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European Commission

2019

Annual Activity Report

Internal Audit Service (DG IAS)

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THE INTERNAL AUDIT SERVICE IN BRIEF

The Internal Audit Service (IAS) is an independent central service in the European Commission, led by the Commission's Internal Auditor, Dr Manfred Kraff.

It audits management and control systems and provides assurance on the effectiveness of risk management, control, and governance processes to the 50 other European Commission services and executive agencies, and the 42 EU agencies and other autonomous bodies receiving contributions from the EU budget (hereinafter called 'audited entities'). At the request of its auditees, the IAS can also provide consulting services.

The IAS conducts its internal audit activities in accordance with the governance arrangements of the European Commission, the Financial Regulation (FR)[1], the International Standards for the Professional Practice of Internal Auditing (Standards)[2] and the Code of Ethics of the Institute of Internal Auditors (IIA)[3]. It is working in an open and transparent manner, meeting the expected high level of professional and ethical standards.

> Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
>
> *Definition of internal auditing by the Institute of Internal Auditors (IIA)*

We contribute to the Institution's objectives

The European Union's overall political goals are developed collectively by its institutions. The European Commission develops and translates the EU's strategy into policies and initiatives. The wide range of initiatives results in a multitude of actions, which either have a legislative, regulatory dimension, or result in expenditure from the EU budget. For all of its activities the European Commission has to set up structures, processes and procedures, which enable it to achieve the objectives in an efficient and effective way, in compliance with the applicable rules, safeguarding its assets, protecting the budget and in general providing value for money to the citizens.

Being part of the European Commission, the IAS, through its audit and consulting activities, contributes to providing value for money for European citizens and helps the Commission in its objective to spend the budget in a legal and regular way, and thus increase public confidence in the European Union.

The IAS and its teams of professionally certified internal auditors contribute to the Commission's general objective of effectively and efficiently managing

[1] Financial Regulation (EU, Euratom) 2018/1046.

[2] IIA Standard 2000: "The Chief Audit Executive must effectively manage the IA activity to ensure its added value to the organisation".

[3] A code of ethics describes minimum requirements of conduct for the profession of internal auditing.

resources and promoting a performance culture (economy, efficiency and effectiveness) by providing assurance to the audited entities and the College of Commissioners.

Based on in-depth risk assessments, the internal auditors identify the highest risks that may adversely affect the achievement of the audited entities' objectives and develop a strategic audit plan covering the systems and processes the Commission put in place to address those risks. Through their audit work, they add value to the effective implementation of risk management, control and governance processes, EU policies, programmes and actions, efficient and economical management of resources, and compliance with the legal frameworks by the audited entities.

The IAS coordinates its work with the European Court of Auditors (ECA), the Commission's external auditor, and, where applicable, with the Internal Audit Capabilities (IACs) of the EU agencies and other autonomous bodies.

We are an independent and trusted Commission service

The independence of the Internal Auditor is set out in Article 120 of the Financial Regulation and is guaranteed in its Mission Charters[4], granting him complete independence in the conduct of the audits. The IAS reports and is functionally accountable to the Audit Progress Committee (APC) as regards its audit activities in the Commission and executive agencies. The Strategic Audit Plan (SAP) for the Commission and executive agencies is considered by the APC and adopted by the Internal Auditor (IA). For the work in the Commission, the APC ensures oversight over the acceptance and proper implementation and follow-up of the IAS recommendations by the audited services. Similarly, for its work in EU agencies and other autonomous bodies, the IAS reports functionally to the Board and the Director of each respective entity.

With the arrival of the newly elected President of the European Commission, Ursula von der Leyen, following the approval of her College of Commissioners by the European Parliament on 1 December 2019, the IAS now falls under the political authority of the Commissioner for Justice, Mr. Didier Reynders. During the mandate of the Juncker Commission, the IAS fell under the authority of the First Vice-President of the European Commission.

Each year, the Secretariat-General of the European Commission publicly reports[5] to the European Parliament and the Council a summary of the audit work of the IAS in the European Commission, i.e. the number and type of internal audits carried out, the recommendations made and the action taken on those recommendations.

The IAS's annual audit conference has become a benchmark for the international public sector audit community.

[4] In March 2020, the IAS updated its Mission Charter and will communicate it to Commission DGs, executive agencies and EU agencies and other autonomous bodies.

[5] Annual report in accordance with Article 118(8) of the Financial Regulation (EU, Euratom) 2018/1046.

EXECUTIVE SUMMARY

This Annual Activity Report is a management report of the Director-General of the IAS to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties[6].

a) Key results and progress towards the achievement of the Commission's general objectives and the IAS's specific objectives

Through its audit work, the IAS contributes to the Commission's general objective of effectively and efficiently managing resources and **promoting a performance culture** (economy, efficiency and effectiveness) by providing assurance to the audited entities and the College of Commissioners.

Managing the risk-based audit process

The IAS has a well-defined and structured audit process, starting with an in-depth audit risk assessment to obtain a thorough understanding of the audited entities, their objectives and the key risks they face in achieving them.

Early identification of Commission-wide and Directorate-General-specific key risks/themes, taking into account the strategic objectives of the Commission and the EU autonomous bodies, ensures that the risks judged by the auditors to be high or very high are covered by way of an audit engagement during a three-year period. Strategic audit plans are then developed (covering a 3-year period) and implemented through the annual audit plans.

In 2019, the IAS performed a wide range of audits, covering governance aspects, and operational, financial and risk management processes, in order to provide assurance to the audited entities that the controls in place are effective in mitigating those risks that may impair the achievement of their objectives.

Where weaknesses were identified in the course of the various audit engagements, recommendations were issued. These recommendations aim at mitigating the related risks in a cost-effective manner, thereby adding value to the audited entity. The recommendations issued will contribute, once fully implemented, to improving the functioning of the Commission and the EU autonomous bodies*.* The implementation of the accepted recommendations is verified through dedicated follow-up audit engagements.

Delivering the audit plan and optimising the use of resources

The main operational challenge of the IAS was to complete all engagements included in its audit plans and make an effective use of its resources.

The completion of the annual audit plans was monitored in the course of the year. They were reviewed mid-year to reflect new and emerging risks faced by the audited entities. The IAS successfully completed 74 audit, consulting and risk

[6] Article 17(1) of the Treaty on European Union.

assessment engagements. This covered 100%[7] of the number of engagements planned to be completed in 2019.

It continued to make an efficient use of its resources, with audit staff spending on average 84% of their time on audit activities in 2019.

Closely monitoring stakeholders' feedback

In order to capture the perception of the quality of its work, the IAS conducts satisfaction surveys (after each engagement and annually) with its key stakeholders. These include the members of the APC, chairs of the boards of the EU agencies and other autonomous bodies and senior management (Commission Directors-General, Directors of the executive agencies, Directors of the EU agencies and other autonomous bodies), and auditees.

With satisfaction rates of 94% for the level of audit coverage of the auditees' main risks and processes, and 85% for the added value of IAS recommendations, the work of the IAS was well perceived by its key stakeholders also in 2019. Stakeholders recognise that the IAS covers the main risks, confirm that the IAS helps them to improve their internal control system and are satisfied with the added value which the performance audits bring to the efficiency and effectiveness of their operations. They are also convinced that the IAS performs its audits with objectivity, honesty and fairness.

Nevertheless, the IAS continues to implement actions to ensure the cost-effectiveness of its audit recommendations and expand its auditors' knowledge of the auditees' businesses.

Contributing to the Commission's Annual Management and Performance Report for the EU budget (AMPR)

Through its Annual Report of the Internal Auditor (Article 118(4) of the Financial Regulation), the IAS reports each year to the Commission on its audit work in Commission Directorates-General, services and executive agencies. This report issued early 2019 for the year 2018 was then summarised by the Secretariat-General of the European Commission in the annual report in accordance with Article 118(8) of the FR. It contains a summary of the number and type of internal audits carried out, the recommendations made and the action taken on those recommendations. It is forwarded by the Commission to the European Parliament and the Council and discussed in the framework of the annual discharge procedure.

To fulfil its objectives as outlined in its Mission Charter, the IAS issues each year an overall opinion on the state of financial management in the Commission. Through this overall opinion, it concludes whether the Commission has put in place governance, risk management and internal control procedures, which, as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives.

The Article 118(4) Report and the Overall Opinion of the IAS were delivered on 19 June 2019 and contributed to the preparation of the Commission's Annual Management and Performance Report for the EU budget (AMPR) in which the Commission reports on the implementation of the EU budget and its performance.

[7] One C1 audit was delayed, whereas two C2 engagements were finalised earlier. See Annex 12, output indicator 3.1 for a detailed explanation.

By adopting the AMPR, the Commission takes overall political responsibility for the management of the EU budget.

Delivering other reports during the year

The IAS issued in early 2019 conclusions on the state of internal control (limited type assurance[8]) to 47[9] individual Directorates-General/services of the Commission and executive agencies as a contribution to the preparation of their 2018 Annual Activity Reports.

Other reports issued included (1) four quarterly overview reports (or information notes) transmitted to the APC on the follow-up of IAS recommendations concerning the Commission's Directorates-General, services and executive agencies and (2) six annual reports on the status of open critical and significantly delayed very important IAS recommendations to EU agencies and other autonomous bodies.

Delivering on the Commission's objective with regard to female representation in middle management

One of the key challenges identified in the 2016-2020 IAS Human Resource Plan was to contribute to the achievement of the Commission objective of a 40% female representation rate at management level for the Commission as a whole. The specific quantitative target set for the IAS (i.e. first female appointment by 1 November 2019) was already reached with the appointment of a third female Head of Unit as of 1 October 2017. Female representation in IAS middle management stands at 36% (as of 1 January 2020), as a fourth female Head of Unit was appointed in July 2019.

b) Key performance indicators

Most targets set out in the IAS's 2016-2020 Strategic Plan and 2019 Management Plan were reached or exceeded. Following the good practices identified by the International Institute of Internal Auditors (IIA), the IAS uses a variety of key performance indicators (KPIs) to ensure that its strategic audit plan delivers the desired results. The IAS targets and indicators are set on an annual basis and closely monitored throughout the year.

The results for 2019 are overall satisfactory. The three KPIs that represent the most critical aspects of the performance of the IAS are as follows (See Annex 12):

- Timely delivery of IAS overall opinion on financial management in the Commission;

- Timely delivery of IAS conclusion on the state of internal control as a contribution to the preparation to the AARs of the Directorates-General/services/executive agencies;

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[8] These limited conclusions have been issued on an annual basis since 2016.

[9] No limited conclusions were issued for the EPSC, the SRSS and the TF50 in 2019.

✓ Completion rate of the annual audit plan.

Performance tables in the Annex 12 provide a more detailed analysis of these and other KPIs, including a breakdown between the audit activities (I) in the Commission and (II) in the EU agencies and other autonomous bodies.

c) Key conclusions on financial management and internal control

In accordance with the governance arrangements of the European Commission, the Financial Regulation and its Mission Charter, the IAS conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

To ensure the achievement of policy and management objectives, the Commission adopted in 2017 a set of internal control principles, based on international good practice. The Financial Regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these principles. The IAS assessed its own internal control systems during the reporting year and concluded that the internal control principles are implemented and function as intended (see section 2.1.3 for further details).

In addition, the IAS systematically examined the available control results and indicators, including those provided by entities to which it has entrusted budget implementation tasks. These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives (see section 2.1 for further details).

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended, risks are being appropriately monitored and mitigated, and necessary improvements and reinforcements are being implemented. The Director-General and the Director of IAS.A, in his capacity as Authorising Officer by Delegation (AOD), have co-signed the Declaration of Assurance.

Delegated administrative budget

For a number of years now, 97% of the administrative expenditure of the IAS is directly delegated to the Office for Administration and Payment of Individual Entitlements (PMO), to the Directorate-General for Human Resources and Security (DG HR) and to the Directorate-General for Informatics (DG DIGIT), in accordance with the Commission's Internal Rules.

The IAS is therefore accountable for the remaining 3%. These are however co-delegated to DG HR (based on a service level agreement with DG HR for the provision of support services to the IAS in the area of human resources and financial management) and DG DIGIT (supported by a memorandum of understanding). In both cases, the IAS remained responsible for the planning-related aspects. As the budget is managed under the same Commission rules, the primary AOD (i.e. the IAS) can in principle rely on the legality and regularity, efficiency and cost-effectiveness of the controls in place in DGs HR and DIGIT (as secondary AODs). This expenditure is covered by the Declarations of Assurance of these Directorates-General.

In 2019, as every year, the IAS executed its own additional ex-ante and ex-post controls on its mission expenses and monitored the implementation of its Anti-Fraud Strategy.

As the IAS did not make payments in 2019 and DGs HR and DIGIT did not report on any issues as regards the legality and regularity of the transactions they processed on behalf of the IAS, the IAS can conclude that the applied controls are effective and efficient (see section 2.1.3. for further details).

d) Provision of information to the Commissioner

In the context of the regular meetings on management matters held during the reporting year (2019), Mr Manfred Kraff, the Internal Auditor, brought the main elements of this report to the attention of the First Vice-President Frans Timmermans, responsible for the IAS in the Juncker Commission (until 30 November 2019). In addition, the main elements of this report and assurance declaration have been brought to the attention of Commissioner Reynders, responsible for the IAS as from 1 December 2019, in the Von der Leyen Commission.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF THE COMMISSION'S GENERAL OBJECTIVES AND THE IAS'S SPECIFIC OBJECTIVES

This section provides information on the key results and progress made towards the achievement of general and specific objectives set in the 2016-2020 Strategic Plan (in terms of objectives and indicators) and 2019 Management Plan.

The performance tables in annex 12 to this AAR provide an overview of the corporate indicators and the IAS's targets applicable to the objectives presented below.

1.1 Internal auditing

Through its audit work, the IAS contributes to the Commission's general objectives, whilst following its own objective to complete all engagements included in its audit plans and make an effective use of its resources.

1.1.1 To contribute to the general objectives of the Commission

The IAS, as a key horizontal service in the Commission, contributes to the following general objective of the Commission:

To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.

The IAS contributes to this general objective, in particular to the protection and management of assets and resources, by performing audits and consulting services in an effective and efficient manner and by providing assurance to the audited entities.

The IAS's contribution to high-level corporate objectives and indicators

In line with the other Commission services, the IAS aims at contributing to the positive evolution of the following two corporate indicators.

✔ Staff engagement index (source of the data: European Commission). This index represents a composite scoring of seven statements, which probes whether staff members understand their role and whether management values, cares, praises, recognises and informs staff. The response to the latest available Commission's staff survey (covering the year 2018) showed that 75% of the IAS staff is satisfied, which is higher than the Commission average of 69%.

✔ Level of trust in the European Commission, which reflects the public perception of the Institution as a whole. The results of the latest Standard Eurobarometer on Public Opinion in the European Union (Autumn 2019) show that 43% of citizens in the Member States "tend to trust" the European Union (EU), which is above the baseline of 40% (Spring 2015).

Through its audit work, the IAS has a key role in contributing to the positive evolution in the confidence of European citizens in the Union, by enhancing the services' performance, and helping the Commission in its objective to protect the EU Budget from irregular expenditure.

The IAS's contribution to risk mitigation and improvement of control systems

As the audits of the IAS are risk based, they focus on areas where the audited services are exposed to the highest risks. The audits then provide reasonable assurance that the responsible managers have taken the adequate measures and installed the appropriate systems and controls to mitigate these risks and reach their objectives. If weaknesses are detected, the recommendations of the IAS support the audited services to improve their processes and procedures. The IAS also contributes to the promotion of a performance culture (economy, efficiency and effectiveness) with a view to bringing about continuous improvement.

While the IAS can control the quality of its outputs (audit and consultancy reports), it cannot control the results and impact of its work. For this, the IAS depends on (a) the acceptance by the audited entity of its recommendations/issues for consideration and (b) the timely implementation of the actions by the (audited) entity resulting from an audit or a consultancy engagement.

The APC, to which the IAS reports its audit work in the Commission and the executive agencies, follows closely the acceptance and implementation of the IAS recommendations and takes action where necessary, which has a considerable persuasive effect on the audited entities concerned. In most EU agencies and other autonomous bodies, this role is assigned to the respective Board in which the Member States and the Commission are represented.

The IAS's contribution to the preparation of the AARs of Commission Directorates-General/services

The IAS supports the accountability process of the other 50 Directorates-General and services of the Commission by providing each of them with a limited conclusion on the state of internal control in their service, which is one of the elements on which they can base their declarations of assurance in the AAR.

Apart from its participation in the peer review process, the IAS verifies whether the AARs of the Directorates-General and services adequately reflect the limited conclusion of the Internal Auditor and the level of implementation of the recommendations resulting from the IAS audits for the Directorate-General/service concerned.

These conclusions were delivered in the first quarter of 2019 as required by the instructions for the 2018 AARs issued by the Directorate-General for Budget and were based on all the work undertaken by the IAS in the period 2016-2018.

The IAS's contribution to the Commission's Annual Management and Performance Report

The overall opinion on the financial management of the Commission for the year 2018, and the Article 118(4) Report were issued and delivered on 19 June 2019. These contributed to the preparation of the Annual Management and Performance Report for the EU budget (financial year 2018), in which the Commission reports on the implementation of the EU budget and its performance.

1.1.2 To ensure that the work of the IAS adds value to its stakeholders[10]

The IAS covers the activities and processes of the 50 other Commission Directorates-General and services, as well as 42 agencies and other autonomous bodies spread over the EU.

HEADQUARTERS OF DECENTRALISED AGENCIES

Source: EU

Note: http://europa.eu/agencies/regulatory_agencies_bodies/index_es.htm

COMMISSION HEADQUARTERS

The internal audit activity aims at adding value to its stakeholders by auditing processes, which are considered to be of high risk. The added value of the reports of the IAS lies in the assurance it provides to the auditees, the APC and the Boards that internal control systems are effective or, in case weaknesses are detected, in the provision of recommendations which support the auditees in improving their internal controls. In addition, performance audits are geared towards the identification of possibilities to improve the auditees' systems and procedures, which should help them achieve their objectives in an economic, efficient and effective way.

Therefore, the IAS's ultimate objective is to have a positive impact on the performance of the audited services.

Stakeholder satisfaction survey

In order to capture the perception of the quality of its work, the IAS periodically conducts surveys on whether its audits and recommendations satisfactorily covered the risks and processes in the audit universe, added value to the auditees' operations and contributed towards effective risk management.

The two main sources are:

The annual survey addressed to IAS's key stakeholders[11]. In line with previous

[10] Specific objective 1, 2016-2020 Strategic Plan: "To ensure that the work of the IAS adds value to the Commission services and the EU agencies and other autonomous bodies and contributes to the improvement of their operations (external dimension)".

[11] This survey provides an indication of how the IAS and its work are perceived by its key stakeholders (Audit Progress Committee members, chairs of the boards of the EU agencies and other autonomous bodies and senior management (Commission DGs, directors of the executive agencies, directors of the EU agencies and other autonomous bodies), and auditees).

years, the results for 2019 are in general positive with satisfaction rates exceeding the set targets. The target of at least 90% of stakeholders that consider that the IAS work covers the main risks and processes and that its work adds value was overall reached.

A satisfaction survey after each engagement, asking auditees to rate their level of satisfaction with different aspects of the 2019 audits. (a) The survey addressed to the audited services in the Commission and the executive agencies shows an average score for all questions of 1.57[12], which means that the target level of 1.5 for auditee satisfaction was nearly reached. (b) The satisfaction survey addressed to the audited services in the decentralised EU agencies and other autonomous bodies resulted in an average score of 1.53, which is close to the very ambitious target level of 1.5.

1.1.3 To ensure that the work of the IAS is of high quality[13]

As its work can add value only if it is of high quality, the IAS aims at ensuring that it is conducted in accordance with international internal auditing standards and its internal methodology and guidelines.

In the framework of the quality assurance improvement programme – set by the international internal auditing standards - the IAS underwent an internal quality assessment[14] (on audits performed in 2018) at the beginning of 2019. This annual self-assessment, based on an in-depth review of a sample of audit files, and on a survey among auditors, concluded that the IAS 'generally conformed' to a selection of the Standards of the Institute of Internal Auditors.

1.1.4 To ensure that the IAS is efficient and effective in delivering its audit plans[15]

To ensure the effective and efficient delivery of the audit plans, the IAS actively continued to manage its operational performance through:

- detailed planning of audit tasks;
- allocation of staff to engagements;
- close monitoring of the respect of deadlines and milestones for all audits;
- detailed time recording for all staff;
- regular analysis of the differences between budget and actual time spent

[12] On a scale from 1 (highest) to 4 (lowest).

[13] Specific objective 2, 2016-2020 Strategic Plan: "To ensure that the work of the IAS adds value by being conducted in accordance with the Financial Regulation and its Rules of Application, its internal methodology and guidelines and international auditing standards (internal dimension)"

[14] IIA Standard 1331.

[15] Specific objective 3, 2016-2020 Strategic Plan: "To ensure efficiency and effectiveness in delivering the strategic audit plans through the annual audit plans".

on each audit.

The IAS uses five key performance indicators (KPIs) for the internal audit activity, which are inspired by those proposed by the International Institute of Internal Auditors (IIA), as follows:

(1) delivery of the annual audit plans;

(2) use of auditors' time;

(3) timeliness of the delivery of audit reports;

(4) use of actual time compared to budget for completing an engagement;

(5) timely delivery of annual reports and overview reports.

Due to the nature of the internal audit activity, these indicators and targets are set on an annual basis. During the year, the IAS closely monitored all KPIs. The results for 2019 are overall highly satisfactory.

Delivery of the annual audit plan

The IAS's strategic audit plans are implemented through annual audit plans. The audit plans consist of a list of audit engagements classified as either 'C1' or 'C2'. 'C1' engagements must be completed in year N. 'C2' engagements start in year N and are finalised in year N+1.

The APC considered the 2019 Audit Plan for the Commission at its meetings in the first quarter of 2019.The Internal Auditor adopted the plan on 29 March 2019. The Strategic Internal Audit Plans (SIAP) for EU Agencies and other autonomous bodies, where the previous SIAP had been completed or became obsolete (target January 2019), were prepared in due time.

The completion of the annual audit plans is monitored in the course of the year. In line with international auditing standards, the audit plans are updated at mid-year to take into account new or emerging risks (e.g. new processes or procedures, organisational changes, etc.) and availability of resources.

The IAS implemented in 2019 100% of its audit plans for the Commission and for the EU agencies and other autonomous bodies.[16]

Timeliness of the delivery of audit reports

The efficiency (timeliness) of the reporting phase of the audit engagements is measured by the number of working days between the findings validation meeting and the delivery of the final report.

The target set for Commission audits is an average of ≤30 working days for single auditee engagements and ≤35 working days for multiple auditee

[16] Completion of one planned engagement in the decentralised EU agencies and other autonomous bodies was delayed. However, this was compensated by the fact that one consulting engagement, originally planned to be finalised in 2020, was completed earlier in 2019. One additional engagement in the Commission, initially planned to be finalised in 2020, was completed in 2019.

engagements. These targets were not met (actual results: 36.61 days for single auditee engagements and over 45 days for multiple auditee engagements).

The target of issuing a final report for audits in EU agencies and other bodies within 32 days after the findings validation meeting was not reached this year (actual average 35 days in 2019).

In both cases, longer validation processes were due to additional documentary analysis required to respond to auditee's remarks coupled with delays in receiving auditee responses to draft audit reports.

Timely delivery of Annual Reports and Overview Reports

The IAS issued several summary reports:

- The Annual Report of the Internal Auditor for the year 2018, in accordance with Article 118(4) of the FR, was issued on 19 June 2019 and contributed to the Commission's AMPR, which was issued on 25 June 2019.

- The IAS is also required to send out annual reports for three EU autonomous bodies. All of these reports were issued within the set deadlines, in February and March 2019.

- Four quarterly Overview Reports (or Information Notes) on the follow-up of the IAS recommendations were sent to the APC on time (26 February, 10 April, 26 June, 25 September 2019).

- Reports on the status of open critical and significantly delayed very important IAS recommendations were addressed to the EU agencies and other autonomous bodies that had such recommendations (three entities in total) in March 2019.

Use of auditors' time

The results for the operational indicator on the use of auditors' time (with a minimum target of 86% of actual available time spent on audit or audit support work) was 84% overall (Commission: 82.1% and EU agencies and autonomous bodies: 86%). The remaining time was spent on training and administration. In the Commission the average was slightly below the target, due in part to the need to train and integrate newcomers to the Commission, an increasing focus in recent years on staff engagement and time spent on the organisation of the audit competition (see annex 12 for more details).

Use of actual time compared to budget for completing an engagement

The monitoring of the variance between the actual and budgeted time for each audit engagement is important to assess the adequacy of the IAS's planning process, as well as the efficiency of the conduct of individual engagements.

In 2019, on average, the difference between the budgeted time and actual time spent per engagement was inside the tolerable range of ±10%. For the finalised audits in the Commission and executive agencies, the actual time spent was on average +4%, not exceeding the Commission baseline target of 5%. For the finalised audits of EU bodies the actual time spent was on average 2% below the budget (see annex 12 for more details).

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the IAS delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and other relevant information that supports management's assurance on the achievement of the financial management and internal control objectives[17]. It includes information necessary to establish that the available evidence is reliable, complete and comprehensive.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis. The results are explicitly documented and reported to the Director-General. These are: (1) the reports from AODs in other Directorates-General managing budget appropriations in cross-delegation; (2) the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at Directorate-General level; (3) the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Article 92(3) FR), if applicable; (4) the internal and external quality assessments on the IAS audit activities.

These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the AOD of the IAS.

This section reports on the control results and other relevant elements that support management's assurance. It is structured into (a) control results, (b) audit observations and recommendations (not applicable to the IAS), (c) effectiveness of internal control systems, and resulting in (d) conclusions on the assurance.

2.1.1 Control results

This section reports on and assesses the elements identified by management which support the assurance on the achievement of the internal control objectives[18]. The assurance building and materiality criteria of the Directorate-

[17] Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions.

[18] 1) Effectiveness, efficiency and economy of operations;2) reliability of reporting; 3) safeguarding of

General are outlined in annex 4. Annex 5 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Taking into account that the implementation of the whole budget of the IAS is (co-)delegated to the PMO and DGs HR and DIGIT (see annex 3), management assurance in the IAS on financial management depends on the assurance provided by the AODs Delegation of these entities in their own Annual Activity Reports.

Overall conclusion table

Activity: internal audit	Procurement		***ICO indicators available at this level?***	*Any reservation?*
Administrative expenditure (96.95% of €19.66m - direct delegation)	N/A	€19.06m	PMO, DGs DIGIT and HR No issues reported	NO
Provision of services (missions, meeting and training) (2.40% of €19.66m - co-delegation)	N/A	€0.47m	DG HR No issues reported	NO
Provision of IT-development services (TM) (0.65% of €19.66m -co-delegation)	N/A	€0.13m	DG DIGIT No issues reported	NO
Totals (coverage)		***€19.66m***		**NO**

The only control results, which go beyond what is reported in the AARs of DGs HR, DIGIT and PMO are the results of the ex-ante and ex-post controls on IAS mission expenses.

The control processes and the indicators used to measure the performance of the relevant control system allows the IAS to ensure compliance of the mission expenses with the Commission's Guide to Missions and Authorised Travel and IAS specific guidance[19].

Internal control and risk assessment

As IAS's financial management is fully delegated to other entities. Internal control in the context of the AAR of the IAS mainly refers to the implementation of the internal control framework and its 17 principles for all of its non-financial operations.

assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2).

[19] Payments are not included in the main control objectives as they are executed by the entrusted entity, PMO, subject to similar management governance modalities. The corresponding controls are reported by the PMO in their AAR.

In 2017, the IAS Director in charge of Risk Management and Internal Control (RMIC) established, together with the IAS senior management team, the monitoring criteria against which the IAS implementation of the internal control principles would be assessed and monitored.

The self-assessment covering the IAS implementation of the internal control principles was conducted in the summer of 2019 and at the end of the year (the RMIC survey was launched in December and its results gathered in January 2020). For the purpose of the self-assessment, the actual situation (design and level of implementation) of the IAS internal controls was compared with the pre-defined criteria.

The feedback from IAS managers and staff, collected through the survey, allowed the Director in charge of RMIC to assess the effectiveness of the implementation of the key principles. The results of the self-assessment were documented and reported to the IAS senior management team. The Director in charge of RMIC concluded that the IAS implemented an effective system of internal control.

The results of the IAS management risk assessment part of the survey were analysed and discussed by the IAS senior management and the conclusions were documented in the same note as the results of the IC self-assessment. No unmitigated critical risks were identified which could have a significant impact on the achievement of the internal control objectives and therefore on assurance.

The ex-post verification by the IAS of 2019 mission costs did not identify any errors (error rate is 0%).

Additional sources of assurance are the IAS limited conclusions on the state of control, provided to DG HR, DG DIGIT and the PMO. For 2019, the limited conclusions were unqualified. These limited conclusions were elements supporting these services when drafting their positive declarations of assurance, which also covered the transactions executed on behalf of the IAS.

In 2019, no exceptions and/or non-compliance events were reported to the Director in charge of RMIC. In addition, the AOD did not receive any binding instructions which he considered to be irregular or contrary to the principle of sound financial management, and therefore no cases of 'confirmation of instructions', in the sense of Article 92(3) FR, are reported.

1. Effectiveness = the control results and benefits

Legality and regularity of the transactions

The IAS is using internal control processes to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions it is responsible for.

The entire expenditure of the "Audit" activity under title 28 of the EU Budget is either delegated or co-delegated to PMO, DGs HR and DIGIT. According to Article 3.4 of the Internal Rules of the Commission[20], DGs HR and DIGIT bear the responsibility for these co-delegated appropriations and report on them in their own AAR.

[20] Commission Decision C(2018) 5120 final of 3.8.2018 on the Internal Rules on the implementation of the general budget of the European Union (European Commission section) for the attention of the Commission departments.

The ex-ante controls on 100% of the mission expenses identified transactions, which required a correction or clarification before they could be approved. All of these mission orders and expense declarations were adjusted before they were sent to PMO for further processing.

As the IAS own ex-post controls on mission expenses found no errors and no issues were reported by PMO, DG HR and DG DIGIT for any type of IAS expenditure, the IAS can conclude that the DG's controls are effective and that the payments under title 28 were legal and regular.

Fraud risk assessment is part of the IAS internal control framework.

The IAS developed and implemented its own anti-fraud strategy in 2014, on the basis of the methodology provided by the European Anti-Fraud Office (OLAF). It is updated on a 3-year cycle basis and reviewed bi-annually. The anti-fraud strategy was updated at the end of 2016 for the period 2017-2019. A further update started in the second half of 2019, based on the new Commission anti-fraud strategy issued in 2019, and will be finalised in Q1-Q2 2020.

The action plan embedded in the anti-fraud strategy continues to be implemented. During 2019, all standard preventive and detective control measures were in place in the IAS (segregation of duties, ex-ante and ex-post controls, and collegiality of decisions).

As for the audit activity, leaking of confidential information (especially conferred by the auditees and the results of audit work), conflicts of interest and lack of objectivity have been identified as risks with a low probability. Based on the above, and taking into account that the IAS is a non-spending Directorate-General with a low fraud risk profile, we can conclude that its anti-fraud strategy was complete and reliable. Its implementation was being monitored twice a year with reporting to the management.

The IAS continued to strongly rely on the ethical awareness and the stance of the IAS staff. On 27 March 2019, an Auditors' Forum took place in order to raise staff awareness: the presentations covered OLAF experience on fraud, as well as ethics. An information package on ethics was handed over to all new IAS staff upon recruitment. The IAS carried out additional preventive and detective controls such as ex-ante and ex-post controls on missions and the follow-up of potential conflicts of interest if reported by recruitment panel members and/or candidates.

Following the adoption of its new anti-fraud strategy in Q2 2020, the IAS will launch an information campaign, including the organisation of an Auditors' Forum to raise staff awareness on the new strategy and possible ethics, conflict of interest or fraud-related issues.

Furthermore, the results of the IQA launched at the beginning of 2019 confirmed that IAS staff are well informed about how to act when faced with ethical issues and have sufficient knowledge of fraud concepts to identify 'red flags' in the context of engagements[21].

[21] See section 1.2.2.

Other control objectives: safeguarding of assets and information, reliability of reporting (if applicable)

As the IAS manages sensitive information in the framework of its audits, it has put in place procedures to ensure that staff handle information with the necessary precautions to avoid the leak of confidential data or the violation of the data integrity. Specific guidance for IAS staff, in line with Commission rules and regulations, is published on the intranet of the IAS and newcomers are informed upon their arrival. In addition, IAS staff with an audit certification are required by their professional bodies to adhere to a strict code of ethics. No leak of confidential data and no violation of data integrity was reported in 2019.

2. Efficiency indicators

As the IAS has fully (co-)delegated its financial management, the efficiency mostly depends on the systems and controls of the entities to whom the management was delegated. In 2019, the IAS was satisfied with the timeliness of the services provided by the PMO, DG HR and DG DIGIT.

With regard to the mission expenses, for which the workflow is partially within the IAS, the set-up and implementation appears to be efficient in the sense that missions are encoded and declarations are prepared and approved on time, in accordance with the audit plan and in compliance with the mission rules.

3. Economy = the cost of controls

The cost of controls relating to the (co-)delegated budget is reported in the AARs of the entities to whom the budget was (co-)delegated. The (co-)delegation of the financial management of the IAS budget is fully in line with the Commission's synergies and efficiencies initiative, which aims at an increase of efficiency through the centralisation of certain repetitive administrative tasks.

Within the IAS, the remaining costs consist of the ex-ante verification of the mission orders and mission expense declarations by the Assistant of the AOD together with the costs of the independent ex-post verification of a sample of mission expense declarations in the framework of the preparation of the AAR.

The total cost of the control amounts to 21% (20% ex-ante and 1% ex-post) of one full-time equivalent (FTE)[22] (AST official average cost of €109,400/year) or €22,974/year. This represents 9.66% of the total mission budget of €237,886.03.

The invested amount appears proportionate to the IAS mission budget, especially when taking into account the importance of the reputational risk, if the IAS had been found not to respect the Commission rules regarding the reimbursement of mission expenses.

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, the IAS has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.

[22] 20% FTE of an AST official, which combines this task with the position of assistant to the Director of Directorate A, and 1% FTE of the AST who performs the annual ex-post control exercise.

2.1.2 External and internal quality reviews and follow-up actions

This section reports and assesses the IAS audit activity, its core operational processes.

The IAS is a mature internal audit service committed to quality and excellence. In 2016, it underwent a full external quality assessment as required by international auditing standards[23]. The exercise involved an evaluation of compliance against international auditing standards, the use of successful practices, and the efficiency and effectiveness of the internal audit activity. The external assessor concluded that "the Internal Audit service of the European Commission generally conforms with the International Standards for the Professional Practice of Internal Auditing" "Generally conforms" is the highest rating that can be achieved. The assessor also concluded that the IAS 'operates efficiently and effectively and adds value to the overall risk management and internal control framework of the European Commission, executive and decentralised agencies and other EU bodies.' The areas for improvement identified in the external assessment and the related recommendations and action plan were implemented in the course of 2017.

At the beginning of 2019, the IAS performed its annual internal quality assessment during which it also followed up on the implementation of the previous recommendations. The internal assessment confirmed that the IAS "generally conforms" to the Standards selected for the exercise. The IAS concludes that no significant control weaknesses, which may have a significant impact on the assurance, were identified.

2.1.3 Assessment of the effectiveness of internal control systems

The Commission adopted an internal control framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

The IAS uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

For the assessment of the effectiveness of the internal control systems, the IAS management followed the methodology established in the 'Implementation Guide of the Internal Control Framework of the Commission'.

In order to detect possible control deficiencies the IAS used the following information sources:

[23] Standard 1312 of the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing states that "External assessment must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation".

- The anonymous survey in which the Director-General asked all IAS staff for their opinion in order to assess the effectiveness of the principles;
- The mid-term review of the IAS 2019 Management Plan;
- Ongoing monitoring of the performance of the internal audit activity and a periodic self-assessment, in accordance with international standards;
- Weaknesses reported by staff;
- Exceptions and non-compliance events, if any; and
- Actions from the IAS anti-fraud strategy.

Based on the analysis of the information sources mentioned above, the Director in charge of RMIC reported that during the reporting year no major deficiencies were identified and that all principles are present and functioning as intended.

For three (out of 17) internal control principles (ICP) constituting the IAS Internal Control Framework, specific actions were taken in Q1 2020 to further improve their functioning. In particular: (ICP 1) the IAS Mission Charter references to the new Financial Regulation and to the Commissioner responsible for the IAS were updated[24]; (ICP 8) the update of the IAS anti-fraud strategy was finalised at working level and should be formally adopted in Q2 2020, and awareness-raising activities will be organised in order to promote the latter; (ICP 10) the list of staff trained in first aid was updated on the intranet.

The IAS has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning as intended.

2.1.4 Conclusions on the assurance

This section reviews the assessment of the elements already reported above (in Sections 2.1.1, 2.1.2 and 2.1.3), and the sub-conclusions already reached. It draws an overall conclusion to support the declaration of assurance and whether it should be qualified with reservations.

Firstly, the entire expenditure under title 28 is (co-)delegated to either PMO or to DGs HR and DIGIT. The AODs of these services bear the responsibility for their implementation and report in their AARs. As no issues are reported in this regard, the IAS can conclude that its controls are effective, that the payments under title 28 were legal and regular and that the resources were used for their intended purpose in conformity with the principles of sound financial management.

Secondly, the ex-post controls executed on mission expenditure confirmed that management and administration of missions was implemented according to the Commission mission rules and the guidelines in the IAS. Finally, according to the results of the self-assessment exercise the internal control principles are present and functioning as intended in the IAS. This last element also covers specific internal control objectives, such as the safeguarding of assets and information and the prevention, detection and correction of fraud and irregularities.

The functioning of the internal control systems was monitored throughout the year by the IAS senior management and was reported on by the Director in charge of RMIC, and corrective and alternative mitigating controls were implemented when necessary.

[24] Communication to the Commission C(2020)1760 final of 25 March 2020.

Overall conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended, risks are being appropriately monitored and mitigated, and necessary improvements and reinforcements are being implemented.

The Director-General and the Director IAS.A, in his capacity as Authorising Officer by Delegation, have co-signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

We, the undersigned,

Manfred Kraff,

Director-General of the Internal Audit Service of the European Commission,

and

Reinder van der Zee,

Director IAS.A, in my capacity as Authorising Officer by Delegation,

Declare that the information contained in this report gives a true and fair view[25]*.*

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

This reasonable assurance is based on our own judgement and on the information at our disposal, such as the results of the self-assessment, ex-post controls, for years prior to the year of this declaration.

Confirm that we are not aware of anything not reported here which could harm the interests of the institution.

Brussels, 30 March 2020

(Signed)	*(Signed)*
Manfred Kraff	*Reinder van der Zee*

[25] True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2 Other organisational management dimensions

In accordance with its key objectives, indicators and expected outputs, as presented in the Strategic and Management Plan, the IAS is continuously looking for ways to streamline its organisation and is regularly taking initiatives to improve the economy and efficiency of its internal processes.

This section contains examples of such actions in 2019 to illustrate **how the IAS contributes to the Commission's objective of improving its functioning** with a view to investing its resources not only towards the most relevant objectives but also in the most economical and efficient manner.

A complete reporting on all outputs identified in the 2019 Management Plan and on all objectives and indicators set up in the Strategic Management Plan is presented in annex 2.

2.2.1 Human resource management

The IAS, as a key horizontal service in the Commission, contributes to the Commission's general objective:

The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.

In accordance with the Communication on Synergies and Efficiencies, human resource services for Directorates-General are delivered by the Account Management Centres (AMCs). The HR Business Correspondent in the IAS coordinates strategic human resource matters and the priority actions for reaching the targets of the 2016-2020 Strategic Plan and ensures that the IAS gets the HR service it needs, in cooperation with the AMC[26] and in agreement with the management of the DG.

(1) In alignment with the Commission-wide specific objective 2.1.[27], the IAS focused on the following during 2019:

Achieving the Commission objective of increasing the percentage of female representation at middle management level

One of the key challenges identified in the IAS 2016-2020 Human Resource Plan was to contribute to the achievement of the Commission objective of a 40% female representation rate at management level for the Commission as a whole.

The specific quantitative target set to the IAS (i.e. first female appointment by 1 November 2019) was already reached with the appointment of a third female Head of Unit as of 1 October 2017. Female representation in IAS middle management stands at 36% (31 December 2019).

[26] Account Management Centre, delivering HR services to a group of Directorates-General. The IAS is served by AMC5.

[27] Specific objective 2.1: Contributing to the achievement of the Commission-wide objectives regarding female representation in middle management, staff well-being, and staff engagement.

The recorded percentage below the Commission-wide target can be explained through the organisational size of the IAS, which limits the number of new management appointments. However, the IAS continued its initiatives to increase the pool of female candidates for middle management positions.

Increasing the percentage of staff feeling that the Commission cares about their well-being

The latest (2018) staff survey results showed that 73% of the IAS staff felt that the organisation cares about their well-being. This result is 21 points above the Commission average of 52%.

Achieving the Commission objective of increasing staff engagement

The staff engagement index (as part of the Commission staff survey) represents a composite scoring of seven statements, which probes whether staff members understand their role and whether management values, cares, praises, recognises and informs staff. The IAS scored 68% in 2016 (Commission average of 64.3%) and 75% in 2018 (higher than the Commission average of 69%).

Actions to increase staff engagement were implemented and coordinated by the IAS Staff Engagement Committee and included the promotion of initiatives such as regular AudiTED talk sessions by IAS staff for their colleagues throughout the year and pilot actions preparing the ground for a job shadowing programme as well as an international exchange programme.

The IAS also continued to promote initiatives on work/life balance, enabling staff to better manage their work life balance (part-time, teleworking, time credits, recuperation, etc.). For example, in order to improve the work/life balance of its staff, the IAS updated its policy on implementing flexible working arrangements by further developing telework practices throughout the DG. In 2019, especially the use of occasional telework increased compared to previous years. During 2019, 68.9% of IAS staff teleworked occasionally (compared to 51.2% for the year 2018).

The IAS also continued to support corporate-wide and DG-specific well-being initiatives such as Fit@work. The IAS staff is able to participate in various physical and recreational activity sessions.

In 2019, the IAS was one of the DGs of the Commission sampled for an EMAS – environmental management system audit. The final audit report was delivered to the IAS in December 2019, concluding that the organisation is compliant with its environmental policy.

(2) In alignment with the IAS specific objectives 2.2[28], the IAS focused on the following:

[28] Specific objective 2.2: Increasing the capacity and the level of professionalism of internal auditors of the IAS and the EU autonomous bodies.

Staff retention and ensuring/maintaining the professional certification of staff.

The IAS continued to exceed the minimum target of 70% of its auditors fully certified (status 2019: 79.5%). New recruits without a professional certification are encouraged to strive for at least one professional certification.

Ensuring that the Internal Audit Training Programme (IATP) covers the necessary needs

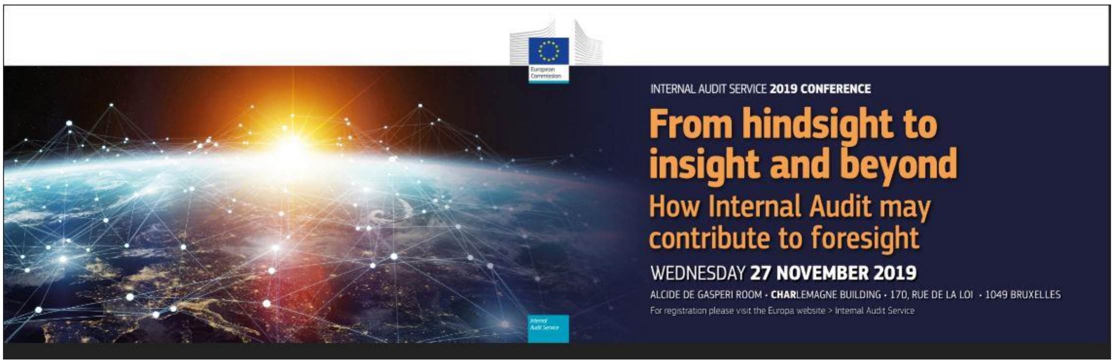
An Internal Audit Training Programme (IATP) which covers 100% of all approved training needs[29] of this professional community was updated at the end of 2019, taking account of the internal audit priorities.

In parallel, the IAS continued to offer dedicated audit training through more specialised training courses outside the Commission in cooperation with ECA and renowned training institutes, including for IT auditors, and forums and seminars that address specific audit areas.

In 2019, 29 training sessions were organised, with an overall satisfaction rate of 82.3% (increase of 1.2% compared to last year) (see annex 2 for more details).

Keep auditors abreast of the latest developments in the Commission and in the profession relevant for their work through structured opportunities for continuous learning (2016-2020).

The IAS actively keeps its auditors and other staff abreast of recent developments in the internal audit profession as well as in the Commission and contributes to the capacity building of internal audit professionals.



In 2019 the annual IAS conference took place in Brussels on 27 November and was titled 'From hindsight to insight and beyond: How Internal Audit may contribute to foresight'. It focused on the encouragement of a more proactive

[29] As defined by the Internal Audit Training Steering Committee (IATP SC), chaired by the Head of Unit of IAS.01, with representatives of the IAS, HR. DDG.AMC5 and DG HR.B.3.

approach in our assurance and advisory roles and put emphasis on a stronger integration and collaboration among the three Lines of Defence. The attendance rate of the event was 20% higher than of previous year, which accounted to 501 participants. The feedback received through the conference evaluation forms, which were given to the participants, acknowledged the success of the event with an overall satisfaction rate of 93%.

In addition, 7 Auditors' Forum seminars were held in 2019. The forums continued to provide an overview of current topics of relevance for the Commission and agencies or for the profession of internal auditing.

Two Auditnet meetings for the IAS auditors and the EU agencies and other autonomous bodies' correspondents were organised on 14 June and 26 November 2019. As in the previous years, the second Auditnet meeting was dedicated only to the entities' Internal Audit Capabilities (IACs) and the IAS in order to focus exclusively on audit and coordination topics, as provided for by the framework financial regulation.

Develop the management potential of female staff (2016-2020).

In 2019, two female administrators participated in the DG HR Female Talent Development Programme. Furthermore, as planned, half of the current 12 female administrators of grade AD8 or above followed a general management training course.

(3) In alignment with the IAS specific objective 2.3.[30], the IAS focused on:

Staff motivation and retention

Due to its small size compared to other Commission DGs and its mono-profession nature, the IAS is not in a position to offer wide career opportunities outside of the auditing profession. It strives however to develop further its strengths, for example in terms of professional training. It increased its training offer with specialist training from renowned training institutes (IT-audit, audit methodology).

Vacancy rate

The vacancy rate at the end of 2019 (6% of posts) was in line with the Commission average and indicates an improvement compared to the 2018 vacancy rate (10% of posts).

In addition, more resources will be available for recruitment in summer 2020, once the results of the ongoing specialist competition for auditors will be published. The competition was launched by the IAS in 2019, in cooperation with DGs employing external auditors and ECA.

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[30] Specific objective 2.3: Provide effective HR services in order to recruit, to support and to maintain a high-performance work force in the IAS.

2.2.2 Better regulation

While the IAS is not directly involved in drafting legislation and managing the regulatory acquis, it identified "Delivering better on the ground" as a key theme/risk in its Strategic Audit Plan for the period 2019-2021. This theme encompasses better regulation, implementation and enforcement, and will be audited in a few DGs across the Commission in the next years.

2.2.3 Information management aspects

The corporate strategy for data, knowledge and information management (October 2016) establishes a corporate framework while leaving room for DGs to develop and implement their own approaches tailored to their unique needs.

The IAS, as a key horizontal service in the Commission contributes to the Commission's general objective:

Continuous development of the audit management tool

Currently, the IAS is the owner of the following applications: (1) Governance, Risk and Compliance (GRC), the audit management system in use until 2016, (2) TeamMate, the currently used audit management system. TeamMate enables the use of standard checklists, provides an audit trail of the review and supervision of audit work and provides reports on the status of the implementation of audit recommendations. In addition, the tool also allows the IAS to better monitor the implementation of the audit plans.

In addition, the IAS manages Intranet sites for the APC secretariat and for its own purposes.

In 2019, the IAS continued to maintain TeamMate as the audit management system and decided to use standard Commission platforms for its knowledge management and documentation needs. TeamSchedule user guidelines were implemented and TeamMate was upgraded to version 12.2.4.

The IAS ensures the functional helpdesk roles for its systems and for the local Intranet, but handed over to DG DIGIT the technical management and system supplier roles, including contract management with the external supplier for customised reports and extra services, the second level support and the hosting in the Data Centre.

Staying abreast of the latest developments in data analytics

Triggered by our latest audit conferences and the awareness of a fast evolving nature of the auditing profession, the IAS launched an initiative to improve the data analysis performed in the context of the audit engagements. Hereby, the IAS further explored possibilities and options for the use of data analytics and promoted the use of CAATs tools (computer-assisted audit techniques).

In particular, a preliminary analysis on IAS needs in the area of IT audit techniques and data analysis was finalised in the last quarter of 2019. In addition, the working group “Innovation & Digital Auditing” was launched in July 2019 in order to identify concrete areas where digital technologies can modernise and enhance audit procedures and working practices.

Implementation of Personal Data Protection rules

From a data protection point of view, in order to ensure compliance with the new rules and the Commission's Data Protection Action Plan (C(2018)7432), the IAS also (1) completed the inventory of all its data processing operations and converted all its legacy notifications into records; (2) updated the audit process including additional controls[31]; (3) updated its privacy statement, redrafting it in a "clear and plain" language[32]; (4) organised awareness-raising activities[33].

The IAS encouraged its senior and middle management to participate in these activities, as well as data protection training courses. Between 2018 and 2019, the attendance rate of senior managers was 100%, while the attendance rate for middle managers was 70%.

Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable.

The IAS continues to have one of the highest rates (at least 85%) of sharing HAN files[34] that are readable/accessible by all units within the IAS, accounting for 90.81% for the year 2019. However, given the restrictive nature of its core-business, the IAS only very occasionally shares files with other DGs (0.04%, which corresponds to one single file).

In order to further enhance the security of its processing operations, the IAS has encouraged the adoption and implementation of the relevant technical and organisational measures.

2.2.4 External communication activities

The main stakeholders of the IAS are Directorates-General and services of the European Commission and its executive agencies, EU agencies and other autonomous bodies and the APC. In addition, the IAS liaises with ECA during the preparation of its strategic and annual audit plans.

The IAS is not directly involved in any external communication activities with the exception of the organisation of its annual audit conference and several ad-hoc events, which may involve external stakeholders and the broader internal audit community.

[31] Reference in a dedicated section of audit planning documents: each IAS audit or consulting engagement contains an assessment of the data protection-related issues that may arise in that specific engagement.

[32] In order to bring the privacy statements to the attention of data subjects concerned, the IAS publishes its privacy statements on the website and intranet and, in the framework of the audit process, transmits the statements to the audited entity, before the launch of each engagement.

[33] Q4 2018 – Q4 2019: presentation by the assistant DPO of main changes and their impact on the work of the Service as part of Unit meetings and one Directorate methodology meeting. Q4 2019: organisation of an auditor's forum with the participation of the DPO. Q2 2019 Presentation held by the EDPS for the Auditnet meeting for EU bodies.

[34] Hermes-Ares-NomCom (HAN) is a suite of IT tools, which allows staff to work in accordance with the e-Domec rules (within the Commission's Services, the EEAS, the executive agencies and the EU delegations). In summary, a HAN file contains documents registered in Ares, managed via the database NomCom and integrated in the general European Commission repository Hermes.