

The Education, Audiovisual and Culture Executive Agency should complete the central guidance on devising a monitoring strategy at unit level and on assessing risks at project level, and verify centrally the units' monitoring strategies to assess their compliance with the central guidance and to enable achieving their objectives. Projects' risk profiles should be systematically recorded in PEGASUS throughout the projects' lifecycle, and this information should be used to steer the monitoring activities.

Assurance on the functioning of the internal control system (critical)

The Education, Audiovisual and Culture Executive Agency should ensure that the Authorising Officers by Sub Delegation provide coherent information on the state and effectiveness of the internal controls in the units under their responsibility and the related results.

Moreover it should better manage the exception and non-compliance events by a) providing support and advice to the operational units in the identification phase of exceptions and non-compliance events, b) ensuring that these cases are adequately assessed and justified and exhaustive information is provided to the Director when taking decisions (including on the mitigating actions proposed), c) monitoring the effective implementation of the mitigating actions to avoid the recurrence of exceptions and non-compliance events and periodically report on it to the Authorising Officer by Delegation. Finally, the central register for exceptions and non-compliance event should be maintained and monitored regularly and the Director should receive a bi-annual report summarising, via a management tool or dashboard, all exceptions and non-compliance events, the control deficiencies identified, their severity and the affected internal control principles, the mitigating actions taken and their state of implementation.

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[27]   In 2018, the Internal Audit Service carried out two follow-up audit engagements which enabled to close three recommendations, including the critical one on the *Role of the Evaluation Committee*. At the date of the present report, all the remaining recommendations stemming from the audit phase I were reported as ready for review by the Agency. They will be followed-up in Q1 2019.

> **Additional information provided by the Director of EACEA on the measures defined and/or implemented following the Internal Audit Service audit**
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> The Education, Audiovisual and Culture Executive Agency proactively took mitigating measures as far as possible between the end of the fieldwork and the issuing of the final report on 31 January 2019.
>
> In addition, the Agency has provided the Internal Audit Service with an action plan mitigating the identified risks, which has been accepted. The action plan is to be implemented during 2019 in response to the final audit report.
>
> Based on a limited follow-up audit of the actions that have been implemented since the end of the audit fieldwork phase and up to 7 March 2019, the Agency was informed on 14 March that the Internal Audit Service considers 'that the underlying risks have been partially mitigated and will therefore downgrade the rating of the recommendation from 'critical' to 'very important'.
>
> The Directorate-General for Communications Networks, Content and Technology closely monitors the implementation of the action plan by the Education, Audiovisual and Culture Executive Agency.

3. Audit on monitoring the implementation and performance of 2014-2020 national programmes by DG HOME

The objective of this audit was to assess whether the Directorate-General for Migration and Home Affairs effectively monitors the implementation and performance of the Asylum, Migration and Integration Fund and Internal Security Fund national programmes (NPs) for the 2014-2020 programming period.

The fieldwork was finalised on 30 June 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- the Directorate-General provides regular methodological guidance and support to the Member States on monitoring and evaluation. Member States are able to submit questions to this Directorate-General and obtain answers to these queries via the 'Frequently asked questions' mechanism as well as via direct contact with the responsible Desk Officers;

- the Directorate-General for Migration and Home Affairs maintains a constructive dialogue with the Member States by establishing Asylum, Migration and Integration Fund/Internal Security Fund Committees and organising dedicated workshops/seminars on a regular basis;

- the Directorate-General carried out intensive monitoring activity of the Member States during the period 2015-2017 in order to assess progress on EU co-financed actions in the Member States;

- the Directorate-General for Migration and Home Affairs representatives were present in at least one Monitoring Committee meeting held per Member State/Fund during the period 2016-2017 (for the sample of Member States reviewed by the Internal Audit Service);

- the Directorate-General has created an SFC ([28]) support portal bringing together information on the legal bases as well as the conclusions that were reached during the Asylum, Migration and Integration Fund and Internal Security Fund Committee meetings, workshops and meetings held by the Asylum, Migration and Integration Fund and Internal Security Fund Evaluation networks;

- in accordance with Article 1 of the Commission Delegated Regulation (EU) 2017/207 the directorate-general has put in place a European Evaluation and Monitoring Network for Asylum, Migration and Integration Fund/Internal Security Fund composed of the national evaluation coordinators that were appointed by the Member States. This network is tasked with, among other

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[28]   Shared Fund Management Common System.

duties, providing contributions to the implementation of the common monitoring and evaluation framework that forms the basis for the monitoring and evaluation performed for both Funds.

The Internal Audit Service did not formulate any critical or very important recommendations.

4. Audit on risk management in DG HOME

The objective of the audit was to assess the effectiveness of the risk management process in Directorate-General for Migration and Home Affairs in identifying, assessing, and managing critical and significant risks.

There are no observations/reservations in the 2017 annual activity report of Directorate-General for Migration and Home Affairs that relate to the area/process audited. The fieldwork was finalised on 21 June 2018. All recommendations relate to the situation as of that date.

The auditors recognise the ongoing efforts made by Directorate-General for Migration and Home Affairs to further develop their risk management process. The audit highlighted the following strengths:

- Unit HOME.E4 organised a workshop for the staff involved in the 2018 risk assessment exercise. The objective was to bridge the knowledge gap by providing basic training on risk assessment and risk management principles. It was very well received by staff;

- the Directorate-General for Migration and Home Affairs' risk management guide for 2018 was deemed to be appropriate and clear by the staff involved in the risk assessment exercise. The Internal Audit Service noted that the 2018 guide was more comprehensive than the guidance for previous years (2017 and 2016);

- the successive validation of risks: first by the Heads of Unit of each directorate, then by the Director. The risks are reviewed and validated before they are sent to Unit HOME.E4 for consolidation in the Directorate-General's risk register.

The Internal Audit Service identified two issues concerning the *integration of the risk management process in the organisation's culture and systems* and the *risk identification, assessment and risk response* and formulated the following very important recommendations:

Integration of the risk management process in the organisation's culture and systems

The Directorate-General for Migration and Home Affairs should develop risk management so that it becomes a continuous, proactive and systematic process that is fully embedded in the Directorate-General's core business activities, is integrated into all steps of the Strategic Planning and Programming cycle, and is subject to regular senior management steer and involvement. It needs to clearly describe the roles, responsibilities and tasks of the key actors in the risk management process and ensure that they have sufficient knowledge by identifying and addressing any training needs. Finally, the directorate-general should properly document the identification and assessment of risks related to decentralised Agencies and take into account risks concerning information technology support services provided by the Directorate-General for Justice and Consumers and report on these to the coordinating Units HOME.E4 and A1.

Risk identification, assessment and risk response

The Directorate-General for Migration and Home Affairs should strengthen its guidance and methodology used for identifying and assessing risks (including lost opportunities), by considering other risk identification methodologies which may be better matched to its specific circumstances. The Directorate-General should duly take into account the criteria defined in the corporate risk management guidance for assessing and identifying critical risks, clarify how to deal with crosscutting risks at corporate level and at directorate-general level, and ensure that risks not deemed significant enough to be included in the Directorate-General's central risk register are regularly identified, assessed, documented and monitored in risk registers at Directorate and Unit level. The Directorate-General should review its definition of acceptable risk level, update its guidance accordingly and ensure its consistent implementation across the Directorate-General. In the Directorate-General's central risk register the risk response should be clearly indicated for all the identified

significant and critical risks. Finally, action plans should include clearly formulated and effective mitigating actions with clearly assigned process owners, milestones and deadlines.

> **Additional information provided by Directorate-General HOME on the measures defined and/or implemented following the Internal Audit Service audit**
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> The recommendation 'Integration of the risk management process in the organisation's culture and systems' is scheduled to be implemented in July 2019. The Directorate-General for Migration and Home Affairs is well on track with the implementation; some of the actions had already been proactively implemented by the Directorate-General for Migration and Home Affairs, even before the final audit report was issued; e.g. before the official launch of the annual risk exercise for 2019, top management of the Directorate-General for Migration and Home Affairs defined the scope of the exercise, taking into account the nature of the operations of the Directorate-General for Migration and Home Affairs and the environment in which it operates, and the exercise was regularly discussed in the senior management meetings of the directorate-general.
>
> The recommendation 'Risk identification, assessment and risk response' is scheduled to be implemented in July 2019. The Directorate-General for Migration and Home Affairs is well on track with the implementation; some of the actions had already been pro-actively implemented by the Directorate-General for Migration and Home Affairs, even before the final audit report was issued, e.g. before the official launch of the annual risk exercise for 2019, top management of the Directorate-General for Migration and Home Affairs determined which risks are to be included its risk register, considering the specificities of this Directorate-General.

5. Audit on risk management in DG JUST

The objective of the audit was to assess the effectiveness of the risk management process in the Directorate-General for Justice and Consumers in identifying, assessing, and managing critical and significant risks.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for Justice and Consumers that relate to the area/process audited. The fieldwork was finalised on 19 June 2018. All recommendations relate to the situation as of that date.

The auditors recognise the ongoing efforts made by the Directorate-General for Justice and Consumers to further develop its risk management process. The following strengths were identified during the audit:

- senior management's involvement in the risk management process;

- in its meetings, senior management discussed the 2018 risk assessment exercise, and 2017 mid-term review of risks before they were officially launched by Unit JUST.01;

- senior management reviewed the 2018 risk register before it was endorsed by the Director-General;

- risk management is a regular agenda point at senior management meetings;

- Unit JUST.01 organised a workshop with a presentation on risk management, which was addressed to the risk management task force members. The purpose of the workshop was to bridge the knowledge gap through the provision of basic training on risk assessment and risk management principles. The presentation was very well received by the TF members;

- at the time of the audit, the directorate-general was in the process of updating its directorate-general-wide manual of procedures. An updated version of the guide on procedures of the directorate-general was published on the intranet on 4 June 2018 and communicated to staff. This includes a dedicated part on risk management, which has also been updated;

- Intranet page of the Directorate-General for Justice and Consumers has a dedicated section on risk management which contains guidance and other information on risk management, as well as the current risk register;

- the directorate-general regularly reports to the Cabinet on the development of actions for mitigating politically important significant risks.

The Internal Audit Service identified one issue concerning the risk identification, assessment and risk response and formulated the following very important recommendation:

The Directorate-General for Justice and Consumers should strengthen its guidance and methodology for identifying and assessing risks to include the consideration of lost opportunities, external dimensions and crosscutting risks and the possibility of using different risk identification methodologies which are better matched to its specific circumstances. The directorate-general should apply the criteria defined in corporate risk management guidance for assessing and identifying critical risks and ensure that risks not deemed significant enough to be included in the Directorate-General's central risk register are regularly identified, assessed, documented and monitored in risk registers at Directorate or Unit level. The directorate-general should review its definition of acceptable risk level, update its guidance accordingly and ensure consistent implementation across the directorate-general. In the central risk register of the directorate-general, the risk response should be indicated for all the significant and critical risks identified and action plans should include clearly formulated and effective mitigating measures with clearly assigned process owners, milestones and deadlines.

Additional information provided by Directorate-General JUST on the measures defined and/or implemented following the Internal Audit Service audit

All recommendations stemming from this audit were accepted by the Directorate-General for Justice and Consumers, and the action plan was partially implemented in 2018. The risk management guide was updated accordingly. Two workshops have been organised in the light of the 2019 risk management exercise. At Directorate's and Horizontal Unit's levels a risk register is kept and regularly monitored. The methodology used for identifying and assessing risks was revised. A mini-session meeting with the new members of the Task Force (representative staff appointed by each Director/Head of Unit to assist in compiling and assessing potential risks identified within their Directorate/Horizontal Unit) took place at the beginning of the 2019 risk management exercise, followed by two workshops. The risk management exercise was launched at the same time as the Management Plan and the assessment of risks started from the objectives of the directorate-general.

6. Audit on procurement in DG JUST

The objective of the audit was to assess the adequacy of the design and the effective implementation of the Directorate-General for Justice and Consumers' internal control systems for the management of the procurement process and the effectiveness and efficiency of the related financial circuits.

There are no observations/reservations in the 2017 annual activity report of Directorate-General for Justice and Consumers that relate to the area/process audited. The fieldwork was finalised on 20 July 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- the ongoing efforts and improvements made by Unit JUST.04 after having taken over the tasks of the Shared Resource Directorate in the procurement process;

- The Directorate-General for Justice and Consumers prepared the 'Red flags – information note on fraud indicators' as an annex to its 2012 Anti-Fraud Strategy (AFS). Although the annex needs to be slightly updated following the adoption of the new Anti-Fraud Strategy, it sets out fraud indicators in a very clear and comprehensive manner;

- the review of ABAC access rights for the Directorate-General for Justice and Consumers is performed by the Directorate-General for Migration and Home Affairs. This approach is in line with the Directorate-General for Budget recommendation that this review should be assigned to a neutral verifier.

The Internal Audit Service identified one very important issue concerning the preparation of procurement procedures and formulated the following very important recommendation:

The Directorate-General for Justice and Consumers should ensure that the needs analysis is properly documented and signed off by the responsible Authorising Officer and update the needs analysis before the launch of the procurement procedure. The needs analysis should include:

- the estimated amount of the contract, properly supported by relevant information as to how it was determined;

- an explanation of what other options were considered before deciding to launch a new call for tender;

- the lessons learnt during the execution of the contract currently in force and how any identified issues were addressed in the new calls for tender, where relevant; and justification of the outsourcing option, where relevant.

Additional information provided by Directorate-General JUST on the measures defined and/or implemented following the Internal Audit Service audit

In order to improve the needs assessment, the Directorate-General for Justice and Consumers has introduced in April 2019 an 'Orientation Document' containing the main elements to launch a procurement file. This document enables policy units to confirm the need to have a procurement activity implemented, identified earlier, during the preparation of the Annual Work Programmes. The 'Orientation Document' accompanies any new request for a procurement activity to be charged on the Annual Work Programme 2019. This is complemented by a register of all planned procurement activities, to be signed-off by the responsible Authorising Officers by Delegation.

All recommendations stemming from this audit were accepted by the Directorate-General for Justice and Consumers and will be implemented in 2019.

Economic and financial affairs

1. Consulting engagement on document management in DG ECFIN

The objective of the consulting engagement was to provide advice to the Directorate-General for Economic and Financial Affairs on its document management system with a view to improving its effectiveness and efficiency.

As this was a consulting engagement and not an audit, no audit recommendations were formulated and the Internal Audit Service will not undertake follow up work.

2. Audit on effectiveness and efficiency of DG FISMA's performance management system

The objective of the audit was to assess whether the Directorate-General for Financial Stability, Financial Services and Capital Markets Union's performance management system is adequate in the areas of planning, monitoring and reporting on the delivery of both its key legislative and administrative policy objectives.

There were no reservations in the 2017 annual activity report of this Directorate-General that relate to the process audited. The fieldwork was finalised on 7 December 2018. All recommendations relate to the situation as of that date.

The audit highlighted the following strengths:

- the Directorate-General for Financial Stability, Financial Services and Capital Markets Union used the expertise available across all its Directorates to undertake the preparation of the 2016-2020 Strategic Plan and the first Management Plan under the revised strategic planning and programming reporting structure. A special project team ([29]) was created for this purpose and composed of representatives from across the directorate-general;

- the directorate-general has set up and effectively applies a 'Traffic Light system' in their mid term review process to provide assurance on the achievement of 'target dates'. The different colours provide immediate information to management on the level of achievement of key objectives.

The Internal Audit Service did not formulate any critical or very important recommendations.

3. Audit on the adequacy of DG GROW's preparation and supervision of the parts of the COSME work programmes delegated to EASME

The objective of the audit was to assess whether the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs has put in place adequate control processes for preparing and supervising the parts of the COSME programme delegated to the Executive Agency for Small and Medium-sized Enterprises, in order to enable their efficient and effective implementation by the Agency.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs that relate to the area/process audited. The fieldwork was finalised on 12 September 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs efforts to put in place effective supervisory and monitoring arrangements for the implementation of the parts of the COSME programme delegated to the Executive Agency for Small and Medium-sized Enterprises. In particular, the audit highlighted the following strengths:

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[29] In 2016, the Directorate-General for Financial Stability, Financial Services and Capital Markets Union established "Project Teams" to improve transparency and the efficiency of crosscutting policy work. Each team comprises staff from at least two directorates and has clearly defined deliverables and deadlines. Their work is overseen by the Financial Services Policy Group (FSPG).

- in March 2018, the Directorate responsible for the COSME programme in the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs and the Executive Agency for Small and Medium-sized Enterprises established a COSME Code of good practices on the coordination of calls for tender and calls for proposals. The document lists the agreed measures to strengthen the coordination of their services and to facilitate a timely and efficient implementation of the corresponding COSME actions;

- in collaboration with the Agency, the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs improved and streamlined the template used to prepare the roadmaps of delegated actions and SMs in order to better meet the Agency's planning needs following the adoption of the COSME annual work programme.

The Internal Audit Service did not formulate any critical or very important recommendations.

4. Audit on supervision of project management and payment for Galileo in DG GROW

The objective of the audit was to assess the design and effective implementation of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs internal controls for (1) the supervision of the Galileo programme implemented by the European Space Agency and the GNSS Supervisory Authority and (2) the processing by the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs of the related financial transactions in order to ensure their legality and regularity.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs that relate to the area/process audited. The fieldwork was finalised on 6 December 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs efforts to ensure effective supervision of the project management and timely payment for the Galileo programme. In particular, the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs developed specific checklists to monitor the operational and financial progress of the programme in the progress reports submitted by the European Space Agency and the GNSS Supervisory Authority.

The Internal Audit Service did not formulate any critical or very important recommendations.

5. Audit on the supervision of the implementation of the Copernicus Programme in DG GROW – Phase II: management of the cooperation and coordination between the different implementing entities

The objective of the audit was to assess if the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs effectively ensures cooperation and coordination between the different implementing entities. The audit aimed at assessing the adequacy and effectiveness of the tools available to the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs to monitor the activities of the implementing entities, to ensure corrective actions when necessary and to coordinate the different contributions so that the programme achieves its objectives.

The Internal Audit Service decided to close the audit after the preliminary survey. No formal audit report, as envisaged in the Mutual Expectations Paper, was issued.

6. Audit on DG TAXUD's preparation of legislative initiatives

The objective of the audit was to assess the adequacy of the design and the effectiveness of internal control system of the Directorate-General for Taxation and Customs Union for the preparation of its legislative initiatives.

There are no observations or reservations in its 2017 annual activity report related to the audited processes. The fieldwork was finalised on 21 September 2018. All recommendations relate to the situation as of that date.

The auditors recognise the ongoing efforts made by the Directorate-General for Taxation and Customs Union to continuously improve the process of preparation of legislative initiatives and highlight the following good practices:

- when preparing its legislative proposals, the Directorate-General for Taxation and Customs Union organises the work across Directorates in multi-unit project teams. One recent example of this working method was the preparation of the legislative initiative 'Fair taxation in the digital economy", for which some 25 operational staff from two directorates and three Units were involved;

- the evaluation and impact assessment support function (EIASF) (which assists the operational units in the legislative proposals' preparation) organised regular and good quality internal training sessions on how to prepare an impact assessment. These trainings were highly appreciated by the staff of the directorate-general.

The Internal Audit Service did not formulate any critical or very important recommendations.

7. Audit on financial management of procurement contracts and grants in DG TRADE

The audit objective was to assess in the Directorate-General for Trade (1) the adequacy of the design and the effective implementation its internal control system for the management of procurement and grants, and (2) the efficiency and effectiveness of the related financial circuits.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for Trade that relate to the processes audited. The fieldwork was finalised on 3 September 2018. All recommendations relate to the situation as of that date.

In the course of the audit, the Internal Audit Service noted the following strengths in the financial management of procurement and grants by the Directorate-General for Trade:

- This Directorate-General has developed a webpage which includes the key information on framework contracts such as terms of references, internal procedures and templates used when procuring services under these contracts;

- Unit TRADE.A.1 ('Finance and Strategic Planning team') effectively supports operational units in the management of procurement and grant contracts (in particular on the framework contracts on evaluation services) and has established a good communication network within the Directorate-General. The Unit is also regularly in contact with the Directorate-General for Budget on implementing its updates in the financial regulation at local level or consulting on procedural issues.

The Internal Audit Service did not formulate any critical or very important recommendations.

General services

1. Audit on financial management of grants in DG ESTAT

The objective of the audit was to assess the adequacy of the design and the effective implementation of Eurostat's internal control systems for the management of the grant process, and the effectiveness and efficiency of the related financial circuits.

There were no reservations in the 2017 annual activity report of Eurostat that relate to the process audited. The fieldwork was finalised on 23 May 2018. All recommendations relate to the situation as of that date.

In the course of the audit, the Internal Audit Service noted the following strengths in the financial management of grants by Eurostat:

- over the last few years, the directorate-general has developed a set of standardised procedures and related checklists for the management of grants, which are available on the intranet of the directorate-general;

- Eurostat has simplified its grant management procedures by introducing a unit cost system for the staff costs of beneficiaries in 2015, and the e-grants system in 2018;

- Unit A.4 ('*Budget, financial management and internal control*") plays a key supportive role for all units in charge of the operational management of grants.

The Internal Audit Service did not formulate any critical or very important recommendations.

2. Audit on effectiveness of DG ESTAT's cooperation with external stakeholders

The objective of the audit was to assess whether Eurostat's management and control systems ensure that it effectively cooperates with its external stakeholders.

There are no observations/reservations in the 2017 annual activity report of Eurostat that relate to the area audited. The fieldwork was finalised on 2 October 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the ongoing efforts made by Eurostat to establish and maintain effective cooperation with its external stakeholders. The Internal Audit Service identified the following good practices:

- a clear division of responsibilities and well-established cooperation arrangements have been formally agreed between Eurostat and the European Central Bank aimed at achieving an efficient exchange of data and preventing conflicting requests being sent to Member States from Eurostat and European Central Bank;

- a system for joint data collection with the Organisation for Economic Co-operation and Development, World Health Organisation and the United Nations Educational, Scientific and Cultural Organisation exists for statistical indicators in the areas of education and health statistics. This enables Eurostat to optimise the collection of data from the Member States, apply common concepts and definitions, and avoid duplication of efforts.

The Internal Audit Service identified one issue concerning the *cooperation arrangements with Eurostat's external stakeholders* and formulated the following very important recommendation:

Eurostat should further develop and formally adopt a policy for cooperation with its external stakeholders. The directorate-general should also complete and update the list of the organisations with which it cooperates, set up criteria for establishing formal cooperation arrangements and define a procedure for regularly reviewing and updating them.

Additional information provided by Directorate-General ESTAT on the measures defined and/or implemented following the Internal Audit Service audit

An action plan to implement this recommendation has been established and agreed to by the Internal Audit Service. Eurostat started to develop a strategy for international cooperation and to define the criteria for the establishment of formal cooperation arrangements as well as its key partners. Furthermore, Eurostat started to establish a list of the organisations with which the directorate-general cooperates, including the type of working arrangements and the cooperation activities in place. Existing cooperation agreements with external stakeholders are currently reviewed and will be revised if necessary. A procedure will be implemented to request from the responsible directors to signal once a year to the responsible unit possible need for changes in the cooperation agreements under their responsibility.

3. Consulting engagement on accounting for JSIS direct billing in PMO

The objective of the engagement was to review and provide advice on the effectiveness and efficiency of the workflow for the direct billing process both from the business and information technology perspective. It also covered management reporting to the Joint Sickness and Insurance Scheme's Comité de Gestion d'Assurance Maladie. Finally, the Internal Audit Service reviewed the compliance of the Office for the Administration and Payment of Individual Entitlements (PMO) proposals for improving the accounting treatment against the applicable accounting rules and standards.

As this was a consulting engagement and not an audit, no audit recommendations were formulated and the Internal Audit Service will not undertake follow-up work.

4. Audit on control strategy for the Joint Sickness and Insurance Scheme, including accidents insurance (design and implementation) in PMO

The objective of the audit was to assess whether the design and implementation of the Office for the Administration and Payment of Individual Entitlements' control strategy for the Joint Sickness and Insurance Scheme (JSIS) and accidents insurance is effective and efficient in ensuring that the Office for the Administration and Payment of Individual Entitlements has reasonable assurance on the legality and regularity of the underlying transactions. This included assessing whether the control strategy effectively addresses the risks related to legality, regularity and fraud and whether the results are systematically monitored and adequately reported in the annual activity report. The audit also examined whether the control strategy ensures that corrective measures are taken promptly and proportionately.

There are no observations/reservations in the 2017 annual activity report of the Office for the Administration and Payment of Individual Entitlements that relate to the area/process audited. The fieldwork was finalised on 26 November 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the ongoing efforts made by the Office for the Administration and Payment of Individual Entitlements to streamline and adapt the Joint Sickness and Insurance Scheme internal processes and to accommodate the recent developments in the medical sector. The audit highlighted the following strengths:

- harmonisation efforts: the Office for the Administration and Payment of Individual Entitlements handles the reimbursement of medical claims from a large number of countries (e.g. for 2017 around 170 countries). In this context, weekly coordination meetings between the three Settlements Offices (SO) take place in order to improve the harmonisation of the practices and processes. The Office for the Administration and Payment of Individual Entitlements set up in 2017 Centres of Excellence to build expertise in specific areas. This process aims to align the application of the Joint Sickness and Insurance Scheme rules, regardless the country where the medical services were provided. Ispra Settlements Office has already prepared an action plan for its 'Overseas and CHC Centre of Excellence', which provides a brief overview of the scope, objectives, organisational structure, workflows and human resources necessary for the implementation of the actions. This constitutes a good practice which could be extended further in the Joint Sickness and Insurance Scheme;

- newly introduced Vade-mecums for the Office for the Administration and Payment of Individual Entitlements': the vade-mecums on tarification of hospital invoices, accidents and subrogation of rights represent a good practice as regards guidelines and instructions to its staff. Going forward, these can help with a more harmonised application of Joint Sickness and Insurance Scheme rules by the Settlements Offices, particularly if updated on a regular basis to take account of lessons learned;

- customisation of Assmal 2 tool for business needs: the development of the Joint Sickness and Insurance Scheme online tool ([30]) facilitates the interaction between the Joint Sickness and Insurance Scheme and affiliates as it enables the latter to submit electronic claims and supporting documents. In addition, all documents issued by the Joint Sickness and Insurance Scheme (decisions, letters, account sheets, certificates) are sent to affiliates via this tool. In 2017, the tool was enhanced with new features that better respond to the needs of the service, for example allowing accident files to be recorded in Assmal 2 and a facility to search for double payments;

- handling time of requests: in recent years, the Office for the Administration and Payment of Individual Entitlements has made significant improvements in the time taken to process reimbursement claims and the payment of hospital invoices, which has helped to improve client satisfaction. This is particularly challenging given, as noted above, that the medical domain is evolving at a rapid pace and consequently the Office for the Administration and Payment of Individual Entitlements staff and medical advisers need to keep their knowledge up to date in order to take informed decision.

The Internal Audit Service identified two issues concerning the *review and documentation of JSIS control strategy* and the *effectiveness and efficiency of ex ante and ex post controls* and formulated the following very important recommendations:

Review and documentation of JSIS control strategy

The Internal Audit Service recommended that the Office for the Administration and Payment of Individual Entitlements review the various components which make up its control strategy for Joint Sickness and Insurance Scheme and accidents and bring these together in a more formalised and consolidated control strategy document. This should clearly describe the control objectives, the main actors and their roles and responsibilities, the risk analysis and its output (i.e. Joint Sickness Insurance Scheme risk register), and the intensity and frequency of the *ex ante* and *ex post* controls for direct billing and direct reimbursement (including the sampling methods used). It should also include the automated IT controls embedded in Assmal 2, the Anti-Fraud measures put in place, the reporting on the results of controls together with their evaluation and follow-up. This document should be regularly reviewed and updated in case significant changes occur in the functioning of the Joint Sickness and Insurance Scheme (e.g. update of the legal base or rules) and approved by the Authorising Officer by Delegation.

Effectiveness and efficiency of ex ante and ex post controls

The Internal Audit Service recommended that the Office for the Administration and Payment of Individual Entitlements seeks the necessary statistical assurances as to whether its modified sampling approach allows it to arrive at a representative error rate and if not then it should ensure the correct application of a statistical sampling method for *ex ante* (or *ex post* controls), which allows results to be extrapolated for the entire population. The criteria for using derogations should be clarified in order to ensure a harmonised approach and AIPNs should briefly describe in Assmal 2 the underlying reasons when taking a decision. Assmal 2 should be used to provide a regular overview report on all derogations to allow an analysis of the root causes. The results of *ex post* controls should be reported on a more timely basis to support the assurance building process for the reference period concerned. Finally, the Office for the Administration and Payment of Individual Entitlements should strengthen its Anti-Fraud Strategy with regard to Joint Sickness Insurance Scheme, notably by defining more precise Anti-Fraud actions, ensuring for example that transactions with similar characteristics/details are tested as part of *ex ante* controls.

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[30] Consult your membership rights, apply for medical authorisations and consult the reimbursement history, submit claims for reimbursement online and upload the scanned supporting documents.

Additional information provided by Director PMO on the measures defined and/or implemented following the Internal Audit Service audit

The Office for the Administration and Payment of Individual Entitlements has agreed on an action plan with the Internal Audit Service on the recommendations put forward: organise a task force to coordinate all information on control strategy in the Joint Sickness Insurance Scheme. Publish the updated procedures, as well as a formal document comprising all elements (February 2020); prepare a specific Joint Sickness Insurance Scheme risk register for 2019, disclosing high and critical risks (February 2020); organise meetings with central services to assess the representativeness of the current monetary unit sampling (MUS) technique – otherwise determine the best method for ex post control (October 2019); introduce deadlines so that ex-post controls are used for the current reporting period (March 2020); strengthen anti-fraud strategy by defining clear measures and by monitoring and reporting on them. In case of similar transactions, include in the ex ante controls (October 2019); define derogations in procedures and regularly review those during the coordination meetings (October 2019).

Information technology audits

1. Audit on information technology project management in DG REGIO

The objective of the audit was to assess the adequacy of the design and the effectiveness and the efficiency of the governance, management and control systems put in place by the Directorate-General for Regional and Urban Policy to manage its information technology projects WAVE and SFC, which are the flagship information technology projects for the directorate-general and representative of the overall the Directorate-General for Regional and Urban Policy information technology project management practices.

There were no observations/reservations in the 2016 annual activity report of the Directorate-General for Regional and Urban Policy that relate to the area/process audited. The fieldwork was finalised on 22 March 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service recognises the efforts made by the Directorate-General for Regional and Urban Policy to continuously improve its project management practices, in order to enable the directorate-general to respond to their business objectives. A number of important controls are in place to ensure the success of the projects. In particular, the WAVE project makes extensive use of Business Process Management practices for modelling and designing the business processes. Moreover, the Directorate-General for Regional and Urban Policy use the corporate tool ARIS (Architecture of Integrated Information Systems) to model and support the different business workflows.

The Internal Audit Service did not formulate any critical or very important recommendations.

2. Audit on information technology governance at DG DEVCO

The objective of the audit was to evaluate the current IT governance arrangements in the Directorate-General for International Cooperation and Development with a particular focus on the following main areas:

- the effectiveness of the oversight for information technology-related issues and whether there are clear roles and responsibilities in place;

- the effectiveness and efficiency of the processes which evaluate, direct and monitor value contribution, risk optimisation and resource optimisation of information technology systems and services in the achievements of the Directorate-General for International Cooperation and Development business objectives.

There are no observations/reservations in the 2017 annual activity report of the Directorate-General for International Cooperation and Development that relate to the area/process audited. The fieldwork was finalised on 16 October 2018. All recommendations relate to the situation as of that date. However, the Directorate-General for International Cooperation and Development informed us that further to the entry into force of their new organisation chart on 1 November 2018, all activities and staff relating to OPSYS were transferred from Unit 04 to Unit R4.

The Directorate-General for International Cooperation and Development management exercises a sound and professional oversight of the information technology issues, in line with the Commission principles for IT governance established in 2004 ([31]). In particular, the audit highlighted the following strengths:

- the Directorate-General for International Cooperation and Development information technology governance model makes a clear distinction between business and IT responsibilities, under the strong coordination role of Unit 04;

- for the OPSYS programme there is close cooperation between the Directorate-General for International Cooperation and Development (as representative of the RELEX family) on the business

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[31]   Communication to the Commission SEC(2004)1267 on the improvement of information technology governance in the Commission.

side and the Directorate-General for Informatics and the other information technology solution providers on the other side;

- a close and dual oversight of the OPSYS programme is exercised through its management board (OMB) and the specialised project steering committees;

- risk management processes are well designed in the areas of project management and information security, and supported by an information technology application making it possible to capture, analyse and report on risk management related data in an extended and automated manner;

The business processes of the Directorate-General for International Cooperation and Development are formally designed, with responsibilities clearly identified to ensure that the business process models remain up-to-date and are used for the development of new information technology systems.

The Internal Audit Service identified two issues concerning the *IT governance framework* and *data governance* and formulated the following very important recommendations:

IT governance framework

The Directorate-General for International Cooperation and Development should adapt its information technology governance framework to ensure effective oversight of its full portfolio of information technology-related processes, data and systems. This could take the form of a layered model encompassing the following three levels;

- at the top level a single Information Technology Steering Committee accountable for overall information technology governance in the directorate-general;

- at a second level, dedicated steering committees chaired by business representative and responsible for the oversight of individual or group of information technology systems and components, and;

- at a lower level, dedicated groups responsible for (family of) process(es) and data set(s). Under the lead of a central co-ordination team in the Directorate-General for International Cooperation and Development, these groups representing the user community should liaise with the system owner(s) and IT suppliers.

As a complementary measure, the Directorate-General for International Cooperation and Development should consolidate the current state and medium to long-term vision of its information technology landscape in a revised version of its information technology strategy and reinforce its enterprise architecture function. Finally, the Directorate-General for International Cooperation and Development should liaise with information technology service providers and notably The Directorate-General for Informatics to define regular reporting requirements on the service levels achieved, based on Key Performance Indicators.

Data governance

The Directorate-General for International Cooperation and Development should strengthen its governance on data architecture and ensure it retains ownership of the data supporting its operational processes. To complement this, the Directorate-General for International Cooperation and Development should assess, decide and clearly communicate its data convergence options in order to properly prepare for the transition between legacy systems and OPSYS. This should also include the reporting changes needed to integrate OPSYS data.

Additional information provided by Director DEVCO on the measures defined and/or implemented following the Internal Audit Service audit

The action plan of the Directorate-General for International Cooperation and Development to address the recommendations was accepted by the Internal Audit Service on 20 December 2018. The Directorate-General for International Cooperation and Development has set up a Relex Family Data Governance Board to ensure oversight of the data architecture and its different components. Relex Family Data Governance Board meetings have already taken place; the Data Governance Board will be reflected in the new governance

framework of the Directorate-General for International Cooperation and Development. The directorate-general has drafted and started to implement a strategy for data convergence. OPSYS, the operational information system under development, will be integrated into the Data Warehouse by the third quarter of 2019. To improve its information technology governance framework, the Directorate-General for International Cooperation and Development has merged the different Project Steering Committees of the OPSYS programme into a single Programme Steering Committee, which reports to the IT Board of the Directorate-General for International Cooperation and Development and the OPSYS Management Board. The Directorate-General for International Cooperation and Development will adopt a revised Governance Policy document and draft an IT strategy for 2019-2022 by the end of September.

3. Audit on IT security management for Common Support Centre H2020 grant lifecycle systems in DG RTD

The objective of the audit was to assess the adequacy of the design and the effectiveness of the implementation of the internal controls put in place by the Directorate-General for Research and Innovation, and more specifically by the Common Support Centre (CSC), for protecting electronic information and assets and for grant lifecycle systems supporting the Horizon 2020 programme.

There were no observations/reservations in the 2017 annual activity report of the Directorate-General for Research and Innovation that relate to the area/process audited. The fieldwork was finalised on 23 November 2018. All recommendations relate to the situation as of that date.

The Internal Audit Service noted a number of good practices within the Common information technology Support unit and the Common Support Centre regarding security management and business management of the processes. Each of these practices helps to improve the effectiveness and efficiency of the security management process, focusing on prevention and ensuring that identifiable security risks are managed before they occur:

- tracking of the status of security measures: the Common Support Centre tracks the defined standard and specific security measures and exceptions in the Rational Team Concert security measures tool. This enables a continuous and complete follow up of the progress made in implementing security measures;

- source code reviews: source code reviews are performed both using an automated tool (Sonar) covering most of the developed source code and by peer/colleague reviews. This ensures increase of quality of the code developed and identification of issues or bugs before deploying the code for further testing. At the same time, it enables the team to identify common mistakes and builds knowledge by sharing their own expertise among each other during the peer reviews;

- automatic access management: automatic rules are implemented in Secunda+ (user authorisation tool) for adding/updating/removing access rights based on the nightly update with Common Reference – staff reference database for Commission information technology systems (COMREF). This shows an efficient approach to access management in cases when access rights can be automated and standardised. This approach also represents a strong mitigating control in case human intervention to remove or change access rights upon changes in an employee status fails;

- business process view over information technology systems: the establishment of business process owner roles supports a transversal view across the Research family and ensures a better coverage of business and security requirements increasing harmonisation, simplification and automation;

- automation of security tests during information technology system development: the automation of security tests in place and penetration testing (performed on a pilot) increases the speed of testing process. In addition, it helps to identify vulnerabilities before systems are deployed in the production environment and exposed to users.

The Internal Audit Service did not formulate any critical or very important recommendations.

Section 2
Follow-up engagements (summarised)

1. Follow-up audit on the management of grants under the 2014-2020 consumer and health programmes in CHAFEA

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (very important): internal grant management procedures

Recommendation N° 2 (important): evaluation committees for the consumer programme

Recommendation N° 3 (important): evaluation process

Recommendation N° 4 (important): guidance and interpretation

The following recommendations were assessed as not fully and/or adequately implemented and were re-opened:

Recommendation N° 5 (important): double funding, with original target date for implementation of 31 December 2016, revised to 31 December 2017 after the first follow-up audit

Chapter 4 of the Consumers, Health, Agriculture and Food Executive Agency's new Handbook of Procedures reflects the Directorate-General for Budget revised approach to double funding. Under the revised approach, a beneficiary receiving an operating grant is now entitled to declare indirect costs under an action grant if the operating grant covers only part of their usual activity if the beneficiary is able to demonstrate clearly that the operating grant does not cover any costs (including overheads) that may be covered under the action grant. It is up to the beneficiary to demonstrate this and the Directorate-General for Budget vademecum details how this is to be done.

However, as the Consumers, Health, Agriculture and Food Executive Agency's financial control strategy is not finalised yet, the Internal Audit Service is not in a position to determine conclusively the extent to which recipients of operating grants are subject to reinforced controls at the time of payment, and if instructions on documentation of conclusions and/or further actions to be undertaken following double funding controls are adequately defined.

Recommendation N° 6 (important): grant agreement, with original target date for implementation of 31 December 2016, revised to 31 December 2017 after the first follow-up audit

The Consumers, Health, Agriculture and Food Executive Agency provided evidence that decisions to award a grant retroactively are based on well justified requests by the beneficiaries and are well documented in the grant preparation report before the signature of the authorising officer.

However, on the basis of the evidence provided, the Internal Audit Service has not been able to conclude satisfactorily that the basis for decisions on pre-financing rates is adequately documented. Moreover, an internal guidance document on issues concerning the financial viability of beneficiaries referenced in chapter 7 of the Consumers, Health, Agriculture and Food Executive Agency's Handbook of Procedures is still under preparation.

2. Follow-up audit on CHAFEA's management and control system for the implementation of the measures for the promotion of agricultural products

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): grant management

Recommendation N° 3 (important): selection of experts

Recommendation N° 4 (important): high-level missions

The following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N°1 (important): overall internal control framework, with original target date for implementation of 31 July 2018.

The Consumers, Health, Agriculture and Food Executive Agency has developed a payments strategy for grants which is now being implemented and in addition, complementary checks to address the risk of double-funding for certain beneficiaries have been designed in coordination with the Directorate-General for Agriculture and Rural Development. However, although it has started to work on its multi-annual financial control strategy, this has yet to be formally endorsed and registered. In addition, this still needs to be complemented, as necessary, by any control objectives which are identified as a result of the update of the risk assessment scheduled for autumn 2018. Finally, the Consumers, Health, Agriculture and Food Executive Agency still has to update annex V 'Internal Control Template(s) for budget implementation' to reflect those controls and control objectives specific to promotion activities.

3. Follow-up audit on staff allocation and process management in response to staff reduction in DG ENV

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (important): activities and skills mapping

Recommendation N° 2 (very important): workload assessment

Recommendation N° 4 (important): efficiency gains

4. Follow-up audit on early implementation of European Structural and Investment Funds control strategy 2014-2020 in DG MARE

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 4 (very important): control-related simplification measures

Recommendation N° 5 (very important): designation process and review

Recommendation N° 7 (very important): early preventive system audits (EPSA)

Recommendation N° 8 (very important): review of national audit strategies

Recommendation N° 9 (very important): audits on 'Performance data reliability'

Recommendation N° 11 (important): coordination arrangements

5. Follow-up audit on amendments of 2014-2020 operational programmes in DGs REGIO, EMPL and MARE – DG EMPL

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (very important): consistency, effectiveness and timeliness of the OP amendment process

Recommendation N° 2 (important): internal methodology and horizontal aspects of the OP amendment process

6. Follow-up audit on early implementation of European Structural and Investment Funds control strategy 2014-2020 in DG EMPL

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 4 (very important): control-related simplification measures

Recommendation N° 5 (very important): designation process and review

Recommendation N° 7 (very important): early preventive system audits (EPSA)

Recommendation N° 8 (very important): review of national audit strategies

Recommendation N° 9 (very important): audits on 'Performance data reliability'

7. Follow-up audit on amendments of 2014-2020 operational programmes in DGs REGIO, EMPL and MARE - DG REGIO

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (very important): consistency, effectiveness and timeliness of the OP amendment process

Recommendation N° 2 (important): internal methodology and horizontal aspects of the OP amendment process

8. Follow-up audit on early implementation of European Structural and Investment Funds control strategy 2014-2020 in DG REGIO

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 4 (very important): control-related simplification measures

Recommendation N° 5 (very important): designation process and review

Recommendation N° 7 (very important): early preventive system audits (EPSA)

Recommendation N° 8 (very important): review of national audit strategies

Recommendation N° 9 (very important): audits on 'Performance data Reliability'

9. Follow-up audit on major projects in DG REGIO

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 2 (important): planning and reception of major project applications

10. Follow-up audit on the supervision of ITER in DG ENER

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 1 (very important): DG ENER's supervision strategy for the ITER organisation and project

The following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 2 (very important): supervision and monitoring of F4E activities with original target date 31 July 2017

The Directorate-General for Energy established a supervision strategy for Fusion for Energy (F4E) and, based on assessment of the impact of recent changes, prepared a draft revised version of the Administrative Arrangement with Fusion for Energy. A dedicated annex outlines the 'Working relations with Fusion for Energy ", which provide for efficient and transparent coordination between Fusion for Energy and the relevant European Commission services. Nevertheless, the Administrative Arrangement has not yet been signed and the standard formats for the Fusion for Energy reporting to the Directorate-General for Energy have not been finalised yet.

11. Follow-up audit on the supervision of ITER in DG ENER

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 3 (important): supervision objectives at Unit level

12. Follow-up audit on competitive activities in Joint Research Centre

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): planning process

Recommendation N° 3 (important): guidance and supporting IT tools

Recommendation N° 4 (important): administrative management

13. Follow-up audit on the implementation of the FP7 ex post audit strategy by the Common Audit Service in DG RTD

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 1 (very important): delivery of individual audit engagements

The following recommendations were assessed as not fully and/or adequately implemented and were re-opened:

Recommendation N° 2 (very important): audit planning, monitoring and reporting, with original target date for implementation of 01 May 2018

The Common Audit Service drafted a detailed audit plan for 2019 in order to track the status of individual audit files and established budgets for in-house and outsourced audits, which will enable a comparison against actual time spent. The Common Audit Service also established a process to track key audit milestones against target dates and to justify delays. It also developed operational objectives for the annual audit plan. In addition, the Common Audit Service monitors the inflow of cost statements and revises the annual targets for audits accordingly. However, the following elements of the action plan still have to be fully implemented: (1) an enhanced tool to manage auditors' capacity and workload in order to identify resource planning issues on time; (2) a dashboard with aggregated indicators and corresponding targets on the timely delivery of

audits; (3) performance indicators and corresponding targets in order to measure and to report on the strategic objectives of the Horizon 2020 audit strategy. Although the recommendation is not fully implemented, significant progress has been achieved. Consequently, the Internal Audit Service decided to re-open the recommendation but downgrade it from 'very important' to 'important'.

Recommendation N° 3 (important): Anti-Fraud objectives and testing during ex post audits

The Common Audit Service has established specific and measurable objectives for fraud-risk based audits. It has also developed guidance for the auditors on dealing with the risk of fraud and in January 2018, it revised the methodology in order to improve the documentation of fraud-risk based audits. However, the revised methodology has only been applied in one on-going audit so far. Therefore, it is premature for the Internal Audit Service to conclude on its effective implementation.

Recommendation N° 4 (important): supervision and quality assurance functions

The Common Audit Service implemented arrangements for reciprocal 'peer' assessments with the *ex post* control directorate in the Directorate-General for Regional and Urban Policy. The Common Audit Service also revised the audit methodology in order to clarify which engagement standards the auditors have to comply with in the performance of their work. It also established aggregated indicators to measure the performance of the external audit firms. If systemic issues are detected during quality control, the Common Audit Service now organises training sessions for the auditors. Finally, the audit methodology is revised on a regular basis.

However, the fact that improvements are still needed in the documentation of in-house audit files (see Recommendation N° 5 below) indicates that the peer reviews performed by auditors are not yet sufficient. The Common Audit Service should therefore revise the supervision and the quality control on the documentation of in-house audit files.

Recommendation N° 5 (important): documentation of in-house audits

The Common Audit Service performed a cost-benefit analysis and decided to develop an audit management tool internally. The current estimated target date for implementation is September 2019. In the meantime, although there are some improvements in the completion of audit programmes and mandatory checklists, the audit working papers are not cross-referenced and do not include the audit conclusions. As a result, there are no links between the adjustments in the audit report, the audit programmes, and the working papers, which may affect the ability of an independent party to review the audit file and arrive at the same conclusions.

14. Follow-up audit on the H2020 project management in DG RTD

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1.b. (very important): determining the level of monitoring for projects (RTD)

Recommendation N° 2.b. (important): guidance, support and training (RTD)

The Internal Audit Service concluded that the following recommendations were not assessed as fully and/or adequately implemented and were re-opened:

Recommendation N° 1.a. (very important): determining the level of monitoring for projects (Common Support Centre), with original target date for implementation of 31 July 2017

The Common Support Centre has fully implemented one of two actions covered by this recommendation. In particular, it has reached a consensus at the level of Research and innovation family services on the baseline requirements and principles to ensure the implementation of risk based project monitoring (additional checks or reviews for highly risky projects and limited checks for less risky projects). The guidance document was adopted by the Common Support Centre Steering Board on 18 December 2018.

The remaining action (to clarify the use of 'technical audits') is yet to be finalised. As reported by the Common Support Centre, the revised Vademecum, currently under review by the legal service, explains that the project reviews will be used instead of technical audits. This approach was already communicated to the

implementing bodies via GoFund Wiki noticeboard. However, the Common Support Centre is yet to align the corresponding procedures, concepts and terminology in the various guidelines covering the business processes and audits.

Considering the actions already taken, the Internal Audit Service decided to downgrade the recommendation from 'very important' to 'important' as the Common Support Centre has addressed the risks of inconsistent and inefficient project monitoring, and has partially mitigated the risk of sub-optimal requests for technical audits due to unclear guidelines addressed to the responsible officers.

Recommendation N° 2.a. (important): guidance, support and training (Common Support Centre)

The Common Support Centre has implemented four of the five actions covered by this recommendation. In particular, it completed the guidance on project monitoring by clarifying: (1) the use of project checks versus project reviews; (2) the documentation and dissemination of the project officers' assessment report; (3) the assessment of publishable summaries; (4) the documentation of the justification for the amendments.

The remaining action to clarify the concept of reinforced monitoring is yet to be finalised. As reported by the Common Support Centre, explanations will be available once the revision of the guidance document on *ex ante* controls for interim and final payments is completed.

15. Follow-up audit on the design and set-up of the internal control systems for Horizon 2020 in DG RTD

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): guidance for drafting the work programme/calls

Recommendation N° 4b (important): evaluation procedures and lessons learned (RTD)

16. Follow-up audit on DG DEVCO payment deadlines

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (very important): encoding of payment requests in DG DEVCO

Recommendation N° 2 (important): processing of payments in DG DEVCO

The following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 3 (very important): monitoring of the payment process in DG DEVCO with original target date for implementation 31 December 2017

The Directorate-General for International Cooperation and Development has modified the Key Performance Indicators on payment delays replacing the internal target of 30 days with the contractual payment deadlines. Moreover, it has launched several data quality campaigns on payments with long suspension periods and has improved the new guide on Programme Estimates (article 3.1.2) which now clearly states the deadlines for payment.

Concerning the monitoring of the payment process (including the suspensions), the directorate-general has so far implemented a temporary solution based on the use of PMD. The long-term solution will be based on the single integrated corporate system COMPASS/SYGMA which will be implemented as a pilot in January 2019. Pending the implementation of the long-term solution, the Internal Audit Service considers that the recommendation is not fully implemented. However, it considers the risk partially mitigated and decided to downgrade it from 'very important' to 'important'.

17. Follow-up audit on the management of the African Peace Facility in DG DEVCO

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (originally very important, downgraded to important during previous follow-ups): design and effectiveness of the remedial/mitigating measures at contract level

Recommendation N° 3 (originally very important, downgraded to important during previous follow-ups): governance and coordination between DG DEVCO - EU Delegations – EEAS

Recommendation N° 5 (important): external audits and follow-up of external audit findings

The following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 1 (very important) on i*nstitutional assessment and monitoring by DG DEVCO of the partnership with the AUC*

The Internal Audit Service acknowledges that the updated pillar assessment roadmap/action plan (last update February 2018) and the related Assessment Report (April 2018) provide assurance on the improvements made by the African Union Commission (AUC) in each of the pillars. In addition, a structured monitoring system of the African Peace Facility, based on the new aide-mémoire, has been put in place. However, though planned for Q4 2018, the new pillar assessment recommended by Ernst & Young in their April 2018 final monitoring report has not been launched yet, pending completion by the African Union Commission of assets identification and valuation exercise (necessary to comply with IPSAS requirements).

18. Follow-up audit on the performance management system in DG DEVCO

The following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 2 (very important): monitoring of and reporting on DEVCO's performance towards achieving its objectives

While sub-recommendations 2.2, 2.3, 2.5 and 2.6 have been adequately and effectively implemented, other sub-recommendations remain to be implemented. In particular for sub-recommendation 2.7 it appeared that OPSYS Track 1 (results and monitoring) is not yet fully available and was not used for this year's exercise' and this release is planned for February 2019. Consequently, it is premature to consider sub-recommendation 2.7 implemented on the basis of the OPSYS release in July 2018.

19. Follow-up audit on procurement under Instrument for Pre-Accession (direct management and indirect management with beneficiary countries) – Phase I – in DG NEAR

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): registration and filing of procurement documentation

Recommendation N°4 (important): exchange of expertise among the staff of the EU Delegations implementing IPA

20. Follow-up audit on procurement under Instrument for Pre-Accession (direct management and indirect management with beneficiary countries) – Phase II – in DG NEAR

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 2 (very important): implementation of control plans by the EU Delegation to Turkey

21. Follow-up audit on past Internal Audit Service audits in DG HOME

Audit on coordination and working arrangements with EU Decentralised Agencies

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (important): role and responsibility of the partner DG towards its Agencies

Recommendation N° 2 (very important): overall strategy of the partner DG towards its Agencies – Programming

Recommendation N° 5 (important): organisational structure of the partner DG to interact with its Agencies

The following recommendations were assessed as not fully and/or adequately implemented and were re-opened:

Recommendation N° 3 (very important): overall strategy of the partner DG towards its Agencies – Monitoring with original target date for implementation of 31 December 2016

The Directorate-General for Migration and Home Affairs, within its overall responsibility as a member of the Agencies' Management Board, has strengthened its monitoring of Agencies' performance ([32]). Also, the directorate-general has contributed to the implementation of the principles of the Common approach and Roadmap actions by its Agencies (e.g. support for the establishment of Anti-fraud Strategies and Conflict of Interest Policies as well as strategies for external communications). However, there is no evidence of monitoring by the Directorate-General for Migration and Home Affairs of the implementation of the Roadmap actions by its Agencies, as envisaged by the Internal Audit Service recommendation and the Directorate-General's action plan. The Directorate-General confirmed to the Internal Audit Service that a follow-up table will be developed to check whether each individual Agency is on track in implementing the Roadmap actions.

Therefore, this recommendation cannot be closed at the moment, as one action still needs to be implemented. However, taking into consideration the actions already implemented by the Directorate-General for Migration and Home Affairs, the Internal Audit Service considered that the residual risk has been partly mitigated and decided to downgrade the recommendation from 'very important' to 'important'.

Recommendation N° 4 (very important): overall strategy of the partner DG towards its Agencies – Control & building-up assurance with original target date for implementation of 30 June 2017

The Directorate-General for Migration and Home Affairs has strengthened the design of the controls towards its Agencies. In particular, a control strategy for the budget managed through decentralised Agencies was adopted in January 2018. However, a separate control strategy for Agencies (and other bodies) with delegated budget implementation tasks (i.e. Delegation Agreements) still has to be established as recommended by the Internal Audit Service.

On the reinforcement of the building blocks supporting the Authorising Officer by Delegation's declaration of assurance, the following aspects should be noted:

The Authorising Officer by Sub Delegation (AOSD) reporting (template and accompanying instructions) has been strengthened. However, these have not yet been effectively implemented in practice by all the AOSDs dealing with Agencies ([33]).

The Internal Audit Service recommended that the Directorate-General for Migration and Home Affairs use its independent sources of assurance more efficiently by: (1) encouraging that evaluation and audit reports on

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[32]   For example, the implementation of the Agencies' work programme, including reporting on key performance indicators, is regularly discussed in the Agencies' Board meetings.

[33]   In particular, either no or insufficient information is provided in the authorising officer by sub-delegation report on the following aspects which are requested in the instructions for the preparation of that report: *"present briefly the open audit recommendations of the internal auditors of the agency and in case of very important or critical recommendation, detail the action plan proposed by the agency and the impact on the assurance"*.

the Agencies are shared with the Directorate-General for Migration and Home Affairs on a timely basis and regularly followed up; (2) establishing a mechanism to forward, if appropriate, issues for Internal Audit Service consideration; and (3) analysing the possibility to set up Audit Committees for the Agencies where audit activity is particularly important. However, no evidence has been provided to the Internal Audit Service on the effective implementation of these three actions.

Considering the timing gap that exists between the submission of the annual activity report (31/03/N+1) of the directorate-general and of the agencies' annual activity report (01/07/N+1), the Internal Audit Service recommended that the Directorate-General for Migration and Home Affairs establish a more systematic way of obtaining key information it needs from the Agencies to support its annual activity report. In this context, the Directorate-General for Migration and Home Affairs requested that the Agencies notify the directorate-general (by 01/02/N+1) of significant events which could have a possible impact on the annual activity report of the directorate-general. However, only three of the six agencies provided the information on time. For the other three agencies, one did not reply and the other two replied only after the Internal Audit Service issued a request in the context of this follow-up. Therefore, this procedure, although well-designed, has yet to be effectively implemented in practice. While the Internal Audit Service acknowledges that the Directorate-General for Migration and Home Affairs is dependent on the agencies for receiving the requested information, we consider that the directorate-general should monitor the agencies more proactively to ensure that they provide this information on time, as it could potentially have a significant impact on the annual activity report of the directorate-general and the authorising officer by delegation's declaration of assurance.

Finally, the Directorate-General for Migration and Home Affairs encouraged the agencies to prepare adequate Anti-Fraud Strategies and conflict of interest policies. Given the key importance of these issues and the level of scrutiny exercised by the Budgetary Control (CONT) Committee, we recommended that those strategies/policies are approved by their respective Management Boards. As at the date of this note, two Agencies had not yet adopted a conflict of interest policy. Therefore, the Internal Audit Service recommends that the Directorate-General for Migration and Home Affairs continue its efforts, via its representation in the respective Management Boards, and advocate that the conflict of interest policy in eu-LISA (currently being drafted) is finalised and adopted by the Board and that an overarching conflict of interest policy is established by Frontex (as recommended by the European Court of Auditors as well in its Special report 12/2016) and adopted by its Board.

Therefore, this recommendation cannot be closed at the moment, as several actions still need to be implemented. However, taking into consideration the actions already implemented by the Directorate-General for Migration and Home Affairs, the Internal Audit Service considered that the residual risk has been partly mitigated and decided to downgrade the recommendation from 'very important' to 'important'.

22. Follow-up audit on enforcement of the EU antitrust policy in DG COMP: cooperation with EU national competition authorities and national courts

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 1 (very important): cooperation with the national courts

23. Follow-up audit on enforcement of the EU antitrust policy in DG COMP: cooperation with EU national competition authorities and national courts

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): cooperation with the national competition Authorities

Recommendation N° 3 (important): European Competition Network

24. Follow-up audit on past Internal Audit Service audits in DG EAC: performance management systems in DG EAC, including the contributions of executive Agencies and national Agencies to the achievement of policy objectives

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N°3 (important): exploitation of best practice between the different policy areas

25. Follow-up audit on Erasmus+ and Creative Europe – grant management phase I (from the call to the signature of contracts) in EACEA

Based on the results of the first follow-up work , the Internal Audit Service concluded that sufficient progress had been made to partially mitigate the underlying risks and decided to downgrade the ratings of the following recommendations:

Recommendation N° 2 (original rating: critical, downgraded to very important): role of the evaluation Committee

Recommendation N° 9 (original rating: very important, downgraded to important): calculation of time to inform and time to contract

Recommendation N° 10 (original rating: very important, downgraded to important): distribution schemes under the MEDIA sub-programme

26. Follow-up audit on Erasmus+ and Creative Europe – grant management phase I (from the call to the signature of contracts) in EACEA ([34])

Based on the results of the second follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (original rating: critical, downgraded to very important after the 1st follow-up): role of the evaluation Committee

Recommendation N° 6 (important): consolidation of assessment results of the external experts

Recommendation N° 10 (original rating: very important, downgraded to important after the 1st follow-up): Distribution Schemes under the MEDIA sub-programme

27. Follow-up audit on past Internal Audit Service audits in DG ECFIN

Audit on evaluation in DG ECFIN

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 3 (important): coverage of the evaluation plan

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[34] Based on the results of the last follow-up audit (results issued on 14 March 2019), the Internal Audit Service concluded that all remaining recommendations were adequately and effectively implemented and were closed:
Recommendation N° 1(very important): Control Environment for Grants; Recommendation N° 3 (very important): Organisation of Evaluation Process; Recommendation N° 4 (very important): External Experts; Recommendation N° 5 (very important): Effectiveness of the Evaluation Process; Recommendation N° 7 (very important): Actions preceding the award decision; Recommendation N° 8 (very important): Non-Retroactivity Principle; Recommendation N° 9 (original rating: very important, downgraded to important after the 1st follow-up): Calculation of Time to Inform (TTI) and Time to Contract (TTC).

28. Follow-up audit on the setting of objectives and measurement of performances in DG GROW

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (very important): DG GROW performance framework

Recommendation N° 3 (important): process for preparing the MP/SP

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was not fully and/or adequately implemented and was re-opened:

Recommendation N° 2 (very important): monitoring of and reporting on performance in the context of the SPP cycle

The Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs ensures consistency and comparability of the indicators included in the different Strategic Planning and Programming documents. In addition, it prepared a 'Repository of objectives and indicators together with the services responsible for their follow-up'. However, the repository does not include exhaustive information about the service responsible for the monitoring of the indicator, the data sources used, the methodology to calculate the indicator and how the reliability of data is checked. Moreover, the directorate-general has not designed a procedure for the measurement and monitoring of the result indicators included in the Strategic Plan and in the Programme Statement.

However, given the actions taken to date, the Internal Audit Service considers that the related risks have been partially mitigated. Therefore, the Internal Audit Service decided to downgrade the recommendation from very important to important.

29. Follow-up audit on the performance of DG GROW's supervision of ESA's implementation of Galileo

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): cooperation between DG GROW and ESA

Recommendation N° 4 (important): management and coordination of the Galileo programme supervision risks

Recommendation N° 5 (important): Key Performance Indicators

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was not fully and/or adequately implemented and was re-opened:

Recommendation N° 1 (important): implementation of the procurement activities

In line with the recommendation and the agreed action plan, the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs has defined the role of unit GROW 02 in the review of the Acquisition Plan. The units concerned have also prepared a procedure on the Acquisition Plan process, describing the different steps in the approval process, the roles and responsibilities of the different units and checklists to be used. However, the procedure does not establish clear deadlines for the contributions of the different units, which would help in preventing or minimising any delay in processing the Acquisition Plan. Moreover, the procedure has not yet been formally approved.

30. Follow-up audit on ethics in DG TRADE

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N°2 (important): contacts with interest groups and requests for access to documents

31. Follow-up audit on performance of Anti-Fraud activities in the own resource and taxation areas in DG BUDG

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed.

Recommendation N°3 (very important): roles and responsibilities in the Traditional Own Resources area

32. Follow-up audit on performance of Anti-Fraud activities in the own resource and taxation areas in DG BUDG

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed.

Recommendation N° 4 (important): performance monitoring and reporting on Anti-Fraud activities in the TOR area a) Quality of data in OWNRES

33. Follow-up audit on the procurement process in DG DIGIT

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 4 (important): ex post controls

34. Follow-up audit on performance of EUROSTAT's support to the Europe 2020 strategy and the new Commission priorities

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (important): operational planning and monitoring of the production of Europe 2020 statistics and other key indicators

Recommendation N° 4 (important): European statistics quality assurance and data validation checks

35. Follow-up audit on former IAC and Internal Audit Service audits in OIB

Internal Audit Service Audit on the procurement process in Office for Infrastructure and Logistics in Brussels

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 2 (very important): ex post controls methodology and implementation

36. Follow-up audit on the procurement process in OIL

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 2 (very important): ex post controls

37. Follow-up audit on the governance, planning, monitoring and implementation of the budget line of the OLAF Supervisory Committee

The Internal Audit Service conducted two follow-up engagements in 2018 in relation to the audit.

During the first follow-up, the following recommendations were assessed as not fully and/or adequately implemented and were re-opened:

Recommendation N° 1 (very important, downgraded to important): roles and responsibilities, budget planning and monitoring.

Recommendation N° 2 (very important): budget execution

38. Follow-up audit on the governance, planning, monitoring and implementation of the budget line of the OLAF Supervisory Committee

Based on the results of the second follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 1 (rated important after the first follow-up): roles and responsibilities, budget planning and monitoring

The following recommendation was not fully and/or adequately implemented and was re-opened:

Recommendation N° 2 (very important downgraded to important): budget execution, with original target date for implementation of 31 January 2018, revised to 30 June 2018

The recommendation consisted of five actions (2.1 to 2.5) for which the Office for the Administration and Payment of Individual Entitlements proposed an action plan, which the Internal Audit Service assessed as satisfactory. The first follow-up audit showed that the Office for the Administration and Payment of Individual Entitlements had satisfactorily implemented two (2.1 and 2.3) of the five actions. Notably, the roles and responsibilities for the procedure to certify expenditure as 'correct' have been clarified. Furthermore, the IT tool for the management of missions and of the related expenditure in the Commission (MIPS) is now systematically used, which ensures that management of the related expenditure is more timely, regular and structured.

In the second follow-up audit, the Internal Audit Service acknowledged in particular the specific context related to the creation of the European Public Prosecutor's Office and its implications on the European Anti-Fraud Office's activity, noted that progress still needs to be made in the implementation of two actions (2.2 and 2.4) and assessed as satisfactory the implementation of one action (2.5)..

In the light of these results, Internal Audit Service assessed the level of implementation as sufficient overall to reduce the level of residual risk, from high to medium and decided to downgrade the risk rating of this recommendation from very important to important.

39. Follow-up audit on performance and coordination of Anti-Fraud activities in the Traditional Own Resources areas in OLAF

The Internal Audit Service conducted two follow-up engagements in 2018 in relation to the audit. Based on the results of the first follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 2 (very important): OLAF support

Recommendation N° 4 (important): performance monitoring and reporting on Anti-Fraud activities in the TOR Area b) Quality of reporting on performance

40. Follow-up audit on performance and coordination of Anti-Fraud activities in the Traditional Own Resources area in OLAF

Based on the results of the second follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 5 (important): operational cooperation

41. Follow-up audit on former IAC audits in PMO

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

IAC audit on the reimbursement of experts' expenses managed by the PMO

Recommendation N° 3 (very important): compliance with applicable rules and regulations.

IAC audit on management of accident's insurance in PMO.3

Recommendation N° 6 (important): review the control measures.

IAC audit on contracts related to the management of missions in the PMO

Recommendation N° 2 (very important): completeness of transactions

Recommendation N° 3 (very important): ensure a secured access to AMEX data

Recommendation N° 7 (very important): relevant statistics made available to DGs in the framework of the next contract (2014)

IAC audit on the effectiveness and efficiency of the mission management workflow in the PMO

Recommendation N° 4 (very important): risk based verifications and controls

Recommendation N° 6 (very important): redeployment of resources

Recommendation N° 9 (important): reassessment of services for agencies and bodies.

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was not fully and/or adequately implemented and was re-opened:

IAC audit on management of accident's insurance in PMO.3

Recommendation N° 5 (very important): reliable monitoring of accident files with original target date for implementation of 31 December 2012, revised deadline of 31 March 2018

The Office for the Administration and Payment of Individual Entitlements provided the Internal Audit Service with evidence that shows that it now records deadlines for accident files in ASSMAL2. This IT system also includes automatic checks and controls to ensure correct reimbursements. However, in the current version of ASSMAL2, it is not yet possible to have an overview of the deadlines linked to all accident files at the different stages of the process for treating them. Meanwhile, the Office for the Administration and Payment of Individual Entitlements is using a set of custom-made reports to monitor the accident files.

42. Follow-up audit on business continuity in DG COMM

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 1 (very important): business impact analysis

Recommendation N° 3 (important): business continuity documentation

43. Follow-up audit on security of IT applications supporting nuclear accountancy and inspection processes in DG ENER

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 4 (important): change management in infrastructure configuration.

44. Follow-up audit on security of IT applications supporting nuclear accountancy and inspection processes in DG ENER

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 3 (important): user access management

45. Follow-up audit on management of local IT in DG ESTAT

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was not fully and/or adequately implemented and was re-opened:

Recommendation N° 4 (very important): information system security

The last part of the recommendation – to develop and implement security plans for all active information technology systems and services based on the security requirements identified for each system – is not yet fully implemented. Eurostat has developed information technology security plans by family of standard systems, grouped along the three main aspects of data exchange, data processing and data dissemination. However, only over half of the operational information technology systems fit into those three categories and there is not yet a security plan in place which covers the remaining information technology systems.

46. Follow-up audit on IT governance and portfolio management in DG GROW

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 1 (very important): IT strategy, IT-related risk management, and functioning of the ITSC

The recommendation listed below was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 4 (important): IT service documentation and communication, with original target date for implementation of 30 June 2018

The Internal Audit Service considers that although progress has been made, the action plan has not been fully implemented yet. The services documentation has only been partially completed and therefore only partly published. Furthermore, the service catalogue documentation is currently not information system/service specific. Therefore, the risks remain that relevant knowledge may be lost and that communication with the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs internal or external customers/stakeholders is inefficient, both of which can lead to difficulties in managing expectations and ultimately low levels of stakeholder satisfaction.

47. Follow-up audit on the former IAC audit on the performance of the Anti-Fraud information system (AFIS) in OLAF

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 9 (important): user account management

48. Follow-up audit on IT logical security controls in OLAF

The following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 3 (very important): Local Information Security Officer and deputy Local Information Security Officer, with original target date for implementation of 30 March 2018

At the time of the follow-up, the Internal Audit Service noted that only three out of five parts of the recommendation had been implemented. After the follow-up of the Internal Audit Service, OLAF took measures to implement the outstanding actions, i.e. organisation of monthly meetings between the Director-General and the Local Information Security Officer and the establishment of a revamped 2018 Local Information Security Officer annual report. Since end of March 2019, OLAF considers the action plan as fully implemented. The effective implementation will be assessed by the Internal Audit Service in due course as part of a second follow-up audit.

49.   Follow-up audit on business continuity management in Publications Office of the European Union

Based on the results of the follow-up audit, the Internal Audit Service concludes that the following recommendations were adequately and effectively implemented and were closed:

Recommendation N° 3 (very important): inadequate business impact analysis not delivering intended results

Recommendation N° 4 (important): gaps in the application level documentation and IT documentation scattered over different media

50.   Follow-up audit on business continuity management in Publications Office of the European Union

Based on the results of the follow-up audit, the following recommendation was assessed as not fully implemented and was re-opened:

Recommendation N° 5 (important): testing of business continuity insufficiently co-ordinated and logged, with original target date for implementation of 31 October 2017

The Publications Office of the European Union is in a transitional period as regards the migration of its IT activities to the Commission data centre managed by the Directorate-General for Informatics. The full implementation of the service level agreement between the Publications Office of the European Union and the Directorate-General for Informatics will affect the measures on business continuity coordination and logging. The full integration is currently expected to be completed by the end of 2019. However, a multi-annual testing programme has yet to be established, covering also the transition period.

For the time being, the critical systems of the Office remain in the former datacentres. According to the IT infrastructure consolidation convention of the Publications Office of the European Union, these datacentres are considered to be under the responsibility of the Directorate-General for Informatics as from 1 January 2018. However, the information technology incident exercises, which are performed regularly by the Directorate-General for Informatics, do not cover these datacentres.

The Publications Office of the European Union performs a full switchover of applications from one data centre to the other at least twice per year as part of the operational maintenance of the building, when power cut exercises are performed. However, these tests are not properly documented for business continuity purposes and the results are not reported to senior management. To cover this gap, there needs to be proper failover documentation, which aims to prove the system's ability to move critical operations from the main datacentre to back-up systems and vice versa.

51.   Follow-up audit on HR IT corporate application – NAP in PMO

Based on the results of the follow-up audit, the Internal Audit Service concluded that the following recommendation was adequately and effectively implemented and was closed:

Recommendation N° 12 (important): NAP 1st level support

52. Follow-up audit on supervision of outsourced IT operations in DG TAXUD

Based on the results of the follow-up audit, the following recommendation was assessed as not fully and/or adequately implemented and was re-opened:

Recommendation N° 3 (important): audit arrangements, with original target date for implementation of 01 January 2018

The Internal Audit Service acknowledges that the change of service provider for the QA contract (QA3 to QA4) delayed the implementation of this recommendation. Nevertheless, the following actions have not yet been fully implemented: (1) consultation between the Directorate-General for Taxation and Customs Union resources and governance sector and the QA contractor to improving the audit methodology, and the resulting amendment of TEMPO methodology; (2) definition and implementation of rules for ownership, retention, hand over and deletion of audit records (test results, minutes of interviews, etc.) and preparation of key deliverables (audit plan and audit report), in line with Commission's document management practices; (3) creation of a post-audit action list with a defined follow-up process on past audit recommendations stemming from QA audits; (4) twice-yearly presentation of the follow-up action list to the Groupe de Coordination Informatique; (5) monthly progress reporting per sector on the audit actions for which they are responsible; (6) presentation of the follow-up action list to the Information Technology Steering Committee.

List of follow-up audits performed in 2018 for which <u>all</u> recommendations have been closed after the follow-up

Based on the results of the follow-up audits performed in 2018, the Internal Audit Service assessed that the following audits listed below could be fully closed as all the recommendations had been adequately implemented.

Audit Title
53. Follow-up audit on DG AGRI's management and control system for Voluntary Coupled Support
54. Follow-up audit on the limited review on the reporting on the corrective capacity in DG AGRI
55. Follow-up audit on public procurement in DG CLIMA
56. Follow-up audit on LIFE+ phasing out in DG ENV
57. Follow-up audit on monitoring and enforcement of EU environmental law in DG ENV
58. Follow-up audit on DG SANTE and HOME coordination and working arrangements with EU Regulatory Agencies
59. Follow-up audit on the adequacy and effective implementation of Anti-Fraud Strategy in DG SANTE
60. Follow-up audit on pilot projects and preparatory actions in DG SANTE
61. Follow-up audit on the former IAC audit on the management of funds in DG SANTE Veterinary Programmes
62. Follow-up audit in DG MARE on amendments of 2014-2020 operational programmes in DGs REGIO, EMPL and MARE
63. Follow-up audit of former IAC audits in DG REGIO: interruptions and suspensions of payments, performance framework
64. Follow-up audit on procurement in DG CNECT
65. Follow-up audit on project management in DG CNECT
66. Follow-up audit on the supervision of the implementation of Connecting Europe Facility in DG ENER
67. Follow-up audit on governance and supervision of the Nuclear Decommissioning Assistance Programme in DG ENER
68. Follow-up audit on past Internal Audit Service audits in ERCEA: closure of FP7 projects, HR management
69. Follow-up audit on the former IAC audit on document management in Joint Research Centre
70. Follow-up audit on SPP/ABM in Joint Research Centre
71. Follow-up audit on the former IAC audit on Nuclear Decommissioning and Waste

Management Programme

72. Follow-up audit on monitoring of the aviation and maritime security policies, including related working arrangements with the EMSA Regulatory Agency in DG MOVE

73. Follow-up audit on the supervision of the implementation of Connecting Europe Facility in DG MOVE

74. Follow-up audit on the Participant Guarantee Fund in DG RTD

75. Follow-up audit on FP7 control systems in DG RTD

76. Follow-up audit on the set up of the Common Support Centre for H2020 in DG RTD

77. Follow-up audit on the limited review on the reporting on the corrective capacity in DG RTD

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78. Follow-up audit on design and implementation of EU trust funds in DGs DEVCO, NEAR and BUDG –DG DEVCO

79. Follow-up audit on the limited review on the reporting on the corrective capacity in DG DEVCO

80. Follow-up audit on the former IAC audit on DG DEVCO's management system of audit recommendations

81. Follow-up audit on DG DEVCO EDF grants

82 and 83. Follow-up audit on procurement under decentralised management mode in DG DEVCO (two follow-up audits performed)

84. Follow-up audit on objective setting process in the context of preparation of Management Plans in DG ECHO

85. Follow-up audit on FPI control strategy

86. Follow-up audit on DG NEAR's residual error rate methodology and calculation

87. Follow-up audit on design and implementation of EU trust funds in DGs DEVCO, NEAR and BUDG – DG NEAR

(p.m.) ([35]). Follow-up audit on past Internal Audit Service audits in DG EAC: audit on performance of National Agencies in DG EAC, audit on the effectiveness and efficiency of the Erasmus+ Control Strategy in the Education, Audiovisual and Culture Executive Agency (EACEA) and in National Agencies in DG EAC

88. Follow-up audit on the objective setting process in the context of preparation of Management Plans in DG HOME

89. Follow-up audit on DG HOME's management of Emergency Assistance in the context of the migration crisis

(p.m.) Follow-up audit on past Internal Audit Service audits in DG HOME: audit on DG HOME's preparedness for 2014-2020 legislation under shared management

90 and 91. Follow-up audit on grant management in DG JUST (two follow-up audits

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[35] Pro-memory: Follow-up audit already mentioned before. During this audit recommendations from several audits were followed-up. Only for some of these audits this resulted in the closure of all recommendations.

performed)
92. Follow-up audit on past Internal Audit Service audits in EASME: audit on the preparedness of the management and control system for the implementation of LIFE 2014-2020 93. Follow-up audit on the effectiveness of the management of the COSME programme by EASME 94. Follow-up audit on the limited review on the reporting on the corrective capacity in EASME (p.m.). Follow-up audit on past Internal Audit Service audits in DG ECFIN: financial management and grant process 95. Follow-up audit on financial management of procurement and grants in DG FISMA 96 and 97. Follow-up audit on the limited review of the calculation and the underlying methodology of the residual error rate for the 2016 reporting year in DG GROW (two follow-up audits performed) 98. Follow-up audit on the former IAC audit on the internal control strategy of the GSA over the budget delegated by DG ENTR (current DG GROW) 99 and 100. Follow-up audit on performance and coordination of Anti-Fraud activities in the Traditional Own Resources area in DG TAXUD (two follow-up audits performed) 101. Follow-up audit on financial and procurement management in DG TRADE
102. Follow-up audit on design and implementation of EU trust funds in DEVCO, NEAR and BUDG – DG BUDG 103. Follow-up audit on the former IAC audit on external staff management in DG DIGIT 104. Follow-up audit on management and supervision of contracts for outsourced IT services (IT contract management) in DG DIGIT 105. Follow-up audit on financial management in the Legal Service (p.m.) Follow-up audit on former IAC and Internal Audit Service audits in OIB: IAC audit on concept and reproduction in OIB 106. Follow-up audit on the efficiency and effectiveness of the design and implementation of the financial circuits in OIB 107. Follow-up audit on the procurement process in OP 108. Follow-up audit on the procurement process in DG SCIC
109. Follow-up audit on effectiveness of measures to handle manual interventions in ABAC in DG BUDG 110. Follow-up audit on management of local IT in DG COMP 111. Follow-up audit of the former IAC audit on the adequacy of the application CECIS and conformity to Commission rules in DG ECHO

112 and 113. Follow-up audit on management of EESSI project in DG EMPL (two follow-up audits performed)

114. Follow-up audit on information security governance in the Commission

Section 3
Summary of long outstanding recommendations (state of play as at 31 January 2019)

No.	DG	Audit title	Recommendation	Comments	Final report date	Original due date	Revised due date
I	AGRI	Internal Audit Service Audit of the processes for managing and sharing data on agri-environmental-climate issues in DG AGRI, DG CLIMA and DG ENV	Mapping of information needs and available data related to agri-environmental-climate issues	Meetings and presentations between and by AGRI, CLIMA, ENV and Eurostat regarding agri-environmental indicators and statistics have been carried out. DG ENV has created an indicator inventory which DG AGRI has contributed to. A set of draft context indicators and their methodological fiches are under development. The inventory of 'other statistics' is currently being updated by Eurostat. During the impact assessment for the new CAP, DG AGRI worked extensively with the Joint Research Centre to ensure that agri-environmental interaction was taken into account in the modelling. Further progress is dependent on the revision of the CAP. A follow-up audit is currently ongoing. **Expected delay compared to the original due date of 18 months.**	12-01-2017	30-06-2018	31-12-2019
II	CLIMA	Internal Audit Service Audit of the processes for managing and sharing data on agri-environmental-climate issues in DG AGRI, DG CLIMA and DG ENV	Mapping of information needs and available data related to agri-environmental-climate issues	Meetings and presentations between and by AGRI, CLIMA, ENV and Eurostat regarding agri-environmental indicators and statistics have been carried out. DG ENV has created an indicator inventory which DG AGRI has contributed to. A set of draft context indicators and their methodological fiches are under development. The inventory of 'other statistics' is currently being updated by Eurostat. A follow-up audit is currently ongoing. **Expected delay compared to the original due date of 18 months.**	12-01-2017	30-06-2018	31-12-2019
III	CLIMA	Internal Audit Service Audit of the processes for managing and sharing data on agri-environmental-climate issues in DG AGRI, DG CLIMA and DG ENV	Coordination of Member States reporting requirements and reuse of data	Substantial progress has been made in its implementation. The Legal Service was consulted on the sharing of other IACS data and the other EU institutions as well as Member States were consulted on their willingness to share such data through an e.survey. In addition, the three audited DGs had several meetings between themselves, with other services concerned (ESTAT, JRC, GROW), with Member States and with the EEA. A roadmap will be established with Joint Research Centre and involving other DGs: ENV, CLIMA, ESTAT, JRC, GROW and the EEA. To ensure an effective data sharing at mid- and long-term and to provide legislative certainty to the Member States, Article 65 on 'Data keeping and sharing" is included in the proposal for the regulation on the financing, management and monitoring of the future CAP post 2020. A follow-up audit by the Internal Audit Service is currently ongoing. **Expected delay compared to the original due date of 13 months.**	12-01-2017	01-03-2018	31-03-2019

No.	DG	Audit title	Recommendation	Comments	Final report date	Original due date	Revised due date
IV	EMPL	Internal Audit Service audit on early implementation of European Structural and Investment Funds control strategy 2014-2020	AUDITS ON 'FINANCIAL INSTRUMENTS'	The delay in the implementation of this recommendation is due to (a) the relatively low level of implementation of FI so far which directed DGs' audit resources towards other priorities and (b) the necessary discussions and coordination arrangements with the Audit Authorities on an appropriate methodology for auditing these instruments. While the recommendation is not fully implemented yet, important measures have already been taken. A follow-up by the Internal Audit Service will take place as soon as the recommendation is reported as 'ready for review' by DG EMPL. **Expected delay compared to the original due date of 18 months.**	20-12-2016	30-06-2018	31-12-2019
V	ENV	Internal Audit Service Audit of the processes for managing and sharing data on agri-environmental-climate issues in DG AGRI, DG CLIMA and DG ENV	Mapping of information needs and available data related to agri-environmental-climate issues	Meetings and presentations between and by AGRI, CLIMA, ENV and Eurostat regarding agri-environmental indicators and statistics have been carried out. DG ENV has created an indicator inventory which DG AGRI has contributed to. A set of draft context indicators and their methodological fiches are under development. The inventory of 'other statistics' is currently being updated by Eurostat. During the impact assessment for the new CAP, DG AGRI worked extensively with the JRC to ensure that agri-environmental interaction was taken into account in the modelling. Further progress is dependent on the revision of the CAP. A follow-up audit is currently ongoing. **Expected delay compared to the original due date of 18 months.**	12-01-2017	30-06-2018	31-12-2019
VI	MARE	Internal Audit Service audit on early implementation of European Structural and Investment Funds control strategy 2014-2020	AUDITS ON 'FINANCIAL INSTRUMENTS'	The delay in the implementation of this recommendation is due to (a) the relatively low level of implementation of FI so far which directed DGs' audit resources towards other priorities and (b) the necessary discussions and coordination arrangements with the Audit Authorities on an appropriate methodology for auditing these instruments. While the recommendation is not fully implemented yet, important measures have already been taken. A follow-up by the Internal Audit Service will take place as soon as the recommendation is reported as 'ready for review' by DG MARE. **Expected delay compared to the original due date of 9 months.**	20-12-2016	30-06-2018	31-03-2019

No.	DG	Audit title	Recommendation	Comments	Final report date	Original due date	Revised due date
VII	REGIO	Internal Audit Service audit on early implementation of European Structural and Investment Funds control strategy 2014-2020	AUDITS ON 'FINANCIAL INSTRUMENTS'	The delay in the implementation of this recommendation is due to (a) the relatively low level of implementation of FI so far which directed DGs' audit resources towards other priorities and (b) the necessary discussions and coordination arrangements with the Audit Authorities on an appropriate methodology for auditing these instruments. While the recommendation is not fully implemented yet, important measures have already been taken. A follow-up by the Internal Audit Service will take place as soon as the recommendation is reported as 'ready for review' by DG REGIO. **Expected delay compared to the original due date of 18 months.**	20-12-2016	30-06-2018	31-12-2019
VIII	OLAF	Internal Audit Service audit on IT Logical security controls in OLAF	Local Information Security Officer and deputy Local Information Security Officer	OLAF reported this recommendation to the Internal Audit Service as 'ready for review' on 27 June 2018. Since then, at the time of the follow-up, the Internal Audit Service noted that only three out of five parts of the recommendation had been implemented. After the follow-up of the Internal Audit Service, OLAF took measures to implement the outstanding actions. The Internal Audit Service will perform a second follow-up of this recommendation in the first half of 2019. **Expected delay compared to the original due date of 12 months.**	02-05-2017	30-03-2018	31-03-2019
IX	DEVCO	Internal Audit Service audit on African Peace Facility in African Union	INSTITUTIONAL ASSESSMENT AND MONITORING BY DG DEVCO OF THE PARTNERSHIP WITH THE AUC	Although planned for Q4 2018, the new pillar assessment recommended by the external contractor in their April 2018 final monitoring report has not been launched yet, pending completion by the African Union Commission of the identification and valuation of assets exercise (necessary to comply with IPSAS requirements). No further mitigating measures can be taken as the closure of the recommendation is dependent on the African Union Commission's readiness to launch the pillar assessment. The Internal Audit Service will launch a follow-up once the recommendation is marked as 'ready-for-review' by management. **Expected delay compared to the original due date of 32 months.**	21-01-2016	31-12-2016	31-08-2019
X	ENV	Internal Audit Service Audit of the processes for managing and sharing data on agri-environmental-climate issues in DG AGRI, DG CLIMA and DG ENV	Coordination of Member States reporting requirements and reuse of data	Substantial progress has been made in its implementation. The Legal Service was consulted on the sharing of other IACS data and the other EU institutions as well as Member States were consulted on their willingness to share such data through an e.survey. In addition, the three audited DGs had several meetings among themselves, with other services concerned (ESTAT, JRC, GROW), with Member States and with the EEA. A follow-up audit is currently ongoing. **Expected delay compared to the original due date of 13 months.**	12-01-2017	01-03-2018	31-03-2019

No.	DG	Audit title	Recommendation	Comments	Final report date	Original due date	Revised due date
XI	OLAF	Internal Audit Service audit on IT Logical security controls in OLAF	OVERALL IT SECURITY ROLES AND PROCEDURES	According to OLAF, most of the actions have been implemented, with the remaining action (the review of the internal security framework of Units C2 and D4) planned to be completed by the end of March 2019. The Internal Audit Service will perform a first follow-up of this recommendation in the first half of 2019. **Expected delay compared to the original due date of 14 months.**	02-05-2017	31-01-2018	31-03-2019
XII	PMO	Internal Audit Service audit on charge-back in PMO	SERVICE-LEVEL AGREEMENTS (SLAS)	A new draft catalogue of services has been prepared and communicated to all interested parties on a dedicated page in MyPMO. PMO has initiated the revision of the cost methodology and had consultations with internal and external stakeholders. The Internal Audit Service will perform a follow-up during the first half of 2019. **Expected delay compared to the original due date of 11 months.**	19-01-2017	31-03-2018	28-02-2019
XIII	PMO	Internal Audit Service audit on charge-back in PMO	COST METHODOLOGY	According to PMO, the revision of the cost methodology is finalised and follows the latest corporate guidance of DG BUDG. PMO will no longer apply any discounts to its services and a dedicated section on this matter will be available on PMO's website (or information upon request for the potential clients with no access to the website). The Internal Audit Service will perform a follow-up during the first half of 2019. **Expected delay compared to the original due date of 11 months.**	19-01-2017	31-03-2018	28-02-2019
XIV	OIB	Internal Audit Service audit on Procurement process in OIB, OIL and DG BUDG	PROCUREMENT PROCEDURES	A working document including a proposal for a substantially revised 'Kallas procedures' has been prepared by OIB and submitted to DG HR members of the working group at the end of September 2018. A meeting regarding the revision of the procedure between OIB and DG HR is scheduled for the end of March 2019. Once an agreement is reached with DG HR, all the relevant actors will be consulted through an inter-service consultation. The Internal Audit Service will launch a follow-up once the recommendation is marked as 'ready-for-review' by management. **Expected delay compared to the original due date of 16 months.**	20-01-2017	22-12-2017	30-04-2019
XV	OLAF	Internal Audit Service audit on IT Logical security controls in OLAF	KEY OCM PROJECT DOCUMENTATION AND LOGGING CONTROLS	According to OLAF, most of the actions have been implemented, including the formalisation of the OCM and IT infrastructure logging and monitoring policy. However, the implementation of the policy within the OCM application and the roles on the administration of log files is still missing (expected to be implemented by the end of February 2019). The Internal Audit Service will perform a first follow-up of this recommendation in the first half of 2019. **Expected delay compared to the original due date of 14 months.**	02-05-2017	31-12-2017	28-02-2019

No.	DG	Audit title	Recommendation	Comments	Final report date	Original due date	Revised due date
XVI	OLAF	Internal Audit Service audit on Performance of Anti-Fraud activities in the own resource and taxation areas	ANTI-FRAUD STRATEGIES IN OWN RESOURCES AT COMMISSION AND DG LEVEL (OLAF)	The Internal Audit Service has not yet been able to conduct a follow up audit due to the continued extension in the date of implementation of the recommendation. This arises from the delay in the finalisation of a revised Commission Anti-Fraud Strategy (CAFS). One of the principal reasons for the delay in the finalisation of the revised CAFS has been the necessity to take into account findings and recommendations of the ECA in its special report on fighting fraud in EU spending (issued on 10 January 2019). According to the latest information received from OLAF on 11 March 2019, the recommendation will be fully implemented in the revised CAFS, the adoption of which is scheduled for the end of March 2019. The Internal Audit Service will launch a follow-up once the recommendation is marked as 'ready-for-review' by management. **Expected delay compared to the original due date of 15 months.**	5-12-2016	31-12-2017	31-03-2019 ([36])
XVII	OLAF	Internal Audit Service audit on Performance of Anti-Fraud activities in the own resource and taxation areas	ROLES AND RESPONSIBILITIES IN THE TOR AREA (OLAF)	The Internal Audit Service has not yet been able to conduct a follow up audit due to the continued extension in the date of implementation of the recommendation. This arises from the delay in the finalisation of a revised Commission Anti-Fraud Strategy (CAFS). Several key elements of the recommendation await the agreement on the revised CAFS. According to the latest information received from OLAF on 11 March 2019, the recommendation will be implemented in the revised CAFS, the adoption of which is scheduled for the end of March 2019. The Internal Audit Service will launch a follow-up once the recommendation is marked as 'ready-for-review' by management. **Expected delay compared to the original due date of 15 months.**	5-12-2016	31-12-2017	31-03-2019 ([37])
XVIII	PMO	Internal Audit Service audit on effectiveness of the management of absenteeism in the Offices (OIB, OIL and PMO)	PMO_MONITORING AND ANALYSIS OF ABSENCES AT OFFICE LEVEL	At the cut-off date of this report this recommendation was still pending, however PMO has updated the status on 11 February 2019 and considers the recommendation as 'ready for review'. The Internal Audit Service will perform a follow up in the first quarter of 2019. **Expected delay compared to the original due date of 18 months.**	6-10-2015	30-06-2017	11-02-2019

[36] Revised on 11 March 2019 from 28 February 2019 to 31 March 2019.
[37] Revised on 11 March 2019 from 28 February 2019 to 31 March 2019.