European Commission

2018

Annual Activity Report

Directorate General Human Resources and Security

Final

European Commission

Table of Contents

THE DG HR IN BRIEF

Our mission

"To promote excellence in the practice of human resource management and in ensuring internal security for the European Commission."

Our values

- A commitment to honest, fair and ethical practice.
- A commitment to providing quality services to our staff, management and stakeholders.
- Provision of an environment that encourages innovation and recognition of accomplishments.
- Leadership in the promotion and development of human resource professionals.
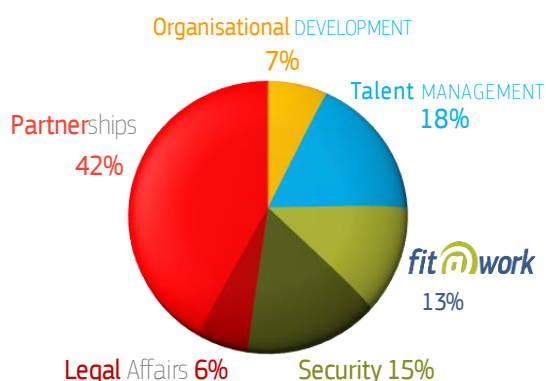
Our actions

In pursuing our mission, we:

- set the HR framework within which an effective and efficient use of resources can take place, optimising our contribution to the Commission's strategy;
- efficiently and effectively deliver HR services from recruitment to retirement and beyond (covering the whole employment cycle) to the Commission through the HR core processes;
- support HR service delivery by professionalising the HR function and automating processes;
- make sure that quality services are provided to the Institution and its staff in a timely and efficient manner;
- provide health promotion and education measures for active staff;
- ensure the safety, security and protection of staff, property, activities and information at all places of employment;
- ensure full respect of the Staff Regulations;
- ensure open and efficient dialogue with staff representatives in order to guarantee adequate working conditions;
- collaborate and coordinate with the other Institutions on a number of areas linked to the Staff Regulations;
- communicate on a timely basis on policies, actions and initiatives of relevance with Commission staff;
- provide local HR shared services to several Commission Services;
- talk to and coordinate with other external stakeholders.

THE DG HR IN BRIEF

Our resources

In 2018, DG HR counted 1 214 statutory staff members. DG HR managed a budget of MEUR 260, three quarters are earmarked as financial contribution for the European Schools included in the partnership policy area.

HUMAN RESOURCES

Organisational DEVELOPMENT 7%

Talent MANAGEMENT 18%

Partnerships 42%

fit@work 13%

Legal Affairs 6%

Security 15%

The chart represents the share of operational statutory staff members per HR policy area.

FINANCIAL RESOURCES

Organisational DEVELOPMENT 2%

Talent MANAGEMENT 5%

fit@work 3%

Security 20%

Legal Affairs 0%

Partnership 70%
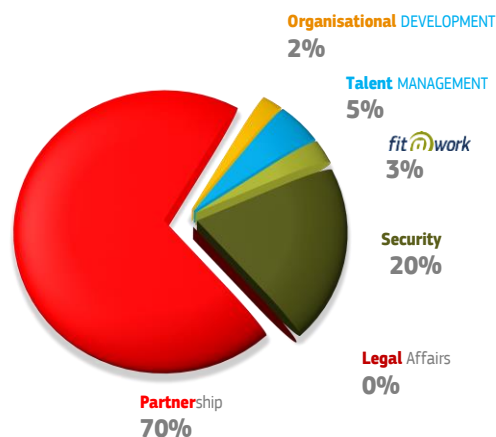
Our partners

Pursuant to the Decisions establishing the administrative Offices, DG HR, as chair of the Management Board, contributes to the definition of the policy guidelines and of the evaluation of their implementation, while the Offices are in charge of their effective implementation.

OIB and OIL are in particular partner for DG HR towards the implementation of the fit@work policy, providing service such as catering, nursery and after-school childcare facilities, real estate. Their activities are described in the report to provide an overview of the fit@work policy.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG HR to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes 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[1].

a) Key results and progress towards the achievement of general and specific objectives of the DG

2018 has been a year of notable progress towards the further consolidation of the key HR projects introduced over the past years. This includes additional actions to reinforce talent management, health and well-being, security, and ethics, while ensuring the allocation of human resources to the top Commission priorities.

BOLSTERING ORGANISATIONAL PRIORITIES AND MANAGING TALENT

Through a series of targeted, strategic measures, DG HR has successfully increased the human resources available to top Commission priorities by reducing resources dedicated to support and coordination jobs. This was specifically achieved through (1) the implementation of a service delivery model for the provision of human resources activities, which resulted in a 10% reduction of the size of the HR community, and (2) the Commission's decision on a complementary allocation of establishment plan posts to priority tasks. The result has been a crucial strengthening of the Commission's capacity in key policy areas requiring urgent and reinforced attention, such as migration, anti-terrorism, Western Balkans, fundamental rights, energy-related policy initiatives, cybersecurity and trade negotiations with third countries. The percentage of jobs in horizontal process represented 43% in 2018.

2018 has seen further progress in Talent Management, with the Communication adopted by the College on geographical balance. In addition, DG HR has advanced in the preparation of a future communication, identifying the main challenges and concerns for the future, and tangible actions to attract the best talent and to make the best use of those already working for the institution. In 2018, our efforts have also focused on the one hand on advancing managerial excellence through a new development programme and mobility initiatives, and on the other, staff's career management potential through mobility exercises for AST and AST/SC staff and internal competitions launched at the end of 2018. In addition, the Commission is close to reaching the ambitious target of at least 40% women in management by 1 November 2019. On 1 January 2019, women represented 39.6% of all management. Moreover, the implementation of the Diversity & Inclusion action plan further supported the Commission's objective to enhance its image as an attractive employer that values and fosters diversity and inclusion.

ENSURING A SAFE, HEALTHY AND SUSTAINABLE WORKING ENVIRONMENT

DG HR has also advanced in the implementation of the Health & Wellbeing fit@work Strategy and Action Plan 2018-2020. Particular focus was on the finalisation of an integrated approach promoting mental wellbeing, the revision of the implementing provisions regarding absences, and the return-to-work strategy. In 2018, the staff attendance rate remained stable at 95.8%. DG HR also promoted additional physical activities and launched the Where2GO app, a web-based PC and mobile application contributing to making all fit@work activities in Commission premises readily available and seamlessly integrated, thereby promoting well-being actions and greater

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

connectedness across the organisation.

The aim of the Commission's internal security policy is to ensure that Commission staff, property, activities and information are adequately protected against security threats. Following the 2015 adoption of a comprehensive new legal framework for security and the launch of a new action plan on enhanced security measures, in 2018 the Commission developed additional corresponding security rules and procedures, while reinforcing internal communication and awareness training aimed at strengthening employees' security culture.
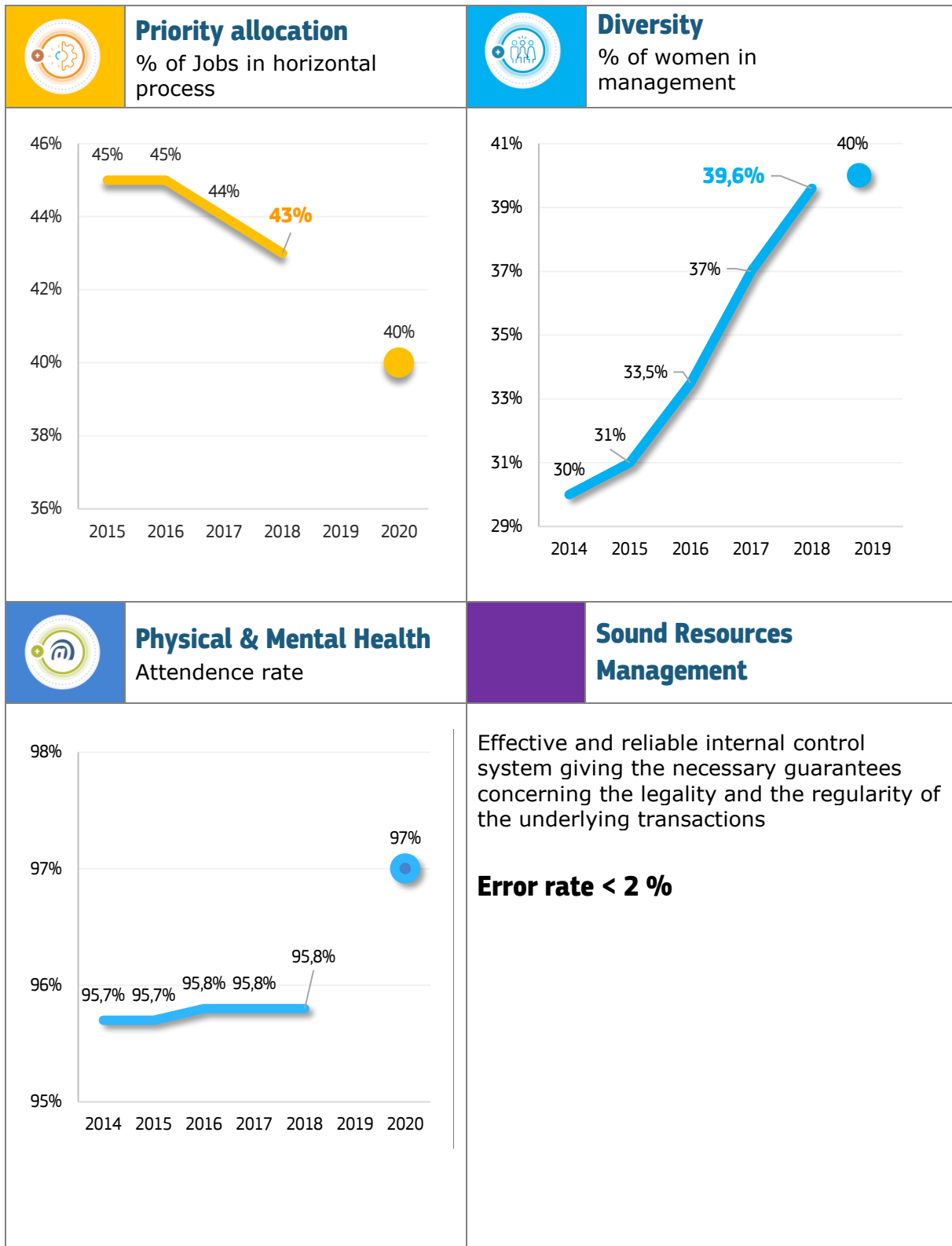
PROMOTING AN ETHICAL ORGANISATION

In 2018, DG HR has made further strides to help staff uphold the highest ethical standards by providing additional clarity in areas of increasing visibility: outside activities and assignments, and social media. The Commission Decision on outside activities and assignments was adopted, clarifying the obligations of staff members and modernising the authorisation procedures. In addition, together with DG COMM, DG HR updated the Social Media Guidelines for staff to adapt them to the rapidly changing digital environment and the steady increase in the use of social media.

On 28 March 2018, the College made a commitment to ensure the job security of Commission staff with UK nationality. Permanent UK officials will still be able to work for the Commission even when they cease to be an EU national. Exceptions include specific and duly justified cases such as conflict of interest or incompatibility with international obligations. Regarding non-permanent UK staff, although UK temporary and contract agents' contracts will normally be terminated, derogations may be granted on a case-by-case basis if it is deemed to be in the interest of the service. This will be done in a transparent way.

Further information on the implementation of HR policies can be found in the HR in 2018 report, the general report on the activities of the Directorate General for Human Resources and Security.

b) Key Performance Indicators (KPIs)

Priority allocation		Diversity	
% of Jobs in horizontal process		**% of women in management**	

Priority allocation — % of Jobs in horizontal process:
45% (2015), 45% (2016), 44% (2017), **43%** (2018), 40% (2020)

Diversity — % of women in management:
30% (2014), 31% (2015), 33,5% (2016), 37% (2017), **39,6%** (2018), 40% (2019)

Physical & Mental Health		Sound Resources Management	
Attendence rate			

Physical & Mental Health — Attendence rate:
95,7% (2014), 95,7% (2015), 95,8% (2016), 95,8% (2017), 95,8% (2018), 97% (2020)

Effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions

Error rate < 2 %

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, DG HR 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.

The Commission has adopted a set of internal control standards/principles, based on international good practice, aimed to ensure the achievement of policy and operational objectives. 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 standards/principles. DG HR has assessed the internal control systems during the reporting year and has concluded that the internal control standards/principles are implemented and function as intended.

In addition, DG HR has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2 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, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Provision of information to the Commissioner(s)

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration have been brought to the attention of Commissioner G.H. Oettinger, responsible for Budget and Human Resources.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

The general objective of DG HR is to help achieve the overall political objectives, and to support the Commission in effectively and efficiently managing and safeguarding assets and resources, and attracting and developing talents. In 2018, DG HR has progressed towards the achievement of the specific objectives established in the strategic planning 2018-2020.

Specific objective I.1: Human resources are allocated to Commission priorities to deliver maximum performance and added value

In 2018 DG HR has increased the allocation of human resources to Commission priorities through a reduction of human resources allocated to support and coordination jobs and an increase of the number of post to priority tasks.

- **New service delivery model for the HR function:** The HR modernisation project has made significant strides in 2018 towards the harmonisation and standardisation of HR practices, which has led to a fairer and more consistent application of HR rules among all DGs. On the basis of analysis and consultations with main stakeholders, DG HR made several adjustments to the HR service delivery model in 2018. The main objective was to improve efficiency and the time to deliver by removing unnecessary steps in a number of HR processes. Work also focused on improving the communication within HR and with its clients. HR Modernisation helped achieve some efficiency gains: The HR ratio (HR staff to Commission staff) decreased from 1:29 to 1:34 following the creation of the AMC Directorate. 148 jobs in HR (corresponding to 10% of the total HR community) have been cut in a period of 3 years.

Output indicator	Target 2020	Latest known results as per AAR
Jobs in HR community	22 additional savings by end 2020 1:40	1:34
Source: Commission Job Screening		

- **Develop Staff Matters Portal to better integrate the Information portal with other HR information systems, and with question-tracking system:** The new Staff Matters Portal has three main pillars:
  - The Staff Matters site on My Intracomm: a user-centric one-stop-shop interface for the end-user or HR professional.
  - A front office linked with the Staff Matters site where HR-related questions from staff or professionals are submitted via a question/answer system.
  - A back office where questions arrive and are handled by the appropriate group(s).

In 2018, HR further improved these 3 pillars and deployed the possibility to ask questions for additional processes such as Wellbeing/Fit@work, Ethics, Leave for personal reasons (CCP), Certification, Secondment and Placement at the disposal, Senior Assistants/Senior Experts. Furthermore, in September 2018 the Time Management process was made available. It is now used by staff and AMC GECOs (Leave Managers) to exchange questions and provide answers. Between September and November 2018 more than 11 000 questions and more than 3 000 requests were handled, of which 90% have been already closed. Around 19% of questions received feedback, and the feedback is 95% positive. The Portal will be gradually extended to more HR processes in the course of 2019.

Result/Impact indicator	Target	Latest known results as per AAR
Client satisfaction with Staff Matters Portal services	75%	95%
Source: Dedicated satisfaction survey		

- **Domain leadership**: In 2018, DG HR has supported domain leaders (COMM, HR, DIGIT, SCIC, OIB, OIL, OP, BUDG) in fulfilling their role of leading and supporting their communities, in order to provide more efficient and effective services. In particular DG HR:

HUMAN RESOURCES MANAGEMENT INTERNAL & EXTERNAL COMMUNICATION FINANCIAL MANAGEMENT EVENTS & MEETING ROOMS MANAGEMENT

INFORMATION & COMMUNICATION TECHNOLOGIES LOGISTICS PUBLICATIONS SERVICES

- *Assisted the domain leaders with setting up of horizontal measures towards the staff of their communities:* A series of outreach and engagement activities led by DG HR have helped to further progress towards the objective of a more aligned vision on domain leadership and to develop solid and well-functioning communities. A working group on domain leadership met 7 times over the course of the year, in addition to a number of meetings at senior management level on strategic and resource-related issues.

- *Coordinated collection of staff savings in the respective communities:* The stocktaking of domain leaders' progress in 2018 shows that savings have materialised notably in the HR and logistics domains, as well as in the local data centre consolidation project led by DG DIGIT in the ICT domain. First savings have also been made in the communication domain in contract management, where service delivery has been boosted in DG COMM while streamlining local capacity. In other domains savings have been identified over a time horizon of up to 2030. Additionally, the domains started to use ATLAS for identification of their professional communities and have worked with HR to develop taxonomies for identification of subcommunities. They have also advanced in outreach, professionalisation, and have conducted a second functional reporting exercise.

- *Ensure that the processes of implementing office moves and making available training and meeting rooms are made smooth and efficient for staff and managers:* A new work strand on integrated logistics, led by DG HR, was begun in July 2018, to put in place a simplified front-office logistics interface – covering office moves and management of meeting rooms' services and offering a one-stop-shop service for end users. This builds on the significant efforts already made to clarify processes and optimise client service and brings in close coordination HR, DIGIT, SCIC, OIB and OIL.

- *Provide an IT solution to facilitate the management of staff in the Communities*: Lastly, domain leaders worked closely with HR to adapt ATLAS, the new Sysper module developed to map resource allocation to activities and tasks across the Commission, to the needs of domain community identification and management. Domain leaders defined a set of subactivities per activity to allow detailed breakdowns of task assignment across DGs within their domain.

Result/Impact indicator	Target	Latest known results as per AAR
Number of sessions organised with Domain leaders	6	7

- **Resource Allocation:** Human resources in the Commission are allocated along a process that is transparent, evidence-based and linked to political priorities. The Commission decided in July 2018 to redeploy between its services a total of 98 posts to priority tasks, mainly to urgent needs related to migration, anti-terrorism, Western Balkans, fundamental rights, energy-related policy initiatives, cybersecurity and trade negotiations with third countries.

Another resource allocation decision was adopted in December 2018. It provided 2 new posts for the Secretariat of the Audit Progress Committee to ensure its effective functioning. It also included the decision to apply in 2019 a limited differentiated redeployment tax applicable to DGs in medium and moderate priority clusters to cater for future redeployment needs in relation to new challenges emerging from the priorities for the new College.

In 2018, the Commission continued to delegate certain implementation tasks to executive agencies and to one decentralised agency (the European Global Navigation Satellite Systems Agency). This translated into a reduction of 69 posts and 48 full-time equivalents of other personnel in Commission departments.

A new workforce planning tool ATLAS (stands for: Activities and Tasks Logging for the Allocation of Staff) was launched in June 2018. It provides a clearer view of how many colleagues are working on each area of activity and towards each objective. ATLAS also allows them to allocate resources to priorities better, and to track their evolution over time. Data from ATLAS was used for the 2018 screening exercise for the Commission and Executive Agencies.

Result/Impact indicator	Target	Latest known results as per AAR
Number of DGs adopting ATLAS	40	40

- **Support for Knowledge Management**: In 2018, DG HR launched the corporate communication campaign on Data, Information, and Knowledge Management and provided content to it both from corprorate and local services. The campaign has senior managers as one of its main drivers, namely by means of the Senior Management Roadshow, an HR-led initiative in 2018 which will continue in 2019 to foster collaborative cultural change by a peer-to-peer exchange between managers. Three such events have been organised in 2018. Another relevant action was the creation of a dedicated category on 'Unlocking the power of information' in the 2018 Internal Communication Awards.

The Knowledge Week, jointly organised by HR and JRC, gathered twelve hundreds of practiners for three days in June 2018 around workshops, conferences, networking and learning activities.

In 2018, DG HR continued managing the inter-institutional Knowledge Management Network and organised 5 meetings with external and internal contributors as well as the Knowledge Sharing Cafés (14) to foster collaboration and exchange of knowledge regarding relevant and topical HR policies.

- **OD Strategy & Outreach**: In 2018, Work continued to develop the organisational development (OD) function within DG HR (OD@HR) with an overarching goal of helping the Commission to improve how it functions and responds to new challenges. Important steps were taken to offer more integrated and tailored support to large scale and or complex change initiatives impacting different aspects of organisational life such as people, structures, processes and tools. Coordination mechanisms were put in place to enable greater collaboration among relevant DG HR units. In addition to fostering collaboration across DG HR, coordination was ensured with a recently established One-Stop Shop for Collaboration (OSS), a joint initiative of JRC, HR, DIGIT and SG offering in-house consultancy and brokering service on all aspects of collaborative working and knowledge sharing. Coordination between the two initiatives (OD@HR and OSS) has already resulted in a more comprehensive support offered to DGs going through organisational changes. Putting in place a more structured mechanism for building and sharing knowledge about organisational needs of DGs and the whole Commission is another priority area where significant progress was made.

Work continued on major Commission-wide OD projects, namely implementation of Synergies and Efficiencies Review and the Commission's Knowledge Management Strategy. A number of events facilitated mutual support and learning, such as the second corporate storytelling session, where managers and staff shared innovative working practices for continuous improvement and staff empowerment.

In 2018, a communication on Synergies and Efficiencies incorporating Organisational Development elements was prepared, the communication will be adopted early 2019.

Result/Impact indicator	Target	Latest known results as per AAR
Communication from Commissioner G.H. Oettinger to the Commission	Summer	Draft Adoption ealy 2019

Specific objective I.2: Efficient support processes meeting staff and Commission priorities

In 2018, DG HR has launched the Staff survey, further established HR as domain leader for Internal Communication, and further expanded SYSPER Inter-Institutional Services.

- **Staff Survey 2018:** DG HR launched the Staff Survey 2018 in mid-November, with a set of revised questions tested in focus groups (which allow, however, for benchmarking with previous survey). For the first time, a separate (but parallel) exercise was run for Delegation personnel, coordinated by the EEAS. The Staff Survey was accompanied by a large communication campaign. It reached an overall response rate of 56%, exceeding the 2016 result of 51%. DG HR also helped to run the University of East Anglia Survey, an independent academic study, which will complement the findings from the Commission's staff survey.

Result/Impact indicator	Target	Latest known results as per AAR
Number of DG's having produced development plans	100%	100% following 2016 staff survey
Source:		

- **Internal Communication:** In 2018, DG HR has further
  - **Put in place a system of functional reporting:** In line with the Synergies and Efficiencies Communication, DG HR provided brief written elements relating to the performance of the local Internal Communication Correspondents in the different DGs and services (functional reporting). In 2018 – which was the second year of this exercise – the assessment was based on criteria previously discussed with the Communication Network, making it more transparent and robust.
  - **Defined priorities for the 2018 Communication Plan** and shared them with the Internal Communication to ensure better planning and coherence. Furthermore, within the corporate internal communication unit, dedicated portfolio managers were identified, each cooperating with a set of DGs to be able to provide more targeted analysis, advice and support.
  - **Implemented the Professionalisation programme for the Communication function**. All the courses from the new catalogue of communication-related formal training were run and effectively communicated, with about 40% of attendees having internal communication as a core occupation. In addition, a grassroots initiative consisting of regular informal meetings of the internal communication practitioners contributed to the informal learning by exchanging good practice. These actions were complemented by job-shadowing initiatives and by supporting representatives of the function to participate in external conferences dedicated to internal communication.
  - **Drafted a vision statement for the My IntraComm platform:** The Programme Charter of My IntraComm, setting out future development actions, was presented to the IT board. In the autumn 2018, the MyIntraComm survey was carried out, including targeted questions on Commission en direct and Staff Matters Portal. My IntraComm completed the migration of its first Executive Agencies (the Research Executive Agency) and the Brussels Local Staff Committee. Apart from that, 2018 was dedicated to consolidating the platform following the upgrade in 2017 and piloting a mobile app, Dynamic Signal, to keep staff closer to the institution on their mobile devices.

Result/Impact indicator	Target	Latest known results as per AAR
Number of Internal Communication staff participating in Professionalisation programme	25	45 (main function) 65 (secondary occupation)
Source: HR.A4 professionalisation programme analysis		

- **SYSPER Inter-Institutional Service:** In 2018, DG HR has finalised negotiations with its 60 client institutions and has started implementing a completely new generation of harmonised service-level agreements. Upon requests from client institutions, and especially in the Sysper and IT domain, new services were agreed to be rolled out to in 2019.

Result/Impact indicator	Target	Latest known results as per AAR
Number of institutions/agencies using SYSPER on the basis of the new HR SLA in 2018	29	21
Source: HR.A3		

talent MANAGEMENT
the right person in the right place, at the right time

Specific objective II.1: Talents are recruited, assessed, developed, motivated, retained and deployed to best fit with political priorities

DG HR has pursued its efforts in focusing on managerial excellence, in developing their potential to become more effective through mobility and a developement programme. DG HR also provided staff members with better career management potential through the revision of the rules for Contract Agents, and tools to foster mobility.

MANAGERIAL EXCELLENCE

- **Develop and support Middle Managers (MM)**: Since its launch in mid-September 2017, approximately 100 newly appointed middle managers have benefited from at least one session of the corporate development programme for middle managers consisting of a personal development plan session and 3 individual follow-up sessions. Two introductory sessions on HR management have been organised for newly appointed middle managers and a toolkit on HR management has been developed, pointing middle managers to appropriate sources of information. Last but not least, DG HR has worked with a selection of middle managers designated by their DGs to draw up a series of actions to promote networking among middle managers during monthly meetings in 2018.

- **the Senior Management Development Programme** accepted another 14 new participants, bringing the total of active participants to 32. The programme's focus remains on newly appointed Directors, although, following the roll-out of the 360° feedback pilot, participants with more experience in a senior management function also started to take advantage of this tool. Participants in the programme receive ongoing feedback from HR experts and benefit from a tailor-made programme of personal development and individual coaching.

- **The corporate 360° feedback pilot for senior managers** was further expanded in 2018, to cover a total of 127 senior managers in 30 different Directorates-General (Target 2018: 80). Participating senior managers have the opportunity to get an all-round view of their leadership capabilities, and to compare their self-image with the portrait that comes from the observations of their managers, peers and members of staff. This allows them to identify their management blind spots and to reflect on possible self-development areas.

RECRUITMENT & PERFORMANCE

- **Increasing the attractiveness of the commission as an employer:** DG HR has advanced in the preparation of a future communication, identifying the main challenges and concerns for the future, and tangible actions to attract the best talent and to make the best use of those already working for the institution.

- **Implementing rules for unsatisfactory performance:** The decision implementing Article 51 of the Staff Regulations on the procedures to identify, deal with and remedy cases of incompetence promptly and in an appropriate way was finalised in 2018. In line with procedural requirement, a second Interservice Consultation will be undertaken as a prerequisite before adoption of the decision into 2019.

CAREER

- **Four year discussion on career evolution:** A pilot exercise called the '4-year career talk' was launched for DG HR and DG EMPL, offering staff who have been in a job 4 years or more the possibility to have a structured discussion with a career guidance officer. The aim is to offer staff an opportunity to reflect on their career and consider possible options that would stimulate and enrich their career development. There were 121 participants from the two DGs involved in the pilot exercise. This exercise has been assessed as a valuable tool that encourages people to have a more proactive approach to career management and reflection on potential future career moves.

- **Steered mobility exercises:** A pilot exercise for AST and AST/SC officials has been launched in Luxembourg this year to encourage mobility. Of the 109 staff members who initially expressed their interest to participate in the call, 41 had moved to a new post by the end of the pilot exercise.

- **Headhunting:** DG HR provided headhunting services to help Commission departments to proactively search for potentially suitable candidates for their vacancies. Building up internal headhunting resources enables the Commission to explore its talent pool proactively and helps encourage staff mobility. Several ad hoc requests for headhunting were processed in 2018, most of which related to the Luxembourg mobility exercise.

- **Careers events :** The third edition of the corporate Career Days was organised in November 2018 at two separate events for Brussels- and Luxembourg-based staff. Some 5 700 staff members took part (Target 2018: 1 500 participants). Participants had access to a variety of workshops, panel discussions and training courses covering all aspects of career management and development. They were also able to listen to TED-style talks presented by colleagues from DGs and agencies and to visit their stands to learn more about the opportunities available

- **Pilot Junior Professionals Programme:** In June 2018 the College mandated DG HR to organise the selection of junior professionals and develop a learning and development scheme for the pilot programme. A three-stage selection process led to 30 Junior Professionals being selected. The selected staff have begun working and contribute to the Commission's daily work. The programme has been extended with new selections of Junior Professionals in 2019 and 2020.

Result/Impact indicator	Target	Latest known results as per AAR
Focus on managerial excellence		
Newly appointed senior managers participating in the development programme	2018 70	32
Percentage of managers having performed a 180° or 360° within the last 3 years	2018 70	127
Satisfaction rate of staff with their management	70%	57%*
Managing expectations regarding careers		
Percentage of officials having completed their eCV	80%	-%
Staff opinion on the effective use of their skills	80%	76%**
Staff satisfaction with the ability to manage their career choices and career path"	60%	42%**

Result/Impact indicator	Target	Latest known results as per AAR
Foster the development of staff		
Satisfaction Rate "5 Stars" with learning actions	88%	-%
Number of staff having undertaken a "job shadowing" over the past 12 months	>20	<-**
Satisfaction of staff with Learning & Development	60%	57%**
Strengthen performance of staff		
DGs' satisfaction with new recruitments.	70%	***

* Indicator from the Staff survey 2018 Average satisfaction with Middle (54%) and Senior (50%) managers.

** Indicator from the Staff survey 2018 - *My skills match my current job / I feel able to manage my career choices and determine my own career path. / I have the opportunity to become more efficient and effective in my job via learning on the job, self-learning, and participation in a variety of learning and development activities. The learning and development activities I have completed over the last 12 months have helped to improve my performance. My manager helps me to identify my learning and development needs.*.

*** No data avalaible in 2018.

Specific objective II.2: An inclusive talent management that attracts and retains diverse talent including attaining the target of 40% of female senior and middle managers

The Commission continued its efforts to improve its attractiveness as an employer valuing diversity and inclusion.

- **Diversity & Inclusion Action Plan:** The Commission published the Diversity Report and Action Plan with an overview of what was achieved so far and action taken since July 2017. So far, 27 actions have been launched or completed:

  o 14 actions were launched to benefit all staff, irrespective of their status, function group, age and gender.

  o 4 specific measures benefit in particular women, with the Female Talent Development Programme as a lighthouse project.

  o 5 projects were launched to cater to the needs of colleagues with a disability or staff with disabled dependents better and in a more coordinated way.

  o 4 new projects are targeted towards the Commission's Lesbian Gay Bisexual Transgender and Intersex (LGBTI) community; the setting up of a contact point for LGBTI issues was of particular importance.

- **Women in management:** A range of actions was put in place to achieve the ambitious target of 40 % female representation in management by 2019. On 1 January 2019, there were 36.3 % of female Directors-General, Deputy Directors-General, Directors and Principal Legal Advisers. In addition, 40.4 % of Head of Unit or equivalent functions were occupied by women, with 60 % of first appointments to middle management levels since 1 May 2017 being women. The consolidated figure for the proportion of women in senior and middle management is 39.6 %.

- **Croatian nationals:** The Commission does not apply quotas or recruitment policies

based on nationality, except during transition periods when it has to recruit staff from new Member States. For Croatia, the five-year transition period started on 1 July 2013 and ended on 30 June 2018. By the end of the transition period, the Commission should have recruited 249 officials and temporary staff with Croatian as first nationality. On 30 June 2018, the final target was attained, with 258 officials and temporary staff recruited. These figures include 13 middle managers and 3 senior managers.

- **Geographical balance:** The Under Article 27 of the Staff Regulations and Article 12 of the Conditions of Employment of Other Servants of the European Union, if an institution observes a significant imbalance between nationalities among its staff, it may adopt measures to address this. On 15 June 2018, the Commission issued a report to the European Parliament and the Council in accordance with the articles mentioned above.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Adoption of a diversity and inclusion action plan	Winter	Adopted 19 July 2018
% of women in senior and middle management	40%	39.6%*
Successful recruitment of Croatian citizens (as % of the recruiting target)	100%	100%

* 1st January 2019

Specific objective III.1: Staff work in a secure working environment

- **Implement a comprehensive Security awareness raising campaign by establishing a detailed action plan:** The Security Directorate organised 263 conferences, courses and briefing sessions, which were attended by over 9 000 staff, an increase of 5 % compared to 2017 and the highest number of staff ever trained. In addition, 28 tailor-made briefings were provided to management and staff in several DGs, cabinets and services. A Commission-wide 'security guards' week' was organised for the first time in April in Brussels and October in Luxembourg. It aimed to improve cooperation between staff and security guards as well as to increase the acceptance of security controls at building entrances. Another achievement was the complete restructuring of the DG HR Security Directorate intranet 'My Security', towards more streamlined and clear content and a new visual presentation. In addition, the Security Directorate published 18 'practical information' articles and communicated on 14 different security topics in the My Intracomm security section. The 13th edition of the European Commission's Annual Security Symposium which took place in October 2018 contributed to raising awareness on various security topics among the 420 participants from inside and outside the Commission.

- **Develop a comprehensive policy on access to Commission buildings:** The Security Directorate drafted a new Security Notice on access policy that applies to Commission staff and other individuals on Commission premises. It compiles for the first time the main principles governing access to Commission premises and provides guidelines and best practices on access rights and procedures. Automated access control and related systems were installed in additional Commission buildings as part of the global security programme (GSP). In 2018, the equipment necessary for buildings to be fully GSP-compliant was installed in another five buildings. Furthermore, DG HR's Security Directorate continued to deploy security control equipment (x-ray machines and metal detectors) in Commission buildings, bringing the total number of equipped sites to 26 in Brussels and 10 in Luxembourg.

- **Ensure effective implementation of the Enhanced Security Measures plan:** A significant amount of work was carried out in 2018 to ensure that the remaining improved security measures were implemented. This includes several actions to further improve the security of the Berlaymont building (new Welcome Centre on the esplanade area adjoining the Commission's Berlaymont building; installation and overhaul of the car parks' security equipment) as well as work on introducing new mobile badge readers which complement the visual verification carried out by security guards. As part of the improved security measures action plan, name-specific visitor access passes and electronic on-the-spot 'e-Pass' encoding features were introduced in Brussels-based buildings in 2018. The e-Pass visitor access system used in Commission buildings in Brussels was implemented in Luxembourg buildings. A full-scale communication campaign was carried out to explain these new visitor badges.

- **Commission's security rules:** The Commission's information security strategy was agreed in 2018 and is expected to be formally adopted in January 2019. It provides for a consistent marking scheme for sensitive non-classified information. The Commission Security Expert Group (ComSEG) met several times to review the implementing rules for Decision 2015/444 on the protection of EUCI. The Commission and the ComSEG also supported DG GROW in the preparation of various actions related to defence research and defence funding, to ensure that classified

information would be processed securely in this context. In order to further improve compliance with the Commission rules on protecting EUCI, DG HR's Security Directorate created a registry manual for Registry Control Officers.

- **Reinforced partnership with host countries, other institutions, and key contractors:** Long-term partnerships with close protection units in Member States were developed in order to share best practices within the field and benefit from their facilities, training and experience. In 2018, in the context of counter-terrorism activities, the Commission has increased the number of screenings and investigations conducted in collaboration with Member State authorities. In the context of Commission's information security strategy, Security Directorate handled 2 252 requests to obtain security clearance through a vetting procedure involving the national security organisations of Member States.

- **RESTREINT UE/EU RESTRICTED information:** The RUE-X system infrastructure which makes it possible to draft and share R-UE/EU-R information was deployed in 2018 and the first pilot users have been enrolled. DG HR's Security Directorate also tested some secure mobile phones to facilitate exchange of R-UE/EU-R information, and rolled out the Zeus system to exchange R-UE/EU-R information with Member States and agencies.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Satisfaction of customers with the service provided by the Duty Office - % of calls with spontaneous positive feedback	70%	81%
Advice delivered to Commission mission performers: % of high-risk mission countries covered by a standing mission security advice (in MIPS)	100%	100%
Availability of the RUE system to guarantee that Commission staff can exchange information at RESTREINT UE level in a secure environment	99.5%	99.5%

Specific objective III.2: Staff work in a safe and attractive working environment

PHYSICAL HEALTH

- **Revise the implementing provisions regarding absences on grounds of health or accident :** In 2018, DG HR prepared a revision of the Commission's 2004 decision on implementing provisions on absences as a result of sickness or accident. The revision includes a standard medical certificate template to be used on a voluntary basis, which might provide the medical absences unit with more information on diagnosis and pathology. This would help avoid unnecessary control visits and allow the medical services to focus more on examinations. The interservice consulton was launched in 2018, the final decision will be adopted in 2019.

MENTAL HEALTH

- **Integrated approach for preventing psychosocial risks:** The integrated approach promoting mental wellbeing at work has been finalised. It provides a framework for promoting mental wellbeing that will enable staff to thrive throughout their working life at the Commission, and also incorporates the prevention of psychosocial risks. It is structured around five areas of work, generally accepted to cover all levels impacting mental wellbeing:work organisation, work content, working conditions, physical working environment and interpersonal relationships at work.

- **Return-to-work support strategy :** As part of the Commission's duty of care to its staff, DG HR finalised a new procedure concerning return to work after long-term medical absence. The objective is to support staff in returning to work at an earlier stage if medically justified and to prevent further relapses and therefore absences where possible. This procedure will harmonise the practices used by the Commission's medical services.

PHYSICAL ACTIVITIES

- **Encouraging healthier commuting :** The benefits of regular physical activity were promoted through several initiatives in 2018. This included the Vélomai challenge where participants cycled 395 000 km (collectively cycling the distance to the moon). This year was the first time that Vélomai was interinstitutional. More than 2 700 colleagues from various institutions took part in the 2018 challenge – 65 % more than in 2017. Half of this increase is due to the other institutions taking part: the European Parliament, the Council, the European and Economic Social Committee, the Committee of the Regions, the Court of Auditors, and several agencies. Some 75 000 bicycle rides took place, saving over 52 000 kg of CO_2 emissions. In parallel, other activities were organised in several DGs, such as lunchtime picnic bike rides or a cycling fair in Beaulieu. Other actions that encouraged healthier commuting included the #BeActive walking challenge and the conference on alternative ways to commute (during the European Week of Sport), and courses on safe cycling in traffic.

- **Mapping of sports locations :** Fit@work activities were included in the Where2GO app - a web-based application accessible via PC or mobile phone where you can find all the fit@work events and activities organised by the Commission, in one place and also find out about what is available in the Commission buildings (e.g. parking, service bikes, cafeterias and canteens…). In the new fit@work section, people can

search over 100 different activities by activity, day or building and see when and where they take place. All activities organised at corporate level, by the Commission's sports and leisure clubs and DG-based events are included in the app. They cover activities taking place in all sites (e.g. Belgium, Luxembourg, Italy (Ispra)…).

PHYSICAL/WORKING ENVIRONMENT

- **Workspace arrangements :** Mandated by the Synergies and Efficiencies review, a Workplace of the Future project is currently ongoing. Its aim is to explore ideas for the Commission's future work environment, and to present specific proposals for human resources, IT and office set-up. The Court of Auditors continued its audit of the efficiency of EU spending on office accommodation, launched in 2017. Special Report No 34/2018 'Office accommodation of EU institutions' was published in December 2018.

WORK/LIFE BALANCE

- **Assess & revise 95% part-time formula** DG HR worked on implementing the revision of the criteria for granting the 95 % part-time formula for serious hardship to make it more accessible to colleagues in need. In addition, DG HR reviewed the decision on leave to add a special leave for welcoming a new-born in the household in cases where parents do not fulfil the conditions for maternity or adoption leave.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Physical & Mental Health Attendance rate	97%	95.8%
Work/Life Balance Staff satisfaction with their work life balance	60%	58%* +1% pt compared to 2016
Physical/Working Environment Staff satisfaction with their working environment	62%	-%**

* Indicator from the Staff survey

** Indicator from the OIB survey on satisfaction

Specific objective III.3: An organisation respectful of its environmental impact and its social responsibility

SOCIAL INTEGRATION

- **Inclusion of persons with disabilities – Reasonable accommodation:** During an interinstitutional lunchtime conference to mark the 2018 International Day of Persons with Disabilities, representatives of various institutions presented actions taken to improve the inclusion of colleagues with disabilities. The interinstitutional guide for newcomers, entitled 'AccessAble Brussels' was officially launched on this occasion.

- **Volunteering :** Various volunteering opportunities were organised under the Commission's 'Volunteer for a Change' initiative to help staff get more involved in their local communities. Nearly 800 staff members each spent half a day volunteering during the second EC Volunteering Week in Brussels in November 2018. A further 600 staff took part in other activities and projects organised centrally. Local DG interest in volunteering team events continued with many DGs organising volunteering awaydays. Limited data, covering just 6 such events, gave 300 participants. Guidance for volunteering awaydays is being updated in line with the experiences to date.

Result/Impact indicator	Target 2018	Latest known results as per AAR
Number of participants in the EC Volunteering Week	600	780
Number of participants in other volunteering initaitives	-	At least 900

- **EMAS:** The Commission's environmental performance has improved. In Brussels, where EMAS has been in place longest, the improvement is striking.

2005-2017 for Corporate EC performance in Brussels*	
Energy consumption for office buildings (KWh/person)	-63%
Water consumption (l/person)	-59%
CO2 emissions from buildings (kg/person)	-87%**
Non-hazardous waste (kg/person)	-32%
Office paper consumption (sheets/person/day)	-70%

* Environmental Statement 2018;
**Helped by OIB purchasing electricity from renewables since 2009.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Reduction of buildings' energy in Tonne CO_2 per year per person (x1000)	1.66	-

Specific objective IV.1: Managers and staff abide by the highest professional and ethical standards at all times

- **A new decision on outside activities** and assignments while working for the Commission and on occupational activities after leaving the service was adopted on 29 June 2018 and entered into force on 1 September 2018. The new decision aims to clarify the obligations of staff members and modernise the authorisation procedures. An FAQ and brochure summarising the changes brought about by the decision are available online and as paper copies.

- **Social Media Guidelines for staff :** Together with DG COMM, DG HR updated the Social Media Guidelines for staff to adapt them to the rapidly changing digital environment and the steady increase in the use of social media. The guidelines provide Commission staff with advice on how to use social media to communicate EU matters in an appropriate and safe way.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Preventive actions		
% of staff who are aware of / know ethics and discipline policy and rules Source: Annual poll on My IntraComm.	95%	87% (Poll 2017)
Number of DGs receiving training and presentations	40	20 (in 2018)
Procedural efficiency		
% of internal timeline indicators for complaints respected	90%	99,8%
Investigation & Discipline actions		
Ratio of opened and closed cases (Number of closed cases / Number of opened cases)	1:1	1:0.84

Specific objective IV.2: Staff Regulations implementing rules are clear and effectively applied

- **Better HR Regulations:** In 2018, the Commission adopted two new acts:
  - o a decision on outside activities and assignments while working for the Commission and occupational activities after leaving the service (C(2018) 4048); and
  - o guidelines on the recovery of overpayments (Article 85 of the Staff Regulations).
  - o Three decisions on the data subjects and certains restriction of some of their rights in respect with their access concerning the protection of their personal data

In addition, several other decisions are to soon be adopted : HR modernisation, Synergies and efficiencies, medical expenses and the use of non-permanent staff.

Nine draft decisions are being discussed under the social dialogue. These deal with absence due to sickness, professional incompetence, local staff working outside the EU, administrative inquiries and disciplinary procedures, unemployment allowance, the social dialogue reform, and the staff committee's composition and operation.

The College of the Heads of Administration continued to wrap up its conclusions. It adopted 5 conclusions in 2018 and should shortly adopt 2 of its provisional conclusions shortly. However, 34 conclusions need to be repealed and another 16 to be updated.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Better HR Regulation		
Number of legal texts reviewed and certified HR Better Regulation	101	73
Provide clear guidance on the regulatory framework		
Satisfaction with Legal Helpdesk service	97%	98%
Sound decisions in reply to complaints		
Proportion of appeal decisions of the Appointing Authority confirmed by the Court	90%	93%

Partnerships
COLLABORATIVE ORGANISATION

Specific objective IV.3: Collaborative and effective professional relationships with stakeholders and partners relevant for HR core services

- **Revision of legal framework governing social dialogue:** The trade unions, staff associations and DG HR met several times in 2018 to discuss the revision of the legal framework for social dialogue. They will continue to discuss how to simplify the procedures and the functioning of the various bodies involved.

- **European Schools Governance**

  Despite the continuing growth in the overall population of the European Schools, the opening of a fifth school in Brussels initially expected for the beginning of the school year 2019/2020, suffered a significant delay on the side of Belgian authorities. The school is now expected to open in 2024. Moreover, the Belgian Council of Ministers should also simultaneously take a decision on a transitory solution to open in 2020/2021.

  On the pedagogical reform, the framework for the key competencies for lifelong learning in the European Schools was approved and implemented in 2018.

  During its meeting of December 2018, the Board of Governors discussed several issues linked to Brexit including: (i) the content of the Withdrawal Agreement and its consequences for the European Schools; (ii) the future of the UK staff in European Schools; (iii) the secondment of English teachers; (iv) the accreditation of the UK Culham school; and (v) recognition of the European Baccalaureate in the UK. In the meantime, a common understanding has been reached with the UK to continue the secondment of the teachers, as well as to contribute to the European Schools system and recognition of the BAC until August 2020 in case of no-deal scenario.

- **Agencies/Joint Undertakings:**

    o By the end of 2018 (spring 2019), all the Implementing Rules and Commission decisions have been made applicable to the Agencies/JU, by analogy or via ex-ante agreements or individual agreements under Article 110(2) of the Staff Regulations Framework.

    o Service Level Agreements have been signed with all Agencies/JU under the new guidance and legal framework adopted by the Commission

- **Follow up of UK Referendum**

On 28 March 2018, the College made a commitment to ensure the job security of Commission staff with UK nationality. Permanent UK officials will still be able to work for the Commission even when they cease to be an EU national. Exceptions include specific and duly justified cases such as conflict of interest or incompatibility with international obligations. Regarding non-permanent UK staff, although UK temporary and contract agents' contracts will normally be terminated, derogations may be granted on a case-by-case basis if it is deemed to be in the interest of the service. This will be done in a transparent way.

Throughout 2018 DG HR played a central role in several Brexit-related matters. It participated in the negotiation of the withdrawal agreement and in the preparedness process in the event of no agreement. It communicated to staff, for instance on the commitment of 28 March 2018, and provided legal advice on Brexit-related matters related to the Staff Regulations.

- **Raising attractiveness of the Luxembourg site:** The main areas of activity in 2018 were:

    o Monitoring the 2015 agreement between the Commission and the Luxembourgish authorities.

    o Improving cooperation with universities located in Luxembourg and in the neighbouring border regions of France, Germany and Belgium.

    o Addressing the issue of medical overcharging; the agreement with the Association of medical doctors and dentists was renounced in 2018.

Result/Impact indicator	Target 2020	Latest known results as per AAR
Agencies		
Number of ex-ante agreements for adoption of Staff Regulations implementing rules	15	23 (2014-2018) 6 (in 2018)
Satisfaction of Agencies with services and management of the 'helpdesk' function	80%	86%
European Schools		
Number of justified demands satisfied (proportion of category 1 pupils having a place)	100%	100%
Proportion of the ES budget covered by other Institutions/bodies (type I schools)	6 %	6,3%
Proportion of the ES budget covered by the Member States	19 %	16.0%

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

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

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives[2]. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the DG.

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

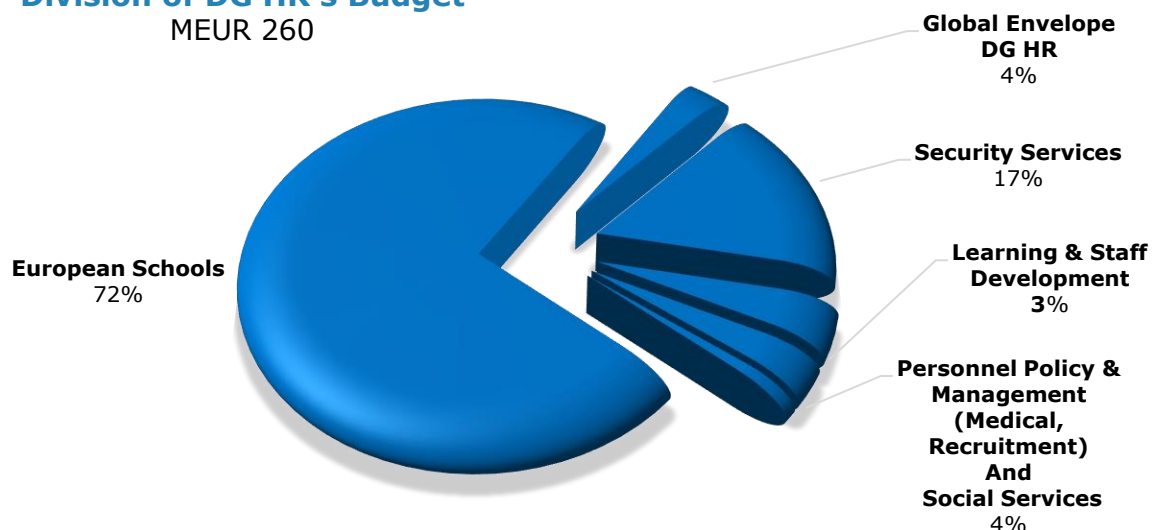## 2.1 Financial management and internal control

Overview of the Budget

DG HR's institutional MEUR 260 budget of is implemented under centralised direct management. Three quarters of the budget is earmarked as financial contributions for the European Schools. Most of the remainder MEUR ~73 is used to purchase goods and services for the Commission's security services, for implementing the Commission's personnel policy e.g. recruitment and the medical service and for centralised learning and development activities.

97% of the budget was spent as envisaged with earmarked appropriations with MEUR 9 from the European Schools budget being returned resulting from the actual financial requirements staying below the voted budget.

Division of DG HR's Budget
MEUR 260

European Schools 72%

Global Envelope DG HR 4%

Security Services 17%

Learning & Staff Development 3%

Personnel Policy & Management (Medical, Recruitment) And Social Services 4%

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[2] 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

Additional Revenue and Budgets Managed by DG HR:

▪ Service Level Agreements (SLAs) Revenue

With a view to making efficiency gains across the EU institutions and bodies, DG HR delivers some of its services to other institutions and bodies. These services are subject to chargeback and the associated terms and conditions are defined in contracts referred to as Service Level Agreements (SLA).

In 2018 DG HR fully adopted the Commission's chargeback methodology and further developed its systems and tools in order to align them with the corporate standard. An IAS audit on charge-back, finalised in 2017, resulted in two valuable recommendations that were addressed. The developments of the SLA processes essentially resulted in:

- A new procedure and an updated costing template which are used to calculate the main cost drivers each year. This helps ensure that the charges made by DG HR reflect the costs incurred by the Commission;

- Improved reporting to provide a better overview of the status of the SLAs and the recovery orders. This was developed alongside a concerted approach developed with DG BUDG to report on SLA-linked revenue and forecast revenue.

DG HR charged **MEUR 12.2** for services in 2018 and of this, around **MEUR 5.3** was returned as additional revenue to DG HR's budget. This income is used to cover the extra costs incurred in order to provide HR services to a broader client base. A large part of the revenue was allocated to the Commission's informatics DG to develop the HRM IT system, "Sysper", for other institutions and bodies. The additional revenue corresponds to ~2% of the total budget of the DG HR. This increases to 7% if we do not take account of the European Schools' budget.

▪ Budgets of Other DG's and Services Managed by DG HR

DG HR has been entrusted with certain activities on behalf of other DGs and services of the Commission. Access to funding for such activities is generally provided through the co-delegation of powers through a sub-delegation from one Delegated Authorising Officer to another. The sub delegation arrangements are generally described in the Budget's Internal Rules each year. They are described in Service Level Agreements or Administrative Arrangements.

In 2018, in the context of the HR modernisation project and the creation of Account Management Centres (AMCs), DG HR, took over additional financial responsibilities associated in particular with learning and development. This expansion had an impact both the organisation of financial management and the size of the budget managed by DG HR. In 2018 DG HR managed **~ MEUR 8 credits delegated or transferred by DGs and services** to cover mainly:
- HR support Services offered by AMCs, notably for learning and development to all DGs for a total amount of **MEUR 6.4**
- Specialist Services for Nuclear Medicine e.g. Radiotoxicology testing and social support aid for the Joint Research Centre for a total amount of **MEUR 0.5**
- IT security services for DG DIGIT budget amounting to **MEUR 1.0**

▪ European Schools' Income

MEUR 7 of funding emanates from third parties to contribute to the European Schools' budget. This amount corresponds to financial contributions from Agencies and Institutions that operate in the cities where a European school is present. The funds received by DG HR are transferred in their entirety to the schools and thus this income does not fund DG HR's operations. The MEUR 3 drop in European School income, with respect to 2017, is due to fact that in 2018 the European Union Intellectual Property Office EUIPO, started to pay its financial contribution directly to the European School of Alicante. A further **MEUR 9** was returned to the budget as the full budget had not been spent by the Schools.

Budget implementation tasks entrusted to others: co-delegations

DG HR entrusted ~5% of its 2018 budget to other DGs of the European Commission in order for them to carry out certain tasks on its behalf. Most of the amount concerned was entrusted to **DIGIT** for IT support services and to the **PMO** to cover various aspects of staff expenditure e.g. mission and medical costs, fellowships and study visits.

Budgetary Items Entrusted to Other DGs and Services (MEUR 12)

DIGIT MEUR 5.5

PMO MEUR 4.8

SG MEUR 1.3

BUDG MEUR 0.2

EPSO MEUR 0.2
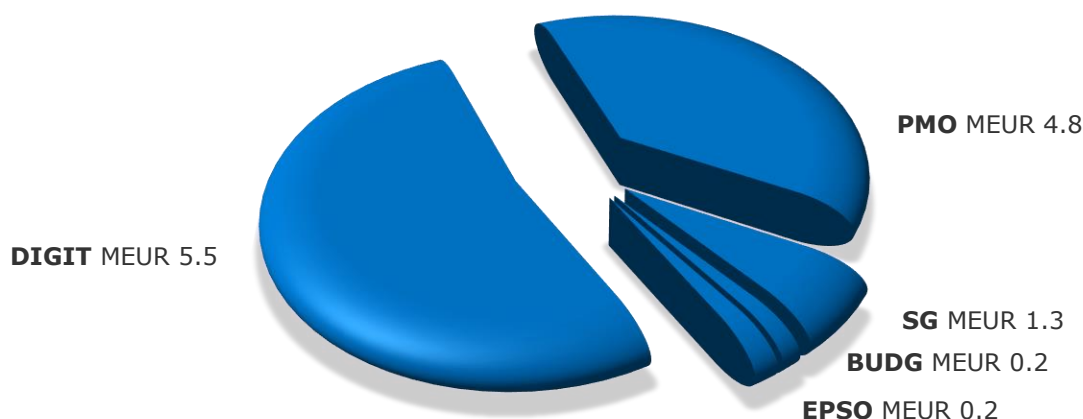
SG & DG BUDG, manage DG HR funds for Learning & Development activities and EPSO manages funds for the ERASMUS Traineeship programme for national civil servants.

The part of the budget entrusted to others has been managed under the same Commission rules and control framework. Through the existing reporting mechanisms DG HR is not aware of any issues or weaknesses which may have a significant impact on the assurance and thus concludes that there are no control weaknesses affecting the assurance statement the DG.

The Internal Control Context and Financial Control Risks in DG HR

▪ **The European Schools: A distinct and separate mandate**

The European Schools, governed by an intergovernmental convention, have a distinct and separate mandate which is defined in terms of providing a multilingual and multicultural education for children. The fulfilment of the schools' mandate cannot thus be construed as 'executing a part DG HR's mission'. For this reason, the **European Schools are not considered as an entrusted entity** which indirectly executes DG HR's budget.

The governance of the European School System is ensured by the Board of Governors, made up mainly of Member State representatives, in which the European Commission is represented with 1 vote.

▪ **Financial Risks: The Type of Financial Operations Managed by DG HR**

Effective and Efficient Financial Control

- Riskier transactions are subjected to more stringent & centralised scrutiny than low risk ones.
- More senior and highly qualified staff process the riskier transactions.
- Workflows are designed to automate & approve low-value payments en masse.

To complete the financial risk profile of DG HR, the number of transactions, their complexity and size should be taken into consideration.

In 2018 DG HR dealt with payments worth **MEUR ~286** by processing some **~16,000 transactions**. This represents an increase of 33% compared to 2017 (12,000 transactions), and it is the consequence of DG HR taking over financial management responsibilities as part of the establishment of AMCs in the organisation. Many of these payments are routine in nature and around 36% of them are associated with interim staffing services which are subject to a highly automated approval workflow.

The average amount associated with DG HR's payments, at EUR 6,290, has decreased by 25% compared to 2017, when it was already at a very low level of at EUR 8,425. In order to make payment processing more efficient, small and regular payment claims are dealt with *en masse*. Thus, the need for manual intervention, which is costly, for payment processing is minimised.

The high value transactions are associated with the European Schools. The average amount of an associated payment to the Schools has increased by 30% compared to last year, and is now MEUR 3.5. The amounts to be paid are highly regulated and the workflow applied for payment processing involves a **dual verification** step. The **risks of paying the wrong amount or the wrong beneficiary are extremely limited** and indeed no such errors have been detected in the ex-post controls.

Important risks in financial management are associated with DG HR's **procurement activities** and therefore the tendering procedures for all high value contract awards are subjected to **strong and highly centralised controls**. Staff from the central Finance Unit, oversee and support their operational colleagues throughout the tendering process.

In reality, procurement risks are not only *financial* because errors or procedural weaknesses could result in important legal challenges and reputational damage. It would be incorrect to consider DG HR's annual budget as a basis for assessing the financial risks associated with procurement because the amounts associated with contract awards relate to multiannual and often inter-institutional contracts. In 2018, the procurement services of DG HR supervised procedures associated with **MEUR 144**, some of these procedures were ongoing at the end of 2018.

26 high value tendering procedures were concluded in 2018, under the centralised supervision of DG HR. Subsequently, **DG HR awarded contracts worth MEUR 94**. It should be noted that in order to make efficiency gains and to avoid the dispersion of staff competencies within the Commission, DG HR extends procurement control and support services to **EPSO/EUSA** who awarded contracts worth **MEUR 48**.

Supervision and Delegation of Power

The Director General ensures that responsibilities are assigned appropriately throughout the organisation. The financial circuits have been designed taking into account the risks and with a view to optimising the use of available resources. DG HR has both decentralised and centralised circuits in place.

- The **centralised model is applied for payment processing** in all but one Directorate with significant financial activities, and for the non-Brussels-based parts of the organisation. Controls on the **tendering procedures for high value contracts** are also centralised.

- **Decentralised circuits** are in place for **establishing low or middle value commitments** with third parties, for the payments in the big-spending Directorates, the Account Management Centres (AMCs) and for the geographically dispersed units (Ispra);

- **A more centralised model for the financial control began to be adopted in 2018 with the set-up of a new finance unit to deals with to processing of financial transactions.** The central model will be gradually implemented in 2019 and when complete it will be applied to all but one Directorate (DS), and one geographically dispersed unit (Ispra). This will optimise and harmonise operations,

which will lead to further synergies.

Responsibilities are aligned with risks and thus only the most senior managers have the power to approve high value transactions. They are also empowered to sub delegate the less risky aspects of their financial management tasks to their staff.

Regular reviews of achievements and control results take place notably:

- The Director-General meets the Directors and key Heads of Unit twice a year, to take stock of progress made in achieving both operational results and internal control objectives;

- DG HR and the Cabinet discuss, as part of their weekly meetings, the Commission Agenda planning, internal control issues and other priority actions;

- A scoreboard, with performance indicators associated with financial management and control, is prepared each month. It is discussed periodically with management;

- Budget review and programming exercises are organised at least twice a year.

DG HR determines its error rate in financial processes through the following measures:

- Campaigns of ex-post controls are performed both by senior management and by the finance and internal control unit. The latter, coordinates the overall campaigns and ensures that the associated rules are adopted coherently;

- The Finance and Internal Control Unit is more independent with respect to the transactions which are now authorised by the newly established Financial Transaction Unit;

- Regular reviews of important procurement files are sampled and scrutinised by the Administrative DGs' inter-service group on public procurement (GAMA).

The corporate ex-post control campaign is well established in DG HR. Its primary purpose is to estimate the DG's error rate and thus the controls are based on a randomly-selected representative sample of transactions. A second objective of the ex-post control campaigns is to identify and remedy any control weaknesses in financial management. In 2017, a risk analysis of ex-post activities was carried out to establish where ex-post verification would add the highest value. As a result, a multi-annual planning of 'ad-hoc' ex-post tasks has been established. In 2018, three specific domains were analysed:

1. Recruitment procedure: verification of key internal control checks;

2. The procedure of payment of interim workers through a paperless workflow;

3. The implementation of the 'certified correct' procedure, with a view to harmonise the practice throughout the DG.

The contribution of ex-post control to DG HR's internal control is detailed under section 2.1.1 in the heading on control effectiveness.

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 monitor the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General.

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 Director-General of DG HR.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in

(d) Conclusions on the impact as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives[3]. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

1. Effectiveness = the control results and benefits

Building Assurance

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives.

Assurance is an objective examination of evidence for the purpose of governance processes. This examination is carried out by management, who monitor the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- Assurance reports and exceptions registered by the Sub Delegated Authorising officers as well as reports from Authorising Officers in other DGs who manage budget appropriations in cross-delegation;

- Results of the ex-post controls;

- Results of controls on large value Procurement Contracts (GAMA);

- Observations and recommendations reported by the Internal Auditors and the European Court of Auditors (ECA);

- Contribution of the Internal Control Coordinator, including the results of internal control reviews at the DG level.

Assurance Reports and Exceptions or Noncompliance Reports

All authorising officers report regularly to the Director General on the implementation of operations they were entrusted with. In DG HR this reporting is done twice a year and all the empowered officers are required to provide their line managers with a comprehensive report covering their key internal control and financial management responsibilities. In turn, the Directors and Deputy Director General, provide an overview of the situation in their Directorates to the Director General. **The Directors' overview reports did not highlight any problems or weaknesses** that had not already been identified and addressed through the exception reports and internal control reviews.

DG HR's register of exceptions and non-compliance events highlights eighteen issues related to the non-respect of procedures in financial management. The amount associated with the exceptions is estimated at **KEUR 997**, of which five exceptions represent 81% of the total balance.

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[3] 1) Effectiveness, efficiency and economy of operations;2) *reliability of reporting; 3) safeguarding of 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). *The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.*

- **Twelve non-compliance events** or errors, all minor events representing ~18% of the total register, were associated with issues that that may entail extra risks for the organisation. Corrective measures were taken and the underlying causes of the errors have been or are being addressed.

- **Five exceptions** were granted to deal with very specific circumstances. In all cases the risks were fully assessed prior to an exceptional procedure being adopted. The follow-up of the causes leading to the exceptions are being closely monitored by the internal control coordinator.

  The exceptions were invoked to guarantee business continuity and were mostly related to the renewal of framework contracts.

  For recurring exceptions that can be tied to a structural internal control weakness, a dedicated action plan, agreed with senior management, has been drawn up. In early 2019, the action plan is already being carried out to address the issue and prevent abovementioned procurement issues in the near future;

- **One Derogation**, or 'permanent exception', was accorded in order to address the specific but non-standard nature of one aspect of DG HR's security services which is inherently difficult to reconcile with the standard mission rules.

To be prudent, DG HR subjects all exceptions to a thorough assessment of the amount at risk. The amount at risk should not be confused with 'amounts misspent' or 'financial losses'. The amount at risk is defined in terms of the part of the budget that could be affected by a material error if the error had been repeated in similar transactions. All exceptions that are attributed to an error are taken into account when calculating the total **amount at risk.** The analysis of exceptions reported shows that the amounts concerned were often associated with payments where ultimately **the right amount was duly paid to the right beneficiary**. However the payment processing itself was subject to an abnormal or exceptional internal procedure. In 2018, for exceptions, **KEUR 53** was estimated to be the amount at risk. Given the relatively low number of exceptions registered each year, there can be large fluctuations in overall amount at risk from one year to the next.

Coverage of the Internal Control Objectives: Ex-Post Controls

DG HR has set up internal control processes aimed to ensure the appropriate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the nature of the DG's activities as well as the nature of the payments concerned. The financial control objective is to ensure that the DG has reasonable assurance that the total amount of any financial operation authorised during the reporting year, which would not be in conformity with the applicable contractual or regulatory provisions, does not exceed 2% of the total expenditure.

Given the very low error rates found in former ex-post control exercises, the same sample size as last year was verified in 2018. The creation of the Account Management Centres (AMC) brought with it additional transactions to be tested through the controls and thus 18 AMC transactions were included in the ex-post control sample. The ex-post control campaign covered 180 transactions worth MEUR 86, representing 33% of the budget. The sampling method used was random and stratified taking into consideration the expenditure in two main sub populations: European Schools and procured goods and services. The sampling was designed to give rise to a meaningful result.

Control Coverage associated with Transactions

Type of transaction	Number Ex-post controls	Value associated with the sample (MEUR)	% of total Approved Budget covered by the sample
Commitments	40	27.8*	11%
Payments	120	53.4	20%
Recovery orders	20	5.2	2%
Total	180	86.4	33%

* When checking payments, the associated commitment is also checked. To avoid double accounting, the figures in the table do not include the commitment amounts associated with the payment checks.

98.9% of the total transactions checked in the ex-post controls were acceptable some had minor shortcomings such as missing justification documents. The remainder, which contained more substantial errors, were generally associated with low value transactions. Indeed the amounts in euro associated with the errors represented 0% of the value of the controlled amount.

The nature of the errors would generally result in additional risks to the organisation. The main issues identified concern the respect of procurement procedures for low value contracts, the respect of contractual provisions and late payments, some a posteriori commitments and the inappropriate application of the financial circuits.

Results for the Procured Goods & Services Sub Population

There is a relatively large number of low value transactions in this sub population and the amounts associated with the checks correspond to 2.5% of the budget spent on procured goods and services. The scope for error is higher due to complexities associated with procurement procedures and contract management issues. The results of the controls reveal an **error rate of 0.2%.**

Control Coverage for the Budget associated with Procured Goods & Services:

Transaction type	Number Ex-post controls	Value associated with the sample (MEUR)
Commitments	34	1.3
Payments	102	4.0
Recovery orders	14	0.2
Total	**150**	**5.5** **8% Procured Goods/Services Budget**

Results for the European Schools Sub Population

The amounts associated with the checks on transactions with the European Schools correspond to 44% of the total 2018 budget dedicated to the Schools. There are relatively few transactions and limited scope for error. The results of the controls were, as in previous years, all acceptable and thus **the error rate associated with the European schools budget is 0%**. This positive result has been regularly confirmed by the Court of Auditors in their controls in recent years.

Control Coverage for the Budget associated with the European Schools:

Transaction type	Number Ex-post controls	Value associated with the sample (MEUR)
Commitments	6	26.5
Payments	18	49.5
Recovery orders	6	5.0
Total	**30**	**81** **44% European Schools Budget**

Estimated Error Rate using Weighted Average

Considering that 72% of DG HR's budget, associated with the European schools, is not affected by error, **the estimated error rate using a weighted average for the entire budget of DG HR is estimated at 0%**.

Type of expenditure	Estimated Error rate	% Total Budget
Procurement and Other expenses	0.2%	28%
Contribution to the European Schools	0.0%	72%
Total	**0.0%**	**100%**

Results for the quality check on ex-post verification

As no issues were encountered in the quality check carried out in 2017, and given that there were no notable factors that would increase the risk of errors, the sample of the transactions verified in the 2018 ex-post control exercise was reduced from 10% to 5%. The sampled transactions were checked to assess the quality of the ex-post controls and no substantial errors were found. This confirms the reliability of the ex-post control result.

Transaction type	Number quality checks	Total ex-post control
Commitments	2	40
Payments	6	120
Recovery orders	1	20
Total	9	180

Results for the check on ad hoc ex-post tasks

The very low error rate in financial transactions, a trend confirmed in recent years, led to the decision to diversify the nature of ex post controls. The processes subjected to non-financial ex post controls were selected taking account of the relative risks and considering where ex-post controls could potentially add most value to DG HR operations in terms of assurance building. The non-financial ex-post controls ae referred to as 'ad-hoc' tasks.

In 2018, three domains were scrutinised, with following results:

1. **Recruitment procedure: verification of key internal control checks**

   DG HR is currently reviewing and documenting all key procedures. As the recruitment procedure was under review, the internal control sector concluded it would be appropriate to verify the correct and consistent application of all key steps in the recruitment process. The review confirmed this, with a number of areas for improvement regarding the guidelines and checklists used.

2. Documentation of the **'certified correct' procedure**: establish a harmonised and documented procedure for the major operational services and the central financial units.

   The result of the analysis in 2017 confirmed the effective and efficient functioning of the certified correct step in the payment process. In 2018, DG HR documented the basic mandatory principles in a written procedure with support and coordination from the internal control team.

3. Analysis procedure new **paperless workflow** eSire

   Last year, an ex-post control confirmed the sound functioning of the paperless workflow used for handling interim workers invoices. A follow-up task to document the paperless procedure was launched this year. This led to the establishment of a draft procedure highlighting a number of points for improvement. An action plan to implement key improvements has been agreed and will be duly followed in 2019. This should result in a more efficient and effective process.

The Legality and Regularity of Procurement Controls

DG HR participates in the independent group of procurement experts together with 4 other DGs/Services, the GAMA ("Groupe d'Analyse des Marchés Administratifs"), which checks high risk procurement procedures, prior to awarding the associated contracts. The group issues opinions on the legality and regularity of the procurements. Should a procurement procedure be deemed to be irregular, the authorising officer will generally take the necessary remedial measures prior to awarding the contract.

In 2018, the GAMA examined 5 of the 15 files submitted by DG HR for scrutiny. The group issued **positive opinions for all 5 verified files**.

Risk-based ex-ante checks by GAMA:

Transaction type	DG HR Managed Procurements eligible for GAMA checks		
	Total in 2018	Checked Ex Ante by GAMA	Proportion With errors (%)
N° procurement procedures	15	5	0%
Value associated with high risk procurement procedures	MEUR 93	MEUR 35	0%

- Legality and regularity of DG HR's financial transactions and operations

DG HR has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions. The controls take account of the multiannual character of activities as well as the nature of the payments concerned.

The control objective, to ensure that no more than 2% of the amount controlled ex-post produce 'unacceptable' results, has been amply met. Moreover this objective has been met for both key areas of expenditure identified: the European Schools and Procurement budget. The DG can therefore conclude that financial controls are working effectively.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated. For **DG HR, the estimated overall amount at risk for the 2018 payments made is KEUR 53 (based on the exceptions recorded).** This is the AOD's best, conservative estimation of the amount of relevant expenditure during the year not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

These errors are not associated with undue payments. **The conservatively estimated corrections that will need to be made for 2018 payments in the future are negligible. Corrective measures, notably in terms of internal control system improvements and efficiency gains, will be implemented in successive years.**

This expenditure has been subject to ex-post controls and the proportion of the underlying error detected is 0%.

And finally, the risk-based ex-post controls on non-financial processes led to the identification of areas where efficiency gains can be realised. However, no weaknesses resulting in material errors or undue payments have been found.

The most prudent approach in estimating an overall theoretical amount at risk, by taking into account the maximum possible error rate in the administrative expenditure recommended in the AAR instructions, results in the establishment of the following range of minimum and maximum amount at risk:

"payments made" (FY; m€)	*minus* new[a] prefinancing [*plus* retentions made[b]] (in FY; m€)	*plus* cleared[c] prefinancing (in FY; m€)	= "relevant expenditure" (for the FY; m€)	Average Error Rate (*weighted* **AER**; %)[4]
287.9	*0*	*0*	**287.9**	0.5%
estimated overall amount at risk *at payment* (FY; m€)	Average Recoveries and Corrections (*adjusted* **ARC**; %)	estimated future corrections [and deductions] (for FY; m€)	**estimated max. overall amount at risk *at closure* (m€)**	
0.05[5]-1.2[6]	0%	0	**0.05-1.2**	

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[4] Based on the recommended 0.5% maximum error rate in the AAR instructions, and the latest confirmed estimated error rate in the 2017 Annual Report of the European Court of Auditors

[5] The amount at risk as defined by DG HR is established at KEUR 53 (ref. section on control effectiveness under heading 2.1.1)

[6] The final amount excludes the amounts verified in ex-post control (53.4 m€), = 234.5 m€ * 0.5%

- Fraud prevention, detection and correction

DG HR has developed and implemented its own anti-fraud strategy, elaborated on the basis of the methodology provided by OLAF. It is reviewed on a yearly basis and up to date.

Many anti-fraud measures have now been implemented and thus appropriate controls are in place. In 2018 the financial circuits are highly centralised and authorising officers are required to report regularly to their hierarchy on all aspects of their work including fraud risks. This facilitates effective supervision.

In contributing to the annual risk assessment exercise, all managers were required to specifically consider and report on fraud risks. The action plan defined and carried out in the light of the current anti-fraud strategy is still valid and requires no structural modifications.

In October 2018, the Belgian courts rendered a sentence concerning a case of fraud committed by two former staff members, also with regard to the documents they presented upon recruitment.

The recruitments in question date back to 2008/2009. It is worth reminding that such incidents are rather rare and no other case was detected in the past 10 years. Nonetheless, lessons were drawn from this fraud case in the past years: the safeguards in place to avoid such cases were strengthened and the recruitment procedure further reinforced.

The absence of similar cases being reported in the ensuing years or detected by neither our internal control, audits, OLAF, confirms that the internal control system and anti-fraud measures are well equipped to avoid such cases from occurring in the near future.

Awareness-raising activities continued to be organised in 2018. Some 30 outreach sessions in DGs were organized, most often as common presentations between the Ethics unit in DG HR and IDOC.

In addition, training courses on ethics continued to be available, both as classroom courses and online. There were additional sessions on ethics for newcomers, and for staff preparing for retirement. Staff were also able to contact central services in DG HR with questions on specific ethics requests and issues.

The Annual Report relating to the post-career activities of former senior managers which might entail lobbying or advocacy during 2017 was published at the end of 2018 (C(2018)9184 final).

The Commission adopted a Decision (C2018)4048 final) on outside activities and assignments and on occupational activities after leaving the service. The Decision, which aims to clarify obligations and simplify authorisation procedures, replaces a previous Decision from 2013 (C(2013)9037). Specific presentations and communication actions were put in place towards staff members in this respect.

DG HR and DG COMM worked on revised Social media guidelines for staff. The guidelines were developed in the context of an initiative to encourage and support staff in using personal social media accounts to communicate on EU matters.

In response to the revision of the Financial Regulation, DG HR transferred its responsibility for the secretariat of the Financial Irregularities Panel (ISIF) to the EDES Panel which is hosted in DG BUDGET and has a broader scope than ISIF notably

associating the former Early Warning System in the panel's work.

The European Ombudsman in 2017 opened an own-initiative inquiry to follow-up on a previous report on so-called "revolving doors". In this context, and as a first step in the inquiry, an inspection and a number of meetings took place in order to have an overview of the Commission's management of requests under Articles 11, 12b/40 and 16 of the EU Staff Regulations in the years 2015 and 2016.

In terms of indicators, the internal control coordinator is not aware of any cases of fraud having been reported in 2018.

- Safeguarding of Assets and Information

DG HR's assets, as booked in the accounts (Annex 3), consist of internally developed Information Systems. They are thus intangible, non-current assets worth MEUR 0.8. They correspond to IT Projects in production, worth MEUR 3.7, (including Modules of the SysPer Human Resource Management System) which are amortised each year (MEUR - 2.9 in 2018).

For this control objective (safeguarding of assets and information, reliability of reporting), DG HR's goal is to make sure that all relevant measures are applied to avoid any security breaches or leaks of personal and/or sensitive data. DG HR manages several IT systems that store personal data (SysPer, e-Sire, SerMed and HR Business Intelligence). Some DG HR decision making processes use, inter alia, reports based on data from these systems. The systems' security is monitored and improved when appropriate.

To further strengthen the capacity to protect our data, DG HR drafted an action plan to enhance the way in which it protects and restricts access to the data that it manages. An assessment of IT data accesses carried out in 2018 pointed to a number of areas where procedures need to be updated and improved. The results of the assessment have been included in the review of the Internal Control effectiveness. Corrective measures have been integrated in an action plan designed to address the challenges associated with the implementation of the new data protection legislation. The actions should be implemented in 2019.

In December 2017, the IAS concluded an audit on IT governance, project and programme management in the HR family (HR, PMO and EPSO) and DIGIT. The audit resulted in three recommendations which highlight a number of areas where the HR Family stakeholders concerned by this audit, need to cooperate more closely. Rather than expose critical weaknesses, the recommendations mainly emphasise opportunities to increase the effectiveness and efficiently of IT governance, project and programme management.

The Action Plan for the IAS Audit on IT Programme and Project Management in the HR Family started in the first quarter of 2018 and is expected to be completed at the end of March 2019. A number of measures have already been adopted to address the risks and recommendations noted by the auditors:

- An updated IT governance model for the HR Family was adopted. Its purpose is to increase the cooperation between the Family members on issues of common interest;
- The updated model includes a new governing body (named HR Family IT Steering Committee) at the level of Heads of services as well as a supporting body (HR FIT Working Group, at the level of Directors, meeting every month);
- Work on data governance has also progressed significantly, and a common framework has been agreed on between the services;
- In the field of IT Project and Programme Management, steps are being taken to align the services and automate processes where possible;

- Lastly, stakeholders' learning gaps are being assessed and training maps are being drafted to address these in an efficient and effective manner.

2. Efficiency = the Time-to-pay indicators and other efficiency indicators (ref. point 3)

DG HR adopted a generic efficiency indicator related to the time taken to pay suppliers and other beneficiaries (see annex 3). DG HR surpassed its 2018 target of making 95% of payments on time and indeed the proportion of late payments dropped to an all-time low of 1.5%. The average time taken to process a payment also dropped from 17 days in 2017 to 15 days in 2018.

3. Economy = the cost of controls

DG HR has estimated the costs associated with its key financial controls. The benefits of preventative controls are not all quantifiable e.g. ethics training and awareness raising actions taken to mitigate the risks of reputational damage. Consequently, they cannot be considered in the calculations below. Such unquantifiable benefits of controls remain important to DG HR's operations and they underpin the control environment.

Compared to many other DGs, DG HR does not have a large budget and it operates under direct management. The error rate is very low, it follows that the amounts associated with the recovery of funds associated with erroneous payments are negligible. When such monies are due, DG HR fulfils its duty to protect the Communities' budget.

The principle of economy requires that the resources used by the institution in the pursuit of its objectives shall be made available in due time, in appropriate quantity and quality and at the best price. The principle of efficiency concerns the best relationship between the resources employed and the results achieved. DG HR has developed indicators to measure the efficiency of the controls associated with financial management in line the Commission's requirements.

Efficiency indicators for the budget associated with procured good and services

An estimated MEUR 1.2 of staff costs were invested in controlling **procurement** procedures for contracts worth MEUR ~144. Thus 0.9% of the total contract value was dedicated to control and the **benefit : cost ratio is estimated at EUR 114**.

For financial transactions an estimated MEUR 8.7 was invested in **controlling 16,000 transactions** worth a sum total of about MEUR 606. The cost of control was increased by MEUR 3 or 52% whereas the number of transactions increased by 33% and the value of transactions controlled increased by MEUR 14 compared to 2017. The relative increase in the cost of control should be viewed in the context of the increased staffing and budget managed by DG HR with the implementation of the HR Modernisation project. In 2018 the consolidation of transaction processing began to be implemented with a view to improving internal control and making efficiency gains in the longer term.

Most of the cost of transaction control 77% was dedicated to payment processing. The amount, MEUR 6.8 is corresponds to < 7%, of the total of amount paid for procured goods and services (MEUR ~98) a slight increase compared to 2017.

An estimated MEUR **0.1 was invested in ex-post controls** on 180 financial transactions pertaining to DG HR and a further 65 pertaining to EPSO/EUSA. Therefore, each transaction or procedure checked cost an estimated EUR 474.

All in all, an estimated **MEUR 10**, a 45% increase compared with 2017, was invested in control activities. If we consider this only in terms of the total amount paid on the

procurement and other expenses budget i.e. some MEUR 98[7], the cost of control indicator for this activity would be 10%. However, if the value of the procurement contracts that the controllers have worked on (MEUR 144) is taken into account, the cost of control indicator for procurement-related activities drops to 4%.

Efficiency indicators for the financial contribution to European schools

The financial contribution to the European Schools in 2018 totalled MEUR 186. The estimated costs of controlling the associated financial management overall is around MEUR 0.2 (staff costs). Thus 0.1% of the total of the European Schools budget was dedicated to control.

Overall efficiency indicators

Considering the total costs dedicated to control for the two main budget areas covered by DG HR, we can conclude that the overall proportion of the 2018 budget dedicated to the ex-ante and ex-post financial control of transactions is 3.3%. This increase compared to last year's 1.6 % is mainly due to the abovementioned implementation of the HR Modernisation exercise (+ 1 percentage point) and an increased complexity of transactions following the deployment of the new charge-back process (+0.7 percentage point).

Understandably, the cost of control for the budget available for procured goods and services is proportionally higher than that of the European Schools because the transactions related to the European Schools are few (1% of transactions) and considerably higher in value.

	2018 Budget (MEUR)	Estimated % budget dedicated to control
Procured Goods Budget + budget co-delegated to AMCs	80	10.6%
European Schools Budget	186	0.1%
2018 Budget DG HR + budget co-delegated to AMCs	266	**3.3%**

The cost of controls on procurement procedures and financial transaction processing, amount to 2.1% of the total amount concerned by the contract values and the payments budgeted (MEUR 410).

	Budget Associated with Controls (MEUR)	Estimated % Budget dedicated to control
Procurement Procedures Ex-Ante Control	144	0.8%
Procurement Procedures & Transactions Control	410	**2.1%**

4. Conclusion on the cost-effectiveness of controls

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[7] This is higher than the 2018 budget available because some payments were associated with goods and services ordered in 2017.

Based on the most relevant key indicators and control results, DG HR has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion on the cost-effectiveness of controls.

The resources dedicated to control have increased notably in 2018 due to the centralisation of financial transactions processing following the HR modernisation exercise. The budget managed by DG HR and the number of transactions has also increased but to a lesser degree (+33%). It is recognised that the benefits gained from increased investment in control are not easily quantifiable. The centralisation of financial control fuels the scope for synergy and efficiency gains in the level of HR services offered. In 2018, increased efforts were made to harmonise systems and procedures and to improve preventative measures notably to avoid errors. It is anticipated that the cost-benefit ratio associated with these investments will improve in the longer term.

DG HR continues to make efforts to improve the efficiency of financial processes. The resources dedicated to control are aligned with the risks in the operational context DG HR concludes that the cost-benefit of control is acceptable.

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of internal control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

The Internal Audit service (IAS)

State of play

As per 31 December 2018, five open recommendations are being implemented as per the schedule defined in the agreed action plans. Actions to address one recommendation, regarding the management of intra-muros contractors in DG HR, are narrowly behind schedule. The recommendation follow-up work is, however, close to completion and the IAS has been informed of the state of progress.

Open Recommendations

Two recommendations from audits prior to 2017 remain open and will be closed in early 2019:

- The Management of Absenteeism in the Offices,
- The management of intra-muros contractors,

In 2018, two new audits were completed:

- **'The IT project and programme management in the HR family'**: A meeting with the IAS auditor and all stakeholders is programmed in early March to assess the progress on the three recommendations and confirm whether they can be closed;

- **'Synergies and Efficiencies Review'**: The audit report was received on 31 January 2019. The action plan to implement the three recommendations (2 Very Important, 1 Important) is currently being drafted.

Closed Recommendations

Recommendations reported closed: **'The charge-back of services'**: The report, issued in December, resulted in one very important and one important recommendation for DG HR. The recommendations call for a fine-tuning and updating procedure for costing fiches to be implemented as from 2018, and for the development of meaningful reports that respect DG BUDG requirements. DG HR has implemented all agreed actions and reported all recommendations closed.

The **conclusion of the Internal Auditor** on the state of control of the DG takes account of the fact that:

- Management has accepted all the recommendations issued in 2016-2018,
- Management has adopted action plans to implement all the accepted recommendations. The IAS considers that these action plans are adequate to address the residual risks identified by the auditors, except for the audit on synergies and efficiencies review where management has not yet adopted an action plan,
- The implementation of these action plans is monitored through reports by management and follow-up audits by the IAS,
- Management has assessed a number of action plans as implemented which have not yet been followed up by the IAS.

The IAS concludes that the internal control systems in place for the audited processes are effective, except for the observations giving rise to 6 'very important' recommendations. These recommendations still need to be addressed in line with the agreed action plans or by the submission and implementation of an agreed action plan.

The IAS draws attention to combined risk DG HR is exposed to because of the two recommendations issued on the Synergies and Efficiencies review. DG HR acknowledges the importance of the recommendations and will undertake the necessary actions to implement the recommendations and mitigate the identified risks.

The European Court of Auditors

- **No observations in the latest Annual Reports** from the European Court of Auditors (ECA);

- **Low error rate <1%** confirmed by the European Court of Auditors;

- **All special reports issued in previous years have been effectively addressed and reported closed in 2018;**

- DG HR has been associated to **3 new Special reports in 2018**:

  o '**The efficiency of EU management of spending on office accommodation'**: The Court of Auditors issued the Special Report mid December 2018 with 5 recommendations addressed to the EU Institutions. DG HR is currently drafting an action plan in close collaboration with the other stakeholders, and in particular with the OIB and OIL.

  o **'Is the 2014 revision of the Staff Regulations leading to efficiency gains at the Commission?'**: The audit work, started in 2018, is now finalised and the clearing letter received in February 2019.

  o '**Is the ethical framework in the EU institutions well established?'**: The Court of Auditors confirmed in February 2019 that the relative draft audit report is to be issued soon.

DG BUDG – Validation of local IT systems

In 2018, DG BUDG carried out an audit on 'pension liabilities'. The audit report was issued in January 2019 and resulted in three recommendations graded 'important', all of which have been implemented and reported closed.

Further, DG BUDG has concluded its follow-up audit on the functioning of DG HR's local IT systems, resulting in 1 of the 3 recommendations being closed by the auditor. The remaining two recommendations require the following actions to be completed:

- The full migration of the eSire programme into the new ABAC module, Legal Commitment Kernel;

- Documentation of the paperless eSire workflow.

The audits, particularly those involving several DGs and services, have provided DG HR with valuable information which helped to improve performance. DG HR both welcomes the reports from the above-mentioned audit entities and invests considerable resources to ensure that the associated recommendations are addressed as fully as possible. Whilst the recent recommendations are recognised as useful to improve DG HR's service offer, they do not indicate that there are issues to be addressed that would have a detrimental material impact on the achievement of the internal control objectives, and therefore on assurance of the DG as a whole.

2.1.3   Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed at ensuring the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

DG HR has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The internal control coordinator ensures that the review of the implementation of the Internal Control Framework is regularly updated to take account of relevant information.

INTERNAL CONTROL SYSTEM

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

In addition, on the principles 2, 3 and 11, even though present and functioning, some improvements are needed as some minor deficiencies were identified related to Processes and procedures, IT governance, and oversight over the offices.

DG HR has followed the methodology established in the "*Implementation Guide of the Internal Control Framework of the Commission"* using a rich variety of sources such as the register of exceptions, analyses of internal control weakness or control failures recorded during the year, the risk assessment, relevant audit results and supervisory reports. The annual review focused on an analysis of the results of the staff opinion survey, and the annual risk assessment. This information was complemented by information and inputs from managers and staff who play a key role implementing the internal control principles.

The transition to this new model – from control Standards to Principles - has helped DG HR achieve a higher level of maturity in assessing the effectiveness of its internal control system. As last year, in DG HR we managed to:

- Break down silos: many more DG HR services were actively involved in the assessment of the internal control system, leading to a fruitful exchange and increased value-added to the evaluation;

- Determine meaningful sources of information: The involvement of different services, and an ongoing discussion of the pertinence of existing indicators and narrative, ensure the internal control framework and its effective implementation was thoroughly assessed by all stakeholders;

The results of implementing the new internal control framework provided a different perspective as to the effective implementation of DG HR's internal control system. The assessment highlighted that improvements would be desirable to improve the effectiveness of principles 2, 3 and 11.

In conclusion, the results of DG HR's internal control system assessment reveal it is effective and that the components and principles are present and functioning as intended.

In 2017, the internal control review established that the implementation of the new HR delivery model would lead to major changes to the DG's structure and that this could have an impact on the effective functioning of several internal control principles and in particular those associated with principle 3. The respect of this principle ensures that compliance responsibilities are appropriately assigned to establish accountability. In 2018 additional resources were deployed to review, update and document all key HRM processes. The action is ongoing and in 2019 it will focus on three HRM themes: Recruitment/Selections; Time Management and Training.

The actions implemented following the area for improvement identified in Principle 11 on control over technology, are starting to produce results. A reassessment of IT access carried out in 2018 pointed to a few areas where procedures need to be updated and improved. This fact coupled with increased awareness of data protection and data governance issues, led to DG HR recognising a need to continue to focus on this principle to enhance its effectiveness in the coming years. An action plan for IT security comprising needs associated with the implementation of the reinforced data protection governance was developed. The actions should be implemented in 2019.

The evaluation of the internal control principle 2 on oversight responsibility confirmed both the effective oversight exercised by the college of Commissioners and DG HR's effective implementation of oversight measures within the Commission. This said, the Court of Auditors' Special Report on the 'Efficiency of Building Management' revealed a need for all stakeholders involved in managing Commission building to define more clearly the main decision-making principles associated with building management policies and the overall strategy. Hence, the definition of the roles and distribution of responsibilities between the Offices (OIB and OIL) and DG HR will be examined in 2019.

The main principles impacted concern:

- o   Principle 3 on Structure, Authority and Responsibility;

- o   Principle 11 – Control over technology;

- o   Principle 2 – Oversight responsibility.

2.1.4 Conclusions on the impact as regards assurance

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

- Review of the elements supporting assurance

The information reported above stems from the results of management reports, supervisory controls, surveys and audits that cover the whole organisation. DG HR operates in an environment where the risks are sufficiently well-managed and generally rather low:

- A centralised and direct mode of budget implementation, the mode with the lowest intrinsic risk,

- Absence of grants and limited asset management, which are notoriously risky areas of financial management,

- Assurance received from DG HR's sub-delegated Authorising Officers and Assurance received for the credits (cross) sub-delegated to other DGs,

- Positive assurance on administrative expenditure given by the Court of Auditors for several years, and again in the annual report issued in 2018,

- Conclusions of ex-post control indication no issues with significant financial impact,

- Positive feedback received from inter-DG group of procurement experts (GAMA) concerning the procurement procedures scrutinised,

- Monitoring, registration and analysis of exception reports and non-compliance events indicated no material issues,

- No critical audit recommendations issued and no significant delays in addressing audit recommendations that were classed as 'very important' in reports of previous years.

- Statement issued by the IAS concludes that the internal control systems in place for the audited processes are effective, except for the observations in recent reports that gave rise to 6 'very important' recommendations. The IAS draws attention to combined risk DG HR is exposed to because of the two recommendations issued on the Synergies and Efficiencies review.

- The DG's annual risk assessment is integrated in annual planning exercise. Critical risks are identified and they are the subject of management attention; mitigating actions are systematically defined and implemented.

Based on the above elements and on the positive report on the quality of the accounting data, it is justified to issue a statement of reasonable assurance on the legality and regularity of the underlying transactions. DG HR is confident to have sufficient guarantees as to the completeness and reliability of the information reported.

- The Issue of the European Schools

The existence of fraud in one of the European Schools 2012 led DG HR to issue a reservation on reputational grounds in its AARs (2013 to 2016). The Commission lifted the reputational reservation in 2017 as the fraud risk resulting from a critical weakness in the field of treasury management was reduced to an acceptable level. Both the European Court of Auditors and the Internal Audit Service, which closed the related recommendations, confirmed this.

The specific issue leading to the reservation is now resolved, although some recommendations of the Court of Auditors and of the IAS related to sound financial management remain outstanding.

The European Schools, operating in an intergovernmental framework, with the Secretary-General representing the Board of Governors of the European Schools, are responsible for implementing the audit recommendations in due time. To this end, the European Schools implement a dedicated action plan and monitor progress made. The Commission follows the implementation of the recommendations issued by the IAS and other audit bodies to the European Schools and continues to provide support to the Secretariat-General of the European Schools to help reduce the risks pertaining to the weaknesses in financial governance and internal control to an acceptable level.

The Commission, as the main contributor to the ES budget, does all that lies within the limits of its possibilities to support the European Schools system in applying sound financial management and invites the Schools to participate in the development of the Commission's new administrative and financial information system. Since many of the key controls for sound financial management are embedded in this information system, adopting the latter would contribute significantly to resolving the most prominent concerns raised by the Court of Auditors and the budgetary authority regarding the structural weaknesses in the Schools' internal control systems.

In the Communication launched in April 2018, the Commission developed its vision on the necessary steps the European School System needs to take to achieve such sound financial management.

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, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

DECLARATION OF ASSURANCE

I, the undersigned, Irene SOUKA

Director-General of DG HR

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view[8].

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

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service, and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

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

Brussels, 31 March 2019

Signed

Irene SOUKA

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

2.2 Other organisational management dimensions

2.2.1 Financial Management – examples of increased efficiency and effectiveness

Information management

Increased use of Connected, led to faster and more targeted communication in 2018. The use of this communication platform results in a more efficient and direct exchange of information.

Charge-back process

The deployment of a simplified and harmonised set of Service Level Agreements led to increased oversight and a more efficient recovery of costs for the whole of the DG. The charge-back overhaul starts in 2018. The full impact of the process will be measured and followed over a longer period.

2.2.2 Human resource management & Information management aspects

In the field of data protection DG HR focussed its efforts in the implementation of the new Regulation on data protection in the EU institutions. In particular, concrete steps were undertaken to achieve the five main objective set by the action plan on data protection, adopted by the Commission in 2018.

Most importantly, a stocktaking exercise took place for the establishment of a complete inventory of the data processing operations by DG HR and the whole HR family (EPSO, PMO, OIB, OIL). The inventory encompasses around 240 data processing notifications, which are progressively converted into records in the new Data Protection Management System made available by the Secretariat General. This process also includes assessment of the compliance of each processing operation with the general data protection principles and in depth scrutiny of the information provided to the data subjects concerned through concise and intelligible privacy statements.

Last but not least, DG HR was among the leading DGs to come up with a detailed assessment of the legal bases used to restrict data subjects rights. The process resulted in the adoption of three Commission Decisions establishing internal rules governing the restrictions of data subjects rights, to ensure full compliance with the new Regulation on data protection in the EU institutions:

• Commission Decision (EU) 2019/154 of 30 January 2019 concerning access to medical files
• Commission Decision (EU) 2019/165 of 1 February 2019 concerning the activities of IDOC
• Commission Decision (EU) 2019/236 of 7 February 2019 in the area of internal security of the EU institutions

2.2.3   Better regulation

One of the main objectives of DG HR is to improve clarity and coherence of the legal texts governing staff policy, by reviewing and simplifying rules implementing the Staff Regulations where necessary.

A comprehensive programme began in 2015, comprising around 100 acts. About 15 acts were already thoroughly revised.

In 2018, 2 acts have been adopted, 3 decisions were in process of adoption at the end of the year, and 18 decisions are under revision.

2.2.4   External communication activities

Ref. Annex 2